FRANCHISEE-BASED BRAND EQUITY: THE ROLE OF BRAND RELATIONSHIP MANAGEMENT

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Notice 1

Notice 2

DECLARATION

I, the undersigned *Munyaradzi Wellington Nyadzayo*, hereby declare that this thesis is my own original work and that it has not been submitted, and will not be presented, at any other University or other institution for a similar or any other degree award. I also certify that, to the best of my knowledge, the thesis contains no material previously published or written by another person, and any help received in preparing this thesis, including all sources used, have been acknowledged.

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ABSTRACT

Prior research suggests that limited attention has been paid to business-to-business (B2B) branding. Despite compelling evidence that the brand concept is at the very core of franchising success, it is surprising that there is minimal empirical work investigating the importance of the brand in franchising. Further, extant literature suggests that building brand equity is an important strategic issue that can enhance the competitive advantage of retailers. However, despite the increased focus on retail branding, limited attention has been paid to retail brand equity and brand equity within B2B retailing contexts, especially in franchising. As a result, grounded in social exchange, transaction cost, relational equity, competence-based and identity-based brand management views, this study investigates the role of brand relationship management, brand relationship quality, and brand citizenship behaviour in enhancing brand equity in franchise markets. The study explores franchisees' perceptions of their franchise brands leading to a new model of '*franchisee-based brand equity' (FBBE)*. In particular, the study argues that as a special form of retailing, franchising calls for its own theories other than those applied in other contexts. The study also proposes that the effect of brand relationships on brand equity is moderated by both franchisor-franchisee relationship duration and franchisor competence. Additional analysis is also conducted to examine the effects of brand relationships on FBBE across low vs. high value franchisees and single-unit vs. multi-unit franchisees.

To test the franchisee-based brand equity model, the study used both qualitative and quantitative research designs. Initially, exploratory research was undertaken to investigate the research problem and validate the constructs of the proposed conceptual model. To accomplish this, sixteen (16) semi-structured interviews were conducted with franchise experts, particularly franchisees. The main study was then conducted using a quantitative research design and survey data was collected from 352 franchisees Australia-wide selected using a stratified random sampling technique. Structural equation modeling (SEM) procedures were then used to test the hypothesised relationships in the conceptual model and regression techniques were used to test for mediation and moderation effects.

Based on the literature review, the qualitative study, and the empirical findings from the quantitative study, a model is advanced that suggests that brand relationship management influences brand relationship quality and brand citizenship behaviour that ultimately enhances FBBE. The study finds that effective management of brand relationships is critical in promoting FBBE. Further, the study confirms that both brand relationship quality and brand citizenship behaviour mediates the relationship between brand relationship management and FBBE. Moreover, moderated mediation analyses indicate that the indirect effect of brand relationship management on FBBE through brand relationship quality is contingent on franchisor competence but not on the duration of the franchisor-franchisee relationship. Conversely, the indirect effect of brand relationship management on FBBE through brand citizenship behaviour is not conditional on either franchisor competence or franchisor-franchisee relationship duration. In addition, the study finds that franchisors play an important role in empowering franchisee brand citizenship behaviour. Moreover, the results show that both franchisor-franchisee relationship

duration and franchisor competence do not moderate the relationship between brand citizenship behaviour and FBBE. However, the study partially supports the moderating effects of both franchisor-franchisee relationship duration and franchisor competence on the link between brand relationship quality and FBBE. Lastly, regarding the influence of brand relationships on FBBE, the comparative analyses show no differences between low and high value franchises, while significant differences are apparent between single-unit and multi-unit franchisees.

In terms of academic contribution, the study conceptualises, operationalises and empirically investigates the concept of brand relationship management, brand relationship quality and brand citizenship behaviour to advance a novel model of *franchisee-based brand equity*. In so doing, the current study expands the current understandings of brand equity in B2B markets. Further, the study applies the identity-based brand management view to explain how brand relationships enhance franchisee-based brand equity, thereby extending the application of organisational identity theories to franchising. The study also examines the concept of brand relationships in B2B markets, a concept that has dominated consumer markets. Brand management in franchise channels remains a multifaceted and challenging issue; thus, to managers, this study identifies different roles played by franchise partners in enhancing brand equity. Hence, the study seeks to advise practitioners that brand management in franchise firms should be well-coordinated and integrated between franchisors and franchisees since both play crucial roles. Another important implication for practice relates to the importance of brand relationship management in B2B brand management. Central to the concept of brand relationship management is the notion that negative emotions and feelings towards the brand can negatively influence franchise relationships. Therefore, franchisors are advised to promote a healthy relationship between franchisees and the franchise brand. Moreover, the study seeks to inform managers that brand relationships can be managed at two stages, that is, recruitment and implementation. Franchisors are also advised that ‘age is nothing but just a number’ and need to be cognisant of the ‘dark side’ of long term relationships. Thus, regardless of whether relationships are short or long term, the continuous development of effective brand relationship practices is paramount in enhancing brand equity.

Regarding research limitations, the context of the study has been limited to Australia, and for purposes of generalisability, future research may extend the idea in well-established franchise markets such as those in the USA and microfranchising structures in emerging markets such as India. Also, franchising as a freedom-constrained environment might suppress the expression of other brand-related behaviours and further research is needed to explore other un-identified variables that might affect extra-role channel behaviour, in other principal-agent relationships such as employer-employee relationships. Further, the study examined two moderating variables (franchisor-franchisee relationship duration and franchisor competence) and other factors such as brand involvement level, centralisation or decentralisation of authority, competitive intensity or country-of-origin effects could be evaluated. Lastly, the FBBE model is based on franchisees’ perceptions and the inclusion of franchisors’ interpretations is likely to result in a more robust model of franchise brand equity.

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The most important prayer in the world is just two words long: "Thank you"
~Meister Eckhart~

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"…A man's wisdom makes his face shine, and the hardness of his countenance is changed."

~Ecclesiastes 8:1~

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CHAPTER 1

INTRODUCTION OF THE STUDY

1.1 Introduction

In many business-to-business (B2B) markets the development and management of powerful brands is fundamental to the success of the organisation (Randall, 1997). Prior research suggests that the practical relevance of B2B branding is increasing, despite earlier claims that B2B brands play an insignificant role in organisational buying decisions (Backhaus, Steiner & Lügger, 2011; Baumgarth & Schmidt, 2010; Leek & Christodoulides, 2011*b*; Roberts & Merrilees, 2007). In fact, issues of strategic brand management are viewed as a top priority in both research and management practice (Webster, 2005). However, there is limited attention that has been paid to B2B branding and academic research in this area is still in its infancy (Leek & Christodoulides, 2011*a*). Moreover, despite apparent evidence that the brand concept is at the core of franchising success (Hoffman & Preble, 2004), it is surprising that there has been limited empirical research focusing on leveraging the brand as a tool for business growth in franchising markets (Weaven, Grace, & Jones, 2011). Given this background, the current study focuses on examining how to effectively manage and promote brand equity in B2B markets such as franchising.

In this chapter, an overview of the study is provided, beginning with an outline of the background of the study, defining the key terms and identifying the research problem. The research objectives and conceptual framework are then presented. The rationale for conducting the research, potential contributions in terms of theoretical, managerial and policy implications, are then given. The research methodology is then briefly discussed and the chapter concludes with an outline of the thesis structure.

1.2 Background of the Study

A powerful brand is a key success factor that creates sustainable competitive advantage for the firm, giving it an intangible value that is difficult to imitate (Herbst & Merz, 2011; Kotler & Pfoertsch, 2007). According to Keller (2003, p. 60), brand equity is "...the differential effect of brand knowledge on consumer response to the marketing of the brand." Brand equity also refers to the added value bestowed by the brand to the product (Farquhar, 1989). As a result, firms with strong brands are able to attain a sustainable point of differentiation (Aaker, 1996*a*) and gain greater financial leverage (Ind, 1997) compared to those without. For example, Katherine Sampson, the founder and Managing Director of the Healthy Habits franchise in Australia, states that the best way to consolidate the position of a business in the market is by developing the brand (Chandler, 2009). Guided by this philosophy, Healthy Habits managed to achieve a 480 percent increase in revenue from $2.5 million to $14 million and grew from 2 stores to 32 in 18 months (BrandsRPeople2, 2010). These results emphasise the importance of brand equity to business firms in franchise channels. Thus, the enhancement of brand equity is an inevitable part of brand management (Biedenbach, Bengtsson, & Wincent, 2011). However, despite brand equity being considered important by both academic researchers and practitioners, it still remains under-researched in B2B markets (Han & Sung, 2008; Leek & Christodoulides, 2011*c*), particularly in franchise channels (Weaven *et al*., 2011).

Whilst some sectors of the economy have experienced pressure on revenues and profits due to a decrease in sales growth, most firms using franchising business model have reported comparative revenue growth (Young, 2010). Despite tough economic times and the global financial crisis, the Australian franchising sector, generated approximately $170 billion in revenue in the 2008/09 financial year, a 5.2 percent increase from the previous year (IBIS World, 2010). The success of franchise business models has been attributed to brand recognition and increased demand for established branded products and services (Nuttall, 2009) that are sold by retail franchises. Consequently, franchising in Australia has grown to become a crucial part of the economy estimated to have $130 billion in annual turnover and contributing 14 percent to GDP (Frazer *et al*., 2008). In addition, Australia is regarded as the ‘franchise capital of the world’ as it has more than three times the number of franchise systems per capita compared to the USA (Walker, 2004, p. 36).

A franchise channel is a system of interdependent firms that make products or services available to consumers through negotiation and exchange (Bordonaba-Juste & Polo-Redondo, 2008*a*). Gordon, Calantone and di Benedetto (1993) note that channel members tend to gain sustainable competitive advantage through the creation of brand equity. From the franchise channel perspective, franchisees and franchisors both share the incentive to promote and sustain franchise brand equity. However, franchisees may have little incentive to safeguard franchise brand equity if there are no negative repercussions on their short-term profits (Dant & Nasr, 1998; Watson & Johnson, 2010). In other words, “...for those franchisees whose business is characterised by non-repeat trade, there may be a temptation to undertake activities that may be injurious to the brand (e.g., through cost cutting) in return for short-term gain” (Watson & Johnson, 2010, p. 54). Therefore, in such complex settings, franchisees need to form a strong attachment with the franchise brand name in order to be motivated to enhance brand value. The Franchise Council of

Australia (FCA) summarises the role of the franchise brand as one of the key factors in franchising as follows:

> *"The franchise brand represents more than the procedures manuals and support service; it is the emotional bond between the franchisee and the franchisor. Unless the franchise brand engages the franchisees in a positive and natural dialogue, the full potential of the franchisees' input will not be realised. The contribution of the franchisees to the success of the franchise can be cost-effectively harnessed by franchisors developing and nurturing the power of the internal franchise brand." (FCA, 2008, Para. 16)*

Branding is also important in B2B markets as it is in business-to-consumer (B2C) markets (Mudambi, 2002). Indeed, prior research confirms that building brand equity is a crucial part of brand management that helps to insulate firms against competitors, and increase market share (Keller, 2003; Lynch & de Chernatony, 2004). Thus, brand equity is an important strategic tool for retailers as it can lead to improved economic performance in terms of sales and profitability (Davis & Mentzer, 2008; Nannery, 2000). However, despite the increased focus on retail branding, extant literature has not addressed the retail brand equity concept (Pappu & Quester, 2006) to any great extent. Further, to date, limited research on B2B branding has explored only the strategic and tactical issues relating to the building and managing of B2B brands (Lindgreen, Beverland & Farrelly, 2010). Thus, "Despite this increased recognition of the role brands play in business-market success, compared to our business-to-consumer cousins, we know comparatively little about brand building and brand management in business markets" (Lindgreen *et al*., 2010, p.1). Since brand equity is a result of the overall brand image created by the totality of brand associations as perceived by customers (Michell, King, & Reast, 2001), it is important for managers to clearly comprehend the role of brand building in retailing.

Firms can enhance brand value by focusing on different brand equity perspectives. There is some agreement amongst scholars (Brodie *et al*., 2002; Eagle & Kitchen 2000; Feldwick, 1996; Keller & Lehmann 2006; Keller, 1993; Myers, 2003) that at least two distinct perspectives of brand equity exist namely: customer-based and financial-based. Some researchers conceptualise brand equity in B2B settings as trade-based brand equity (Davis, 2003), retailer-perceived brand equity (Baldauf, Cravens, Diamantopoulos, & Zeugner-Roth, 2009), customer-based retailer equity (Pappu & Quester, 2006), or B2B brand equity (Kuhn, Alpert, & Pope, 2008). The current study builds on this stream of literature and proposes a different perspective of conceptualising brand equity in franchise business systems. Brand equity from the retailer's perspective is encapsulated in three conceptual ideals, namely; (i) the equity associated with the retailer's brand, (ii) the equity associated with the retailer's store brand, and (iii) the retailers' perceptions of the brand they sell (Baldauf *et al*., 2009, p. 2). Consequently, this study captures franchisees' perceptions of the brand with which they are associated, hence introducing the term *franchisee-based brand equity* (FBBE). Whilst a number of brand equity models have been advanced in prior research (e.g., Baldauf *et al*., 2009; Broyles, Schumann, & Leingpibul, 2009; Yoo & Donthu, 2001), there is need for additional models that provide detailed empirical research on brand equity in various contexts (Keller, 2003).

The customer perspective also termed customer-based brand equity (CBBE) occurs when consumers are familiar with a brand and hold favourable, strong and unique brand associations in memory (Keller, 1993). The five factors that contribute to the development of brand equity have been postulated by Aaker (1996*a*) as: brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets such as patents, trademarks, and established channel relationships. The financial perspective views brand equity in terms of the incremental discounted future cash flows that would result from branded product revenue, compared to the revenue that would be received if the same product did not have the brand name (Simon & Sullivan, 1993). Gregory and Sexton (2007, p. 23) conceptualised brand equity as a measure of the corporate brand's impact on stock performance. This concept viewed as "…brand equity as a percentage of market capitalisation…" is measured using revenue, profits, and cash flow. Alternative views held by the Financial World and the Interbrand Group, use a brand-earnings multiplier or weights to calculate brand equity (Kapferer, 1992; Wentz & Martin, 1989). The brand weights are based on both historical data (such as brand share and advertising expenditures) and individuals' judgments of factors such as product category stability, brand stability, and its international reputation. Compared with the financial approach, CBBE has dominated the literature on branding. However, whilst CBBE has received considerable attention in B2C contexts, relatively limited attention has been paid to B2B markets (Quan Tran, 2006).

Building brand equity has been identified as an important strategic issue for retailers as it can lead to improved economic performance in terms of sales and profitability (Davis & Mentzer, 2008; Nannery, 2000). Feuer (2005) posits that retailers have realised the power of branding and are now increasingly focused on brand building. However, despite this, extant literature has paid limited attention to retail brand equity (Pappu & Quester, 2006) and brand equity in the B2B retailing context (see Baldauf *et al.*, 2003; Glynn 2004; Kuhn *et al.*, 2008; Pappu & Quester, 2006). Retailers represent only one type of B2B customer markets; although, their buying behaviours have some special characteristics compared to other types of organisational customers. However, the role of retailers in building brand value for manufacturers has been assumed to be limited, resulting in manufacturers viewing retailers as making an insignificant contribution in brand building (Kuhn *et al*., 2008). Conversely, previous research has demonstrated that retailers play a crucial role in brand building (Baldauf *et al.*, 2003; Kuhn *et al.*, 2008). The importance of having good distributors cannot be underestimated because they are in daily contact with customers in their role as agents of the manufacturer (Gordon *et al*., 1993). Consequently, the manufacturer's brand image is arguably intertwined with the retailers' image carrying the brand to end-customers. Brand equity, therefore, also needs to be investigated from the retailers' or trade partners' perspective, to provide a comprehensive understanding of the role of branding in B2B marketing strategies. For instance, brand equity has been assessed from the trade partner's perspective as trade-based brand equity (Davis, 2003), whereas Baldauf *et al.* (2003) and Quan Tran (2006) present the retailer's perspective as retailer-based brand equity. In addition, Pappu and Quester (2006) describe consumer-based trade equity as the values that consumers associate with retailers, such as retailer brand awareness, retailers associations, retailer perceived quality, and retailer loyalty. Further, Davis and Mentzer (2008, p. 436) define trade equity as "... the value that accrues to a firm from being known in a trading network as a trustworthy partner".

The franchise brand is an important asset that is central to franchise organisations (Billiot, 2009). Thus, reputable brands in franchise business systems can translate into a stream of benefits to the franchisee. This can be achieved through customers' willingness to pay a premium price for a favourite brand, positive word of mouth, attracting new and retaining loyal customers, and the ability to penetrate global markets (Hutton, 1997, Netemeyer *et al.*, 2004; Sashi & Karuppur, 2002). These factors provide franchisees with value creation opportunities, as they are able to charge premium prices, increase loyalty through strong customer-brand relationships and differentiate themselves from competitors (Lynch & de Chernatony, 2004; Webster & Keller, 2004). In essence, long-lasting trade relationships play a significant role in building brand equity (Davis & Mentzer, 2008). Other researchers use the competitive advantage view (Davis & Mentzer, 2008; Delgado & Munuera, 2005; Hooley, Greenley, Cadogan, & Fahy, 2005; Srivastava, Fahey, & Christensen, 2001) to conceptualise brand equity as a relational market-based asset and an external resource that resides within B2B relationships of final users and the brand. Thus, "...brand equity ultimately derives in the market place from the set of brand associations and behaviours that have been developed towards the brand" (Delgado & Munuera, 2005, p. 188). Further, the emotive aspects of brand experience and subjective evaluations of the brand, play a crucial role in enhancing brand image (Da Silva & Syed Alwi, 2008) as well as brand equity (Christodoulides, de Chernatony, Furrer, Shiu, & Abimbola, 2006; Christodoulides & de Chernatony, 2004). Previous studies also suggest that brands can serve as relationship partners, in which brands have 'personalities' that make consumers form dyadic relationships with them (Aaker, 1991; Fournier, 1998).

To achieve sound management in B2B markets, Gupta *et al*. (2008) suggest the need to integrate brand relationship management with supply chain management through the use of brand relationship representatives that act as a communication link in B2B relationships. Thus, in competitive markets and complex B2B networks, strategically built relationships are crucial in helping firms to achieve their objectives, since business partners are exposed to various alternatives to choose from (Mithas, Krishnan, & Fornell, 2005). In franchise firms, franchisees act as the brand relationship representatives. The concept of brand relationship management (BRM) has its roots in the relationship marketing field specifically in customer relationship management and customer-centric management (Blattberg, 2000). In this light, BRM is defined as "...an integrated approach to establish, maintain, and enhance relationships between a brand and its customers, and to continuously strengthen these relationships through interactive, individualised and value added contacts, and a mutual exchange and fulfilment of promises over a long period of time" (Blattberg, 2000, p. 3). However, in B2B markets, BRM can involve the development and management of business relationships (Day, 2000) through brand building activities. Consequently, BRM entails a relationship management strategy that initiates an engaging and mutually beneficial interactive relationship between a firm and its partners to drive their brand preferences with the aim of building long-term relationships (Storbacka, Standvik, & Grönroos, 1994). The main aim of BRM is to enhance profitability and repeat purchase rates whilst reducing company customer acquisition costs and increasing business partners' emotional bonding with the brand (Gupta, Grant, & Melewar, 2008).

Consequently, from the above discussion it can be noted that well-managed brand relationships, involving effective brand communication, are likely to enhance the quality of brand relationships in franchise relationships (Duncan & Moriarty, 1998). The concept of brand relationship quality (BRQ) was proposed by Fournier (1994) as a customer-based indicator of the relationship strength between the individual customer and a brand. However, the current study adopts the BRQ concept to assess brand relationship strength between the franchisee and the franchise brand. Central to this argument is the notion that franchisees can form relationships with the franchise brand, and it is therefore rational to assess the strength of such a relationship.

Amongst other things, the major aim of BRM is to enhance franchisees' emotional attachment to the brand that eventually leads to positive brand attitudes. This positive energy reinforces extra-role or brand-consistent behaviours that enhance the franchise brand identity - a concept known as brand citizenship behaviour (BCB) (Burmann & Zeplin, 2005). Generally, BCB describes extra-role (not enforced in the contract) behaviours of internal staff aimed at enhancing brand identity (Burmann & Zeplin, 2005). One main challenge in franchising is how to configure franchise relationships so that franchisors can motivate cooperation, creative actions and involuntary behaviour in franchisees. Simply put, the question is: ‘How can franchisors encourage franchisees to engage in self-generated BCB that enhances brand identity across the franchise channel?’ To answer this question, the current study adopts the identity-based brand management view to examine franchisees’ perceptions of their franchisors, and evaluate the role played by franchisors in enhancing franchisees’ BCB. The identity-based brand management view involves the process of aligning employees’ or resellers’ behaviour with the corporate brand identity to ensure coherent customer brand experiences across all customer touch points (Vallaster & de Chernatony, 2006).

The competence of the franchisor is crucial in enhancing brand relationships in franchising. Franchisor competence refers to whether or not the franchisor possesses the necessary business skills required to ensure a successful operation of the franchise business (Prince, Manolis, & Tratner, 2009). In other words, competent franchisors strive to solve problems and possess the skills needed to safeguard the relationship and meet the needs of the franchisee (Han & Sung, 2008). Thus, franchisors are expected to possess business capabilities and know-how as well as provide a format for running the franchise business (Joseph, 1990). The relational perspective has received strong empirical support from the IMP Group’s work on industrial customer-supplier relationships (Ritter, Wilkinson, & Johnston, 2004) showing that competencies of both parties are needed for successful customer-supplier value creation. Such franchisor competencies might include operational capabilities, technological knowledge, quality, innovation, delivery and customer responsiveness (Lapierre, 2000; Prévot & Spencer, 2006).

Also, differences between single-unit and multi-unit franchisees remain unexplored (Dant, Grünhagen, & Windsperger, 2011). For example, economic theories argue that multi-unit franchising as an organisational form yields better benefits due to economies of scale compared with single-unit franchises (Dant *et al.*, 2011; Kalnins & Lafontaine, 2004). Therefore, it is worthwhile to examine whether the effects of brand relationship management on franchisee-based brand equity differs between single-unit and multi-unit franchisees. Conceptually, on the other hand, it can be posited that the higher the investment value of the franchise firm, the higher the satisfaction of the franchisees, who then become intrinsically motivated to exhibit extra role behaviour, eventually enhancing the effect of brand relationships on brand equity. Therefore, as additional analysis, the current study examines whether the influence of managing brand relationships on brand equity differs according to the value placed on the franchise, that is, between low and high value franchisees.

In conclusion, Young (2010, p.10) states that, "As the world economy continues to grow, the commodity that is becoming more valuable than gold or oil is a motivated franchisee owner-operator that is committed to building a business, a multi-store network, a region, and/or country, and the brand of a franchise network." Given this background, the current study investigates the role of brand relationship management practices in franchise channels in enhancing brand relationship quality and franchisee brand citizenship behaviour that lead to enhanced franchisee-based brand equity. The next section provides definitions of key concepts used in the study in order to facilitate understanding.

1.3 Overview and Definitions of Key Concepts

In this section, the definitions of key constructs used in this study are briefly introduced.

1.3.1 Franchisee-Based Brand Equity (FBBE)

Based on Aaker's (1991) definition of brand equity which posits that the brand creates value for all members of the channel, the current study defines FBBE as: a set of brand assets and liabilities linked to a brand, its name and symbol that add to or detract from the value provided by a product or service to a franchisee.

1.3.2 Franchise Brand

The American Marketing Association (1960) defines a brand as: a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. The term brand can be described in terms of the product/service or corporate brand. Dubbed the "…brand behind the brands" (Kapferer, 1998, p. 22), the corporate brand refers to the overall brand that represents an organisation, its products and/or services and its values (de Chernatony, 2006). Therefore, in this study, the franchise brand refers to the corporate brand of the franchise organisation.

1.3.3 Brand Relationship Management (BRM)

Based on the definition of brand relationships discussed in Section 1.3.3, this study adopts the term BRM in franchise relationships to refer to partner-oriented relationship management strategies that are focused on developing and managing sustainable franchise relationships through the franchise brand. In other words, this relates to the activities involved in the development and management of the relationship between the *franchisor* and the *franchisee*.

1.3.4 Brand Relationships

The concept of brand relationships refers to the interactive process (relationship) that exists between the consumer and the brand (Blackston, 2000). Duncan and Moriarty (1998) describe brand relationships as the relationship that exists between a brand or company and its stakeholders. It is important to note that in this study, brand relationships in franchise systems refer to the relationship between the *franchisee* and the *franchise brand* (not the franchisor).

1.3.5 Brand Relationship Quality (BRQ)

As mentioned above, the concept of BRQ was introduced as a customer-based indicator of the relationship strength between the customer and the brand (Fournier, 1994). In this study, BRQ is used to measure the strength of relationship between the franchisee and the franchise brand. Thus, since franchisees are likely to form similar relationships with the franchise brand, it is therefore rational to assess the strength of such a relationship as being either good or bad.

1.3.6 Brand Citizenship Behaviour (BCB)

The term *brand citizenship behaviour* originates from the organisational citizenship behaviour that describes employees' generic behaviour or extra-role behaviour aimed at enhancing brand identity (Burmann & Zeplin, 2005). Central to this concept is the understanding that these positive behaviours are extra roles that are voluntary but nevertheless crucial to the establishment of the brand. For example, in the franchise contract, the franchisor is not expected to compensate the franchisee for performing any of these extra roles; however, as a citizen of the brand, the franchisee will perform such roles for the 'good' of the brand.

Above, the background of the study and an overview of key concepts were presented. The next section presents the research problems of the current study.

1.4 Research Problem

Changing market dynamics, proliferation of new distribution and communication channels, intensively expanding interconnected networks and alliances in B2B retailing markets have stirred firms to adopt similar brand building strategies to those used in B2C markets (Helm & Jones, 2008; Mudambi, 2002). Brand managers are struggling to create differentiated value, as markets are becoming more commoditised with little brand differentiation in the eyes of customers (Blattberg, 2000). Ironically, customer's expectations continue to soar with increasing demands for value from brands (de Chernatony & McDonald, 2010). In such business environments, the process of delivering coherent consumer brand experiences and developing brand equity, become more complex yet critical. The term brand equity emerges from various researchers' attempt to describe the relationship between customers and the brand (Wood, 2009). Therefore, it is crucial for any business to ensure consistent brand management that enhances the quality of brand relationships. However, research efforts regarding these issues have focused mostly on B2C markets rather than B2B markets and limited attention has been paid to B2B branding (Leek & Christodoulides, 2011*a*).

Brand management in franchise channels is unique (Pitt, Napoli, & Merwe, 2003) and evidence shows that the brand concept is central to franchising success (Hoffman & Preble, 2004). However, it is surprising that there has been limited research on the importance and use of the brand leverage as a growth mechanism in franchise markets (Weaven *et al*., 2011). A franchise channel is a system of interdependent firms that make products or services available to consumers through negotiation and exchange (Bordonaba-Juste & Polo-Redondo, 2008*b*). In conventional B2B channels, dyadic relationships can be assumed to be equal, yet this is not the case in franchise systems. In franchise channels, the franchisor sells contractual rights to franchisees to market goods and services using its brand name and business practices (Combs, Michael, & Castrogiovanni, 2004). Consequently, the distribution of products in franchises is governed by a contract as a vehicle that centralise operations and control the efforts of other members in the channel (Ronald & House, 1971). In such constrained business environments, franchisees need to develop a strong attachment to the franchise brand name in order to increase brand value. Thus, besides the legal contract, there is need to understand other factors that can contribute to the creation of franchise brand value and the franchise channel as a whole. Hence, the current study investigates the following research questions:

i. *How to effectively manage and promote brand equity in franchise channels?*
ii. *What promotes franchisees' brand citizenship behaviour in franchise channels?*
iii. *Does franchisor competence and franchisor-franchisee relationship duration influence the effect of brand relationships on brand equity?*

1.5 Research Objectives

Primarily, this study investigates whether the effect of brand relationships on franchisee-based brand equity is mediated by brand relationship quality and brand citizenship behaviour and moderated by both franchisor competence and franchisor-franchisee relationship duration. The specific research objectives of the current study are to investigate the:

i. relationship between brand relationship management and franchisee-based brand equity;
ii. relationship between brand relationship management and brand relationship quality;

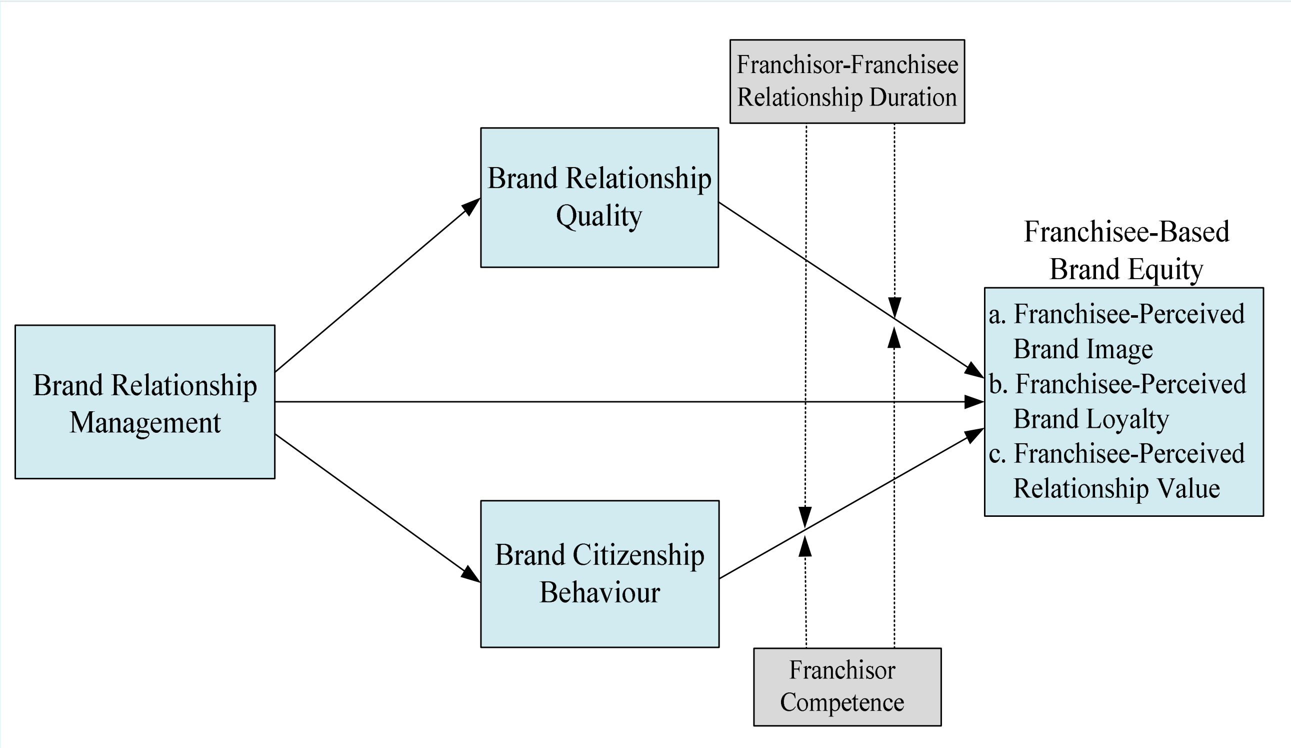
iii. effect of brand relationship quality on franchisee-based brand equity;
iv. mediating effects of brand relationship quality on the link between brand relationship management and franchisee-based brand equity;
v. relationship between brand relationship management and brand citizenship behaviour;
vi. effect of brand citizenship behaviour on franchisee-based brand equity;
vii. mediating effects of brand citizenship behaviour on the link between brand relationship management and franchisee-based brand equity;
viii. moderating effects of franchisor competence on the link between brand citizenship behaviour and franchisee-based brand equity;
ix. moderating effects of franchisor competence on the link between brand relationship quality and franchisee-based brand equity;
x. moderating effects of the franchisor-franchisee relationship duration on the link between brand citizenship behaviour and franchisee-based brand equity;
xi. moderating effects of the franchisor-franchisee relationship duration on the link between brand relationship quality and franchisee-based brand equity;
xii. integrated model linking brand relationship management, brand relationship quality, brand citizenship behaviour and franchisee-based brand equity;
xiii. differences in the effect of brand relationship management on franchisee-based brand equity between low and high value franchisees (value of the franchise); and
xiv. differences in the effect of brand relationship management on franchisee-based brand equity between single-unit and multi-unit franchisees (type of franchise ownership).

To test these research objectives and answer the research questions, a conceptual model has been developed as shown in Figure 1.1.

1.6 Conceptual Framework

Grounded in a triangulation of transaction theory, social exchange theory, relational equity theory, competence theory and identity-based brand management view, this study investigates the role of brand relationships in enhancing brand equity in franchise markets. Specifically, the study proposes that brand relationship management (BRM) positively influences franchisee-based brand equity (FBBE) through the mediating effects of brand relationship quality (BRQ) and brand citizenship behaviour (BCB). Further, the study proposes that franchisor competence and the duration of the franchisor-franchisee relationship moderate the effect of brand relationships on FBBE. In fact, the study argues that the more competent the franchisor, the stronger the effect of BRM on FBBE. In addition, it is proposed that the effect of BRM on FBBE is stronger in long-term franchisor-franchisee relationships than short ones. In sum, BRM (independent variable) is proposed to influence FBBE (dependent variable) through BRQ and BCB (mediating variables), whose effects can be strengthened by franchisor competence and franchisor-franchisee relationship duration (moderating variables) as shown in Figure 1.1. It is also important to note that, FBBE was conceptualised as a three-dimensional construct (i.e., *franchisee-perceived brand image*, *franchisee-perceived brand loyalty* and *franchisee-perceived relationship value*). Whilst, BRM, BRQ, BCB, franchisor competence, and franchisor-franchisee relationship duration are operationalised as first-order constructs. The proposed interrelationships among constructs are shown in Figure 1.1.

Figure 1.1: Conceptual Framework



Source: Developed for this study

1.7 Justification of the Study

The past two decades or so have witnessed increasing practical and academic interest in, and the emergence of issues related to the building and measuring of brand equity. As mentioned above, despite the power of branding being widely acknowledged in B2C markets, the nature and importance of branding in B2B markets remains under-researched (Kuhn *et al*., 2008). In extant literature, considerable research work has focused on brand equity from the customer perspective (see, Gil *et al*., 2007; Kayaman & Arasli, 2007; Keller, 1993; Netemeyer *et al*., 2004; Pappu, Quester, & Cooksey, 2005; Yoo & Donthu, 2001), yet, understanding brand equity in consumer markets *per se* provides only a partial explanation of the brand equity of the firm (Davis, 2003). Webster (2000) concedes that traditional ways of thinking about branding from a consumer perspective results in incomplete conceptualisation of branding from academic perspectives, leading to incomplete brand management by the firm. Hence, to provide a more comprehensive approach of understanding brand equity, Davis (2003) suggests that brand equity should be assessed in terms of both B2C and B2B markets.

Brand building is considered the best way of doing business in volatile markets (Aaker, 1996*b*; Pappu *et al*., 2005). In particular, B2B firms need to continuously devise strategies aimed at building, managing and protecting brand equity. Thus, B2B brands provide firms with cash flow benefits, increase network power (Hague & Jackson, 1994), enhance competitive advantage and corporate reputation (Beverland, 2005; Lamons, 2005), raise barriers to entry (Michell *et al*., 2001) and widen consumer choices (Vrontis & Papasolomou, 2007). Thus, firms with strong brands benefit from greater trade leverage, higher margins, ease of extending lines, ability to withstand competition, and defence against price competition. Further, well-managed brand identity enhances business customers' perception of product and service quality and value (Cretu & Brodie, 2007). In the past, most organisations' brand building efforts were focused on acquiring, launching or aggressively extending brands to expand the business portfolio. However, in current markets, the focus is on achieving the most from existing brands through better organisation and management of brand relationships within the existing portfolio (Petromilli, Morrison, & Million, 2002). Therefore, creating and maintaining strong brands has become increasingly important in today's intensely competitive environment. The importance of building brand equity has been well-received in both academic and corporate contexts (Aaker, 1991; Keller, 1993; Kuhn *et al.,* 2008; Mudambi, 2002; Pappu & Quester, 2006). As a result, brand building is increasingly discussed in strategic planning among senior level decision makers throughout the corporate world (Petromilli, *et al*., 2002). Yet, there is still only limited research on B2B brands (Leek & Christodoulides, 2011*b*).

Generally, franchising represents an important area of academic research in marketing (Varadarajan, 2003). Compared to other conventional B2B situations, brand management practices are relatively different in franchise business systems. For example, Pitt *et al*. (2003, p. 414) argue that the process of brand management provides a unique challenge to franchises as (i) the responsibility for developing and managing a successful brand rests with all parties involved in the agreement; (ii) neither franchisors nor franchisees have total control of the brand management process; and (iii) all parties are mutually dependent on one another. This suggests that branding activities in franchising should be evenly coordinated and well-integrated among all parties involved, in order to avoid the negative consequences of brand mismanagement. However, despite this uniqueness of franchise systems, there is limited academic research that explains the influence of brand relationships on brand equity in this particular marketing channel. As a result, the current study contributes to this research stream. It has also been reported that managing relationships in franchising remains the biggest challenge (Franchise Business, 2008). Hence, the current study also contributes towards the development of an integrated model that contributes to effective management of franchise brand relationships. Also, according to the knowledge of the researcher limited empirical work to date has integrated the concept of brand relationship management, brand citizenship behaviour, brand relationship quality, franchisor competence, franchisor-franchisee relationship duration to conceptualise brand equity within the franchise context.

1.8 Research Significance

The potential contributions of this study include both theoretical and managerial implications, as well as the Australian franchising industry as discussed in the following sections.

1.8.1 Theoretical Contributions

i. The study expands the theoretical understanding of the recent discussions on brand equity in B2B markets by introducing a new concept of *franchisee-based brand equity*, conceptualised as a three-dimensional construct comprised of (a) *franchisee perceived relationship value,* (b) *franchisee-perceived brand image,* and (c) *franchisee-perceived brand loyalty.*

ii. Recently, researchers have acknowledged the importance of the organisational identity theory in franchising to explain the process of realigning franchisees to the goals of the franchisors (Lawrence & Kaufmann, 2011; Zachary, McKenny, Short, Davis, & Wu, 2011). Hence, the study presents a valuable extension by utilising the inside-out approach to brand management (identity-based brand management) to explain how franchisees' relationship with the brand is crucial in enhancing brand equity.

iii. The study conceptualises brand relationships in B2B markets, a concept that has dominated consumer markets (Aggarwal, 2004) but remains unexplored in business markets. To do this, the study operationalises brand relationship management as a multi-dimensional construct (that is, information sharing, brand architecture, conflict handling, franchisor support, exercise of power and structural bonding). In addition, the study identifies two stages at which franchisors should manage brand relationships: (i) recruitment and (ii) implementation stage.

iv. The study explores how top management (franchisors) can promote franchisees' voluntary action, cooperative behaviour and brand citizenship behaviour, thereby enhancing franchisee-based brand equity.

v. In extant literature, the concept of brand equity is mostly discussed based on two main explanations: the customer and financial perspective. Therefore, by operationalising and advancing the franchisee-based brand equity model, the current study contributes to the research stream that has conceptualised brand equity in B2B markets.

vi. Lastly, brand management in franchise channels remains a complex issue that presents many challenges to practitioners, yet relatively limited research has investigated the concept of brand equity in franchise channels (Weaven *et al*., 2011). Thus, the study advances a model that explains the importance of brand relationships in driving both brand relationship quality and brand citizenship behaviour, ultimately enhancing franchisee-based brand equity.

1.8.2 Managerial Implications

The relationship between the franchisor and franchisee should be mutually-rewarding and healthy at all times. Both parties enter into the relationship expecting a certain level of equity and other mutual benefits. However, in most cases, the franchisor is usually favoured by the contract as the senior partner, and ultimately at the expense of the franchisee. This study asserts that franchisees play an important role in the franchise relationship because they are the 'contact point' with end-customers; hence, their performance affects the entire franchise channel system. Therefore, by analysing this dyad from the franchisee's perspective, the study seeks to advise managers as discussed below.

i. Perhaps the most important implication for practice relates to the importance of BRM in B2B brand management. This suggests that managers, particularly franchisors, need to comprehend the concept of BRM and the various dimensions that govern it as identified in this study. Central to the concept of BRM is the notion that negative emotions and feelings towards the brand, can negatively influence franchise relationships. Therefore, franchisors are advised to promote and maintain a healthy relationship between franchisees and the franchise brand.

ii. With regards to brand relationship management, the study seeks to advise B2B managers and franchisors that brand relationships should be managed at two stages, that is, (i) the recruitment and (ii) implementation stages.

iii. The study also identifies various ways in which franchisors can help promote brand citizenship behaviour in their franchisees. For instance, the study discovers that continual support from franchisors and quick solutions to conflicts are paramount in reducing free-riding and non-compliance behaviour, thereby enhancing brand endorsement, helping behaviour and brand enthusiasm.

iv. Previous research attests that it is difficult to determine who makes important brand decisions in franchise relationships since neither the franchisor nor franchisee has complete control over brand building (Pitt *et al.*, 2003). The current study recommends that franchisors need to establish transparent, equally-involving and unconstrained structures to encourage franchisees to engage in BCB, which in turn leads to higher brand equity. Thus, the study helps to clarify the roles played by different franchise channel members (particularly franchisees) in contributing to brand equity.

v. The study examines the role of franchisor competence in strengthening the quality of brand relationships. Thus, providing managers with calls to invest equally in structures that enhance their capabilities, since this is a crucial part of enhancing strong brand relationships necessary to increase brand equity. In other words, franchise managers need to know that brand building efforts centralised on managing brand relationships per se are insufficient to enhance the franchisee-based brand equity.

vi. Franchisors are also advised that ‘age is nothing but just a number’ and should not be used as a criterion in choosing when to invest more resources and energy in managing brand relationships. Thus, whether in short- or long-term relationships, the continuous development of a positive brand relationship system is paramount to foster brand equity.

vii. Lastly, the study seeks to advise managers that brand relationship management should not be contingent on the value of the franchise firm’s investment. That is, regardless of the value of the franchise firm, both franchisors and franchisees are strongly motivated to invest equally in structures that promote high quality brand relationships.

1.8.3 Australian Franchising Industry

As mentioned above, franchising is crucial to the Australian economy. In addition, Australia has reported more franchises per capita than any other nation in the world (Walker, 2004), employing about 690 000 people and contributing approximately 14% to GDP (Frazer *et al.*, 2010). Thus, research in such an environment is crucial. Empirical research integrating brand relationship management, brand citizenship behaviour brand relationship quality, franchisor competence, franchisor-franchisee relationship duration, and brand equity from the franchisee’s perspective has not been empirically investigated in this context. Therefore, this study seeks to provide franchise practitioners and other stakeholders with sound suggestions for enhancing their brand value, through an effective system of managing brand relationships.

1.9 Research Methodology

The study employed both the qualitative and qualitative techniques. Initially, exploratory research was undertaken to investigate the research problem and establish the boundaries and contents of the key constructs to be tested (Lincoln & Guba, 1985). To accomplish this, pilot studies were conducted with franchise key informants such as managers, supervisors, franchise experts and mainly franchisees as the main source of data. The main study was then conducted through a survey technique using a self-administered questionnaire with franchisees that were selected through stratified random sampling. The mail and online survey technique were used in the study as they cover geographically dispersed locations at reasonable costs and allow key informants to respond at their convenience. In total, 352 usable surveys were collected. A descriptive approach was used to examine the proposed hypotheses. Data were analysed by means of descriptive statistics, regression analyses and structural equation modeling.

1.10 Thesis Structure

The remainder of the thesis is structured as follows:

CHAPTER 2: Theoretical Foundations

In this chapter, the theoretical grounding underpinning the study is discussed through the triangulation of the Transaction cost theory (TCT), Social exchange theory (SCT), Relational equity theory, Competence theory (CT) and the identity-based brand management view. In addition, a detailed discussion of brand equity is provided, focusing on the different dimensions of brand equity namely, customer-based, financial and trade-based views.

CHAPTER 3: Literature Review

In this chapter, the main dependent variable of the study, that is, franchisee-based brand equity is discussed. Further, previous literature is reviewed to conceptualise the antecedents of franchisee-based brand equity (i.e., brand relationship management, brand relationship quality and brand citizenship behaviour). The moderator variables (i.e., franchisor-franchisee relationship duration and franchisor competence) are then discussed. In sum, the chapter provides a detailed explanation of the interrelationships between the constructs, eventually leading to the development of the research propositions and the initial conceptual model.

CHAPTER 4: Research Context: Franchising in Australia

In this chapter, the research context, that is, Australian franchising is discussed. A brief history of franchising in Australia is provided, followed by the definition of franchising and a description of different forms of franchising. The nature of the industry and its contribution to economic growth and employment creation are highlighted. Lastly, the franchise relationship and its governance structures are discussed.

CHAPTER 5: Research Methodology

In this chapter, the research methodology used in this study is discussed. The chapter is divided into two sections. In Section A, the exploratory research methodology, that is, data collection methods, sample of participants, qualitative data analysis, evaluation of the research and ethical issues are then discussed. The main findings and conclusions from the qualitative study are presented. Finally, based on the explorative results, the chapter concludes by advancing an informed conceptual model and outlining the research hypotheses. In addition, Section B the research design used in the quantitative study particularly the sampling methodology is discussed focusing on the sampling frame, sampling technique, and the sample size. The chapter also outlines some critical ethical considerations and confidentiality issues underlying the study and how these were managed.

CHAPTER 6: Measurement Purification Procedures

In this chapter, the measurement purification procedures used to assess reliability and validity of measurement items are presented. The chapter also discusses the procedures used in addressing common method bias. To conclude the chapter, the data analysis procedures used in this study, are then briefly discussed.

CHAPTER 7: Quantitative Data Analysis and Results

In this chapter, the conceptual model is tested and the results are presented. The chapter begins by testing measurement invariance to examine if respondents from different conditions conceptualised measurement scales of the same construct equivalently. The chapter is then structured in different sections. Section A investigates the direct relationships between brand relationship management (BRM) and franchisee-based brand equity (FBBE). Section B provides the results regarding the relationships between BRM, brand relationship quality (BRQ) and FBBE and further examines the mediating effect of BRQ on the relationship between BRM and FBBE. Section C examines the relationships between BRM, brand citizenship behaviour (BCB) and FBBE and also presents findings of the mediating effect of BCB on the relationship between BRM and FBBE. The moderating roles of franchisor competence and franchisor-franchisee relationship duration on specific structural relationships are investigated in Section D. Lastly, in Section E the integrated model for FBBE is investigated, with the aim of providing a holistic insight into the interrelationships among various variables proposed in this study. Moreover, the results of the study are summarised and presented. Lastly, the integrated FBBE model is tested to compare its structural relationships across different franchising categories.

CHAPTER 8: Discussion, Conclusions, Implications, Limitations and Future Research

In this chapter, the results outlined in Chapter 7 are discussed with reference to extant literature and the qualitative results outlined in Chapter 5, leading to conclusions of the findings of this study. In addition, the study's implications for managers and marketing theory are outlined. The chapter concludes with research limitations and suggestions for future research that will possibly add to the current body of knowledge in this research field.

1.11 Chapter Summary

This chapter provided an overview of the current study by outlining the background of the study and identifying the potential research problems. Subsequently, the research objectives were outlined and the summarised conceptual framework was presented. In addition, the rationale for conducting the research was provided and the potential contributions were outlined citing both theoretical and managerial implications within the context of the Australian franchise industry.

In Chapter 2, the foundational theories used in this study are discussed. In advancing the franchisee-based brand equity model, the study combines the postulations of the transaction cost theory, social exchange theory, relational equity theory, competence theory as well as the identity-based brand management perspective. In addition, the concept of brand equity, in particular the way it resonates in B2B markets, is explored.

CHAPTER 2

THEORETICAL GROUNDING

2.1 Introduction

In Chapter 1, the current study was introduced by outlining the research background, research problems and objectives, conceptual framework, significance of the research as well as research implications. In this chapter, the theoretical framework underpinning the research study is discussed. That is, transaction cost, social exchange, relational equity, competence, and identity-based brand management theories are integrated to investigate the influence of brand relationships in developing and maintaining brand equity in franchises. In addition, a comprehensive literature review of brand equity focusing on customer-based, financial-based and trade-based brand equity is undertaken. More focus is placed on discussing the application of brand equity in B2B markets (trade-based brand equity) and its determinants within the franchising context. The chapter concludes by providing the conceptual framework and research propositions.

2.2 Theoretical Background

The notion of relational and economical value of brands can be attributed to and supported by a number of theories. Louro and Cunha (2001, p. 865) state that "...relational perspectives conceptualise brand management as an ongoing dynamic process, without a clear beginning and ending, in which brand value and meaning is co-created through interlocking behaviours, collaboration and competition between organisations and consumers." As a result, Davis & Mentzer (2008) propose the concept of relational resources attributed to the relational ties that link a firm and its stakeholders. Such resources are considered a source of competitive advantage as they are difficult to imitate, imperfectly mobile, and have no readily available substitutes (Barney, 1991; Davis & Mentzer, 2008). On the other hand, some theorists have used resource constraint, agency and search cost theories to explain franchising (Hopkinson & Horgath-Scott, 1999). However, research in B2B marketing and channel relationships has followed different schools of thought focusing mostly on the economic or behavioural nature of the associations (Luo & Donthu, 2007; Monroy & Alzola, 2005). Consequently, channel and organisational analysis has led to the development of channel theory that focuses mostly on new organisational forms that are more flexible and relationship-oriented than transactional (Nevin, 1995). Such analysis has been applied in interaction, social or economic exchange theories to evaluate performance levels of supply chain and/or inter-firm relationships (see Matanda, 2002; Mentzer, 2004). However, Hopkinson and Horgath-Scott (1999) acknowledge lack of research that integrates both the economic and behavioural factors in franchised marketing channels.

Economic theories such as search cost theory have proposed that there are particular micro-economic advantages that accrue to an agent such as a franchisor that are not found in other (non-franchised) channels (Hopkinson & Horgath-Scott, 1999; Minkler, 1992). A behavioural stream has focused on the behavioural aspects of franchised channels and examines factors such as trust, conflict (Hopkinson & Horgath-Scott, 1999) and power and communication (Harmon & Griffiths, 2008) in franchise relationships. By comparison, Combs and Kitchen (1999) observed that franchising can be explained by either resource scarcity theory or agency theory. Resource scarcity theory conceives franchising as an engine to redress the financial and human capital challenges faced by other non-franchised firms that are critical for growth. Whereas, the agency cost theory suggests that firms venture into franchising to overcome monitoring problems and agency costs associated with free riding (Harmon & Griffiths, 2008; Hopkinson & Horgath-Scott, 1999). Whilst these theories provide the guidelines for selecting franchising, they provide only a limited explanation of the behavioural concerns of relational exchanges within franchise systems (Combs *et al.,* 2004; Harmon & Griffiths, 2008).

A number of theoretical perspectives have been advanced to explain behavioural or economic factors of the firm (e.g., Anderson & Weitz, 1992; Heide & John, 1992). For example, the Resource-Based View (RBV), contractual theory, competence theory, agency theory, transaction cost theory, partnership and alliance theory, stakeholder theory, social exchange theory, and relational exchange theory (see Gottschalk & Solli-Saether, 2005). Partnership and alliance theory contends that cooperative efforts between two or more firms that pool their resources together can help both organisations to achieve mutually compatible goals compared with individual efforts (Lambe, Spekman, & Hunt, 2002). On the other hand, the contractual theory posits that "...a complete contract reduces the uncertainty faced by organisational decision-makers and the risks stemming from opportunism on the part of one or more contracting parties" (Gottschalk & Solli-Saether, 2005, p. 688). On the other hand, the stakeholder theory endorses the position that firms have the responsibility to fulfil their obligations to stakeholders for moral reasons (Gottschalk & Solli-Saether, 2005).

In franchising literature, three widely-used explanations of franchise business systems emerge, namely resource scarcity theory, agency theory and search cost theory. Thus, "…franchising is seen as a reaction to resource constraints or as an efficient system to overcome the principal-agent problem, or is explained as having search cost benefits that increase channel effectiveness"

(Hopkinson & Horgath-Scott, 1999, p. 831). However, whilst these theories recognise the motivations and collaborative efforts in franchise business systems, they fail to capture behavioural concerns that characterise such relational exchanges (Harmon & Griffiths, 2008). In fact, to date, there seems to be no theoretical integration that explains value creation attributable to branding in franchise channels. Zachary *et al*. (2011) point out that there is lack of theoretical integration in investigating franchising phenomena. In addition, Neuman (2002) argues that triangulation of theory can assist in generation of new ideas and help provide a better understanding of the phenomenon. Therefore, this study integrates the Transaction Cost Theory (TCT), Social Exchange Theory (SET), Relational Equity Theory (ET), Competence Theory (CT) and the Identity-based Brand Management view to examine brand management within franchise relational exchanges. The next sections discuss these theories and their application to the current study.

2.2.1 Transaction Cost Theory

The Transaction Costs Theory (TCT) is based on the premise that the costs of economic exchange (i.e. the costs of transacting) can be too high in certain circumstances (Grover & Malhotra, 2003). Such costs can be a result of incomplete contracts that lead to subsequent changes in balance of power between partners (Williamson, 1979). For example, information costs are associated with search for information and negotiation costs accrue from contract negotiating and drafting. TCT is based on two main assumptions, namely: bounded rationality and opportunism (Rindfleisch & Heide, 1997). Bounded rationality assumes that the rationality of decision makers is constrained due to their inability to receive, sort, retrieve and communicate information. Whereas, opportunism entails the act by decision makers to greedily seek to advance their own self-interests at the expense of the partnership (Rindfleisch & Heide, 1997). Such behaviour includes cheating, lying or other more subtle forms of deceit that violate the contractual agreement (Rindfleisch & Heide, 1997; Williamson, 1985). Grover and Malhotra (2003) view bounded rationality and opportunism as totally different facets of TCT whose interaction results in transaction costs. According to Rindfleisch and Heide (1997), the application of TCT in marketing literature and related disciplines has been classified into four main domains, namely: (i) vertical integration, (ii) vertical interorganisational relationships, (iii) horizontal interorganisational relationships, and (iv) tests of TCT assumptions.

Thus, for a number of reasons, TCT could be an appropriate theoretical framework to explain the franchise business system (Hopkinson & Hogarth-Scott, 1999). First, the two main assumptions of TCT, namely bounded rationality and opportunism, are central behavioural characteristics in franchising. Second, TCT is widely used in franchising together with the agency theory

(Williamson, 1985). Third, TCT also explains the asset-specific investments made by one party in a relationship that can be translated as transaction risk (Grover & Malhotra, 2003). Similarly, TCT "...highlight the investment in transaction-specific assets, which in effect creates hostages within inter-organisational relationships (Hopkinson & Hogarth-Scott, 1999, p. 834). Lastly, TCT has also been applied when examining whether governance problems can be attenuated without common ownership in vertically integrated structures (Rindfleisch & Heide, 1997). For example, Stump and Heide (1996) looked at a variety of alternative governance mechanisms such as partner selection, incentive design and monitoring to organise transactions and avoid costs associated with such transactions. In addition, Anderson and Weitz (1992) applied TCT in manufacturer-distributor relationships and found that pledges as idiosyncratic investments are crucial in establishing commitment which is central to long-term oriented relationships.

John (1984) empirically tested the validity of the TCT's assumptions within the franchise context and found franchisee opportunism to be positively related to franchisors' use of coercive power but negatively related to the use of referent power. Heide and John (1992) found that buyer-specific investments are positively related to control over supplier decisions only in cases where both parties possess similar relational norms. Further, Grover and Malhotra (2003) applied TCT to supply chain management and operations management contexts and established that transaction costs can be used to explain the effort, advantage, problems and monitoring of inter-firm relationships. Consequently, Hobbs (1996, p. 15) noted that "...transaction costs analysis represents one possible approach to understanding and evaluating supply chain management and has the potential to be combined in an interdisciplinary setting with the insights provided by the marketing, logistics and organisational behaviour literature." On the negative side, the use of TCT has several shortcomings since the obtaining of actual measures of transaction costs is problematic (Globerman & Schwindt, 1986). However, to overcome this problem, some researchers incorporate behavioural measures (Anderson & Weitz, 1992). For example, Heide and John (1990) developed a buyer-seller relationship model that was composed of both transaction and relational measures. In the current study, TCT is used to explain how idiosyncratic investments help franchises to manage the brand and enhance brand equity. Some critics of TCT argue that the theory fails to recognise the hierarchical governance mechanisms that can promote opportunistic behaviour rather than reduce it (Ghoshal & Moran, 1996). Others argue that trust, which can serve as a substitute for formal contracts and controls in relational exchanges, is under-represented in TCT (Griesinger, 1990; Hill, 1990). In this light, the current study also uses SET to offer some explanations overlooked by TCT.

2.2.2 Social Exchange Theory

Social exchange describes the voluntary actions of individuals who are motivated by the mutual benefits every partner in the exchange is likely to obtain (Gottschalk & Solli-Saether, 2005). In other words, parties in a social exchange are motivated by scarcity of resources that prompts them to engage one another to obtain valuable inputs. Social Exchange Theory (SET) is also viewed as a continuous mutual process in which actions are based on rewarding reactions from other parties (Das & Teng, 2002). Additionally, social exchange explains the intrinsic value embedded in the relationship and goes beyond the extrinsic and economic value of the offerings being exchanged (Luo & Donthu, 2007). From a sociologist's point of view, social capital has been used to examine the benefits of relational ties among firms on economic action (Coleman, 1988). Accordingly, social capital is a crucial source of value that explains the connections and positions of firms in relation to resources embedded in a network, that can help shape its expectations and opportunities (Davis & Mentzer, 2008).

In extant literature, SET has been used to explain inter-firm relationships in industrial marketing. For example, the theory has been used to analyse dyadic inter-organisational relational exchanges and develop behavioural organisational models that explain how partnerships develop (Cook & Emerson, 1978). Anderson and Narus (1984) adapted SET to empirically test the association of conflict, control, satisfaction, and dependence as dimensions of inter-firm relationships and found conflict, satisfaction, and control to significantly influence such relationships. Further, Anderson and Narus (1995) used SET to analyse relationships within distribution networks, whilst Boyle, Dwyer, Robincheaux, and Simpson (1992) combined the economic exchange theory and SET to examine relationalism and governance in inter-firm strategies. SET has been found to be relevant to franchising (Grönroos, 1994; Harmon & Griffiths, 2008; Wilson, 1995) as exchanges in franchising are mostly driven by self-interest, characterised by cooperation and reciprocity in terms of mutually economic and non-economic results (Frazier & Rody, 1991; Metcalf, Frear, & Krishnan, 1992). Also, SET has been applied in franchise relationships, where reciprocity is recognised as a key driver of relationship value (Harmon & Griffiths, 2008). One of the fundamental principles of SET is that trust, loyalty and mutual commitment should prevail in order to achieve long-term relationships (Cropanzano & Mitchell, 2005). Accordingly, SET suggests that in order to sustain long term idiosyncratic investments, trust should exist between exchange partners (Luo & Donthu, 2007) and to foster such social exchanges, there is need for behaviours that are directed towards relationship maintenance (Gottschalk & Solli-Saether, 2005). The main characteristics of SET (that is, reciprocity, cooperation, trust, mutually beneficial relationships) are crucial elements of relationship quality which enhances brand citizenship behaviour, thereby enhancing brand equity. However, so as to provide a complete explanation of how relationships can be translated into economic equilibrium among exchange partners, the present study also integrates the relational equity theory.

2.2.3 Relational Equity Theory

According to Harmon and Griffiths (2008, p.257) equity theory "…focuses upon outcome evaluation that results from relationships characterised by economic productivity objectives and suggests that parties in exchange relationships compare their ratios of exchange inputs to outcomes". Geyskens (1998) elaborates that parties can benchmark their own ratios to those of (i) the exchange partner, (ii) other firms who interact with the exchange partner, and (iii) one of their best alternative exchange partners. When perceived inputs or outcomes in the franchise relationship are psychologically inconsistent with perceived inputs or outcomes, inequity is said to prevail (Harmon & Griffiths, 2008). Alternatively, when one's ratio of inputs to outcomes is considered to be consistent across the partnership, equity prevails and all parties are satisfied (Ganesan, 1994; Harmon & Griffiths, 2008). Eventually, when equity exists, confidence is stimulated, thereby inhibiting opportunistic behaviours between parties who have become concerned with each other's welfare (Ganesan, 1994). However, when inequity results in franchising non-compliance, opportunistic behaviour and free-riding behaviour can be invoked, which in turn negatively affects the franchise relationship.

Although TCT, SET and ET provide fundamental explanations that are pivotal to inter-firm relationships (particularly franchise relationships), they do overlook the role played by a firm's resources and its capabilities in enhancing its competitive advantage. Section 2.2.4 below first explains the RBV which has led to the introduction of competence theory that is also central to the present study.

2.2.4 The Resource Based View

The RBV traces back to Penrose (1959) when the view adopted an internal orientation, describing firms as heterogeneous entities that are made up of bundles of idiosyncratic resources. According to the RBV, both tangible and intangible internal resources are available to a firm and offer it a unique advantage in providing value to its consumers (Hunt & Morgan, 1995). Stated differently, the RBV argues that organisations gain and sustain competitive advantages through the deployment of resources and capabilities that are inelastic in supply (Barney, 1991; Peteraf, 1993). Further, RBV states that a firm's profitability is related to the internal development of resources, the nature of those resources, and different methods of employing resources (Wernerfelt, 1984). Later on, Dierickx and Cool (1989) extended RBV by arguing that it is the accumulated stock of resources that matters and not the flow of resources and competitive advantage that results from those resources that are non-tradable, inimitable, and non-substitutable which are usually measured in terms of above-normal rents. In support, Barney (1991) also identified four characteristics of resources essential for gaining sustainable competitive advantage, namely: value, rarity, imperfect imitability, and imperfect substitutability. Moreover, for competitive advantage to be created, the resources must "... provide economic value and must be presently scarce, difficult to imitate, non-substitutable, and not readily obtainable in factor markets" (Gottschalk & Solli-Saether, 2005, p. 687). In other words, valuable resources cannot give a firm a competitive advantage if other firms also possess them (Watjatrakul, 2005). Further, Ray, Barney, and Muhanna (2004) advanced the conceptualisation of RBV by proposing business processes as the dependant variable in resource-based research. The study found that firms may possess competitive advantages at the level of business processes that are not reflected in a firm's overall performance.

Das and Teng (2000) used the RBV to provide a rationale of strategic alliances and suggested that resource characteristics such as imperfect mobility, imitability, and substitutability, are crucial value drivers necessary for alliance formation. As a result, the RBV suggests that strategic alliances, mergers/acquisitions can be considered as a means of accessing other firm's resources (Das & Teng, 2000). As a result, when partners come into an alliance, some resources are likely to ensue from the partnership – known as idiosyncratic resources (Wittmann, Hunt, & Arnett, 2009). Thus, such resources (i) can form during the life of the alliance, (ii) are created by combining resources of all parties involved, and (iii) are unique to the alliance (Jap, 1999). Similarly, Lavie (2006) extended the RBV by incorporating the resources of a network and found that imperfect imitability, imperfect substitutability, and appropriate organisational conditions hold in networked environments. Thus, in franchise networks, Lavie (2006, p. 649) states that "...while factors such as contractual safeguards, absorptive capacity, and opportunistic behaviour will determine the degree of imitation, interconnected firms will generally experience greater erosion of rents owing to imitation."

However, RBV fails to address the processes by which resources are transformed into consumer value as in franchise systems because it is internally-oriented (Möller, 2006; Srivastava *et al.*, 2001). Additionally, RBV overlooks the relational perspective and focuses more on the creation of resources and consumer value (Möller & Törrönen, 2003; Ulaga & Eggert, 2005; Zerbini *et al.*, 2003). Although this view falls short in these respects, it is the foundation for competence theory, which is also crucial to the present study and is discussed in the next section.

2.2.4.1 Competence Theory

Competence refers to "...organisational, repeatable, learning-based and therefore non-random ability to sustain the coordinated deployment of assets and resources enabling the firm to reach and defend the state of competitiveness and to achieve the goals" (Freiling, 2004, p. 30). Competence Theory (CT) is regarded as an extension of the RBV (Lado, Boyd, & Wright, 1992; Freiling, 2004) mainly because competences help firms utilise resources efficiently and effectively. However, as opposed to RBV, CT provides a comprehensive theory of the firm as it covers gaps left by other theories, such as the more static TCT (Freiling, 2004). The main difference between RBV and CT is evident in the chain of causality. For instance, the RBV argues that the more superior resources the firm possesses, the more differentiation advantage the firm gains in terms of performance. Further, CT argues that resource endowment alone is inadequate to explain performance differences, but "...the firm itself has to be in a position to make use of these resources in a goal- and market-oriented way" (Freiling, 2004, p. 31). Thus, the competence approach offers a new conceptual framework that has not been fully addressed by RBV, which focuses on complex and dynamic interaction of assets, resources and competencies (Sanchez, 2001).

Given this background, this study finds the RBV deficient in addressing the phenomena at hand and considers CT as an optimal approach that can provide a comprehensive theoretical framework in franchise relationships. The concept of relational resources originates in RBV (Hunt, 2000; Davis & Mentzer, 2008) but the value of relational resources is circumscribed in their usage value rather than their trade or market value (Srivastava, Shervani, & Fahey, 1998). Accordingly, the value of relational resources is realised when they are leveraged to make other resources more productive, thereby creating options for managers that provide a competitive edge for the firm (Davis & Mentzer, 2008, p. 437). Therefore, the present study argues that CT rather than the RBV can comprehensively explain the leverage of relational resources to construe value and competitive advantage that is needed to create brand equity in franchises. For instance, apart from focusing on the resources *per se*, this study examines franchisor competence (such as, commercial, innovation, and operational capabilities) and how these are integrated with brand relationship management in creating franchisee-based brand equity. Finally, to augment the above theories, this study employs the identity-based view to understand the process of brand management in franchises, as explained below.

2.2.5 The Identity-Based Brand Management Framework

Generally, brand management paradigms "…constitute an organisation's portfolio of implicit assumptions, collective beliefs, values and techniques concerning the why (the objectives and performance measures of brand management), the *what* (the concept of brands), the *who* (the organisational structure of brand management) and the *how* of branding (the variables of brand management)" (Louro & Cunha, 2001, p. 853). One of the dominant strategic brand management paradigms in the management of B2B brand equity is the identity-based framework or organisational identity theory (Burmann, Jost-Benz, & Riley, 2009). In contrast to the outside-in approach to managing brands, this approach attributes equally significant importance to the inside-out perspective (de Chernatony, 2006). Thus, the approach helps internal stakeholders to understand who they are within the organisation and what is central, distinctive and enduring about the organisation (Albert & Whetten, 1985). Advocates of this brand management approach argue that brand identity is the basis for brand image (Kapferer, 2004). Therefore, in franchise brand management, it is presumed that franchisees' positive perceptions of the franchise brand are likely to enhance brand image to the external market. However, research suggests that internal brand communication plays a crucial role in identity-based approaches (Burmann *et al*., 2009). For instance, internal stakeholders such as franchisees play a crucial role in the management of brand identity through their brand communication delivery to external customers. In addition, franchisors can use charismatic rhetoric to convince potential franchisees to adopt the goals of the company, thereby marketing a differentiated opportunity that can attract new franchisees (Zachary *et al*., 2011).

This framework has specifically been found to be a crucial theoretical grounding for understanding franchising phenomena (see, Lawrence & Kaufmann, 2011; Zachary *et al*., 2011). For instance, in franchising, the management of an organisational identity is significant since franchisees are neither full-time employees nor independent entrepreneurs. Unlike contract workers, they are exposed to multiple (sometimes competing) work groups with whom they need to identify (Lawrence & Kaufmann, 2011). In addition, due to the interdependence of franchisor and franchisee, and the possibility of a double-sided moral hazard (Combs *et al.*, 2004), aligning franchisees' identity to the values and goals of the franchise becomes a primary aim for franchisors. This identity alignment is deemed essential since franchisees often have more latitude over the decision-making processes of their franchise than the designated franchisor (Kim, 2000). Goal alignment is also important when recruiting potential franchisees, as franchisors need to ensure the intended franchise brand image is aligned with its identity in their organisational communication so as to attract franchisees who share similar values (Bhattacharya & Sen, 2003). The idea of 'living the brand' is strongly related to the concept of brand orientation (de Chernatony *et al*., 2003, Ind & Bjerke, 2007; Urde, Baumgarth & Merrilees, 2011). For instance, Urde *et al*. (2011, p. 4) adopts the behavioural perspective to describe the "…internal anchorage of the brand identity…" as an important element of brand orientation.

Other characteristics of brand-oriented behaviours include: integrated marketing communication (Ewing & Napoli, 2005), brand equity measurement (Christodoulides & de Chernatony, 2010) and employer branding (Burmann & Zeplin, 2005). O'Shaughnessy (1987) noted that brand identity constitutes a crucial ingredient for maintaining buyer's trust, which in turn is the basis for long-term relationships and brand loyalty. In essence, prior research attests that strong brands are built through identity-based brand management (Aaker, 1996*a*; Kapferer, 2004). Thus, the above indicates the significant role played by identity-based views or organisational identity in franchise branding (Zachary *et al*., 2011). In the current study, this view is employed to understand factors that drive franchisees to identify with their franchise brand.

In sum, the current study triangulates interpretations of identity-based brand management, social exchange, relational equity, transaction cost and competence views to investigate the effect of managing brand relationships in promoting brand relationship quality and brand citizenship behaviour that in turn enhances franchisee-based brand equity. There adoption of multidisciplinary approaches in model-building and the conceptualisation process is acceptable as this provides a more holistic view of the research problem (Kumar *et al*., 1995). In the next section, the concept of brand equity is discussed by first exploring the seminal conceptualisations of brand equity in prior literature, and then discussing how brand equity is understood in franchise markets.

2.3 Brand Equity

Since the concept of brand equity was introduced in branding literature around the 1980s, researchers and practitioners have been interested in investigating, conceptualising, and measuring the concept (see Table 2.1), resulting in a number of various, and at times conflicting perspectives (Kim & Kim, 2005). Despite brand equity being one of the most discussed constructs in marketing and one of the crucial concepts in business practice (Kim *et al.,* 2008), no consensus has been reached pertaining to the definition and measurement of the construct (Mackay, 2001). Much of the existing literature on brand equity is founded, to a large extent, on the work of Aaker and Keller (see Section 2.3.2). According to Jung and Sung (2008), brand equity research focuses mainly on two objectives. The first goal is brand evaluation: an estimation of the value of a brand for financial decision making purposes. Second, by understanding consumers' knowledge regarding the brand and developing appropriate brand strategies, practitioners/managers are able to enhance marketing output. In prior literature, the term *brand equity* has been analysed from different views and contexts (Keller, 1993) resulting in various definitions as shown in Table 2.1.

Table 2.1: Definitions of Brand Equity

Authors	Definition
Aaker (1991, p. 15)	Brand equity (BE) is '... a set of assets and liabilities linked to a brand, its name, and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.'
Baldauf, Cravens & Binder (2003)	BE is an asset intended to enhance customer value, increase customer retention and improve market performance of an organisation.
Davis & Doughlass (1995)	BE exists when a brand reflects true differentiation from its competition or the value of the brand as perceived by consumers.
Farquhar (1989)	The value added by the name of the brand to a product.
Kamakura & Russell (1993)	The incremental utility associated with a brand name which is not captured by functional attributes.
Keller (2003, p. 60)	'The differential effect of brand knowledge on consumer response to the marketing of the brand.'
Marketing Science Institute (1990)	The set of associations and behaviours on the part of the brand's customer, and channel members which allows a brand greater volume and profit margins than it could obtain without the brand name.
Michell, King, & Reast (2001)	BE is a product of the overall brand image created by the totality of brand associations perceived by customers.
Srivastava & Shocker (1991, p.5)	BE is '... the aggregation of all accumulated memories in the extended mind of consumers, distribution channels and influence agents which will enhance future profits and long term cash flow.'
Yasin *et al.*, (2007)	BE entails the remarkable value that accrues from a famous brand name.
Yoo & Donthu (2001, p. 1)	BE is defined '... as consumer's different response between a focal brand and an unbranded product when both have the same level of marketing stimuli and product attributes.'

It is apparent from these definitions that the common theme in brand equity is value added or the service or product's premium is attributed to the name of the brand (Wood, 2000). Academics and practitioners at the Marketing Science Institute (MSI) agreed that brand equity must be measured for five basic reasons: (i) guiding marketing strategies and decision-making, (ii) helping assess needs for brand extensions, (iii) continuously tracking the health of the brand compared to its competitor's, (iv) evaluating the effectiveness of marketing decisions, and (v) assigning the financial value of brands in the balance sheets and financial statements (MSI, 1999). Table 2.2 provides a number of different conceptualisations of brand equity and shows brand equity measures in both B2C and B2B contexts. As shown in Table 2.2, it is important to note that both research contexts seem to converge on the idea that brand equity is a multidimensional construct. For instance, Biedenbach (2012) examined the structural composition of B2B brand equity dimensions and found that similar to B2C research, brand equity is a multidimensional construct rather than one-dimensional.

Table 2.2: Brand Equity as a Multidimensional Construct

Authors	**Dimension(s)**
B2C Context	
Aaker (1991, 1996)	Brand loyalty, brand awareness, perceived quality, brand associations and other proprietary assets
Agarwal and Rao (1996)	Overall quality and choice intention
Askegaard and Bengtsson (2005)	The value of the customer in co-creating brand value
Brown, Kozinets, and Sherry (2003)	The value of nostalgia, brand revival, and brand heritage
Farquhar (1989)	Brand image, attitude accessibility and brand evaluation
Kamakura and Russell (1993)	Brand value, incremental utility
Keller (1993)	Brand knowledge (brand image and brand awareness)
Lassar *et al.* (1995)	Performance, social image, commitment, value and trustworthiness
Motameni and Shahrokhi (1998)	Global brand equity evaluation
Netemeyer *et al.* (2004)	Benefit/cost ratio, the effect of value on willingness to pay a price premium and brand purchase
Park and Srinivasan (1994)	Difference between overall preference and preference on the basis of objectively measured attribute levels
Rangaswamy, Burke, and Oliva (1993)	Favourable impressions, attitudinal dispositions and behavioural predilections
Roberts, Varki, and Brodie (2003); Ulaga & Eggert (2006)	Value of relationships, relationship quality
Shocker and Weitz (1988)	Brand loyalty and brand image
Simon and Sullivan (1993)	Incremental cash flows which accrue to branded products
Srivastava and Shocker (1991)	Brand strength
Yoo and Donthu (2001); Yoo *et al.* (2000)	Brand loyalty, perceived quality and brand awareness
B2B Context	
Baldauf *et al.* (2003)	Perceived quality, brand loyalty, and brand awareness
Baumgarth and Binckebanck (2011)	Brand perception, brand strength and brand loyalty
Baumgarth and Schmidt (2010)	Brand loyalty, brand-consistent behaviour, brand image
Biedenbach (2012); Biedenbach *et al.* (2011); Bendixen *et al.* (2004); Hutton (1997); Michell *et al.* (2001); van Riel *et al.* (2005)	Brand awareness, brand associations, perceived quality and brand loyalty.
Blomback and Axelsson (2007)	Corporate brand image
Chen, Su and Lin (2011)	Industrial brand equity, perceived product quality, perceived service quality, brand awareness, brand loyalty
Cretu and Brodie (2007)	Brand image, product & service quality, loyalty, value
Davis and Mentzer (2008); Brodie, Glynn & Van Durme (2002)	Channel relationships, relationship value
Kremer and Viot (2012)	Store brand image, retailer brand image, retailer loyalty
Lee, Lee, and Wu (2011)	Brand image, brand loyalty, brand association, perceived quality
Leek and Christodoulides (2012); Lynch & de Chernatony (2004)	Brand value (emotional & functional components), relationship value
Nyadzayo *et al.* (2011)	Perceived brand loyalty, perceived relationship value and perceived brand image
Pappu and Quester (2006)	Retail brand equity (retailer awareness, retailer associations, retailer perceived quality and retailer loyalty
Woodside and Walser (2007)	Brand strength

Note: This is not a meta-analysis but only some examples of brand equity dimensions in B2C and B2B contexts.

The MSI workshop aimed to develop an ideal measure for brand equity and the participants recommended that the usefulness of the measure should be evaluated according to certain criteria. Ailawadi, Lehmann, and Neslin (2003, p. 2) state that the ideal measure should be:

- grounded in theory;
- complete, thereby covering all aspects of brand equity but differing from other concepts;
- based on readily available data so that the measure can facilitate regular monitoring of multiple brands in multiple product categories;
- intuitive and credible to senior managers;
- reliable, robust and stable over time, but with the ability to reflect changes in brand health;
- validated against other measures and constructs associated with brand equity;
- diagnostic in terms of showing decline or improvements in the value of the brand and provide reasons for the changes;
- able to capture the potential of the brand in terms of future revenue inflow and extensions;
- objective; thus, different calculations by different people must obtain similar values; and
- a single number, to facilitate easy tracking and communication.

Extant literature seems to agree on two main approaches to assessing brand equity, namely customer-based and financial-based measures (Eagle & Kitchen, 2000; Feldwick, 1996; Keller, 1993, 2003). In the next sections, both financial-based and customer-based brand equity perceptions are explained. This is followed by a discussion on how brand equity is assessed in the B2B context, a concept that has recently attracted researchers in marketing literature (Pappu & Quester, 2006). Next, the terms that have been used to describe different aspects of brand equity in channel systems such as retailer-based brand equity (Quan Tran, 2006), trade equity (Davis & Mentzer, 2008), trade or partner-based brand equity (Davis, 2003) and consumer-based retailer equity (Pappu & Quester, 2006) are also discussed.

2.3.1 Financial-Based Brand Equity

In prior literature, brand equity has been conceptualised by some authors as notable financial gains that can be directly linked to brands (Ailawadi, *et al.*, 2003; Davis & Doughlass, 1995; Farquhar, 1989; Feldwick, 1996; Gregory & Sexton, 2007; Myers, 2003; Simon & Sullivan, 1993). Most of these researchers have adopted a financial accounting view which is often referred to as brand valuation or brand value (Wood, 2000). On the other hand, financial managers, measure brand value as a financial asset usually expressed in terms of the price charged when the brand is sold and discounted cash flows of license fees and royalties (Ailawadi *et al.*, 2003; Mahajan, Rao & Srivastava, 1994).

One of the early authors to propose the financial-based view of brand equity was Feldwick (1996). Feldwick suggested three simple approaches of analysing brand equity as (i) the total value of brand as separate brand or when it is sold or included in financial statements, (ii) a measure of the strength of consumers' attachment to the brand, and (iii) a description of consumers' beliefs and associations about the brand. The first approach reflects the accountant's interpretation of brand valuation or brand value. While measuring the consumer's brand attachment level can be regarded as brand strength or brand loyalty, and brand description can be referred to as brand image by marketers. In a nutshell, brand description and brand image have been considered as consumer brand equity measures with a different connotation to asset valuation (Wood, 2000).

Some researchers also agree with the financial perspective of assessing brand equity (e.g., Davis & Doughass, 1995; Simon & Sullivan, 1993). The financial perspective of brand equity is conceptualised as a viable asset for manufacturers (Davis & Doughass, 1995). Simon and Sullivan (1993) viewed brand equity in terms of incremental cash flow resulting from selling a service or product with the brand name compared with that of the unbranded ones. In other words, the value of the brand is determined as the residual market value after accounting for all other sources of firm value (Ailawadi *et al.*, 2003). Another common measure of brand equity focuses on stock prices and brand replacement (Myers, 2003). The stock prices are used to reflect the future potential of brands by taking into consideration the firm's prices, and changes in the stock prices can be used to denote and capture changes in brand value. Brand replacement or brand extensions refer to the extent to which the funds generated by the branded product result in the possibility of extending into new products/services (Simon & Sullivan, 1993).

Another approach to evaluating the financial value of brands is attributed to Farquhar (1989). According to Farquhar (1989), brand equity refers to the added value with which a given brand endows a product. Thus, brand equity is assessed using the incremental cash flow that the seller accumulates by associating the brand with the product. The increase in cash flow is due to a positive correlation between attitude strength and purchase behaviour (Farquhar, 1989). In the same vein, Park and Srinivasan (1994) state that brand equity is the incremental preference endowed by the brand to the product as perceived by an individual consumer. Further, Gregory and Sexton (2007) applied the financial approach of brand equity in a B2B context. The empirical study found that billions of dollars are locked up in corporate brands, with a corporate brand accounting for 7 to 20 percent of stock performance for the 47 industries studied. Other researchers have applied the revenue premium measure of brands as a financial measure of brand equity (Ailawadi *et al.*, 2003; Netemeyer *et al.*, 2004). Ailawadi *et al.*, (2003) combine product-market and financial-based measures, and define revenue premium as the difference in revenue between a branded product and a corresponding private label brand. Thus, revenue is calculated as the net price of goods multiplied by the volume of goods sold (Ailawadi *et al.,* 2003). Hence, B2B companies should be just as obsessed about brand equity as are consumer markets.

One main disadvantage of using financial measures lies in their inability to quantify the future potential of brands, resulting in the use of subjective and unstable measures. This is because financial measures make use of estimated stock market value which can change in volatile environments (Ailawadi *et al.*, 2003). Lastly, other authors recommend that it is rational to put more focus on consumer-based brand equity, since it precedes financial-based brand equity (de Chernatony & McDonald, 2003; Keller, 1993; Lassar *et al.*, 1995). Hence, customer-based brand equity is discussed in the next section.

2.3.2 Customer-Based Brand Equity

Customer-Based Brand Equity (CBBE) has received considerable attention in literature (Kim & Kim, 2005) and several conceptualisations of CBBE have emerged regarding how consumers evaluate and choose certain brands (Netemeyer *et al.,* 2004). CBBE has been examined from both qualitative and quantitative perspectives (Biel, 1992), as well as from attributes-based or non-attributes bases (Quan Tran, 2006). According to Biel (1992), both quantitative and qualitative dimensions of brand equity are regarded as hard and soft sides, respectively. The hard attributes relate to specific perceptions of tangible or functional attributes which include distribution coverage (Srivastava & Shocker, 1991), performance (Lasser *et al.*, 1995) and physical features (Kapferer, 1992). Alternatively, soft associations are based mostly on emotions such as trustworthiness, fun, innovation and excitement. The qualitative aspects of brand equity have also been examined in studies focusing on consumers' perceptions and behaviours, and include factors such as brand awareness, brand loyalty, perceived quality and brand associations (Aaker, 1991), brand image (Biel, 1992) and brand personality (Blackston, 1995). CBBE has also been evaluated on the basis of attribute-based or non-attribute based dimensions. Attribute-based brand equity focuses on product characteristics, product benefits or both, which ensue from a company's marketing efforts to capture consumers' perceptions (Park & Srinivasan, 1994). Other aspects to consider include physical features of the product (Kapferer, 1992), product performance (Lassar *et al.*, 1995) and distribution coverage (Srivastava & Shocker, 1991). Alternatively, non-attribute-based brand equity dimensions are the intangible or psychological components which are not related to the product features (Anantachart, 1998) such as brand loyalty (Aaker, 1991) and brand personality (Kapferer, 1992).

Even though various approaches have been used to theorise CBBE, one common aspect that authors agree on is that the construct is multidimensional (Aaker, 1991; Keller, 1993; Kim & Kim, 2005; Yoo & Donthu, 2001). The most widely-used definition of CBBE is adapted from Keller (2003). According to Keller, brand equity is "... the differential effect of brand knowledge on consumer response to the marketing of the brand" (p. 60). The definition holds that the brand value is a result of consumer's response based on their brand knowledge which is defined in terms of two main aspects: brand awareness and brand image. Brand awareness relates to the consumer's ability to easily recall and recognise the brand; whereas, brand image refers to a set of associations held in consumer's minds which are linked with a brand. Accordingly, a powerful brand image enhances differentiation and positively influences the buying behaviour of consumers (McEnally & de Chernatony, 1999). In addition, brand recognition can positively assist customers when assessing a product as good value for money and a higher level of brand recognition help reduce a consumer's choices for consideration (Baldauf *et al.,* 2003). Keller attributes brand equity to marketing effects that are specific to the brand, whose outcomes ensue from the marketing of a product/service due to its particular brand name that would not occur if that same product/service were unbranded. Similarly, brand equity is summarised on the basis that consumers' choices vary between branded products and no-name brands with similar product features (Yoo *et al.,* 2000). Brand equity has also been described as brand value and brand meaning to consumers in terms of brand saliency, brand associations, and brand personality (Blackston, 1995).

Aaker (1991) provides a consumer-based framework of brand equity that is conceptualised as consisting of five dimensions. Four of the dimensions include brand awareness, brand associations, brand loyalty and perceived quality related to consumers' perceptions. The fifth dimension incorporates the market value of proprietary brand assets such as patents and investments in research and development (R&D) and this dimension is usually omitted in brand equity studies as it is indirectly linked to consumers (Buil, de Chernatony, & Martinez, 2008). Brand awareness has been regarded as a crucial aspect of brand equity that relates to how strong the brand occupies a consumer's mindset or the likelihood or easiness of a brand name coming to a customer's mind (Aaker, 1991; Keller, 1993). Brand awareness has been conceptualised as comprising of both brand recall and brand recognition. Brand recall is the customer's ability to retrieve the brand name from memory; whereas, brand recognition relates to the customer's ability to articulate anything about the brand when exposed to the brand cues (Keller, 1993). Further, Aaker (1996*a*) conceptualises brand associations in terms of the brand as a product (value), brand personality and organisational associations, as three main components which influence brand equity. Brand personality refers to fundamental core values and brand characteristics, which are described and experienced as human personality traits. Hence, organisational associations exist when the organisation is considered through its brand and such aspects that enhance brand equity include trust (Lassar *et al.,* 1995), brand reputation, performance, meanings and relationships (Motion, Leitch & Brodie, 2003) and corporate social responsibility (Maignan & Ferell, 2004).

Brand equity has also been conceptualised in terms of customer's perceived quality which is regarded as another important dimension of brand equity (Aaker, 1991). According to Zeithaml (1988), perceived quality does not exactly relate to the actual quality of the product but is based on the consumer's subjective assessment of the product. In other words, "... brand equity implies that the brand not only should be well-known, but also known for something that is valuable to the consumer" (Anselmsson, Johansson & Persson, 2007, p. 403). Hence, a consumer is likely to purchase a product/service he/she perceives to be of high quality, thereby enhancing brand value. Brand loyalty has also been recognised as another major component of brand equity (Aaker, 1991) that relates to the level of attachment the consumer possesses to a certain brand or rather a deeply held commitment to repurchase a product/service in the future (Aaker, 1991; Oliver, 1999). Chaudhuri and Holbrook (2001) suggest that attitudinal brand loyalty refers to a certain degree of dispositional commitment to a brand bearing unique value as compared with other brands. The behavioural dimension of brand loyalty on the other hand is characterised by a positive attitude towards the brand which results in repeated purchases of the same brand over time, regardless of marketing efforts likely to cause switching behaviour (Oliver, 1999; Rossiter & Percy, 1987). Thus, brand equity is the outcome of brand loyalty when a consumer buys the brand regularly (behavioural) and develops emotional bonds with the brand (attitudinal loyalty).

Extant literature also considers price premium as one of the most useful measures of brand equity (see, Aaker, 1996*a*; Ailawadi *et al.,* 2003; Netemeyer *et al.,* 2004; Sethuraman, 2000). Price premium entails additional charges set on a branded product as compared to unbranded equivalent charges (Aggarwal & Rao, 1996; Sethuraman, 2000). In essence, price premium is measured by assessing consumer's willingness to pay a higher price for a brand than private label or by conducting conjoint studies in which the name of a brand is the attribute (Ailawadi *et al.,* 2003). Accordingly, Anselmsson *et al.* (2007) argue that brand equity dimensions should have an influence on the price consumers are willing to pay. Otherwise, a dimension without significant impact on price premium is not a relevant indicator of brand equity. Ailawadi *et al.* (2003) describe price premium based on product-market outcomes of brand equity, and thus, the benefit of brand equity should be clearly reflected in the performance of the brand in the market. Additionally, Biel (1992, p. RC-7) view brand equity "... as the premium a consumer would pay for a branded product or service compared with an identical unbranded version of the same product/service." Netemeyer *et al.* (2004) also conceptualise CBBE based on customer's willingness to pay a premium price. Aaker (1996*a*) agrees that price premium is one of the strongest indicators of brand loyalty, which eventually turns to be primarily an overall measure of brand equity. Similarly, customers who are loyal to a certain brand or firm are likely to pay a higher price, especially when the firm has established strong relationships with customers (Ambler *et al.*, 2002). However, brand equity measures based on price premium are prone to subjective customer judgements of what they would buy in hypothetical situations as compared to what they buy in reality. Further, although a brand might not enforce a price premium, this does not mean it does not have equity (Ailawadi *et al.*, 2003).

Young and Rubicam's Brand Asset Valuator (BAV) is considered one of the world's largest databases of consumer-based information on brands (Keller, 2003). Recent evidence suggests that the BAV can be useful in industrial markets to assess brand equity of firms (Zaichkowsky & Parlee, & Hill, 2010). BAV is an appealing, dynamic evaluation technique that can be used to measure customer brand equity as it measures the health of brands based on four key aspects namely differentiation, relevance, esteem and knowledge (Agres & Dubitsky, 1996). *Differentiation* refers to the extent to which consumers perceive brands to be different from other brands of the same category; whereas, relevance relates to the overall appeal of a brand and its perceived relevance to consumers. *Esteem* is the degree to which consumers respect and like the brand; in other words, it is a result of consumers' perceptions of brand popularity and quality (Agres & Dubitsky, 1996). However, *knowledge* refers to the consumers' familiarity or intimacy with the brand. Knowledge is the extent to which consumers are aware of the brand and explicitly understand the meaning of the brand (Pahud de Mortanges & van Riel, 2003). According to Young and Rubicam, brands transgress and develop in sequence along these four dimensions and as a result customer-based brand equity can be conceptualised as a two-dimensional construct made up of customer-perceived brand strength and customer-perceived brand stature (Pahud de Mortanges & van Riel, 2003). Brand strength is achieved by summing the scores of a brand's differentiation and relevance to measure the future value of brands.

To sum up this section, it is important to reiterate that brand equity has been explored and measured in prior literature from multiple perspectives, using several measures. In this light, both financial and customer-based measures provide a strong foundation in the measurement of brand equity. However, recently, the marketing literature has witnessed the emergence of rising research interest of brand equity in B2B contexts. Advocates of this approach argue that prior CBBE theories have been mostly measured using end-customer's perceptions of brand equity and have neglected organisational customers (Atilgan *et al.*, 2005), resulting in incomplete understanding and measurement of brand equity (Davis, 2003). The following section discusses how CBBE is evaluated in B2B and supply channel contexts, hence the terms trade-based brand equity (Davis, 2003) and retailer-perceived brand equity (Baldauf *et al.*, 2009; Quan Tran, 2006) are used. It is based on this literature foundation that the concept of brand equity in franchise systems is conceived (see Chapter 3, Section 3.2.3).

2.3.3 Brand Equity in B2B Markets

As previously stated, brand equity has been defined from different perspectives, with two main measures namely, the value of the brand to customers (CBBE) and the value of the brand to the firm (financial perspective) having received much attention (Kim *et al.*, 2003). Whilst the financial perspective of brand equity attempts to explain the value of the brand from the firm's point of view; however, it focuses solely on the B2C markets. The financial perspective is based on the incremental cash flows attributable to individual consumer's perceptions of products with a brand name compared to non-branded ones (Simon & Sullivan, 1993). From this analysis, it is apparent that by adopting the financial view of brand value, prior research has to some extent focused only on end-consumers and neglected industrial consumers (Davis, 2003). In essence, the exclusive focus on B2C brands ignores the needs of important downstream customers such as distributors and retailers and fails to capitalise on the potential for leveraging brand equity to create added value with upstream suppliers (Davis, 2003). In support, Webster (2000) argues that discussing brands from a consumer's view is a traditional approach which results in inadequate analyses of branding from a theoretical academic perspective and from a firm's standpoint and this will ensue in ineffective management of the brand.

Prior research reports an insufficient focus on brand equity in B2B relationships, and industrial branding has termed this side of brand equity the 'intellectual step-child' (Ohnemus, 2009, p. 159). For example, Collins-Dodd and Louviere (1999) noted that whilst channel participants are crucial role-players in product selection and price-setting, it is surprising that they have been virtually ignored in the brand equity literature. Additionally, while the concept of brand management has flooded the marketing of goods and services to end-consumers, the opposite has happened in the B2B context (Bendixen, Bukasa, & Abratt, 2004; Kuhn *et al.*, 2008). The limited attention of evaluating brand equity in B2B channels has been attributed to a few factors. First, the tenuous belief that brands are irrational has resulted in the belief that brands are of little significance when dealing with corporate buyers on rational decisions during the buying process (Kotler & Pfoertsch, 2007; Mudambi, 2002; Roberts & Merrilees, 2007; Rosenbroijer, 2001; Webster & Keller, 2004). Second, channel partners especially retailers are assumed to be an insignificant source of brand value for manufacturers; hence, they are rarely viewed as important in B2B brand building (Glynn, 2004; Quan Tran, 2006). Third, in industrial markets, the company itself is often the brand; whereas, in the consumer market, it is usually the product. Therefore, given the large volumes of products involved in organisational buyers' transactions, it is costly to brand every product as compared to consumer markets (Hague & Jackson, 1994). Fourth, some researchers argue that brand equity plays an insignificant role in B2B markets since the number of buyers and sellers is relatively smaller, making it easier for them to know each other (Anderson, Narus, & Narayandas, 2009). Further, B2B relational exchanges are presumed to be more rational because mostly professional experts from various areas are involved in purchase decision-making (Kim & Hyun, 2011). Lastly, it is assumed that industrial products do not need branding as it is confusing and adds little value to functional products (Saunders & Watt, 1979). However, these arguments provide an incomplete definition of brand equity, since brands are as crucial in business markets as in consumer markets (Han & Sung, 2008).

Previous literature indicates the importance of branding and brand equity in the B2B markets (Bendixen *et al.*, 2004; Mudambi, 2002; Roberts & Merrilees, 2007). For example, Gordon *et al.* (1993) note that channel business partners tend to gain sustainable competitive advantage through the creation and strategic use of brand equity, especially in today's competitive environments. Thus, by enhancing brand identity and investing in a favoured, strong and positive brand image among all stakeholders, B2B marketers are likely to obtain the same benefits enjoyed by consumer marketers (Han & Sung, 2008). Brand equity motivates B2B customers to pay a premium price, consider brand extensions as well as recommend the brand to others (Bendixen *et al*., 2004). Further, successful B2B brands with high brand equity are fundamental in building trust (Roberts & Merrilees, 2007), which is fundamental in industrial markets. Similarly, the recent overview of the world's top 100 valuable brands by Interbrand (2011) reveals that 4 of the top 10 most valuable brands are business brands (IBM, Microsoft, GE and Intel). According to van Riel, de Mortanges, and Streukens (2005) one of the main reasons attributed to the growing importance of industrial branding is that many industrial brands are becoming commoditised. Further, the rise in information technology, especially the Internet, has also been attributed to the increasing importance of B2B transactional exchanges (van Riel *et al.*, 2005). Table 2.3 shows considerable research done in the past two decades on B2B branding markets indicating a shift from B2C domains to industrial marketing contexts. Table 2.3 offers an overview of some of the studies that have focused on branding in the B2B context, which confirm the significance of brands in industrial marketing. In essence, this research stream concedes that brands for industrial marketers are a powerful differentiation tool that offers sustainable competitive advantage for B2B marketers (Beverland, 2005; Mudambi, 2002).

Table 2.3: Research Studies on B2B Branding

Author & Year	Title	Context: Term used
Backhaus *et al.* (2011)	To invest, or not to invest, in brands? Drivers of brand relevance in B2B markets	Multi-industry B2B firms in Germany: B2B brand relevance
Baldauf *et al.*, (2003)	Performance consequences of brand equity management: Evidence from organisations in the value chain	Tile resellers in Austria: Brand equity
Bendixen, *et al.*, (2004)	Brand equity in the B2B market	Electrical equipment buyers: B2B brand equity
Beverland *et al.*, (2007)	Branding the business marketing offer: exploring brand attributes in business markets	Conceptual paper: B2B brands
Biedenbach (2012)	Brand equity in the B2B context: Examining the structural composition	Auditing firms in Sweden: B2B brand equity
Biedenbach *et al.* (2011)	Brand equity in the professional service context	Auditing & Business Consulting Services: B2B brand equity
Burt (2000)	The strategic role of retail brands in British grocery retailing	British grocery retailing: Retail brands
Coleman *et al.* (2011)	B2B service brand identity: Scale development and validation	UK IT service sector: B2B service brand identity
Collins-Dodd & Louviere (1999)	Brand equity and retailer acceptance of brand extensions	Independent retail grocers: Brand equity
Davis & Mentzer (2008)	Relational resources in interorganisational exchange: The effects of trade equity and brand equity	Home appliance retailers: Trade equity
Davis (2003)	The effect of brand equity in supply chain relationships	Retailers in home appliance industry: Trade-based brand equity
Espallardo & Navarro (2008)	Accessing retailer equity through integration in retailers' buying groups	Retailers of home appliances: Retailer equity
Glynn (2004)	The role of brands in manufacturer-reseller relationships	Retailers and suppliers of New Zealand grocery and liquor stores: Brand value
Glynn *et al.*, (2007)	Sources of brand benefits in manufacturer-reseller B2B relationships	New Zealand packaged goods retail sector: Resellers brand benefits
Gordon *et al.*, (1993)	Brand equity in the B2B sector	Electrical products and components: B2B brand equity
Gregory & Sexton (2007)	Hidden wealth in B2B brands	Multi-industry longitudinal study: B2B brand equity
Han & Sung (2008)	Industrial brand value and relationship performance in business markets: A general structural equation model	Industrial buyers of electrical, chemicals and equipment: Industrial brand value
Herbst & Merz (2011)	The industrial brand personality scale: Building strong B2B brands	German industrial firms: B2B brands
Kremer & Viot (2012)	How store brands build retailer brand image	Hypermarket chains in France: Retail brand equity
Kuhn *et al.*, (2008)	An application of Keller's brand equity model in a B2B context	Electronic tracking in the waste industry: B2B brand equity
Leek & Christodoulides (2012)	A framework of brand value in B2B markets: The contributing role of functional and emotional components	Multi-industry (manufacturing and service firms): Industrial brand equity

Table 2.3: Research Studies on B2B Branding *(Cont'd)*

Ohnemus (2009)	B2B branding: A financial burden to shareholders	B2B companies in USA and America: B2B branding, return on branding
Pappu & Quester (2006*a*)	Does customer satisfaction lead to improved brand equity? An empirical examination of two categories of retail brands	Shopping mall consumers and department and speciality retailer stores: Customer-based retailer equity
Pappu & Quester (2006*b*)	A consumer-based method for retailer equity measurement: Results of an empirical study	Shopping mall consumers and department and speciality retailer stores: Customer-based retailer equity
Quan Tran (2006)	Retailers' perceptions of product brand equity: An empirical study of Vietnamese independent grocers	Vietnamese retail grocer sector: Retailer-based brand equity
Roberts & Merrilees (2007)	Multiple roles of brands in B2B services	Mall tenancy services: B2B service branding
van Riel *et al.* (2005)	Marketing antecedents if industrial brand equity: An empirical investigation in speciality chemicals	Speciality chemical industry: Industrial (Corporate or product) brand equity
Zaichkowsky *et al.* (2010)	Managing industrial brand equity: Developing tangible benefits for intangible assets	International engineering firms in North & South America: Industrial brand equity

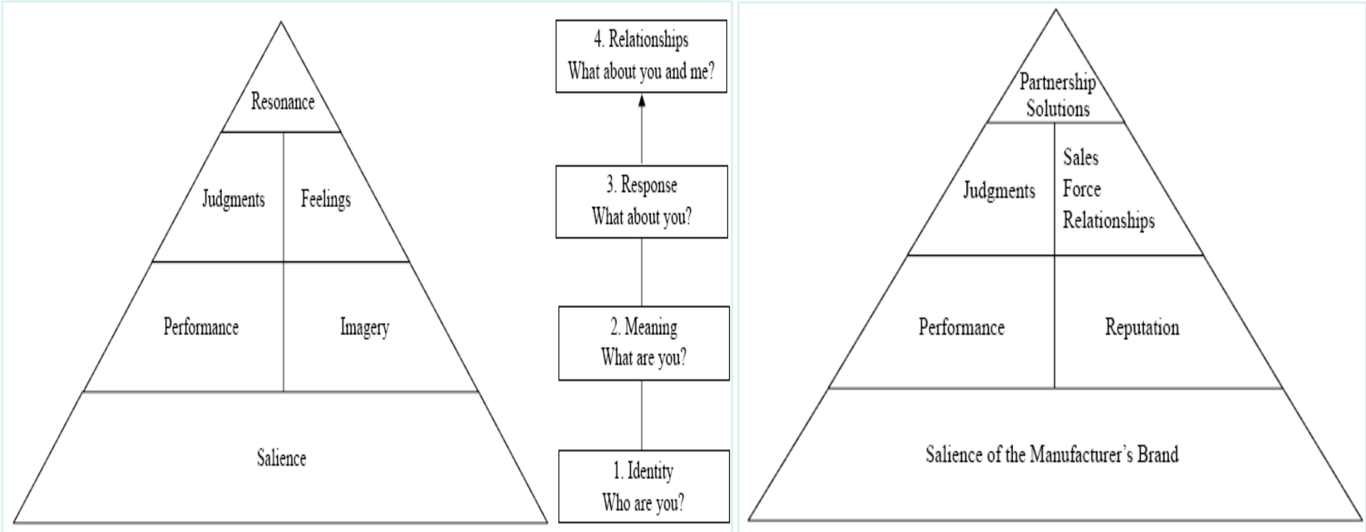
In addition, powerful brands tend to resist competition, increase information efficiency and attract customers, as the risk of making wrong purchase decisions is minimised (Ohnemus, 2009). Brands are also believed to play a crucial role in decision-making processes for organisational buyers because it is the manufacturer's reputation and buyer's level of awareness that is considered crucial in such decisions (Bendixen *et al.*, 2004; Webster & Keller, 2004). Therefore, customers are willing to pay a premium price when brand equity is high and engage in positive word-of-mouth regarding the firm and its brands (Beverland, 2005). For business customers, the reputation and goodwill of the brand result in pricing and distribution power and ultimately provide shareholders with higher returns (Ohnemus, 2009). Further, extant research in B2B markets suggests that the value of a brand encompasses other elements such as the product, distribution services, support services and company, each possessing tangible and intangible elements (Mudambi, 1997). Similarly, research conducted by the IMP Group identified five components of branding in B2B markets namely; product, service, logistics, advice and adaptation (Beverland *et al.*, 2007). Abratt and Mofokeng (2001) also state that the major tool of brand-building for B2B marketers is the sales force. Hence, the present study proposes franchisees as crucial role players in brand building.

B2B companies with a balanced corporate brand strategy on average yield a 5 to 7 percent higher return to their shareholders than their key competitors (Ohnemus, 2009). Similarly, Baldauf *et al.* (2003) state that the intangible asset embedded in brands is an important antecedent of firm performance. In other words, there is a strong correlation between measures of perceived quality, brand loyalty, and brand awareness and the antecedents of firm performance, customer value and willingness to buy (Baldauf *et al.*, 2003). According to van Riel *et al.* (2005) the 5 P's of the marketing mix (price, product, place, promotion and people) are crucial in creating industrial brand equity. Therefore, it is imperative for supply chain partners to invest in these five P's in order to create strong brand awareness and positive brand image which in turn create brand equity and brand loyalty.

In B2B markets, a brand can be conceptualised as a representation of values that is complemented by the realisation that branding adds value to firms through creating brand equity (Aaker, 1996; Keller, 2000). In other words, the value of brands assumed in consumer markets can also be realised in corporate brands; hence, focus must be on corporate brands as well (Motion *et al.*, 2003). A corporate brand has been conceptualised as the total marketing efforts of an organisation that present a controlled representation of its value systems, and it is an expression of a firm's identity (Balmer, 2001; Ind, 1997). Hence, a corporate brand differs from a product brand by its strategic focus, or the way it is managed and incorporated into the corporation's strategy, how it is communicated and its corporate culture (Balmer, 2001). Consequently, firms that establish a strong corporate brand can create strong relationships with their channel partners through its meaning (Aaker, 1996*a*; Motion & Leitch, 2001). In addition, a strong corporate brand is regarded as an important differentiator in stiff competitive business environments and the corporate brand provides managers with a platform from which to clarify, humanise, organise and communicate on how they create value (Ackerman, 1998; Balmer, 1995). Although, brand communication is crucial in creating brand meaning, Fournier (1998) notes that such meaning emanates directly from stakeholders experience with the brand itself. As a result, corporate brand equity entails the intangible asset that resides in the complex interaction of brand reputation, performance, meanings and relationships that add to the value of the firm (Motion *et al.*, 2003).

There is an increasing realisation that brands are important in B2B markets. However, limited empirical work has been done on the applicability of a complete brand equity model in B2B contexts (Kuhn *et al.*, 2008). To address this gap and provide a B2B brand equity model, Kuhn *et al.* (2008) applied Keller's (2001) customer-based brand equity pyramid in the B2B context (as shown in Figure 2.1). The study found that buyers place more emphasis on manufacturers' corporate brands than on individual product brands. Hence, it is difficult to wholly apply a pure Keller model to industrial markets, suggesting a need to include other elements such as corporate brand names and this resulted in a revised model for B2B markets (see Figure 2.1*b*).

Figure 2.1: Customer-Based Brand Equity Pyramid



Source: Figure 2.1*a*: Keller (2001, p. 17) Figure 2.1*b*: Kuhn *et al.* (2008, p. 50)

Notable adjustments made in the original model (Fig 2.1*b*) include sub-dimensions which specifically relate and validate the applicability of brand building in the organisational context. These dimensions introduced in Figure 2.1*b* include (i) salience of the manufacturer's brand, (ii) sales force relationships and (iii) partnership solutions, whereas reputation, performance and judgements can be applied equally in both consumer and industrial markets. However, Kuhn *et al.* (2008) identified that feelings do not play a crucial role in B2B environments as company representatives or sales force play a role in building brand equity. On the other hand, brand resonance did not emerge as a crucial driver of CBBE as no special relationships emerged between the buyers and the brand. In addition, behavioural loyalty was regarded as a consequence of the contract period. Thus, after a transaction, buyers would then evaluate all products to determine which cost-effective products best meet their needs. Accordingly, Keller's resonance block poses significant difficulties to the model's application in industrial markets, which suggests some major differences between corporate and consumer brands (Kuhn *et al.*, 2008). Therefore, such differences of brands in consumer markets and business markets require that brand equity must be defined differently.

As noted earlier, there appears to be some consensus regarding the importance of brands or branding in B2B markets. More specifically, the crucial role played by brands in business-to-consumer markets can reflect in B2B markets and vice versa (Keller, 1998). For example, a study by Gordon *et al.* (1993) on brand equity in the B2B sector revealed five stages of brand equity evolution. Thus, the evolution of brand equity in a market segment can be described as a learning curve on the part of the customer consisting of several stages. These are namely: (i) brand birth, (ii) brand awareness and brand associations creation, (iii) building quality and value perceptions, (iv) the emergence of brand loyalty, and (v) the launching of brand extensions. An exploratory study of the consumer market revealed the evolution, existence and extensibility of brand equity in the B2B product sector. In sum, similar to consumer products, B2B products can be viewed as passing through five successive stages from birth to extension and ultimately advancing towards full brand equity (Gordon *et al.*, 1993). Equally, organisational buyers or resellers in channel partnerships such as franchise relationships can be assumed to endorse the value of the brand in the exchange process, in the same way end-customers assess brand value when purchasing from retailers.

Nonetheless, the relationship between constructs of brand value and transactional performance for industrial marketers remains under-researched (Han & Sung, 2008). Moreover, as can be seen in Table 2.3, extant literature indicates limited empirical research on the application of the brand equity concept B2B retail markets, especially in franchise systems. In the next section, related explanations on retailer's perspective in B2B markets focusing on retailer-based brand equity, or trade-based brand equity are discussed.

2.3.4 Retailer's Perspective of B2B Branding

Retailers' dominance in the marketing environment has been credited to the emergence of more complicated and demanding consumers and rising levels of competition (Bloemer & Odekerken-Schroder, 2002). Consequently, building brand equity has been identified as the solution and is critical if retailers need to maintain or improve their economic performance. Building brand equity is a strategic weapon which can reap multiple benefits for firms such as the ability to leverage one's name by launching own-name brands and increasing revenue and profitability (Ailawadi & Keller, 2004). The following paragraphs review compelling extant literature on retailer-based brand equity.

A study by Pappu and Quester (2006*a*) examining the relationship between customer satisfaction and consumer-based retailer equity found that retail brand equity varies with customer satisfaction levels. Thus, the research showed that higher satisfaction levels with a retailer led to higher value being associated with the name of the retailer. Further, it is important to emphasise that the term retailer equity has been mirrored to the dimensional structure of brand equity (Pappu & Quester, 2006*b*). In support, Keller (1998) provides a comprehensive discussion on different ways retailers can enhance their equity, a concept which is interchangeably termed *retailer equity* and *retailer brand equity*. Other researchers have adapted some existing brand equity measurement items to measure retailer equity, arguing that the structure of retailer equity is similar to that of brand equity (e.g., Arnett *et al.*, 2003; Yoo & Donthu, 2001).

The notion that not all strong brands convey positive effects to the retailer, but only to individual consumers, has been challenged in marketing literature (Hoffman, 1991). For example, Webster (2000) reports the evolution of relationships among brands, consumers and resellers in very large retail organisations with substantial advantages. Some of the benefits of manufacturers' brands to channel partners include established consumer demand, positive consumer attitudes towards the brand, increased commitment of product promotion by manufacturers and the positive brand image of the product translates to the retailer's credibility and image (Webster, 2000). In simple terms, brands have value components for both the consumer and retailer, and thus manufacturers require the loyal support of both its retailers and customers (Webster, 2000). Further, strong relationships should prevail between manufacturers and retailers for the brand to play a crucial role in delivering value to both consumers and resellers. Consequently, Webster (2000) warns that in order to avoid inadequate analysis of branding, more research focusing on branding from the retailer's perspective is needed. It is vital for manufacturers to note that its customers are resellers, not the final consumer and the brand becomes a major asset for the reseller (Webster, 2000). Table 2.4 provides a summary of the value of manufacturer's brand to channel members.

Table 2.4: Value of Manufacturers' Brands to Channel Partners

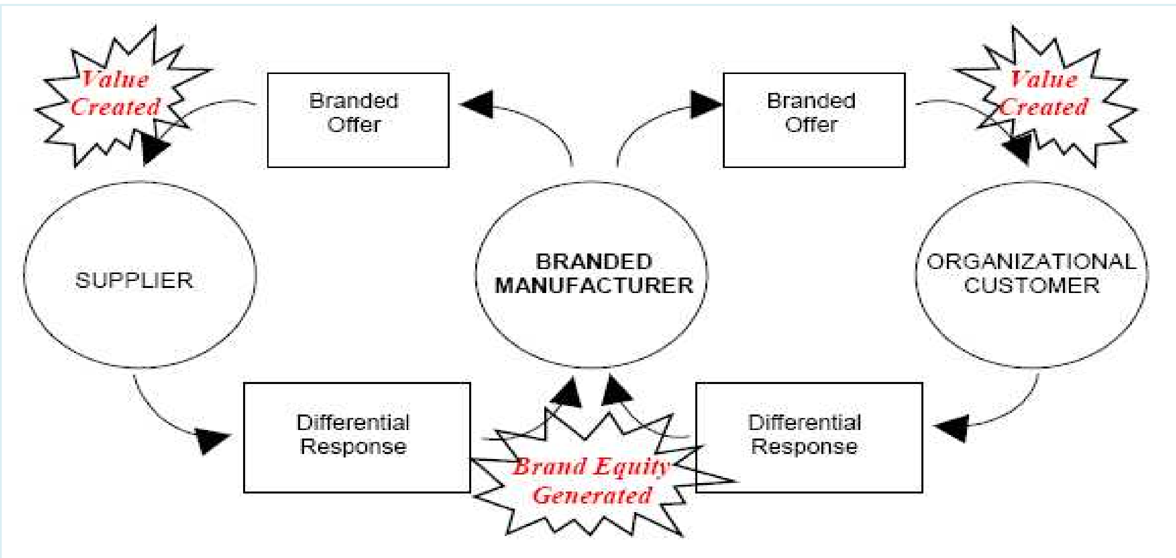
	Manufacturer	***Wholesaler***	***Retailer***	***Consumer***
Benefits	Higher sales volume	Pre-established demand	Pre-established demand	Implicit quality guarantee
	Lower production costs	Lower selling costs	Image enhancement for retailer with consumer	Lower search costs
	Easier new product introduction	Higher sales volume	Manufacturer's commitment to promote the product	Lower perceived risk
	Relationship of trust with consumer	Better inventory turnover, use of warehouse space	Relationship of trust and credibility with customer	Possibly lower retail prices associated with higher sales volume
	More control of resellers		Possibly higher margins on strongest brands	Prestige associated with brand image
			Higher inventory turn, lower selling costs	
Costs	Higher costs of advertising	Costs of selling and stocking multiple brands in same category	Less control over relationship with consumer	Higher retail prices associated with advertising and promotion costs
	Higher sales promotion costs associated with inter-brand competition		Difficulty of allocating limited shelf space among multiple brands	
			Possibly lower margins than store brands	

Source: Webster (2000, p. 19)

A study conducted by Glynn (2004) advancing Webster (2000)'s proposal, investigated how manufacturer brands create value for resellers in channel relationships. Thus, brands are intangible resources to the firm or market-based assets that possess value sources for resellers and influence key reseller relationship outcomes within the channel (Glynn, 2004). Thus, by evaluating the benefits of brands to resellers, managers can develop appropriate channel attitudes that help articulate the crucial role of manufacturer's brands and its effect on relational outcomes. Glynn's (2004) study also employed the grounded theory approach which helped develop a model indicating that the source of brand value involved four dimensions (financial benefits, non-financial benefits, brand equity and customer demand). The study also revealed that brands are a multidimensional source of value that influences the satisfaction of resellers. These brand value sources include manufacturer support, brand preference and customers' expectations. Consequently, the outcomes of a reseller satisfied with the brand include trust in the supplier, commitment to the brand and brand performance. In sum, "... it is the resources associated with the brand, not just the brand itself that creates brand leverage for manufacturers in channel relationships" (Glynn, 2004, p. 257).

In addition, Davis (2003) argues that the understanding of brand equity from consumer markets provides only an incomplete explanation of the firm's brand equity. Further, Davis (2003, p. 2) advises that "…while firms that have developed powerful consumer brands have the opportunity to leverage their brands to strengthen relationships with supply chain partners, companies that have not invested in brand management may be advised to do so in order to secure their positions as desirable trade partners in their supply chains". Figure 2.2 shows the dimensions of brand equity in the supply chain.

Figure 2.2: Dimensions of Brand Equity in the Supply Chain



Source: Davis (2003, p. 8)

As a result, Davis (2003) advanced the term trade-based brand equity (TBBE) that emerged from a grounded theory approach that integrated the relevant literature in building this theory. Based on Keller's (1993) definition of consumer-based brand equity, TBBE refers to the differential effect of the brand response of trade partners to marketing activities of the firm. Davis (2003) also suggests that brand equity of the focal firm is based not only on the perceptions of individual consumers, but also on how trade partners in the chain such as resellers and industrial customers perceive it, as shown in Figure 2.2. According to Davis (2003) both the focal firm and its trade partners are resellers in the supply chain, as products move from upstream vendors, towards a value-adding phase by the focal firm, and eventually the product is sold to downstream organisational customers.

Davis and Mentzer (2008) introduced a new concept of trade equity by examining the effects of relational resources in supply chain relationships between retailers and manufacturers. The two fundamental relational resources explored in the study include trade equity and brand equity. Trade equity is defined as "…the value that accrues to a firm from being known in a trading network as a trustworthy trading partner, to explore the relational resources that are inherent in a firm's ties with trading partners" (Davis & Mentzer, 2008, p. 435). Davis and Mentzer (2008) propose that relational resources reside in relational bonds between a firm and its stakeholders. Within inter-organisational exchanges, these relational ties signify a firm's trade equity similar to channel equity (Srivastava *et al*., 1998). Thus, trade equity embodies this value of relational links with partners in the channel as well as other trading partners (Davis & Mentzer, 2008). Thus, the study suggests that manufacturer's trade equity and brand equity possess differential effects on the retailer's dependence and manufacturer's commitment.

In addition, after identifying a lack of theoretical rational underpinning brand equity in B2B contexts, Quan Tran (2006) adapted the CBBE in the retailing sector to propose a retailer-based brand equity (RBBE) model. Following Keller (1993)'s definition, Quan Tran (2006, p. 73) also defined RBBE as "…the effect of brand knowledge on the retailer's response to marketing activities of the brand manufacturer, in which a positive attitude of retailers towards the manufacturer's brand leads to the source of competitive advantage of the brand in the same category." Quan Tran (2006) argues that although retailer buying behaviour is viewed as being different to that of end-consumers, CBBE can be used to conceptualise RBBE since these theories have been applied in B2B models (Lynch & de Chernatony, 2004; van Riel *et al.*, 2005). Further, Quan Tran (2006) finds that brand equity in the retailing context is made up of brand association, brand trust and brand loyalty, and that both brand association and brand loyalty are associated with retailers' brand performance.

Given this theoretical background, the current study conceives the notion of brand equity in franchise markets, thus advancing the franchisee-based brand equity model (see Chapter 3).

2.4 Chapter Summary

The chapter opened the discussion by presenting the theoretical foundations underpinning the research study focusing on the Transaction cost theory, Relational exchange theory, Equity theory, Competence theory and the Identity-Based Brand Management perspective. In addition, a detailed discussion of brand equity was provided, focusing on the different dimensions of brand equity, that is, customer-based, financial and trade-based measures. In Chapter 3, a review of previous literature is undertaken to identify gaps in existing literature and identify interrelationships of the constructs. Particularly, the concept of franchisee-based brand equity is explored and its dimensions are also identified. Further, factors that influence franchisee-based brand equity are outlined and based on this framework, the initial conceptual model and related propositions of the present study are presented.

CHAPTER 3

LITERATURE REVIEW

3.1 Introduction

In Chapter 2, a triangulation of theoretical foundations underpinning this study was provided. In addition, the concept of brand equity was examined by exploring its roots from customer-based and financial-based perspectives and how it evolved to B2B and retailing markets. Based on this theoretical background, the current study advances the notion of brand equity in the franchise markets. Thus, in this chapter the main dependent variable of the study, that is, franchisee-based brand equity is discussed. Further, previous literature is reviewed to conceptualise the antecedents of franchisee-based brand equity (i.e., brand relationship management, brand relationship quality and brand citizenship behaviour). The moderator variables (i.e., franchisor-franchisee relationship age and franchisor competence) are then discussed. Overall, the chapter provides a detailed explanation of the interrelationships between the constructs, eventually leading to the development of the research propositions and the initial conceptual model.

3.2 Franchise Branding

Considerable research on the retailer's perspective of brand equity or branding exists in the literature, culminating in various findings from different researchers. For example, Hoffman (1991) argues that brand equity cannot be attributed to retailers, citing that manufacturers must not focus on the retailer when building brands. The flip side, as discussed above, concedes that retailers play a significant role in building the brand for the manufacturer. Most of these studies evaluated the role played by retailers, resellers or industrial buyers and how they perceive branded products compared with no-name products or not well-known brands (Webster, 2000). Previous research identifies the role of brands as a manufacturer resource within channel relationships (Glynn *et al.,* 2007). However, there is lack of empirical work on organised, contractual-based mechanisms of distribution such as franchise relationships. In particular, despite evidence that the concept of branding is central to franchise business systems, it is surprising to note that there is limited research on understanding how the brand can help leverage the success of franchise firms (Weaven *et al.,* 2011). More specifically, despite the uniqueness of brand management in franchise channels (see Pitt *et al.,* 2003) no distinct models have been advanced to explain brand equity in this particular marketing channel. The next section explains how franchise markets differ from other traditional B2B markets.

3.2.1 Franchising as a Unique B2B system

In a franchise system, one firm (the franchisor) offers/sells to another firm (the franchisee) the contractual rights to market goods and services using its brand name and business practices (Combs *et al*., 2004). In other words, the distribution of products in franchises is governed by a contract used as a vehicle to centralise operations and control the efforts of other members in the distribution channel (Stephenson & House, 1971). The characteristics of franchised systems are different from those of other organisational forms or channel relationships such as buyer-seller, manufacturer-retailer joint ventures or strategic alliances. Other characteristics of franchises were described by Combs *et al*. (2004, p. 908) as: (i) in most cases, franchising takes place when there is an apparent service component that needs to be performed near customers. Therefore, outlets offering such services must be replicated in certain areas that are located in specific geographically dispersed locations; and (ii) franchise contracts specifically denote a unique allocation of responsibilities, decision rights, and profits between a centralised principal (the franchisor) and decentralised agents (franchisees). This implies that the franchisor establishes a set of performance standards, chooses own franchisees, approves the location of outlets, and manages brand image among other self-coordinated activities. On the other hand, the franchisee establishes local outlets, makes decisions on pricing, hours of work and staffing, and manages day-to-day operations.

In particular, the freedom-constrained nature of franchise firms on brand management presents a unique challenge to franchises in that: (i) the responsibility for developing and managing a successful brand rests with all parties involved in the agreement; (ii) neither the franchisor nor franchisee has complete control over the brand management process; and (iii) all parties are mutually dependent on one another (Pitt *et al*., 2003, p. 414). Additionally, although conceptually similar to corporate branding, franchise branding is a distinct construct (Zachary *et al*., 2011). First, the franchisor intentionally markets an opportunity with the intention to ‘sell’ a contract to potential franchisees. Second, in franchise branding, the target audience is limited to potential franchisees, whereas corporate branding’s target audience is broader and not limited only to potential franchisees (Zachary *et al*., 2011). Given this background, the current study suggests that branding and brand management must be conceptualised differently in franchisor-franchisee relationships. The following section explores extant literature to understand the benefits of branding in franchising.

3.2.2 Brand Benefits in Franchise Markets

Existing literature provides evidence of various ways in which brands can contribute to B2B markets and, in particular, to franchise firms. Recent research shows that brands play an important part in franchisee recruitment by providing franchisors with information on the best ways of marketing their franchise opportunities to potential franchisees (Zachary *et al*., 2011). Thus, by building a strong franchise brand identity, franchisors can help influence potential franchisees' perceptions of their franchise opportunity, thereby fostering self-selection by franchisees who share values similar to those of the franchisor (Zachary *et al*., 2011). In addition, Hodge, Oppewal, and Terawatanavong (2011) identify the power of perceived brand strength in influencing franchise conversion. Thus, when presented with a competing franchise brand, the likelihood of conversion was found to be 21% higher or average when the brand is perceived as stronger (Hodge *et al*., 2011). Therefore, perceived brand strength is crucial in influencing franchisor success through franchisees' profitability as well as the ability to attract 'right' franchisees (Pitt *et al.*, 2003). This is because, when considering investment in a franchise business, franchisees use brand-related aspects to differentiate among competing franchisors; hence, a stronger brand name tends to win (Guilloux, Gauzente, Kalika, & Dubot, 2004).

Previous research also attests that the brand concept is at the very core of franchising success as it is the engine of the business that allows the franchisor's reputation and goodwill to be transferred (Hoffman & Preble, 2004). Accordingly, the brand also plays an important role in facilitating franchise brand extensions. For instance, Weaven *et al.* (2011) found that despite negative perceptions associated with the original franchise brand, a positive service interaction with the related franchise brand extension bolstered not only favourable perceptions of the brand extension, but also significantly enhanced positive evaluations of the original franchise brand. Further, other researchers have examined the degree to which franchisors are willing to engage in co-branding relationships with discount retailers (see Young, Hoggart, & Paswan, 2001). Accordingly, Young, Hoggatt, and Paswan (2001) identify lack of willingness of franchisors to co-brand their products with their partners and less extensive collaboration levels. This has been attributed to aspects surrounding the way the brand of merging franchises is reflected in consumers' minds and in most cases, franchises are afraid to relinquish their original brand image (Young *et al.*, 2001). Similarly, brand names serve to provide uniform quality, simplify the selection process, and provide identity to products, thereby enabling differentiation in competitive markets.

Generally, brands help firms to attract new customers and retain loyal customers, thereby representing firm-specific assets that facilitate transactions (Sashi & Karuppur, 2002). Further, prior research shows that highly reputable brand names enable franchisees to easily secure customer attention as well as economic efficiencies (Caves & Murphy, 1976). For instance, Sashi and Karuppur (2002, p. 504) state that "...successful brand names can transcend national boundaries and extend the reputation earned in one market to several global markets". Also, previous research examines the relationship between accuracy of brand-country of origin (COO) knowledge and COO image in the international franchise sector (Paswan & Sharma, 2004). The results show that the accuracy of brand-COO knowledge offers a brand competitive advantage by dominating a consumer's mindset. Thus, brands that are able to create higher levels of brand-COO knowledge (e.g., McDonald's and KFC) gain more attention with regards to COO image, regardless of whether consumers have accurate or inaccurate brand-COO knowledge (Paswan & Sharma, 2004). In addition, both brand knowledge and brand equity play a crucial role in international and domestic franchise firms. Thus, franchises can enhance their global presence by creating more accurate brand-COO and country brand equity as this aids forecasting, especially for international franchises entering remote markets (Paswan & Sharma, 2004). Sashi and Karuppur (2002) find that successful brand names help franchisors to penetrate global markets.

Existing literature acknowledges the role played by brand name capital in determining the degree of centralisation of decision making in franchising networks (Windsperger, 2004). The property rights approach suggests that residual decision rights in franchising networks need to be apportioned based on the distribution of intangible knowledge assets between the franchisor and franchisee (Windsperger, 2004). Accordingly, Boisot (1998) states that intangible knowledge assets refer to knowledge and know-how that cannot be transferred to other agents, since they possess an important implicit element. These franchisor's intangible assets includes the system-specific know-how and the brand name capital. Whereas, the franchisee's intangible knowledge assets relates to the local market know-how based on the franchisee's local marketing, human resources, quality control as well as innovation capabilities (Sørensen & Sørensen, 2001; Windsperger, 2004). Thus, the franchisor's intangible specific know-how and assets related to the brand name have a stronger influence on the distribution of residual decision rights, compared with franchisees' intangible assets, hence, the higher the degree of centralisation (Windsperger, 2004). Therefore, brand name assets also necessitate intangible investments in marketing and promotion as communication devices to reduce information asymmetry between the firm and consumers (Gonzalez-Diaz & Lopez, 2002).

Brands have been found to play a regulatory role in franchise contracts as they can serve as specific assets useful in providing information to customers, such as comparing seller's prices with product quality (Klein, 1980, Norton, 1988). Nevertheless, allowing franchisees to use such reputable names can create free-riding problems compared with other firm-specific assets, due to their non-transferable nature (Sashi & Karuppur, 2002). In addition, brand name capital also presents an opportunity for inciting opportunistic incentives for the firm (Klein, 1980). For example, local managers can offer low-priced products or services, and also the local firm's sales can increase because of the firm's national reputation. This means the local firm will benefit at the expense of the parent company due to the presence of brand name capital which accentuates the problem of the firm's entrepreneurial capacity (Norton, 1988). However, Klein (1980) suggests that if the local outlet's incentives are attuned to the parent company's incentives through franchising, this helps to curb the problem of entrepreneurial capacity since the firm requires relatively less monitoring. Thus, the franchise brand name capital offers significant incentives for franchisees to thwart their supervisory and quality control functions (Klein, 1980).

Extant literature suggests that both franchisors and franchisees perceive the value of the brand-based economic and behavioural facets (Kidwell, Nygaard, & Silkoset, 2007). Economic or transaction-specific assets such as increased income from reputable brands, franchisor competence, technical resources, and other economic resources drive the franchisees' intentions to contribute significantly towards brand-building activities (Sashi & Karuppur, 2002). Also, behavioural properties such as strong relationships with the franchisor or other franchisees and loyalty to the franchisor's brand, can significantly influence the franchisees' brand building efforts. This argument is grounded in two theoretical views: transaction cost analysis and social exchange theories. According to Gassenheimer, Houston and Davis (1998), the transaction cost view represents the economic perspective of determining the value of relationships. SET argues that trade partners can help an organisation in attaining its long-term goals by concentrating not only on short-term financial interests, but also considering their partner's welfare (Ouchi, 1980). In essence, long-lasting trade relationships play a significant role in building brand equity (Davis & Mentzer, 2008). Thus, franchisors require strong relationships with reliable suppliers to ensure consistent product quality offerings as well as viable relationships with franchisees; ultimately, this enhances brand equity. The positive results of such an exchange eventually translate to tangible benefits for end-consumers (Davis & Mentzer, 2008), suggesting that franchisors play a critical role in ensuring delivery of coherent franchisee brand experiences via this channel. In the next section, franchisee-based brand equity is discussed.

3.2.3 Franchisee-Based Brand Equity

As explained in Chapter 1, this study investigates brand equity from the franchisees' perspective, and hence the term *franchisee-based brand equity* (FBBE). The current study adapted Aaker's (1991) definition of brand equity to define FBBE as:

> *A set of assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a franchisee.*

This definition has been selected for various reasons. First, the definition emphasises that a brand creates value for all members of the channel, implying that brand equity can be examined from various perspectives (Leek & Christodoulides, 2011*a*) such as retailers, manufacturers and third and fourth party logistic providers (3/4PLs). Prior research also supports the notion that brand equity in B2B markets could be conceptualised and measured from the perspective of channel partners (Lassar *et al*., 1995; Mudambi *et al*., 1997; Wood, 2000). Second, Aaker (1991) posits that the value added by channel members also enhances the firm value. This proposition is fundamental to the current study since it supports the argument that franchisees are crucial in brand management and brand building, as well as in enhancing overall franchise brand equity. Third, consistent with Aaker (1991), this study also conceptualises brand equity as a multi-dimensional construct. Finally, prior research also views this as the most widely used, comprehensive, and acceptable definition of brand equity (see Leek & Christodoulides, 2011*a*; Motameni & Shahrokhi, 1998; Pappu *et al*., 2005; Yoo *et al*., 2000).

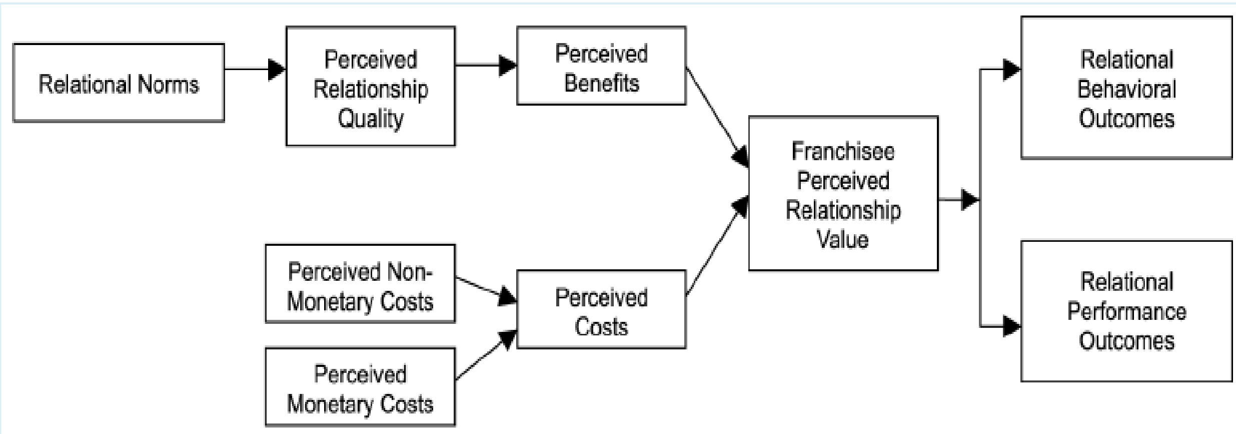
Within B2B relationships, the concept of brand equity has been evaluated in various ways, although a number of research issues remain unresolved. For example, brand equity has been conceptualised as a relational resource (Davis & Mentzer, 2008; Kuhn *et al.*, 2008; Ulaga & Eggert, 2005), brand value (Ailawadi & Keller, 2004; Webster, 2000), brand image (Aaker, 1991; Biel, 1992; Keller, 1993) and brand loyalty (Aaker, 1991; Davis, 2003; Feldwick, 1996; Glynn, 2004; Quan Tran, 2006). It is against this theoretical background that franchisee-based brand equity is proposed as a multidimensional construct comprised of three components: *franchisee-perceived relationship value, franchisee-perceived brand image* and *franchisee-perceived brand loyalty*. In franchises, highly reputable brands with high equity translate into a stream of benefits for both the franchisor and the franchisee. This is achieved by the customers' willingness to pay a premium price for a favourite brand, positive word of mouth, attracting new and retaining loyal customers, and the ability to penetrate global markets (Hutton, 1997, Netemeyer *et al.,* 2004; Sashi & Karuppur, 2002). In turn, this means franchisees are exposed to value-creation opportunities due to their ability to charge premium prices, increase loyalty through strong customer-brand relationships and differentiation advantages amongst competitors (Lynch & de Chernatony, 2004; Webster & Keller, 2004). The proposed three dimensions of FBBE are discussed below.

3.2.3.1 Franchisee-Perceived Relationship Value

The concept of relationship value originates in Relationship marketing theory that is often used as a measure of B2B relationships performance (Eggert & Ulaga, 2002). Value as a concept has been regarded as a fundamental principle in all marketing activities and is based on the exchange view of marketing (Holbrook, 1994; Hunt, 1991). In other words, market exchanges between trade partners exist because all parties involved expect mutual benefits from the exchange (Ulaga & Eggert, 2005). For instance, in a franchisor-franchisee relationship the higher the net-value realised, the stronger the motivation to initiate and willingness to sustain the exchange process respectively. Similarly, the current study investigates the value of a franchise relationship from the franchisee perspective, hence the term *franchisee-perceived relationship value*.

Ulaga and Eggert (2005) propose that when discussing B2B relationships to evaluate supplier performance, relationship value should be considered as a key constituent. The study found that relationship value is an antecedent to relationship quality in which value has a stronger influence on satisfaction than do commitment and trust. Further, Harmon and Griffiths (2008) conceptualise a franchisee's perceptions of relationship value as a consequence of perceived relationship quality. Harmon and Griffiths (2008) use both social exchange theory and equity theory to investigate franchise relationships, thereby advancing the concept of franchisee-based relationship value (FPRV). FPRV is "...the trade-off between the perceived net worth of the tangible and intangible benefits and costs to be derived over the lifetime of the franchisor-franchisee relationship, as perceived by the franchisee, taking into consideration the available alternative franchise relationships" (Harmon & Griffiths, 2008, p. 257).

Figure 3.1: Conceptual Model of Franchisee-Perceived Relationship Value



Source: Harmon and Griffiths (2008, p. 258)

Figure 3.1 shows the constituents of FPRV and its consequential impact on both relational behavioural outcomes and performance. Thus, FPRV is directly related to both franchise behavioural outcomes and financial performance outcomes (measured by market share, sales performance or other objective measures such as profits). In the same way, Grünhagen and Dorsch (2003) identify that changes in the perception of franchisor value in both single and multiple-unit franchises, can influence franchisees' decisions to expand their operations. Thus,

"...the rate to which a franchisor-franchisee relationship evolves depends on the value of the relationship to each partner" (Grünhagen & Dorsch, 2003, p. 368). Similarly, brand equity has been conceptualised as a relational resource found in bonds among exchange partners (Davis & Mentzer, 2008). Moreover, previous research suggests similar concepts to account for the effects of relational ties in inter-organisational exchanges in the form of relationship capital and channel equity (Sarkar *et al.,* 2001; Srivastava, Shervani, & Fahey, 1998). For example, channel equity represents the relational ties that result from long-term viable relationships between a firm and its channel partners (Srivastava *et al.,* 1998). Thus, the current study proposes franchisee-perceived relationship value as a measure of brand equity in franchise relationships.

3.2.3.2 Franchisee-Perceived Brand Image

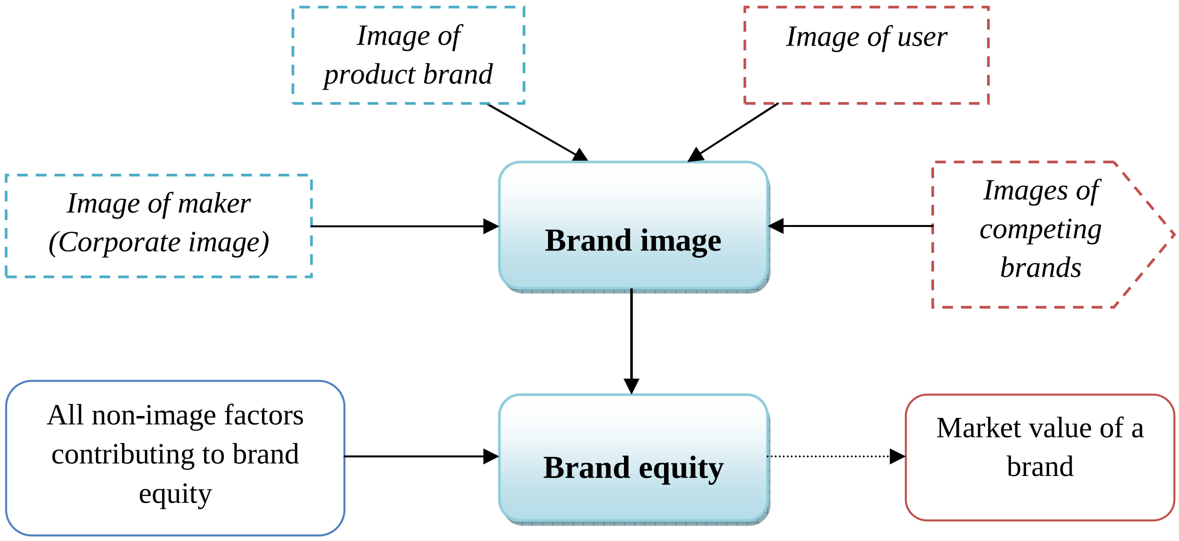
A powerful brand image provides a firm with numerous advantages in both the B2B context and B2C context. Keller (1993) defines brand image in terms of perceptions about a brand as reflected by the brand associations held in consumer memory. In the consumer markets, Porter and Claycomb (1997) state that a strong brand helps differentiate the products or services of one firm from those of another, especially in competitive environments. Also, powerful brand identity is a source of competitive advantage that increases a firm's income through repeat purchases and low customer acquisition costs. Thus, "…a brand acts as a signal to consumers regarding the source of the product and protects customers and manufacturers from 'me-too' products that may appear identical" (Porter & Claycomb, 1997, p. 375). Additionally, brand image is crucial for manufacturers as it creates value in various ways (Aaker, 1991). For instance, brand image makes it easy for customers when searching for product information, thereby enhancing brand positioning in the mindset of customers. Brand image also helps create associations that elicit positive feelings and attitudes that spill over to other brands in the product line; thereby making brand extension processes feasible (Keller, 2003).

The concept of brand image was developed in a consumer context but has since been adapted to the organisational context in extant research (e.g., Bendixen *et al*., 2004; Blomback & Axelsson, 2007; Burmann, Schaefer, & Maloney, 2008; Cretu & Brodie, 2007; Hague & Jackson, 1994; Lee, Lee & Wu, 2011; Kremer & Viot, 2012; Michell *et al*., 2001; Mudambi *et al*., 1997). This is despite evidence in past research suggesting imagery aspects of the brand are not relevant in B2B markets (Kuhn *et al*., 2008). In particular, brand image has been found to play an important role in B2B markets especially as a driver of brand equity. For instance, Michell *et al*. (2001) found brand equity was derived from the overall brand image created by the totality of brand associations based on consumers' perceptions. Brand image is also critical in B2B markets such as franchising where it is difficult to differentiate products or services based on tangible quality features (Cretu & Brodie, 2007; Mudambi *et al*., 1997). Therefore, attaining a positive image in such markets on core values that distinguish should be a priority to any firm (Hague & Jackson, 1994). Another study by Cretu and Brodie (2007) indicates that brand image is important in B2B markets as it has a more specific influence on the customers' perceptions of product and service quality within business markets. Further, Blomback and Axelsson (2007) concluded that corporate image plays a salient role in the selection of subcontractors by serving as a focal point that encapsulates a promise and insurance against poor performance. In the context of mergers and acquisitions, research also shows that acquiring a brand with a better image affects brand equity (Lee *et al*., 2011). Thus, similar to franchising, it can be suggested that a franchise brand with strong image influences the brand equity of the franchise firm.

Prior research attests that industrial marketers can accrue the same benefits as consumer marketers by investing in building a strong brand image among all stakeholders (Bendixen *et al*., 2004). Brands offer symbolic properties and the possession of certain brands offer image benefits that provide an internal self-identity function and an external form of self-presentation (Grub, & Grathwohl, 1967; Wilcox, Kim, & Sen, 2009) as well as motivation (Backhaus, Steiner, & Lugger, 2011). Regarding motivation, a brand owner [a franchisee] might feel good because he/she is associated with a brand that has a strong image. Hence the possession of specific brands creates a benefit for their owners or employees and influences how other people view them (Han, Nunes, & Dreze, 2010). Thus, brand image is an important determinant of purchase decisions (Burmann *et al*., 2008; Han *et al*., 2010). Further, in B2B markets, the value that is created by brand image for manufacturers is also projected by the service delivery and behaviour of its retailers as consumers usually evaluate retailers based on the brands they sell (Porter & Claycomb, 1997). In support, Grewal *et al.* (2004), state that one of the important trends in retailing literature is the increased attention given to the retailer as a brand. This case is apparent in franchise relationships in which exchanges between the franchisor and franchisee are underpinned by the name of the brand (Hoffman & Preble, 2004). The franchisor bears the risk of relinquishing his/her reputation by allowing the franchisee to work under the brand name in question. Also, it is more beneficial for franchisees to be associated with well-reputed brands that resonate with a better franchisee brand image. Martenson (2007) agrees that retailers can strengthen their brand image and equity by simply carrying well-known manufacturer brands. Therefore, franchisees selling highly reputable brands are in a better position to create more value and influence their position on the market.

Several prior studies have been conducted on the role of brand image in building brand equity, especially in B2B markets. For instance, Biel (1992) explores the relationship between brand image and brand equity and defined a strong brand as one that possessed three attributes: salience, trust and richness. Therefore, whilst strong brands have a better share of the market, this alone is not sufficient to differentiate them from competitors. Hence, Biel (1992) suggests that the equity of the brand is therefore driven by brand image, which can then translate to the market value of the brand as shown in Figure 3.2. In an attempt to deduce brand equity as the added value to the brand, Biel (1992, p. RC-8) describes brand image "...as that cluster of attributes and associations that consumers connect to the brand name." Brand image was therefore conceptualised as having three sub-images: the corporate image (retailer image), the image of the user and the image of the product itself (see Figure 3.2).

Figure 3.2: The Relationship between Brand Image Components and Brand Equity



Source: Adapted from Biel (1992, p. RC-8)

When identifying differences in brands, consumers also evaluate the firm's brand using images of competing brands. Using a series of simulations based on 32 image variables, Biel (1992) constructed a brand personality map of competing brands in the market. The results indicated that a 20 percent improvement in any one of the 32 image attributes results in 11 percent increase in the share of brand preference, thereby affecting brand equity. According to this view, it can be stated that franchisors play a crucial role by encouraging and supporting a favourable brand image which can result in identity-image-reputation for its franchisees (Barnett, Jermier, & Lafferty, 2006; Martinez, Polo, & de Chernatony, 2008).

Keller (1993) postulates that the dimensions of brand associations which include favourability, strength and uniqueness which helps distinguish brand knowledge, play a crucial role in building brand equity. In this respect, brand image was conceptualised in terms of three categories of brand associations, namely: attributes, benefits and brand attitudes. Other researchers in B2B markets have conceptualised brand image in the form of corporate, company, or retail store image (Ailawadi & Keller, 2004; Grewal *et al.*, 2004; Porter & Claycomb, 1997; Roberts & Dowling, 2002). For instance, prior research emphasises the importance of critically examining three image areas to fully comprehend the role played by retail brands in enhancing retailer brand equity. These facets include: (i) the role of national or manufacturer brands, (ii) the role of store brands and the role of the store itself (Ailawadi & Keller, 2004; Grewal *et al.*, 2004). Further, Roberts and Dowling (2002) describe a corporate brand as a valuable intangible asset that cannot be easily imitated and which helps a firm to achieve sustainable financial performance. Also, used interchangeably with reputation (Martenson, 2007), corporate image in the retail context results in a favourable store image that increases satisfaction with the retailer (franchisee) and eventually leads to increased franchisee loyalty (Osman, 1993).

The idea of measuring brand equity using brand associations was also supported by Wiedmann (2005). Thus, brand equity oriented planning of strategic brand management can help firms to fight price competition and achieve high customer retention levels if they implement a differentiated brand association network (Wiedmann, 2005). As discussed above, it is evident that brand image is a determinant of brand equity in B2B markets. Also, given the evidence that successful franchise operations benefit not only the franchisees, but also overflow to end-customers (Lee, 1999), it is therefore crucial that franchisors build a powerful brand image that helps increase brand equity. Accordingly, prospective franchisees can also be seen as customers of the franchising companies (Lee, 1999); hence, an established brand image will increase franchise equity by increasing its transactional performance. It is against this background that this research conceptualises *franchisee-perceived brand image* as a second dimension of FBBE.

3.2.3.3 Franchisee-Perceived Brand Loyalty

The concept of brand loyalty represents the final dimension of FBBE used in this study. In extant literature, brand loyalty has been conceptualised using various terms such as market share loyalty (Cunningham, 1956), repeat purchases (Ehrenburg, 1988), brand preference (Guest, 1944), brand commitment (Hawkes, 1994), and purchase intentions or customer retention (Rust, 1993). According to Oliver (1999, p. 34), brand loyalty is defined as: "...a deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour." This definition supposes that brand loyalty can have either behavioural or attitudinal dimensions (Aaker, 1991; Mellens, Dekimpe, Steenkamp, 1996). Behavioural or purchase loyalty measures brand loyalty resulting from repeated purchases of the brand over time, whilst attitudinal loyalty explains a dispositional commitment based on certain preferences of some unique value associated with the brand (Chaudhuri & Holbrook, 2001; Mellens *et al.,* 1996).

Brand loyalty research has dominated the consumer and service markets whilst only limited efforts have been made to explain the construct in business markets (Rauyruen & Miller, 2007), with even more limited focus on franchise relationships. Brand loyalty is also conceptualised as a measure of customer-based brand equity that reflects a customer's level of attachment to a brand (Aaker, 1991). The positive outcomes of being loyal to a brand are explained in terms of brand profitability (Chaudhuri & Holbrook, 2001). Customers may be willing to pay premium prices for the brand because they perceive unique value in the brand compared with other products in the same category (Reichheld, 1996). In addition, brand loyal customers are likely to have a wider range of acceptable prices (Kalyanaram & Little, 1994). In the same way, Aaker (1991) identifies the role of brand loyalty in improving brand equity as it enhances marketing benefits such as reduced marketing costs, attracts more customers and provides greater trade leverage. Other advantages identified in the existing literature include positive word of mouth and loyal customers' greater level of resistance to competitive substitute products (Dick & Basu, 1994). A study by Chaudhuri and Holbrook (2001) conclude that brand trust and brand affect contribute to brand loyalty which in turn enhances brand performance (measured as market share and relative price). Similarly, previous research also concurs that psychological associations with a specific brand produce brand equity outcomes as a result of different responses to market variables (Aaker, 1996*a*; Keller, 1993).

In B2B brand equity models, brand loyalty has been seen as retailer equity (Pappu & Quester, 2006b), franchised dealer loyalty, manufacturer loyalty (Ewing, 2000) and as brand loyalty in business markets (Baldauf *et al.,* 2003). Oliver (1999) identified brand loyalty in the retailing context as a certain level of commitment by the retailer to maintain stability in a long-term relationship with the manufacturer. Ewing (2000) also suggests that given the interrelationship that exists between store and brand loyalty when purchasing branded products, similar interrelationships can also be assumed between dealer loyalty and manufacturer brands in the automobile industry. The study investigated the likelihood of a customer's intention to purchase the same brand repeatedly, as well continuing use of the services of the same automobile dealer for every purchase. The results revealed that although past behaviour does not affect willingness to recommend, the higher the respondents' expectation to purchase a brand, the higher their willingness to recommend that brand. Hence, the same ensues in customer's willingness to recommend the retailer as well, thus increasing retailer loyalty. Therefore, in the current study, *franchisee-perceived brand loyalty* is proposed as another dimension of FBBE.

Having discussed the main dependent variable of this study, the next sections focus on the proposed antecedents or independent variables of FBBE. These include the brand building efforts of brand relationship management via brand relationship quality and brand citizenship behaviour as mediating variables and two moderating variables, namely: length of franchisor-franchisee relationship age and franchisor competence. The BRM dimensions and their application in franchise relationships are discussed next.

3.3 Brand Relationship Management (BRM) in Business Markets

The concept of brand relationships, also known as consumer-brand relationships, relates to the belief that consumers and brands can establish relationships with each other (Aggarwal, 2004; Fournier, 1998; Parvatiyar & Sheth, 2001). Blackston (1992) first proposed the theory of brand relationships, postulating that the interaction between a brand and its customers can result in strong, intimate and permanent relationships. The emergence of brand relationships has been attributed to social, personality research and animism theories (Fournier, 1998; Smit, Bronner, & Tolboom, 2007), relationship marketing theory through interpersonal relationships and brand loyalty literature (Blattberg, 2000; Fournier, 1994, 1998; Oliver, 1999). Subsequently, the concept of brand relationships has been further developed to include the firm, customer and product (multi-facet brand relationship interaction model by Fournier, 2001) and brand community model (McAlexander, Schouten, & Koeing, 2002). Further, Belk (1988) observed that the relationship between an individual and his/her possessions contributes to a consumer's sense of self and plays a role in determining a person's identity or social relationships.

Basically, this research stream converges on the principle that sometimes people tend to form relationships with brands similar to the way they form personal relationships (Blackston, 1992; Aggarwal, 2004; Fournier, 1998). On the same note, Rozanski, Baum and Wolfsen (1999) identified a group of customers that they termed 'brand zealots' who have an extreme relational attachment to brands that goes beyond the fulfilment of the basic functional need. "These brand zealots animate the brand giving it quasi-human qualities and relate to it in a way similar to how they relate to human beings" (Aggarwal, 2004, p. 87). For the brand to be considered as a true relationship partner, it must significantly offer benefits in some ways similar to the dyadic relationship (Hayes, Alford, Silver, & York, 2006). This concept has been considered crucial in marketing literature as it helps reduce marketing costs, assists firms to acquire new customers and increase customer retention, enhances brand equity and increases customer profitability (Blackston, 1992; Reichheld, 1996). While this area of research has been explored intensively in consumer markets, there is scant research on the application of brand relationships to B2B marketing, and more specifically, franchisor-franchisee relationships.

Whilst brands can serve as relationship partners with end-consumers in consumer markets, (Fournier, 1998), B2B consumers are also likely to form similar relationships with their brands. For instance, franchisees represent industrial consumers that are likely to form relationships with the franchisor's brand under which they operate (Nyadzayo, Matanda, & Ewing, 2011). This is because in franchise relationships, the brand name is exchanged more than are the products or services. In such instances, consumers end up not differentiating between product brands and manufacturer brands as, "...to them, the company is often the brand and the brand is the company" (Aggarwal, 2004, p. 88). Given this background, it is therefore critical for franchisors to manage brand relationships. In B2B markets, BRM relates to strategies that are central to the development and management of business relationships (Day, 2000). Also, BRM entails partner-oriented relationship management strategies for a brand that initiates engaging and mutually beneficial exchanges between a firm and its partners, in order to drive brand preferences aimed to enhance future business performance (Storbacka *et al.*, 1994). Blattberg (2000) suggests that the concept of BRM finds its roots in relationship marketing, specifically customer relationship management and customer-centric management. Hence, by adapting the definition of customer relationship management, BRM is defined as: "...an integrated approach to establish, maintain, and enhance relationships between a brand and its customers, and to continuously strengthen these relationships through interactive, individualised and value added contacts, and a mutual exchange and fulfilment of promises over a long period of time" (Blattberg, 2000, p. 3). Accordingly, the current study applies the notion of BRM to franchise relationships to refer to partner-oriented relationship management strategies that are focused on developing and managing sustainable exchange relationships between the franchisor and franchisee through the franchise brand. Central to this argument is the concept of added value equities or intangible assets that underpin the concept of brand equity (Blackston, 1992). To exemplify this proposal, Blackston (1992) used a doctor/patient relationship scenario in explaining the creation of brand equity, showing how consumers can interact with brands (brand relationships).

The process of conceptualising and managing brands varies from one organisation to another depending on the brand management paradigm pursued. Louro and Cunha (2001, p. 853) defined brand management paradigm as '...a deep-seated way of seeing and managing brands and their value, shared by the members of an organisational community marked by a common culture.' In providing theoretical framework for such paradigms, Louro and Cunha (2001) proposed four paradigms adopted by organisations when managing brands as summarised below:

- *Product paradigm*: is a tactical approach to managing the brand that is centered on the product as the locus of value creation;

- *Projective paradigm*: this approach complements the product paradigm in which brands are conceptualised as focal platforms for enacting and executing a firm's strategic goals;
- *Adaptive paradigm*: is a completely different approach to managing brands by emphasising the role of consumers as value creators of brand meaning; and
- *Relational paradigm*: conceptualises brand management as a continual process in which brand value and meaning is co-developed through interlocking behaviours, collaboration, and competition in exchange relationships.

Pivotal to the present study is the relational paradigm of brand management. This paradigm is consistent with evidence in literature that brands are construed as personalities that evolve in consumer-brand relationships (Fournier, 1998). Also, when compared with the projective paradigm, the relational perspective of brands accounts for the active roles of consumers in the co-creation of brand meaning and value (Fournier, 1998; Louro & Cunha, 2001). As a result, the application of the relational paradigm to managing brands with business consumers is part of the equation since brand management mediates the relationship between supply chain partners (Louro & Cunha, 2001). In addition, recent literature on competitive advantage (Davis & Mentzer, 2008; Delgado & Munuera, 2005; Hooley *et al*., 2005; Srivastava *et al*., 2001) conceptualises brand equity as a relational market-based asset because it is an external resource which resides in the relationships between brands and final users. Thus, "...brand equity ultimately derives in the market place from the set of brand associations and behaviours that have been developed towards the brand" (Delgado & Munuera, 2005, p. 188).

By establishing powerful brand relationships, franchise firms can differentiate themselves from other players such as non-franchised retail outlets (Gupta *et al.*, 2008). According to Willcocks and Plant (2001), this differentiation is made possible by managing the brand as a crucial part of the supply chain management augmented by efficient after-sales support systems. More so, firms can become economically healthy through the successful management of their intangible assets to leverage market opportunities that add value to the business of resellers such as franchisees (Kaplan & Norton, 2001; Rust *et al.*, 2004; Srivastava *et al.*, 1998). Regarding business markets, Gupta *et al.*, (2008) state that firms try to manage customers with brands and separately manage products via supply chains. Conversely, Galbreath (2002) proposes that a combination of both customer and product management can provide opportunities to create competitive advantages in the market for brands. Gupta *et al.* (2008) document the role played by brand relationship representatives in developing brand equity, assessing market opportunities and working with partners in the network, and in influencing the firms' supply chain. In another study, Pitt *et al.* (2002) examine the nature of brand management in franchise organisations by applying the

Keller's (2000) Brand Report Card (BRC) to measure the effectiveness of their brand management processes and their impact on brand performance. The study showed that only the 'internal' dimension of the BRC and not the 'external' dimension was a significant determinant of brand management effectiveness and franchise value. To conceptualise the concept of BRM in franchise relationships, this study adopts some of the relationship variables used in prior literature to assess franchisor-franchisee dyads. Therefore, the researcher proposes that BRM is a function of various relationship variables namely: information sharing, brand architecture, conflict handling, franchisor support, exercise of power, and structural and social bonding.

3.3.1 Information Sharing

Information sharing as an influence strategy plays a crucial role in determining the success of relational exchanges through open, honest and frequent exchanges of information (Dwyer, Schurr & Oh, 1987). Inter-organisational influence strategies refer to the content and structure of organisational communications adopted by the source firm in an attempt to influence target firms (Frazier & Summers, 1984). Such communication is classified as either coercive (e.g. promises, threats and legalistic pleas) or non-coercive (e.g. information exchange, recommendations and requests) (Frazier & Summers, 1984). However, regardless of the influential strategy being implemented by the source firm, channel communication is pivotal to channel functioning (Mohr & Nevin, 1990). Anderson and Narus (1990) agree that communication is positively correlated to trust in manufacturer–distributor working partnerships. In supply chain relationships, partners must prioritise the sharing of information in order to avoid the '*bullwhip effect*' by ensuring that rational demand forecast information are shared (Lee *et al.*, 1997). Moreover, by exchanging information, firms can reduce uncertainties for each other, improve transaction efficiency and reduce information delays, gain competitive advantage, and optimise performance and profits (Handfield & Nichols, 1999). The norms of information sharing indicate a bilateral expectation that supply chain partners will proactively provide useful information to the partner (Heide & John, 1992).

Information exchange is considered to be a particularly relevant dimension of relationalism (Dant & Nasr, 1998). For instance, in franchise relationships, the contract provides guidelines on appropriate disclosure rules for information to be shared (Fulop, 2000). According to Hing (1999), the ability of the franchisor to provide adequate disclosure documentation contributes to the level of satisfaction and cooperation of franchisees regarding either the purchase or operation of the franchised outlet. Also, Stanworth (1991) reports that it is important for franchisors and franchisees to keep contact as frequently as possible since 35 percent of franchisees from the study contacted their franchisors only once a week. Perry, Cavaye, and Coote (2002) also concede that it is imperative in franchise businesses to ensure consistent and frequent information exchange more so than in any other business. This requires a two-way communication process in which franchisors inform franchisees about new and updated procedures, provide recent pricing and product information, relay supply marketing information and provide continual training information (Mendelsohn, 1999). Franchisees also need to inform franchisors regularly about their performance data (Perry *et al.*, 2002). Other researchers also specify that information exchange is a significant dimension of franchisor-franchisee relationship quality and remains a key safeguard for relationship continuance (Dant & Nasr, 1998). Prior research also attests the importance of internal brand communication to internal staff as this determines how the brand is conveyed to external buyers (Baumgarth & Schmidt, 2010) as well as creating brand value (Leek & Christodoulides, 2011*c*). Thus, this study proposes that information sharing is a crucial dimension of BRM.

3.3.2 Brand Architecture

Brand architecture or brand portfolio strategy refers to a firm's strategy for the design and management of its brand portfolio which describes the role of the brand and the nature of relationships between brands (Aaker, 2004; Aaker & Joachimsthaler, 2000; Devlin & McKechnie, 2008). Brand architecture involves the definition of both brand boundaries and brand relationships (Ailawadi & Keller, 2004). Brand building efforts in the past focused on product acquisitions and new product launches or intensive extensions to expand the brand portfolio. However, today's strategies focus on deriving the best from existing brands by managing and organising the existing brand portfolio (Petromilli *et al.*, 2002). The importance of brand architecture in enhancing brand equity is supported in literature. The marketplace today is flooded by portfolios of brands owned by companies as they attempt to maximise brand equity from already developed product concepts (Barone, 2005). Brand architecture involves two roles, namely: (i) to improve brand awareness with consumers by clarifying all product and service offerings, and (ii) to enhance the brand image of products and services so as to motivate consumer purchase (Ailawadi & Keller, 2004).

A study by Devlin and McKechnie (2008) within the financial service sector investigated the attitudes of consumers towards the various strategies adopted by such organisations in managing their brand architecture. The study found that the views of consumers on brand architecture are equally important in determining the appropriateness of brand portfolio strategies adopted by firms. In support, Petromilli *et al*. (2002) state that firms can start to develop strategic brand architecture by examining their offerings from a customer perspective. That is, the continual expansion of the brand portfolio is crucial in building brand relationships with customers

(Petromilli *et al.*, 2002). The same strategy, if applied to franchise relationships, is likely to produce similar outcomes. Thus, franchisees as both consumers and marketers of the brands in the supply chain system benefit from working under continually-developing brand portfolios.

The two concepts of brand relationships and brand architecture are both distinct and complementary. In brand relationships the focus is on relationships between brands and consumers; whereas, in brand architecture the emphasis is on the interrelationships between brands in a portfolio (Ritson, 2005). Thus, brand architecture involves an organising structure of the brand portfolio that specifies brand roles and the nature of brand relationships (Rajagopal & Sanchez, 2003). The relationship aspect construed in both concepts glues the two concepts and an evaluation of these relationships clarifies the brand equity that each holds (Jansen & Nowotny, 2007). For example, if consumers can easily understand the interrelationships between brands in a portfolio (brand architecture), it is logical to conclude that consumers will develop strong relationships with brands. Supporting this view, Petromilli *et al.* (2002, p. 23) state that '...a customer builds a relationship with a brand through both direct and indirect experience, often within the context of exposure to another, related brand.' In franchise relationships, the franchisee has little or no say in brand architecture strategies because of the terms of the contract. However, this study suggests that the more the franchisees are involved in brand architecture activities such as local advertising, cause-related marketing and brand portfolio development decisions, the stronger will be the relationship between franchisees and the brand name. Further, Ailawadi and Keller (2004, p. 338) emphasise that "...retailers need to carefully design and implement a brand architecture strategy to maximise retailer brand equity and sales." Hence, it is proposed that brand architecture contributes to BRM in B2B markets such as franchising.

3.3.3 Franchisor Support

The degree to which the franchisor can provide adequate support to its franchisees is likely to result in functional behaviour from franchisees towards building brand reputation. Sherman (1993) states that prospective franchisees are usually attracted in franchise business based on the provision of start-up and ongoing support by the franchisor. This is because franchisees often lack the required experience when they enter into such exchanges; hence, they end up preferring franchising as an avenue to acquire business skills through the franchisor's blueprint (Frazer, 2001). Prior literature shows that franchisors are willing to provide support to franchisees (Fulop, 2000) and support can be in the form of investments known as non-retrievable investments that are defined as relationship-specific commitment of resources that franchisors invest in the relationship (Wilson, 1995). Hence, in such circumstances "... franchisees gain the freedom to operate in a controlled, assisted and supported environment, while at the same time reaping the benefits of a brand name, professional management and the economies of scale of a larger organisation" (Fulop, 2000, p. 27). Such idiosyncratic investments can be in the form of training and development. Thus, the franchisor contributes to the knowledge of the franchisee by providing adequate training in order to ensure satisfactory development and fulfilment of the business concept (Monroy & Alzola, 2005). By doing so, franchisors minimise opportunistic behaviour and free-riding (Shane, 1998), which in turn improves the quality of the relationship through franchisee satisfaction (Hing, 1999). However, Frazer (2001) reports that the greater provision of support services to franchisees does not reduce the level of disruption experienced by the franchisee. Thus, although initial and ongoing support from franchisors may be beneficial to franchisees, such support does not compensate for communication problems.

Generally, the success of a franchisee depends significantly on the support provided by the franchisor (Terry, 1993). Franchisees that are provided with well-developed start-up support services and continual support services are more willing to maintain consistent operational standards (Mendelsohn, 1999). It is therefore rational to conclude that franchisees with adequate support from their franchisors tend to offer increased brand value creation opportunities compared to the ones starved of support, thereby improving franchise brand equity. This study, therefore, considers franchisor support as a crucial element of BRM.

3.3.4 Exercise of Power

Generally, power in distribution channels refers to the ability of one individual or group to control or influence the behaviour of another (Hunt & Nevin, 1974). Dahl (1964) describes power as the ability of one individual or group to prompt another unit to do what would not have otherwise been done. In addition, El-Ansary and Stern (1972) define power as the ability of a supply chain member to control the decision variables in the marketing strategy of another member. Applying this definition to franchise relationships, power has been defined as the ability of the franchisor from the franchisee's perspective, to influence the decision variables of the franchisee (Hunt & Nevin, 1974). The power of either the buyer or seller in dyadic relationships indicates their level of interdependence (Anderson & Narus, 1990; Heide & John, 1988). Thus, power imbalance directly affects the degree of one partner's dependence on the other partner (Wilson, 1995). In addition, Dahl (1964) suggests that power can be estimated as a financial measure by calculating the change induced in the actions of others. For example, when a franchisee spends about $10,000 in local promotions, the franchisor may influence him to spend $12,000; hence, the amount of power is measured by the difference ($2,000 in this case).

The exercise of power plays a crucial role in achieving integration, adaptation, and goal attainment in B2B relationships (Stern, 1969). In extant literature, power is seen to consist of both coercive and non-coercive components (Brown & Frazier, 1978; Harvey & Lusch, 1997). However, coercive power results in higher levels of conflict and negatively affects the level of cooperation in exchange relationships such as franchises. Conversely, non-coercive power leads to higher cooperation levels and lower levels of conflict (Ross, Lusch, & Brown, 1982). Further, the exercise of coercive power in B2B markets has been found to have negative effects on distributor commitment, while the exercise of non-coercive power emerged as a motivating factor, thus enhancing effective commitment (Goodman & Dion, 2001). Maloni and Benton (2000) found that coercive-mediated power has harmful effects to the supply chain relationship compared with non-coercive mediated relationship. Additionally, use of coercion often leads to a network of self-oriented firms with limited commitment to the goals of the marketing channel (Kasulis & Spekman, 2007). Conversely, the exercise of non-coercive power (such as expert or referent), promotes identification-related behaviour that is conducive to the development of increased channel cooperation (Kasulis & Spekman, 2007). Other researchers identified partner's use of power as an important determinant of channel member satisfaction (Frazier & Rody, 1991; Gaski & Nevin, 1985).

In franchising, franchisors rely more on the performance of franchisees, hence it may be counterproductive for franchisors to exercise coercive power as it weakens franchisees' ability to perform their tasks or reduces cooperation (Harmon & Griffiths, 2008). However, previous research shows that franchisors rely primarily on coercive power to influence franchisees' decisions (Hunt & Nevin, 1974). The sources of franchisee-perceived coercive power include control of territory, contractual agreement fairness, restriction of the right to sell the franchise and control of the building (Hunt & Nevin, 1974). Therefore, the franchisee's perception of franchisor's restraint of use of coercive power influences the franchisee-perceived relationship quality (Harmon & Griffiths, 2008). Further, the exercise of non-coercive power was found to increase franchisees' satisfaction with the franchise relationship (Kidwell *et al.,* 2007). Such non-coercive power or rewards included the provision of improved quality assistance regarding site location, national advertising, on-the-job training, local advertising, pricing decisions, and product eliminations. The results showed that franchisees will be more satisfied with the relationship if fewer coercive sources of power were imposed. Highly satisfied franchisees are likely to refrain from non-compliance and free-riding behaviours (Kidwell *et al.*, 2007), thereby contributing towards building brand success. Power is therefore proposed as a critical relationship variable that determines BRM.

3.3.5 Conflict Handling

Conflict handling has been defined as one's ability to handle the "overall level of disagreement in a working relationship" (Anderson and Narus, 1990, p. 44). Conflict handling involves a partner's ability to prevent potential conflict through communication, solve manifest conflicts before they cause problems and the ability to discuss possible solutions when conflict arises (Dwyer *et al*., 1987; Ndubisi & Chan, 2005). In franchise relationships, conflicts are inevitable hence it is critical to ensure equitable and quick resolution of conflict (Spinelli & Birley, 1998; Stephenson & House, 1971). Franchise partnerships are social systems, not merely economic entities characterised by the dual elements of conflict and cooperation (Etgar, 1979). The success of franchisors depends on their ability to manage the friction arising from the conflicts between franchisor's need and inherent desire to control the relationship at the expense of the franchisee's sovereignty (Strutton *et al*., 1993). Further, unlike other conventional channels, franchise systems have inbuilt conflict management procedures, where power is usually centralised in the hands of the franchisor (Stephenson & House, 1971). However, it is important for franchisors to develop effective conflict handling strategies as the way conflict is managed affects loyalty, cooperation, exit or voice (Ndubisi & Chan, 2005). Research also indicate that conflict handling is a crucial antecedent to relationship quality factors such as trust, commitment and satisfaction (Athanasopoulou, 2009; Dwyer *et al.*, 1987; Frazier, 1983; Kumar *et al*., 1995; Leung *et al*., 2006; Ndubisi, 2006; Plank & Newell, 2007; Roberts, Varki & Brodie, 2003; Selnes, 1998).

Conflicts are likely to arise when partners suspect that certain behaviour of their relational exchange is impeding the achievement of their goals or their effective performance (Stern & Gorman, 1969). Conflicts were also viewed as any behaviour intended to hurt a partner's performance (Strutton, Pelton & Lumpkin, 1993). On the other hand, cooperation is a consequence of positive conflict handling and refers to "...similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time" (Anderson & Narus, 1990, p. 45). Frazier and Rody (1991) emphasise that cooperation is an essential element in channels of distribution. Whilst conflict and cooperation can coexist within a relationship, they are two distinct concepts (Anderson & Narus, 1990) and conflict can be transformed into cooperation if well managed and channel partners progressively align (Frazier, 1983). Prior research also shows that high levels of conflict lead to low levels of cooperation (Lévy Mangin, Koplyay, & Calmes, 2008). In particular, Mangin *et al.* (2008) report that franchisor's efforts to maintain the relationship with franchisees and attempts to reduce levels of conflict pre-empts into conjoint initiatives by both parties as characteristics of cooperation. The results further revealed that cooperative behaviours can translate into better common goals being attained.

Conflicts at the other extreme were seen as a tool of positive forces in a relationship. Zonober (1990) lists seven positive effects of conflicts: stimulating problem solving, uncover and define problems, creating new learning opportunities, forcing prioritisation of opportunities, a means of curbing unresolved issues, cause relational parties to unite over an issue and enhances mutual understanding. Further, franchise operations characterised by psychological climate conditions (such as cohesion, fairness, recognition and innovation), encourage higher levels of willingness to listen openly, exchange information and franchisees were also willing to partake into risky ventures when they encounter conflict with franchisors (Strutton *et al.*, 1993). In sum, it is apparent that effective conflict handling and the cooperative behaviour positively result in franchisee satisfaction in the relationship exchange (Frazier & Rody, 1991). Hence, this study proposes conflict handling as a critical ingredient of BRM.

3.3.6 Structural and Social Bonding

Bonding has been conceptualised as consisting of both structural and social ties (Wilson, 1995). Accordingly, Wilson (1995, p. 339) states that "the concept of structural bonds is the vector of forces that create impediments to the termination of the relationship." In other words, structural bonds entail both economic and strategic ties that draw channel partners together, an example being legal contracts and agreements (Petrovic-Lazarevic, Matanda, & Worthy, 2006). On the other hand, social bonds are based on social interactions that take place between channel members, signifying a certain level of mutual friendship and liking between the buyer and seller (Wilson, 1995). Another definition of social bonds is provided by Perry *et al.* (2002) as both time and energy invested to establish positive interpersonal relationships between channel partners.

In franchising, the most pronounced form of structural bonding is the contractual agreement that regulates the functioning of the relationship. To some extent, franchising contracts are used as a tool for managing conflicts (Stephenson & House, 1971). Spencer (2007) explored the regulatory framework governing franchisee relationships in Australia and found that franchisees lack understanding of the nature of the relationship, and that at times they enter the relationship for the wrong reasons. Additionally, "...a franchisee is not an effective and informed participant, but rather takes on the qualities of a consumer in a market transaction that involves a standard form contracting relationship" (Spencer, 2007, p. 23). Thus, since franchisees are not involved in drafting the contract, they are not equal and active participants in the relationship. This implies that franchise relationships governed solely by contracts are likely to exacerbate power imbalances and trigger opportunistic behaviours that are detrimental to the success of the business. On the other hand, firms that had high levels of structural bonding were found to possess increased commitment levels in sustaining the relationship compared to those ones with decreased levels of structural bonding (Han & Wilson, 1993). Prior research also shows that contract inclusiveness and procedural justice in decision making is related to structural bonding and can promote export agents' extra-role behaviour that in turn enhance channel relationship performance (Li, 2010). Moreover, channel partners who possessed higher levels of personal attachments were found to be more willing and committed to maintain the relationship compared to partners with low social bonds (Mummalaneni & Wilson, 1991). Prior research also suggest social bonding to be an antecedent to relationship quality that in turn leads to long term relationships (Scanlan & McPhail, 2000). In sum, extensive prior research suggests that social bonds and/or structural bonds are important antecedents to relationship quality (e.g., Athanasopoulou, 2006, 2009; Scanlan & MaPhail, 2000; Smith, 1998; Venetis & Ghauri, 2004). Given this background, the current study therefore proposes that structural and social bonding (hereafter referred to as bonding) cements the franchisor-franchisee relationship and is therefore a crucial component of BRM.

Following the discussion presented above (Section 3.3), it is therefore proposed that BRM is a multidimensional construct composed of (i) information sharing, (ii) brand architecture, (iii) conflict handling, (iv) franchisor support, (v) exercise of power, and (vi) bonding (structural and social). This study suggests that the management of brand relationships produces strong brand relationship quality that enhances high brand equity. Hence, it is proposed that:

P1: *There is an association between brand relationship management (higher-order construct) and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, c. franchisee-perceived relationship value).*

A well-managed brand relationship management system can potentially enhance the quality of the franchisees' relationship with the franchise brand as explained below.

3.4 Brand Relationship Quality

As discussed above, the relevance of brand relationships in B2B exchanges resembles that of B2C markets. The concept of brand relationship quality (BRQ) as proposed by Fournier (1994, 1998) is a customer-based indicator of the relationship strength between the individual customer and the brand. Fournier's (1998, p. 363) scale consists of seven components that were used to measure quality of brand relationships and includes:

(i) *Intimacy*: is the psychological closeness between relational exchange partners and brand knowledge;

(ii) *Personal commitment* or brand loyalty: the customer is faithful and willing to make sacrifices;

(iii) *Passionate attachment*: is the attachment and feeling that the customer experiences when using the brand;

(iv) *Love*: is the positive emotional feeling toward the brand;

(v) *Self-concept connection*: is the self-image that the customer builds by connecting with the brand and questions whether the customer and the brand have much in common;

(vi) *Nostalgic connection*: results from a customer's history and reflections of particular memories; and

(vii) *Partner quality*: is the quality of the partner in the relationship; thus, it is the extent to which the brand takes care of its consumers.

Central to the present study is the idea that franchisees can form similar relationships with franchisor brands, and it is therefore logical to assess the strength of such a relationship. For example, according to Belk's (1988) self-concept theory, it can be inferred that franchisees would want to align themselves with the franchisor name that they are representing. If consumers can establish strong relationships with the brand, by drawing conclusions about its characteristics (Ekinci, Yoo, & Oppewal, 2004), then franchisees, are likely to develop strong relationships with the franchise brand. Relationship strength has been investigated by numerous researchers using the relationship quality concept (e.g., Crosby, Evans, & Cowles, 1990; Hewett, Money, & Sharma, 2002; Holmlund, 2008; Ulaga & Eggert, 2006). However, prior research shows that the study of relationship quality, especially in B2B markets, is still elusive (Hennig-Thurau, Langer, & Hansen, 2001; Huntley, 2006). Also, the construct lacks a formal established definition and "...has received remarkably limited attention considering its significance as a key construct in the relationship paradigm within marketing" (Holmlund, 2008, p. 33).

A few studies that have investigated the quality of relationships specifically in the franchising context have focused on variables such as trust, commitment, relationalism, conflict, interdependence, and cooperation (e.g., Bordonaba-Juste & Polo-Redondo, 2004, 2008*a*; Dahlstrom & Nygaard, 1995). Hopkinson and Hogarth-Scott (1999) identify a different way of conceptualising relationship strength in franchises. The authors suggested that the global dimensions of relationship should be used which include: (i) sense of unity, (ii) expectation of future, (iii) anticipation of trouble, and (iv) balance of power,. There is scanty empirical research on the application of relationship marketing strategies to franchisee networks (Bordonaba-Juste & Polo- Redondo, 2008*a*; Doherty & Alexander, 2004; Monroy, & Alzola, 2005; Perry *et al.*, 2002). Monroy and Alzola (2005) acknowledge the lack of research on relationship quality in franchise networks. Ulaga and Eggert (2006) reveal that relationship value is an antecedent of relationship quality and behavioural outcomes in the nomological network of relationship marketing. In prior research, there is lack of consensus regarding how relationship constructs (e.g. trust, commitment, and satisfaction) relate to each other (Hewett, Müller, Helfert, & Ritter, 2002). However, a meta-analysis on relationship quality conducted by Athanasopoulou (2009) concluded that the only area of convergence is the three major dimensions of relationship quality (trust, commitment and satisfaction).

Prior research had questioned the relevance of emotions in B2B markets in the conventional view that the organisational decision making process is rational and only focused on the functional qualities rather than emotions (Leek & Christodoulides, 2012). More recent research has challenged this notion by providing empirical evidence that B2B brands also need to establish emotions such as trust and develop affective as well as cognitive bonds with stakeholders (see, Anderson & Kumar, 2006; Hughes & Ahearne, 2010; Leek & Christodoulides, 2012; Lynch & de Chernatony, 2007). Earlier on, Gilliland and Johnson (1997) also showed that both emotional and cognitive responses to marketing communications stimuli affect the way B2B marketers process brand information within an organisational buying centre. Based on this stream of literature, the current study suggests that the quality of the franchisee's relationship with the brand (BRQ) can be captured through emotional measures such as brand trust, brand commitment and brand love in B2B franchising markets. The simple reason is that in franchises, the relationship is managed through the brand name; hence, it is critical to have measures that relate to franchisees' interaction with the brand. Given this background, the current study proposes that brand trust, brand commitment and brand love are the dimensions of brand relationship quality.

3.4.1 Brand Trust

Brand trust is the belief that will result in positive behavioural outcomes (Lau & Lee, 1999). In business markets, such positive effects of the retailer's attitude towards a manufacturer's brand are likely to result in functional behaviour that enhances the brand (Quan Tran, 2006). Trust is viewed as a key driver of successful and long-term relationships in consumer markets and is a critical success factor in viable relationships in B2B marketing (Nguyen, 2002; Parasuraman, Zeithaml & Berry, 1985). In support, Hiscock (2001, p. 1) suggests that trust is the main ingredient of the bond between a consumer and the brand. Thus, in B2B marketing, trust is considered crucial in the building of relationships as it fosters cooperation and minimises the fear of opportunistic behaviour and free-riding (Anderson & Weitz, 1992; Anderson & Narus, 1990; Bordonaba-Juste & Polo-Redondo, 2004; Morgan & Hunt, 1994). Nevertheless, despite its critical role, brand trust has not received considerable attention in B2B relationships and limited empirical research exists on the construct (Delgado & Munuera, 2005). Accordingly, these findings suggest that limited empirical research has been undertaken on brand trust within the franchisor-franchisee setting, with the exception of a recent study by Davies *et al.* (2011).

Trust is usually defined "...as the firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm" (Anderson & Narus, 1990, p. 45). According to Delgado *et al*. (2003) brand trust is the confident expectations of the brand's reliability and intentions. In essence, brand trust is conceptualised as a two-dimensional construct consisting of reliability and intention (Delgado & Munuera, 2005). The dimension of reliability refers to the technical or competence-based nature of the brand, which involves the ability and willingness to keep promises and satisfy the needs of the consumers. Intentions are the attribution of good intentions to the brand in relation to the consumers' interests and welfare. Consequently, trusting a brand implicitly entails that there are high perceived probabilities (Bhattacharya, Devinney, & Pillutla, 1998), confidence (Garbarino & Johnson, 1999), or expectations (Rempel, Holmes, & Zanna, 1985) that the brand will deliver positive outcomes to the consumer. From a retailing point of view, Glynn (2004) identified trust as the reliability of brand supply, credibility of marketing information shared and expertise of the major brand manufacturer or 'category captain'. For example, based on the aspect of expectancy, trust in the brand involves attributions made to the exchange partner (e.g., the franchisor) regarding his or her intentions, behaviours and qualities (Rempel *et al.*, 1985). Trust has also been linked to the competence of the franchisor, that is, a trusting belief in franchisor competence or competence-based trust (Dickey *et al.,* 2007; Levin & Cross, 2004).

The contextualisation of brand trust has major implications for marketing literature (Delgado & Munuera, 2000). The first implication derives from the fact that brands can be humanised (Aaker, 1991; Blackston, 1992; de Chernatony & McDonald, 1998; Fournier, 1994). Thus, the establishment of interpersonal relationships (based on trust) between the brand and the consumer, entails that the brand possesses characteristics which are beyond those of any other similar product. The second implication is attributed to the long-term partnership formed between the brand and the consumer, which means managers need to continuously execute marketing plans and strategies to maintain the bond. Such tactics, decisions and activities can be established as behaviours and enacted by the brand's role in the relationship (Fournier, 1998). Lastly, there are implications of brand value that can be identified from trusting the brand (Delgado & Munuera, 2005). For example, Davis and Mentzer (2008) coined the new term 'trade equity' to denote "...the value that accrues to a firm from being known in a trading network as a trustworthy trading partner" (p. 437). Similar to channel equity (Srivastava *et al.*, 1998), trade equity represents the value of a firm's relational ties that can result from a partner's positive affects towards another partner's brand (David & Mentzer, 2008).

Evidence of the influence of brand trust on brand equity exists mainly in consumer markets literature (Chaudhuri & Holbrook, 2001; Delgado & Munuera, 2005; Garbarino & Johnson, 1999; Lau & Lee, 1999). Brand equity has been considered as a relational market-based asset which means that trust building and maintenance is critical in building brand equity (Garbarino & Johnson, 1999). This is because brand trust is a key ingredient of any successful long-term relationship (Morgan & Hunt, 1994). Further, brand trust is considered to be a powerful driver of brand loyalty as it results in continual and well-maintained exchange in valuable partnerships (Chaudhuri & Holbrook, 2001; Lau & Lee, 1999). Additionally, increased trust in a particular brand might cause consumers to perceive uniqueness of value in a brand that other brands do not provide (Chaudhuri & Holbrook, 2001). Sheth and Parvatiyar (1995) point out that consumers develop relationships with the brand which become a substitute for human contact between the organisation and its customers and trust can therefore be developed through this relationship. Further, Delgado and Munuera (2005) identify that consumers' trust in a brand has significant positive effects on brand equity as a relational market-based asset. Similarly, "…industrial buyers will choose recognised brand names from established companies as a way to reduce both corporate and personal risk" (Delgado & Munuera, 2005, p. 193). Hence, the current study proposes brand trust as a crucial element of brand relationship quality.

3.4.2 Brand Commitment

Similar to brand trust, brand commitment is also an essential ingredient of successful long-term relationships (Morgan and Hunt, 1994) as it allows partners in a relationship to: (i) help preserve the relationship, (ii) avoid alternative relationship with other partners, and (iii) reduce perceptions of risk (Dwyer *et al*., 1987; Morgan & Hunt, 1994). In consumer perspectives, brand commitment is the long term consumer's behavioural and attitudinal disposition towards a relational brand (Chaudhuri & Holbrook, 2002; Gundlach, Achrol, & Mentzer, 1995). Brand commitment describes the emotional or psychological connection to a specific brand within a product category (Lastovicka & Gardner, 1977). Subsequently, Aaker (1991) suggested that brand loyalty encompass to a certain extent some level of commitment towards the quality of the brand, in which brand loyalty is regarded as a function of both positive attitudes and repeat purchases. However, the term *commitment* refers to consumers' ultimate relationship disposition that includes beliefs, attitudes, and behaviours toward the brand and their relationship with that brand (Hess & Story, 2005). Thus, Hess and Story (2005) propose a multidimensional trust-based commitment construct whereby "…committed relationships are built on performance cues as indicated by satisfaction, but we propose that the depth of commitment is more closely tied to indications that a partner is trustworthy, that a brand has your best interest in mind, is responsive to your needs, and will stand behind their performance” (p. 314).

Alternatively, the concept of brand commitment can be viewed from a different angle in the B2B marketing context. For instance, attitudinal commitment is conceptualised as a two-dimensional construct made up of rational, economic calculation (calculative commitment) and an emotional, social sentiment (loyalty commitment) (Gilliland & Bello, 2002). These two components of one partner's psychological attachment to another have been explained in channels literature as (i) an instrumental realisation of the benefits of staying and leaving costs, and (ii) a sentiment of allegiance and faithfulness (Brown, Lusch, & Nicholson, 1995; Geyskens, Steenkamp, Scheer, & Kumar 1996). Further, these two states of attachment combine to form the notion of continuance commitment, in which “...channel members that are attitudinally committed to one another recognise and seek the benefits of the ongoing relationship” (Gilliland & Bello, 2002, p. 25). In B2B contexts, contractual arrangements serve as one main type of mechanism used to govern long-term partnerships (Anderson & Weitz, 1992). For example, in franchise businesses, contracts limit the alternatives available to partners and control free-riding, and also impose high switching costs when franchisees terminate the relationship. Further, continuance commitment is a prominent feature of brand relationships (Fullerton, 2005); thus, franchisees might be willing to represent brands that fit their self-construed personality (Aaker, 1997). Hence, the current study proposes brand commitment as a second dimension of brand relationship quality.

3.4.3 Brand Love

There is growing academic research on the concept of brand love or related constructs (see Ahuvia, Batra, & Bagozzi, 2009; Albert, Merunka, & Valette-Florence, 2008; Batra, Ahuvia, & Bagozzi, 2011; Thomson, MacInnis, & Park, 2005). Brand love has been found to influence positive word-of-mouth and brand loyalty (Caroll & Ahuvia, 2006; Fournier, 1998; Thomas *et al.*, 2005), willingness to pay premium prices (Thomas *et al.*, 2005), and brand failure forgiveness (Bauer, Heinrish, & Albrecht, 2009). However, despite this growing interest, there is scant research as to what brand love is (see Albert *et al.*, 2008). The concept of brand love was introduced by Carroll and Ahuvia (2006) and it is relatively new in marketing literature, although its meaning derives from satisfaction literature. However, work on love in relation to consumption has been attributed to Shimp and Madden’s (1988) model of consumer-object love, Sternberg’s (1986) triangular theory of love and satisfaction theory (Oliver, 1999). Brand love is defined as the degree of passionate emotional attachment a satisfied consumer has to a particular brand or product (Carroll & Ahuvia, 2006). Broadly, the facets of brand love include: being passionate about the brand and having a strong attachment to the brand, positive feelings towards the brand, positive emotions in response to the brand, and declaring immense love for the brand (Ahuvia, 2005). In addition, Batra *et al.* (2011, p. 3) established 10 major components of brand love: high quality, strongly held values, intrinsic rewards, self-identity, positive affect, passionate desire and sense of natural fit, emotional bonding, willingness to invest, frequent thought and use, and length of use. Research evidence also confirms peoples' love for brands or products (see Batra *et al.*, 2011).

Whang, Allen, Sahoury, and Zhang (2004) investigated what consumers mean when they say they are in love with a product and found that customers' love for brands resembles an interpersonal love that can be passionate, possessive and restless in nature. Fournier (1998) attests the importance of love in developing consumer-brand relationships. In examining strategic consumer behaviour, the extant literature agrees that post-consumption behaviour of a product results in different levels of feelings among satisfied consumers (Chaudhuri & Holbrook, 2001; Fournier & Mick, 1999; Oliver, 1999). Brand love is considered different from satisfaction because it explains a deeper and more emotional type of satisfaction experienced by some consumers (Fournier & Mick, 1999). According to Carroll and Ahuvia (2006, p. 81), brand love differs from satisfaction because: (i) brand love is cognitive-based, whereas satisfaction has a strong affective focus; (ii) satisfaction is usually transaction-based, whilst brand love results from a customer's long-term relationship with the brand; (iii) whilst satisfaction is based on the expectancy or disconfirmation paradigms, brand love opposes such roots since the consumer already knows what to expect from the brand; and (iv) declarations of love for a brand are present in brand love but not vital in satisfaction.

Chaudhuri and Holbrook (2001) propose brand affect as the potential of brands to evoke positive emotional responses in the average consumer when used. The study suggests that customers who develop strong emotional ties with a restaurant (brand affect), have high levels of commitment in the form of attitudinal loyalty and willingness to go beyond just re-visiting the restaurant by being prepared to pay premium prices. Nevertheless, the concept of brand love is different from brand affect (Carroll & Ahuvia, 2006). Central to this argument is the notion that brand affect refers to brand 'liking' and brand love goes beyond mere liking since it integrates the brand into the consumer's sense of identity which does not happen in brand affect. Given this background, the current study investigates the role of brand love in determining brand relationship quality in a franchising context. Subsequently, the study intends to investigate whether brand love contributes to FBBE through brand loyalty (Carroll & Ahuvia, 2006). Further, Carroll and Ahuvia (2006) also suggest the establishment of the association between brand love and market performance measures. Hence, this study also proposes that brand love is a third dimension of brand relationship quality.

In summary of this section (Section 3.4), the study operationalises the concept of BRQ as a multidimensional construct with three indicator variables: brand trust, brand commitment and brand love. In prior literature, the BRQ paradigm has conceptualised various relationship components (such as cognitive, supportive, socio-affective, emotional and behavioural) to constitute a single construct of BRQ which ultimately leads to brand loyalty (Fournier, 1998; Tsai, 2011). Hence, in the current study, it is proposed that effective BRM will result in positive BRQ outcomes (brand trust, brand commitment and brand love), eventually enhancing brand equity dimensions. Hence, the following specific propositions are advanced:

P2: *There is a relationship between brand relationship management and brand relationship quality.*

P3: *There is an association between brand relationship quality and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, c. franchisee-perceived relationship value).*

P4: *Brand relationship quality positively mediates the relationship between brand relationship management and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, c. franchisee-perceived relationship value).*

The next section discusses BCB as the second mediating variable of the study.

3.5 Brand Citizenship Behaviour

Brand citizenship behaviour is an aggregate construct that describes a number of generic employees' behaviour that enhances brand identity (Burmann & Zeplin, 2005). Brand commitment has been regarded as the key determinant in brand citizenship behaviour (Burmann & Zeplin, 2005). For example, in a franchisor-franchisee relationship, the question is, 'How can franchisees' commitment to the brand enhance the brand identity of the brand as a whole across the franchise network?' To better understand this, the present study adopts the notion that strong brands are built through identity-based brand management (Aaker, 1996; Kapferer, 1997). Similar to the principle of internal brand building, identity-based brand management requires that staff behaviour be aligned with a corporate brand's identity (Vallaster & de Chernatony, 2006). Therefore, one success factor in corporate branding is the promotion of positive behaviour that is germane to the brand in developing coherent brand image.

The argument of internal brand building is based on the fact that employees play a crucial role in ensuring coherent customer brand experiences across all customer touch points (Burmann &

Zeplin, 2005). In order to understand the role played by employees in brand building, Burmann and Zeplin (2005) adapted the concept of organisational citizenship behaviour to coin a new construct known as *brand citizenship behaviour*. In conceptualising brand citizenship behaviour, seven dimensions were advanced: (i) helping behaviour, (ii) brand consideration, (iii) brand enthusiasm, (iv) sportsmanship (willingness to engage for the brand even at high opportunity costs), (v) brand endorsement, (vi) self-development, and (vii) brand advancement (Burmann & Zeplin, 2005, p. 283). Therefore, it is argued that the recognition of brand citizenship behaviour solely from the employees' perspective can expose a firm to risks. In other words, customer touch points cannot be limited to employees of the firm but must include other stakeholders such as retailers. Specifically, in the current study, franchisees' brand citizenship behaviour has important implications similar to that of a firm's employees. Therefore, this study proposes that the implications of identity-based brand building should be addressed from franchisee perspectives so as to ensure that a strong brand is maintained across the chain. Further, the study suggests that brand citizenship behaviour results from franchisees' continual commitment in their relationship with the brand which in turn results in enhanced brand equity. Similarly, effective BRM is proposed to promote brand citizenship behaviour that enhances FBBE. Specifically, it is therefore proposed that:

P5: *There is an association between brand relationship management and brand citizenship behaviour.*

P6: *There is an association between brand citizenship behaviour and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, c. franchisee-perceived relationship value).*

P7: *Brand citizenship behaviour positively mediates the effect of brand relationship management on franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, c. franchisee-perceived relationship value).*

3.6 Moderating Variables

The present study proposes two moderating variables, namely: franchisor competence and duration of franchisor-franchisee relationship.

3.6.1 Franchisor Competence

A franchisor-franchisee relationship is a form of exchange whose success depends solely on a closer degree of integration and well-coordinated interactions than in any typical buyer-seller relationships (Joseph, 1990). Thus, "...franchisor and franchisee are, in a practical sense, often members of a tightly-knit 'team' competing with other 'teams' in the market" (p. 471). Franchisor competence indicates the degree to which the franchisor possesses the necessary business skills required to ensure a successful business operation (Prince, Manolis & Tratner, 2009). Franchisors are normally expected to contribute their business capabilities and know-how and provide a format for franchise business operations (Joseph, 1990), and failure to do so may expose the whole network of franchisees to business risks and free-riding behaviour and non-compliance problems (Dickey *et al.*, 2007). Franchisor incompetence can result in miscalculations that can contribute to the collapse of franchise systems resulting in bad management, inadequate capitalisation, poorly conceived advertising and promotional programs, and other deficiencies which can have disastrous effects on franchisees (Joseph, 1990). Not surprisingly, managerial incompetence has been cited as the main cause of small business failure in Australia (Williams, 1987). Franchisees are usually risk-averse entrepreneurs who are motivated to use someone's brand because they expect more benefits from the low risk costs of market entry (Harmon & Griffiths, 2008).

The current study suggests that brand building efforts which focus solely on managing brand relationships *per se* are insufficient to develop brand relationships and brand equity. The importance of franchisor competence in enhancing the brand value can be attributed to its role in enhancing satisfaction in purchase transactions. Thus, supplier competence is a crucial antecedent of B2B customer satisfaction (Fornell *et al.*, 1996). Szymanski and Henard (2001) state that, overall buyer satisfaction is considered by marketers as resulting from the capabilities of the seller and other processes. Han and Sung (2008) indicate that supplier competence has a significant effect on buyer satisfaction in industrial markets. On the same note, it can be stated that the lack of franchisor competence leads to a zero-sum game that usually impairs franchise relationships and eventually results in franchisee dissatisfaction (Prince *et al.*, 2009). The resource-based view acknowledges that the potential of resources and capabilities to create value depends on the market environment in which a firm operates (Barney, 2001). This view also corroborates the importance of marketing-related resources such as brands and relationships as valuable to the firm (Srivastava *et al.*, 2001). Similarly, using a value creation logic approach to investigate the role of competencies in creating customer value, Möller (2006, p. 916) notes that from the "...competence perspective, the level of determination of the value activities and the actors forming the value system constitute a fundamental characteristic of the system." Hence, it can be concluded that franchisors should capitalise on their brand name to manage relationships with franchisees, and create value for themselves and franchisees.

Prior literature contends that trust is a consequential variable of franchisor/supplier competence (Dickey *et al.*, 2007; Levin & Cross, 2004). For example, Levin and Cross (2004) state that there are two reasons why people in partnerships are likely to have greater trust in the competence of their strong ties. First, as two parties develop strong links, there is likelihood that skills and expertise will be transferred from one party to the other, and each takes advantage of learning from the domains in which one is highly competent (Rulke & Rau, 2000). Second, strong relationships develop into compatible thinking and communication, which eventually results in shared cognition that leads to trust (Tsai & Ghoshal, 1998). In franchise relationships, trust serves as an alternative mechanism of governance to contracts as it can help minimise opportunistic behaviours (Alvarez, Barney, & Bosse, 2003). Nevertheless, Bennet and Robson (2004) argue that trust is not a stand-alone control mechanism in relational exchanges. Thus, franchisor competence is a prerequisite element of franchisee trust that enhances the health of the franchise system and its relationships (Davies *et al*., 2009). Also, Dickey *et al.* (2007) propose a belief of trust based on the competence of the franchisor. Such trusting-belief competence refers to the degree to which the franchisee believes that the franchisor is capable of performing his/her duties. Moreover, most franchisors have the misconception that franchisee satisfaction is based solely on financial outcomes (Davies *et al.*, 2009). In other words, franchisors assume that if franchisees are doing well financially, then they will be satisfied with all other non-financial elements such as relationships. Further, Davies *et al*. (2009) outline various signals of franchisor competence such as the brand reputation of the franchise, familiarity and financial success of the franchise. However, it is difficult for franchisees to judge franchisor competence once they enter into the franchise relationship due to lack of appropriate experiential benchmarks for those with little prior franchise experience. Nonetheless, although prior literature particularly in B2B relationships has identified some subjective indicators to ascertain competence, objective performance is difficult to judge (e.g., Han & Sung, 2008). Therefore, franchisees might need to rely more on the dependability and integrity of the franchisor to guide their expectations of the franchise relationship (Davies *et al*., 2009).

In extant literature, competence is conceptualised in terms of responsiveness, flexibility, reliability, technical competence, commercial competence, product quality, price, and operational capabilities (Dickey *et al.*, 2007; Fornell *et al.*, 1996; Han & Sung, 2008; Lapierre, 2000), professionalism, dedication and track record (Levin & Cross, 2004). In the present study, various dimensions of competence are used to assess franchisor competence as a first-order construct. This study therefore advances that brand building efforts centralised on managing brand relationships *per se* are insufficient in enhancing brand relationships and franchisee-based brand equity. Therefore, it is suggested that the management of brand relationships is strengthened by the competence level of franchisors. Further, a competent franchisor strives to solve problems and develop the skills needed to safeguard the relationship in order to meet the needs of the franchisee. Hence, it can be proposed that:

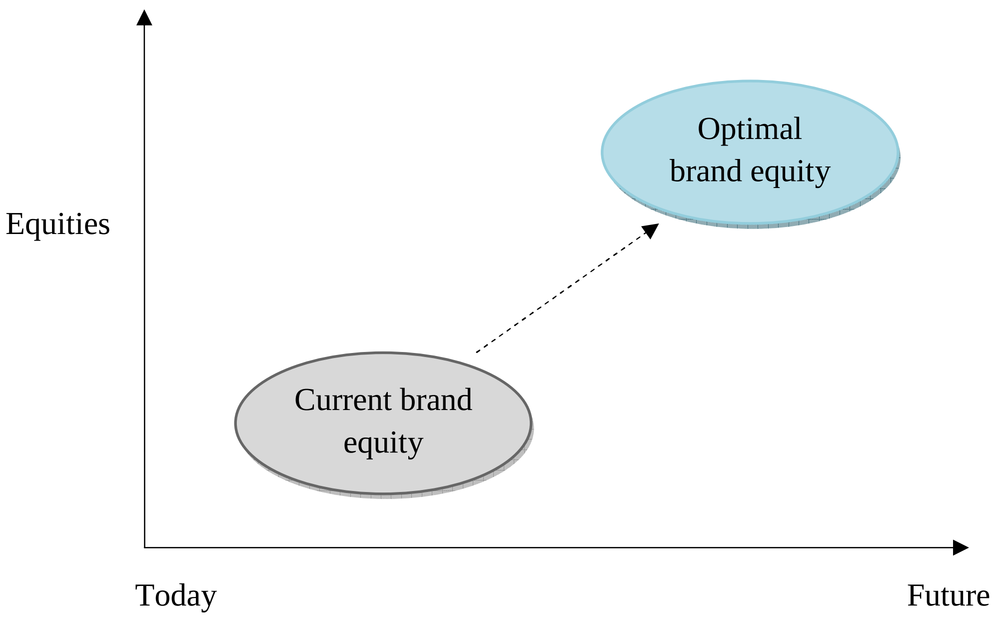
P8: *Franchisor competence moderates the relationship between brand citizenship behaviour and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).*

P9: *Franchisor competence moderates the relationship between brand relationship quality and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).*

3.6.2 Duration of the Franchisor-Franchisee Relationship

This refers to the length of time of the franchisee's tenure with the firm as an owner of a franchise (Dickey *et al.*, 2007). Franchisor-franchisee relationships vary over time, depending on the development stage of the life cycle, and duration of simple exchange is a factor of long-term cooperation (Poppo & Zenger, 2002; Schreuder, Krige, & Parker, 2000). Relationship age as a moderating variable has been discussed in the franchise literature (Bordonaba-Juste & Polo-Redondo, 2008*b*). The study adapted relationship marketing sentiments which prescribe that long-term relationships are profitable compared to short-term relationships, although in exceptional cases, some newly-acquired customers can be more profitable than old ones (Reichheld, 1996; Reinartz & Kumar, 2000). Bordonaba-Juste and Polo-Redondo's (2008*b*) report the moderating role of relationship duration on trust and commitment in B2B relationships since most research has focused on B2C contexts. According to Bergstrom (2000), one of the brand building steps is to consider the brand's trajectory in order to identify the ideal or optimal place currently occupied by the brand. After mapping the brand's current position, a firm can better forecast its position in the future. Hence, it is crucial to identify the trajectory that results from moving the brand toward its optimal positioning, as shown in Figure 3.3.

Figure 3.3: Brand Trajectory versus Franchisor-Franchisee Relationship Duration



Source: Adapted from Bergstrom (2000, p. 14)

As shown in Figure 3.3, it is suggested that in franchising, relationship duration also determines brand trajectory. Thus, the longer the length of time as a franchisee the greater is the trust from the franchisor (Dickey *et al*., 2007) and willingness to invest in non-retrievable investments and other brand building related support. Hence, the brand can move from the current brand position to the optimal brand position, thereby increasing its equities. Further, an in-depth review of literature conducted by Athanasopoulou (2009) concluded that one of the most important variable used as a moderator in relationship studies is relationship duration since relationship quality changes with time. Therefore, it can be proposed that:

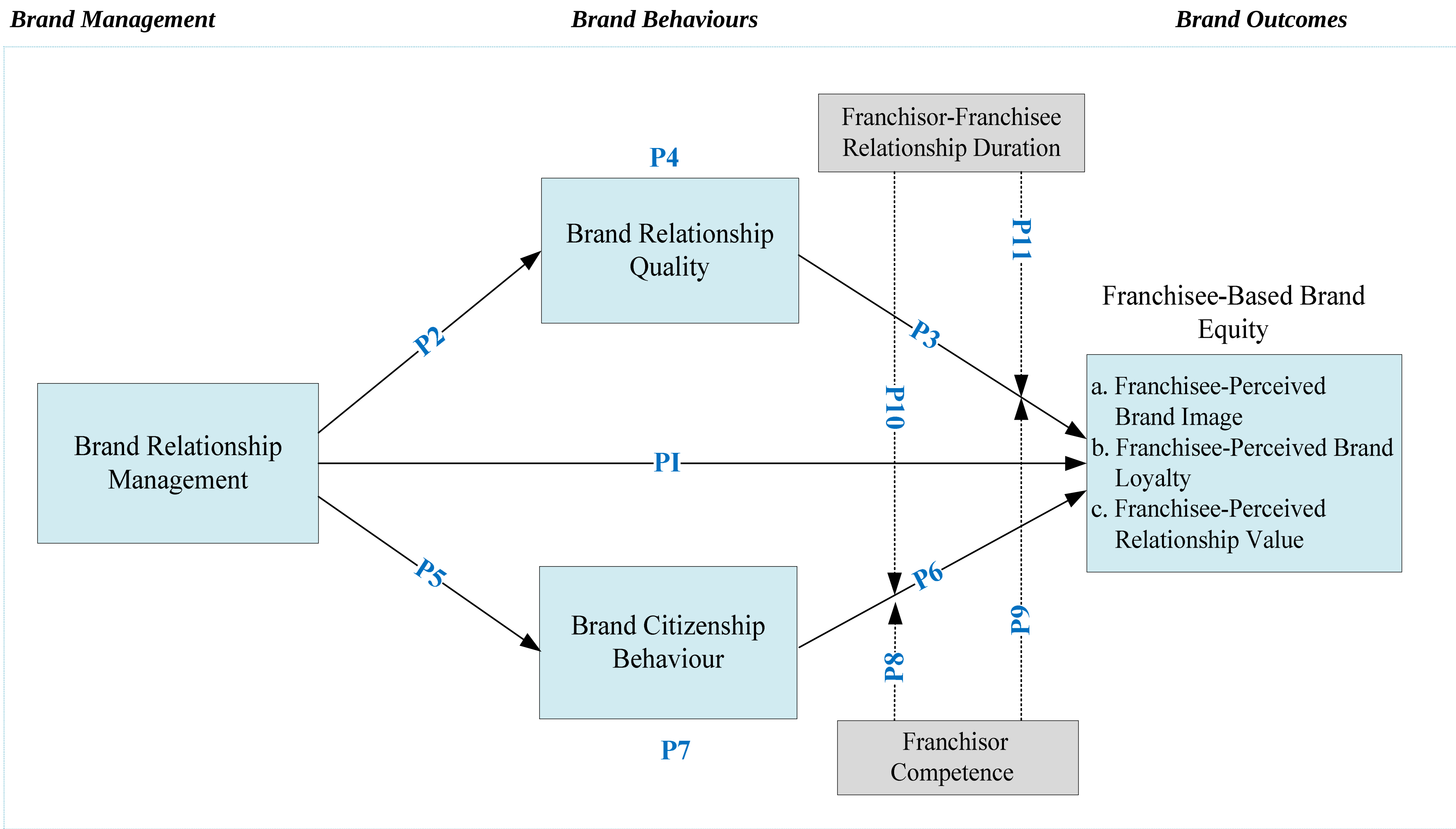
P10: *Franchisor-franchisee relationship duration moderates the link between brand citizenship behaviour and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).*

P 11: *Franchisor-franchisee relationship duration moderates the link between brand relationship quality and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).*

3.7 Research Conceptual Framework

Taking into consideration the above discussion, this study therefore presents a conceptual model that integrates brand relationship management, brand relationship quality, and brand citizenship behaviour as the main determinants of franchise-based brand equity, moderated by the duration of franchisor-franchisee relationship and franchisor competence – as shown in Figure 3.4.

Figure 3.4: Proposed Conceptual Model



Source: Developed for this study

3.8 Summary of Research Propositions

In summary, based on the literature review discussed above, this study investigates the following propositions:

P1 There is a relationship between brand relationship management and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P2 There is a relationship between brand relationship management and brand relationship quality.

P3 There is a relationship between brand relationship quality and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, c. franchisee-perceived relationship value).

P4 Brand relationship quality positively mediates the relationship between brand relationship management and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P5 There is a relationship between brand relationship management and brand citizenship behaviour.

P6 There is a relationship between brand citizenship behaviour and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P7 Brand citizenship behaviour positively mediates the relationship between brand relationship management and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P8 Franchisor competence moderates the relationship between brand citizenship behaviour and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P9 Franchisor competence moderates the relationship between brand relationship quality and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P10 Franchisor-franchisee relationship duration moderates the link between brand citizenship behaviour and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

P11 Franchisor-franchisee relationship duration moderates the link between brand relationship quality and franchisee-based brand equity (a. franchisee-perceived brand image, b. franchisee-perceived brand loyalty, and c. franchisee-perceived relationship value).

3.9 Chapter Summary

The chapter introduced the dependent variable of this study, that is, franchisee-based brand equity based on the theoretical foundations discussed in Chapter 2. Further, various literatures were reviewed to help conceptualise the primary constructs that determine brand equity in franchises. In addition, two moderating variables, that is, length of franchisor-franchisee relationship duration and franchisor competence, were discussed. In a nutshell, the chapter provided a detailed explanation of the links between the constructs brand relationship management, brand relationship quality, brand citizenship behaviour, length of franchisor-franchisee relationship age, franchisor competence and franchisee-based brand equity, which led to the development of the conceptual model as shown in Figure 3.4, and related research propositions.

It is important to highlight that prior research concedes that B2B and B2C markets relate to each other and share some common characteristics (Bennet, Härtel, & McColl-Kennedy, 2005). Further, Sheth (1978) views the two sectors as the end points on a continuum, rather than mutually exclusive categories. This perspective encourages consumer constructs to be tested in B2B settings. Thus, given the practical evidence of the success of brand-building efforts in the B2B sector, an investigation of brand equity outcomes is appropriate for practical reasons. There is also ample evidence that brand equity as a consumer branding concept is highly applicable in B2B (Bendixen *et al.*, 2004; Gordon *et al.*, 1993; Hutton, 1997). Further, recent research by Dant and Brown (2008) indicate that the notion that B2C and B2B are two distinct entities is an obsolete concept, since it is difficult to draw the line between pure B2C and pure B2C. In addition, the retailing context straddles and is actually bridging the gap between these two sectors. This is because B2C retailing entails B2B components as the retail area is also involved in relational exchanges with upstream channel members in addition to serving end customers (Dant & Brown, 2008). Hence, due to lack of prior research, in some places the current study consulted the literature on consumer markets to help conceptualise the notion of franchisee-based brand equity.

In Chapter 4, the research context in which this study was conducted (i.e., Australian franchising) is discussed.

CHAPTER 4

RESEARCH CONTEXT: FRANCHISING IN AUSTRALIA

4.1 Introduction

In Chapter 3, the franchisee-based brand equity construct and its proposed antecedents (i.e., brand relationship management, brand relationship quality and brand citizenship behaviour) were discussed. The proposed moderating variables (i.e., franchisor-franchisee relationship duration and franchisor competence) were also discussed. In addition, relationships of the constructs were identified and based on this framework, the conceptual model and related propositions were presented. In this chapter the research context, the Australian franchise business system and its brief history are outlined. This is followed by a definition of franchising and description of different forms of franchising. The nature of the industry and its contribution to the economy in terms of economic growth and employment creation is then outlined. To conclude the chapter, franchisor-franchisee relationships and their governance structures from an Australian perspective are discussed.

4.2 A Brief History of Franchising in Australia

According to The Quinn Group (2011), the likely origin of the franchising concept is linked to the founder of the Singer Sewing Machine Company – Isaac Merritt Singer, who back in the 1850s used ‘regional agents’, who paid a fee for regional territorial rights to sell, demonstrate and repair the Singer sewing machines. Through this new way of distribution, Singer was able to penetrate the US market and increase its market share with limited capital. Down under in Australia, prior to 1970 there was little recorded evidence of franchising, although it is believed that product franchising existed in petroleum and motor vehicle industries (McCosker, 1994). However, some assumed that the first Australian franchise was the granting of the rum licenses to prisoners in Botany Bay by General Macquarie at the start of colonisation (Enterprise21, 2011). Documented evidence of franchising was when McDonalds’ introduced its first store in 1971 in Yagoona (Sydney) and later on opened its first Drive-Thru in Warrawong (New South Wales) in 1978 (WhichFranchise, 2011).

After its inception, franchising in Australia has continued to grow at an alarming rate especially in the 1980s. The intense business competition during this era, and the resultant failure of numerous small and medium sized businesses, earmarked the growth of franchising (Terry, 1991). Thus, franchising was considered a safer option and provided the means for small businesses to benefit from established business practices and reputable brand name with minimum risk (Leslie & McNeil, 2010; Weaven & Frazer, 2006). The success of franchising was also attributed to the (i) unregulated framework, that had no intrusive regulatory controls either at state or federal level, (ii) increasingly wealthy local population, (iii) increase in interest and support from the financial and public sectors, as well as (iv) willingness of Australians to accept and adapt new ideas and foreign investment (Lim & Frazer, 2001; Terry, 1996). However, the appropriateness of franchising as a distribution format was later questioned after the failure of some high profile franchises (Frazer, 2000). Some believed the negativity grew due to the absence of the sector regulations and protection of consumers, a decision which then led to the formation of the Franchisors' Association of Australia in 1981, which was later changed to the Franchise Council of Australia (FCA) in 1998. Subsequently, franchising became one of the most important, dynamic and progressive sectors that has grown to be recognised as a reputable way of doing business in the Australian economy (FCA, 2009*a*).

The FCA is a nationally incorporated not-for-profit association which aims to "…help all members of the Australian franchise sector – franchisors, franchisees and suppliers – in a variety of different ways, to make sure the sector is a vibrant place to do business" (Frazer, Weaven, & Wright, 2010, p.6). Subsequently, the franchise system has been more governed by various forms of contractual agreements between the franchisor and franchisees, and most notably the Franchising Code of Conduct (the Code) introduced in 1998 (Lim & Frazer, 2001). Nevertheless, various concerns continue to be raised over the effectiveness of these instruments in governing franchise relationships. For example, Spencer (2007) pinpoints that franchisees remain disadvantaged as they are not well-equipped to fulfil their role in the governance of the relationship. Spencer (2007, p.5) suggests that "The regulation of the sector is only likely to be effective if it can be reframed according to a process-oriented approach that includes all participants, fully equipped to fulfil their roles at all stages of the governance of the relationship." However, despite being 'heavily-regulated' the Australian franchising sector has continued to grow and the number of business format franchises increased from 560 in 1998 to 1025 in 2010 (Frazer *et al.*, 2010) resulting in higher levels of franchising per capita in Australia compared to the USA (Wright & Frazer, 2004).

The future of franchising in Australia looks promising. Reports from the PwC Franchise Sector Indicator (2009) and Frazer *et al.* (2010) indicate that even during the past economic downturn, the Australian franchise sector outperformed the economy whilst other non-franchised small businesses struggled. The future of franchising in Australia looks optimistic as it continues its strong run into 2011 and beyond (Wright, 2010). The good run strongly depends on a solid foundation that can withstand future challenges. For instance, the two main challenges for 2011 identified by PwC are franchisee (i) recruitment and (ii) funding. The first challenge presents the need for more research into factors that influence franchisee recruitment. Although, not the focus of the current study, some of these behavioural and brand relationship variables that might motivate potential franchisees were addressed. The next section provides the definition of franchising used in this study.

4.3 Defining Franchising

A number of definitions for franchising exist in the literature. According to Justis and Judd (2002), franchising is a contract-based business arrangement in which one firm grants an individual or company the rights to conduct business in a prescribed format, serving a specific territory, during an agreed time period for royalty payments and other related fees. The company granting such rights is the franchisor, the receiver of such rights is the franchisee and the right is known as the franchise. The Franchise Guide (2008) states that franchising entails an organisational form in which the franchisor grants the franchisee rights to operate a replicated franchise business under a specific trade name, using already established business practices and operating procedures. However, Williamson (2006) views franchising as merely a marketing concept that involves a legal arrangement between a risk-taker who wishes to expand a brand and an entrepreneur who wants to invest in the brand. In essence, franchising entails "...a structured brand management business model where the franchisee invests in the franchisor's brand and operates to a prescribed process, paying a fee to the franchisor for the opportunity" (Evans, 2006, p.14). Stated differently, franchising involves the interaction of geographic dispersion of sales units, product replication and joint ownership by the franchisor and franchisee (Castrogiovanni & Justis, 1998). As a result, Wright and Frazer (2007) note that these definitions focus mainly on the franchisor-franchisee relationship that has grown to be known as the 'commercial marriage'.

In sum, a more comprehensive definition by the Australian Franchising Code of Conduct (Code) defines franchising as a business arrangement that consists of four key criteria (Business Franchise Guide, 2008). First, the arrangement must incorporate ownership of a trademark by a person or a corporation that can be extended to a patent, idea or specialisation, including any secret process with associated goodwill and know-how. Second, it must involve the awarding of a licence, either implied or written, to another person to operate under that trademark or brand. Third, the arrangement entails the inclusion within the franchise of an operational requirement which details the conditions and controls under which that licence can operate. Lastly, the operation should involve the payment of a royalty or other structured fee for the rights to operate under the franchise. Whilst the Code's definition has been criticised by Ritchie (2001) for not being specific, the current study adopts this definition as it is comprehensive and congruent with business format franchising. In the next section, the various types of franchising are discussed.

4.4 Types of Franchising

Franchising in Australia takes different forms that can be viewed from the distribution level, that is, manufacturer-retailer level; manufacturer-wholesaler level; wholesaler-retailer level; and retailer-retailer or service provider level (FCA, 2009*b*). Franchise systems in Australia vary from product and manufacturing to business formats (Weaven, 2004). Product franchising relates to a business agreement in which a distributor acts as a reseller of product brands for which the distributor may not possess exclusive rights to sell within specific territories or segments (Weaven, 2004). Manufacturing or process franchising entails a contractual business system whereby the franchisor is willing to provide its know-how or secret ingredient to a franchised processor or manufacturer (Justis & Judd, 2002). In such a format, the franchisor possesses little control over the franchisees' operations and a good example is the soft drink industry (Weaven, 2004). Business format franchising involves a continuous relationship between the franchisor and franchisee that includes the complete business concept. In this format, the franchisor possesses significant influence over the franchisee and must provide consistent support in the form of training and related franchising consultancy in return for a fee (Mendelsohn, 1999). In summary, Evans (2008) identified the most common forms of franchising in Australia as follows:

- *Business format franchising*: involves "...the granting of a licence for a predetermined financial return by a franchisor to its franchisees, entitling them to make use of a complete business package, including training, support and the corporate name, thus enabling them to operate their own businesses to the same standards and format as the units in the franchised chain" (Grant, 1985, p. 4). Since there are about 1025 business format franchisors, this is evidently the most common category in Australia and has been attributed to the growth of franchise systems in Australia (Frazer, *et al*., 2010; Weaven & Frazer, 2003). Good examples include retail franchises such as fast-food outlets, automotive services, real estate, cafes, education, etc.
- *Multiple-unit franchising*: refers to a situation in which franchisees are granted the rights to operate more than one franchise business unit (Weaven & Frazer, 2003). Some researchers have identified types of multiple-unit franchising, as master franchising, area development and area representative agreements (Kaufmann & Dant, 1996; Kaufmann & Kim, 1995).
- *Master franchising*: also known as sub-franchising, exists when a franchisor grants the franchisee permission to recruit additional franchisees or to sub-franchise in a given territory

(Mendelsohn, 1999; Evans, 2008). The international expansion of McDonald's and KFC are good examples of master franchising.

- *Multiple concept franchising*: this is when a franchise group extends into many other products and services rather than focusing on one line of business and a good example is Jim's franchises ranging from cleaning, dog-wash, furniture removal, paving, antennas, lawn mowing, electrical, to bookkeeping services (to mention only a few).
- *Conversion franchising*: entails a relationship agreement that involves a franchisor and an independent operator (mostly a competitor) being part of the franchise system. This model has advantages such as acquiring the services of experienced operators and gaining access to a territory formerly dominated by a rival. The property and real estate business is the best example of successful conversion franchising in Australia.
- *Store within a store*: refers to a situation in which a product distributor is given permission to operate within a large retail store as governed by the licence requirements. A good example is Harvey Norman whose different departments are managed by different franchisees.
- *Turnkey franchising*: is a franchising format when almost everything is offered to the franchisee beforehand. Thus, a franchisor provides completely furnished premises as a franchise package to the franchisee in order to start operations. Examples include car maintenance franchises (e.g., Nanotek) and sports and fitness services (e.g., Fitness 24/7).

Based on the types of franchising above, the current study examined the role of brand relationships in enhancing brand citizenship behaviour and franchisee-based brand equity within business format franchises as this is the main format of franchise systems in Australia (Frazer *et al*., 2010). In the next section, single and multiple-unit franchises are discussed.

4.5 Single-Unit and Multiple-Unit Business Format Franchising

Business format franchising can take the form of a single-unit franchise or multiple-unit franchises that involve entrepreneurs who start by operating a single outlet and then expand their business to cover other locations (Kaufmann & Dant, 1996). Most prior research has focused on the traditional single-unit model. However, recent research has extended to multiple-unit franchises (Weaven & Frazer, 2007). The limited focus in multiple-unit franchising is attributed to difficulties in conceptualising its theoretical foundations due to its effect on moral hazards and adverse selection effects regarding the employment of the units' management level (Kaufmann & Dant, 1996). However, evidence shows that multiple-unit franchising is growing in Australia. Approximately 75% of franchisees adopt a single-unit format, whilst, about 58% of franchisors have multiple-unit franchisees (Frazer, *et al*., 2010). Multiple-unit franchisees in Australia hold a median of two units and most multiple-unit franchising exists in well-established and more experienced systems (Frazer, *et al*., 2010).

Prior research attests that multi-unit franchising is an attractive strategy for expansion as it facilitates rapid growth of systems that permit market penetration and first-mover competitive advantages (Kaufmann & Dant, 1996; Kaufmann & Kim, 1995). As stated above, multiple-unit franchising occurs in the form of master franchising, area development (sequential) arrangements or area representation arrangements (Kaufmann, 1992; Mendelsohn, 1991) whilst other systems can implement more than one of these forms (Weaven, 2004). Master franchising, also known as sub-franchising, occurs when the franchisor grants rights to a franchisee to recruit additional franchisees and offer continued support in selected geographic areas in return for royalties that accrue from the specific area (Mendelsohn, 1999). A growing range of such franchises are evident in service franchises such as lawn mowing, dog washing services (e.g., Jim's Group) while some food retail outlets such as The Cheesecake Shop also adopt this format (Weaven, 2004). Area representation arrangements entail an indirect way of multiple-unit franchising in which area representatives are allowed to solicit potential franchisees and provide services to current franchisees within a specific location (Lowell, 1991). Compared to master franchising, area representatives do not possess legal rights to contract franchisees. Lastly, sequential or area development arrangements, also known as multiple-unit development, give a franchisee exclusive rights to develop additional units within a defined territory (Weaven, 2004).

The adoption of multiple-unit franchising in Australia is increasing as franchisors have been found to favour sequential forms of expansion (Frazer & Weaven, 2004). The Just Cuts hairdressing network in Australia is one example that has adopted a business model which suits multiple site ownership with more than 44% of its franchisees owning more than one outlet (Business Franchise, 2009). Pizza Hut fast-food chain has also endorsed the use of multiple-unit franchises through area development agreements, sequential expansion and company-owned unit expansions (Kaufmann, 1988). Conversely, McDonald's a global franchise brand, have strict controls regarding the expansion of their franchisees, limiting the number of units they own and requiring that all units owned by one franchisee be close to each other (Kaufmann & Lafontaine, 1994). In sum, the basic argument for adopting multiple unit franchising lies in the benefits that accrue to franchise partners in terms of growth of operations (Kaufmann & Dant, 1996). To a franchisor, such a system provides rapid cash flows from the sale of multiple unit rights and the use of the franchisees' resources and delegating residual claimancy responsibility to middle level managers (Lowell, 1991). Alternatively, franchisees expanding into multiple units minimise risk through diversification and gain experience effects that come with accumulated knowledge and scale economies through added power and purchasing ability (Weaven, 2004). However, besides these advantages to both franchise parties, prior research shows that franchisors and franchisees are reluctant to pursue such structures due to commitment issues (Kaufmann & Dant, 1996).

Research in this area has been scant (Grunhagen & Mittelstaedt, 2000) and little is known about the antecedents of multiple-unit franchising in Australia (Kaufmann, 1996; Weaven & Frazer, 2007). An exception is Weaven and Frazer's (2003, 2007) work on the parties' willingness and incentives to adopt multiple unit franchising arrangements. The present study does not focus solely on multiple-unit franchise systems due to sample size limitations and generalisability of the study; rather, it focuses on both single-unit and multi-unit franchisees. The inclusion of multiple-unit strategy in this study allowed for a comparison of two different areas and provided some intriguing findings (see Chapter 7, Section 7.9.3). The next section discusses the nature of Australian franchising.

4.6 Overview of the Franchising Industry in Australia

The Franchising Australia 2010 survey by Frazer *et al*. (2010) shows that the sector is continuing to grow, regardless of economic turbulences, and there is also evidence that the sector is continuing to mature and strengthen and is becoming increasingly professional in terms of its operations. The nature of the Australian franchising system can be determined by examining its different characteristics. These include the industry profile, size of the industry and its contribution to the economy based on the growth of franchise units, the sector's annual turnover and employment creation, as discussed below.

Regarding the industry profile, Frazer *et al.* (2010) found that the majority of franchising (26%) took place in the retail non-food trade industry, followed by 17% in accommodation and food services (e.g. food retail, fast food and coffee shops) accounting for 16% of franchising. Additionally, the survey revealed an increase in the business services sector accounting for 15% of franchisors, for example, administration and support services (such as, travel agencies, office services, domestic and industrial cleaning, gardening services and lawn mowing). In the services sector, 10% of franchisors are attributed to other various services such as personal services, pet services, auto repairs and servicing and Information Technology (IT) services. Frazer, Merrilees, & Bodey (2007) reveal that slightly over a quarter (27%) of Australian-based systems operated internationally. Due to geographical, political and cultural reasons, it was found that New Zealand was the most preferred destination. Other Southeast Asian nations such as Singapore, China, Hong Kong, Malaysia, India and Indonesia, were also preferred due to their proximity to Australia and large population. English speaking nations such as UK, USA and Canada were also found to be preferred by most franchisors (75%) favouring international expansion in countries that shared similar cultures with their local markets to ease transition. Only less than two-thirds of franchisors (63%) started their international operations from 2000 onwards, showing that international expansion is still relatively new to the majority of franchisors (Frazer *et al*., 2010).

In terms of the growth rate and industry size, Table 4.1 shows a substantive growth rate of business format systems in Australia from 960 to 1025 between 2006 and 2010 financial years, with 91% being Australian-based franchise systems (Frazer *et al.*, 2010). It can be noted that franchising has grown significantly in the past two decades, recording a growth rate of 6.8% between 2006 and 2010 as compared to the 1% growth reported from 1998 to 2002. The total number of units in franchise systems in Australia is approximately 62000 business format franchised units and 7900 company owned units.

Table 4.1: Growth of Franchisors from 1998 - 2010

Year	**Number of franchisors**
1998	693
1999	708
2002	700
2004	850
2006	960
2008	1100
2010	1025

Source: Frazer *et al.* (2010, p. 10)

The duration of franchise relationships and franchisor experience have shown an increasing trend, indicating a maturing franchise sector. For instance, franchisors have been operating for a median of 15 years and franchisees for 11 years (Frazer *et al.*, 2010). Also, franchises in Australia have moved into geographically dispersed parts of the country indicating that franchisors have adequate resources to support the franchisees and manage the outlets (Frazer & Weaven, 2002). There appears to be a growing acceptance of multiple-unit franchises, with 58% of franchisors supporting this form of arrangement in their systems as it tends to equal or surpass single-unit franchisees in performance (Frazer *et al*., 2010).

In terms of economic contribution, the franchising sector has transformed the lives of many people. This is evident by its contribution to the GDP, employment creation and other social benefits that come with franchising. The Franchising Australia 2010 survey in 2009 shows that the total sales turnover of business format franchises was approximately $60 billion. Total sales in 2010 were approximately $128 billion (compared to $130 billion in 2008) for the entire Australian franchising sector. Significant contributions were from the motor vehicle and fuel retail franchise sectors with sales of $29 billion and $39 billion, respectively.

According to Bennet (2008), franchising offers more choices and variety. Besides fast food and coffee business opportunities, franchising provides an array of other business formats ranging from car washing, home cleaning, health and fitness to entertainment and leisure. Bennet (2008) reports that franchises cost anywhere from under $20,000 to more than half a million dollars and can suit mums and dads, couples, families, single individuals and even students. Table 4.2 shows that franchising has significantly helped to create employment for many people in Australia – a 66.9% increase between 2008 and 2010 (Frazer *et al*., 2010).

Table 4.2: Employment within the Australian Franchising Sector

Employment status	2008 Number of employees	2008 Percent	2010 Number of employees	2010 Percent
Permanent full-time	154 900	37.5	142 600	20.7
Permanent part-time	96 210	23.3	91 100	13.2
Casual	162 390	39.3	456 300	66.1
Total	413 500	100	690 000	100

Source: Frazer *et al.* (2010, p. 11)

Further, in terms of international performance, more than a quarter of Australian-based franchisors also operate outside the country. This indicates the level of maturity that this sector has reached and the role it is playing in contributing to both the economic and social values of the Australia's economy (Frazer *et al*., 2007). In the next section, the relational spectrum between franchisors and franchisees in Australia is discussed.

4.7 Franchisor-Franchisee Relationships in Australia

Generally, the franchise structure may include a strata comprising franchisor, national franchisee, regional or area franchisee and local franchisee, and other multiple principal-agent relationships can exist amongst these entities (Billiot, 2009). The current study focuses on the nexus between the franchisor and franchisee (the franchise relationship). Franchise relationships involve contractual regulations aimed at controlling opportunistic behaviour and most importantly, maintaining quality standards set for the franchise network (Kidwell *et al.,* 2007). The marriage or partnership metaphor has often been used to describe the franchisor-franchisee relationship, hence the term 'commercial marriage' (FCA, 2009*b*). The main difference between real-life marriage and 'commercial marriage' is that the franchise relationship has spill-over effects to other partners in the network. In other words, "...each bad franchisee has an adverse effect, not only on his own business, but indirectly on the whole of the franchised chain and as such, all other franchisees" (FCA, 2009, Para. 3). Consequently, negative behaviours towards the brand are likely to result in the erosion of the franchise's brand, whereas positive behaviour enhances the brand/corporate image. Kaufmann and Dant (1996) also state that since franchisors share revenue with franchisees, the franchisors' success must therefore be associated with the franchisee's success to ensure relationship continuity. Compared with other business relationships, the franchise relationship is more intricate as both parties must communicate, interact and share information frequently to achieve cooperation (Rahatullah & Raeside, 2008). Cooperation is the basis of franchise relationships, as franchisees expect maximum support from franchisors, whilst franchisors aim to control franchisee behaviour to secure compliance, minimise shirking and opportunistic behaviours (Rahatullah & Raeside, 2008).

In Australia, the franchise relationship is governed by the Franchising Code of Conduct (Spencer, 2007). According to Spencer (2007), the regulation framework of the franchising sector in Australia has been ineffective. Spencer's results showed that the contract terms reflect uncertainty and imbalance of power between the franchisor and franchisee, resulting in the failure of the Code in regulating the franchise relationship. However, Rose (2006) regards the franchise regulation in Australia as controversial, comprehensive, and protective to franchisees. Mendelsohn (1999) also agrees that the Code makes Australia the least desirable destination in the world for franchise firms, suggesting that potential investors should avoid the country unless they have nowhere else to invest. In addition, Terry and Di Lernia (2011) conclude that franchising is characterised by contractual incompleteness and relational complexity. That is, mostly interactions between franchise parties are not mediated by contractual terms but by a particular balance of cooperation, coercion, communication and strategy (Hadfield, 1990).

Prior literature has documented that the franchisee is the disadvantaged partner in the franchise relationship. For instance, Spencer (2007, p. 383) identified three layers of franchise governance namely market, contract and direct intervention in which the franchisee remains marginalised and 'infantilised'. One of the reasons for this marginalisation is that franchisees are often victims of information asymmetry, as franchisors usually dictate the terms of the relationship and the operating procedures (Spencer, 2007). However, since franchisees are those in contact with final consumers, they can play a crucial role in maintaining and enhancing the brand equity of the franchise business (Webster, 2000). Therefore, a viable franchise relationship is crucial for franchise success. Relationship quality plays a crucial role in the success of franchise businesses, yet "...remarkably little research has been done on the predictive effects of the relationship of franchising constructs to franchisee's perceived value" (Lee, 1999, p. 148). Hence, the current study investigated other behavioural factors that could be leveraged to enhance franchisee's perceived relationship value.

However, a healthy franchise relationship is paramount in nurturing and safeguarding the franchise brand equity. Most importantly, in franchising, the brand name is more indispensable than the products/services offered and franchisees should work towards the development of the business franchised chain, to maintain and enhance its brand reputation. Hence, the success of such a dyadic relationship is mainly determined by how the brand name is preserved and managed in order to offer mutual benefits to both parties. In franchise network chains, the brand can be regarded as a relational resource that cements the franchise relationship so as to serve the end-consumer (Glynn, 2009; Davis & Mentzer, 2008). Furthermore, in channel relationships, brands are regarded as power sources or pledges that determine the long-term sustainability of the relationship (Anderson & Weitz, 1992; Brown *et al*., 1995). In a multi-channel sector such as a franchise chain system, brand equity must be created and managed at every touch point, to ensure consistency of brand performance across the chain (Alsfine, 2008). Therefore, "...the key to maximising the return from a brand lies in understanding how valuable it is, how this value is created, and consequently how its value can be managed for improvement" (Alsfine, 2008, p. 10). It is therefore crucial for franchisors to put in place brand protection management measures to enhance the franchise brand image.

A good example of brand protection and brand management measures within the Australian franchising industry in the telecommunications sector is TeleChoice's Reward and Recognition Program (Business Franchise, 2009b). To ensure that minimum standards are met, TeleChoice offer achievement awards to franchisees that exceed the set standards on sales, operations, planning, and merchandising. TeleChoice provides such measures so as to develop Optus' brand awareness and ensure that customers experience similar brand associations from their different franchisees (Business Franchise, 2009*a*). Another example is Lifetime Distributors, an Australian-owned business that offers convenient shopping at discounted prices and free delivery to its customers. The company has worked intensively on a re-branding exercise and introduced a new logo for their equipment and offering marketing and training support to its franchisees (Business Franchise, 2009a). Pizzacutters is another example of the way in which a fast-food franchise network can enhance brand success. Pizzacutters focus on delivering a great product, strong marketing, layout and branding, on-going commitment to training and support for both staff and franchisees, and excellent customer service, as means of enhancing brand identity

(Business Franchise, 2009a). These examples illustrate the extent to which franchise networks go to safeguard brand equity.

4.8 Research in Australian Franchising

As mentioned above, franchising in Australia has been successful and makes a substantive contribution to the economy, yet the sector has received limited academic research attention (Chow & Frazer, 2003). Lee (1999) also notes that there is little empirical research done to identify factors that contribute to viable and long term franchise relationships, especially from the franchisee's perspective. According to Lee (1999, p. 7), "...very little information is available about the factors that affect the quality of the relationship between the franchisor and franchisee, and the reasons why a franchisee decides to stay in the franchise or to leave it". Moreover, The Australian franchising sector presents a good platform for potential research for a number of reasons: the sector is in its infancy in terms of the size and growth rate; the economic contribution of the sector to the Australian economy (about 14% of the GDP); new market expansion; presence of internal support and governing mechanisms; level of internal conflict within systems; and other issues regarding knowledge of franchising and control (Frazer, 2000). To help contribute to research in this context, the current study investigated the role played by brand relationship management, brand relationship quality, brand citizenship behaviour, franchisor competence, and franchisor-franchisee relationship duration, in enhancing franchisee-based brand equity in the Australian franchise sector.

4.9 Summary of the Research Context

The current study was conducted in the Australian franchising industry as shown in Table 4.3.

Table 4.3: Summary of the Research Context

Population	Australian franchising industry (all States)
Franchising type	Business format franchises
Products/services	Product- and service-based franchises
Type of ownership	Single-unit and multiple-unit franchisees
Respondents	Franchisees (or senior managers of franchise firms)

This study adopted a multiple-industry approach and key informants were selected from various industries that use business format franchising. In addition, the study area provided the researcher with different categories of franchisees across the whole population. Specifically, the research context furnished the study with respondents from both product and service franchisees as well as single-unit and multiple-unit franchisees, as shown in Table 4.3.

4.10 Chapter Summary

In this chapter, the research context used in addressing the research objectives of this study is outlined. The history of franchising in Australia, its definition, and types of franchising were explained. The nature of Australian franchising was then outlined focusing on the industry profile and size, and its economic contribution. The chapter concluded with a discussion of the governance of franchisor-franchisee relationships in Australia. It was observed that there is limited research in Australian franchising; hence, the need for more research particularly on the role of brands in franchise relationships.

In Chapter 5, the research methodology used in the current study is outlined. The rationale for utilising both qualitative and quantitative procedures is also provided. First, the research methodology used in the qualitative study is discussed, that is, data collection methods, sampling of participants, data analysis, evaluation of the research and ethical issues. The findings and conclusions of the qualitative study and research hypotheses are then provided. The second section of the chapter focuses on the research design of the quantitative study by discussing the development of measures, data collection, sampling techniques, administration of the survey instrument as well as questionnaire checking and data cleaning procedures.

CHAPTER 5

RESEARCH METHODOLOGY

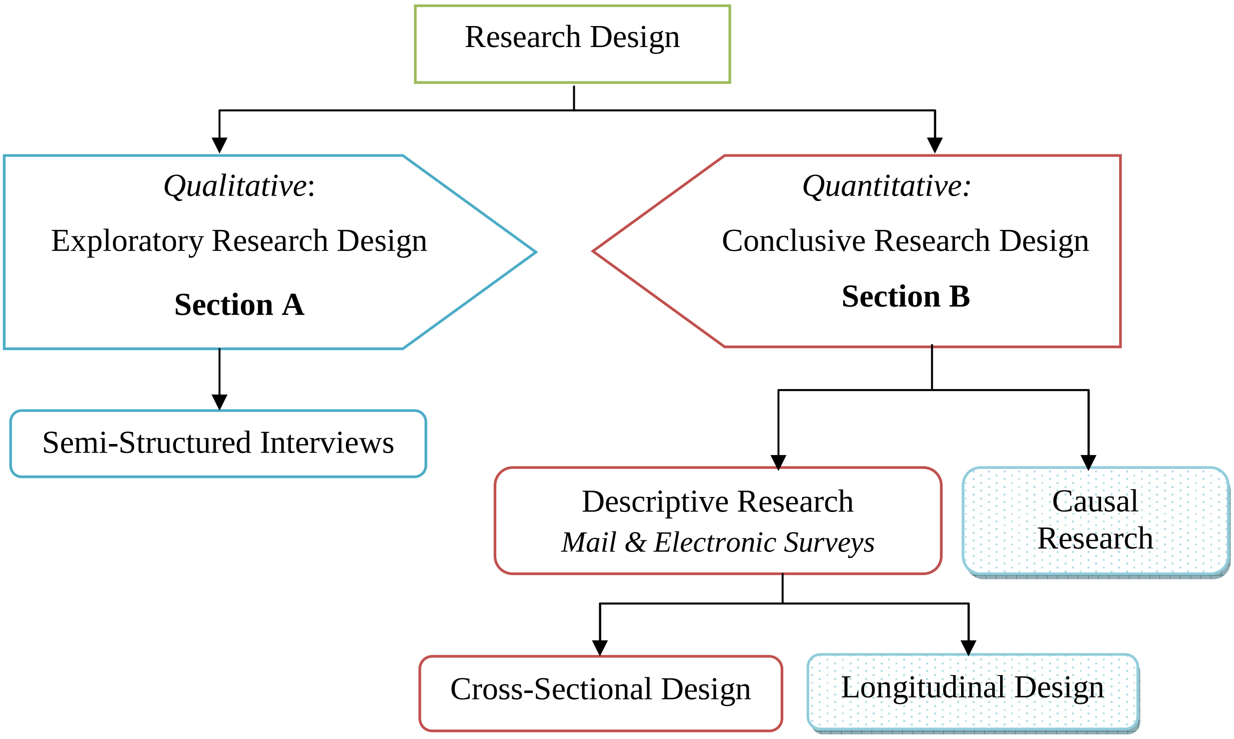
5.1 Introduction

In Chapter 4, the research context of Australian franchising was discussed. In this chapter, the research methodology used in this study is discussed. The chapter begins by outlining the research design and research approaches employed in the study, then it is divided into two sections. In Section A, the exploratory research conducted through in-depth interviews with key informants is presented. This exploratory phase was considered fundamental in informing the researcher prior to exploring the research problem, and also helped in the subsequent quantitative study. In particular, due to limited prior research on B2B branding in franchise channels, the exploratory study provided some insights on the conceptualisation of key constructs. In this section, the exploratory research methodology including data collection methods and sampling of participants, as well as data analysis, evaluation of the research and ethical issues are discussed. The results and conclusions of the qualitative study are then outlined. Lastly, based on the exploratory study and propositions developed in Chapter 3, the chapter concludes by presenting a conceptual model and related hypotheses. In Section B, the research design of the quantitative phase is outlined. This section begins by discussing the conceptualisation and development of measurement items. Sampling procedures covering the sampling frame, sampling technique, and the sample size are presented. This is followed by a discussion of the administration of the survey instrument, data collection procedures, questionnaire checking, and data cleaning measures. The chapter concludes with a discussion of the ethical considerations and confidentiality issues underlying the study and how they were addressed.

5.2 Research design

A research design is a framework that specifies the procedures followed when collecting information required in addressing a marketing research problem (Malhotra, 2009; Welman, Kruger & Mitchell, 2005). According to Malhotra (2009), research designs can be classified as either exploratory or conclusive (see Fig 5.1). In Chapter 3, various constructs central to franchisee-based brand equity (that is, brand relationship management, brand relationship quality, brand citizenship behaviour, franchisor competence and franchisor-franchisee relationship duration) were discussed and related propositions advanced. However, to conceptualise and explore the notion of franchise brand equity, both qualitative and quantitative approaches were used in this study. Thus, in this study qualitative research was used to establish an initial understanding of the research problem and the quantitative research offered conclusive results. Figure 5.1 illustrates the research design used in this study (the shaded areas indicate the approaches not followed in this study).

Figure 5.1: Classification of Research Designs



Source: Adapted from Malhotra (2009)

This approach was chosen as it provides the opportunity for triangulating qualitative and quantitative results, thereby providing more comprehensive, complete and robust findings as well as enhancing external validity (Davis, Golicic, & Boerstler, 2011). In particular, qualitative research helped to define the research problem and was also used to support quantitative analyses methods by providing more in-depth insight to the results (Malhotra *et al*., 2004). The second phase of the study collected data from franchisees quantitatively using the survey approach. This quantitative approach involved obtaining data from a group of participants and data were used in descriptive research to quantify and generalise the results from the representative sample to the population of interest (Hollensen, 2003). Additionally, quantitative research was used to facilitate hypotheses testing and provide simple conclusions (Malhotra, 2009). Moreover, quantitative research examines the precise count of behaviour, knowledge, opinions or attitudes (Cooper & Schindler, 2006). In sum, this study integrated qualitative findings and statistical conclusions to provide comprehensive analyses of franchise brand equity. As indicated above, this chapter is divided into two sections, Section A and Section B discusses the qualitative and quantitative phases of this research, respectively.

SECTION A: QUALITATIVE RESEARCH[a]

5.3 Exploratory Research Design

The selection of a research method should be made based on the research situation (Yin, 1994). In the present study, exploratory research was conducted with the intention of gaining deeper insights and understanding, as well as to reveal ideas related to the research problem (Malhotra, 2004). This type of research design is more relevant in cases where information is unknown or where the researcher intuits that a certain problem exists despite no apparent underlying causes (Strauss & Corbin, 1998). B2B marketing researchers also advocate the use of qualitative research methods in studying business activities (Matthyssens & Vandenbempt, 2003). Hence, given that hitherto B2B branding in franchise channels has been unexplored, an interpretive-deductive research design was adopted. The objective of deductive inferences is to understand the ‘what and how’ nature of a concept or phenomenon (Krippendorff, 2003; Moustakas, 1994). In the present study, a deductive approach helped to extract implied and logically conclusive premises (from the participants) on how the management of brand relationships and brand citizenship behaviour can enhance franchisee-based brand equity.

5.3.1 Data Collection

The notion that research should be driven by ideas and not solely by data has been advanced in the literature (Webster, 2005). Therefore, in the present study, data was collected through in-depth interviews from a sample of franchise experts with diverse profiles. Thus, key informant (expert) interviews were conducted with select individuals whose positions made them a rich source of information. In other words, due to their personal skills or areas of specialisation in the organisation, industry or society, these experts were able to provide more information and deeper insights into processes within the organisation (Marshall, 1996). In particular, interviews were conducted with franchisees and other franchising consultants who had previously been franchisees to discover more about brand relationships, brand citizenship behaviour and brand equity. The primary advantage of having key informants is their ability to provide quality data in a short period of time because of their understanding of the concepts in question. In addition, semi-structured interviews were employed as they allow participants the chance to be experts, and thereby inform the research (Leech, 2002). Also, in-depth interviews enable researchers to derive the meaning of the phenomenon from a small number of people that have experienced the

[a] A revised version of this section was published in the Special Issue of B2B Branding in the Industrial Marketing Management (IMM) Journal, Vol. 40, Issue 7 (see List of Publications on page xviii).

issues being examined (Creswell, 2007; McCracken, 1988). Data were mainly collected using face-to-face interviews, and telephone interviews were used only when participants were not easily accessible. In some cases, further follow-ups were conducted over the telephone when clarification was required and this also allowed participants to provide more detailed and reliable information (Zikmund, 2000). Further, the quality of data obtained by telephone is relatively similar to that collected from personal interviews since there is little difference in the amount of prompting and probing between the two types (Schmiedeskamp, 1962).

Prior research on inter-organisational relationships (such as franchisor-franchisee relationships) has utilised the single key informant technique, where data are obtained from one side of the dyad (e.g., Grace & Weaven, 2011; Harmon & Griffiths, 2008). Whilst the aim of this study is to advance franchisees' perceptions of brand equity, this interpretive component also aimed at consolidating ideas of other franchise experts such as CEOs and franchise consultants. Franchise consultants were also considered to be a crucial group of participants due to their extensive experience and acquaintance with issues that affect both franchisees and franchisors. Consultants dealing mostly with franchisee issues were utilised, since they could serve as a repository of franchisees' perceptions from diverse industry sectors. The use of contrasting respondent profiles was deemed critical for capturing the differing attitudes and evaluations, that helped enhance the credibility of the findings by reducing common method bias (Podsakoff *et al.*, 2003).

5.3.2 Sampling Process

Sampling in qualitative research is mostly deliberate or purposeful, since researchers select participants who are able to provide the best quality data on a given topic (Locke, 2001). Therefore, a purposive sampling approach was used to select participants through snowball sampling techniques as each respondent was asked to suggest other informants with similar characteristics (Aaker *et al*., 2005) or who worked in similar roles. The initial contacts were made using public databases such as the Australian and New Zealand Franchise Directory and websites of franchise organisations (e.g., www.franchisedirectory.com.au). Participants were then contacted by e-mail or phone and invited to participate in the study. An explanatory statement detailing the purpose of the study and a semi-structured interview protocol were also attached to the e-mail invitation. Participants were assured of the ethical conduct of the study and the procedures that would be taken to ensure anonymity and confidentiality. In total, interviews were concluded with 16 participants as there were indications of theoretical saturation during the last two interviews (Patton, 2002). The sample size included 10 franchisees, 4 franchise consultants (who were franchisees before) and two executive directors of franchise organisations Table 5.1.

Table 5.1: Sample Characteristics

Name**	Position	Franchise Sector	Experience (Years)
AB	Managing Director*	Consulting	3
CD	Franchisee	Fast-food	6
DE	Franchisee	Telecommunications	9
FG	Franchisee	Non-food retail	28
HI	Chief Executive Officer	Non-food retail	7
JK	Managing Director*	Consulting	17
LM	Franchisee	Non-food retail	10
NO	Franchisee	Food and beverage	5.8
PQ	Franchisee	Automotive	4
RS	Executive Director	Service provider	3.5
TU	Managing Director*	Consulting	15
VW	Franchisee	Automotive	10
XY	Franchisee	Food and beverage	5
ZA	Franchisee	Food retail	3
BD	Franchisee	Real estate	5.5
EF	Managing Director*	Consulting	6

*Consultant, **Name disguised for confidentiality.

Executive directors were also considered as appropriate participants due to their vast experience and position in the industry and thus they were fundamental in confirming and validating feedback from franchisees. According to Brunk (2010), qualitative research usually focuses on an in-depth examination of a small and diverse sample. In addition, McCracken (1988, p.17) states that “For many research projects, eight respondents will be perfectly sufficient”. Hence, based on this recommendation, the sample size in this research was considered satisfactory, particularly for exploratory purposes. On average, participants’ experience ranged from 3-28 years and emerged from various franchising sectors in Australia. After requesting and being granted permission by the respondents, all interviews were tape-recorded and then transcribed to minimise interviewer bias (Yin, 2003). Audio recording was preferred as it is less intrusive and more flexible than note-taking (Legard, Keegan & Ward, 2003). Depending on the participants’ level of experience, active participation and interaction, interviews including follow-ups lasted between 1.5 to 2 hours.

5.3.3 Interview Protocol

A review of prior literature and initial interviews held with three franchising experts helped in the development of a semi-structured interview protocol (see Appendix A). In particular, this process helped to clarify unfamiliar terms, provided new insights, and led to the re-wording of several questions to incorporate the terminology used in franchising. Questions were mainly open-ended to facilitate more open discussions as well as in-depth probing. Continuous adjustments to the interview guide were also made in line with new concepts and ideas that emerged from previous interviews (Strauss & Corbin, 1990). However, a few closed-ended questions were included to allow easy comparisons of discrete concepts. Rossman and Wilson (1991) suggest that this should be done to: (i) enable corroboration of each other through triangulation, (ii) elaborate or develop analysis, providing in-depth detail, and (iii) initiate new lines of thinking by noting surprises or paradoxes that offer new insights.

The questions were grouped under specific sections to ensure that the participants remained focused on the central idea of each section and to encourage them to elaborate on each question. The first section asked questions pertaining to the participants' profile whereas sections two and three covered general aspects of branding such as brand value, brand equity and brand promotion and brand management in franchise business systems. The fourth section sought information about franchisor competence; here, participants were asked to list, discuss, and rank based on level of importance (based on their perceptions) the five most essential competencies of a franchisor. The last section of the interview guide focused on participants' perceptions of what promotes brand citizenship behaviour in franchising and how the duration of the franchisor-franchisee relationship can influence brand relationship management and ultimately brand equity (see Appendix A). However, given the exploratory nature of the study, it was crucial to avoid imposing pre-conceived frameworks upon participants, but to obtain participants' understanding of the concepts according to their own frames of reference. Hence, the protocol was used only to guide the topic of interest throughout the discussions and avoid loss of focus (Beverland, Farrelly, & Woodhatch, 2004). The questions also helped the researcher to obtain rich descriptions of the process of managing brand relationships and were a springboard for more direct questions that focused on the franchisor-franchisee relationships and the role played by both parties in enhancing brand citizenship behaviour and brand equity. Lastly, the indirect or third-person questioning technique was employed in some questions in an attempt to tap into sensitive questions such as those pertaining to interrelationships (Zikmund, 2000).

5.3.4 Qualitative Data Analysis

Data analysis was carried out gradually throughout the data collection process, which allowed theoretical categories to be elaborated on, through constant comparison and refinement of transcripts (Strauss & Corbin, 1998). In addition, transcripts were read repetitively until researchers obtained a high level of acquaintance with the data, then paragraphs and sentences in each transcript were coded for conceptual content (King, 1994). In other words, recurring patterns, themes and relationships within the data were identified by establishing similarities, dissimilarities and repeated terms (Beech, 2000). Thus, as recommended by Miles and Huberman (1994) and Spiggle (1994), the study employed the procedures of categorisation, abstraction, comparison, integration, refutation, iteration and dimensionalisation. As a result, to obtain an overall and contextualised understanding of the various ways franchise firms manage brand relationships and enhance brand citizenship behaviour, the researcher tracked back and forth between the literature and transcripts which led to the emergence of a number of higher order themes. According to Denzin and Lincoln (2000), themes are fuzzy constructs that researchers identify before, during and after data collection. Thus, in some instances, themes were established by linking empirical data with preconceived ideas from existing literature. Miles and Huberman (1994) also suggest that researchers should begin with general themes derived from reading extant literature and then add more themes and sub-themes as the analysis progresses. Cross validation procedures were also conducted through follow-ups with in-depth interview participants, to seek more clarification and explanation on some constructs that had not been examined in extant B2B research such as brand love. Therefore, given the unexplored nature of this research genre, this form of analysis was considered to be more appropriate as it enhances conceptual validity (Shapiro, 1997). Further, this process assisted the present study by eliciting salient explanations of brand relationships and categorising different types of brand-related attitudes and behaviours that enhance brand equity in franchisees. Lastly, the idea of advancing the term *franchisee-based brand equity* was established through detecting concepts and new ideas that emerged from the themes and patterns present in the data (see Table 5.5).

5.3.5 Establishing the Credibility of the Qualitative Study

This section outlines the steps followed in the qualitative research to ensure reliability and validity. Krippendorff (2004) contends that one major challenge in qualitative research is to satisfy the reliability and validity requirements. To ensure reliability, a semi-structured interview containing specific sections of topics was used. This assisted in the coding process and flow of ideas throughout the interview. Reliability was also enhanced by using the interview protocol in which all participants were subjected to similar procedures and the same questions (Yin, 1994). In addition, the qualitative results were also used to produce conference papers and journal articles, which also helped to provide a platform for peer-review feedback, to further bolster the reliability of the results.

To ensure validity, the following procedures were used. First, care was taken throughout the analysis to avoid forcing emergent patterns into preconceived categories (Gummesson, 2003). This was achieved through investigator triangulation, as three coders were involved and each researcher's interpretations were collated, compared and explored to ensure consistency and deeper understanding of data as recommended by Creswell (2007) and Strauss and Corbin (1998). Further, prior research attests that the use of more than one analyst can improve the consistency or reliability of analyses (Lincoln & Guba, 1985). Differences between the coders were resolved through discussions and cross-checking of the transcripts (Miles & Huberman, 1994). Second, construct validity was enhanced through data triangulation (Denzin & Lincoln, 2000). That is, in addition to the interviews, evidence from other sources such as company documents, advertising flyers, company websites and other resources such as CDs, training manuals and magazines, were corroborated to locate major and minor themes (Creswell & Miller, 2000). The use of different sources of data helps to develop rich insights and provides the basis for greater transferability of the findings to other contexts (Eisenhardt, 1989). Third, as recommended by Eisenhardt (1989), in order to enhance validity, participants' relevant words were interpreted and quoted verbatim when discussing the findings. Fourth, a member checking technique was also employed to establish the credibility of data (Lincoln & Guba, 1985). Thus, a preliminary report of findings was compiled and presented to a small convenience sample of franchise experts for further comments, judgement and review to check data accuracy and credibility (Creswell & Miller, 2000). This procedure is considered important in confirming the validity of the research findings (Carson *et al*., 2001). Fifth, whilst internal validity is not considered as crucial in exploratory research, Miles and Huberman (1994) suggest that this can be assessed by examining patterns, themes and clustering procedures. Therefore, a thematic approach was used to analyse qualitative data, and evidence of themes and relationships within data was elaborated. Lastly, external validity was guaranteed through the replication logic in the main study, as descriptive research was conducted through surveys to validate the findings of the exploratory study (Glynn, 2004). This stage helped to provide statistical relationships, clarify the interpretation of results, and explain discrepancies in the exploratory findings.

5.3.6 Ethical Considerations

Before conducting the in-depth interviews, the outline of the qualitative study design and the protocol were submitted to Monash University Human Research Ethics Committee (MUHREC) for approval. Although this study is considered low-risk research, obtaining permission on the questions asked, ensured that participants were not subjected to any breach of protocol or disadvantaged by taking part in the project. Additionally, participants were informed and shown the approval which reassured them and improved the response rate. In case participants that had any concerns or queries about the research, the following statement was included in the invitation cover letter:

> *If you have any complaint concerning the manner in which this research* ***CF09/3451 – 2009001881*** *is being conducted, please contact: Executive Officer, Monash University Human Research Ethics Committee (MUHREC), Building 3e Room 111, Research Office, Monash University VIC 3800, Tel: +61 3 9905 2052; Fax: +61 3 9905 3831 Email: muhrec@monash.edu.*

The results of the study were dealt with confidentially, and participants' anonymity was protected throughout the research, both during data analysis and in writing any reports or publications, as individual participants' or company names were not identified in the reports and publications. During the interview, participants were also allowed to withdraw at any time if they felt uncomfortable. All interviews were tape-recorded but only after receiving permission from participants.

In the following section, the main findings of the exploratory study based on the examination of popular themes and their relationships are discussed. Due to space limitations, only key quotations are used to support the results.

5.4 Discussion of Exploratory Findings

The discussion began by exploring the participants' general understanding of the terms 'brand', 'brand value' and 'brand equity' in respect to franchise businesses. In the subsequent sections, the various factors that enhance brand equity in franchise systems namely: brand relationships, brand citizenship behaviour, franchisee-based brand equity and the length of the franchisor-franchisee relationship age and franchisor competence, were examined. To conclude, a conceptual model and research hypotheses were advanced.

5.4.1 Definition of Terms

In line with existing literature, the common understanding of the term *brand* which emerged from the interviews was that the brand is not only the name or signage of the organisation, but also encompasses other intangible properties of the organisation. For instance, there was a general acceptance that the brand is the image or recognition that the organisation presents to the public and is also, in essence, the business in terms of the value proposition it presents on the business' products or services. This was well-articulated by these participants:

> "Brand is that which gives the identifying personality to the business, the vehicle by which the business establishes a notional and virtual and real connection with the product/service being delivered." (FG)

> "Brand as a term encapsulates many areas of the business - product, service, get up, goodwill, aided/unaided recognition, place in the sector in which you belong, strength in both numbers of outlets and also ROI for franchisees, safety/viability in the marketplace and history of the organisation." (BD)

In describing brand value, the ability of the brand to attract potential customers was reiterated by participants, as one indicated that:

> "When buying into a franchise, you need to know whether this brand is going to sell, because it is a big investment on your side - so I knew [brand name] has a good name and people already recognise it in the marketplace...but also once you are in the business it is up to you how you enhance the value of the brand..." (NO)

However, there was a general consensus among participants that the definition of brand value might vary between companies and consumers, as explained by one participant:

> "Brand value has different interpretations: from a marketing or consumer perspective it is 'the promise and delivery of an experience'; from a business perspective it is 'the security of future earnings'; from a legal perspective it is 'a separable piece of intellectual property.'" (AB)

With respect to brand equity, it emerged that some participants were not aware of the term and its application to franchising and some failed to distinguish it from brand value. However, a common understanding of the term brand equity was in line with Keller's (2003) definition of brand equity that emphasises the differential effect produced by well-established brands: For example, participants described brand equity as:

> "The sum of all distinguishing qualities of the brand drawn from all relevant stakeholders that result in personal commitment to and demand for the brand is brand equity; these differentiating thoughts and feelings make the brand valued and valuable." (VW)

> "…the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name. That is, the results franchisees can achieve with the [brand name] visa vie to those without." (RS)

Given the unique nature of brand management in franchises as discussed in prior literature (see Pitt *et al*., 2003), it was also crucial to explore promotional activities of the brand within a franchise channel. Thus, crucial to the success of franchise businesses is the ability of franchisees to communicate the brand message in an uncompromising, undiluted and fashionable way, to avoid misalignments with the franchise business model. Not surprisingly, the common theme that emerged from participants was that of Local Area Marketing (LAM). Almost every franchisee acknowledged having provided some sort of sponsorship or activities for the community on behalf of the franchise brand, as long as it was within the boundaries of the agreement. For example, one franchisee explained that:

> "I basically just do some local marketing to promote the brand a little bit but mainly I follow their way of doing the business and the culture that is set out to understand the customer ... Some time I can advertise in the local newspapers, sometime I sponsor the local football club & sometimes I advertise in some local newspapers..." (DE)

The importance of giving back to the community was also emphasised as being "*...not business-driven but social-driven...*" (XY). Some of the benefits of LAM that emerged included intangible factors such as bringing positive brand associations, a way of communicating social responsibility, relaying the brand values to customers, and building relationships with consumers and the community. Although, it was viewed as the franchisors' responsibility to promote the brand on a national level, franchisees still emphasised the need to customise certain messages and activities to suit local market needs and conditions. Despite selling a replicable product, as different franchisees target different market segments, it is important to do extra local promotion, as stated by the following franchisee:

> "...we are targeting the age group of about 25-70 years, so they don't really read newspapers but they would buy magazines so we advertise mostly in magazines especially women magazines..." (XY)

Other ways of promoting the brand that emerged from the in-depth interviews include franchisees being able to offer exceptional customer service, being good ambassadors for the business brand through compliance with brand standards, and faithfully representing the missions or values of the brand. On the other hand, franchisees expect franchisors to undertake adequate centralised advertising through their websites and salespeople. Other key issues that emerged as important in brand promotion include the franchisors' ability to foster uniformity, exceptional customer service, as well as establishing a mission, vision, and values that underpin the brand. In support of this view, one consultant summarised ways of promoting the brand from the franchisor's standpoint as:

> "… Advertising, goodwill, philanthropy, endorsements, compliance, maintenance of standards, minimising legal actions, a sound and effective public relations management strategy, continuous training at all levels, strict guidelines for franchisee selection, swift action in removing recalcitrants." (JK)

Overall, this section served to provide a definitive understanding of the concepts that underpin this study. Also, it was important to identify whether franchisees knew the differences between brand value and brand equity, which was fundamental to avoiding wrong interpretations of the proposed franchisee-based brand equity model in the main study.

5.4.2 Conceptualising the Determinants of Franchisee-Based Brand Equity

One objective of this study was to identify and conceptualise potential antecedents of the proposed franchisee-based brand equity. At this initial stage of developing the concept, interviews were found to be essential and resulted in the elicitation and illumination of some the proposed constructs identified in extant literature. These factors are explained below and related findings are also discussed.

5.4.2.1 Brand Relationships

In order to understand the underlying behaviours in managing brand relationships and brand management in franchise channel systems, various reasons why franchisees prefer to join a franchise business system rather than a non-franchised business were explored. The main rationale that surfaced from the interviews was the need for an already developed structure and system, independence, and being associated with a successful brand. As explained by the following franchisee:

> "...I wanted to have my own business and I was led to believe that a franchise business gives you the support, which is true because I have got the brand name, I don't have to start from afresh they do the marketing for us... anything that I need to know they train us before we start the shop..." (DE)

Past experience in franchising also emerged as a reason for buying franchise businesses as one franchisee explained:

> "... For one, I have been a franchising consultant for about 10 years before I became a franchisee, so I had direct experience of seeing how well franchises would perform..." (FG)

Another reason noted was that franchisees were looking for success and when compared to non-franchised business systems, it was evident that franchisees had better success rates in Australia and this is also an incentive in attracting potential franchisees. As attested by the following participant:

> "...45% of small businesses fail within the first 2 years, now that's a bit of alarming statistics...we don't have a direct comparison through ABS [Australian Bureau of Statistics] because they do not separate franchise businesses from small businesses....but the best fact that I can tell you to give you some fairly simple comparisons...in recent enquiries & public statements we have understood that about 95% of

franchisees go through a renewal of their first agreement, the average life of a franchise agreement is currently somewhere between 5-7 years.....some still write 10 year agreements 7 some write 15 year agreements & some have perpetual agreements...” (RS)

Having understood the factors motivating franchisees to join franchise systems, the next section discusses participants’ perceptions of brand relationship management.

5.4.2.1.1 Brand Relationship Management

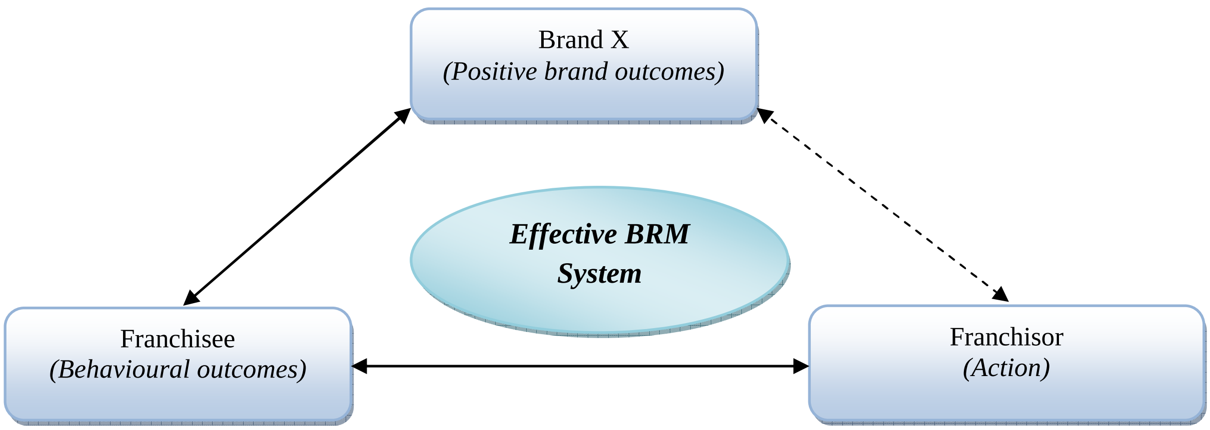
Participants shared consensual sentiments on the significant role played by the franchisor-franchisee relationship in building the franchise brand. A common observation was that the brand is a powerful tool that controls the environment and provides a common ground on which both franchisees and franchisors operate. The brand was viewed as the asset the franchisee purchased from the franchisor; hence, the need to ensure and maintain its success in the market was viewed as crucial in franchise systems. The brand was identified as playing a crucial role in unifying parties that at times had no mutual respect for each other:

“Franchisor is the custodian of the brand and as franchisees they are responsible for upholding the brand through their actions and how they go to market.” (LM)

“The brand is everything - it is the attractant for the franchisee and the goodwill of the franchisor.” (PQ)

Brand relationships predominantly appeared to be important in enhancing brand citizenship behaviours and attitudes in franchisees that eventually contributes to brand equity. Hence, franchisors’ ability to effectively manage the brand-franchisee relationship was considered crucial in enhancing brand identity. The findings also indicated that effective BRM by franchisors can enhance franchisees’ brand citizenship behaviour that leads to positive brand outcomes such as brand trust, brand commitment and brand satisfaction. The articulated interrelationships are shown in Figure 5.2.

Figure 5.2: Brand Relationships in Franchise Relationships



Source: Developed for this study

The key themes that emerged can be summarised as follows: the franchisee must be representative of the brand, accountable, believe in the brand, maintain standards, uphold brand integrity, be committed to the brand and live the brand. To attain these qualities, it was advised that franchisees must have a healthy relationship with the franchise brand, as this:

> "...is what they are investing in ...the maintenance, the engagement, the respect that the franchisee has for the brand is critical for the success ...I think that relationship between the brand and the franchisee has to be maintained to be very healthy at all times." (RS)

As ambassadors of the brand, franchisees should live the brand and strive to communicate positive aspects of the brand to consumers. Hence, a strong relationship between the franchisee and brand was regarded as fundamental in safeguarding franchise brand identity. Moreover, one participant suggested that one common misconception in franchise businesses is the assumption that *"...the brand is everything..."* (JK). Too often, franchisees complacently expect the brand to sell itself based on the assumption that it is well-established, whereas franchisees need to make extra efforts in brand building to increase brand equity. The importance of establishing and maintaining a healthy franchisee-brand relationship was highlighted by the following participant:

> "…I have been to different fast-food outlets and some of the services have been very bad while some have been fast, caring and making sure it's perfect, so there is a mini-culture of the way individuals do things and how they respect the brand…the brand can only do so much and that is to give customer expectations of a consistent service quality but as an outlet you still need to deliver and if you don't, it reinforces a bad message and that negativity can rub-off everywhere.." (FG)

These explorative findings support the internal brand management perspective, suggesting the need to adopt an inside-out approach and align franchisees' behaviour with the franchise brand identity (Vallaster & de Chernatony, 2006). To achieve this, it was suggested that brand relationships could be managed differently at the recruitment and implementation stages. During the recruitment stage, franchisors need to identify whether there is a cultural fit between the potential franchisee's business values and the franchise brand values. Such an approach would provide a more proactive way of managing franchise brand relationships by recruiting franchisees whose values are well-aligned with the franchise brand.

In on-going franchisor-franchisee relationships, franchisors need to manage brand values in a way that reduces conflict with the franchise brand and augments business practices that reinforce brand equity. One objective of this study was to provide an understanding of how brand relationships can be managed in existing franchisor-franchisee relationships. To explore this, the study initially identified the six factors (that is, information sharing, franchisor support, brand architecture, conflict handling, exercise of power and bonding) likely to influence brand relationships. After discussing these variables, participants were asked to rank each factor on a 7-point Likert scale according to the extent to which they perceived it to be important in franchise brand relationships. The results are reported in Table 5.2.

Table 5.2: Descriptive Statistics for Brand Relationship Management

Factor	Mean*	Std. Deviation
Franchisor support	6.58	.79
Brand architecture	5.75	1.21
Information sharing	6.58	.52
Exercise of power	6.00	1.05
Conflict handling	6.25	1.71
Structural and social bonding	6.08	1.00

* The scale values ranged from 1: not important at all to 7: extremely important, n = 16.

The average responses of the participants indicated that all the proposed factors were viewed as important. On average, franchisor support and information sharing were considered to be extremely important in influencing the behaviour and attitude of franchisees towards the brand. This suggested that franchisors with less constrained information exchange structures are able to provide adequate disclosure documentation that contributes to high levels of satisfaction and cooperation of franchisees. It was observed that to ensure sustainable franchise businesses, franchisees require continuous support throughout the lifetime of the relationship, not only at the start-up stage. Brand architecture had a relatively lower mean compared to other factors; however, its mean score suggests that it is still a crucial factor in determining brand relationships as attested by the following franchisee:

> "...the brand has to stand for what the product range is part of what we were doing is a healthy version of fast-food but we were trying to be healthy in our communication...if the product didn't stand to what we were saying the brand is, then we'll have a disjoint…" (CD)

However, although the concept of brand architecture was considered crucial in brand relationships, there was also an indication that not all franchise businesses had the capacity to carry a wide range of products/services. Thus, a clear brand portfolio might be evident in well-established franchise businesses (e.g. KFC) but not in small or developing franchise firms, most of which focus on only one product/service type. Consequently, some interviewees did not have a good grasp of the concept. For these reasons, this construct was dropped from the main study.

Conflict handling was identified as another crucial factor that needs to be effectively managed to help nurture brand relationships. It was observed that failure to resolve conflicts in franchise relationships could lead to non-compliance problems and opportunistic behaviour. For instance, franchisees indicated that if they were dissatisfied with the franchisors, they were more likely to have negative feelings towards the brand. In most cases, a major cause of conflict was that franchisees' concerns were ignored. Most franchisees felt they needed their voices to be heard in franchisor-franchisee relationships in order to avoid conflict:

> "…conflict issues are around price changes, restrictions on supplier choice, menus etc....I feel we should be part of the decision-making process in that way we won't have issues with the franchisor..." (XY)

Although previous research has reported that channel conflict can be both functional and dysfunctional, it can be noted from the findings that conflicts often result in negative attitudes towards the brand. These findings support prior research that effective conflict resolution enhances value co-creation in marketing channels (Chang & Gotcher, 2010). Thus, in franchise relationships, positive attitudes arising from amicable conflict handling positively influence franchisees' attitudes towards the brand as opportunistic and non-compliance behaviours are reduced. Subsequently, this is likely to trigger improved and effective information sharing, as well as creating a good rapport that leads to the development of positive shared memory (Chang & Gotcher, 2010).

Both structural and social bonding emerged as important issues between franchisors and franchisees in strengthening franchisees' relationship with the brand. Thus, franchisor-franchisee relationships become stronger and positive feelings and attitudes can also pass from the franchise relationship to the brand. However, most participants indicated that contractual agreements or structural bonding played a relatively lesser role in enhancing brand relationships, compared with social bonding. For instance, social bonding through personal and social interactions was identified as a more crucial factor in franchise brand relationship management than structural bonding. This issue was highlighted by one of the participants:

> "...I think that the franchise relationship should be based less on the contractual legal agreement and more on a relationship where both would want to do the right thing about the brand and legal (forces) used only when something goes wrong." (JK)

Lastly, whilst the exercise of power varied with the type of franchising system, there was a general view that power use should be balanced among parties. For instance, franchisees suggested the need for some level of authority to execute some brand-related activities that suited their market segments and territories. This was well-articulated by one of the franchisees:

> "Power sharing is something that in my particular case is extremely important ....I don't think franchisors can adapt to each individual situation as much as we can as franchisees ...so if I want to give a discount in my store to the pensioners I should be allowed to do so because that's my target market... pretty much power sharing is influenced by the segment of the market which you are working with..." (NO)

Overall, franchisees' views pertaining to brand relationship management were useful in signalling particular attributes that had hitherto been overlooked in this study and supported the importance of the proposed factors in brand relationships. The following section examines the behavioural outcomes of brand relationships starting with brand relationship quality.

5.4.2.2 Brand Relationship Quality

The outcomes of well-managed brand relationships in this study were examined based on several variables that have been used to assess relationship quality. Trust, commitment and satisfaction are inarguably the most widely used in extant literature (see, Dorsch *et al.*, 1998; Ulaga & Eggert, 2006). Participants were requested to discuss and rate the extent to which brand trust, brand commitment and brand satisfaction were important indicators of franchise brand relationships. The results are shown in Table 5.3.

Table 5.3: Descriptive Statistics for Brand Relationship Quality

Factor	Mean	Std. Deviation
Brand trust	6.83	.39
Brand commitment	6.92	.29
Brand satisfaction	6.67	.89

* The scale values ranged from 1: not important at all to 7: extremely important, n = 16.

As indicated in Table 5.3, it is not surprising to note that brand trust and brand commitment had the highest means (see, Chaudhuri & Holbrook, 2002). When discussing whether effective brand relationship management can lead to brand satisfaction, franchisees also expressed that in most cases, a deeper connection or attachment develops between them and the brand. Thus, despite being satisfied with the brand, franchisees also revealed the term 'love' for the brand. As previously identified in the literature, the participants expressed various facets of brand love such as: being passionate about the brand, strongly attached to the brand, having positive feelings towards the brand, positive emotions in response to the brand, and declaring immense love for the brand, (Ahuvia, 2005). In line with Carroll and Ahuvia (2006), the brand satisfaction construct was then replaced with brand love, and it was posited that strong emotional attachment to the brand enhances brand equity. The term *brand love* also emerged when one participant was explaining some of the reasons that individuals join their franchise firm:

> "...at [brand name] people love the brand ...they love what it stands for whereas at our other [brand name] people join our franchise systems because they love [product name] ...people join for different reasons but it is a passion for either a product or a brand or business that brings people to franchise operations." (HI)

In such circumstances, it can be concluded that well-managed brand relationships can either result in deeper brand love, or else will diminish their love for the brand. Critical to the findings of this study is that when brand relationship quality is high, then franchisees are more likely to engage in extra-role behaviours that enhance brand equity. On the other hand, the brand love concept may be questionable in B2B markets, as this has not been established in prior research. However, participants indicated that brand love as a crucial component of franchise brand relationship management. As a result, construct validation procedures were applied to assess the relevancy of brand love in B2B markets. This was validated through follow–up interviews with the participants. The following are examples of quotes that emerged through the probing process showing the importance of the brand love concept in franchising contexts:

> "…I love the brand, I love the opportunities that owning this type of business has given me, I love the fact that I'm not just one of the mums at school, I'm the mum that owns [brand name] - Yes, I'm the cool mum and extremely proud of it." FG

> "Seeing the progress and performance of our first two stores… we decided to go for a third store. […] We really love the brand and our interaction with customers, plus the chance to work with friends and family makes it all the more enjoyable." NO

> "Franchisees succeed because they are serving their customers and the [brand name] business succeeds if franchisees and customers love the brand, love the product, and love the offering." TU

These three dimensions of BRQ were deemed crucial in capturing brand relationships given the nature of the franchisor-franchisee relationship that is unique compared with other conventional business relationships (see Section 1.7, Page 14). Therefore, in such non-equal alliances, brand relationships were considered a critical driver of brand equity as they promote emotional attachment between the franchisee and the franchise brand. Overall, it appears that well-implemented and supported structures which have been identified as the determinants of brand relationship management, can promote brand citizenship behaviour in franchisees. The next section discusses the elements of brand citizenship behaviour in franchising.

5.4.2.3 Brand Citizenship Behaviour

In franchising, positive extra-role behaviours that relate to the brand are imperative for the growth and increased equity of the brand. Hence, the general consensus from participants was that it is extremely important to consider franchisees' attitude towards the franchise brand when looking for potential franchisees. Franchisors need to take a proactive approach by recruiting franchisees that have the right attitude toward the brand and a stronger cultural fit to the brand values. The negative outcomes of failing to recruit franchisees that had a good cultural fit with brand values were noted:

> "…Paramount, if they don't share the passion and vision for the brand and understand and support the strategy, the relationship is unworkable. Make sure you select the right people into the business in the first place, probably the most important issue…ensure that people are coming into the business for the right reasons not just to make money…" (JK)

Franchise businesses were also warned of the disadvantages of blind recruitment of potential franchisees as negative outcomes would result if there was no cultural fit between franchisees and brand values. This was espoused by the following participant:

> "When the [brand name] franchise system was growing, the franchisor himself was giving the franchise to everyone who had money, so money was the driving force...in itself that kicked-back in a very negative way because the people were not into the business of restaurants ... positive attitude towards the brand is extremely, extremely important..." (CD)

Overall, participants indicated that franchisors played a significant role in fostering in franchisees a positive attitude towards the brand. Participants felt that franchisors must '*lead by example'*, indicating that franchisees become constructive when the franchisor is also supportive. Participants identified five key attributes of franchisors; they should:

- have an open and transparent relationship,
- ensure a two-way communication, as well as a business relationship climate were franchisees' voices were heard,
- have a well-documented franchise system, operations and procedures to ensure appropriate compliance,
- encourage franchisees to be actively involved in the decision-making process; and
- provide adequate training and support to enhance the capabilities of franchisees.

To help researchers obtain conclusive insights, participants were also requested to rate the importance of brand-related behaviours proposed by Burmann and Zeplin (2005) to franchise brand management. Table 5.4 shows the mean responses of participants when asked to rate the extent to which the listed brand-related behaviours were important on a 7-point Likert scale. Generally, participants' opinions suggested that the proposed brand citizenship behaviours were important to franchisees.

Table 5.4: Descriptive Statistics of Brand Citizenship Behaviour

Factor	Mean	Std. Deviation
Helping behaviour	6.50	.52
Sportsmanship	5.92	1.24
Brand consideration	6.42	.79
Brand enthusiasm	6.83	.39
Brand endorsement	6.42	.90
Self-development	6.17	1.19
Brand advancement	6.50	.80

* The scale values ranged from 1: not important at all to 7: extremely important, n = 16.

As illustrated in Table 5.4, brand enthusiasm had the highest mean, as most franchisees reported to have engaged in some sort of extra initiative behaviour to enhance brand equity. Local area marketing also emerged as the most popular activity through which franchisees expressed their enthusiasm for the franchise brand:

> "Yes, look again it probably comes down to local area marketing and how you communicate what [brand name] is about ...there was never this instruction to do with how to interact with our consumers in the franchise agreement it's something that I felt was going to make our brand look good and have some cut-through to the consumer market..." (ZA)

Sportsmanship had a relatively low mean although franchisees indicated that doing a little something extra to help the brand could *"...take you to greater heights..."* (CD). For example, most franchisees indicated that their businesses had benefited from local marketing campaigns such as sponsorships, even though in some cases they incurred significant costs in the process. Brand endorsement also emerged as a crucial brand-related behavioural attribute as indicated by one franchisee:

> "…Talk good about the brand to the friends, to your family I think that is important ...and let them see the strong points of the brand." (DE)

While participants acknowledged that in most cases endorsements are undertaken with reference to their particular store, recommendations of the brand *per se* at times might end up benefiting the store next door as it is still the same brand, even if there might be differences in customer service quality. Brand consideration, brand advancement and self-development were also identified as important extra roles that were necessary in enhancing brand equity. Most importantly, brand consideration in the form of compliance with brand-related behaviour guidelines was regarded by nearly all participants as being fundamental to franchising relationships. Participants felt that franchisees must be able to understand the franchise system they are venturing into, and to comply with the system. Franchisees who are highly compliant were regarded as vital in promoting a positive brand image and this greatly reduced the possibility of legal action, as explained below:

> "...if compliance exist in your system and you have a franchise compliance programme to make sure that franchisees understand the brand, understand their relationship to the brand, understand their relationship to the franchisor, neither you will hardly ever pick up your franchise agreement nor they." (EF)

Even though the operating environment of franchisees is highly constrained, it was evident that brand advancement and self-development of the franchisee plays a crucial role in B2B brand building. With regards to brand advancement, franchisees indicated that they need to continuously provide feedback, advice and suggestions to their regional or area managers and by doing this *"…they help to add value by coming up with suggestions that might make the business better…"* (RS). In essence, franchisee suggestions could lead to some great ideas. As mentioned by one participant, franchisee suggestions led to the introduction of the highly successful and popular happy meal and children's playground concepts in McDonald's fast-food outlets. This notion of franchisee creativity was also articulated by one of the executive directors, who however, warned that creativity and innovation need to be executed in line with the franchise firm's goals:

> "...the good ones will enhance innovation and that of course...innovation with the knowledge of the franchise system, individual innovation without the knowledge of the franchise system is not encouraged because then you undermine that brand's consistency." (RS)

Finally, helping behaviour also emerged as a key issue in enhancing customer loyalty, particularly in franchising where similar products/services are found in different locations. For example, one franchisee noted that, *"...if you give people a good experience...they would want to come again more..."* (BD). Thus, friendliness, empathy towards the customer and community, positive behaviour and generally good service delivery by franchisees were identified as important for franchise brand building as noted below:

> "...locally, what I do is local community funding like pre-school, primary schools in the area and also supporting sports clubs...and I have a retirement village nearby and a lot of my customers are old

people, they come for coffee every day, so when they also do fundraising I support them. I think if you give customers favours and you take pride in what you do...you will win." (NO)

"...I have many other examples of doing that type of work [social responsibility] as a franchisee that gave our brand elevation in the marketplace that ultimately increased our turnover to the point that we became one of the most important stores in the chain..." (LM)

Overall, all the seven indicators of brand citizenship behaviour initially proposed by Burmann and Zeplin (2005) emerged as important and relevant to the Australian franchise systems. Thus, if well-implemented, these extra-role behaviours can enhance brand equity (as discussed in the next section), not only for the individual franchisee since positive spill-over effects can benefit other franchisees in the network. Also, a good franchise name can result in an increase in potential franchisees seeking to join the franchise system, thereby contributing to the franchise brand value and other benefits.

5.4.2.4 Franchisee-Based Brand Equity

In this section, franchisee-based brand equity as the outcome of brand relationship management and brand citizenship behaviour is discussed. To understand how the term *brand equity* is interpreted in franchise businesses, participants were requested to describe the term based on their own experiences and context. The qualitative findings suggest that participants' common understanding of the term was closely aligned with Keller's (2003) definition that emphasises the differential effect produced by well-established brands. For example, some participants indicated that brand equity was:

"…The sum of all distinguishing qualities of a brand, drawn from all relevant stakeholders that results in personal commitment to and demand for the brand, is brand equity; these differentiating thoughts and feelings make the brand valued and valuable." (TU)

"...the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name. Therefore, this entails the results franchisees can achieve with [brand name] visa vie without." (HI)

In B2B relationships, the concept of brand equity has been evaluated in various ways. For example, brand equity can be considered as a relational resource (Davis & Mentzer, 2008; Kuhn *et al.,* 2008), brand value (Ailawadi & Keller, 2004; Webster, 2000), brand image or associations (Aaker, 1991; Keller, 2003) or brand loyalty (Aaker, 1991; Davis, 2003). Through categorisation the findings suggest that franchisees' perceived brand equity to be a multidimensional construct composed of three components (i) *franchisee-perceived relationship value,* (ii) *franchisee-perceived brand image*, and (iii) *franchisee-perceived brand loyalty* (see Table 5.5). Thus, the findings suggest that well-managed brand relationships can translate into brand citizenship behaviour that in turn enhance the franchise relationships, brand image and brand loyalty.

According to Ulaga and Eggert (2006), B2B market exchanges occur when all parties involved expect a positive sum game (i.e., relationship value). In the current study, it was apparent that in franchise relationships, the higher the net-value realised by the franchisee and franchisor, the stronger the motivation (particularly on the part of franchisees) to initiate and sustain franchise partnerships. For example, most franchisees indicated that they were motivated to join their current franchise network based on the perceived brand equity of the franchise brand in the market. In addition, they reiterated that the onus was on the franchisee to uphold brand value. On the same note, powerful brands were also considered as a source of confidence that enhances franchisees' trust in the relationship. For instance, one franchisee emphasised that *"...the brand helps to a degree in establishing confidence in one another..."* (PQ). Thus, it is important to note that strong brands with high equity can be an incentive to potential franchisees and can also reinforce existing relationships.

A strong brand image also helps to differentiate the products or services of one franchise channel from competing franchises especially in franchising environments where franchisees are highly prone to brand parity problems. Powerful brand identity is a source of competitive advantage that increases a firm's turnover through repeat purchases and reduced customer acquisition costs (Netemeyer *et al.*, 2004). Not surprisingly, in support of Netemeyer *et al*. (2004) almost all participants emphasised the need to create and maintain a positive brand image and one way of doing this was by undertaking LAM activities. According to one of the franchisees, the benefits that accrued from his funding of local school projects spilled over to the whole franchise network:

> "...such campaigns...helped strengthen and grow the brand within our consumer base, that had direct benefits to our business but overall, it also gave a good relationship with [brand name]... it was rewarding for me but it also helped strengthen the brand for the consumer for the whole channel." (VW)

It is worth noting that brand image can influence brand associations and lead to a positive attitude that can extend to other brands in the product portfolio. This is fundamental in franchising systems where one of the major objectives is to enhance brand growth across various geographic locations.

Table 5.5: Dimensions of Franchisee-Based Brand Equity

Brand equity dimensions	Related benefits	Illustrative quote from the findings
Franchisee-Perceived Relationship Value	- strong franchisor-franchisee relationships - long term franchise contracts - reduced conflicts - increased cooperation	*"...I think it is important to know the brand equity of a company so that you know you are not getting into a dodgy company, you would have seen it everywhere in the marketplace and you would have already seen the success...but also once you are in the business it's up to you, to enhance the value (of the brand)..." (NO)*
Franchisee-Perceived Brand Image	- increased customer base - brand growth across various geographic locations - brand reputation help other franchisees in the network - good relationships with franchisors	*"...focus on bringing positive associations with the brand itself, through enhancing positive feelings, a positive vibe, and the quality of the products and then try to look at the aspect that will actually enhance the brand in the sense of intangible aspects such as societal marketing concept, giving back to the community..." (CD)*
Franchisee-Perceived Brand Loyalty	- high customer patronage i.e. repeated purchases - high customer retention - positive word of mouth - reduced marketing costs and efforts - increase in store loyalty of franchisees	*"...franchisees must know what customers want, to make sure their product can adapt to meet what customers are looking for, hence the customer keep coming back to continue their relationship with the brand..." (JK)*

Finally, participants agreed that brand loyalty was the most crucial dimension of FBBE. Powerful brands were identified as the main driver of market share through repeated purchases of the brand, positive word of mouth, customers' willingness to pay premium prices, and ultimately increased brand profitability. Generally, franchisees compete for the same cohort of customers as they sell replicable products or services. Therefore, franchisees' brand loyalty was regarded as crucial in enhancing brand equity as well as helping to ward off competition. In this light, participants indicated that it is that extra mile that franchisees are willing to go that enhances repeated purchases. Table 5.5 summarises the FBBE dimensions that emerged from the in-depth interviews. However, it is important to note that these factors alone cannot enhance brand equity without other supporting structures. For instance, if franchisors are incompetent in implementing these strategies, this might lead to disappointing results. The next section discusses franchisor competencies that were identified as crucial in affecting branding outcomes in franchise channels.

5.4.2.5 Franchisor Competence

Franchisor incompetence endangers the reputation of the brand, either directly or through its franchisees, whereas competent franchises bring more benefits to the business network (Joseph, 1990). Thus, a competent franchisor is likely to be considered as trustworthy, credible and honest, which enhances franchisees' assurance that the franchisor is a good business partner (Dickey *et al.*, 2007). Extant literature does not concur on the classification of competencies and various categories have been identified ranging from commercial, technical, responsiveness, to operational competences (e.g., Hang & Sung, 2008; Lapierre, 2000). In the current study, franchisees were asked to identify the five most essential competencies they expect from franchisors and the most frequently-mentioned competencies were classified according to (i) relationships, (ii) communication, (iii) leadership strategy, (iv) operational and (v) brand-related factors (see Table 5.6).

Table 5.6: Classification of Key Competencies

Operational	Leadership	Relationships	Communication	Brand-related
System development & support	Vision and mission	Team building	Regular communication	Marketing
Understand the market	Business planning	Honesty	Effective communicator	Public relations
Entrepreneurial flair	Good assessors of personality when recruiting franchisees	Good relationships with franchisees & other stakeholders	Be able to translate ideas into replicable templates	Protecting the integrity of the brand
Financially sound	Passionate for their concept	Understanding	Openness of information shared	Brand management
Understand franchise business	Strategy	Empathy	Consultative	Branding
Commercial & retail acumen	Ability to manage cultural diversity	Complaint handling	Frequent on-site visits	Ongoing training & support
Time management	Fiscal management	Accountability		
Product knowledge	Effective negotiator with suppliers	Relationship management		
Continuous improvement	Strong leadership			
	Business coaching			

Source: Developed for this study

It was not surprising that most franchisees identified competencies that were related to branding as the franchise concept mostly rests upon the brand name. Further, to ensure success, it is not the role merely of the franchisee to uphold brand reputation - franchisors also need to play a leading role. As attested by one participant:

> "...The franchisors got to live by example, and they got to show that they are being true to their brand but at the same time they are being innovative...coming up with ideas...not just relying on franchisees themselves, perhaps undertaking marketing research, perhaps undertaking trials of new products..." (EF)

Thus, starting from the recruitment stage through to their communication, marketing and brand strategies, it is the franchisors' responsibility to ensure that consistent brand values are sustained and effectively relayed to franchisees. These findings support Ind and Bjerke (2007, p. 124) who describe a brand-supportive organisation through its strong leadership, as one "...that focuses on living out the business idea, vision, mission (brand purpose) and values by assembling, connecting and coordinating all brand driving forces to enhance and sustain the brand-building capability and brand equity." Thus, franchise firms must put in place appropriate structures for recruiting, training, motivating, rewarding and providing adequate equipment and technology that enable the franchisees to deliver the brand promise, (Zeithaml *et al*., 2006). Research conducted by Franchise Careers (2009) reveals that 86 percent of participants reported that efficient time management and franchisors' ability to remain positive and upbeat were the main capabilities required to ensure success in franchise business systems. However, it is important to note that all the capabilities and skills stated in Table 5.6 are required at different times in various contexts, and in different measures.

The above discussion identified the possible determinants of brand relationship management and the subsequent behavioural outcomes and eventually, brand outcomes. However, these interrelationships might also vary according to the duration of the franchisor-franchisee relationship, discussed next.

5.4.2.6 Duration of the Franchisor-Franchisee Relationship

To understand the effect of relationship duration on the link between brand relationships and brand equity, participants were asked to comment on the statement that '*the longer the relationship the greater the value or benefits that the franchisee accrues from associating with the brand name*'. Many participants failed to acknowledge that the longer the relationship, the greater the benefits that the franchisee accrues from associating with a specific brand name. Hence, participants failed to acknowledge that relationship duration directly influences brand outcomes, as articulated below:

> "I don't agree with that...it may be a threshold below which you can't be sure to be getting the full value, however I don't think it's a simple linear relationship because it's quite possible for instance that, for the longer period a person might start to lose their connection with the brand and that is a possibility ...and for some people they will just embrace it so well so quickly that it will be wrong to say it's got to be a long term relationship for you to get the full value because they might get it in a flash and the franchisors will tell you that the best franchisees do get it in a flash, they don't need to be told, they see it before they start and that's why they buy in." (RS)

Like any other contractual relationship, the franchisor-franchisee relationship goes through its high and lows and possibly termination. The average tenure of a franchise agreement in Australia is currently somewhere between five to seven years:

> "...although some still write ten year agreements and some write 15 year agreements and some have perpetual agreements…" (RS)

In support, the following participant acknowledged that within the average tenure of the contract, the franchisee goes through different phases (see, Figure 5.3). That is:

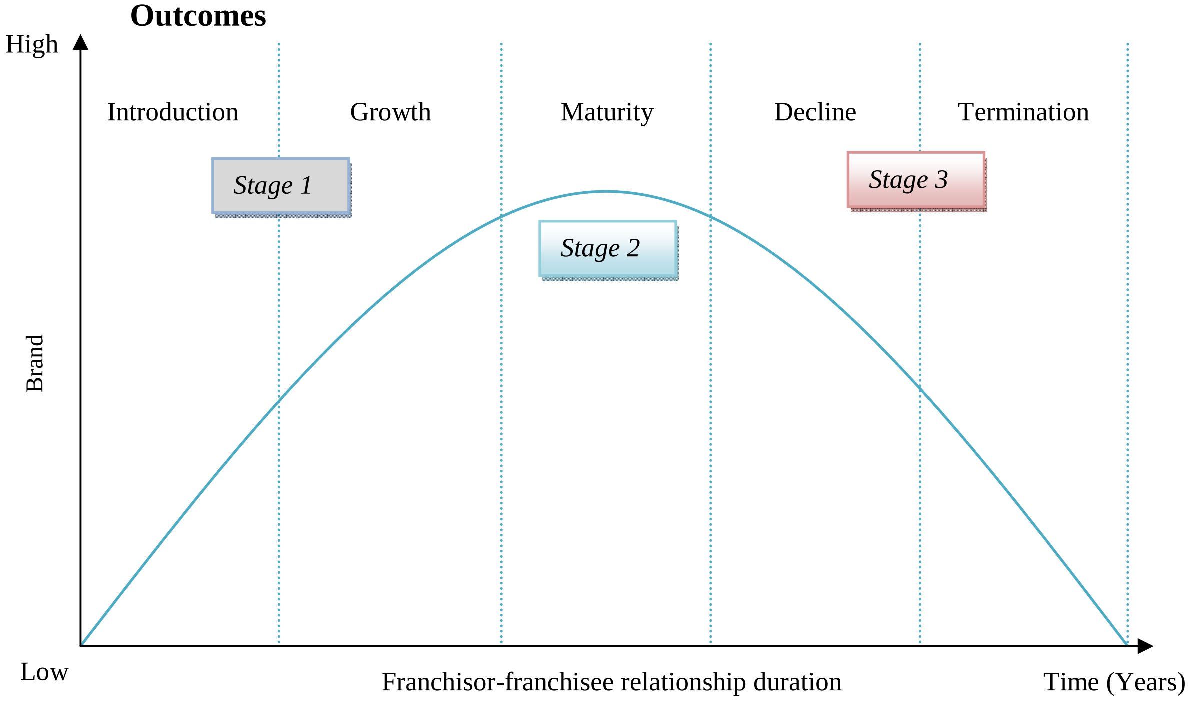
> "…In franchising, the average tenure for a franchisee is seven years. There is a cycle where a franchisee will emerge, grow and mature. The relationship between the franchisee and the brand can vary greatly, depending on experiences and life positioning. Some will become disgruntled, stale or disengaged, which could damage the brand of the business and the relationship with the franchisor. In this instance, there is no greater value determined by time. Should the seven year stretch (or longer) be progressive, the business grows and matures and the franchisee continued to be engaged and develop, the brand will only gain in value..." (RS)

Further analysis indicated that the relationship between the franchisor and franchisee can pass through three generic stages (although these can vary in different contexts). Stage 1, the growth phase, Stage 2, the maturity phase and Stage 3, the decline phase, as shown in Figure 5.3. The introduction and termination phases are shown merely to indicate when the relationship emerges and ends, respectively. Past research attests that the franchise relationships vary over time and depend on the development stage of their business life cycle (Poppo & Zenger, 2002). In Stage 1, when the franchisee is experiencing growth, the brand outcomes are also assumed to increase. Thus, brand equity grows when the franchisee engages in extra-role behaviours that enhance brand identity. In addition, the relationship between the franchisee and the brand is also likely to strengthen when the franchisee's trust, commitment and love for the brand increases. At this stage, franchisors need to constantly nurture the relationship so that it continues to grow and accrue more brand outcomes. As confirmed by one participant:

> "...The franchisor must continually be aware of the need to keep their franchisees engaged - not only in their individual businesses but the brand as a whole." (EF)

When a franchisee reaches a point where brand equity continues to grow but at a decreasing rate and then the brand benefits start stabilising, this is called the maturity stage (Stage 2). At this stage, the brand outcomes would have reached saturation and franchisors must ensure that franchisees survive this stage to avoid decline that leads to the termination of the contract.

Figure 5.3: Relationship between Franchisor-Franchisee Relationship Duration and Brand Outcomes



Source: Developed for this study

In the decline stage (Stage 3), the franchisee may be disgruntled with the partnership or might not be complying with the system or engage in opportunistic behaviour. At this stage, conflicts are rife and the franchisee declines to undertake extra-roles and subsequently brand equity starts decreasing at a higher rate. If the franchisor fails to take the leading role in resolving the conflict, the contract is likely to be terminated. However, it is also the responsibility of the franchisor to ensure that recalcitrants are removed from the system quickly before the negative word-of-mouth spreads across the whole franchise network.

However, the overall understanding from participants was that, throughout the lifetime of the relationship, franchisors play a substantial role in determining either the franchisee experience growth, decline or withdraws from the contract. If franchisors foster long-term relationships, it becomes easy for franchisees to gain more from the relationship, exchange of favours, easy understanding of the operational system, that eventually enhance brand related benefits. The advantages of a long term relationship between the franchisor and the franchisee are apparent. Franchisees tend to develop better relationships with the system as they become more familiar with their franchisors and consequently, the more they learn the more valuable they can be and create a name for themselves (Reichheld, 1996). On the other hand, franchisees determine their own fate. That is, if they continue to represent the brand well and engage in extra roles, brand-related benefits will also increase. As elaborated by one franchisee:

> "...the only thing is that you have to learn your experience yourself on running the business...because the training is still the same and you have learnt from them but of course they always want you to improve..." (NO)

Therefore, in as much as the relationship is contractual, the best results from the brand are achieved through the maintenance of a functional relationship and not a relationship that is solely dependent on the boundaries of the contract. Thus, whether they are long- or short-term relationships, positive brand relationships are paramount in fostering compliance which is fundamental in enhancing brand citizenship behaviour and increased brand equity. In support, the following participant stated that:

> "...The franchise agreement it's like the book that you used to get your driver's license, once you read and understood the terms and conditions, you throw it in a corner somewhere and you will never look at it again. That's how the franchise agreement should be ... if compliance exist in your system and you have a franchise compliance programme to make sure that franchisees understand the brand, understand their relationship to the brand, understand their relationship to the franchisor, you will hardly ever pick up your franchise agreement neither nor they.." (JK)

In conclusion, the main objective of the qualitative research was to explore factors that can result in an appropriate framework that enhances best-practice franchising strategies. The next section summarises the major findings from this exploratory work that leads to the development of the conceptual model and research hypotheses.

5.4.3 Conclusions from the Exploratory Research

The qualitative research findings suggest that branding in franchising needs franchisees and franchisors to exhibit consistent and positive brand citizenship behaviour across the whole franchise network. Indeed, franchise businesses require a well-defined framework that can assist in aligning the business goals and strategic visions of franchisees and franchisors. Further, structures that solely depend on contractual agreements might be risky and susceptible to failure or disappointing results. Therefore, this exploratory study helped to provide a theoretical understanding and conceptualisation of relational factors that promote brand equity in franchising. Specifically, the qualitative findings provide support for the constructs and relationships, offering objective evidence for the research proposition developed in Chapter 3 (see Section 3.8). Therefore, based on the research objectives, various salient observations pertinent to this study were identified and these are outlined below:

- As revealed by the findings, the relationship between the franchisee and the brand is crucial, since it has both direct and indirect economic implications for brand outcomes. Hence, proper structures need to be put forward to effectively manage brand relationships that ultimately enhance franchisee-based brand equity.

- The study provides insight into factors that could be used in brand relationship management. Six brand relationship management variables were found to apply in franchising contexts. However, as explained above, *brand architecture* was removed from the quantitative analysis because it cannot be applied to various sizes and types of franchise businesses.
- The study also explored how franchisors can enhance brand citizenship behaviour that improves brand equity. Based on Burmann and Zeplin's (2005) proposition of the seven dimensions (namely helping behaviour, brand endorsement, brand enthusiasm, brand advancement, brand consideration, sportsmanship and self-development), the present research findings also support their applicability in franchising.
- Additionally, it has been identified that franchisors play a crucial role in enhancing brand citizenship behaviour in franchisees, for example, franchisees expect their franchisors to *'lead by example'*.
- The qualitative research also shows the role of franchisor competence in strengthening the quality of brand relationships and brand equity. Therefore, this calls for managers to invest equally in structures that enhance their capabilities and skills.
- The qualitative findings also suggested that the duration of the franchisor-franchisee relationship plays a marginal role in determining brand outcomes such as brand equity and brand relationships. That is, participants did not support the notion that a longer relationship between a franchisor and franchisee results in increased brand outcomes, nor does it make the franchisee develop a closer relationship with the franchise brand. Hence, these findings help inform franchisors that those factors that promote compliance with the franchise system are more critical in enhancing brand equity, not the length of the relationship. Thus, franchisors must keep track of the development stage of the lifecycle each franchisee experiences, in order to know the appropriate action to take.

Thus, the qualitative stage has served as an informative, corrective, objective and confirmative phase of the quantitative study, discussed later. In other words, the lack of an objective theoretical framework regarding brand management and brand relationships in franchising necessitated this exploratory study. In the next section, a conceptual model based on the review of the qualitative results and literature review is proposed as well as related research hypotheses. The conceptual model and proposed hypothesised relationships were tested through a conclusive quantitative approach using survey data and analysed mainly through structural equation modeling and regression analyses, among other statistical tests.

5.4.4 Conceptual Model and Research Hypotheses

Chapter 1, Section 1.5 outlines the major objectives and a review of literature in Chapter 3 (see Section 3.8, Chapter 3) led to the development of propositions of this study. The following hypotheses related to the research objectives and initial propositions are explored.

H1: *Brand relationship management is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H2*:* *Brand relationship management is positively related to brand relationship quality.*

H3*:* *Brand relationship quality is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H4*:* *Brand relationship quality positively mediates the relationship between brand relationship management and (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H5*:* *Brand relationship management is positively related to brand citizenship behaviour.*

H6*:* *Brand citizenship behaviour is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H7*:* *Brand citizenship behaviour positively mediates the relationship between brand relationship management and (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H8*:* *The more competent the franchisor, the stronger the effect of brand citizenship behaviour on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

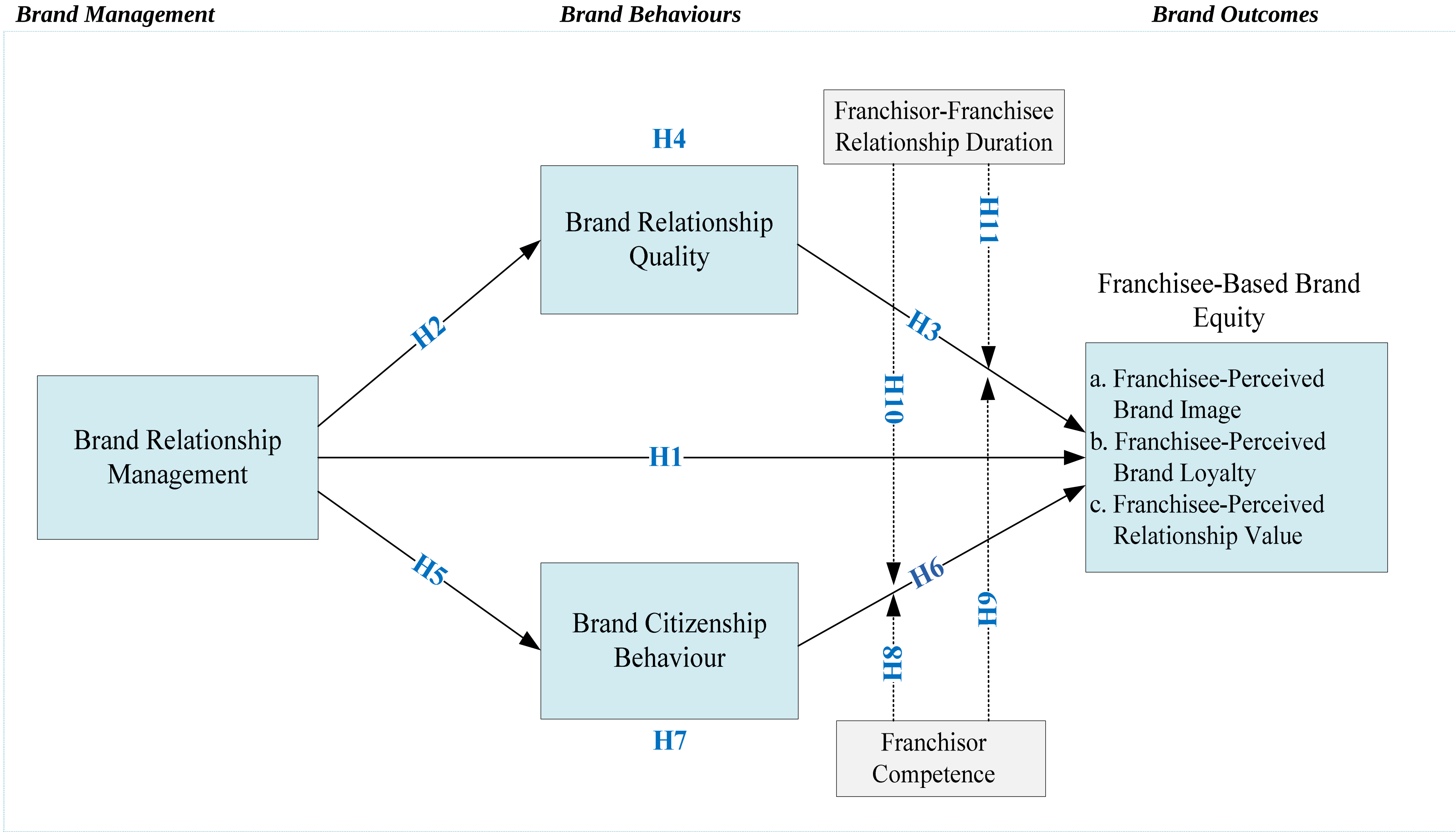
H9*:* *The more competent the franchisor, the stronger the effect of brand relationship quality on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H10*:* *The longer the franchisor-franchisee relationship duration, the stronger the effect of brand citizenship behaviour on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H11*:* *The longer the franchisor-franchisee relationship duration, the stronger the effect of brand relationship quality on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

Figure 5.4 presents the conceptual framework of the franchisee-based brand equity model.

Figure 5.4: Proposed Franchisee-Based Brand Equity Model



Source: Developed for this study

SECTION B: QUANTITATIVE RESEARCH

5.5 Conclusive Research Design

Conclusive research design involves a formal and structured way to measure stated hypotheses and examine relationships among variables (Sekaran, 2003) and can be classified as descriptive and causal research, as shown in Figure 5.1. According to Malhotra (2009), descriptive studies are used to determine and describe market variables or characteristics, whereas, causal research examines cause-and-effect relationships. Conclusive research is used mostly for information needs that are clearly defined and usually applied in quantitative data analysis procedures and large representative samples (Malhotra, 2009). Therefore, this research study used descriptive research to enable the researcher to determine the degree to which variables are related, and to test relationships amongst constructs (Aaker, Kumar & Day, 2006; Malhotra, 2009). For instance, in the present study, the relationships between franchisee-based brand equity, brand relationship management, brand relationship quality, brand citizenship behaviour, franchisor competence and franchisor-franchisee relationship duration are investigated. In descriptive research, it is assumed that the researcher has prior knowledge of the variables under investigation and the hypotheses and required information are specified (Malhotra, 2009). In terms of data collection, descriptive research utilises surveys, panels or observational methods. Conversely, causal research was not suitable in this study because the researcher only intends to describe the association of market variables instead of examining the degree to which one variable is causally related to the other and not cause-and-effect relationships (Malhotra, 2009).

Descriptive research is divided into cross-sectional and longitudinal research. Cross-sectional research, also known as sample survey, involves a once-off collection of information from a selected sample and timeframe (Malhotra, 2009). Contrarily, in a longitudinal study information is collected from a fixed sample of the population at different times, to examine dynamic changes or trends of the same variables (Malhotra, 2009). Cross-sectional research design was used because the study examines the association of variables in franchise relationships for a specific defined period. Further, cross sectional research is cost effective and widely used (Malhotra, 2009). In particular, prior research conducted on branding, brand relationships and franchise relationships in B2B markets has utilised cross-sectional research (e.g., Davies *et al*., 2011; Grace & Weaven, 2011; Rauyruen & Miller, 2007). Hence, in this study, cross-sectional research was implemented to collect data from franchise firms in Australia during the 2009 - 2011 period. In the next chapter, the conceptualisation and operationalisation of the measures used in this study are discussed.

5.6 Development of the Measurement Items

The primary aim of this study was to investigate the role played by brand relationship management (BRM), brand relationship quality (BRQ), and brand citizenship behaviour (BCB) in promoting franchisee-based brand equity (FBBE). Further, in this study it was proposed that the franchisees' relationship with franchisors' brand is moderated by both the duration of the franchisor-franchisee relationship and franchisor competence. Constructs were measured using existing scales that were modified accordingly to suit the research context. Thus, given that most of the constructs used in this study are not well-established in B2B research, a combination of existing literature (deductive) and in-depth interviews (inductive) was used in scale development to enhance construct validity (Bagozzi, Yi, & Phillips, 1991; Schwab, 1980). The final version of the questionnaire was also informed by the feedback from the pretesting stage. This process was considered paramount since some measures were borrowed from consumer markets, although despite the application of most of the measures to B2B research, they had not been used in franchising contexts.

5.6.1 Brand Relationship Management

As far as the research could ascertain, BRM has not been measured empirically as a construct in prior literature, although evidence of its existence is apparent. The process of establishing the dimensions of BRM involved reviewing literature in relational exchange and brand relationships, and adopted measures of relationship variables in B2B branding, franchising literature and related supply chain networks. The construct of BRM in franchises was therefore proposed as a multi-dimensional construct including: information sharing, conflict handling, franchisor support, exercise of power, and bonding. The exploratory research conducted through the qualitative study discussed in Section A also suggested that the proposed variables played a crucial role in determining brand relationships in franchise channels. The operationalisation of the BRM dimensions is explained below.

5.6.1.1 Information Sharing

Information sharing has been operationalised by a number of researchers in existing literature (e.g., Dwyer *et al.*, 1987; Heide & John, 1992; Lee *et al.*, 1997; Li *et al.*, 2006). For instance, Li *et al.* (2006) conceptualise information based on the level and the quality of information sharing. Level of information refers to the extent to which critical and proprietary information is communicated between partners, whereas the quality of information sharing captures aspects such as accuracy, timeliness, adequacy and credibility of the information exchange process (Li *et al.*, 2006). Perry *et al.* (2002) agree that it is particularly important, in franchise business, to ensure consistent and frequent information exchange, emphasising the need for both quality and quantity aspects of information sharing. Consistent with how information exchange has been operationalised in prior research (Frazier & Rody, 1991), the exploratory interviews reported in the current study confirmed that the information exchanged between franchisor and franchisees should comprise: (i) market conditions and its competitors' strategies, and (ii) the overall business strategy of the firm. Therefore, the current study followed this framework and operationalised information sharing in franchise B2B markets using the following seven items that were adapted from Li *et al*. (2006) and Frazier and Rody (1991) shown in Table 5.7.

Table 5.7: Measures of Information Sharing

Items	Adapted measures
IS1	My franchisor shares critical information with me.
IS2	My franchisor keeps me fully informed about issues that affect my business.
IS3	My franchisor shares knowledge of core business processes with me.
IS4	My franchisor and I exchange information that helps continuous development of our franchise brand.
IS5	My franchisor provides me with timely information
IS6	My franchisor strongly encourages me to share ideas with other franchisees.
IS7	Overall, my franchisor provides me with reliable information.

Sources**:** Li *et al*. (2006): α = .86; Frazier and Rody (1991): α = .61

5.6.1.2 Franchisor Support

There is a general consensus among various researchers that the support provided by franchisors can be conceptualised from two perspectives, that is, initial or pre-opening support and on-going support (Lee, 1999; Roh & Yoon, 2009; Sherman & Schaeffer, 2005). Pre-opening support might include initial training, analysis of potential territory, the franchisor meeting with the franchise candidate to explain the details of the franchisee's rights and responsibilities, financial obligations, renewal, termination and dispute resolutions (Blair & Lafontaine, 2005; Sherman & Schaeffer, 2005). Other researchers assessed the degree of initial support based on start-up costs such as promotional and advertising, and other franchise fees (Lee, 1999). Alternatively, on-going support provided by franchisors is important for the satisfaction and success of the franchisees' operations. Researchers agree that such on-going support falls into three categories: central purchasing, communication and business assistance (Roh & Yoon, 2009). Hence, franchisor support in the present study has been operationalised as having two components (initial and continuous support). The study adapted seven measures from existing scales to measure franchisor support as shown in Table 5.8.

Table 5.8: Measures of Franchisor Support

Items	Adapted measures
FS1	The training provided by my franchisor was very useful.
FS2	The amount of franchise fees/royalties was not high.
FS3	The promotional and advertising assistance is very good.
FS4	The on-going service provided by my franchisor is very good.
FS5	There are few franchisor restrictions on day-to-day management decisions.
FS6	The marketing fees and advertising fees are reasonable.
FS7	My franchisor/representative visits my store regularly.

Sources**:** Roh and Yoon (2009); Glynn (2004); Lee (1999); α = .79 - .88

5.6.1.3 Conflict Handling

In channel partnerships, a channel member's attitude towards conflict management directs the other partner's attitude and feelings toward an attempt to resolve underlying disagreements (Frazier & Rody, 1991). As a result, past researchers have concluded that the use of coercive and non-coercive influence strategies lead to different conflict-related outcomes. For instance, Schurr and Ozanne (1985) found that the use of coercion is likely to result in competitive behaviours, and for franchisees, this might result in free-riding and opportunistic behaviours. Thus, attempts to resolve disagreements could create more problems than they solve (Frazier & Rody, 1991). On the other hand, when non-coercive strategies are used, they are likely to lead to more cooperative behaviour and expression of disagreements can be productive (Frazier & Rody, 1991). In the latter case, franchisees might perceive the franchisor as accommodative, responsive to their concerns and willing to resolve problems. Extant research also operationalised conflict handling as an antecedent to relationship quality dimensions such as trust, satisfaction, commitment and cooperation (Athanasopoulou, 2009; Leung *et al.*, 2005; Leonidou *et al.*, 2006; Selnes, 1998). The current study operationalised conflict handling as being composed of coercive and non-coercive influence strategies and adopted the measures proposed by Frazier and Rody (1991) as shown in Table 5.9.

Table 5.9: Measures of Conflict Handling

Items	Adapted measures
CR1	Discussions I have with my franchisor on areas of disagreement are usually productive.
CR2	I avoid discussing differences of opinion with my franchisor.
CR3	Discussing areas of disagreement with my franchisor tends to create more problems than they solve.
CR4	Discussing areas of disagreement with my franchisor increases the effectiveness of our business.
CR5	Discussing areas of disagreement with my franchisor strengthens our relationship.

Source**:** Frazier and Rody (1991): α = .77

5.6.1.4 Exercise of Power

The conceptualisation of the power construct in this study was grounded in the work of earlier researchers (Brown *et al*., 1995; Gaski & Nevin, 1985; Hunt & Nevin, 1974). Most prior researchers have used both the direct and indirect approaches when measuring power sources in marketing channels. The direct approach explicitly measures the various sources of power, such as reward, coercion, legitimate, referent, expert and information (Brown *et al*., 1995). However, to date, most researchers have used the indirect approach that measures power sources by assessing channel member X's perceptions of the help offered by channel member Y and the potential for punishments wielded by Z (Hunt & Nevin, 1974). These sources of power are classified in terms of coercive (coercion) and non-coercive power (reward, expert, legitimate and referent). The present study operationalised power based on the Hunt and Nevin (1974) approach known as the HN approach. The HN approach operationalised franchisors' non-coercive power by assessing franchisees' perceptions of the quality of assistance offered by their franchisors. Hunt and Nevin (1974) concluded that central to the indirect approach is operationalising the non-coercive sources as assistance, and coercion as punishment. Following the indirect approach Brown *et al*. (1995) developed various psychometric measures of power sources. In this study, the items used to measure exercise of power were adapted from Brown *et al*. (1995) and modified to suit the research context, as shown in Table 5.10.

Table 5.10: Measures of Exercise of Power

Items	Adapted measures
Pow1	My franchisor would somehow get back at me if I do not do as he/she asked.
Pow2	My franchisor might withdraw certain needed services from my business if I do not go along with him/her.
Pow3	My franchisor could make things difficult for me if I do not agree to his/her suggestions.
Pow4	My franchisor at times threatens to cancel or refuse to renew our contract.
Pow5	I can get needed help if I agree to my franchisor's requests.
Pow6	I am likely to get favours if I go along with my franchisor's requests.
Pow7	By going along with the franchisor's requests, I am likely to avoid some of the problems other franchisees face.

Source**:** Brown *et al.* (1995): α = .84

5.6.1.5 Structural and Social Bonding

As indicated in Chapter 3, in prior research, bonding has been operationalised as composed of both structural and social bonds (Wilson, 1995). Assessing bonding on these two levels helps to capture and provide a complete measurement of ties between channel partners (Wilson, 1995). When building a relationship (e.g., franchise relationship), structural bonds must be developed first in order to satisfy a minimum level of dependability and reliability. Further, social bonds complete the spectrum by ensuring the maintenance and continuation of the relationship when a deeper emotional investment exists (Rodriguez & Wilson, 2002). The measures used in this study were adapted from Matanda (2002) and Rodriguez and Wilson (2002) – both studies examined the structural and social levels of bonding. Therefore, the present study used six items to measure bonding, two of which assess *structural bonding* and *social bonding* was measured by four items (see Table 5.11).

Table 5.11: Measures of Structural and Social Bonding

Items	Adapted measures
Bon1	I have a formal contract with my franchisor that would be hard to break.
Bon2	If I were to leave my franchisor, I would lose a good business friend.
Bon3	I often interact with my franchisor and/or his/her staff on a social basis.
Bon4	I consider my franchisor to be as close to me as family.
Bon5	I always consider my franchisor’s feelings before making decisions that may affect him/her.
Bon6	Overall, I have a good working relationship with my franchisor.

Source**:** Matanda (2002): $\alpha = .72$; Rodriguez and Wilson (2002): $\alpha = .62 - .80$

5.6.2 Brand Relationship Quality (BRQ)

Initially, the concept of BRQ as a customer-based indicator of the relationship strength has been conceptualised using seven facets by Fournier (1998). Consequently, several researchers in B2B relationships have measured BRQ using variables such as brand trust, relationship satisfaction, communication quality, brand affect, perceived quality, relationship benefits, mutual cooperation, trust in the relationship, and relationship commitment (see, Han & Sung, 2008; Lages *et al.*, 2005; Meng & Elliot, 2008; Morgan & Hunt, 1994; Ulaga & Eggert, 2005). Prior franchising research has measured the relationship quality using variables such as trust, commitment, relationalism, conflict, interdependence, satisfaction, and cooperation (e.g., Bordonaba-Juste & Polo-Redondo, 2004, 2008*a*; Cox, 1995; Dahlstrom & Nygaard, 1995, Harmon & Griffiths, 2008). However, there seems to be little consensus on the measures of relationship quality, despite earlier calls for scale development of relationship quality in franchise relationships (Harmon & Griffiths, 2008; Spinelli & Birley, 1998). In particular, Harmon and Griffiths (2008) conceptualised relationship quality as a higher-order three-dimensional construct composed of trust, commitment and satisfaction. Trust and commitment are deemed central to relationship building (Dwyer *et al*., 1987), whilst brand love can be linked to Fournier’s (1998) love facet of BRQ. However, as mentioned in Chapter 3, brand love in this study is conceptualised as a deeper mode of satisfaction experienced by some, but not all, satisfied consumers (Fournier & Mick, 1999). Therefore, to operationalise BRQ, the current study used measures of brand trust, brand commitment and brand love.

Jap, Manolis and Weitz (1999) attest that relationship quality has been identified by numerous distinct constructs but no consensus has yet been reached on factors that are central in developing long term B2B relationships. In addition, Holmlund (2008) attests that relationship quality lacks a formal definition as well as an agreement on its dimensions. *Brand trust* has been widely conceptualised in prior research (see a detailed discussion in Chapter 3). Consistent with prior studies (Chaudhuri & Holbrook, 2001; Delgado-Ballister, 2004), the current study operationalised brand trust based reliability and intentions. Reliability refers to dependability as a result of confidence in the brand, whilst intentions entail what the brand is capable of offering in the future. To conceptualise brand trust, the brand was personified as consisting of human qualities, thereby assessing the interpersonal relationships between the franchisee and the brand as more than a mere product (Fournier, 1994). As a result, four scale items were adapted from Delgado-Ballister (2004) and Han and Sung (2008) and modified to suit the B2B context.

The *brand love* construct includes variables such as passion for the brand, attachment to the brand, positive evaluation of the brand, positive emotions in response to the brand, and declarations of love for the brand (Ahuvia, 2005). Using this love prototype, this study adapted six scale items out of the ten developed by Carroll and Ahuvia (2006). Since this construct has not been operationalised in B2B settings such as franchising, the exploratory interviews were very helpful in validating the applicability and relevance of this construct in the franchising context. Lastly, *brand commitment* was operationalised based on the two theoretical dimensions discussed in Chapter 3, that is, behavioural and attitudinal levels of commitment. The measures used in this study were borrowed from Kimpakorn and Tocquer (2008) in which the latter researchers measured employees' commitment to the employer brand. With respect to franchisees, these measures were considered applicable as they assess both their behavioural and attitudinal dimensions of commitment to the franchise brand with which they are associated. Hence, an appropriate five-item scale was developed to measure brand commitment (see Table 5.12). Altogether, Table 5.12 illustrates the various scales used in this study to measure BRQ.

Table 5.12: Measures of Brand Relationship Quality

Construct	Items	Adapted measures	Source(s)
Brand trust	BT1	This brand has high integrity.	Delgado (2004) α = 0.81-0.83, Han & Sung (2008) α = .98
	BT2	I feel secure with this brand because I know it will not let me down.	
	BT3	I feel confidence in this franchise's brand name.	
	BT4	Overall, I trust this franchise brand.	
Brand commitment	BC1	I'm willing to put in a great deal of effort, beyond what is normally expected, in order to help this brand to be successful.	Kimpakorn & Tocquer (2008) α = .80
	BC2	I'm proud to tell others that this is a great brand to be part of.	
	BC3	For me this is the best of all possible brands to be part of.	
	BC4	I regret I chose to work for this brand over others I was considering.	
	BC5	It would take very little to cause me to leave this brand.	
Brand love	BL1	This is a wonderful brand.	Caroll & Ahuvia (2006) α = .91
	BL2	This brand makes me very happy.	
	BL3	I'm very attached to this brand.	
	BL4	I'm passionate about this brand.	
	BL6	Overall, I love this brand.	

5.6.3 Brand Citizenship Behaviour

As discussed in Chapter 3, the concept of BCB was conceptualised from prior organisational citizenship behaviour literature (Lee & Allen, 2002). Therefore, consistent with previous researchers (e.g., Bordonaba-Juste & Polo-Redondo, 2008*a*; Burmann & Zeplin, 2005; Johnson & Rapp, 2010), the development of brand citizenship behaviour scales in this study was based on similar measures commonly used in the organisational behaviour literature. Given particular attention in this study is the work by Burmann and Zeplin (2005) in which the concept of organisational citizenship behaviour was operationalised to postulate seven dimensions of the BCB construct (discussed in Chapter 3). This conceptualisation aimed at understanding the role played by employees in brand building. Alternatively, this study operationalises BCB as the franchisee's willingness to exert additional efforts to help the firm achieve the goals of its brand by identifying themselves with the brand name. To develop the measures of BCB, this study used existing measures adapted from various studies (Bordonaba-Juste & Polo-Redondo, 2008*a*; Johnson & Rapp, 2010; Lee & Allen, 2002). The qualitative research (see Chapter 5) also provided important information that helped to assess and delineate crucial citizenship behaviours in B2B branding (see Table 5.13). The present study adopted Burmann and Zeplin's (2005) dimensions to measure BCB. As shown in Table 5.13, BCB was measured as a three-dimensional construct namely: *brand endorsement*, *helping behaviour* and *brand enthusiasm*, with each dimension representing a reflective set of behaviours with a single underlying type of behaviour. To a certain extent, the measurement of BCB in the current study concurs with that of Burmann and Zeplin (2009) who identified brand enthusiasm, willingness to help others and the brand, and propensity for further development as critical dimensions of BCB. In the current study, in place of propensity for further development, brand endorsement was identified as a crucial dimension in this intensely competitive environment.

Table 5.13: Measures of Brand Citizenship Behaviour

Construct	Items	Adapted measures
Brand endorsement	BCB3	Defend the brand when other franchisees or people criticise it.
	BCB4	Support this brand through good and bad times.
	BCB7	Forgive negative experiences with this brand.
	BCB8	Take action to protect this franchise brand from potential threats.
	BCB9	Recommend this franchise brand to others.
Helping behaviour	BCB5	Wear this franchise's brands or logos on my clothes.
	BCB10	Promote this franchise brand in my local area.
	BCB11	Show genuine courtesy toward other franchisees, even under the most trying business or personal situations.
	BCB12	Share my resources to help other franchisees who have work-related problems.
Brand enthusiasm	BCB1	Attend business events not required by my franchisor that promote the brand.
	BCB2	Keep abreast with developments in the brand.
	BCB6	Offer ideas to improve the brand.

Sources: Bordonaba-Juste & Polo-Redondo (2008): α = .73; Johnson & Rapp (2010): α = .78 - .95; Lee & Allen (2002): α = .88

5.6.4 Franchisor Competence

As mentioned in Chapter 3, in extant literature, competence has been conceptualised in terms of responsiveness, flexibility, reliability, technical competence, commercial competence, product quality, price, and operational capabilities (Dickey *et al.*, 2007; Han & Sung, 2008). To accomplish this, the exploratory interviews and pretesting stages were used to identify the types of competencies that franchisees expect from franchisors. Based on this taxonomy, this study adapted existing scales to measure franchisor competence as a first-order construct integrating the most skills relevant to B2B channels. For instance, some of the measures were adapted from Han and Sung (2008) who measured supplier competence using a six-item scale. The study also operationalised competence using the theoretical conceptualisation proposed by Dickey *et al.* (2007). According to Dickey *et al.* (2007), trusting belief-competence entails the degree to which the franchisee believes that the franchisor is capable of performing its duties. In agreement, Davies *et al.* (2009) also operationalised competence based on the trust dimension and developed a three-item scale to measure franchisor competence. By adopting a brand building disposition, the present study sought to measure franchisees' perceptions of their franchisors' competence in terms of honesty and ability to perform their duties well. Consequently, dependability, commercial, operational and communication skills measures were adapted from Davies *et al.* (2009), Dickey *et al.* (2007) and Han and Sung (2008) and modified to suit the current study, as shown in Table 5.14.

Table 5.14: Measures of Franchisor Competence

Items	Adapted measures
FC1	My franchisor shows high levels of expertise in his/her work.
FC2	My franchisor invests time and energy into research and development.
FC3	My franchisor tells me exactly when services will be performed.
FC4	My franchisor has the required business skills necessary to run a successful franchise network.
FC5*	My franchisor does not have sufficient knowledge of competitors' products and services.
FC6	Overall, my franchisor is capable and proficient.
FC7	Overall, my franchisor performs its work very well.

Sources**:** Davies *et al*. (2009): $\alpha = .79$; Dickey *et al*. (2007): $\alpha = .78$; Han & Sung (2008): $\alpha = .97$
Note: *Marker variable.

5.6.4.1 Marker Variable

A marker variable should be deliberately prepared and incorporated into a study along with other variables (Lindell & Whitney, 2001). In other words, the marker variable is assumed to have no relationship with at least one variable in the study and this variable is mainly used to identify common method bias (Malhotra, Kim & Patil, 2006). In this study, a marker variable (FC5 = *'My franchisor does not have sufficient knowledge of competitors' products and services'*) was included with the measures of franchisor competence. In prior literature, there is no clear agreement on the best approach to selecting the type or number of measures of a marker variable. For example, Williams, Hartman and Cavazotte (2010) conducted a meta-analysis to review various organisation-based researchers who used the marker variable technique to control common method variance. They found that other studies used multi-item scales and some used single-item scales, whilst others used objective items such as education or age. About half of the reviewed studies selected their marker variables a priori whilst the remaining selected the variables post hoc (Williams *et al*., 2010). Therefore, the present study used a single-item Likert type scale that was identified a priori based on its theoretical relationship with other variables in the study. In particular, based on how franchisor competence is operationalised in this study, this item is theoretically unrelated to both the measures of franchisor competence and other constructs in the study. The results of the pretest also helped in ascertaining that the variable would serve its intended purpose.

5.6.5 Franchisor-Franchisee Relationship Duration

The measures of relationship duration were adopted from existing literature (see Table 5.15). To measure duration of relationship, franchisees were asked how long they have been working together with the franchisor (Bordonaba-Juste & Polo-Redondo, 2008*b*). Other measures such as relationship stage and how long franchisees intended to stay with the brand were also suggested during the exploratory interviews with franchise experts. The measure of a franchisee's intention to continue the relationship is based on Noordewier, John and Nevin (1990), and describes the extent to which the franchisee desires to continue the relationship in the long term and implies its willingness to renew the contract with its franchisors.

Table 5.15: Measures of Franchisor-Franchisee Relationship Duration

Items	Adapted measures
RA1.	The relationship with my franchisor is: a). still in the process of building up step by step. b). in an advanced stage of development. c). in a consolidated phase, in which changes are not to be expected. d). at a stage, in which an end to the relationship is possible.
RA2.	Please indicate the number of years/months you have been working with this franchisor.
RA3.	Approximately, how long do you intend to stay with this franchise brand?

Source: Bordonaba-Juste and Polo-Redondo (2008*b*)

5.6.6 Franchisee-Based Brand Equity

Based on the literature review and exploratory interviews, FBBE was conceptualised as a multidimensional construct comprised of franchisee-perceived relationship value, franchisee-perceived brand image and franchisee-perceived brand loyalty (see Chapter 3). In line with prior researchers (e.g., Baldauf *et al*., 2009; Pappu & Quester, 2006; Quan Tran, 2006), this study adopts consumer-based measures to operationalise FBBE. Past research also suggests that consumer-based constructs can be used to conceptualise B2B brand equity since the theories are also applicable to B2B models (Lynch & de Chernatony, 2004; van Riel *et al.*, 2005). Brand image and brand loyalty have been widely used in both business and consumer markets, whereas relationship value has been recently recognised as a critical measure of relational resources that greatly influence the equity of a firm (Davis & Mentzer, 2008; Harmon & Griffiths, 2008). *Franchisee-perceived brand loyalty* was operationalised as both behavioural and attitudinal loyalty (Aaker, 1991; Mellens *et al.*, 1996). For example, in franchising, repeat purchase can be in the form of franchisees willing to open more units, whilst attitudinal loyalty entails their high levels of commitment and favourable inclination towards the brand. The operationalisation of brand loyalty has dominated the consumer market in which it reflects the level of attachment that a customer has with a brand (e.g., Aaker, 1991). Therefore, in the current study, brand loyalty was operationalised at a B2B level by measuring the extent to which franchisees are attached to the franchise brand. To do this, a six-item scale was developed to measure brand loyalty and measures were adapted from Pappu and Quester (2006) and Quan Tran (2006). Brand loyalty and brand commitment have been conceived as similar, but Chaudhuri and Holbrook (2001) suggest that the emotional determinants of the two constructs need to be considered separately in the context of maintaining brand relationships. Hence, brand commitment and loyalty were measured differently in this study.

In prior literature, the concept of relationship value rests on two assumptions: value from a network perspective (e.g., Harmon & Griffiths, 2008) and value as a dyadic function (e.g., Ulaga & Eggert, 2006). Most researchers describe value as a trade-off between benefits and sacrifices perceived by the customer in a supplier's offering (Zeithaml *et al.*, 1988) in which benefits are conceptualised as a combination of economic, technical, service, social benefits, strategic, and behavioural benefits (e.g., Harmon & Griffiths, 2008; Lapierre, 2000; Walter *et al*., 2000). Therefore, the present study operationalised value in terms of both tangible and intangible economic benefits in order to measure the value of a franchise relationship from the franchisee's perspective, hence the term *franchisee-perceived relationship value*. The items used to measure this construct were adapted from Ulaga and Eggert (2006) and Walter *et al.* (2000) and these items were modified to suit the context as shown in (see Table 5.16).

Lastly, similar to prior researchers (Aaker, 1991; Martinez *et al.,* 2008; Yoo & Donthu, 2001), the present study also used brand image as a measure of brand equity. Brand image describes a set of brand associations that have a certain level of strength and links to a brand (Aaker, 1991; Keller, 1993). For instance, franchisees might have a stronger attachment with the brand when the link is based on many positive experiences than when it is based on a few (Aaker, 1991). Biel (1992) conceptualised brand image as having three sub-images: the corporate image (retailer image), the image of the user and the image of the product itself. Given this, the present study operationalised brand image in terms of the franchisees' associations with the franchise brand that enhance both tangible and intangible benefits. The current study used five attributes identified in existing literature to measure a set of franchisees' associations with the franchise brand - hence the term *franchisee-perceived brand image*. These measures were adapted from

Martinez *et al*. (2008) and Yoo and Donthu (2001) and were modified to suit this research (see Table 5.16).

Table 5.16: Measures of Franchisee-Based Brand Equity

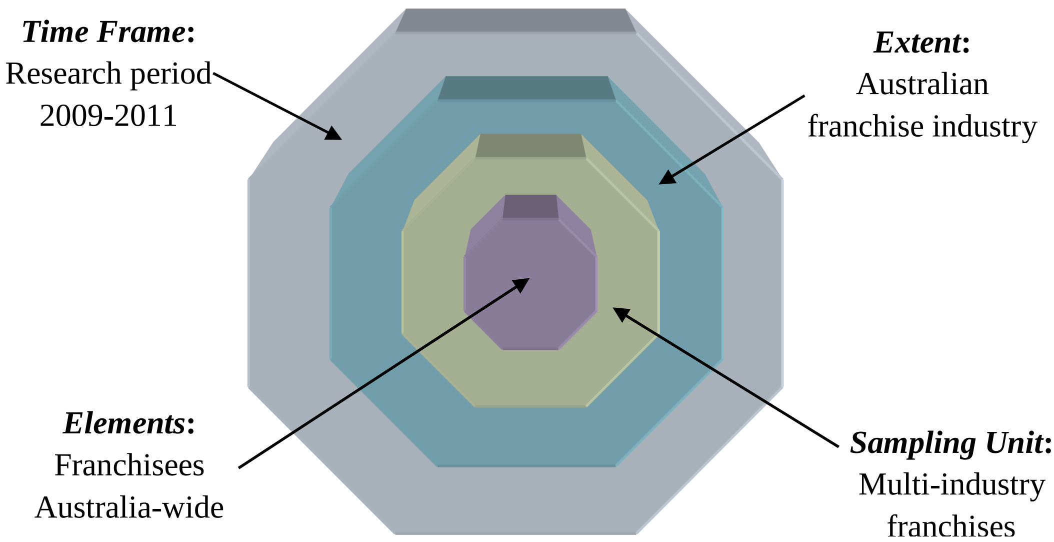
Construct	Items	Adapted measures	Source(s)
Franchisee-Based Relationship Value	RV1	The benefits I receive from my relationship with my franchisor far outweigh the royalties/costs I incur.	Ulaga & Eggert (2006) α = .82 Eggert, Ulaga, & Schultz (2006) α = .92
	RV2	Compared to alternative franchisors, my relationship with my franchisor is more valuable.	
	RV3	Compared to alternative franchisors, I gain more in my relationship with my franchisor.	
	RV4	Compared to alternative franchisors, I am confident my franchisor will better help me reach my goals.	
	RV5	Overall, I receive high value from my relationship with the franchisor.	
Franchisee-Based Brand Image	BI1	There are good reasons to work with this franchise brand instead of others.	Martinez *et al*. (2008) α = .85 Yoo & Donthu (2001) α = .84 - .93
	BI2	This brand has personality.	
	BI3	This brand is interesting.	
	BI4	I can easily recognise this brand among other competing brands.	
	BI5	Overall, this brand provides good value for money.	
Franchisee-Based Brand Loyalty	BLoy1	This franchise brand would be my first choice.	Quan Tran (2006) α = .82 Pappu & Quester (2006) α = .86
	BLoy2	My relationship with this brand is one I intend to maintain indefinitely.	
	BLoy3	My relationship with this brand deserves my maximum effort to maintain.	
	BLoy4	My relationship with this brand is something I would do almost anything to keep.	
	BLoy6	My relationship with this brand is one I care a great deal about long-term.	

In conclusion, it can be noted that the reliability coefficients of the variables adapted from literature are greater than .60, which was necessary to enhance construct reliability in this study (Malhotra *et al.*, 2008). In the next sections, the survey area, sampling procedures, the administration of the research instrument as well as ethical issues are discussed.

5.7 Survey Area

A survey area refers to the place where the research is conducted (Cooper & Schindler, 2006). The current study was conducted in the franchising industry and covered all the states of Australia (see Chapter 4 for a detailed description of the research context). The study area provided the researcher with study elements that were representative of different categories of franchise organisations. According to Malhotra (2009), the target population should comprise the elements of sampling units, extent and time frame. In sum, the study targeted franchisees from various franchise industries across Australia-wide between 2009 and 2011. Figure 5.5 summarises the target population of this study.

Figure 5.5: Target Population

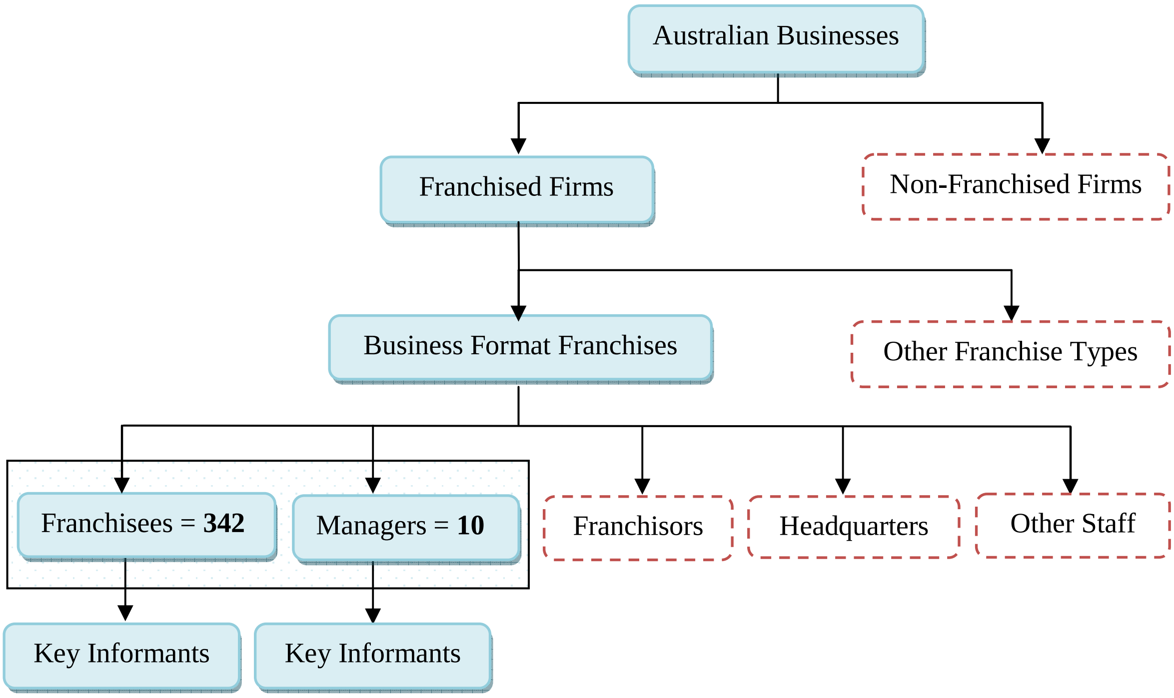


Source: Adapted from Malhotra (2009)

5.7.1 Unit of Analysis

This comprises the sample elements being investigated or the level of aggregation at which data is collected during subsequent data analyses stages (Cooper & Schindler, 2003; Sekaran, 2003). It is important to delineate the sample elements in the early stages of the research process in order to avoid errors during the data collection stage (Zikmund, 2000). The elements under study included mainly the franchise firms in Australia. In particular, to answer the research problem, the researcher was interested in Australian businesses that operate business format franchises (see Chapter 4). The next level was to select the specific elements (persons) from which the information would be collected. Mainly, franchise relationships involve a number of elements such as franchisors (regional or master), headquarters staff, casual staff who run day-to-day activities, franchise managers/supervisors as well as the franchise owner (franchisee). In this study, franchisees and in a few cases franchise managers were chosen as key informants (as shown in Figure 5.6) to capture the concept of franchise brand equity. These elements were incorporated regardless of the type of franchise ownership (single or multi-unit franchisees), sales turnover, estimated value of franchise units, number of staff employed, product type, industry type, number of stores owned and/nor brand name. Figure 5.6 delineates the level of analysis of this study. The shaded areas show the elements comprising the unit analysis.

Figure 5.6: Defining the Level of Analysis



Developed for this study

The single key-informant respondent (franchisee/manager) was used. Mostly franchisees' responses were sought (97.2%) and a few senior managers/supervisors with the required experience and expertise were used (2.8%). Key informants represent a rich source of information because of their personal skills or areas of specialisation within the organisation, industry or society, which enable them to provide more information and rich insights into various processes within the organisation (Marshall, 1996). Prior research on inter-organisational relationships, particularly in franchise relationships, has utilised the single key informant approach focusing on one side of the dyad [e.g., franchisees] (see Grace & Weaven, 2011; Bordonaba-Juste & Polo-Redondo, 2008*a*; Harmon & Griffiths, 2008). In addition, Blut *et al.* (2011) support the use of franchisees' perspective in examining franchise relationships as they have direct contact with the end customers. The primary advantage of using key informants is their ability to relate quality data that can be obtained in a short period of time because they have a ready understanding of the concepts being investigated. By asking franchisees or managers a series of questions, this research benefited from these participants' experience and familiarity with the various factors being studied. Additionally, key informants were able and willing to participate because they are highly familiar with the concepts (Marshall, 1996), which also helped to increase the response rate. After identifying the survey area and respondents, it is important to define sample selection, and this rationale is provided in the next section.

5.8 Sampling Design

According to Malhotra, Hall, Shaw, and Oppenheim (2008) sampling design involves several basic decisions regarding: (i) whether or not a sample is required, (ii) sampling process, (iii) type of sample, (iv) sample size, and (v) dealing with non-response error. As sample selection was mandatory for this study, this framework was followed as explained below.

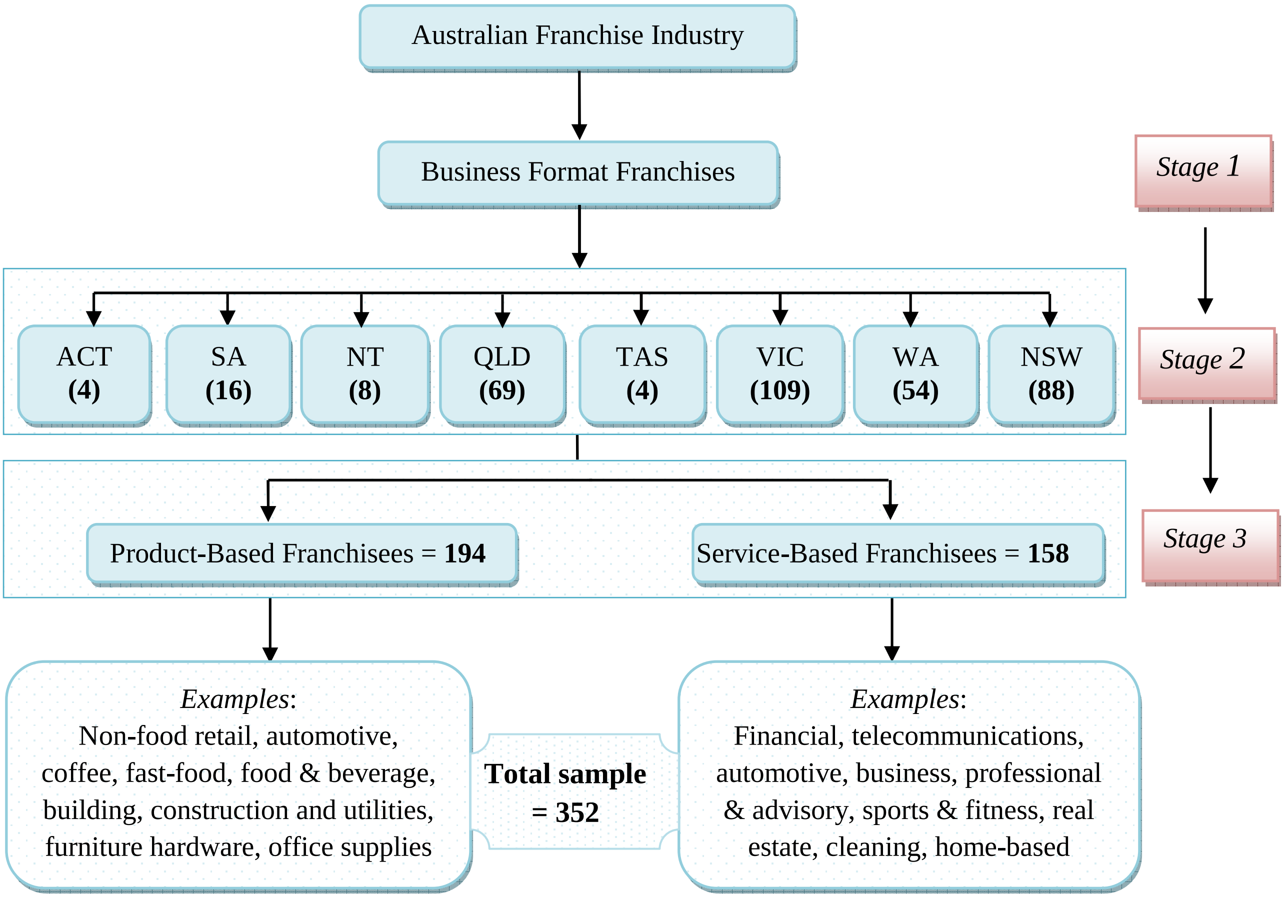
5.8.1 Sampling Frame

A sampling frame is a representation of the elements of the target population showing a listing of population units from which a sample is chosen (Parasuraman, Grewal, & Krishnan, 2007). A well-defined sampling frame helps to enhance the validity and reliability of the research (Malhotra, 2009). A sampling frame includes telephone books, an association directory listing the organisations in an industry, a database of college/university students, a city directory or map. In this study, the contacts (both e-mails and postal addresses) of participants were identified from a syndicated database, the Yellow Pages (http://www.yellowpages.com.au/), organisations' websites and other secondary sources such as the Australia and New Zealand Business Franchise monthly magazine and websites such as the Franchise Directory (www.franchisedirectory.com.au). The total number of units operating in business format franchise systems in Australia is approximately 69900 (Frazer *et al.*, 2010). Consequently, 5700 contact emails of franchisees were sought mainly from their respective websites, whilst 4000 postal addresses were generated from a syndicated database as well as the Yellow Pages and websites, resulting in a usable database of 9700 franchisee contacts. In total, the stratified sampling procedure described below generated a list of 2278 online surveys and 1922 mail surveys; hence, a total of 4200 franchisees from the sampling frame were invited to participate in the survey. This sampling frame was made up of 123 different franchise brands.

5.8.2 Sampling Technique

Sampling methods are grouped into probability and non-probability techniques. In this study, respondents were selected using the probability sampling method. Parasuraman *et al.* (2007) suggest that the use of probability sampling is a fundamental requirement for all survey research. The stratified random sampling technique was used to select the respondents. Malhotra (2004) states that stratified sampling entail a two-step process in which the population is partitioned into sub-populations or strata. The strata should be mutually exclusive and collectively exhaustive as every population element should be assigned to one and only one stratum and no elements should be omitted. The variables used to categorise the population into strata are known as stratification variables (Malhotra, 2009). In this study, the strata were initially established according to the type of franchising, that is, business format franchising (Stage 1) as shown in Figure 5.7. Stage 2 ascertained the geographic locations to ensure that data were collected across all Australian states. Lastly, to ensure equal representation across franchise industries, the elements were then grouped as either product- or service-based firms and data were collected from both categories. This classification enabled random selection of sampling units based on franchise types and specific industries. Regarding the latter, industry categories were then used to randomly select respondents.

Figure 5.7: Classification of Strata



Source: Developed for this study

Subsequently, respondents emerged from food retail, non-food retail, as well as financial, business, property, cleaning, sports and fitness, advisory and professional services, to mention a few. Stratified random sampling was chosen because it increases the precision of the results without increasing the cost of research (Malhotra, 2004). Random sampling error is also reduced because there is high internal homogeneity within groups and there can be comparative differences between groups (Zikmund & Babin, 2007). In addition, Parasuraman *et al.* (2007) suggest that stratified random sampling is statistically more efficient when compared to other sampling techniques, as it provides more accurate estimates of the population of the variable of interest. The next section outlines the sample size of this study.

5.8.3 Sample Size

Regarding sample size calculation, it is recommended that a minimum sample size of 150 is required to obtain parameter estimates that have standard errors small enough for research models with 3 or more indicators per factor (Anderson & Gerbing, 1988). Other researchers recommend having between 5 and 10 participants per variable with a total sample size of 300, beyond which test parameters tend to stabilise regardless of the participant-to-variable ratio (Kass & Tinsley, 1979). According to Tabachnick and Fidell (2007, p. 613) "...it is comforting to have at least 300 cases for factor analysis". Comrey and Lee (1992) concur with these observations classifying sample size of 100 as poor, 300 as a good, and 1000 as excellent. In total, the sample size for this study was 352 usable surveys. In fact, a total of 363 questionnaires were collected but 11 were considered unusable due to an excessive amount of missing data. Given the above-mentioned guidelines, it can be noted that this sample size sufficiently meets the recommended threshold for structural equation modeling (Hair *et al.*, 2010). The response rate is discussed next.

5.8.3.1 Response Rate

As indicated above, data for this research were collected from Australian franchisees via both mail and online surveys. Evidence suggests that lower response rates to firm-level surveys (around 10 to 20%) are being reported in Australia (Lewis & Minchev, 1998). From the list of 4200 (discussed in Section 6.5.1), 1922 surveys were sent by post with an estimated 50% incidence rate, since the database did not specify firms that were franchised or company-owned. Based on the assumption that 961 (1922*0.5) mail surveys reached franchisees, a total of 313 were returned marked as 'return to sender'. This was mainly due to franchisees relocating to other areas and in most cases; franchisees indicated that the terms of their contractual agreements prevented them from responding to the survey. Thus, using the remaining sample of 648, a total of 83 franchisees returned completed questionnaires after the second round of reminders – therefore, the response rate for mail surveys was about 12.8%. Conversely, the remaining 2278 (4200 - 1922) were sent as online surveys through respondents' e-mails. In this case, no incidence rate was estimated since the contact list of franchisees was clearly specified on the public domain. Approximately 316 of these e-mails bounced backed due to invalid e-mail addresses, error in e-mail address, and system delivery failure, and about 364 sent an e-mail rejection message indicating that their contract prevented them from providing information related to their business. Out of the remaining eligible sample of 1598 (2278 - 680), 280 surveys were completed online after fortnightly reminders were sent. The response rate of 17.5% is comparable to other B2B online surveys of 20.8% by Rauyruen and Miller (2007) and 19% by Zaichkowsky *et al*. (2010).

Response rates to academic mail surveys by businesses worldwide have been dropping in the past decade, especially in Australia (Lewis & Minchev, 1998). This makes the task of the Australian researcher extremely difficult due to the lack of accessible data, resulting in the dearth of quantitative empirical firm-level research, particularly in the franchising context. Electronic surveys have been greatly undermined by the menace of unsolicited commercial email or spam, resulting in e-mail being dubbed the 'killer application' of the internet (Bender, 2007, p. 37). Therefore, it is paramount to address the problem of non-responses to achieve a credible response rate. Techniques used to reduce non-response can be classified as before, and after, survey administration. Prior to sending the survey, extensive pretesting was conducted with academics and industry experts in order to identify those issues that influence non-response. These issues ranged from length, size, colour, format, type of appeal, cover letter, quality of stationery, and provision of reply paid envelopes for mail surveys. Self-administered surveys were used to provide a certain level of discretion to respondents by allowing them to complete the questionnaire at their own convenience, thereby leading to higher response rates (Aaker *et al.*, 2006). Respondents were also offered a non-monetary incentive of being provided with a summary of results (Malhotra, 2009) and a two-week deadline was imposed. Moreover, it was critical to design a short survey (10 to 15 minutes) that adequately addressed all constructs since respondents were busy franchisees. Another technique used in this study to minimise the non-response rate was preliminary notification or informing respondents in advance (1 week before) about the survey. Most important, the data collection process was supported via an endorsement letter provided by the Franchise Council of Australia (FCA) which was crucial in improving response rate. After sending the survey, a follow-up was recommended to remind respondents (Malhotra, 2009). Reminders were sent after two weeks and this resulted in a further 82 questionnaires being submitted.

Not surprisingly, both the response rates fell within the expected 10 to 20% firm-level response rate in Australia. However, this study might have been prone to non-response error. According to Zikmund (2000), non-response errors refer to the statistical differences between a survey that includes those who responded and a survey that also includes those who failed to respond. As non-response bias was a concern, the researcher compared the mean scores between early respondents (n = 270) and late respondents (n = 82), that is, the non-response sample (to whom reminders were sent) as recommended by Armstrong and Overton (1977). One-way ANOVA tests conducted between education level and behaviour variables (i.e., BCB and BRQ) showed that the groups (early vs. late) were not significantly different. Thus, for early respondents, the results (F = .64, p = .531) showed that BCB was not different among the various education levels, and no significant differences (F = 2.22, p = .115) were reported for BRQ. For late respondents, (F = .33, p = .723) showed that BCB was not different among the various education levels, and no significant differences (F = .40, p = .669) were reported for BRQ. This procedure was repeated for other key behavioural variables and all results revealed no significant differences between the respondent groups.

5.9 Administration of the Survey Instrument

A self-administered questionnaire was used to collect data. A questionnaire is a formalised series of questions used to obtain information from respondents (Malhotra *et al.*, 2008). In self-administered surveys, data is collected from respondents reading and answering a set of questions without assistance from the interviewer (Hair *et al*., 2010). The absence of an interviewer also helps to eliminate interviewer bias, and minimises socially desirable answers as well as common method bias (Malhotra *et al*., 2006). Administering questionnaires to large numbers of individuals at the same time is less expensive and consumes less time than using personal interviews (Sekaran, 2003). However, self-administered questionnaires can present challenges to the researcher as they rely on clearly written words rather than interviewer skills (Zikmund & Babin, 2007). Hence, in this study efforts were made to ensure that the questions or statements are clearly articulated and unambiguous.

As discussed above, a mixed-mode design combining online and mail surveys was used. Past research suggests that combining survey modes can reduce overall costs whilst maximising response rates and minimising non-response (Deutskens, de Ruyter, & Wetzels, 2006). In particular, research also suggests that online and mail surveys can generate equal responses in terms of factor structures (Epstein *et al*., 2001; Knapp & Kirk, 2003). However, other researchers found differences between online and mail surveys (Klassen & Jacobs, 2001; Shermis & Lombard, 1999). Due to these inconclusive results, the current study conducted tests to compare online and mail surveys responses to check for accuracy, representativeness and no bias (Deutskens *et al*., 2006). Using the procedure proposed by Armstrong and Overton (1977), statistical tests were conducted to compare the mean scores between online responses (n = 280) and usable mail responses (n = 72). One-way ANOVA tests were conducted between several key background variables (e.g., education, experience, gender) and behavioural variables (e.g., BCB and BRQ). For instance, the results for online respondents (F = .773, p = .543) indicated that BRQ was not significantly different based on the level of experience, and no significant differences (F = .704, p = .592) were reported for mail respondents. In addition, when comparing the experience level versus BCB, the results for online respondents (F = 1.195, p = .313) showed no differences and similarly the results for mail respondents (F = 1.610, p = .182) showed that BCB did not differ based on the level of experience. The same procedure was repeated for several key variables and all results revealed no significant differences across online and mail respondent groups. Further, Hansen's (1980) recommendations were also followed to compare the distribution or summary of responses (e.g., means) from one group and compared with the other group. For example, the descriptive results for BCB ($\bar{x}_{mail}$ = 5.72, $\bar{x}_{online}$ = 5.78), as well as aggregated results for BRM ($\bar{x}_{mail}$ = 3.98, $\bar{x}_{online}$ = 3.99) showed no significant variability among the key variables. Similar procedures were conducted between the two respondent groups and the summary of responses showed no significant variances between the online and mail survey respondents.

5.9.1 Questionnaire Design

Designing a questionnaire involves a number of considerations. These include the question content and wording of the questionnaire, the language, type of scale, whether the questions are closed or open-ended and measurement items used. English language was used as the medium of communication with respondents. In relation to question and content wording, the questions designed were short, simple as effort was made to avoid ambiguous, estimation, generalisation, leading, double barrelled or presumptuous questions (Kassim, 2001).

5.9.1.1 Response Format

There are basically three main types of question formats for capturing responses. These include open-ended response questions, closed questions and scaling questions (Wilson, 2003). The questionnaire used in this study composed mainly of closed questions and scaled responses or labelled Likert scales. The questions were weighed on a rating scale with a continuum of labelled categories that represented the range of responses. In this study a 7-point Likert scale anchored as 1 = 'strongly disagree' to 7 = 'strongly agree' were used, as shown below:

Scale:	1	2	3	4	5	6	7
	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree

According to Kumar, Stern, and Steenkamp, (2002) Likert type scales require respondents to indicate their degree of agreement or disagreement with various measurement scales related to a construct or variable. The advantage of using labelled scales is because they are simple to administer and code in further statistical analysis (Burns & Bush, 2000). Also, Likert scales are appropriate for marketing research as they are widely used in the area, and can increase the variance of responses by enabling respondents to respond to attitudinal questions in varying degrees that can describe the dimensions being studied (Kumar *et al.*, 2003; Zikmund, 2000).

5.9.1.2 Scaling

According to Malhotra (2004), four types of primary scales of measurement include: nominal, ordinal, interval, and ratio. Interval scales were used in this study because they allow objects to be arranged in a specified order as well as being able to measure the distance between the differences in response ratings (Churchill & Iacobucci, 2004). Section A, B, C, E and F were measured using interval scales (see Appendix B). Lastly, ordinal scales were used for categorical questions (see Section G) in which only numbers were used to indicate relative positions in an ordered series (Hair *et al.*, 2006).

5.9.2 Questionnaire Structure and Sequence

The main aim of the survey instrument was to gather information regarding various factors that affect franchisee-based brand equity and a few categorical questions for classification purposes. Accompanied by an explanatory statement, the first page of the questionnaire gave clear instructions to help respondents to complete the questionnaire. More specifically, so as to fully capture the construct, this included instructions directing respondents to answer all questions even if some appeared to be similar. Another important instruction was to remind multi-brand franchisees to choose only one brand of their choice and refer to this brand when answering the survey. Also, franchisees were advised to respond to the questions in a way that reflected their franchising industry experience, feelings or position and not as they wished it to be in the future. This first page also included definitions of technical terms, namely: franchisor, franchise brand, brand relationships, brand relationship management, brand equity and brand citizenship behaviour. The questionnaire was structured as follows:

Section A: Brand Relationship Management

As mentioned in the literature review chapter, BRM was proposed as a multidimensional construct measured by five factors, namely: information sharing, franchisor support, conflict handling, exercise of power and bonding. Therefore this section had five parts as follows:

Part A – Information sharing: This section comprised statements related to the level of information exchange between the franchisor and the franchisee. Similar to all questions in the survey instrument, franchisees were asked to indicate the extent to which they agree or disagree with each statement on a 7-point Likert scale.

Part B – Franchisor support: This section required franchisees to rate the extent to which they agree or disagree with each statement related to the level of support they receive from franchisors.

Part C – Conflict handling: This section required franchisees to rate the extent to which they agree or disagree with each statement related to their attitude towards resolving conflicts with their franchisors.

Part D – Exercise of power: This section required franchisees to rate the extent to which they agree or disagree with each statement related to power issues in their relationship with their franchisors.

Part E – Structural and social bonding: This section required franchisees to rate the extent to which they agree or disagree with each statement related to their level of both structural (contractual) and social bonding with their franchisors.

Section B: Franchisor Competence

Various statements capturing franchisees' perceptions regarding their franchisors' level of competence were covered in this section. To ensure that this construct was adequately captured, responses to statements about the franchisor's dependability, business, commercial, operational, and communication skills were sought.

Section C: Brand Citizenship Behaviour

In this section, statements pertaining to different aspects of brand citizenship behaviour were sought. In existing literature, this construct has been explained in terms of various dimensions such as helping behaviour, sportsmanship, brand consideration, brand enthusiasm, brand endorsement, self-development and brand advancement. As a result, this section attempted to fully-capture these dimensions of the brand citizenship behaviour construct.

Section D: Franchisor-Franchisee Relationship Duration

To understand the effect of franchisor-franchisee relationship duration on the link between brand relationships and brand equity, participants were asked to indicate the number of years they have been working with the franchisor.

Section E: Brand Relationship Quality

This section consisted of three parts: brand trust, brand commitment, and brand love, in which all variables sought to provide information related to franchisees' perceptions regarding the quality of their relationship with the franchise brand.

Section F: Franchisee-Based Brand Equity

In this section, the various factors that determine the value of the franchise brand based on franchisees' perceptions were assessed. To adequately address this construct, three variables: franchisee-perceived relationship value, franchisee-perceived brand image and franchisee-perceived brand loyalty, were measured.

Section G: Organisational and Respondents' Profile

This was the final section of the questionnaire and included statements intended to gather demographic profiles of individual respondents. This information asked respondents about their franchise type; whether they own more than one franchise unit; current position in the firm; years of experience in franchising; number of employees; estimated market value of the franchise unit; geographic location; gender; age and education level. Such information is crucial in any study mainly for the classification of respondents and to facilitate comparisons during data analyses.

5.9.3 Pretesting the Survey Instrument

Pretesting is a crucial part of questionnaire design as it helps to ensure validity and reliability of the research instrument. Pretesting involves testing the questionnaire on a relatively small sample of respondents to identify potential problems so that corrective action can be taken (Malhotra *et al.*, 2008). Parasuraman *et al.* (2007, p. 303) emphasise that "... pretesting is indispensable because even the most diligent questionnaire designer is likely to make mistakes that can be detected by the prospective respondents or external evaluation". A pre-test should be extensive, and all aspects of the questionnaire such as question content, wording, sequence, form and layout, question difficulty and instructions should be tested (Malhotra, 2009). Following these guidelines, the questionnaire was pre-tested using a two-stage process. In the initial stage, the survey instrument was examined by eight experts who were academics as well as experts in the area of franchising. These experts were connected with different academic departments such as management, taxation, accounting and law. The pretest resulted in suggestions that were used to improve the questionnaire. The main aim of the pretesting stage was to ensure that the questions elicited the responses required, discover ambiguous wording or errors before the survey was officially launched. Hence, for pretesting purposes, experts were asked the following questions:

- Please comment on the flow of the survey, is the questionnaire well-structured and if not, how can it be improved?
- Please comment on the appropriateness of the language and terminology used, are the questions easy to understand, and highlight which questions are difficult to understand?
- Is there any other easy way of interpreting the questions that suits the franchising context, if yes please indicate?

- Are there any constructs that you think are not adequately captured in the questionnaire, if so please feel free to suggest more questions? Alternatively, please indicate if there are any questions that are not applicable in this context?
- How long did you take to complete the survey? If you think the survey is long, please feel free to suggest how best it can be reduced without affecting the overall aim of the study?
- Otherwise, feel free to provide any feedback related to this study, whether these include the features of the survey such as colours used, design, font type/size etc.

The feedback from the initial stage was highly invaluable as it helped to fine-tune things like irrelevant questions, design, flow of questions, and mostly the use of easy-to-understand terminology. Double-barrelled and ambiguously worded questions were identified and corrected accordingly. Most experts reiterated the need to shorten the length of the questionnaire from the initial 25 to 30 minutes to approximately 15 to 20 minutes, emphasising that franchisees usually operate a one-man business and are always busy. Other experts also indicated that most franchisees are not well-educated, hence the need to simplify the survey language. After revising the initial survey instrument, the second draft was then sent to seven franchisees who were asked to complete the questionnaire. Although this group was not exposed to the same questions as those above, this provided an opportunity to check whether franchisees were able to relate to the language and whether or not it was easy to understand. Also, this was the best sample to test the length of the questionnaire in a natural setting. A few issues surfaced during this second round of pretesting. For instance, most franchisees would have liked the inclusion of a section that explained technical 'jargon' in lay terms. Lastly, franchisees seemed comfortable with the estimated 15 to 20 minutes survey completion time. In the next section, data collection procedures are discussed.

5.10 Data Collection Procedures

A survey method was used to collect primary data for this study. Malhotra (2009, p. 213) defines a survey as "…a structured questionnaire given to a sample of a population and designed to elicit specific information from respondents." Surveys are deemed to be the most appropriate method for conducting descriptive research, and are predominantly used in studies that involve large samples (Malhotra, 2009). The descriptive and quantitative nature of this study and large sample size requirements warranted the use of surveys. Burns and Bush (2006) attest that surveys conducted using questionnaires are simple to administer and the fixed responses format makes them easier to analyse. To ensure that relevant information is collected, the survey was facilitated by: (i) formulation of clear research objectives and hypotheses, (ii) conducting an exploratory research to establish relevant variables, (iii) consulting similar studies, and (iv) good questionnaire design (Aaker *et al.*, 2006).

Malhotra (2009) classifies survey methods into telephone, personal, mail, and electronic interviews. Telephone interviews can include traditional telephone interviews or can be computer assisted telephone interviews (CATI) that involve phoning a selected sample of respondents and requesting them to respond to a series of questions (Malhotra *et al.*, 2004). Instead, CATI also utilises a computerised questionnaire administered to respondents through the telephone. With the continuous surge in technological advancement, CATI systems are now more widely used compared with traditional telephone methods (Aaker *et al.,* 2006). However, this survey method was not used as it would have been cumbersome given the quantity of data required in this study. Moreover, due to the nature of the retailing industry, franchisees might be time-constrained regarding long telephone interviews. Survey research can also use personal or face-to-face interviews through in-home, mall-intercept or computer-assisted personal interviewing techniques (Malhotra, 2009). This method was not appropriate for this study as it is expensive and has a higher level of social desirability, increased interviewer bias and requires more time for data collection. In addition, less data can be collected if respondents are inaccessible, as was the case with the current study where the research covered geographically dispersed locations across Australia (Aaker *et al.,* 2006).

As discussed above, the present study used a combination of electronic (web-based) surveys and mail surveys. Due to modern technological advancements such as e-mail and internet surveys, electronic surveys are more widely used. Online surveys are also cheaper and increase the speed at which data is collected from large numbers of respondents. Mail surveys were also considered as an appropriate survey method for this study. This involved mailing self-administering questionnaires to the selected sample of respondents who returned completed questionnaires by mail (Aaker *et al.,* 2006). Further, mail surveys are inexpensive and can yield a greater and more accurate amount of data (Malhotra, 2009). Compared with personal interviews, electronic and mail surveys enabled the collection of data from geographically dispersed respondents Australia-wide. In addition, the technique enabled respondents to complete the questionnaire conveniently at their own discretion and this has been found to elicit thoughtful responses due to low social desirability and absence of interviewer bias (Malhotra, 2004). Mail and electronic surveys made it feasible to solicit information on sensitive, behavioural and attitude-based questions (Aaker *et al.,* 2006). For example, it was possible to tap responses on sensitive and confidential information such as company revenues and franchisees' perceptions of their relationship with franchisors. Finally, the use of both mail and electronic surveys was deemed appropriate since different databases offered either e-mail contacts and/or physical addresses of franchise owners. That is, those with accessible e-mail contacts were sent an e-mail package and those with accessible postal addresses were sent a mail survey package.

Aaker *et al.* (2006) indicate that there are several online survey techniques, but the most commonly used methods include e-mailing the questionnaire to respondents, and a web-based survey method. This study used web-based surveys developed using the Qualtrics survey software. Thus, through e-mail invitation respondents were referred to a website link (http://monashbuseco.qualtrics.com/SE/?SID=SV_cClj0mX91oCUwRe) to access, complete and submit the questionnaire online. The e-mail package also included an explanatory statement (cover letter) as well as the endorsement letter from the FCA. On the other hand, the mail survey package sent to respondents included a questionnaire, explanatory statement, self-addressed and a postage-paid envelope. The use of both mail and online surveys helped to increase the response rate in this research environment. Also, neither method was susceptible to any survey differences since online surveys share a lot of characteristics with traditional mail surveys (e.g., answering questions presented via text) (Kiesler & Sproull, 1986) and the exact same questions were used and the same flow of questioning format was maintained regardless of the survey channel used. In the next section, several preliminary checks that were made after receiving questionnaires are briefly discussed.

5.11 Questionnaire Checking, Data Coding, Editing and Cleaning

Malhotra (2009) suggests that the initial stage of questionnaire checking involves checking for completeness and quality of responses. Thus, returned questionnaires were assessed for completeness and those with extensive amounts of missing data were discarded and not included in the final analyses. In particular, only mail surveys (11) had extensive missing data and there were no missing data for online surveys as forced response options were used. In assessing questionnaire quality, responses were assessed for variability and no questionnaires exhibited evidence of insignificant variance. Data cleaning and editing were also done mainly for online surveys as data were exported from Qualtrics to SPSS in raw form. Although most questions were pre-coded before data collection, categorical variables specified in Section G of the questionnaire required post-coding and codes were assigned to transform raw data into numerical symbols (Churchill & Brown, 2007). Data codes were developed using a standard code (99) to represent missing data. Lastly, before proceeding to data analyses, it was necessary to ascertain whether data had been entered correctly into SPSS and if variable names were clearly labelled, especially with regards to mail surveys. The following section concludes the chapter by discussing how ethical issues and confidentiality issues were addressed in this study.

5.12 Ethics and Confidentiality Issues

Generally, conducting research in marketing involves a number of ethical implications. According to Malhotra *et al.* (2004), the crucial aspects to consider in ethics involve privacy, anonymity and confidentiality. Key informants have a right to privacy and researchers should respect any refusal of a respondent to undertake the survey. As mentioned earlier, many respondents refused to respond to the online survey for several reasons and the researcher respected this decision by not taking further action to encourage such respondents. Also the researcher is expected to seek implied consent from the respondents. Therefore, respondents were informed via an explanatory statement about the aims and nature of the current study, who was conducting it, the likely duration, research objectives and how the results would be disseminated. During the data collection stage, objectivity was maintained to ensure that data was collected accurately and to avoid subjective selection of respondents. Confidentiality and anonymity were prioritised to avoid victimisation of respondents. In addition, the researcher ensured that there was no violation of ethics and confidentiality issues. The research methodology and survey were examined and permission was granted by the Monash University Human Research Ethics Committee (MUHREC) prior to conducting the field work. For interested participants who had any concerns or queries about the research, the following statement was included in the invitation cover letter:

> *If you have any complaint concerning the manner in which this research* ***CF10/2262 - 2010001281*** *is being conducted, please contact: Executive Officer, Monash University Human Research Ethics Committee (MUHREC), Building 3e Room 111, Research Office, Monash University VIC 3800, Tel: +61 3 9905 2052; Fax: +61 3 9905 3831 Email: muhrec@monash.edu.*

5.13 Chapter Summary

The chapter started with a discussion and justification of the chosen research design, and described the various research techniques adopted in the study. The chapter was then divided into two sections. In Section A, the exploratory study was discussed. The primary focus of the exploratory study was to examine, understand and provide insight into the research problem. Most results of the qualitative research confirmed the propositions advanced earlier in the study. In particular, by employing an identity-based brand management ('inside-out') approach to branding and a relationship perspective, it was identified that well-managed franchise brand relationships and highly competent franchisors enhance brand relationship quality, brand citizenship behaviour and ultimately franchisee-based brand equity. In addition, the proposed dimensions of brand relationship management (franchisor support, brand architecture, information sharing, conflict handling, exercise of power and bonding) all emerged as important factors in franchising. Similarly, the proposed seven dimensions of brand citizenship behaviour were found to be relevant in B2B marketing such as franchising. As a result, the qualitative findings were corroborated by the literature review discussed in Chapter 3 leading to the development of the conceptual model and research hypotheses.

In Section B, the research methodology employed for the quantitative phase was outlined. Thus, the operationalisation and development of the measurement scales, questionnaire design and administration of the survey instrument were then discussed. In addition, the sampling frame, sample size and the sampling technique as well as the different research methods used to collect data were outlined. The section also discussed questionnaire administration focusing on the structure and sequence, types of scales used, and pretesting procedures. A brief discussion of several preliminary steps that needed to be taken such as questionnaire checking, data cleaning, editing and coding were also presented. The section concluded by outlining ethical issues that needed to be met before undertaking the research.

In Chapter 6, the measurement purification procedures used to assess the reliability and validity of measurement items are presented. The chapter also discusses the procedures used in addressing common method bias and concludes with a brief discussion of the data analysis methods used in this study.

CHAPTER 6

MEASUREMENT PURIFICATION PROCEDURES

6.1 Introduction

In Chapter 5, the research methodology was outlined with particular focus on the research design of both the qualitative and quantitative stages, data collection, sampling procedures as well as operationalisation of the measures. In this chapter, the measurement purification procedures used to assess reliability and validity of measurement items are presented. The chapter also discusses the procedures used in addressing common method bias. To conclude the chapter, data analysis procedures used in this study are then briefly discussed.

6.2 Factor Analysis

Measurement models are examined as a prerequisite procedure for theory testing and development so as to assess reliability and validity of the measures (Kline, 1998). This is to ensure that the measurement instrument measures what it is meant to measure (Bagozzi, 1994) and to do, this factor analysis was performed. Churchill (1979) states that factor analysis can be used to confirm whether the number of dimensions conceptualised can be empirically verified. On the other hand, Schumacker and Lomax (2004) state that one of the main functions of factor analysis is scale validation by showing that its constituent items load onto one factor, and removing observed variables or items that cross-load on other factors. Two types of factor analysis exist in literature namely: exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) (Schumacker & Lomax, 1996). Firstly, EFA was performed to test the unidimensionality of each measure. After checking the suitability of the data for factor analysis through EFA, CFA was then performed to establish construct validity.

6.2.1 Exploratory Factor Analysis

EFA is used to explore the possible underlying structure of a set of interrelated variables without imposing any preconceived structure on the outcome (Child, 1990). EFA is a multivariate analysis technique used to either reduce the number of variables in a model or identify relationships among variables and how well measurement items load on a certain variable (Pallant, 2005). Thus, in the current study, EFA was used to identify the number of constructs and the underlying factor structure. Although, the dimensionality of some of the constructs used in this study is established in prior research, EFA was considered paramount as (i) most existing measures were modified and re-worded to suit the context, (ii) while some of the constructs are established in B2C research they have not been tested in a B2B context, and (iii) some measurement items were added to fully-capture different dimensions of some of the constructs in B2B research. The steps undertaken in EFA include assessment of data suitability, factor extraction, factor rotation and interpretation (Hair *et al.*, 2006; Tabachnick & Fidell, 2007). Before undertaking factor analysis, it is important to consider the sample size. Nunnally (1978) suggests that there should be 10 cases for each item to be factor analysed, whilst Hair *et al.* (2010) suggest that 5 cases are sufficient. However, Hair *et al*. (2010) recommend that a researcher should not factor analyse a sample with fewer than 50 observations, and preferably the sample size should be 100 or larger. Therefore, in this study the attained sample size of 352 was considered acceptable. During EFA, standardised factor loadings were used to assess the statistical significance of the variables. Factor loadings represent the correlation between original variables and their factors and they are also affected by sample size (Hair *et al*., 2006). For example, a sample size of 50 should have a loading of > .75, whilst at the other extreme, a sample size of 350 or more should have a loading of > .30. Factor loadings of ±.3 to ±.4 are minimally acceptable, values greater than ±.50 are generally preferred and considered practically significant (Byrne, 2009; Field, 2009). In the current study, a factor loading cut-off point of .40 was used (Hair *et al*., 2010). This was necessary to assess the extent to which the measurement items measure the same construct, that is, convergent validity (Byrne, 2009).

In the current study, the principal component analysis was used as the common method of extraction. Further, the eigenvalue (latent root) criterion rule was used in selecting the number of factors to retain for further analysis. As recommended by Byrne (2009), factors with eigenvalues greater than 1 were retained for further investigation. The orthogonal VARIMAX factor rotation method was used as it simplifies the columns of the factor matrix by maximising the sum of variances of required loadings of the factor matrix (Hair *et al*., 2006). As a rule of thumb, the maximum possible simplification is reached if the factor matrix reaches 1s and 0s in a column; thus, the logic is that interpretation is easier if factor correlations are close to +1 or -1 (Hair *et al*., 2006). To test for data suitability in factor analysis, both the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and the Bartlett‘s Test of Sphericity were used (Tabachnick & Fidell, 2007). The KMO compares the size of the observed correlation coefficients with the partial correlation coefficient size and a figure of .50 and above indicates the significance of data for factor analysis (Hair *et al*., 2006). The Bartlett‘s Test of Sphericity provides the statistical significance that the correlation matrix has significant correlations among at least some of the variables and this value should be less than .05 to be considered significant (Hair *et al*., 2010). Total variance explained (TVE) specifies the cumulative percentage of total variance extracted by successive factors to ensure that the derived factors explain at least the specified amount of variance. Total variance explained of above 60% is considered significant (Hair *et al*., 2010). Tables 6.1 to 6.5 report the factor analysis results and reliability statistics of the constructs used in this study.

Table 6.1: Factor Analysis and Reliability Statistics for Brand Relationship Management

Construct	Items	Component (Factor loadings)					Tests
		Factor1	Factor 2	Factor 3	Factor 4	Factor 5	
Information Sharing	IS1	.86					Eigenvalue = 14.17 α = .96
	IS2	.90					
	IS3	.87					
	IS4	.87					
	IS5	.88					
	IS6	.72					
	IS7	.91					
Exercise of Power	Pow1*		.67				Eigenvalue = 3.65 α = .91
	Pow2*		.56				
	Pow3*		.70				
	Pow4*	.45**	.61				
	Pow5		.83				
	Pow6		.85				
	Pow7		.80				
Franchisor Support	FS1			.71			Eigenvalue = 1.39 α = .86
	FS2			.74			
	FS3			.66			
	FS4			.77			
	FS5			.62			
	FS6			.72			
	FS7			.52†			
Conflict Handling	CR1	.44**			.58		Eigenvalue = 1.34 α = .88
	CR2*				.80		
	CR3*				.72		
	CR4				.54		
	CR5		.40**		.54		
Structural/ Social Bonding	B1					.69	Eigenvalue = 1.21 α = .74
	B2					.67	
	B3					.56	
	B4	.46**				.49	
	B5					.57	
	B6					.65	
Composite reliability coefficient for Brand Relationship Management = .88							
KMO = .95; Bartlett = 9226.97; *df* = 465; $p < .001$; Total Variance Extracted = 70.17							

*Reverse coded items, **Cross-loadings, †Item dropped in subsequent analyses.
Note: Loadings less than .40 were suppressed, KMO = Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

Table 6.2: Factor Analysis and Reliability Statistics for Franchisee-Based Brand Equity

Construct	Items	Component (factor loadings)			Tests
		Factor 1	Factor 2	Factor 3	
Franchisee-Perceived Relationship Value	RV1	.80			Eigenvalue = 10.99
	RV2	.84			
	RV3	.87			α = .96
	RV4	.82			
	RV5	.82			
Franchisee-Perceived Brand Loyalty	BLoy1		.51†	.47**	Eigenvalue = 1.23
	BLoy2		.72		
	BLoy3		.80		α = .95
	BLoy4		.79		
	BLoy5		.82		
	BLoy6		.69		
Franchisee-Perceived Brand Image	BI1	.42**		.61	Eigenvalue = .96
	BI2		.41**	.77	
	BI3			.75	α = .92
	BI4			.84	
	BI5			.63	
Composite reliability coefficient for Franchisee-Based Brand Equity = .91					
KMO = .95; Bartlett = 6634.95; *df* = 120; $p < .001$; Total Variance Extracted = 82.33					

**Cross-loadings, † Item dropped in subsequent analyses.
Note: Loadings less than .40 were suppressed, KMO = Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

Table 6.3: Factor Analysis and Reliability Statistics for Brand Relationship Quality

Construct	Items	Component (factor loadings)			Tests
		Factor 1	Factor 2	Factor 3	
Brand Trust	BT1	.76			Eigenvalue = 6.08
	BT2	.84			
	BT3	.86			α = .87
	BT4	.78			
Brand Love	BL1		.80		Eigenvalue = 3.98
	BL2		.81		
	BL3		.79		α = .82
	BL4		.90		
	BL5		.84		
Brand Commitment	BC1			.57	Eigenvalue = .96
	BC2		.44**	.69	
	BC3			.85	α = .87
	BC4*			.81	
	BC5*			.87	
Composite reliability coefficient for Brand Relationship Quality = .70					
KMO = .88; Bartlett = 4402.10; *df* = 91; $p < .001$; Total Variance Extracted = 78.15					

* Reverse coded items, **Cross-loading.
Note: Loadings less than .40 were suppressed, KMO = Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

Table 6.4: Factor Analysis and Reliability Statistics for Brand Citizenship Behaviour

Construct	Items	Component (factor loadings)			Tests
		Factor 1	Factor 2	Factor 3	
Brand Endorsement	BCB3	.72			Eigenvalue = 6.21 α = .85
	BCB4	.69		.42**	
	BCB7	.75			
	BCB8	.78			
	BCB9	.83			
Helping Behaviour	BCB5		.56		Eigenvalue = 1.13 α = .79
	BCB10		.58		
	BCB11		.83		
	BCB12		.83		
Brand Enthusiasm	BCB1			.79	Eigenvalue = 0.95 α = .77
	BCB2			.81	
	BCB6		.46**	.62	
Composite reliability coefficient for Brand Citizenship Behaviour = .90 KMO = .91; Bartlett = 2281.85; *df* = 66; *p* < .001; Total Variance Extracted = 68.11					

**Cross-loadings.
Note: Loadings less than .40 were suppressed, KMO = Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

Table 6.5: Factor Analysis and Reliability Statistics for Franchisor Competence

Construct	Items	Component (factor loadings)	Tests
		Factor 1	
Franchisor Competence	FC1	.93	KMO = .92
	FC2	.86	Bartlett = 2450.17
	FC3	.83	df = 15, *p* < .001
	FC4	.92	TVE = 82.22
	FC6	.94	Eigenvalue = 4.933
	FC7	.96	α = .96

Note: Loadings less than .40 were suppressed, KMO = Kaiser-Meyer-Olkin Measure of Sampling Adequacy, TVE = Total Variance Extracted.

Tables 6.1 to 6.5 show that all factor loadings were significantly positive and loaded above the recommended level of .40 (Stevens, 2002). Reliability of scales was above the .70 cut-off point (Hair *et al*., 2010), with alpha values ranging from .74 to .96. For other constructs such as BRM, BRQ and FBBE, summated scales were calculated and their composite reliability coefficients were above the .70 cut-off point. These suggested that all measurement items have a high level of internal consistency in the measurement instruments. Further, it can be noted that the data was suitable for factor analysis as all KMO values were above .85, the tests for the presence of correlations were also significant with Bartlett's Test of p < .05 and most eigenvalues for all factors were above 1. It can also be noted that for all constructs the measures were supported with above the recommended .60 of total variance explained.

6.2.1.1 Unidimensionality

Unidimensional measures describe that a set of measured variables can be explained by only one underlying construct (Hair *et al.*, 2010). Unidimensionality is paramount in establishing validity and this was initially assessed through EFA. However, some researchers argue that one of EFA's weaknesses is that unique variance is ignored and that the structural relationships among the variables are not specified (Child, 1990). To provide a more rigorous assessment of unidimensionality, CFA should be employed because of its ability to identify the model prior to data analysis (Anderson & Gerbing, 1988). Thus, CFA was also conducted to further assess unidimensionality, convergent and discriminant validity. Unidimensionality was assessed by identifying factor loadings and only those loadings above .40 were retained and cross loadings were determined as recommended by Stevens (2002). Notably, some factor loadings were relatively low, for example *B4* = .49, *CR4* = .54, and *CR5* = .53 (see Tables 6.1 to 6.5). These items were retained for further analysis as they met the minimal level for interpretation of factor structure (Hair *et al.*, 2010). However, items *FS7* = .52 (see Table 6.1) and *BLoy1* = .51 (see Table 6.2) were dropped in the subsequent analysis as their factor loadings significantly differed with others, indicating that the items may be measuring a different dimension of the construct.

Some cross-loadings were also identified. For example, *Pow4 ('My franchisor at times threatens to cancel or refuse to renew our* contract'), *CR1 ('Discussions I have with my franchisor on areas of disagreement are usually productive')* and *B4 ('I consider my franchisor to be close to me as family')* cross-loaded on the information sharing construct, as shown in Table 6.1. Despite being intended to measure different variables, these items might have incidentally implied some form of information exchange. As a result, higher factor loadings (>.50) were retained as recommended (Stevens, 2002; Tabachnick & Fidell, 2007). Similarly, other cross-loadings were retained for further analysis based on the examination of low and high loadings as well as theoretical justifications as recommended by Tabachnick and Fidell (2007). Further, it was important to consider the number of items required per construct during scales development. It is suggested that good CFA practice requires a minimum of three items per factor and preferably four items; hence, in this study, multi-scales (> 3 items) were used (Hair *et al.*, 2010; Herting & Costner, 1985).

6.3 Assessment of Reliability

Reliability questions whether the results are replicable or whether the measurement items will produce consistent results if used repeatedly (Churchill & Brown, 2007). Thus, reliability assesses the extent to which measurements are free from random error and provide consistent results if measurements are repeatedly used over time (Sekaran, 2003). Systematic sources of error do not influence reliability as they affect the measurement in a constant manner; however, random errors result in inconsistency, leading to lower reliability levels (Malhotra, 2004). Blunch (2008) attests that reliability is the ability of measures to give near-identical results under identical conditions and determines the extent to which a multi-item measure is reproducible. Parasuraman *et al.* (2007) state that carefully designed multi-item scales are more likely to provide more valid and reliable measures. Other researchers also propose that multi-item measures enable specific items to be averaged and thus are better than single-item measures (Bagozzi *et al*., 1991; Churchill, 1979). Hence, to improve the reliability of measures, multi-item measures were used this study. There are three approaches that can be used to assess the reliability of measurements namely: test-retest, alternative-forms and internal consistency (Malhotra, 2004). According to Sekaran (2003), internal consistency exists when the respondent's feedback remains consistent for all the items in a measure. One simple measure of internal consistency is the split-half reliability that divides a scale into two halves and the resulting half scores are correlated. Thus, high correlations between the two halves indicate high internal consistency (Parasuraman *et al.*, 2007). Malhotra (2004) posits that internal consistency reliability can be used to assess the reliability of Likert scales where several items are summed to form a total score. Hence, for these reasons, in this study the internal consistency was used to assess reliability and to test the reliability of measurement items, the coefficient alphas also known as Cronbach's alpha values were calculated.

6.3.1 Cronbach's Alpha

The Cronbach's alpha is the average value of the reliability coefficients one would obtain from all possible combinations of items when they are split into two half-tests (Gliem & Gliem, 2003). The coefficient alpha values range from 0 to 1, with 0 indicating lack of reliability and 1 implying perfect reliability. The recommended cut-off score for a reliable measurement scale is .70, although some studies recommend a .60 cut-off point (Hair *et al.*, 2006). To enhance reliability, measurement items that have alpha values above .60 were used in this study. McDaniel (2006) posits that Cronbach's alpha values help remove factors with poor correlation coefficients, thereby aiding the process of selecting reliable scales.

6.4 Summated Scales

Summated scales involve aggregating variables that are hypothesised to measure the same construct as a single variable (Hair *et al*., 2010). This process helps to reduce measurement error by improving the reliability of individual variables. To create summated scales, it was important to assess whether: (i) the conceptual definition specified the theoretical basis for the items, (ii) items were unidimensional, and (iii) items had high reliability and validity (Hair *et al*., 2006;

Tabachnick & Fidell, 2007). First, the conceptual definition of the constructs was established based on theoretical definitions given in prior literature, and the nature of the concept. Second, content validity was established by assessing face validity (see Section 6.5.1). Lastly, EFA was conducted to test for unidimensionality (see Section 6.2.1) and ensure that each summated scale consists of items that load highly on only one factor (McDonald, 1981) (as assessed in Section 6.2.1). In this study, to facilitate the modelling of unidimensional constructs, summated scales were developed for three second-order constructs, that is, BRM, BRQ and BCB. For example, to develop a summated scale for BRM, mean scores for each variable (i.e., information sharing, franchisor support, exercise of power, conflict handling and bonding) were calculated and these were then added together to compute a composite score for BRM. The same procedure was repeated for BRQ and BCB. However, in calculating summated scales, all values should be positive, and factors with negative values must have their values reverse scored (Hair *et al*., 2010). This is done to ensure that the correlations and loadings are all positive within the factor. For example, for BRQ variable BC4 "*I regret I chose to work for this brand over others I was considering*" was reverse scored to vary its distribution from negative to positive. The same procedure was done to all negatively loaded items. Lastly, summated scales were computed since composite scales were required to facilitate mediation and moderation analyses (see Chapter 7). The next section discusses validity of measurement items.

6.5 Assessment of Validity

The validity of a scale is the extent to which it is a true reflection of the underlying variable it is attempting to measure (Parasuraman *et al.*, 2007). In essence, it indicates the extent to which the scale fully captures all aspects of the construct being measured. The validity or accuracy of a scale can be improved by using carefully designed multi-item scales containing numerous items than a single-item scales (Malhotra, 2009). In the current study, measurements were assessed through content, nomological, and construct validity.

6.5.1 Content Validity

Content validity, also known as face validity, is a conceptual test and can be assessed by a subjective agreement among professionals that a scale logically appears to accurately reflect what it purports to measure (Malhotra *et al.*, 2008). Basically, this is based on the review of compelling literature and researchers' and experts' judgement of the representativeness of the content of scales (McDaniel, 2006). To determine content validity, a panel of experts was used to assess how well the instrument represented variables and constructs under study. These experts included academics, franchise experts and managers who possess enough experience in B2B branding and franchising. After this, the questionnaire was then pretested in the field and the necessary changes were noted in terms of both the measurement items and measurement instrument. The objective was to ensure that the selection of measures not only went beyond empirical issues but also captured theoretical and practical implications (Churchill, 1979). In addition, content validity was enhanced by using reliable variables that have been defined and used in previous research (Churchill & Iacobucci, 2002). However, since content validity alone is insufficient to provide robust evaluation of scale validity, construct validity was also assessed.

6.5.2 Nomological Validity

Nomological validity describes the extent to which measures of one construct correlate theoretically in a predicted way with measures of different-but-related constructs (Malhotra *et al.*, 2008). According to Hair *et al.* (2010), nomological validity is assessed by examining whether correlations among the major constructs in a measurement model are significant. Hence, a correlation matrix was developed, the output of which is shown in Table 6.6.

Table 6.6: Correlation Matrix among Major Constructs

Variable	BRM	BRQ	FBBE	BCB	Fran_Comp
BRM	1				
BRQ	.49**	1			
FBBE	.77**	.77**	1		
BCB	.50**	.66**	.67**	1	
Fran_Comp	.83**	.53**	.72**	.48**	1
Mean	4.27	4.53	4.92	5.77	4.85
Std deviation	1.04	.90	1.36	.83	1.64

** Correlation is significant at $p < .01$ level (2-tailed)
Note: Fran_Comp = Franchisor Competence.

The results show that all correlations were highly significant at $p < .01$ and the correlation coefficients were relatively high ranging from .48 to .83. It is evident that although these constructs theoretically measured different factors, the results show significant correlations which provide evidence of nomological validity among the key constructs. In the next section, construct validity is assessed through CFA.

6.5.3 Confirmatory Factor Analysis (CFA) and Construct Validity

CFA is used to obtain a sound judgement of the structural relationships between indicators and their constructs (Churchill & Iacobucci, 2002). CFA is also a useful tool for assessing unidimensionality by estimating convergent and discriminant validity (Bagozzi *et al.*, 1991; Fornell & Larcker, 1981). In this study, CFA was used to establish the relationship between observed variables already existing in literature and their related constructs. In other words, CFA was used to examine whether a relationship between the observed variables and their underlying latent construct(s) exists. In this case, the researcher used knowledge of both existing studies and empirical research, to postulate the relationship a priori and then tested the research hypotheses statistically.

Construct validity measures the extent to which the constructs hypothetically relate to one another based on underlying research theories (Malhotra, 2004). In essence, Malhotra (2009, p. 317) elaborates that in checking construct validity "...an attempt is made to answer theoretical questions of why a scale works and what deductions can be made concerning the theory underlying the scale." Kumar *et al.* (2002) also suggest that constructs are regarded as valid when a logical argument can be presented to support a particular measure. Thus, the aim is to define the construct explicitly and then show how the measurement logically connects the empirical phenomenon to the construct (McDaniel & Gates, 2002). To establish construct validity, Churchill (1979) proposes that one should determine the extent to which the measure correlates with other measures designed to measure the same thing and whether the measure behaves as expected. In this study, such correlation analysis was assessed through convergent and discriminant validity; whereas, nomological validity (see Section 6.5.2) was used to examine the behaviour of scales (Peter, 1981). In the next section, the measurement models for all constructs are assessed using AMOS 19 software.

6.5.4 Measurement Models

Measurement models are normally used to examine construct validity as they address the adequacy of the observed variables as measures of the construct and assess the overall fit of the model (Hair *et al*., 2010; Steenkamp & van Trijp, 1991). Measurement models were developed through CFA based on theoretical principles (Schumacker & Lomax, 1996). A technique that combines CFA with structural equation models, namely covariance structure analysis, was employed in the current study. The hypothesised relationships required the development of a measurement model before hypotheses testing. Measurement models can also be used to assess the overall model fit and various goodness-of-fit (GOF) indices can be used to check if the theoretical model fits data (Hair *et al*., 2010; Schumacker & Lomax, 1996). Thus, a good model is one that has evidence of fit between the sample covariance matrix and the estimated population covariance matrix (Tabachnick & Fidell, 2007). The GOF criteria shown in Table 6.7 were used in this study to ascertain whether the actual model derived from the sample fits the hypothesised model. These were calculated by comparing the observed and implied covariance matrices, and the model comparison criteria compared the proposed model with a null hypothesis

(Arbuckle, 1997). In this study, three types of model fit statistics were assessed through CFA, namely: absolute fit, incremental fit measures and parsimony fit indices (Hair *et al*., 2010).

Absolute fit indices measure directly how well the model specified by the researcher can reproduce the observed data (Kenny & McCoach, 2003). Absolute fit measures used in this study include the Chi-square statistic (χ^2), goodness-of-fit index (GFI), the Root Mean Square of Approximation (RMSEA), the normed Chi-square (CMIN/*df*) and the Hoelter 'Critical N'. A χ^2 statistic provides a statistical test of the difference between the observed and the covariance matrices that are key values in assessing the GOF of a structural equation model (Hair *et al*., 2010). In terms of statistical significance, acceptable model fit is achieved with either a non-significant χ^2 value which suggests that the p-value would be $\geq .05$, or if other indices such as the comparative fit index (CFI) and GFI are satisfied (Bagozzi & Foxall, 1996). In most cases, the χ^2 statistic is also referred to as the minimum discrepancy (CMIN), which is equal to sample size minus 1 multiplied by the minimum fit function (Byrne, 2009). However, research on well-fitting models (where the χ^2 value approximates the *df*) has proven to be unrealistic in most empirical research using SEM (Byrne, 2009). To address this problem, CMIN/*df* as shown in Table 6.7 is used as an alternative index of fit that calculates the ratio of χ^2 to the degrees of freedom (*df*) to their related confidence intervals (Byrne, 2009). The GFI measures the relative amount of variance and covariance in the sample data. The RMSEA attempts to correct the tendency of the χ^2 statistic to reject models with larger sample sizes or number of observed variables (Hair *et al*., 2010). Lastly, the Hoelter 'Critical N' assesses the adequacy of sample size rather than model fit (Byrne, 2009). It estimates the sample size that is sufficient to yield an adequate model fit for a specific χ^2 test (Hu & Bentler, 1998). A Hoelter 'CN' > 200 indicates adequate model fit to the sample data (Byrne, 2009) and this criterion was used in this study.

Another set of GOF indices used are incremental fit indices. These measures assess how well the estimated model fits the data relative to an alternative baseline model (Hair *et al.*, 2010). In this study, the Normed Fit Index (NFI), Comparative Fit Index (CFI) and Tucker Lewis Index (TLI) were used. The NFI is a ratio of the difference in the χ^2 value for the fitted model and a null model divided by the χ^2 value of the null model. The CFI is an improved version of the NFI which is normed so that values range between 0 and 1 with higher values indicating better model fit (see Table 6.7). Finally, the TLI also yields values ranging from 0 to 1, with values close to .95 (for large sample > 200) being indicative of good model fit (Byrne, 2009).

In addition, parsimony fit measures were also used to examine the degree to which a model achieves fit for each estimated coefficient and, more specifically, to help specify which model among a set of competing models is the best (Hair *et al*., 2010). To assess the degree of parsimony in the model, this study used the Parsimony Normed Fit Index (PNFI) and the Adjusted Goodness-of-fit Index (AGFI) (Hair *et al*., 2010). The PNFI is the most widely-used index that adjusts the NFI and relatively high values represent a better model fit. The Adjusted Goodness-of-fit Index (AGFI) which adjusts for the number of degrees of freedom used in the model to the total degrees of freedom available was also used in the current study (Hair *et al*., 2010). A larger AGFI with value closer to 1 suggests good model fit (Tabachnick & Fidell, 2007). However, some researchers suggest that the GFI and AGFI are sensitive to sample size and should be used with care when assessing GOF as they tend to decrease with a decrease in sample size relative to the number of variables being assessed (Sharma, Mukherjee, Kumar, & Dillon, 2005). Specifically, Sharma *et al.* (2005) discourage the use of GFI/AGFI indices in assessing model fit. In the present study, there was evidence of relatively low AGFI values in some models and this was attributed to the effects of sample size and the sampling distribution of the index. Table 6.7 shows guidelines of fit indices used in this study.

Table 6.7: Criteria of Goodness-of-Fit

Goodness-of-fit criterion	Acceptable level	Interpretation of acceptable model fit
Absolute fit measures		
Chi-square statistic (χ^2)	Low χ^2 value (relative to *df*) with sig. level of $< .05$	p-value $> .05$
Normed χ^2 (CMIN/*df*)	Ratios 2:1 or 3:1	Values close to 1 & values < 3
Goodness-of-fit (GFI)	0 (no fit) to 1 (perfect fit)	Values close to .90
Adjusted GFI (AGFI)	0 (no fit) to 1 (perfect fit)	Values close to .90
Root Mean Square of Approximation (RMSEA)	Values < .08	Values < .08
Hoelter 'Critical N'	n > 200	Estimates the acceptable sample size
Incremental fit measures		
Tucker-Lewis Index (TLI)	0 (no fit) to 1 (perfect fit)	TFI, NFI and CFI values close to .90
Normed Fit Index (NFI)	0 (no fit) to 1 (perfect fit)	
Comparative Fit Index (CFI)	0 (no fit) to 1 (perfect fit)	
Parsimony fit measures		
Parsimony NFI (PNFI)	.90 or higher	Values close 1
Akaike Information Criterion (AIC)		Small positive values indicate parsimony

Source: Adapted from Hair *et al*. (2010); Schumacker and Lomax (1996)

Having discussed the various fit indices, the researcher needs to choose the indices that are appropriate in evaluating the model (Byrne, 2009). There is much debate regarding the most appropriate indices to report (Reisinger & Mavondo, 2007; Schumacker & Lomax, 1996).

However, a common observation from prior research is that one should use a combination of multiple fit indices (see Bollen, 1990; Hair *et al*., 2010; Hu & Bentler, 1998; Reisinger & Mavondo, 2007; Schumacker & Lomax, 1996). For instance, Hair *et al*. (2010) state that the use of three to four fit indices will provide adequate evidence of model fit. Therefore, a combination of GOF measures was used in the current study (see Table 6.7).

6.5.5 Convergent Validity

Convergent validity is the extent to which the items intended to measure the same latent variable positively correlates with other measures of the same construct (Malhotra, 2004). That is, if significant correlation is obtained between measures of the same construct, convergent validity exists. In this study, factor analysis was performed to identify both the dimensions of a concept and the measurement items representing each dimension. Since the study sought to measure the potential relationships among constructs, CFA using AMOS 19 was used to assess convergent validity (Hair *et al*., 2010). In assessing convergent validity, it is necessary to examine the factor loadings of the observed items and how they load onto the latent construct. Standardised regression weights with values ≥ .50 indicate adequate scale convergent validity (Steenkamp & van Trijp, 1991).

6.5.6 Discriminant Validity

Discriminant validity refers to the extent to which measures of a given construct differ from measures of other constructs in the same model from which that the measure is supposed to differ (Churchill & Iacobucci, 2002). CFA was also used to assess discriminant validity by analysing the correlation matrix and the inter-construct correlations of the measures. Discriminant validity was examined by measuring the construct reliability (CR) and the average percentage of variance extracted (AVE) among a set of construct items in the SEM models. To assess discriminant validity, the AVE for each scale was compared with the estimates of shared variance between the squared correlation coefficients of these constructs (Fornell & Larcker, 1981). To achieve discriminant validity, the AVE estimates of two factors should be greater than the squared correlation estimate between these two factors (Hair *et al*., 2010), as shown in Table 6.11. The AVE formula is (Fornell & Larcker, 1981, p.46):

Equation 6.1: Construct Reliability

$$\mathbf{CR} = \frac{\left(\sum_{i=1}^{p} \lambda i\right)^2}{\left(\sum_{i=1}^{p} \lambda i\right)^2 + \sum_{i=1}^{p}\left(1 - \lambda_i^2\right)}$$

Where:

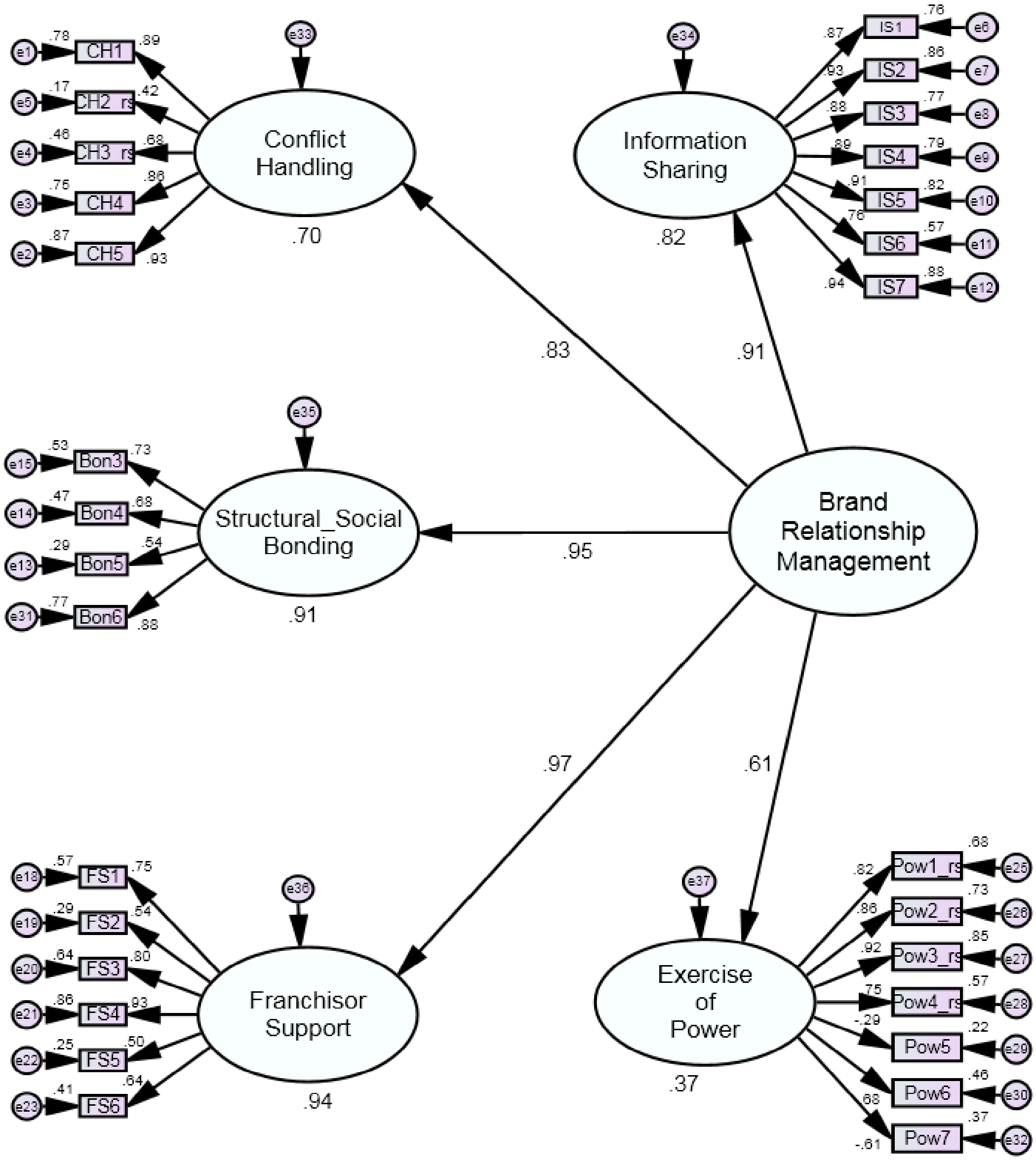
$\lambda \boldsymbol{i}$ = i^{th} standardised factor loadings on its corresponding factor;

1- $\lambda \boldsymbol{i}^{\mathbf{2}}$ = variance of measurement error of each indicator;

p = number of indicators.

Equation 6.1 was used to calculate construct reliability based on standardised regression weights computed in AMOS 19. Construct reliability coefficients should be ≥ .70 to indicate adequate convergence or internal consistency (Hair *et al*., 2010). The amount of variance extracted should be greater than .50 to ensure scale validity (Fornell & Larcker, 1981).

Figure 6.1: Measurement Model for Brand Relationship Management as a Second-Order Construct



The BRM measurement model exhibits an acceptable fit based on the examination of the GOF statistics shown in Table 6.8. This is based on the CMIN/*df* value of 1.96 which is below 3, GFI of .88 (close to .90), AGFI of .85 as well as an RMSEA estimate of .052 which is below 0.08 (Hair *et al*., 2010). Moreover, the model comparative indices (TLI, CFI and TLI) are all above the threshold estimate of .90, which indicates a good model fit. In addition, the PNFI value of .81

(close to .90) shows that this model is a good-fitting parsimonious model. Lastly, the Hoelter 'Critical N' value of 212 suggests that this model adequately represents the sample data.

Table 6.8: Goodness-of-Fit Results for the Brand Relationship Management Measurement Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	695.31	Tucker-Lewis Index (TLI)	.96
Degrees of freedom	355	Normed Fit Index (NFI)	.93
p-value	.000	Comparative Fit Index (CFI)	.96
CMIN/*df*	1.96	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.88	PNFI	.81
Adjusted GFI (AGFI)	.85	AIC (Default model)	855.31
RMSEA	.052	AIC (Independence model)	9379.92
Hoelter 'Critical N'	212		

Table 6.9 shows that internal consistency was evident with all construct reliability values > .70 and also most of the values of AVE > .50 except for franchisor support (very close to .50).

Table 6.9: Construct Reliability and Average Variance Extracted for the Brand Relationship Management Model

Variable	Construct reliability	Average variance extracted
Conflict handling	.87	.60
Information sharing	.96	.78
Franchisor support	.85	.49
Exercise of power	.88	.53
Structural and social bonding	.81	.52

Table 7.10 also shows a highly satisfactory model fit for the BCB measurement model. This is based on the CMIN/*df* value of 2.08, GFI of .96, AGFI of .93 all above .90 as well as the RMSEA estimate of .055 (Hair *et al*., 2010). The model comparative indices (TLI, CFI and TLI) are all above .90, which indicates a good model fit. In addition, the PNFI value indicates a good-fitting parsimonious model. Lastly, the Hoelter 'Critical N' value of 230 suggests that this model adequately represents the sample data. All factor loadings of the BCB model are above .50 (see Figure 6.2), exhibiting evidence of adequate convergence.

Figure 6.2: Measurement model for Brand Citizenship Behaviour

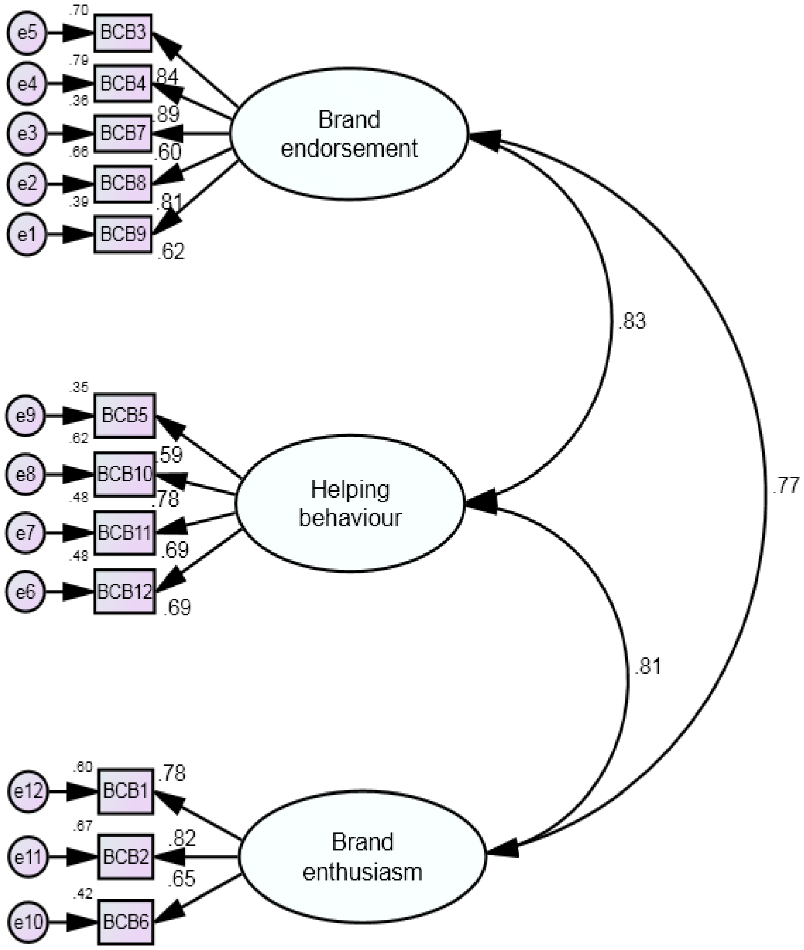


Table 6.10: Goodness-of-Fit Tests for the Brand Citizenship Behaviour Measurement Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	97.77	Tucker-Lewis Index (TLI)	.97
Degrees of freedom	47	Normed Fit Index (NFI)	.96
p-value	.000	Comparative Fit Index (CFI)	.98
CMIN/*df*	2.08	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.96	PNFI	.682
Adjusted GFI (AGFI)	.93	AIC (Default model)	159.77
RMSEA	.055	AIC (Independence model)	2337.71
Hoelter 'Critical N'	230		

Table 6.11 shows that there is adequate evidence of convergent validity with all amounts of AVE above .50 and construct reliability (CR) estimates well above .70. In Table 6.11, it can also be seen that discriminant validity for all constructs was significantly evident since the average variances extracted (AVE) between all paired factors were significantly greater than the squared

correlation coefficient of the respective paired constructs. For instance, for brand endorsement, the AVE = .58 is greater than the squared multiple correlations of the paired constructs (i.e., helping behaviour = .32 and brand enthusiasm = .29).

Table 6.11: Discriminant Validity for the Brand Citizenship Behaviour Model

Constructs	CR	AVE	Brand endorsement	Helping behaviour	Brand enthusiasm
Brand endorsement	.87	.58	1		
Helping behaviour	.79	.64	.32	1	
Brand enthusiasm	.79	.56	.29	.12	1

Table 6.12 also shows a good-fitting franchisor competence model. This is supported by the insignificant p = .116 > .05 and the CMIN/*df* value of 1.65, and the GFI, AGFI both above .90 as well as the RMSEA estimate of .043. The model comparative indices (TLI, CFI and TLI) are all above the threshold estimate of .90. Also, the PNFI value of .46 indicate a parsimonious model and the Hoelter 'Critical N' value of 561 shows that this model adequately represents the sample data. The factor loadings of the model are above .50 (see Figure 6.3) showing evidence of convergent validity. The calculated AVE = .55 and construct reliability = .91 shows that internal consistency was highly evident.

Figure 6.3: Measurement Model for Franchisor Competence

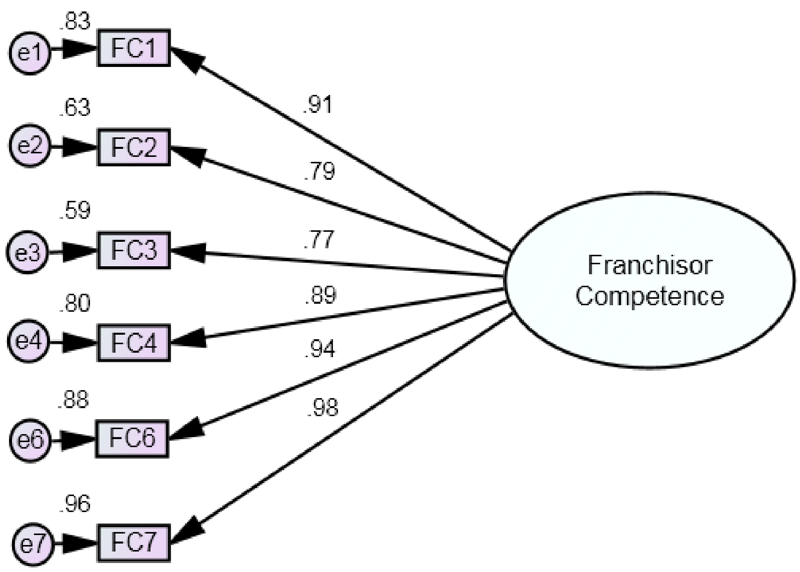


Table 6.12: Goodness-of-Fit Tests for the Franchisor Competence Measurement Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	11.56	Tucker-Lewis Index (TLI)	.99
Degrees of freedom	7	Normed Fit Index (NFI)	.99
p-value	.116	Comparative Fit Index (CFI)	.99
CMIN/*df*	1.65	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.99	PNFI	.46
Adjusted GFI (AGFI)	.97	AIC (Default model)	39.56
RMSEA	.043	AIC (Independence model)	2482.11
Hoelter 'Critical N'	561		

The GOF statistics shown in Table 6.13 indicate a satisfactory BRQ model. Although the CMIN/*df* value is 3.10, it is still acceptable since it is between 2 and 5 (Hair *et al.*, 2010). The GFI and AGFI are both above .90 as well as the RMSEA estimate of .077 which is below .08. The model comparative indices (TLI, CFI and TLI) are all significantly above .90 and the PNFI value of .65 indicates a parsimonious model. The factor loadings of the BRQ model are above .50 (see Figure 6.4), showing evidence of convergent validity.

Figure 6.4: Measurement Model for Brand Relationship Quality

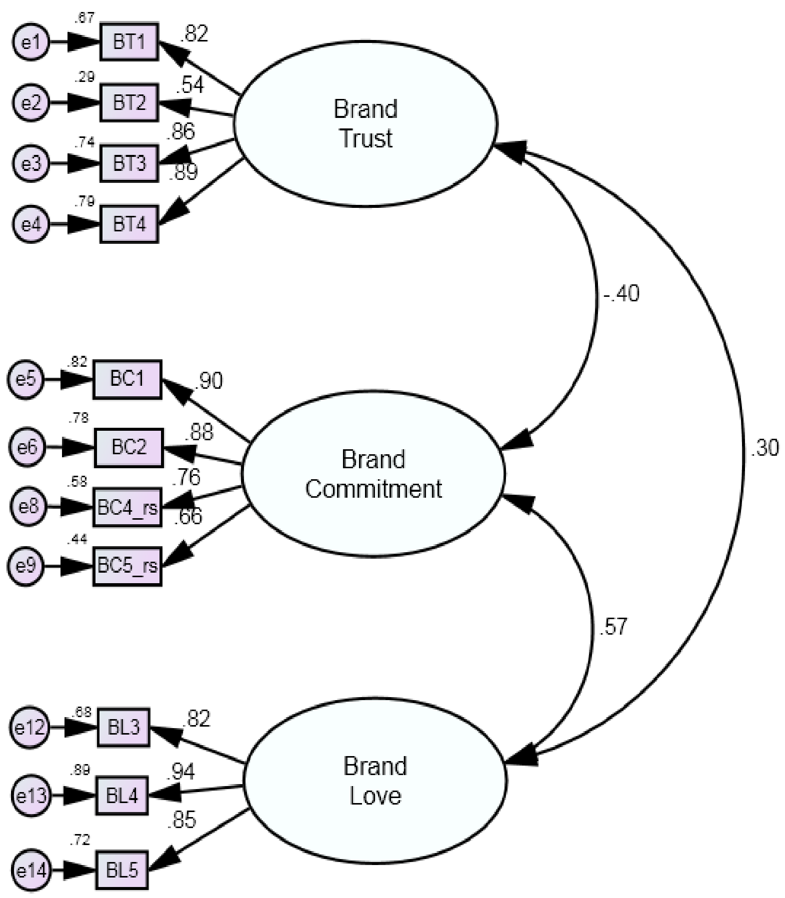


Table 6.13: Goodness-of-Fit Results for the Brand Relationship Quality Measurement Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	111.70	Tucker-Lewis Index (TLI)	.96
Degrees of freedom	37	Normed Fit Index (NFI)	.96
p-value	.000	Comparative Fit Index (CFI)	.97
CMIN/*df*	3.10	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.95	PNFI	.65
Adjusted GFI (AGFI)	.90	AIC (Default model)	172.70
RMSEA	.077	AIC (Independence model)	2980.44
Hoelter 'Critical N'	184		

Table 6.14 shows that there is evidence of convergent validity with AVE values > .50 and construct reliability (CR) estimates well above .70. Table 6.14 also shows that discriminant validity for all constructs was significantly evident since the average variances extracted between all paired factors were significantly greater than the squared correlation coefficients.

Table 6.14: Discriminant Validity for the Brand Relationship Quality Model

Constructs	CR	AVE	Brand Trust	Brand Image	Brand Loyalty
Brand trust	.86	.62	1		
Brand commitment	.88	.65	.16	1	
Brand love	.91	.76	.09	.33	1

Table 6.14 provides the GOF statistics for the FBBE measurement model providing evidence of a good-fitting model. This is supported by the CMIN/*df* value of 2.27, and the GFI, AGFI both above .90 as well as the RMSEA estimate of .060. The model comparative indices (TLI, CFI and TLI) are all above the threshold estimate of .90. Also, the PNFI of .75 indicates a good-fitting parsimonious model and the Hoelter 'Critical N' value of 217 shows that this model adequately represents the sample data. The factor loadings of the model are above .50 (see Figure 6.5), exhibiting strong evidence of convergent validity.

Figure 6.5: Measurement Model for Franchisee-Based Brand Equity

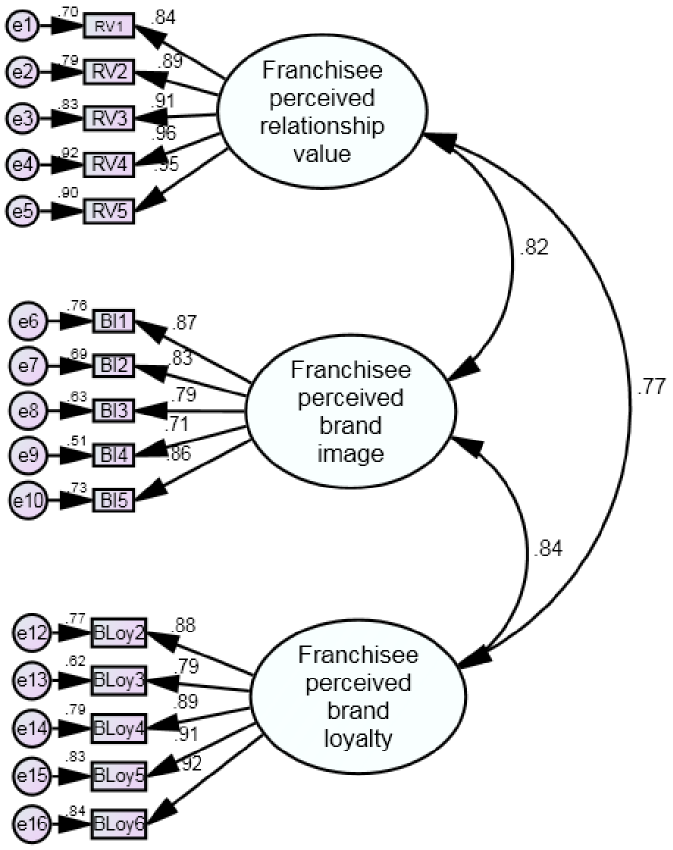


Table 6.15: Goodness-of-Fit Tests for the Franchisee-Based Brand Equity Measurement Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	184.19	Tucker-Lewis Index (TLI)	.98
Degrees of freedom	81	Normed Fit Index (NFI)	.97
p-value	.000	Comparative Fit Index (CFI)	.98
CMIN/*df*	2.27	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.94	PNFI	.75
Adjusted GFI (AGFI)	.91	AIC (Default model)	262.19
RMSEA	.060	AIC (Independence model)	6047.58
Hoelter 'Critical N'	217		

Also, it can be noted from Table 6.16 that there is adequate evidence of convergent validity with all amounts of AVE above .50 and construct reliability (CR) estimates well above .70. Lastly, Table 6.16 shows that discriminant validity for all constructs was highly evident since the AVE between all paired factors were significantly greater than the squared correlation coefficient of the respective paired constructs (Hair *et al*., 2010). Thus, all AVE values (FPRV = .96, FPBI = .85, FPBL = .82) are greater than the squared correlation coefficients (see the shaded area).

Table 6.16: Discriminant Validity for the Franchisee-Based Brand Equity Model

Constructs	CR	AVE	FPRV	FPBI	FPBL
Franchisee-Perceived Relationship Value (FPRV)	.96	.83	1		
Franchisee-Perceived Brand Image (FPBI)	.91	.85	.67	1	
Franchisee-Perceived Brand Loyalty (FPBL)	.96	.82	.70	.61	1

The following section discusses the various techniques that were used to control for common method bias in this study.

6.6 Common Method Variance (CMV)

Common method variance refers to a systematic error that can cause observed correlations among variables to differ from their population values (Doty & Glick, 1998). The main problem in organisational research is the risk of inflating correlations between measures assessed using the same method and source of data (Meade, Watson & Kroustalis, 2007; Podsakoff *et al.*, 2003). Podsakoff *et al.* (2003) posit four main sources of CMV, namely: (i) a common rater, (ii) item characteristic effects, (iii) item context effects, and (iv) measurement context effects. In the current study, a related concern is that all the data came from a common rater (franchisee); therefore, there is potential for common method bias. In dyads such as franchise relationships, the dyadic approach (i.e., collecting data from both sides) is usually recommended as a way of controlling for CMV. However, in the current study, it was difficult to collect sufficient data from franchisors since some of them have headquarters overseas; hence the need to control for CMV. In the current study, CMV was addressed in two stages: (i) questionnaire design and (ii) data analysis (Lindell & Whitney, 2001).

Common method bias can be due to social desirability, ambiguous wording and questionnaire length (Malhotra *et al.*, 2006). In questionnaire design, social desirability was addressed by using self-administered surveys and the survey was extensively pretested to check for ambiguity (see Section 5.9.3 for discussion on pretest). Additionally, the survey was also relatively short (about 15 to 20 minutes). Lindell and Whitney (2001) warn that surveys that are too long or repetitive might reduce respondents' cognitive effort, resulting in a shift from 'response accuracy' to 'response speed' thereby affecting the last items of the survey. Further, moderating variables were used in this study as they are less vulnerable to common methods bias, "…because it shows that respondents did not unthinkingly rate all items as either high or low" (Levin & Cross, 2004, p. 1482). Also some items were reverse scored (see Tables 6.1 to 6.5) to ensure that the assumptions of CMV are true and acquiescent (Lindell & Whitney, 2001). Measurement items were also subjected to content validation using a panel of experts to ensure that respondent's salient beliefs are examined and the creation of pseudo attitudes caused by context effects is minimised (Fishbein & Ajzen, 1975; Schuman & Kalton, 1985).

In addition, in the questionnaire design, a single-item marker variable that is theoretically unrelated to other substantive variables was included (see Section 5.6.4.1 in Chapter 5). Thus, in the second stage, the marker variable technique was conducted during data analysis because it is "…realistic as well as practical when compared with other popular CMV techniques" (Malhotra *et al.*, 2006, p. 1881). The marker variable was placed between other relevant variables in the questionnaire to assist the assessment of discriminant validity and help infer the effect of common method bias on correlations between variables (Malhotra *et al*, 2006). First, to confirm if the proposed marker variable was indeed theoretically unrelated to the substantive variables in this study, multiple regression analysis was conducted to test the correlations between the dependent variable, independent variables and the marker variable and the coefficients are shown in Table 6.17.

Table 6.17: Regression Coefficients between the Marker Variable and other Constructs

Model	**Unstandardised Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	Std. Error	Beta		
(Constant)	-2.04	.28		-7.39	.000
BRM	.64	.04	.49	14.71	.000
BRQ	.65	.05	.43	13.11	.000
BCB	.23	.05	.14	4.29	.000
Marker variable	-.004	.02	-.006	-.20	.842

Note: Dependent Variable: Franchisee-Based Brand Equity

The regression coefficients shown in Table 6.17 indicate that the unstandardised coefficient of the marker variable (-.004) is the only coefficient that is not statistically significant ($p > .05$) compared with other predictor variables (all significant at $p < .001$) in relation to the dependent variable. Therefore, it can be concluded that the marker variable is theoretically not related to the other predictor variables.

The CMV model was examined according to the steps proposed by Lindell and Whitney (2001) and the correlation matrix between the marker variable and other variables was computed as shown in Table 6.18.

Table 6.18: Correlation Matrix between the Marker Variable and other Constructs

Variable	BRM	BRQ	FBBE	BCB	Fran_Comp	FC5
BRM	1					
BRQ	.49**	1				
FBBE	.77**	.77**	1			
BCB	.50**	.66**	.67**	1		
Fran_Comp	.83**	.53**	.72**	.48**	1	
MV	.56**	.21**	.41**	.28**	.42**	1

** Correlation is significant at $p < .01$ (2-tailed). MV = Marker Variable.

It can be noted from Table 6.18 that the correlations of the MV with other variables are relatively low, which further support the discriminant validity of the marker variable (Lindell & Whitney, 2001). The average correlation between the marker variable and the other variables was treated as a conservative estimate of r_M. Using absolute correlations, $r_M = .38$ [(.56 + .21 + .41 + .28 + .42)/5]. After calculating r_M, the next step was to compute a CMV-adjusted correlation (r_A) between the variables under study by partialling out r_M from the uncorrected correlation r_U (Malhotra *et al*., 2006). Further, to test for the significance of the correlations after adjusting for CMV, the t-statistic was calculated. To calculate r_A and t-statistic the Equation 6.2 and 6.3 were used, respectively (Malhotra *et al*., 2006, p. 1868).

(Equation 6.2) $$r_A = (r_U - r_M) / (1 - r_M)$$

(Equation 6.3) $$t_{\alpha/2,\, n-3} = r_A / \sqrt{[(1 - r_A^2) / (n - 3)]}$$

Next, the CMV-adjusted correlations were calculated using Equation 6.2 – for example, r_A for correlation between BRM and BRQ = (.49 - .38)/(1 - .38) = .19 and the t-statistic values were then calculated using Equation 6.3 – for example using the correlation (BRM, BRQ) = $.19/[\sqrt{(1 - .19^2)/(352 - 3)}] = 3.61$. These calculations were computed for all variables and the results are shown in Table 6.19.

Table 6.19: CMV-Adjusted Correlations and T-statistics

Variable	BRM	BRQ	FBBE	BCB
BRQ	.19** (3.61)			
FBBE	.64** (15.50)	.62** (14.92)		
BCB	.21** (3.94)	.45** (9.53)	.48** (10.08)	
Fran_Comp	.72** (19.38)	.25** (4.75)	.55** (12.42)	.17** (3.28)

** $p < .01$, df = 349, t-critical = 2.58

Note: Values in brackets represent t-statistics, Fran_Comp = Franchisor Competence

The results in Table 6.19 show that all CMV-adjusted correlations are significant since all *t*-statistics (calculated) are greater than the t-critical value of 2.58. If any of the bivariate correlations that were statistically significant initially remain significant after adjusting for CMV, this suggests the results cannot be accounted for by CMV (Lindell & Whitney, 2001). Thus, comparing with uncorrected correlations shown in Table 6.18, the substantive variables in Table 6.19 remain statistically significant even when controlling for CMV, indicating that the biases are not substantial. Hence, it can be concluded that CMV did not seriously distort the inferences in this study. The next section briefly discusses the proposed data analysis procedures used in this study.

6.7 Proposed Analyses

To achieve the research objectives of this study and test the proposed hypotheses, SPSS 19 and AMOS 19 for Windows were used to conduct inferential analysis procedures such as reliability tests, EFA and CFA, regression analysis, and structural equation modeling (SEM). In this study, regression analyses were used to test for mediation and moderation using the bootstrapping methods proposed by Preacher and Hayes (2008) and Hayes and Matthes (2009), respectively. To measure the relationships between the constructs, SEM was used to test the integrated conceptual model. Lastly, multi-group analysis was conducted through SEM to compare the effects of brand relationships and brand equity in different franchise groups, based on franchise value and type of franchise ownership.

6.8 Chapter Summary

In this chapter, the measurement purification procedures used to assess validity and reliability were discussed. The various measurement scales showed evidence of satisfactory reliability and there was adequate evidence of both convergent and discriminant validity as well as nomological validity. Questionnaire design and the marker variable technique undertaken to examine common method variance were also discussed and no evidence of common method bias emerged. The next chapter begins by discussing some preliminary analyses undertaken before proceeding to primary data analysis. This includes how missing data were dealt with, outlier detection tests as well as normality, linearity, homoscedasticity and multicollinearity tests. The chapter also provides the sample characteristics and demographic profiles of participants and their organisations. In the remaining sections of the chapter, the hypothesised relationships outlined in Chapter 5 and the proposed conceptual model will be tested and the results are presented.

CHAPTER 7

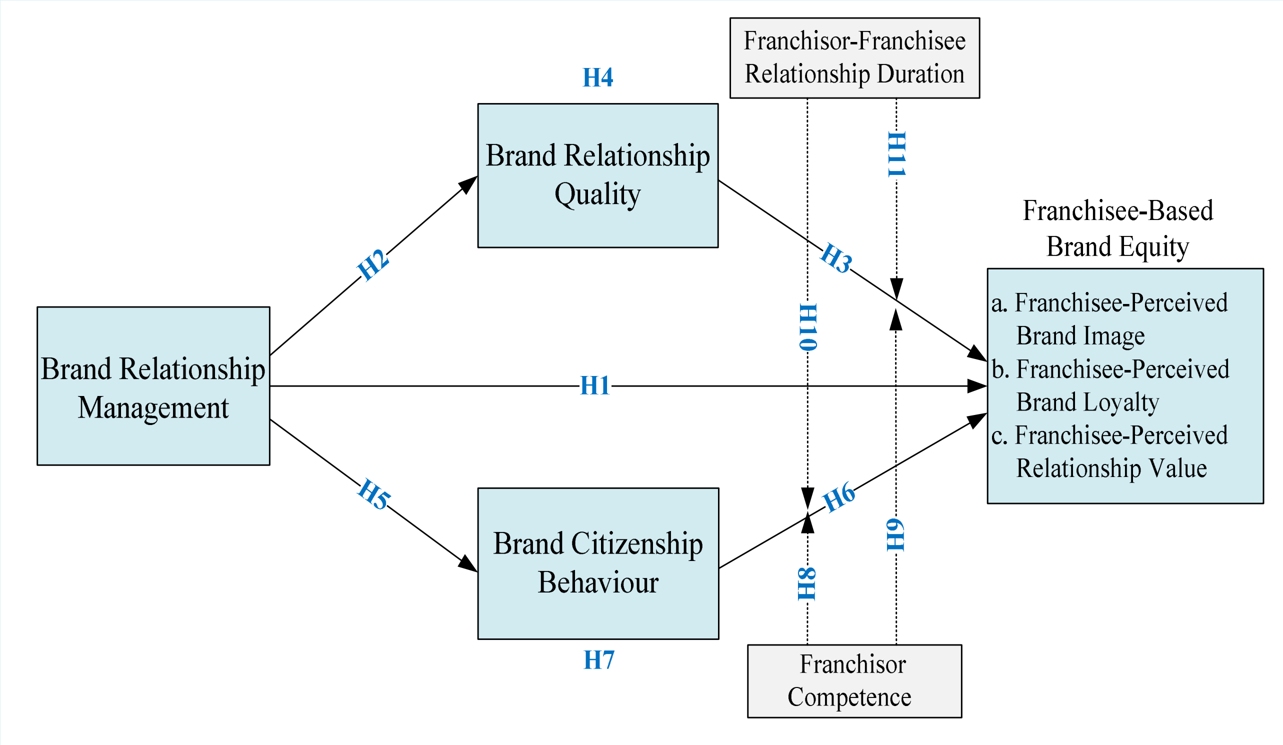
QUANTITATIVE DATA ANALYSIS & RESULTS

7.1 Introduction

In Chapter 6, the measurement purification procedures applied in this study to assess reliability and validity of measurement scales were discussed. In this chapter, prior to conducting data analyses, some preliminary analyses such as missing data and outlier analyses as well as tests for the assumptions of multivariate techniques (i.e., normality, linearity and homoscedasticity) are discussed. According to Hair *et al*. (2010) violations of statistical assumptions of multivariate analyses may lead to biases or non-significance and results that cannot be easily distinguished unless explicitly identified and remedied. Therefore, it is important to satisfy these requirements before undertaking multivariate data analyses. In addition, descriptive results of the sample such as the franchisor-franchisee relationship characteristics, demographic and participant organisations' profiles are provided. However, as the study was conducted in different sectors of the franchising industry, the chapter begins by testing measurement invariance to ascertain whether respondents in different situations conceptualised measurement scales of the same construct equivalently.

Next, the conceptual framework (see Figure 7.1) is tested and the results presented. This discussion is organised in five sections. Section A investigates the direct relationships between brand relationship management (BRM) and Franchisee-Based Brand Equity (FBBE). Section B provides the results on the relationships between BRM, Brand Relationship Quality (BRQ) and FBBE and further examines the mediating effect of BRQ on the relationship between BRM and FBBE. Section C examines the relationships between BRM, Brand Citizenship Behaviour (BCB) and FBBE and also presents findings of the mediating effect of BCB on the relationship between BRM and FBBE. The moderating roles of franchisor-franchisee relationship duration and franchisor competence on the relationship between BCB and FBBE as well as the relationship between BRQ and FBBE are investigated in Section D as shown in Figure 7.1. Finally, Section E tests the integrated model of FBBE and the results of comparative analyses are then presented. Figure 7.1 presents the hypothesised conceptual model to be tested.

Figure 7.1: Hypothesised Franchisee-Based Brand Equity Model



7.2 Preliminary Data Analyses

Data analysis involves the reduction of accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper & Schindler, 2006). Before proceeding to data analysis, it was necessary to examine data to ensure that they have been entered correctly into the data file. Further, missing data and outlier detection analysis, and tests for assessing the fundamental assumptions of multivariate techniques such as normality, linearity and homoscedasticity are then conducted. This section also presents descriptive results showing the participants' demographic profiles and their organisations.

7.2.1 Missing Data Analysis

As with most research, missing data were inevitable in this study and remedial action had to be taken since complete data were required for further analysis. In this study, missing data emerged only from mail surveys as online surveys forced participants to respond to every question. According to Hair *et al*. (2010), there are three basic methods for solving problems of missing data: (i) complete case or listwise deletion, (ii) pairwise deletion and (iii) model-based imputation. However, prior research discourages the use of both pairwise and listwise deletion methods as this can result in a low sample size (Allison, 2003). On the other hand, one very common approach involves maximum likelihood techniques that aim to model the processes underlying the missing data and make the most accurate estimation of the missing values (Little & Rubin, 2002). One such technique is the expectation maximisation (EM) approach, which estimates the values of each mean and covariance as if there were no missing data (Hair *et al*., 2010). As an iterative two-stage technique, the EM approach is most preferred because it provides better estimates of missing data as well as providing estimates of the parameters (such as means, standard deviations or correlations) assuming the missing data is replaced (Hair *et al*., 2010). For these reasons, the EM imputation was used in this study, as explained below.

It is suggested that the best approach depends on the randomness of the missing data, that is, data should be missing completely at random (MCAR) and a higher level of randomness is preferable (Hair *et al*., 2010). In order to check for missing data randomness in this study, the Little's MCAR test was conducted. This method is also recommended for higher levels of missing data (over 20%) (Hair *et al*., 2006:64). The Little's MCAR test results of Chi-Square = 42.86, df = 84 and p-value = 1.000 ($p > .05$) suggest that the missing data in this study was missing completely at random. After determining that the missing data is missing completely at random, researchers can use any of the two imputation approaches mentioned above (Little & Rubin, 2002). However, out of a total of 83 returned mail surveys, 11 questionnaires (cases) had more than 20% missing data, thus the complete case deletion technique was used to discard these 11 questionnaires (Hair *et al*., 2010). For other cases with relatively low missing values (less than 10%), the EM imputation method in SPSS was employed to calculate replacement values. Thus, subsequent tests and analyses reported in this chapter were conducted using complete data.

7.2.2 Outliers

Outliers are observations that have a unique combination of characteristics identified as being distinctly different from other observations in a particular data set (Byrne, 2009). Such outlying values can be very high or very low and affect the representativeness of the population and can seriously distort statistical tests (Hair *et al*., 2010). Thus, in this study, it was paramount to detect outliers and this was conducted using boxplots in SPSS 19 software. Outliers can arise from procedural error such as data entry error or can be due to extraordinary observations for which the research has no explanation (Hair *et al*., 2010). No outliers were identified during the data cleaning stage as arising from procedural error. Hence, only extreme observations were detected through boxplots. Standardised residual values above 3.3 or less than -3.3 were identified as outliers based on recommendations by Tabachnick and Fidell (2001). However, these values did not contain extreme values and were found to be representative of other observations in the population hence presented no threat to multivariate analysis (Hair *et al*., 2010). As a result, the outliers were retained to ensure generalisability to the entire population. The next section assesses multicollinearity.

7.2.3 Multicollinearity

Multicollinearity occurs when two or more independent variables are highly correlated (Tharenou, Donohue & Cooper, 2007). Highly correlated independent variables result in statistical and interpretational problems, since it is difficult to separate the effects of independent variables on the dependent variable (Hair *et al*., 2010). In this study, multicollinearity was examined through tolerances and variance inflation factors (VIF) in multiple regression as shown in Table 7.1. According to Kline (2005), a tolerance level of < .10 or VIF > 10 may indicate multicollinearity. Table 7.1 shows that multicollinearity is absent since all tolerance levels > .10 and VIF values < 10.

Table 7.1: Multiple Regression Tests for Multicollinearity

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.669	.430		-3.886	.000		
BRM	.569	.056	.436	10.131	.000	.303	3.299
BRQ	.634	.050	.422	12.616	.000	.504	1.986
BCB	.231	.054	.141	4.306	.000	.524	1.909
Franchisor competence	-.056	.036	-.067	-1.549	.122	.300	3.336
Relationship duration	.068	.067	.024	1.006	.315	.974	1.027

Note: Dependent Variable: Franchisee-based brand equity (FBBE)

7.2.4 Normality, Linearity and Homoscedasticity

Assessing normality is a fundamental assumption in multivariate analyses such as SEM, particularly when using AMOS (Arbuckle, 2007). Normality refers to the shape of data distribution for an individual metric variable and its correspondence to normal distribution (Hair *et al*., 2010). To assess normality of data distribution, two measures were used in this study, namely (i) skewness and (ii) kurtosis. Skewness describes the balance of the distribution, whereas kurtosis refers to the 'peakedness' or 'flatness' of the distribution compared with the normal distribution (Hair *et al*., 2010; Byrne, 2009). Data sets with absolute values of univariate skewness indexes (standard error values) greater than 3 are regarded as extremely skewed, while those with kurtosis greater than 8 are also viewed as being extreme (Kline, 1998). Using these guidelines, there was evidence of strong normal distribution (all standard errors of skewness < 3) and no items were found to be substantively kurtotic (all standard errors of kurtosis < 8). In addition, both the Shapiro-Wilks and Kolmogorov-Smirnov tests of normality showed non-significant differences from a normal distribution (p > .05) providing evidence of normality (Hair *et al*., 2010).

Linearity is considered as an implicit assumption of all multivariate techniques based on correlational measures of association (Hair *et al*., 2010). On the other hand, homoscedasticity refers to the assumption that the variability in scores for one variable is approximately the same as all values of the other variable (Tharenou, Donohue & Cooper, 2007). In this study, bivariate scatterplots were used to examine both linearity and homoscedasticity between pairs of variables. The scatterplots on all bivariate regressions were non-curvilinear with most of the scores concentrated in the centre (along the 0 point) exhibiting equal dispersion across all data values, supporting assumptions of both linearity and homoscedasticity. In addition, the Levene's test for equality of variances was also used to test for homoscedasticity (Hair *et al*., 2010). In this study, the independent same t-test was used examine the spread of the independent variables (brand relationship management, brand relationship quality, brand citizenship behaviour) across the groups (males vs. females) formed by the dependent variables (franchisee-perceived relationship value, franchisee-perceived brand loyalty and franchisee-perceived brand image). The results shown in Table 7.2 indicate that for all variables, the variances of the metric variables are assumed to be equal across males and females (i.e., all *p*-values are not significant at $\alpha = .05$).

Table 7.2: The Levene's Test for Homoscedasticity

Variables		**Levene's Test for Equality of Variances**	
		F	***p* - value**
Brand Relationship Management	Equal variances assumed	.040	.842*
	Equal variances not assumed		
Brand Relationship Quality	Equal variances assumed	.106	.745*
	Equal variances not assumed		
Brand Citizenship Behaviour	Equal variances assumed	.064	.800*
	Equal variances not assumed		
Franchisee-Perceived Relationship Value	Equal variances assumed	.158	.692*
	Equal variances not assumed		
Franchisee-Perceived Brand loyalty	Equal variances assumed	2.559	.111*
	Equal variances not assumed		
Franchisee-Perceived Brand image	Equal variances assumed	3.794	.052*
	Equal variances not assumed		

*$p > .05$
Note: Grouping variable = Gender (males vs. females)

The next section provides the demographic profiles of the participants covered in this study.

7.3 Sample Characteristics and Demographics

In Section G of the questionnaire (see Appendix B), participants' demographic information was collected. This data provided the descriptive statistics shown below.

7.3.1 Franchisor-Franchisee Relationship Characteristics

In Table 7.3, the characteristics of the relationship between the franchisee and franchisor covered in this study are presented.

Table 7.3: Franchisor-Franchisee Relationship Characteristics

Variable		Frequency	Percent
Relationship stage with this franchisor.	Building up stage	29	8.2
	Advanced stage	100	28.4
	Consolidated phase	153	43.5
	Relationship end stage	47	13.4
	Prefer not to answer	23	6.5
The number of years you have been working with this franchisor.	< 5 years	58	16.5
	5 - 10 years	173	49.1
	11 - 20 years	94	26.7
	21 - 30 years	23	6.5
	31 - 40 years	4	1.1
How long do you intend to stay with this franchise brand?	< 6 months	21	6
	0.5 - 5 years	57	16.2
	5 - 10 years	143	40.6
	11 - 20 years	97	27.6
	21 - 30 years	29	8.2
	31 - 40 years	3	.9
	> 41yrs or as long as possible	2	.6

Most key informants (43.5%) indicated that their relationship with the franchisor had reached a consolidated phase whilst about 13% were prepared to end their relationship anytime. Most of these franchisees (49%) specified that they had been working with the franchisor for 5 to 10 years while 7% had been in the relationship for over 20 years. Lastly, most key informants (40.6%) were happy to extend their contract for 5 to 10 more years and about 10% were prepared to exceed 20 years or as long as possible, whilst 6% indicated that if possible they were not prepared to spend over 6 months with the current franchise brand.

7.3.2 Characteristics of Key Informants

In Table 7.4, the characteristics of the key informants covered in this study are provided.

Table 7.4: Characteristics of Key Informants

Variable		Frequency	Percent
Gender	Male	246	69.9
	Female	106	30.1
Age	18 – 25 years	9	2.6
	26 – 35 years	40	11.4
	Above 36 years	303	86
Education	High school	52	14.8
	Certificate level	78	22.2
	Advanced diploma	43	12.2
	Graduate diploma	21	6
	Bachelor degree	89	25.3
	Postgraduate	66	18.8
	Other	3	.9
Location	ACT	4	1.1
	SA	16	4.5
	NT	8	2.3
	QLD	69	19.6
	TAS	4	1.1
	VIC	109	31
	WA	54	15.3
	NSW	88	25
Position	Franchisee	342	97.2
	Store manager/Supervisor	10	2.8
Number of years' experience in franchise business	< 5 years	167	47.4
	5 - 10 years	124	35.2
	Above 11 years	61	17.4
Do you own more than one franchise unit?	Yes	81	23
	No	271	77
If YES please indicate how many units you own.	Not applicable	271	77
	< 5 units	68	19.3
	6 - 10 units	10	2.8
	11 - 15 units	3	.9
Are your franchise units of the same brand?	Not applicable	271	77
	Yes	78	22.2
	No	3	.9

The demographic profiles indicate that most key informants (69.9%) were males and most (86%) were above 36 years of age and only 2.6% were between 18 and 25 years. About 25% of the respondents had a university qualification and a relatively large group (37%) had either a high school or certificate qualification. Most key informants (31%) were from Victoria, and most (97.2%) were franchisees. In terms of franchising experience, 47.4% of key informants had less than 5 years' experience. Most key informants (77%) were single-unit franchisees, whilst regarding multi-unit franchisees, 20% had fewer than 5 units, of which 22.2% were of the same franchise brand.

7.3.3 Characteristics of Participant Organisations

Table 7.5 illustrates the characteristics of the franchise organisations covered in this study.

Table 7.5: Characteristics of Participant Organisations

Variable		Frequency	Percent
Franchise type	Retail	47	13.4
	Automotive	16	4.5
	Coffee	25	7.1
	Fast-food	34	9.7
	Food and beverage	22	6.3
	Building & utilities	10	2.8
	Computer & internet	8	2.3
	Mobile	12	3.4
	Furniture & homeware	11	3.1
	Office supplies	9	2.6
	Home-based	8	2.3
	Real estate & property	12	3.4
	Accounting services	15	4.3
	Business services	24	6.8
	Cleaning	11	3.1
	Sports & fitness	10	2.8
	Advisory & professional services	26	7.4
	Health & beauty	10	2.8
	Financial services	42	11.9
Number of part-time employees	< 10	297	84.4
	10- 20	30	8.5
	> 21- 50	25	7.2
Full-time employees	< 10	302	85.8
	10- 20	33	9.4
	> 21- 50	17	4.8
Value of franchise unit (AUD$).	Low (< 300k)	183	52
	High (> 300k)	169	48

Franchising in Australia is a multiple industry and in this study, 20 distinct franchise types were covered. Most participant organisations (13.4%) were in the retail industry followed by financial services (12%). Most firms (84.4%) had fewer than 10 part-time employees and 85.8% had fewer than 10 full-time employees. In terms of the value of franchise firms, most franchisees (52%) were in the low bracket.

The above preliminary analyses were fundamental in facilitating the next stages of inferential analyses. Referred to as the "…investments in multivariate insurance" these preliminary techniques ensure the results of the multivariate analysis are truly valid and accurate (Hair *et al.*, 2010, p. 37). In the next section, measurement invariance tests are conducted.

7.4 Testing Measurement Invariance

Measurement invariance (or measurement equivalence) is normally tested when comparing different groups of the same sample, as it is important to ensure that groups are compared based on instruments that measure the same constructs (Vandenberg & Lance, 2000). To test for measurement invariance of constructs composed of continuous variables, the most frequently used SEM technique is the multi-sample confirmatory factor analysis (MCFA) also known as multiple group analysis (Hair *et al.*, 2010). The main objective of multiple group analysis is to check for any differences between individual group models and ensure that models conducted in different conditions yield equivalent representations of the same construct (Hair *et al.*, 2010). In some instances, this comparison facilitates cross-validation of models, in an attempt to replicate the results found in one sample using data from a different sample of the same population (Byrne, 2009; Hair *et al.*, 2010). In the present study, MCFA was used as an invariant-testing strategy to test the applicability of the FBBE model across the various franchise groups. This approach addresses problems associated with covariance structure modeling (or post hoc model fitting) in SEM in order to improve the goodness-of-fit of mal-fitting measurement models (Byrne, 2009; Cudeck & Browne, 1983).

The current study employed the measurement invariance technique to ascertain whether the FBBE model is equivalent across the franchising multi-industry context. Since franchisees (key informants) came from various franchise industries, it is highly possible that they conceptualise the constructs differently. For instance, franchises differ in terms of the level of uniformity, their receptivity to new product/service suggestions coming from their franchisees, and practices associated with allotting of territorial exclusivity (Dant, Grünhagen & Windsperger, 2011) thereby making franchising a multi-faceted research context. Given these differences across different franchises, it is therefore necessary to assess measurement invariance - an approach that is also used to control for industrial (contextual) differences. To examine measurement invariance, two categories were used in this study: (i) value of the franchise, and (ii) type of franchise ownership. In the first classification, franchisees were asked a categorical question to select the appropriate range depicting an estimated value of their franchise (see Appendix B). Then, collected data were transformed accordingly to define two independent samples (i.e., low vs. high investment franchises). In this study, franchise value (investment) was described as monetary value derived from the money paid by the franchisee to the franchisor, that is, initial (purchasing price) and ongoing (e.g., royalty and marketing fees) financial investments (Grace & Weaven, 2011) - hence franchises were classified as *low* and *high investment.* In the second category, franchisees were asked to indicate the number of franchise units they operate; these were then classified as either *single-unit* (only one) or *multi-unit* (more than one) franchisees.

Measurement invariance can be tested at various levels at which a hierarchical series of models can be examined to establish measurement equivalence (Widaman & Reise, 1997). The first stage is to confirm configural invariance that examines whether the same basic factor structure exists in all groups under study (Hair *et al*., 2010). According to Cheung and Rensvold (2002), configural invariance (the unconstrained baseline model) postulates that participants belonging to different groups conceptualise the constructs in the same way. The second stage tests for factor loading invariance (or metric invariance) and examines whether all factor loading parameters are equal across groups (Hair *et al*., 2010). Metric invariance is a prerequisite for meaningful group comparisons as one unit of change in one group would be equal to one unit of change in the other groups (Chen *et al*., 2005). The third stage is the assessment of intercept (scalar) invariance in which the points of origin are constrained to be equal across groups as well as factor loadings of the latent constructs. At this stage, the differences in the latent mean across groups are compared (Widaman & Reise, 1997). To achieve scalar invariance means, scores that have the same unit of measurement and are of the same origin should be comparable across different groups (Chen *et al*., 2005). In the fourth stage, residual invariance is measured which involves assessing structural residuals and measurement residuals of the structural model (Byrne, 2009). When residual invariance is equivalent across groups, this means all group differences on the measured variables are due only to group differences of the common factors (Chen *et al*., 2005). In addition, other advanced hierarchical models can then be tested after completing the above tests, such as factor variance and error term invariance. However, testing invariance at these levels means meeting strict ideal standards which is extremely difficult to achieve in most empirical studies (Hair *et al*., 2010; Chen *et al*., 2005). In the present study, measurement invariance was assessed mainly through configural invariance, factor loading, intercept and residual invariance as these are the most commonly-used types of invariance (Chen *et al*., 2005).

To assess model fit, a combination of fit indices were used namely; the ratio of the chi-square to its degrees of freedom (χ^2/df), TFI, NFI, CFI, PNFI, RMSEA and Hoelter 'Critical N' (Mavondo, Gabbott & Tsarenko, 2003). To assess measurement invariance under multi-sample confirmatory factory analysis, a series of models are estimated and invariance is tested by comparing goodness-of-fit indices. However, the Chi-square (χ^2) and the comparative fit index (CFI) are considered the optimal measures to determine the extent to which the parameters tested are operating equivalently across the groups (Byrne, 2009). The traditional χ^2 difference test compares the χ^2 values of the groups and statistically significant χ^2 differences at $p < .05$ argues for evidence of non-invariance (Hair *et al*., 2010; Byrne, 2009). For example, in configural invariance, a significant χ^2 difference test implies that factor loadings are not operating equivalently across the groups. Alternatively, the practical CFI difference approach compares the CFI values of the various models (Byrne, 2009) and (based on the cut-off point of .01) if the CFI difference test is less than .01, this indicates invariance across groups (Cheung & Rensvold, 2002). The question of which fit index or indices perform better still remains unanswered (Chen, 2007), whilst Byrne (2009) advises that researchers need to choose an approach they view as the most appropriate for the data under study or report results related to both χ^2 and CFI difference tests. However, as the χ^2 difference test is sensitive to sample size and violation of the normality assumption (Chen, 2007), the CFI difference approach is preferred in the current study, given its sample size of 352. The CFI difference test is relatively independent of sample size and performs well in small samples (Hu & Bentler, 1998) and it also assesses the extent to which the tested model is superior to an alternative model in replicating the observed covariance matrix (Bentler, 1990). The results of measurement invariance tests are discussed next.

7.4.1 Assessing Measurement Invariance between Low and High Value Franchisees

In the initial step, the loose cross-validation test was conducted. That is, the two models (low vs. high investment franchises) were run separately to assess model fit. The bootstrapping procedure was employed to ensure that the individual models met the sample size requirements (Hair *et al*., 2010). Results of the low investment franchises model showed satisfactory goodness-of-fit (χ^2 = 540.34, df = 265, p < .001, CMIN/df = 2.04, TLI = .94, NFI = .91, CFI = .95, PNFI = .74, RMSEA = .075, Hoelter = 212). Also, the high investment franchisees model exhibited evidence of good model fit (χ^2 = 391.57, df = 265, p < .001, CMIN/df = 1.48, TLI = .96, NFI = .91, CFI = .97, PNFI = .74, RMSEA = .053, Hoelter = 216). The results show that good fit of the baseline models was achieved before moving on to measurement invariance (Hair *et al*., 2010). Next, configural and metric invariance was tested and the results are reported in Table 7.6. In the first stage of configural invariance, the combined MCFA model (χ^2 = 931.92, *df* = 530, *p* < .001, CMIN/*df* = 1.76, TLI = .95, NFI = .91, CFI = .96, PNFI = .74, RMSEA = .047, Hoelter = 230) exhibit satisfactory levels of fit, thereby confirming configural invariance. In the next stage, metric invariance was assessed by constraining each matching variable to be equal across the two groups. The full metric model results (χ^2 = 969.73, *df* = 549, *p* < .001, CMIN/*df* = 1.77, TLI = .95, NFI = .90, CFI = .95, PNFI = .76, RMSEA = .047, Hoelter = 229) exhibit a statistically significant χ^2 difference of 37.81 with 19 degrees of freedom. These results suggest that some factor loadings are not operating equivalently across the two groups. According to Hair *et al.* (2010), failure to achieve full metric invariance calls for testing partial metric invariance or partial loadings equivalence. In this procedure, the researcher can 'free' the constraints on each factor that exhibit the largest differences in the hope that the χ^2 will become non-significant (Hair *et al.*, 2010, p. 761). Further, Hair *et al.* (2010) suggest that any form of structural model comparison must first exhibit at least partial metric invariance of the measurement model so as to compare the constructs across groups. The results of the partial metric model revealed evidence of non-significant difference based on χ^2 value change = 23.62 and degrees of freedom = 15 (see Table 7.6). Thus, evidence of partial metric invariance was found between the two models enabling the process of invariance to move to the next stage.

Table 7.6: Assessing Measurement Invariance between Low vs. High Value Franchisees

			Model fit measures						***Model differences***		
Model tested	**χ2**	***df***	**χ^2/ *df***	**RMSEA**	**NFI**	**TLI**	**CFI**	**H**	**$\Delta\chi^2$**	**Δ*df***	***p***
Group 1: Low	540.34	265	2.04	.075	.91	.94	.95	212	-	-	-
Group 2: High	391.57	265	1.48	.053	.91	.96	.97	216	-	-	-
Configural	931.92	530	1.76	.047	.91	.95	.95	230	-	-	-
Full metric	969.70	549	1.77	.047	.90	.95	.95	229	37.81	19	.019
Partial metric	955.54	545	1.75	.046	.90	.95	.96	230	23.62*	15	.132
Structural weights	994.55	560	1.78	.047	.90	.95	.95	227	39.02	15	.001
Structural covariances	997.96	561	1.78	.047	.90	.95	.95	227	42.42	16	.000
Structural residuals	1013.19	566	1.79	.048	.90	.94	.95	225	57.66	21	.000
Measurement residuals	1146.19	615	1.86	.050	.88	.94	.94	229	190.66	70	.000

*Non-significant difference between low vs. high value franchises at *p* < .05; n = 352, H = Hoelter 'Critical N'
Note: Model comparison is based on the partial metric invariance model since this was the best fitting model.

To interpret the equivalence of the postulated causal structure (i.e., the FBBE model) across low and high value franchises, a more practical approach to addressing the difference in CFI values was used for the reasons mentioned above. Thus, the change in CFI values amongst all the hierarchical models did not exceed .01 indicating that the model is completely and totally invariant across the two groups (Cheung & Rensvold, 2002). The ΔCFI values indicate that all factor loadings, structural paths, factor covariances, factor residual variances, and measurement error variances are equivalent across the calibration and validation samples (Byrne, 2009). In sum, optimal measurement invariance was achieved and the results suggest that measurement properties of the FBBE model were operating equivalently between low and high investment franchises. Consequently, this means that it is possible to compare structural relationships of the FBBE model between the two groups since there is evidence that measurement properties are equivalent across the groups.

7.4.2 Assessing Measurement Invariance between Single-Unit and Multi-Unit Franchisees

In the initial step, loose-cross validation tests were conducted separately using bootstrapping procedures on single-unit and multi-unit franchisees. Results of the single-unit franchisees model showed satisfactory goodness-of-fit (χ^2 = 530.02, *df* = 265, *p* < .001, CMIN/*df* = 2.00, TLI = .95, NFI = .93, CFI = .96, PNFI = .76, RMSEA = .061, Hoelter = 206). Also, the multi-unit franchisees model exhibited evidence of good model fit (χ^2 = 514.31, *df* = 265, *p* < .001, CMIN/*df* = 1.96, TLI = .94, NFI = .91, CFI = .95, PNFI = .74, RMSEA = .072, Hoelter = 207). The measurement models exhibited satisfactory model fit (see Table 7.7), qualifying the next stage of testing for configural as well as metric invariance.

Table 7.7: Assessing Measurement Invariance between Single-Unit vs. Multi-Unit Franchisees

Model tested	*Model fit measures*								*Model differences*		
	χ^2	*df*	χ^2/df	RMSEA	NFI	TLI	CFI	H	$\Delta\chi^2$	Δdf	*p*
Group 1: Single	530.02	265	2.00	.061	.93	.95	.96	206	-	-	-
Group 2: Multi	479.48	265	1.96	.072	.91	.94	.95	207	-	-	-
Configural	963.92	530	1.82	.048	.90	.94	.95	223	-	-	-
Full metric	1022.80	550	1.86	.050	.90	.94	.95	217	58.88*	20	.210
Structural weights	1038.71	561	1.85	.049	.90	.94	.95	218	15.92*	11	.144
Structural covariances	1038.76	562	1.85	.049	.89	.94	.95	218	15.96*	12	.193
Structural residuals	1044.56	567	1.84	.049	.89	.94	.95	219	21.76*	17	.194
Measurement residuals	1276.80	616	2.07	.055	.87	.92	.93	194	254.00	66	.000

*Non-significant difference between low vs. high value franchises at *p* < .05; n = 352, H = Hoelter 'Critical N'
Note: Model comparison is based on the full metric invariance model since this is the best fitting model.

In the first stage, the combined MCFA model (χ^2 = 963.92, *df* = 530, *p* < .001, CMIN/*df* = 1.82, TLI = .94, NFI = .90, CFI = .95, PNFI = .74, RMSEA = .048, Hoelter = 223) revealed satisfactory model fit, thereby confirming configural invariance. In the second stage, metric invariance was assessed by constraining each matching variable to be equal across the groups. The full metric model results (χ^2 = 1022.80, *df* = 550, *p* < .001, CMIN/*df* = 1.86, TLI = .94, NFI = .90, CFI = .95, PNFI = .76, RMSEA = .05, Hoelter = 217) exhibited statistically non-significant χ^2 difference ($\Delta\chi^2$ = 58.88, *df* = 20, *p* = .210 > .05). Thus, the two models exhibit full metric invariance; that is, the factor loadings are operating equivalently across the two groups. The third step involved the running of structural model comparison tests between the two groups. A closer look at both the ΔCFI values and $\Delta\chi^2$ values indicate significant evidence of measurement invariance between the single-unit and multi-unit franchisees. That is, the change in CFI values does not exceed the value .01 and except for the measurement residuals model, all other hierarchical models have statistically non-significant $\Delta\chi^2$ values (*p* > .05). It can therefore be concluded that the structural models (i.e., FBBE models) are completely and totally invariant across single-unit and multi-unit franchisees. In the next sections, the results of the sub-models of the conceptual model are presented.

7.5 SECTION A: Relationships between Brand Relationship Management and Franchisee-Based Brand Equity

7.5.1 Data Analysis Procedure: Structural Equation Modeling (SEM)

SEM is a statistical methodology that takes a hypothesis-testing approach to the analyses of a structural theory bearing on a phenomenon (Byrne, 2009). A structural theory specifies a conceptual representation of the relationships between constructs (Hair *et al*., 2010). SEM estimates coefficients in a set of linear relationships in which the functional relationships are described by parameter estimates (beta values) or path coefficients that show the magnitude and the direction of effect that the independent variables have on the dependent variable (Hair *et al.*, 2010). It is important to note that the change from a measurement model to a structural model suggests the application of the structural theory in terms of relationships among constructs. Thus, the measurement model is generally composed of all constructs with no causal or correlational relationships among them, while the structural model applies structural theory to specify related constructs and the nature of relationships (Hair *et al*., 2010).

In this study, SEM was used to test the conceptual model as it has several advantages. First, SEM allows researchers to explicitly manage measurement errors and include abstract and unobservable constructs, as it can estimate error variance parameters which cannot be done using traditional multivariate procedures (Byrne, 2009). Second, SEM combines theory with data and goes beyond to confirm theory with a set of data (Fornell, 1982), thereby helping to test multiple interrelated dependence relationships in a single model which cannot be done by other multivariable techniques (Blunch, 2008). Lastly, SEM can also be used to examine the best fitting model and can test interrelated dependence relationships in a single model which cannot be done by other multivariate techniques (Hair *et al.*, 2006). To test the best-fit of a hypothesised model, SEM seems to be the most appropriate method of analysis as it produces comprehensive overall goodness-of-fit (GOF) (Hair *et al.,* 2010). In other words, using a confirmatory approach, the theoretical model of this study is tested using SEM to determine if the pattern of variances and co-variances in the data are consistent with the structural or path model of this study. It is because of these highly desirable characteristics that SEM has become a "...popular methodology for non-experimental research..." (Byrne, 2009, p. 4) and therefore was used to test hypothesised relationships of this study. SEM was performed using Analysis of Moment Structures (AMOS) 19 for Windows software program. AMOS provides a user-friendly graphical user interface that is easy to understand, and data can be imported directly from SPSS (Kline, 1998).

In the next section, the direct relationship between brand relationship management (independent variable) and franchisee-based brand equity (dependent variable) is examined. After testing the direct effects, the study then investigates the mediating effect of brand relationship quality on the relationship between brand relationship management and franchisee-based brand equity.

7.5.2 Effects of Brand Relationship Management on Franchisee-Based Brand Equity

In this section, the direct relationship between BRM and FBBE is investigated. FBBE was operationalised as a three-dimensional construct including: (i) franchisee-perceived relationship value, (ii) franchisee-perceived brand image, and (iii) franchisee-perceived brand loyalty. The following hypothesis is tested:

H1: *Brand relationship management is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

To test the above hypotheses, SEM procedures were used and the structural model shown in Figure 7.2 was produced. The model's goodness-of-fit indices are shown in Table 7.8.

Figure 7.2: Structural Model of the Direct Effects of Brand Relationship Management on Franchisee-Based Brand Equity

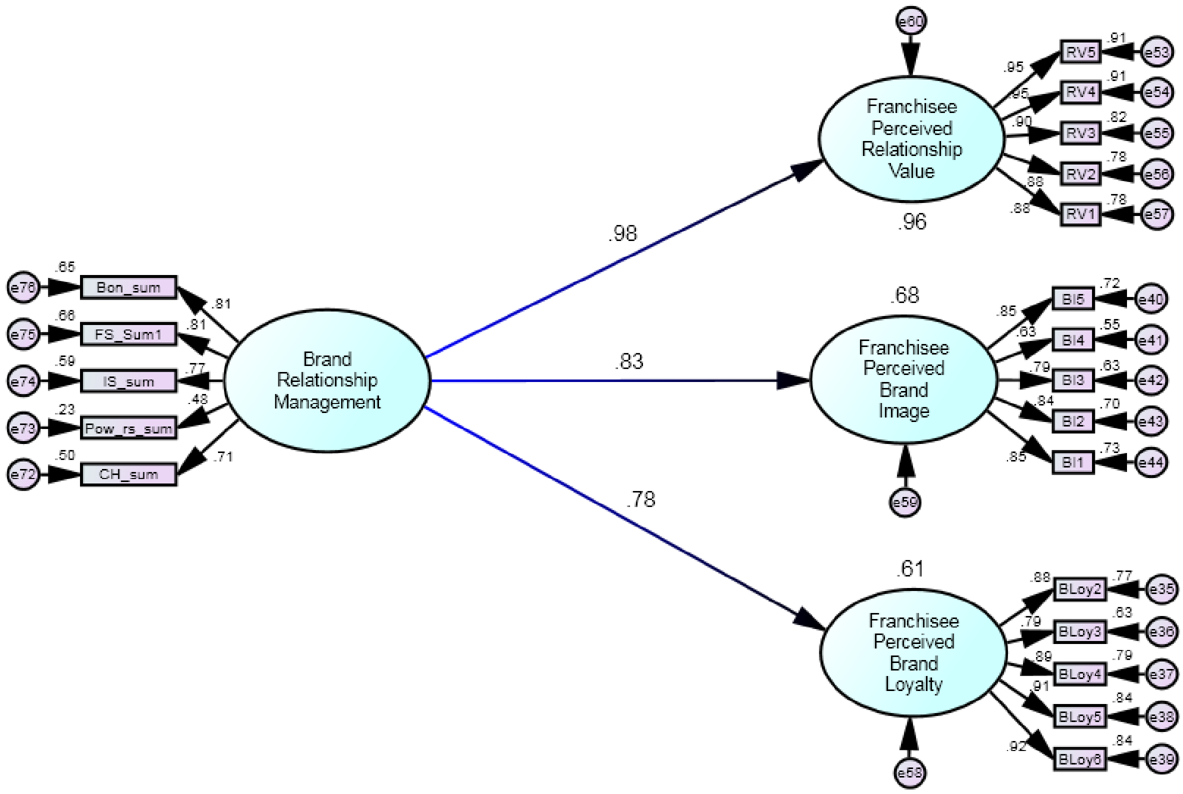


Table 7.8: Goodness-of-Fit Results for the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	345.98	Tucker-Lewis Index (TLI)	.97
Degrees of freedom	153	Normed Fit Index (NFI)	.96
p-value	.000	Comparative Fit Index (CFI)	.97
CMIN/*df*	2.26	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.92	PNFI	.77
Adjusted GFI (AGFI)	.89	AIC (Default model)	459.98
RMSEA	.060	AIC (Independence model)	7712.46
Hoelter 'Critical N'	200		

Table 7.8 shows an acceptable fit for the structural model depicting the relationships between BRM and FBBE. This is based on the χ^2 = 345.98, CMIN/*df* value of 2.26, GFI of .92, AGFI of .89 and the RMSEA estimate of .06. The slightly lower AGFI =.89 is considered acceptable as it is closer to .90 (Sharma *et al*., 2005). The model's comparative indices (TLI, CFI and TLI) are all above the recommended value of .90, which indicates a good model fit. Lastly, the Hoelter 'Critical N' value of 200 suggests that the model adequately represents the sample data.

Table 7.9: Effects of Brand Relationship Management on Franchisee-Based Brand Equity

Hypotheses	***B***	***t*-value**	**Result**
H1a: BRM → Franchisee perceived brand image	.83	13.25***	**Supported**
H1b: BRM → Franchisee perceived brand loyalty	.78	13.54***	**Supported**
H1c: BRM → Franchisee perceived relationship value	.98	16.72***	**Supported**

***$p < .001$

The results in Table 7.9 show that BRM positively influences franchisee-perceived brand image (β = .83, t = 13.25, p < .001), providing support for Hypothesis 1a. The relationship between BRM and franchisee-perceived brand loyalty is positive and statistically significant (β = .78, t = 13.54, p < .001), thereby supporting Hypothesis 1b. Lastly, BRM has a positive and significant influence on franchisee-perceived relationship value (β = .98, t = 16.72, p < .001), providing support for Hypothesis 1c.

In the next section, the mediating effect of brand relationship quality on the relationship between brand relationship management and franchisee-based brand equity is discussed.

7.6 SECTION B: Mediating Effects of Brand Relationship Quality on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

7.6.1 Investigating the Relationships between Brand Relationship Management, Brand Relationship Quality and Franchisee-Based Brand Equity

Before testing for mediation, this section investigates the direct relationships among the three variables (brand relationship management, brand relationship quality and franchisee-based brand equity) and SEM techniques were used to test the following hypothesised relationships.

H2: *Brand relationship management is positively related to brand relationship quality.*

H3: *Brand relationship quality is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

SEM procedures were used to test these hypotheses. A structural model was developed as shown in Figure 7.3 and its goodness-of-fit indices are shown in Table 7.10.

Table 7.10: Goodness-of-Fit Tests for the Relationship between Brand Relationship Management, Brand Relationship Quality and Franchisee-Based Brand Equity Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	532.28	Tucker-Lewis Index (TLI)	.95
Degrees of freedom	210	Normed Fit Index (NFI)	.94
p-value	.000	Comparative Fit Index (CFI)	.96
CMIN/*df*	2.54	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.88	PNFI	.78
Adjusted GFI (AGFI)	.85	AIC (Default model)	664.28
RMSEA	.066	AIC (Independence model)	8417.50
Hoelter 'Critical N'	205		

Table 7.10 shows an acceptable model fit for the above structural model. This is supported by the χ^2 = 532.28, CMIN/*df* value of 2.54, GFI of .88, AGFI of .85 as well as the RMSEA estimate of .066. The model comparative indices (TLI, CFI and TLI) are all above the recommended value of .90, which indicates a good model fit. Lastly, the Hoelter 'Critical N' value of 205 suggests that this model adequately represents the sample data.

Figure 7.3: The Structural Effects of Brand Relationship Quality on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

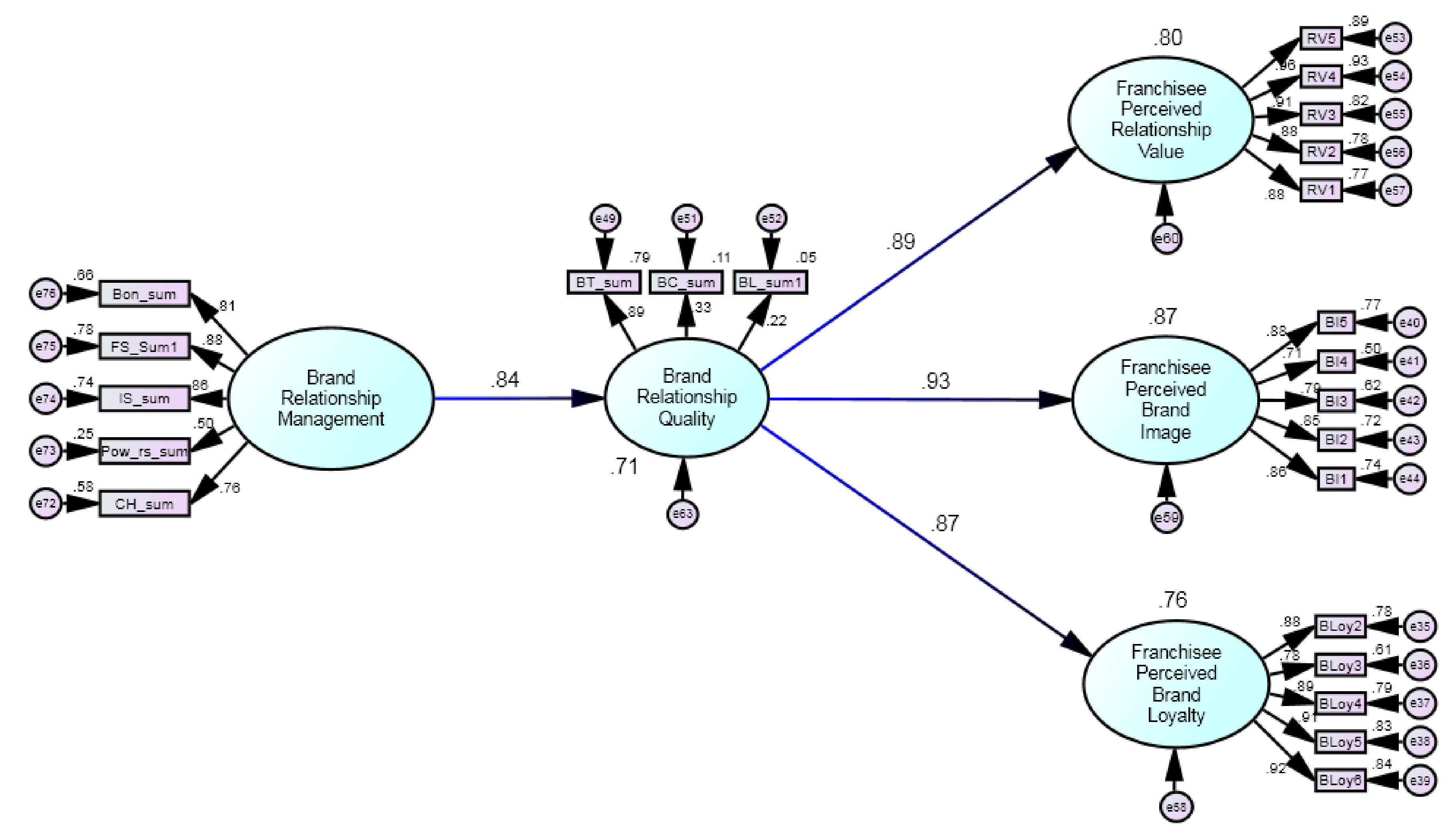


Table 7.11: Results of the Relationships between Brand Relationship Management, Brand Relationship Quality and Franchisee-Based Brand Equity Model

Hypotheses	*Β*	*t*-value	Result
H2: BRM → BRQ	.84	14.88***	**Supported**
H3a: BRQ → Franchisee perceived brand image	.93	20.59***	**Supported**
H3b: BRQ → Franchisee-perceived brand loyalty	.87	20.37***	**Supported**
H3c: BRQ → Franchisee perceived relationship value	.89	22.88***	**Supported**

***$p < .001$

Table 7.11 shows that Hypothesis 2 is supported ($\beta = .84$, t = 14.88, $p < .001$) indicating that BRM positively influences BRQ. Further, BRQ positively influences franchisee-perceived brand image ($\beta = .93$, t = 20.59, $p < .001$) supporting Hypothesis 3a. The results also show that BRQ positively influences franchisee-perceived brand loyalty, a relationship that is also statistically significant ($\beta = .87$, t = 20.37, $p < .001$). Hence, Hypothesis 3b is supported. Lastly, it can be noted that BRQ also positively and significantly influences franchisee-perceived relationship value ($\beta = .89$, t = 22.88, $p < .001$), thus supporting Hypothesis 3c.

To test the mediating effect of BRQ, this study employed the recommended and more innovative bootstrapping technique explained in the next section.

7.6.2 Mediation Analyses

Mediation analysis describes how or by what means, an independent variable *(X)* affects a dependent variable *(Y)* through one or more potential intervening variables known as mediators *(M)* (Preacher & Hayes, 2008). Various techniques can be used to test for mediation and inarguably such tests are often guided by the multistep or causal approach proposed by Baron and Kenny (1986). However, recently there has been growing evidence showing some potential shortcomings of the Baron and Kenny approach (see MacKinnon *et al*., 2002; Preacher & Hayes, 2004, 2008). For instance, in their approach, Baron and Kenny (1986) suggested that the starting point to establish mediation (Step 1) should be a significant zero-order effect of the independent variable on the dependent variable (Zhao, Lynch & Chen, 2010). This *X*-*Y* test has been labelled the ‘effect to be mediated’ (Preacher & Hayes, 2004) and researchers argue that this intuition is incorrect, since “…without an effect to be mediated, there is no point in further investigating whether the effect of *X* on *Y* is in fact mediated by *M* (Zhao *et al*., 2010, p. 199). On the other hand, other researchers posit that as the mediation analysis becomes complex, the size of the *X* to *Y* association is significantly reduced because it is more likely to be “…(a) transmitted through additional links in a causal chain, (b) affected by competing causes, and (c) affected by random factors" (Shrout & Bolger, 2002, p.429). Given these premises, researchers have therefore questioned whether it is necessary to first demonstrate that *X* is correlated with *Y* (Shrout & Bolger, 2002), whilst others have presented evidence to show that this first step is no longer essential in establishing mediation (see Kenny, Kashy, & Bolger, 1998).

Consequently, there are increasing calls for mediation analyses to be based on the innovative non-parametric bootstrapping technique recommended by MacKinnon *et al*., (2002). This procedure was further articulated by Preacher and Hayes (2004, 2008) who argued that the one and only requirement to demonstrate mediation is a significant indirect effect (*a x b*) which can also be established through a Sobel test. The indirect effect is represented by the product of the coefficients and, although useful, the Sobel test assumes that this (*a x b*) effect is normally distributed. However, this assumption is questionable since the distribution of (*a x b*) is known to be non-normal even if the variables constituting this indirect effect are normally distributed (Zhao *et al*., 2010). Thus, bootstrapping provides a solution to the Sobel test by generating an empirical sampling distribution of (*a x b*). In other words, it takes the researcher's sample size of *N* and from it draws with replacement *N* values of *(X, M, Y)* to create a new sample. In fact, the test relies on the 95% confidence intervals (CIs) from the empirical distribution of (*a x b*) estimates (Zhao *et al*., 2010, p. 202). Hence, the bootstrapping technique is highly recommended (Preacher & Hayes, 2008; Zhao *et al*., 2010) and this has been used to test for mediation hypotheses in this study using an application developed by Preacher and Hayes (2004).

Preacher and Hayes developed an SPSS macro that facilitates the estimation of the indirect effect (*a x b*), that includes a normal theory approach (i.e., the Sobel test) and with a bootstrap approach to obtain CIs, and it also incorporates the multistep procedures described by Baron and Kenny (1986). Whilst, the bootstrapping procedure cannot account for measurement error as SEM does (since it calculates mediation using observed variables), the technique can quantify specific indirect effects associated with each mediator, which is currently not feasible in AMOS (Preacher & Hayes, 2008). In addition, the Preacher-Hayes script is very user-friendly since it allows an easy point-and-click application in assessing mediation (Zhao *et al*., 2010). The bootstrap data is interpreted by examining whether zero (0) is present in the 95% CIs. That is, if the CI does not include zero, then the indirect effect (*a x b*) is significant and mediation is established. Researchers then need to determine whether mediation is complementary, competitive or indirect-only. Otherwise, if the CI includes zero, the indirect effect is not significant and the mediation hypothesis is rejected, indicating that there is direct-only non-mediation or no-effect non-mediation (i.e., neither direct effect nor indirect effect exists) (Zhao *et al*., 2010).

7.6.2.1 Mediating Effects of Brand Relationship Quality on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

In this section, the bootstrapping method was used to test the mediating effect of BRQ on the relationship between BRM and FBBE (franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value) as hypothesised below:

H4: *Brand relationship quality positively mediates the relationship between brand relationship management and (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

Table 7.12 provide results of the mediating effect of BRQ on the proposed three components of FBBE. The tests were run using 5000 bootstrap samples to provide the effects, 95% bias-corrected and accelerated (BCa) confidence intervals, and *p*-values for the indirect and the contrast effects.

Table 7.12: Mediating effects of Brand Relationship Quality on the Link between Brand Relationship Management and Franchisee-Based Brand Equity

Hypothesis	IV	M	DV	c'	a x b	c	LL	UL	Result
H4a	BRM	BRQ	FPRV	1.00	.12***	1.12	**.08**	**.18**	**Supported**
R^2 = .73; Adj R^2 = .72; F = 460.99; $p < .001$									
H4b	BRM	BRQ	FPBI	.44	.18***	.62	**.12**	**.24**	**Supported**
R^2 = .57; Adj R^2 = .56; F = 226.53; $p < .001$									
H4c	BRM	BRQ	FPBL	.59	.19***	.78	**.13**	**.26**	**Supported**
R^2 = .55; Adj R^2 = .54; F = 209.87; $p < .001$									

***$p < .001$
Note: LL = lower limit; UL = upper limit; FPRV = Franchisee-Perceived Relationship Value, FPBI = Franchisee-Perceived Brand Image, FPBL = Franchisee-Perceived Brand Loyalty, mediating variable = M, direct effects = c', indirect effects = a x b, total effects = c.

Hypothesis 4a examined the mediating effect of BRQ on the relationship between BRM and FPRV and the results (see Table 7.12) show that the 95% BCa confidence intervals around the indirect did not contain zero (.08 to .18). The normal theory tests concur with the bootstrap results to show that the indirect effect (*a x b*) is significant, providing evidence of BRQ as a mediator variable (β = .12, z = 5.39). The direct effect and total effect on this link are significant (p < .001) providing evidence of complementary (partial) mediation (Preacher & Hayes, 2008). Hypothesis 4b investigated the mediating effect of BRQ on the relationship between BRM and FPBI and the results indicate that the 95% BCa confidence intervals around the indirect did not contain zero (.12 to .24). Also, the normal theory test shows that the indirect effect (*a x b*) is significant, providing evidence of the mediation effect of BRQ (β = .18, z = 6.12). Both the direct effect and total effect are positive and statistically significant, indicating that BRQ partially mediates the relationship between BRM and FPBI. Hypothesis 4c examined the mediating effect of BRQ on the relationship between BRM and FPBL and the results show that the 95% BCa confidence intervals around the indirect did not contain zero (.13 to .26). The normal theory test concurs with the bootstrap results showing that the indirect effect (*a x b*) is significant, and shows a mediation effect of BRQ (β = .19, z = 5.89). Both the direct effect and total effect are positive and statistically significant suggesting complementary mediation. In sum, there was evidence that BRQ partially mediates the link between BRM and FBBE, as shown by significant direct and indirect effects of BRM on all FBBE dimensions. In the next section, the mediating effect of brand citizenship behaviour on the relationship between brand relationship management and franchisee-based brand equity is discussed. However, direct relationships between brand relationship management, brand citizenship behaviour and franchisee-based brand equity are examined first.

7.7 SECTION C: Mediating Effects of Brand Citizenship Behaviour on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

7.7.1 Investigating the Relationships between Brand Relationship Management, Brand Citizenship Behaviour and Franchisee-Based Brand Equity

Similarly, before testing for the mediation, this section investigates the relationships between BRM, BCB and FBBE using SEM procedures and examines the following hypotheses:

H5: *Brand relationship management is positively related to brand citizenship behaviour.*

H6: *Brand citizenship behaviour is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

Goodness-of-fit results are shown in Table 7.13 and Figure 7.4 shows the structural model.

Table 7.13: Goodness-of-Fit Results for the Relationship between Brand Relationship Management, Brand Citizenship Behaviour and Franchisee-Based Based Equity Model

Goodness-of-fit measures	**Result**	**Goodness-of-fit measures**	**Result**
Absolute fit measures		**Incremental fit measures**	
χ^2	514.35	Tucker-Lewis Index (TLI)	.96
Degrees of freedom	212	Normed Fit Index (NFI)	.94
p-value	.000	Comparative Fit Index (CFI)	.96
CMIN/*df*	2.43	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.90	PNFI	.79
Adjusted GFI (AGFI)	.86	AIC (Default model)	642.35
RMSEA	.064	AIC (Independence model)	8562.82
Hoelter 'Critical N'	202		

Table 7.13 shows that the structural model falls within the commonly accepted ranges for acceptable model fit. The χ^2 = 514.35, CMIN/*df* value of 2.43, GFI of .90, AGFI of .86 and the RMSEA estimate of .064 indicates satisfactory model fit. The model's comparative indices (TLI, CFI and TLI) are all above the recommended value of .90, which indicates excellent model fit. Additionally, the PNFI value of .79 indicates a good-fitting parsimonious model. Lastly, the Hoelter 'Critical N' value of 202 suggests that this model adequately represents the sample data.

Figure 7.4: The Structural Effects of Brand Citizenship Behaviour on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

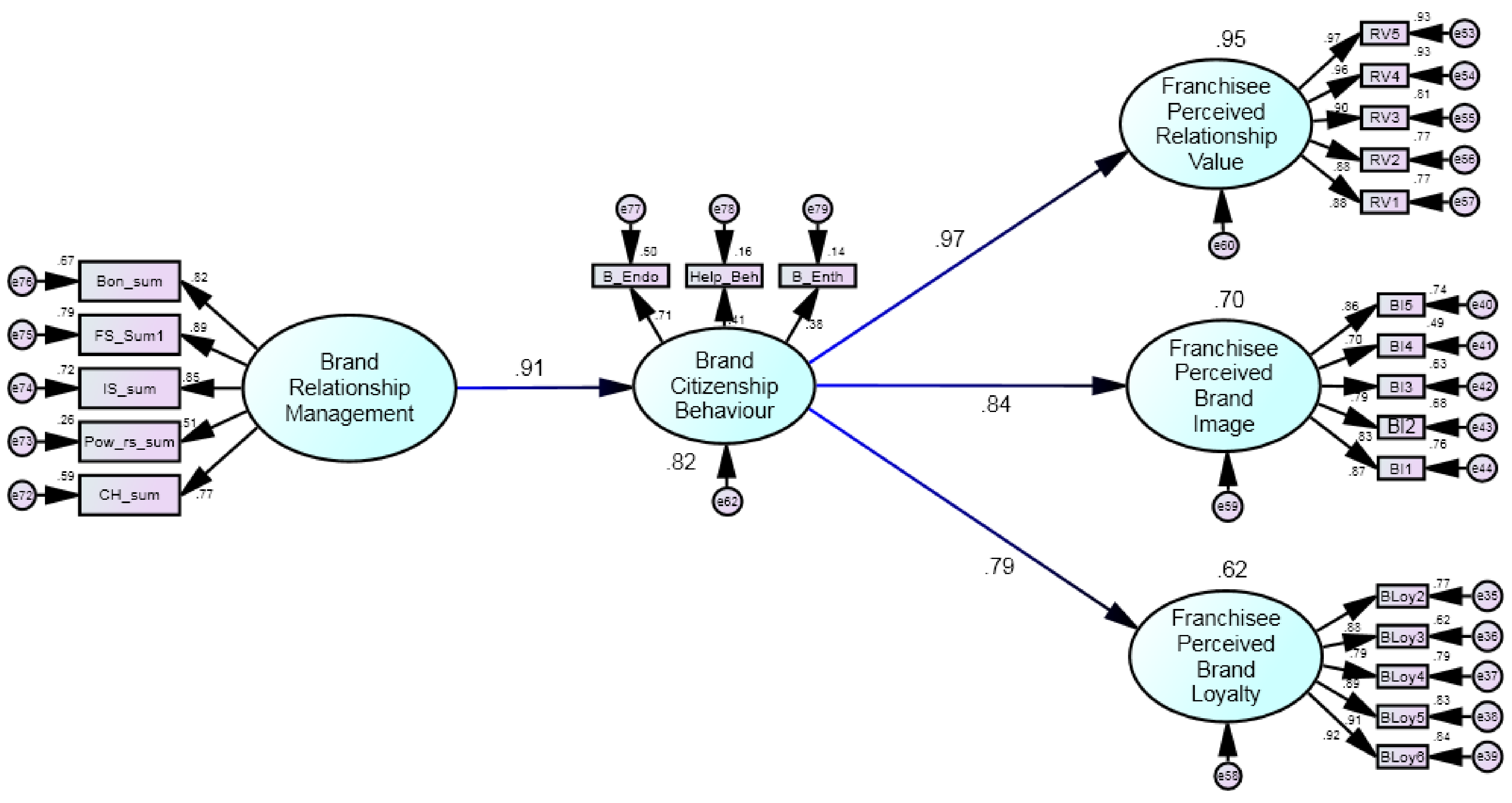


Table 7.14: Results of the Direct Effects between Brand Relationship Management, Brand Citizenship Behaviour and Franchisee-Based Based Equity

Hypotheses	β	*t*-value	Result
H5: BRM → BCB	.91	12.81***	**Supported**
H6a: BCB → Franchisee perceived brand image	.84	13.47***	**Supported**
H6b: BCB → Franchisee-perceived brand loyalty	.79	13.19***	**Supported**
H6c: BCB → Franchisee perceived relationship value	.97	16.65***	**Supported**

***$p < .001$

Table 7.14 shows that BRM positively influences BCB (β = .91, t = 12.81, p < .001), providing support for Hypothesis 5. BCB also has a strong positive impact on franchisee-perceived brand image (β = .84, t = 13.47, p < .001), supporting Hypothesis 6a. The results in Table 7.14 also indicate BCB positively and significantly influences franchisee-perceived brand loyalty (β = .79, t = 13.19, p < .001), thus Hypothesis 6b is supported. Lastly, positive significant effects also emerged between BCB and franchisee-perceived relationship value (β = .97, t = 16.65, p < .001) supporting Hypothesis 6c. Similar to Section 7.6.2.1, this study employed the bootstrapping technique to test the mediating effect of BCB and the results are discussed next.

7.7.2 Results of the Mediating Effect of Brand Citizenship Behaviour on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

In this section, the mediating effect of BCB on the relationship between BRM and FBBE is investigated using the bootstrapping method. Thus, the following hypothesis is examined:

H7: *Brand citizenship behaviour positively mediates the relationship between brand relationship management and (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

Table 7.15 provides results of the mediating effect of BCB on the proposed three components of FBBE. The above tests were run using 5000 bootstrap samples to provide the effects, 95% BCa confidence intervals, and *p*-values for the indirect and the contrast effects.

Table 7.15: Mediating Effects of Brand Citizenship Behaviour on the Link between Brand Relationship Management and Franchisee-Based Brand Equity

Hypothesis	IV	M	DV	c'	a x b	c	LL	UL	Result
H7a	BRM	BCB	FPRV	.99	.13***	1.12	**.08**	**.19**	**Supported**
$R^2 = .70$; Adj $R^2 = .69$; $F = 405.13$; $p < .001$									
H7b	BRM	BCB	FPBI	.41	.21***	.62	**.15**	**.27**	**Supported**
$R^2 = .50$; Adj $R^2 = .49$; $F = 171.63$; $p < .001$									
H7c	BRM	BCB	FPBL	.52	.26***	.78	**.19**	**.34**	**Supported**
$R^2 = .54$; Adj $R^2 = .53$; $F = 202.36$; $p < .001$									

***$p < .001$

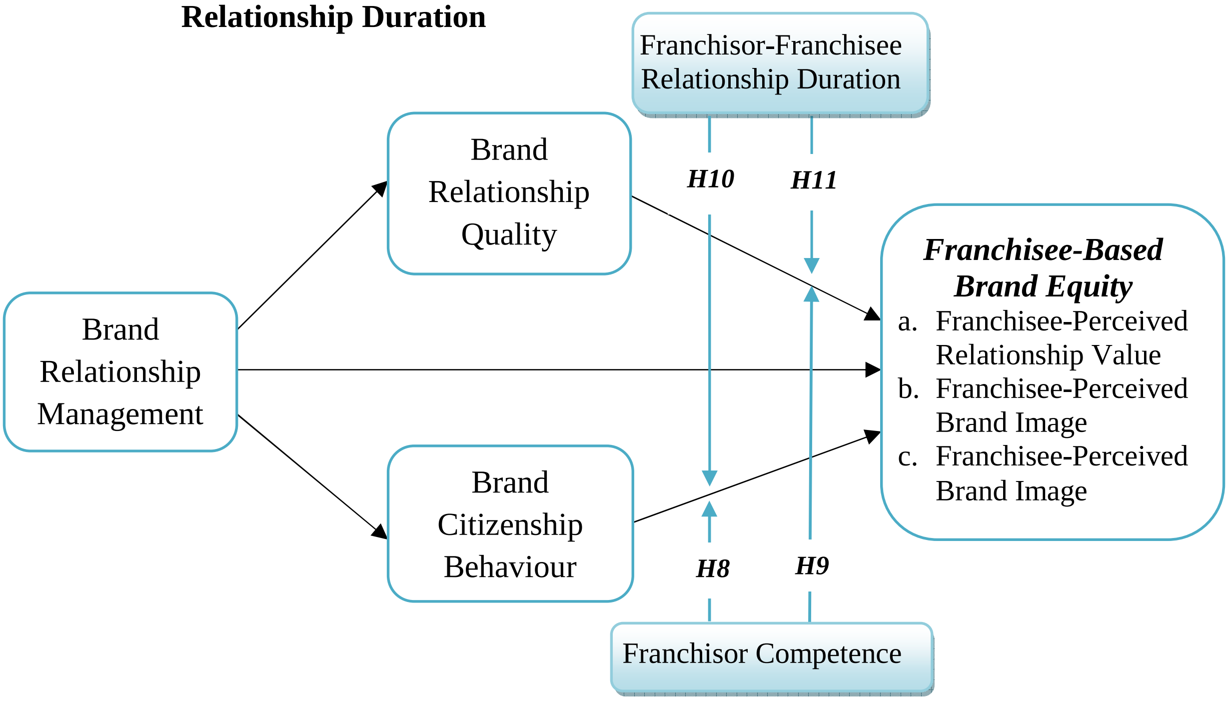
Notes: LL = lower limit; UL = upper limit; FPRV = Franchisee-Perceived Relationship Value, FPBI = Franchisee-Perceived Brand Image, FPBL = Franchisee-Perceived Brand Loyalty, mediating variable = M, direct effects = c', indirect effects = a x b, total effects = c.

Hypothesis 7a examined the mediating effect of BCB on the relationship between BRM and FPRV, and the results (see Table 7.15) show that the 95% BCa confidence intervals around the indirect do not contain zero (.08 to .19). The normal theory tests concur with the bootstrap results to show that the indirect effect (*a x b*) is significant, providing evidence of BCB as a mediator variable (β = .13, z = 5.14). Both the direct effect and total effect are positive and statistically significant ($p < .001$), thus BCB partially mediates the effects of BRM and FPRV and therefore Hypothesis 7a is supported. The results of the mediating effect of BCB on the relationship between BRM and FPBI (Hypothesis 7b) show that the 95% BCa confidence intervals around the indirect do not cross zero (.15 to .27). Also, the normal theory test concurs with the bootstrap results showing that the indirect effect (*a x b*) is significant (β = .21, z = 7.04). Also, the direct effects and total effects are positive and statistically significant, indicating that BCB partially mediates the BRM – FPBI path, hence providing support for Hypothesis 7b. Lastly, Hypothesis 7c investigated the mediating effect of BCB on the relationship between BRM and FPBL and the results show that the 95% BCa confidence intervals around the indirect do not contain zero (.19 to .34). The normal theory test concurs with the bootstrap results showing that the indirect effect (*a x b*) is significant (β = .26, z = 7.26). The direct effects and total effects are positive and statistically significant, indicating that BCB partially mediates the relationship between BRM and FPBL, thereby supporting Hypothesis 7c. Hence, it can be concluded that BCB partially mediates the effects of BRM on all three dimensions of FBBE; hence supporting Hypothesis 7. Next, the moderating effects of the franchisor competence and franchisor-franchisee relationship duration are discussed.

7.8 SECTION D: Moderating Effects of Franchisor Competence and Franchisor-Franchisee Relationship Duration

Hypotheses 8, 9, 10 and 11 investigate the interaction effects of franchisor competence and franchisor-franchisee relationship duration on the relationships between BRQ and FBBE; and BCB and FBBE as illustrated in Figure 7.5.

Figure 7.5: Moderating Roles of Franchisor Competence and Franchisor-Franchisee Relationship Duration



H8: *The more competent the franchisor, the stronger the effect of brand citizenship behaviour on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H9: *The more competent the franchisor, the stronger the effect of brand relationship quality on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H10: *The longer the franchisor-franchisee relationship duration, the stronger the effect of brand citizenship behaviour on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H11: *The longer the franchisor-franchisee relationship duration, the stronger the effect of brand relationship quality on (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

7.8.1 Moderation Analyses

A moderated effect of a certain focal variable *(F)* on outcome variable *(Y)* is one where its size or direction depends on the value of a third moderator variable *(W)* (Hayes & Matthes, 2009). To probe for interactions in linear models, more rigorous and appropriate techniques can be used such as the simple-slope approach (Hayes & Matthes, 2009; Aiken & West, 1991). The simple-slope approach is used to select representative values (high, medium, low) of the moderator variable and then estimate the effect of the focal variable at those values (see Cohen, Cohen, West, & Aiken, 2003). However, some methodologists argue that with this approach there are arbitrary guidelines for picking the points at which to probe the interaction (Hayes & Matthes, 2009). Alternatively, the Johnson-Neyman (J-N) technique proposed by Johnson and Neyman (1936) is further recommended since it identifies the regions of significance of the moderator variable where the effect of the focal predictor on the outcome is statistically significant and where it is not significant (Hayes & Matthes, 2009). Thus, to better understand the nature of the interactions, the present study adopted the simple slope analysis and the J-N techniques using the SPSS MODPROBE macro proposed by Hayes and Matthes (2009). This macro automatically detects whether the moderator is dichotomous and, if so, calculates the effect of the focal predictor at each value of the moderator observed in the data (Hayes & Matthes, 2009). In addition, this macro allows a combination of approaches to be used as it produces output results for both simple slope and J-N techniques.

In the present study, the principle of simple slopes was applied using the mean centring approach to estimate the effect of the focal variable among those relatively low, moderate, and high on the moderator variable. According to Hayes and Matthes (2009), *low* refers to one standard deviation below the mean (-1SD), *moderate* is the sample mean, and *high* is one standard deviation above the mean (+1SD). In other words, this approach uses moderated regression analysis to test direct, indirect and total effects at these selected levels of the moderator variable (Aiken & West, 1991). The J-N technique involves the use of two closely-related procedures to evaluate conditional effects, namely the computation of regions of significance and confidence bands (Bauer & Curran, 2005). The regions of significance describe the levels of the covariate at which the group mean difference is significant from zero, whereas the confidence bands convey the precision with which the group mean difference is estimated at each level of the covariate (Bauer & Curran, 2005). Thus, W moderates the relationship between X and Y for values of W where the confidence bands do not contain zero and these bands can easily be plotted to facilitate the interpretation of interaction effects (Preacher, Rucker & Hayes, 2007).

In a nutshell, the two main advantages of using the J-N technique are: (i) regions of significance provide an inferential test for any possible simple slope of the focal predictor variable, and (ii) the confidence bands graphically show the precise estimate of the focal predictor over the full range of the moderator (Bauer & Curran, 2005). Thus, to test Hypotheses 8 to 11, this study utilised an SPSS MODPROBE macro for probing interactions in ordinary least squares (OLS) and logistic regression designed by Hayes and Matthes (2009). This macro facilitates the implementation of the recommended bootstrapping methods and provides a method for ascertaining the significance of interaction effects at different values of the moderator variable (Preacher, *et al.*, 2007).

Further, assuming that the moderation tests for Hypotheses 8, 9, 10 and 11 receive support, it may be likely that the strength of the hypothesised indirect effects are conditional on the value of the moderator variables (franchisor competence and franchisor-franchisee relationship duration) as shown in Figure 8.5. This effect has been referred to as the *conditional indirect effect,* also known as moderated mediation (Preacher *et al*., 2007). Moderated mediation occurs when the strength of an indirect effect is conditional on the levels of the moderator variable (Preacher *et al*., 2007; Muller, Judd, & Yzerbyt, 2005). The current study used the MODMED SPSS syntax developed by Preacher, *et al*. (2007) to conduct moderated mediation analyses. The macro also uses the bootstrapping procedures to investigate the significance of the conditional indirect effects at different values of the moderator.

7.8.2 Interaction Effects of Franchisor Competence and Franchisor-Franchisee Relationship Duration

7.8.2.1 Moderating Effects of Franchisor Competence

In this section, the moderating effects of franchisor competence on the (i) relationship between BCB and FBBE (Hypothesis 8), and (ii) relationship between BRQ and FBBE (Hypothesis 9) are investigated. Table 7.16 shows initial evidence regarding significant and non-significant interactions at 95% confidence intervals. It can be noted that the conditional effect of franchisor competence on the following hypothesises is not statistically significant on: H8a, the relationship between BCB and FPBI (β = -.03, t = .03); H8b, relationship between BCB and FPBL (β = .05, t = 1.13); H8c, relationship between BCB and FPRV (β = .06, t = 1.63); and H9c relationship between BRQ and FPRV (β = .00, t = .05). As a result, Hypotheses 8a, 8b, 8c and 9c are not supported (see Table 7.16). However, it can be noted that, franchisor competence significantly moderates the effect of BRQ on the outcome variable FPBI (β = .08, t = 3.05), thereby supporting Hypothesis 9a. Also, the results indicate that the interaction between BRQ and franchisor competence on FPBL is significant (β = .08, t = 2.12), in support of Hypothesis 9b.

Table 7.16: Interaction Effects of Franchisor Competence on the Relationship between Mediator Variables (Brand Citizenship Behaviour and Brand Relationship Quality) and Franchisee-Based Brand Equity

Hypotheses	*Y*	Interactions	*B*	SE	t	*p*	Model summary	Result
H8a	FPBI	BCB (*F*)	.77	.16	4.82	.000	R^2 = .53; *F*- value (3, 348) = 128.62 $p < .001$	Not supported
		Franchisor competence (*W*)	.50	.20	2.54	.012		
		F x *W*	-.03	.03	-.89 (*ns*)	.376		
H8b	FPBL	BCB (*F*)	.86	.08	10.63	.000	R^2 = .50; *F*- value (3, 348) = 117.05 $p < .001$	Not supported
		Franchisor competence (*W*)	-.32	.04	-8.29	.000		
		F x *W*	.05	.04	1.13 (*ns*)	.261		
H8c	FPRV	BCB (*F*)	.21	.19	1.11	.269	R^2 = .62; *F*- value (3, 348) = 192.42 $p < .001$	Not supported
		Franchisor competence (*W*)	.28	.23	1.20	.233		
		F x *W*	.06	.04	1.63 (*ns*)	.104		
H9a	FPBI	BRQ (*F*)	1.04	.14	7.27	.000	R^2 = .57; *F*- value (3, 348) = 152.13 $p < .001$	**Supported**
		Franchisor competence (*W*)	.66	.12	5.74	.000		
		F x *W*	**.08**	**.03**	**3.05****	**.002**		
H9b	FPBL	BRQ (*F*)	.72	.07	9.99	.000	R^2 = .48; *F*- value (3, 348) = 105.57 $p < .001$	**Supported**
		Franchisor competence (*W*)	.34	.04	8.36	.000		
		F x *W*	**.08**	**.04**	**2.12****	**.022**		
H9c	FPRV	BRQ (*F*)	.40	.18	2.24	.026	R^2 = .62; *F*- value (3, 348) = 184.88 $p < .001$	Not supported
		Franchisor competence (*W*)	.66	.14	4.57	.000		
		F x *W*	.00	.03	.05 (*ns*)	.960		

***p* < .05, *ns* = not significant.

Note: FPRV = Franchisee-Perceived Relationship Value, FPBI = Franchisee-Perceived Brand Image, FPBL = Franchisee-Perceived Brand Loyalty; Y = outcome variable; F = focal predictor variable; W = moderator variable; BCB = Brand Citizenship Behaviour; BRM = Brand Relationship Management; BRQ = Brand Relationship Quality; *n* = 352; Alpha level used for J-N method and confidence intervals = .05.

With evidence that franchisor competence moderates the relationship between BRQ and FPBI as well as the relationship between BRQ and FPBL, it is important to probe how the effect of the focal predictor (BRQ) varies as a function of the moderator variable (franchisor competence). Accordingly, simple slope analysis was also used to produce the coefficients of BRQ when franchisor competence is equal to the mean, as well as one standard deviation below (-1SD) (*low*) and one standard deviation above the mean (+1SD) (*high*) as shown in Table 7.17. The results in Table 7.17 show that BRQ is statistically significant across the observed range of the moderator variable (franchisor competence). This is because the J-N point estimates (not shown in Table 7.17) showed no distinct regions of significance.

Table 7.17: Simple Slope Tests for the Interaction between Brand Relationship Quality and Franchisor Competence on Franchisee-Perceived Brand Image and Franchisee-Perceived Brand Loyalty

DV	*M* ± 1SD	*β*	t	LL 95% CI	UL 95% CI
Franchisee-Perceived Brand Image	-1SD (3.21)	.50	7.04***	.36	.64
	M (4.85)	.63	11.68***	.53	.74
	+1SD (6.49)	.77	10.98***	.63	.91
Franchisee-Perceived Brand Loyalty	-1SD (3.21)	1.40	38.66***	1.33	1.47
	M (4.85)	1.47	52.65***	1.42	1.53
	+1SD (6.49)	1.55	42.55***	1.47	1.62

***$p < .001$
Note: *M* = mean; LL = lower limit; UL = upper limit; CI = confidence interval.

Consistent with Hypothesis 9a, Table 7.17 illustrates that the slope of the relationship between BRQ and FPBI is relatively stronger (steeper) for more competent franchisors (β = .77, t = 10.98), whereas the effect is relatively weak for less competent franchisors (β = .50, t = 7.04). Figure 7.6 illustrates that for high levels of franchisor competence, the effect of BRQ on FPBI increases at a relatively steady rate compared with low levels of franchisor competence. These results also support Hypothesis 9b, indicating that the effect of BRQ on FPBL is relatively stronger when the level of franchisor competence is high (β = 1.55, t = 42.55) compared to less competent franchisors (β = 1.40, t = 38.66). Figure 7.7 also provides a graphical presentation of the interaction of franchisor competence and BRQ in predicting FPBI. A closer examination of the slope of the interactions indicate that for high levels of franchisor competence, the positive effect of BRQ on FPBL increases at a relatively steady rate compared with low levels of franchisor competence.

Figure 7.6: Interaction between Franchisor Competence and Brand Relationship Quality in Predicting Franchisee-Perceived Brand Image

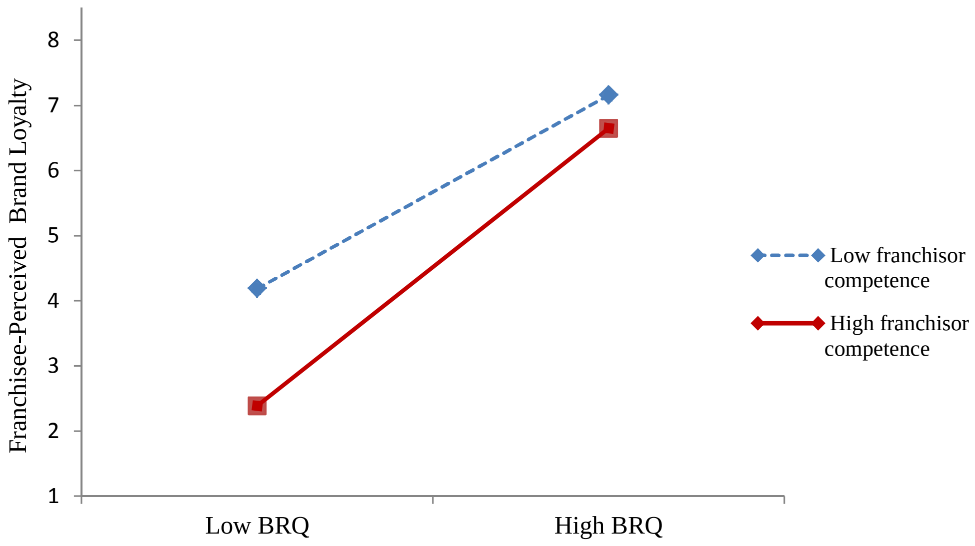
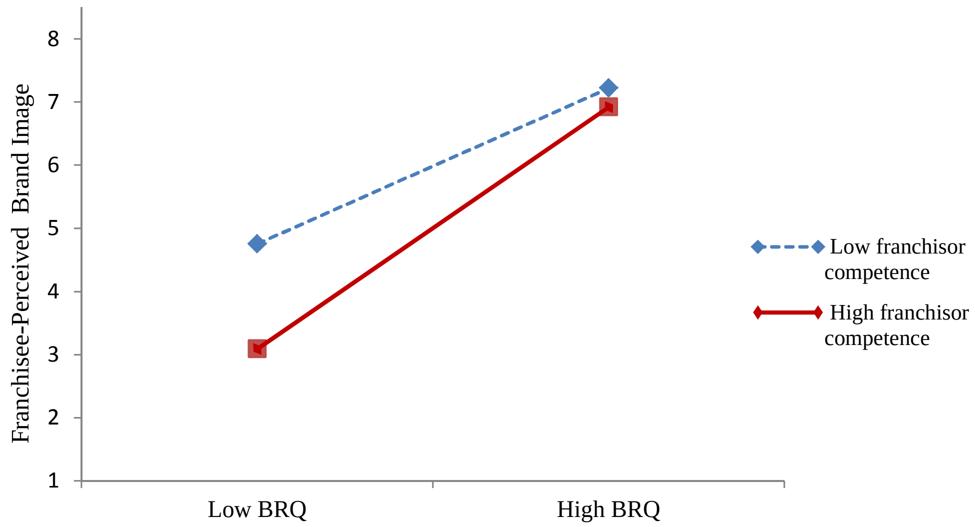


Figure 7.7: Interaction between Franchisor Competence and Brand Relationship Quality in Predicting Franchisee-Perceived Brand Loyalty



The next section discusses the results of the moderating effects of franchisor-franchisee relationship duration.

7.8.2.2 Moderating Effects of Franchisor-Franchisee Relationship Duration

In this section, the moderating effects of franchisor-franchisee relationship duration on (i) the relationship between BCB and FBBE (Hypothesis 10), and (ii) the relationship between BRQ and FBBE (Hypothesis 11) are investigated. Table 7.18 shows the MODPROBE regression results of the moderating effects of franchisor-franchisee relationship duration.

Table 7.18: Interaction Effects of Franchisor-Franchisee Relationship Duration on the Relationship between Mediator Variables (Brand Citizenship Behaviour and Brand Relationship Quality) and Franchisee-Based Brand Equity

Hypotheses	*Y*	Interactions	*B*	SE	t	*p*	Model summary	Result
		BCB (*F*)	.87	.18	4.96	.000		
H10a	FPBI	Relationship duration (*W*)	-.06	.41	-.15	.881	R^2 = .38; *F*- value (3, 348) = 70.77	Not supported
		F x *W*	.03	.07	.343 (*ns*)	.732	$p < .001$	
		BCB (*F*)	1.24	.21	6.00	.000		
H10b	FPBL	Relationship duration (*W*)	.26	.48	.55	.586	R^2 = .41; *F*- value (3, 348) = 80.04	Not supported
		F x *W*	-.03	.08	-.39 (*ns*)	.695	$p < .001$	
		BCB (*F*)	.98	.25	3.98	.000		
H10c	FPRV	Relationship duration (*W*)	-.01	.57	-.01	.989	R^2 = .30; *F*- value (3, 348) = 48.89	Not supported
		F x *W*	.04	.10	.35 (*ns*)	.723	$p < .001$	
		BRQ (*F*)	.61	.15	4.08	.000		
H11a	FPBI	Relationship duration (*W*)	-.42	.27	-1.56	.120	R^2 = .43; *F*- value (3, 348) = 85.63	**Supported**
		F x *W*	**.13**	**.06**	**2.07****	**.039**	$p < .001$	
		BRQ (*F*)	.85	.18	4.60	.000		
H11b	FPBL	Relationship duration (*W*)	-.20	.33	-.61	.545	R^2 = .39; *F*- value (3, 348) = 72.56	Not supported
		F x *W*	.08	.08	1.03 (*ns*)	.304	$p < .001$	
		BRQ (*F*)	.54	.22	2.49	.013		
H11c	FPRV	Relationship duration (*W*)	-.49	.39	-1.25	.213	R^2 = .28; *F*- value (3, 348) = 45.72	**Supported**
		F x *W*	**.17**	**.09**	**1.92***	**.056**	$p < .001$	

**$p < .05$, *$p < .10$, *ns* = not significant.

Note: FPRV = Franchisee-Perceived Relationship Value, FPBI = Franchisee-Perceived Brand Image, FPBL = Franchisee-Perceived Brand Loyalty; Y = outcome variable; F = focal predictor variable; W = moderator variable; BCB = Brand Citizenship Behaviour; BRM = Brand Relationship Management; BRQ = Brand Relationship Quality; Alpha level used for J-N method and confidence intervals = .05; *n* = 352.

Table 7.18 provides initial evidence of whether or not interactions are significant at 95% confidence intervals. As can be seen, the conditional effect of franchisor-franchisee relationship duration on the following hypothesised relationships is not statistically significant on: H10a, the relationship between BCB and FPBI (β = .03, t = .34); H10b, relationship between BCB and FPBL (β = -.03, t = -.39); H10c, relationship between BCB and FPRV (β = .04, t = .35); and H11b relationship between BRQ and FPBL (β = .08, t = 1.03). Therefore, Hypotheses 10a, 10b, 10c, 11b were not supported (see Table 7.18). However, it can be seen that consistent with hypotheses, franchisor-franchisee relationship duration significantly moderates the effect of BRQ on the outcome variable FPBI (β = .13, t = 2.07), hence supporting Hypothesis 11a. Also, the results indicate that the cross-product term between BRQ and franchisor-franchisee relationship duration on FPRV is marginally significant (β = .17, t = 1.92, $p < .10$), thereby supporting Hypothesis 11c.

With evidence that franchisor-franchisee relationship duration moderates the relationship between BRQ and FPBI as well as the relationship between BRQ and FPRV, it is then important to investigate how the effect of the focal predictor (BRQ) varies as a function of the moderator (Hayes & Matthes, 2009). Thus, to fully support Hypothesis 11a and 11c, the conventional simple slope analysis was used to derive and help interpret the coefficients of BRQ when franchisor-franchisee relationship duration is equal to the mean, as well as one standard deviation below (-1SD) (*short*) and one standard deviation above the mean (+1SD) (*long*) as shown in Table 7.19.

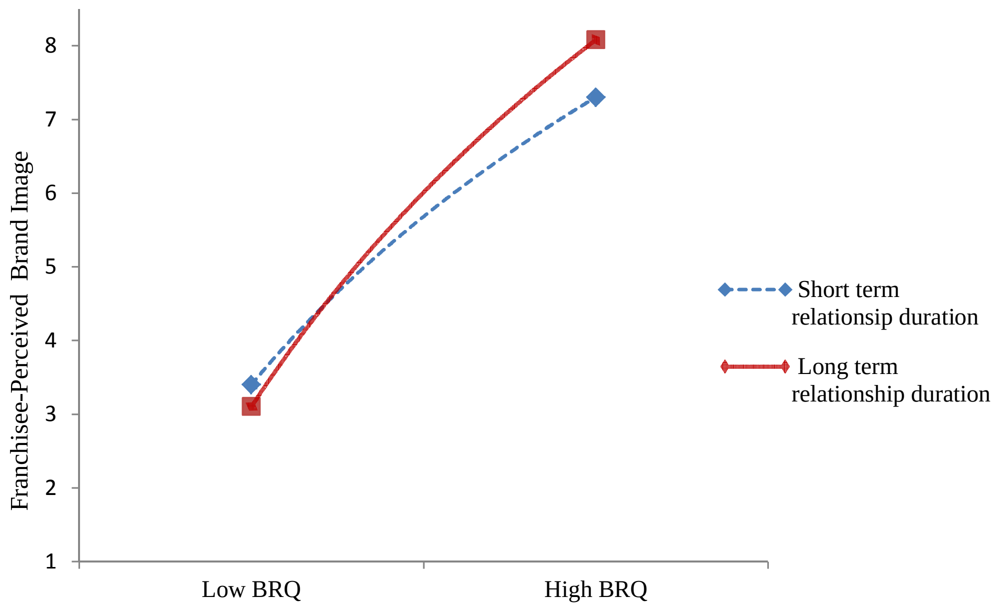
Table 7.19: Simple Slope Tests for the Interaction between Brand Relationship Quality and Franchisor-Franchisee Relationship Duration on Franchisee-Perceived Brand Image and Franchisee-Perceived Relationship Value

DV	*M* ± 1SD	*β*	t	LL 95% CI	UL 95% CI
Franchisee-Perceived Brand Image	-1SD (1.42)	.79	10.39***	.64	.93
	M (2.27)	.89	15.83***	.78	1.01
	+1SD (3.12)	1.00	12.76***	.85	1.16
Franchisee-Perceived Relationship Value	-1SD (1.42)	.79	7.10***	.57	1.01
	M (2.27)	.94	11.28***	.77	1.10
	+1SD (3.12)	1.08	9.38***	.86	1.31

***$p < .001$
Note: *M* = mean; LL = lower limit; UL = upper limit; CI = confidence interval.

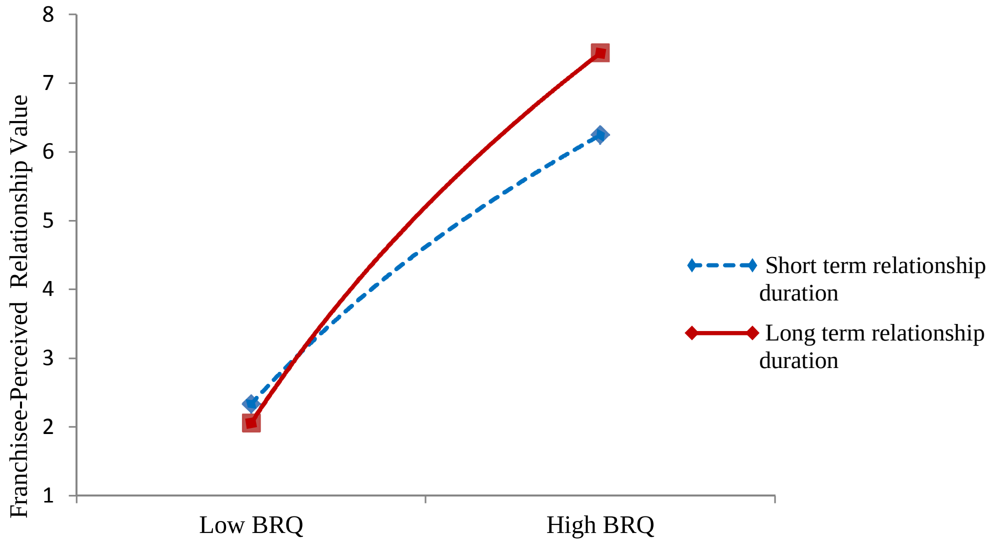
The results shown in Table 7.19 indicate that the focal predictor (BRQ) is statistically significant across the observed range of the moderator variable (franchisor-franchisee relationship duration). This is because the J-N point estimates (not shown in Table 7.19) confirmed the absence of distinct regions of significance (below or above the mean). This interaction between franchisor-franchisee relationship duration and BRQ in estimating FPBI is illustrated in Figure 7.8. Consistent with Hypothesis 11a, it can be seen that the slope of the relationship between BRQ and FPBI is relatively stronger and positive for longer franchisor-franchisee relationships (β = 1.00, t = 12.76), whereas the slope is relatively weak for shorter relationships (β = .785, t = 10.39). That is, the interaction effect of BRQ variables (brand trust, brand commitment and brand love) has relatively stronger influence on FPBI in long-term compared with short-term franchisor-franchisee relationships.

Figure 7.8: Interaction between Franchisor-Franchisee Relationship Duration and Brand Relationship Quality in Predicting Franchisee-Perceived Brand Image



The results shown in Table 7.19 also support Hypothesis 11c, indicating that the effect of BRQ on FPRV is relatively stronger and positive in longer franchisor-franchisee relationships (β = 1.08, t = 9.38) compared with shorter franchisor-franchisee relationships (β = .79, t = 7.10). Figure 7.9 shows the simple slopes of the interaction between franchisor-franchisee relationship duration and BRQ in predicting FPRV. That is, the positive relationship between brand relationship quality and FPRV is stronger in long term franchisor-franchisee relationships when compared to short term relationships. It is also important to note that the relationship portrayed in Fig 7.8 and Fig 7.9 is curvilinear indicating the non-linear effect of franchisor-franchisee relationships (see Section 5.4.2.6).

Figure 7.9: Interaction between Franchisor-Franchisee Relationship Duration and Brand Relationship Quality in Predicting Franchisee-Perceived Relationship Value



In the next section, moderated mediation tests are conducted to investigate whether the mediation effects were conditional on the values of the moderating variables discussed above.

7.8.3 Further Analyses: Tests for Moderated Mediation

As discussed above, after establishing significant moderating effects in a mediated model, it is important to investigate if the indirect effects are contingent on the moderator values. The study starts by identifying the paths of a mediated model that were moderated and yielded significant statistical tests of moderation for each path. Then the form of each moderating effect using the plots of simple slopes was examined. Lastly, estimates of the indirect effect transmitted through the mediator variable are computed showing how this effect varies across levels of each moderator variable (Edwards & Lambert, 2007). The results of moderating effects of franchisor competence and length of franchisor-franchisee relationship duration described in Hypotheses 8 to 11, showed evidence of significant interactions only for Hypotheses 9 and 11, specifically 9a, 9b, 11a and 11c. Moderated mediation tests were conducted on these interactions and the following supplementary hypotheses are examined:

H12: *The length of the franchisor-franchisee relationship duration moderates the positive and indirect effect of BRM on (a) FPBI, and (b) FPRV, through BRQ. Specifically, BRQ will mediate the indirect effect in longer franchisor-franchisee relationships but not in short relationships.*

H13: *Franchisor competence moderates the positive and indirect effect of BRM on (a) FPBI, and (b) FPBL, through BRQ. Specifically, BRQ will mediate the indirect effect when franchisor competence is high but not when it is low.*

The results of the moderated mediation analyses did not support the conditional indirect tests for both Hypotheses 12a and 12b. In particular, for Hypothesis 12a results indicated that the cross-product term between BRQ and relationship duration on FPBI was not statistically significant at $\alpha = .05$ ($\beta = .07$, t = 1.39, $p = .167$). This means that the mediating effect of BRQ on the relationship between BRM and FPBI is not conditional on the length of the franchisor-franchisee relationship duration. Likewise, results for Hypothesis 12b indicated that the interaction effect between BRQ and relationship duration on FPRV was not statistically significant ($\beta = .06$, t = .98, $p = .329$). Thus, the indirect effect of BRQ on the relationship between BRM and FPRV does not depend on the duration of the relationship. Table 7.20 and Table 7.21 present results for Hypotheses 13a and 13b, respectively.

Table 7.20: Conditional Indirect Effect of Brand Relationship Management on Franchisee-Perceived Brand Image, through Brand Relationship Quality at Different Values of Franchisor Competence

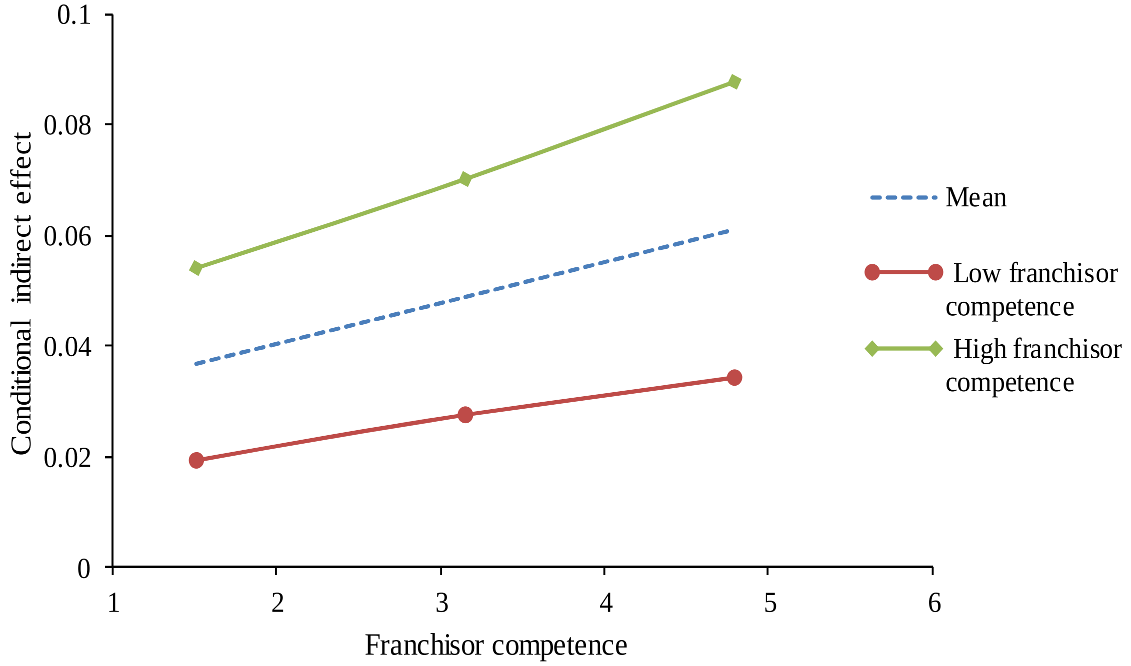
Predictor	B	T	p
Constant	1.96	3.25	.001
BRM	.20	3.30	.001
BRQ	.23	2.36	.019
Franchisor competence	-.50	-4.44	.000
BRQ x Franchisor competence	.08	3.26	.001
BCB	.36	5.66	.000

M ± 1SD	Boot ind. Effect	Boot *z*	Boot *p*
-1SD (1.51)	.03	2.14	.032
Mean (3.15)	.05	2.30	.021
+1SD (4.79)	.06	2.31	.020

Note: Unstandardised regression coefficients are reported. Bootstrap sample size = 5000, Controlling for mediating effects of BCB, Dependent variable = Franchisee-perceived brand image.

Hypothesis 13a holds that the indirect effect between BRM and FPBI through BRQ is stronger when franchisor competence is higher than when it is lower. Results shown in Table 7.20 indicate that the cross-product term between BRQ and franchisor competence on FPBI is statistically significant ($\beta = .08$, t = 3.26, $p < .05$). To fully support Hypothesis 13a, it was important to examine whether the nature of this interaction conforms to the hypothesised pattern. It can be seen in Figure 7.10 that franchisor competence moderates the relationship between BRQ and FPBI, since the confidence intervals are significantly different from zero. Thus, consistent with the hypothesis, Figure 7.10 shows that the slope of the relationship between BRQ and FPBI was relatively positive and stronger for high levels of franchisor competence (*boot indirect effect* = .06, *boot z* = 2.31, $p < .05$), whereas the slope was weak for low levels of franchisor competence (*boot indirect effect* = .03, *boot z* = 2.14, $p < .05$).

Figure 7.10: Interaction Effects of Brand Relationship Quality and Franchisor Competence on Franchisee-Perceived Brand Image



Hypothesis 13b holds that the indirect effect between BRM and FPBL through BRQ is stronger when franchisor competence is higher than when it is lower as shown in Table 7.21.

Table 7.21: Conditional Indirect Effect of Brand Relationship Management on Franchisee-Perceived Brand Loyalty, through Brand Relationship Quality at Different Values of Franchisor Competence

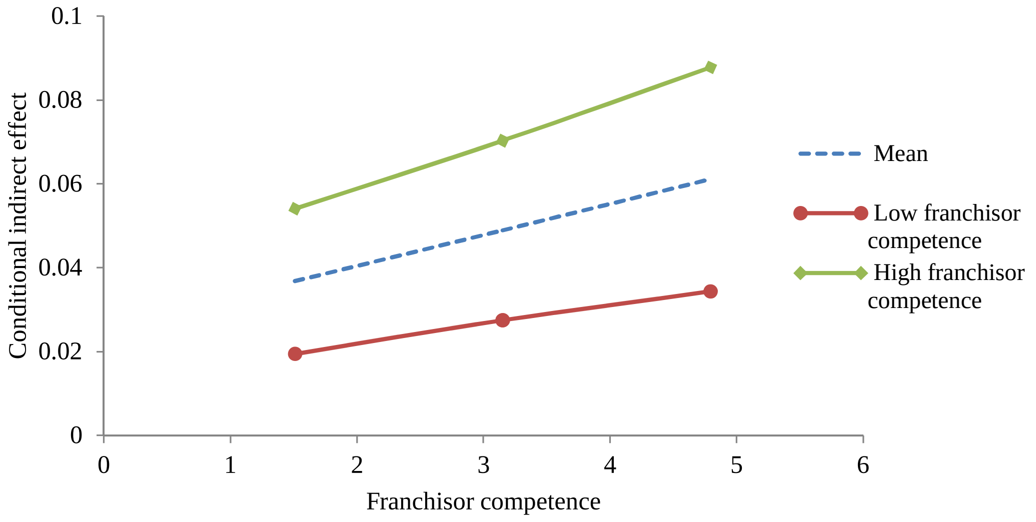
Predictor	B	T	p
Constant	1.75	2.57	.011
BRM	.49	6.99	.000
BRQ	.28	2.43	.016
Franchisor competence	-.36	-2.70	.007
BRQ x Franchisor competence	.08	2.71	.007
BCB	.50	6.61	.000

M ± 1SD	Boot ind. Effect	Boot *z*	Boot *p*
-1SD (1.51)	.04	2.12	.034
Mean (3.15)	.05	2.29	.022
+1SD (4.79)	.06	2.29	.022

Note: Unstandardised regression coefficients are reported. Bootstrap sample size = 5000, Controlling for mediating effects of BCB, Dependent variable = Franchisee-perceived brand loyalty.

Results shown in Table 7.21 indicate that the cross-product term between BRQ and franchisor competence on FPBI is statistically significant ($\beta = .08$, t = 2.71, $p < .05$).

Figure 7.11: Interaction Effects of Brand Relationship Quality and Franchisor Competence on Franchisee-Perceived Brand Loyalty



To fully support Hypothesis 13b, it made sense to examine if the nature of this interaction conforms to the hypothesised relationship. From Figure 7.11, it can be seen that franchisor competence moderates the relationship between BRQ and FPBL, since the confidence intervals are significantly different from zero. In other words, consistent with the hypothesis, Figure 7.11 shows that the slope of the relationship between BRQ and FPBL is positive and stronger for high levels of franchisor competence (*boot indirect effect* = .06, *boot z* = 2.29, p <.05), while the slope is weak when franchisor competence is low (*boot indirect effect* = .04, *boot z* = 2.12, p < .05).

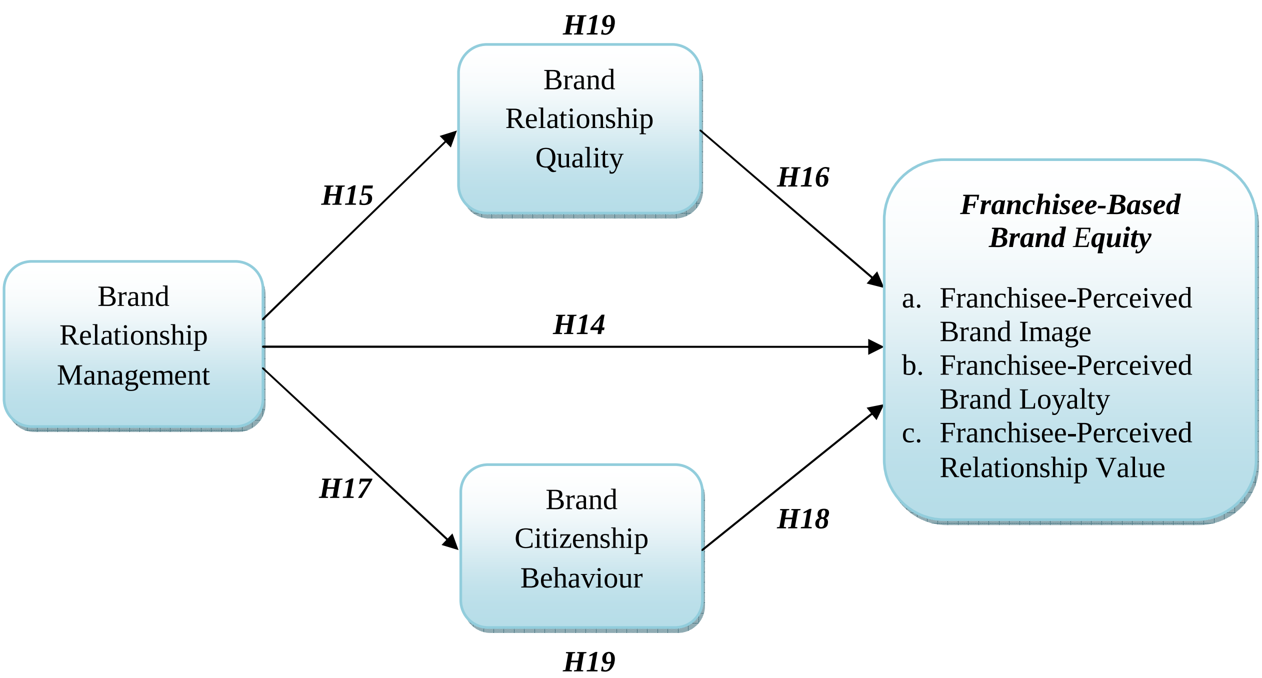
In sum, the results of moderated mediation analyses provided some intriguing findings. In particular, the results supported the role played by franchisor competence in strengthening the indirect effects of BRQ on two dimensions of FBBE (that is, FPBI and FPBL). That is, the mediating influence of BRQ variables on franchisee-perceived brand image and brand loyalty is relatively stronger in cases where franchisors exhibit higher levels of competence. Conversely, the results did not support the proposition that the indirect effects of BRQ on FBBE dimensions (FPBI and FPRV) were contingent on the values of the duration of the franchisor-franchisee relationship.

In the next section, the integrated model for FBBE is investigated to provide holistic insight into the interrelationships among various variables proposed in this study and a summary of the results of the study is presented. Then, the integrated FBBE model is tested to compare its structural relationships across low and high value franchisees as well as single-unit and multi-unit franchisees.

7.9 SECTION E: The Integrated Franchisee-Based Brand Equity Model and Comparative Analyses

In Section 7.4, measurement invariance was tested and the results of the sub-models showing the relationships among specific constructs of the franchisee-based brand equity conceptual model were provided (see Sections A – D). The discrete investigation of the various parts of the model helped to generate theoretical explanations that can assist in theory development. However, prior research suggests that theoretical integration is important as it helps to ensure that important commonalities in different theories or models are taken into consideration (Thornberry, 1989). Theoretical integration describes "…the act of combining two or more sets of logically interrelated propositions into one larger set of interrelated propositions, in order to provide a more comprehensive explanation of a particular phenomenon" (Thornberry, 1989, p. 52). In this section, an integrative view is taken to provide a holistic explanation of the full franchisee-based brand equity model (see Figure 7.12). Lastly, the chapter concludes by presenting results of the comparative analyses across different groups.

Figure 7.12: Hypothesis Testing of the Integrated Franchisee-Based Brand Equity Model



To examine the integrated model, SEM was used as it enables the hypothesised model and the entire system of variables to be simultaneously tested statistically to determine the extent to which the model is consistent with the data (Byrne, 2009). The following hypotheses are investigated:

H14: *Brand relationship management is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H15: *Brand relationship management is positively related to brand relationship quality.*

H16: *Brand relationship quality is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H17: *Brand relationship management is positively related to brand citizenship behaviour.*

H18: *Brand citizenship behaviour is positively related to (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

H19: *Brand relationship quality and brand citizenship behaviour positively mediates the relationship between brand relationship management and (a) franchisee-perceived brand image, (b) franchisee-perceived brand loyalty, and (c) franchisee-perceived relationship value.*

The integrated structural model of franchisee-based brand equity is shown in Figure 7.13 whilst, the goodness-of-fit tests are reported in Table 7.22.

Figure 7.13 : The Integrated Structural Model

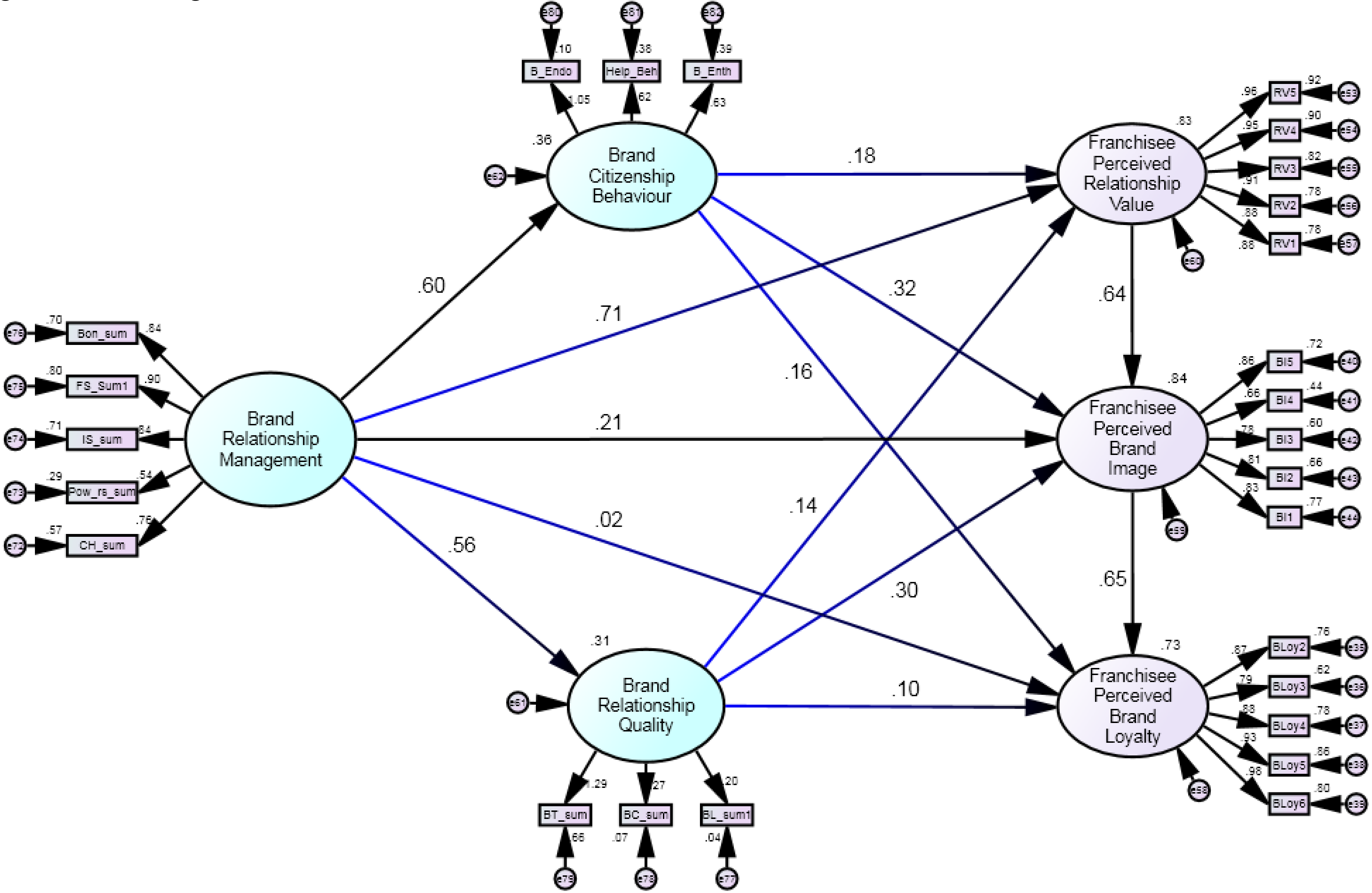


Table 7.22: Goodness-of-Fit Results for the Integrated Structural Model

Goodness-of-fit measures	Result	Goodness-of-fit measures	Result
Absolute fit measures		**Incremental fit measures**	
χ^2	425.50	Tucker-Lewis Index (TLI)	.98
Degrees of freedom	254	Normed Fit Index (NFI)	.95
p-value	.000	Comparative Fit Index (CFI)	.98
CMIN/*df*	1.68	**Parsimony fit measures**	
Goodness-of-fit Index (GFI)	.92	PNFI	.75
Adjusted GFI (AGFI)	.89	AIC (Default model)	619.50
RMSEA	.044	AIC (Independence model)	9325.93
Hoelter 'Critical N'	256		

Table 7.22 shows that the integrated structural model falls within the commonly accepted ranges of goodness-of-fit. The χ^2 = 425.50, CMIN/*df* value of 1.68, GFI = .92, and the RMSEA estimate = .044 indicate satisfactory model fit. The AGFI value = .89 which is approximately close to .90 is considered acceptable given its sensitivity to sample size (Sharma *et al*., 2005). The model comparative indices (TLI, CFI and TLI) are all above .90, indicating good model fit. Lastly, the Hoelter 'Critical N' value of 256 suggests that this model adequately represents the sample data.

7.9.1 Results of the Integrated Structural Model

Table 7.23 shows the results of the integrated model. The results provide evidence that brand relationship management positively influences franchisee-perceived brand image (β = .21, t = 2.18, $p < .05$), providing support for Hypothesis 14a. However, it can be noted that there is no significant relationship between brand relationship management and franchisee-perceived brand loyalty (β = .02, t = .43, p = *ns*) failing to support Hypothesis 14b. Brand relationship management emerged to be positively related to franchisee-perceived relationship value, a relationship that was also statistically significant (β = .71, t = 13.48, $p < .001$), hence, Hypothesis 14c is supported. A direct positive significant relationship also emerged between brand relationship management and brand relationship quality (β = .56, t = 3.42, $p < .001$), supporting Hypothesis 15. The relationship between brand relationship management and brand citizenship behaviour was found to be positive and strongly significant (β = .60, t = 12.07, $p < .001$), providing support for Hypothesis 17. Therefore, taking all other variables into consideration, it can be concluded that brand relationship management has a direct and positive influence on franchisee-based brand equity, brand relationship quality as well as brand citizenship behaviour.

Table 7.23: Results of the Integrated Franchisee-Based Brand Equity Model

Hypotheses	β	t-value	Result
H14a: BRM → Franchisee-perceived brand image	.21	2.18**	**Supported**
H14b: BRM → Franchisee-perceived brand loyalty	.02	.43(*ns*)	Not supported
H14c: BRM → Franchisee-perceived relationship value	.71	13.48***	**Supported**
H15: BRM → BRQ	.56	3.42***	**Supported**
H16a: BRQ → Franchisee-perceived brand image	.30	4.82***	**Supported**
H16b: BRQ → Franchisee-perceived brand loyalty	.10	2.63**	**Supported**
H16c: BRQ → Franchisee-perceived relationship value	.14	4.17***	**Supported**
H17: BRM→ BCB	.60	12.07***	**Supported**
H18a: BCB → Franchisee-perceived brand image	.32	6.01***	**Supported**
H18b: BCB → Franchisee-perceived brand loyalty	.16	2.00**	**Supported**
H18c: BCB → Franchisee-perceived relationship value	.18	4.91***	**Supported**
Additional results: Relationships among FBBE dimensions			
Franchisee-perceived relationship value → Franchisee-perceived brand image	.64	6.50***	**Supported**
Franchisee-perceived brand image → Franchisee-perceived brand loyalty	.65	8.20***	**Supported**

***$p < .001$, **$p < .05$, *ns* = not significant at $\alpha = .05$

Table 7.23 shows that brand relationship quality positively influences franchisee-perceived brand image ($\beta = .30$, t = 4.82, $p < .001$), providing support for Hypothesis 16a. A positive and significant relationship between brand relationship quality and franchisee-perceived brand loyalty also emerged ($\beta = .10$, t = 2.63, $p < .05$) thereby supporting Hypothesis 16b. The relationship between brand relationship quality and franchisee-perceived relationship value was also found to be positive and statistically significant ($\beta = .14$, t = 4.17, $p < .001$), supporting Hypothesis 16c. Thus, taking all other variables into consideration, it can be concluded that brand relationship quality has a direct and positive influence on franchisee-based brand equity.

Table 7.23 also shows a positive and significant relationship between brand citizenship behaviour and franchisee-perceived brand image ($\beta = .32$, t = 6.01, $p < .001$), providing support for Hypothesis 18a. Brand citizenship behaviour has a positive influence on franchisee-perceived brand loyalty ($\beta = .16$, t = 2.00, $p < .05$), hence Hypothesis 18b is supported. A positive and significant relationship emerged between brand citizenship behaviour and franchisee-perceived relationship value ($\beta = .18$, t = 4.91, $p < .001$), in support of Hypothesis 18c. Thus, taking all other variables into consideration, it can be concluded that brand citizenship behaviour positively influences franchisee-based brand equity.

Lastly, as mentioned above, franchisee-based brand equity was operationalised as a three-dimensional construct comprising of franchisee-perceived relationship value, franchisee-perceived brand image and franchisee-perceived brand loyalty. The interrelationships among these three dimensions were not initially hypothesised since the study was mainly interested in investigating the effect of brand relationships on franchisee-based brand equity at its higher level of abstraction as a multidimensional construct. However, it is intriguing to note certain causal relationships among these dimensions emerged in the current study. As shown in Figure 7.13 and Table 7.23, a positive relationship between franchisee-perceived relationship value and franchisee-perceived brand image emerged (β = .64, t = 6.50, p < .001). The results also provide evidence that franchisee-perceived brand image positively influences franchisee-perceived brand loyalty (β = .65, t = 8.20, p < .001).

In Section 7.6 and Section 7.7, the mediating effects of brand relationship quality and brand citizenship behaviour on specific relationships were examined independently. In the next section, multiple mediation analysis is conducted to investigate the simultaneous mediating effect of both brand relationship quality (BRQ) and brand citizenship behaviour (BCB) on the relationship between brand relationship management (BRM) and franchisee-based brand equity (FBBE).

7.9.2 Multiple Mediation Analysis of the Indirect Effects of Brand Relationship Quality and Brand Citizenship Behaviour on the Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

In this section, the multiple mediating effects of the two mediator variables (BRQ and BCB) on the relationship between BRM and the dimensions of FBBE are investigated. This basic condition of mediation analysis follows the Baron and Kenny (1986) approach. To accomplish this, the study also employed the non-parametric bootstrapping resampling procedures for testing multiple mediation effects (Preacher & Hayes, 2008) as explained in Section 7.6.2. Table 7.24 presents the results of the indirect effects of BRQ and BCB on the relationship between BRM and the proposed three components of FBBE (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value). Multiple mediation tests were run using 5000 bootstrap samples to provide 95% BCa confidence intervals, and p-values for indirect and direct effects.

In testing Hypothesis 19a, (the mediating effect of BRQ and BCB on the relationship between BRM and FPRV) the results (see Table 7.24) show that the 95% BCa confidence intervals around the indirect effect do not contain zero (.11 to .22). The normal theory tests concur with the bootstrap results that the total indirect effect (a x b) is significant, providing evidence of the mediation effects of BRQ and BCB (β = .16, z = 5.90, p < .001) on the relationship between

BRM and FPRV. Further, the direct and total effects are positive and statistically significant ($p < .001$); thus, both BRQ and BCB partially mediate the effects of BRM on FPRV providing support for Hypothesis 19a.

Table 7.24: Multiple Mediating Effects of both Brand Relationship Quality and Brand Citizenship Behaviour on the Link between Brand Relationship Management and Franchisee-Based Brand Equity

Hypothesis	IV	M	DV	c'	a x b	c	LL	UL	Result
H19a	BRM	BRQ/BCB	FPRV	.96***	.16***	1.12***	**.11**	**.22**	**Supported**
$R^2 = .73$; Adj $R^2 = .73$; $F = 308.99$; $p < .001$									
H19b	BRM	BRQ/BCB	FPBI	.36***	.26***	.62***	**.19**	**.33**	**Supported**
$R^2 = .60$; Adj $R^2 = .60$; $F = 173.11$; $p < .001$									
H19c	BRM	BRQ/BCB	FPBL	.47***	.31***	.78***	**.23**	**.38**	**Supported**
$R^2 = .60$; Adj $R^2 = .60$; $F = 174.50$; $p < .001$									

***$p < .001$

Note: LL = lower limit; UL = upper limit; M = mediating variables, c' = total direct effects, a x b = total indirect effects, c = total effects.

Hypothesis 19b examined the mediating effects of BRQ and BCB on the relationship between BRM and FPBI and the results show that the 95% BCa confidence intervals around the indirect effect do not cross zero (.19 to .33). The normal theory test also corresponds with the bootstrap results, showing that the total indirect effect (*a x b*) is significant ($\beta = .26$, $z = 7.62$, $p < .001$). The direct and total effects are also positive and significant ($p < .001$), indicating that BRQ and BCB partially mediate the relationship between BRM and FPBI, thereby supporting Hypothesis 19b. Lastly, testing the mediating effect of BRQ and BCB on the relationship between BRM and FPBL (H19c), the results show that the 95% BCa confidence intervals around the indirect effect do not contain a zero (.23 to .38). The normal theory test concurs with the bootstrap results showing that the total indirect effect (*a x b*) is significant ($\beta = .31$, $z = 7.82$, $p < .001$). The direct and total effects are positive and statistically significant ($p < .001$), indicating that both BRQ and BCB partially mediate the link between BRM and FPBL, thereby supporting Hypothesis 19c. Based on these results, it can be concluded that BRQ and BCB partially mediate the effects of BRM on all three FBBE dimensions (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value), supporting Hypothesis 19. As can be noted, the results of the integrated model concur with the findings discussed in Sections A - D, thereby providing empirical support for the proposed FBBE model. Having established support for the integrated FBBE model, in the next section, further analysis is conducted to compare the integrated model in different franchising contexts.

7.9.3 Additional Analyses: Comparing the Integrated Franchisee-Based Brand Equity Model across Different Groups

Measurement invariance tests shown in Section 7.4 provided evidence that measurement properties of the constructs used in the study were operating equivalently across various groups, thus making it feasible to compare structural relationships of the FBBE model between the two groups identified in this study (i.e., low vs. high investment and single-unit vs. multi-unit franchisees).

7.9.3.1 Model Comparisons Based on the Value of Franchise Firms

This section provides the results of the multi-group analysis based on firm value differences across the franchises. To accomplish this, some industry-based questions were included in the questionnaire (see Appendix B) for classification purposes. One of these questions requested that franchisees provide the estimated market value of their franchise unit in question. As a result, collected data were transformed accordingly to define two independent samples (i.e., low vs. high investment franchises) and multi-group analysis was then conducted on these two samples. In addition, it is also important to examine if the management of brand relationships and its consequences (i.e., BRQ, BCB) and its ultimate influence on FBBE, differs between low and high value franchises. Conceptually, it can be suggested that the higher the investment in the franchise unit, the more the franchisees are satisfied and intrinsically motivated to exhibit extra-role behaviour (e.g., BCB), ultimately enhancing the effect of brand relationships on brand equity. On the other hand, this invariance-testing approach is also used to examine whether differences in the values placed on franchise firms influence franchisors' attitudes towards managing brand relationships and brand building. Table 7.25 shows comparisons of the structural relationships of the FBBE model between low and high value franchise firms.

In some sense, the results for low value franchises are relatively similar to high value franchises as shown in Table 7.25. For instance, in both groups, the hypothesised relationship between BRM and BRQ is not statistically significant at $p < .05$, although a different interpretation can be provided for low investment franchises at a significance level of $p < .10$. The effect of BRM on FBBE dimensions is comparatively significant in both groups, in particular exhibiting positive and strong effects on FPBL and FPRV. However, when comparing the relative effects of BRM on franchisee-perceived brand image (FPBI), the influence of managing brand relationships in high investment franchises appeared to have positive effects on franchisees' perceived brand image (β = .41, t = 3.89) than in low investment franchises (β = .21, t = 1.55).

Table 7.25: Assessing Differences between Low vs. High Value Franchisees

Paths modeled	*Total sample (n = 352)*			*Low value (n = 183)*			*High value (n = 169)*		
	β	t-value	*P*	*β*	t-value	*p*	*β*	t-value	*p*
BRM → BRQ	.32	2.48	.013	.43	1.90	.07	.25	1.41	.159
BRM → BCB	.61	12.23	.000	.73	10.78	.000	.49	6.70	.000
BRM → FPBI	.34	4.23	.000	.21	1.55	.111	.41	3.89	.002
BRM → FPBL	.31	4.51	.000	.35	3.51	.000	.27	2.68	.007
BRM → FPRV	.73	13.65	.000	.80	11.00	.000	.68	8.33	.000
BRQ → FPBI	.58	4.54	.000	.70	2.19	.029	.51	3.75	.000
BRQ → FPRV	.23	4.09	.000	.17	2.06	.039	.29	3.42	.000
BRQ → FPBL	.47	4.50	.000	.47	2.20	.028	.49	3.67	.000
BCB → FPRV	.13	4.02	.000	.08	1.91	.056	.15	3.01	.003
BCB → FPBI	.35	6.75	.000	.34	4.10	.000	.36	5.18	.000
BCB → FPBL	.37	7.43	.000	.29	4.02	.000	.43	5.83	.000

Further, it can be noted that BRQ is a significant predictor of all three dimensions of FBBE (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value). It can be observed that in both situations, BRQ has relatively stronger effects on franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value. In both groups, BCB emerged as a positive and significant predictor of all three FBBE dimensions. It is both notable and intriguing that in both low and high investment franchise groups, BCB is a weaker predictor of franchisee perceived relationship value, as indicated by the coefficients (β = .08 and β = .15, respectively).

In sum, these comparative results suggest that the management of brand relationships, its consequences (BRQ, BCB) and the ultimate influence on FBBE, is not significantly different between low and high investment franchises (a result which was also confirmed by the difference tests on parameter values i.e., ΔCFI). In the next section, group comparisons between single vs. multi-unit franchises are examined.

7.9.3.2 Model Comparisons Based on the Type of Franchise Ownership

Comparisons were also made based on the number of franchise units owned by the franchisees. Respondents were requested to indicate the number of franchise units they operate. Those who operated more than one outlet within one franchise system (same brand name) were classified as multi-unit franchisees and those who owned only one were classified as single-unit franchisees (Dant *et al.*, 2011). The nature of differences between single-unit and multi-unit franchisees remains unexplored. For example, some researchers argue that multi-unit franchising as an organisational form yields better benefits due to economies of scale, rapid system growth, system-wide adaptation to competition, minimisation of opportunistic (free riding) behaviour and relatively low attrition rates compared with single-unit franchises (Dant *et al.*, 2011; Kalnins & Lafontaine, 2004). Therefore, it is worthwhile to examine whether the effects of brand relationship management on franchisee-based brand equity differs across franchise types (i.e., single vs. multi-unit franchisees). Table 7.26 reports the results of group comparisons between single-unit and multiple-unit franchisees.

Table 7.26: Assessing Differences between Single-Unit vs. Multi-Unit Franchisees

Paths modeled	*Total sample (n = 352)*			*Single-unit (n = 271)*			*Multi-unit (n = 81)**		
	β	**t-value**	***P***	***β***	**t-value**	***p***	***β***	**t-value**	***p***
BRM → BRQ	.32	2.48	.013	.33	2.00	.045	042	1.78	.073
BRM → BCB	.61	12.23	.000	.60	9.49	.000	.73	10.87	.000
BRM → FPBI	.34	4.23	.000	.42	4.21	.000	.23	1.84	.065
BRM → FPRV	.31	4.51	.000	.73	9.97	.000	.80	11.16	.000
BRM → FPBL	.73	13.65	.000	.36	4.07	.000	.38	3.91	.347
BRQ → FPRV	.58	4.54	.000	.22	3.28	.001	.16	2.05	.040
BRQ → FPBL	.23	4.09	.000	.46	3.49	.000	.45	2.18	.029
BRQ → FPBI	.47	4.50	.000	.55	3.53	.000	.68	2.18	.030
BCB → FPRV	.13	4.02	.000	.14	3.88	.000	.08	1.94	.053
BCB → FPBI	.35	6.75	.000	.30	5.41	.000	.34	4.22	.000
BCB → FPBL	.37	7.43	.000	.34	5.96	.000	.29	4.06	.000

*Bootstrapping procedures were applied.

Not surprisingly, the results shown in Table 7.26 exhibit differences in terms of the effects and consequences of managing brand relationships across the two groups. Although, BRM is a significant predictor of the two mediator variables (BRQ and BCB), the effect of BRM on FBBE dimensions produces varied findings. For instance, effective brand relationships positively and strongly influence all dimensions of FBBE (franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value) within the single-unit franchisees group compared to the multi-unit franchisees one. For example, the effect of BRM on FPBL is not significant for multi-unit franchisees (β = .12, t = 3.91). Further, the results show that BRQ is equivalently a significant predictor of FBBE dimensions in both groups. On the other hand, the results reveal different effects of BCB on FBBE dimensions. Specifically, BCB positively and significantly influences FPBI and FPBL in both single-unit and multi-unit franchisees. Conversely, besides a significant effect of BCB on FPRV in single-unit franchisees (β = .14, t = 3.88), BCB is not a significant predictor of FPRV in multi-unit franchisees (β = .08, t = 1.94). Overall, the results suggest that the management of brand relationships and the consequential effects thereof seem to marginally differ between single-unit and multi-unit franchisees.

In sum, it can be noted that the FBBE model did not exhibit significant differences in terms of the hypothesised relationships based on the investment value of franchises. On the contrary, the comparative analyses identified that the management of brand relationships and subsequent consequences present varied outcomes between single-unit and multi-unit franchisees. The identified differences between the two groups raises further intriguing questions such as the 'what, why and how' causes of such variances, which is an interesting call for future research.

7.10 Chapter Summary

In this chapter, the proposed conceptual model was tested and the findings were outlined. However, before hypotheses testing, it was imperative to establish whether the different groups examined in the study conceptualised the constructs in the same way. To provide a comprehensive analysis, the conceptual model was partitioned to examine sub-models. Section A analysed the direct relationships between brand relationship management and franchisee-based brand equity and the results indicated that brand relationship management positively influences all franchisee-based brand equity dimensions (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value). Section B investigated the relationships between brand relationship management, brand relationship quality and franchisee-based brand equity as well as examining the mediating effects of brand relationship quality and the results showed that brand relationship quality partially mediates the relationship between brand relationship management and franchisee-based brand equity. Section C examined the interrelationships among brand relationship management, brand citizenship behaviour and franchisee-based brand equity as well as the mediating effect of brand citizenship behaviour. Consequently, brand citizenship behaviour was identified to partially mediate the relationship between brand relationship management and franchisee-based brand equity.

Section D examined the moderating effects of franchisor competence and franchisor-franchisee relationship duration. The results show that both franchisor competence and franchisor-franchisee relationship do not significantly moderate the relationship between brand citizenship behaviour and all the dimensions of franchisee-based brand equity (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value). However, franchisor-franchisee relationship duration received partial support as the results showed significant interactions in the relationship between brand relationship quality and franchisee-perceived brand image as well as the relationship between brand relationship quality and franchisee-perceived relationship value. On the other hand, franchisor competence was found to moderate the relationship between brand citizenship behaviour and franchisee-perceived brand image as well as the relationship between brand citizenship behaviour and franchisee-perceived brand loyalty. This discrete investigation of sub-models of the model helped to generate interesting theoretical explanations, thereby contributing to the process of theory development.

Finally in Section E, the integrated conceptual model of franchisee-based brand equity was tested and the findings were presented. In particular, it was observed that the findings of the integrated model exhibited similar outcomes to the results presented in the preceding sections. Lastly, the integrated model was tested in different franchise groups based on the value of the franchise unit and type of franchise ownership. The results revealed that the effect of brand relationship management on franchisee-based brand equity through brand relationship quality and brand citizenship behaviour does not differ between low and high investment franchisees, but varies marginally between single-unit and multi-unit franchisees.

In Chapter 8, the findings of the study are discussed and both theoretical and managerial implications are presented. The chapter concludes by outlining research limitations, and possible directions for future research.

CHAPTER 8

DISCUSSSION, CONCLUSIONS, IMPLICATIONS, LIMITATIONS & FUTURE RESEARCH

8.1 Introduction

In Chapter 7, measurement invariance analysis was conducted to assess measurement equivalence across franchise groups. Then the sub-models of the conceptual model were tested and the empirical findings of the study presented. Lastly, the integrated FBBE model was tested and compared across different franchise groups. In this chapter, a discussion of the findings outlined in Chapters 7 provided. The results are discussed with reference to the findings of extant literature and the qualitative findings outlined in Chapter 5, to provide conclusive remarks of this study's findings. Further, research implications for theory and practical relevance to managers are discussed. The chapter concludes with an acknowledgement of research limitations and directions for future research.

The primary aim of this study was to investigate the role played by brand relationship management in influencing franchisee-based brand equity. Specifically, it was proposed that well-managed brand relationships promote high brand relationship quality and brand citizenship behaviour that will ultimately enhance brand equity. Further, the study proposed that franchisor competence and the franchisor-franchisee relationship duration moderate the effects of brand relationships on franchisee-based brand equity. Lastly, additional analyses were undertaken to examine differences of the integrated model across low and high value franchisees as well as single-unit and multi-unit franchisees. Recent empirical evidence suggests that limited research has been paid to B2B branding and research in this area is still in its infancy (Leek & Christodoulides, 2011*a*). Moreover, despite apparent evidence that the brand concept is at the very core of franchising success (Hoffman & Preble, 2004), it is surprising that there has been limited empirical research on the importance of leveraging the brand as a mechanism for business growth in franchise markets (Weaven *et al*., 2011). Therefore, given this background, the current study aimed to address the following research questions:

i. *How to effectively manage and promote brand equity in franchise channels?*
ii. *What promotes franchisees' brand citizenship behaviour in franchise channels?*
iii. *Does franchisor competence and franchisor-franchisee relationship duration influence the effect of brand relationships on brand equity?*

A summary of the hypotheses testing results are presented in Table 8.1.

Table 8.1: Summary of the Results of Hypotheses Testing

#	Hypothesised Relationships	Result
H1a	BRM is positively related to franchisee-perceived brand image (FPBI).	**Supported**
H1b	BRM is positively related to franchisee-perceived brand loyalty (FPBL).	**Supported**
H1c	BRM is positively related to franchisee-perceived relationship value (FPRV).	**Supported**
H2	BRM is positively related to BRQ.	**Supported**
H3a	BRQ is positively related to FPBI.	**Supported**
H3b	BRQ is positively related to FPBL.	**Supported**
H3c	BRQ is positively related to FPRV.	**Supported**
H4a	BRQ positively mediates the relationship between BRM and FPBI.	**Supported**
H4b	BRQ positively mediates the relationship between BRM and FPBL.	**Supported**
H4c	BRQ positively mediates the relationship between BRM and FPRV.	**Supported**
H5	BRM is positively related to BCB.	**Supported**
H6a	BCB is positively related to FPBI.	**Supported**
H6b	BCB is positively related to FPBL.	**Supported**
H6c	BCB is positively related to FPRV.	**Supported**
H7a	BCB positively mediates the relationship between BRM and FPBI.	**Supported**
H7b	BCB positively mediates the relationship between BRM and FPBL.	**Supported**
H7c	BCB positively mediates the relationship between BRM and FPRV.	**Supported**
H8a	Franchisor competence moderates the relationship between BCB and FPBI.	Not supported
H8b	Franchisor competence moderates the relationship between BCB and FPBL.	Not supported
H8c	Franchisor competence moderates the relationship between BCB and FPRV.	Not supported
H9a	Franchisor competence moderates the relationship between BRQ and FPBI.	**Supported**
H9b	Franchisor competence moderates the relationship between BRQ and FPBL.	**Supported**
H9c	Franchisor competence moderates the relationship between BRQ and FPRV.	Not supported
H10a	Relationship duration moderates the relationship between BCB and FPBI.	Not supported
H10b	Relationship duration moderates the relationship between BCB and FPBL.	Not supported
H10c	Relationship duration moderates the relationship between BCB and FPRV.	Not supported
H11a	Relationship duration moderates the relationship between BRQ and FPBI.	**Supported**
H11b	Relationship duration moderates the relationship between BRQ and FPBL.	Not supported
H11c	Relationship duration moderates the relationship between BRQ and FPRV.	**Supported**
H12a	Relationship duration moderates the indirect effect of BRM on FPBI through BRQ.	Not supported
H12b	Relationship duration moderates the indirect effect of BRM on FPRV through BRQ.	Not supported
H13a	Franchisor competence moderates the indirect effect of BRM on FPBI through BRQ.	**Supported**
H13b	Franchisor competence moderates the indirect effect of BRM on FPBI through BRQ.	**Supported**

Note: Relationship duration = Franchisor-Franchisee Relationship Duration.

8.2 Discussion of Major Findings and Conclusions

This section provides a discussion of the results (see Chapter 7) and the main conclusions. Particularly, direct relationships between brand relationship management (BRM), brand citizenship behaviour (BCB), brand relationship quality (BRQ) and franchisee-based brand equity (FBBE) as well as the mediating effects of BCB and BRQ are discussed. The results of moderation analyses and group comparisons are also discussed. For the purpose of the discussion, it is important to recap that BRM was operationalised as a higher-order construct comprising of information sharing, franchisor support, exercise of power, conflict handling, and bonding. BRQ was also operationalised as a higher-order factor consisting of brand trust, brand commitment and brand love. Similarly, BCB was operationalised as a higher-order construct comprising of brand endorsement, helping behaviour and brand enthusiasm. Lastly, FBBE was operationalised as a three-dimensional construct including franchisee-perceived brand image, franchisee-perceived brand loyalty, and franchisee-perceived relationship value.

8.2.1 Relationship between Brand Relationship Management and Franchisee-Based Brand Equity

> ***Research objective 1:*** **To investigate the effect of brand relationship management on franchisee-based brand equity.**

The empirical findings of this study (see Table 8.1) supported Hypothesis 1 that brand relationship management is positively related to franchisee-based brand equity. These results indicate that well-managed brand relationships influence the three dimensions of FBBE (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value). The finding suggests that effective management of the relationship between the franchisee and franchise brand is fundamental in enhancing brand equity. Therefore, it is suggested that franchise business practices that depend solely on contractual agreements might be risky and susceptible to failure or disappointing results. Thus, it is important for franchise practitioners to identify other factors, apart from the legal contractual relationships, that can leverage the success of franchise firms (Nyadzayo, Matanda & Ewing, 2011).

Further, the current study identified two stages at which brand relationships could be managed to enhance brand equity in B2B channels. The qualitative findings reported in Section A, Chapter 5 confirmed that franchisors need to ensure that brand relationship management begins at the franchisee recruitment stage (Nyadzayo *et al*., 2011). Franchisors need to recruit franchisees with brand values that are aligned with the franchise brand. This observation is consistent with recommendations in B2B literature that advocates the need for firms to develop proactive strategies aimed at building and protecting brands to maintain long-term relationships (Persson, 2010). The importance of aligning brand values in B2B branding has also been emphasised in prior research (see Campbell, Papania, Parent, & Cyr, 2010; Price & Arnould, 1999). For example, Campbell *et al.* (2010) suggest that if firms aim to emphasise particular brand images to customers, they must choose suppliers whose images reflect their goals. Further, regardless of firm size, it is crucial for all stakeholders to have shared values to ensure that the perceptions of the brand are consistent (Ind, 1997; Roper & Davies, 2010). In the same view, strategic brand management aimed at building and safeguarding brand equity requires firms to adopt a brand orientation mindset, develop internal brand capabilities and ensure consistent delivery of the brand (M'zungu, Merrilees & Miller, 2010). Prior research also concurs that poor recruitment practices by franchisors is one of the major sources of franchisee dissatisfaction, non-compliance problems, poor performance and conflicts (Weaven & Frazer, 2007). Therefore, it is vital that franchisors recruit the 'right' franchisees and employees that have the same brand perceptions to ensure consistent brand communication to external customers and compliance within the system, thereby enhancing brand equity.

The second stage of brand relationship management was the implementation stage. At this stage, franchisors should integrate into their business practices the five BRM dimensions (i.e., franchisor support, information sharing, exercise of power, conflict handling, and bonding) to nurture and maintain positive brand relationships that can enhance brand equity. These enable franchise businesses to establish powerful brand relationships that differentiate them from competing firms. For instance, franchisees that possess well-developed start-up and continual support services are more willing to maintain consistent operational standards (Dickey *et al*., 2007). Prior research also reports that well-supported franchisees tend to be more consistent regarding operational standards, engage in cooperative behaviour, and are more successful (Mendelsohn, 1999; Terry, 1993). Similarly, Doherty and Alexander (2006) found that franchisor support practices such as training, act as control mechanisms that provide franchisees with clear operational guidelines to ensure consistent brand delivery. Therefore, it is concluded that franchisees with adequate support possess increased brand value creation opportunities compared to those lacking support.

With regards to information sharing, the findings of the current study suggest the need for frequent and regular information exchange within franchise channels. Franchisees need to keep abreast of new and updated procedures, pricing, product and other market information, and be supported with on-going training and performance data (Perry *et al*., 2002). The results suggest that franchisees who withhold information prevent franchisors from exercising effective controls and understanding whether franchisees' performance is due to external factors or their own efforts (El Akremi, Mignonac, & Perrigot, 2010). However, franchisors with more flexible information exchange structures (two-way communication) are able to provide adequate disclosure documentation that leads to higher levels of satisfaction and cooperation with franchisees and less conflict within the system (Nyadzayo *et al*., 2011; Weaven, Frazer & Giddings, 2010). Information sharing has also been identified as one of the main challenges in franchise businesses (Watson *et al*., 2005). In Australia, communication problems have been reported as the major cause of franchisor-franchisee disputes (Frazer *et al*., 2010). As business format franchise systems become larger, more knowledge-intensive, and geographically-dispersed, the role of information sharing has become more vital (Lindblom & Tikkanen, 2010). Thus, franchisors' success rests on how well franchisees manage their business and on franchisors having strong incentives to appropriately nurture franchisees through training, mentoring, and both explicit and implicit knowledge exchange (Watson *et al*., 2005). In addition, franchisees are the most important source of information in franchise businesses (Lindblom & Tikkanen, 2010) because they possess rich knowledge of the local market and their entrepreneurial expertise can also benefit other franchisees in the system (Sorenson & Sorenson, 2001), thereby enhancing the franchise's brand image. The findings of the current study are in line with those of Meek, Davis-Sramek, Baucus, and Germain (2011), who found that the frequency and quality of communication from franchisors influence franchisees' affective commitment and propensity to remain in the relationship

Consistent with prior research, the current study suggests that effective conflict handling enhances cooperative behaviour which is fundamental in enhancing brand equity. For instance, Chang and Gotcher (2010) found effective conflict handling to enhance value co-creation in marketing channels. In fact, conflicts are not necessarily deleterious to channel relationships (Strutton, Pelton & Lumpkin, 1993). Therefore, there is need for a better understanding of the causes and types of conflict between the franchisor and franchisee, to ensure effective conflict management (Weaven *et al*., 2010). In a comprehensive analysis of the causes of franchise conflict from both franchisors' and franchisees' perspectives, Weaven *et al*. (2010) found that the major cause of conflict was the perceived power imbalance in franchise relationships. Additionally, lack of due diligence (e.g., poor recruitment practises) results in unrealistic franchise expectations that exacerbates the likelihood of future relational conflict (Weaven *et al*., 2010). As a result, conflict handling strategies centered on problem-solving can trigger concessionary behaviours that lead to the development of alternative options (Strutton *et al*., 1993) resulting in decision-making outcomes that enhance trust between franchise parties, as well as improving brand equity.

In terms of exercise of power, this study suggests that the use of non-coercive strategies in franchise relationships produces high levels of agreement on business-related issues between parties, thereby enhancing cooperation, relationship value, and franchise brand image. The results are consistent with extant research that suggests that the use of non-coercive strategies by franchisors reduces competitive behaviours (Frazier & Rody, 1991) that in turn promote cooperation thereby impacting positively on brand equity. For instance, if franchisors utilise non-coercive strategies (such as discussing effective ways of doing business), the supportive atmosphere motivates franchisees to exhibit cooperative behaviour that benefits the relational exchange (Dwyer *et al.*, 1987). In addition, the role of non-coercive power in establishing effective coordination in franchise relationships has been emphasised in prior research (Frazier & Rody, 1991). On the other hand, use of coercion creates misalignment in partners' interests, thereby reducing commitment and trust which are fundamental requirements for relationship performance (Palmatier *et al*., 2007) and brand equity.

Bonding is another aspect of franchise brand relationships that was found to play a crucial role in influencing franchisee-based brand equity in this study. The current study suggests that the use of fewer structural bonds but higher levels of social bonds positively enhance franchisees' perceptions of the franchise's brand image, brand loyalty as well as relationship value. Rodriguez and Wilson (2002) found that when building a franchise relationship, structural bonds must be developed first, but for relationship maintenance and continuation, they must be augmented with strong social bonds. Thus, both structural bonding and social bonding were found to enhance trust and commitment in B2B relationships (Rodriguez & Wilson, 2002). In addition, Gibbons (2005) concurs that willingness of partners to voluntarily align (that is, outside structural bonds) is motivated by the anticipation of long-term mutual gains. Strong bonds generally encourage partners to engage in pro-social behaviours that support each other "…through socialisation processes that promote (internal) self-control" (Heide 1994, p. 77). Strong social bonds also help B2B relationship partners to fully comply with the mutual understandings and expectations of the partnership (Seeck & Kantola, 2009).

Therefore the above findings address the first research objective, and it can be concluded that brand relationship management practices (that involves frequent and regular information sharing, adequate franchisor support, effective and quick conflict handling, use of non-coercive power, and higher levels of structural and social boding) can reinforce franchisees' positive perceptions of the franchise's brand image, brand loyalty and relationship value.

8.2.2 Relationship between Brand Relationship Management and Brand Relationship Quality

Research objective 2: **To investigate the relationship between brand relationship management and brand relationship quality.**

The study found a positive relationship between brand relationship management and brand relationship quality, providing support for Hypothesis 2. That is, effective brand relationship management practices (franchisor support, information sharing, conflict handling, exercise of power and bonding) are crucial for franchise businesses as they facilitate positive behavioural outcomes such as brand trust, brand commitment and brand love in franchisees.

The findings of this study are consistent with those of prior research. In terms of franchisor support, Roh and Yoon (2009) found that central purchasing support and ongoing business support from the franchisor were crucial in enhancing franchisee satisfaction. Thus, when franchisees are satisfied with franchisors, this tends to reduce franchisor's agency costs and promote cooperation and collaboration between the two parties (Roh & Yoon, 2009). In the current study, it is suggested that well-supported franchisees can form strong bonds not only with the franchisor but also the franchise brand. Regarding exercise of power, the current study suggests that the use of non-coercive power produces positive behavioural outcomes in franchisees such as brand trust, brand commitment and brand love. Consistently, Gilliland, Bello and Gundlach (2010) found that the use of bilaterally-administered and socially-based approaches such as incentives, enforcement and monitoring performance, help parties to engage in reciprocal positive behaviours that result in long term relationships. Roberts, Merrilees, Herington, and Miller (2010) also found that the main determinants of trust in B2B relationships were the empowerment of retailers through ongoing training and support, responsiveness, and perceptions of restraint power. Further, the current study found that frequent and regular information exchange was crucial in cultivating franchisee's relationship quality with the brand. Thus, the more information exchanged between a franchisor and franchisee, the greater the likelihood that similar operational norms and values will be held by both parties (Frazier & Rody, 1991). This then reinforces cooperation among partners, attenuates conflict and opportunistic behaviours and increases franchisee satisfaction (Weaven, Frazer & Giddings, 2010), all of which lead to a successful franchise brand. The current study also concurs with Veloutsou (2007) who states that information exchange is important in establishing and maintaining brand relationships. In terms of bonding, the findings of the current study indicate that use of more social bonds rather than structural bonds promotes positive franchisee behaviour and attitude towards the brand. Social bonds are therefore a lubricant of B2B relationships that enhance trust, reduce opportunism, conflict and coordination costs, solidify shared norms, encourage resource exchange, and timely communication (Madhok, 1995; Morgan & Hunt, 1994; Rodriguez & Wilson, 2002). The findings are also in line with those of Perry *et al*. (2002) who suggest that franchisors should establish more social bonds with franchisees to ensure success of the franchise business.

In sum, given the premise that the main motivation for franchisees to engage in franchising is the reputation of the brand to customers (Roh & Yoon, 2009), it is therefore crucial for franchisors to understand the factors that can help enhance the franchisee's relationship with the brand to ensure relationship longevity and business success. It is important to note that "As relationship sustaining activities become more prominent, relationship inhibiting behaviours may be reduced" (Park *et al*., 2010, p. 2). As a result, the study affirms that effectively managed brand relationships promote franchisees' trust, commitment and love for the franchise brand, which in turn enhance FBBE as discussed below.

8.2.3 Relationship between Brand Relationship Quality and Franchisee-Based Brand Equity

Research objective 3: **To investigate the effect of brand relationship quality on franchisee-based brand equity.**

The study found a positive relationship between brand relationship quality and franchisee-based brand equity as hypothesised in H3 (see Table 8.1). The findings suggest that if franchisees have trust in, are committed to, and love the brand, this will result in franchisees' positive perceptions of brand image, brand loyalty and relationship value. In extant literature, relationship quality has been found to enhance brand equity, and the findings of this study also provide support for this relationship. For instance, Fournier (1998) posits that loyalty and commitment are the most significant theories concerning brand relationships. Specifically, the personality of salespeople and the nature of personal relationships in B2B markets are important drivers of brand equity (Binckebanck, 2006). Aaker (1991) found brand loyalty to be a basic element of brand equity. In addition, Wheeler, Richey, Tokkman, and Sablynski (2006) found a positive association between employees' positive perceptions of the corporate brand and their intention to remain with the company. Consistent with past research, the findings of the current study suggest that brand commitment, brand trust and brand affect (or brand love) are antecedents to brand outcomes such as brand loyalty and intention to remain in the relationship (Chaudhuri & Holbrook, 2002).

Effective management of brand relationships has been identified as a crucial part of brand management (Nyadzayo *et al.,* 2011). Brand relationships are fragile and susceptible to change, therefore any consequential product or service failure reduces or even destroys brand value (Xie & Heung, 2011). This conceptualisation is based on the argument that positive brand relationships can make up for increasingly negative encounters (Priluck, 2003). The current study suggests that strong brand relationship quality can enhance franchisees' willingness to forgive negative experiences with franchisors, resulting in positive emotions that can reaffirm their brand loyalty after such negative experiences. According to Park *et al*. (2010) the notion of brand-self connection involves defining the brand as part of the self, in which consumers develop a sense of oneness with the brand stimulating cognitive brand-self linkages. Mittal (2006) also suggests that consumers can be connected to the brand because it represents their identity, goals, personal concerns or life projects. It is therefore reasonable to suggest that the connection between franchisees and the brand, describes their willingness to identify with the organisation's values and goals (Zachary *et al*., 2011). Extant literature reports that relationships with brands can be highly emotional and might trigger complex feelings towards the brand such as sadness, anxiety from brand-self separation, happiness and comfort from brand-self-proximity and pride from brand-self display (Park *et al*., 2010).

Therefore, in response to research objective 3, it can be concluded that strong brand relationships between franchisees and the brand can trigger 'happy' feelings that fortify brand trust, brand commitment and brand love, and ultimately enhancing franchisee-based brand equity. Intuitively, these findings imply that brand relationship quality plays a crucial role in mediating the influence of brand relationship management on franchisee-based brand equity, as discussed in the next section.

8.2.4 Mediating Effects of Brand Relationship Quality on the Link between Brand Relationship Management and Franchisee-Based Brand Equity

***Research objective 4:* To investigate the mediating effects of brand relationship quality on the link between brand relationship management and franchisee-based brand equity.**

In Hypothesis 4, brand relationship quality was hypothesised to mediate the relationship between brand relationship management and franchisee-based brand equity. As shown in Table 8.1, this hypothesis was supported. The results indicate that brand relationship management had a significantly higher effect on franchisee-based brand equity through brand relationship quality (i.e., brand trust, brand commitment and brand love) as compared with the direct effects. Thus, although brand relationship management is important in influencing franchisee-based brand equity, it is vital that franchise managers ensure that this process results first in brand trust, brand commitment and brand love.

Consistent with existing literature, the current study finds support for the mediating effect of brand relationship quality between brand relationships and brand equity. Prior research provides evidence of the mediating effect played by relationship quality in various consumer research contexts. Hence, the current study extends the idea to B2B research. For instance, Valta (2011) found that relational norms (i.e., solidarity, reciprocity, flexibility and information exchange) and brand relationship quality significantly mediate the link between brand relationships and brand loyalty. In addition, Kressman *et al*. (2006) found that brand relationship quality plays a crucial role in consumer-brand relationships, indicating that more favourable perceptions of brand relationship quality promote brand loyalty.

The current study acknowledges that franchisors play a crucial role in brand relationship management that influence franchisees' behavioural aspects such as trust, commitment and love for the brand and ultimately leading to high brand equity. Accordingly, Hopkinson and Hogarth-Scott (1999) suggest that since the motivation of the franchisee varies with the firm's strategy employed by the franchisor, then relationship quality will also differ based on the strategy implemented by the franchisor. Therefore, "…it is neither expected nor necessary that a high relational quality will be achieved in all situations" (Hopkinson & Hogarth-Scott, 1999, p. 839). Additionally, existing literature indicates brand trust, brand satisfaction and brand commitment influence brand loyalty (Belaid & Behi, 2011; Tsai, 2011). Also, past research suggests that the passionate brand love that a consumer feels for the brand is the primary driver of long-term brand loyalty (Albert *et al*., 2008; Carroll & Ahuvia, 2006). Similarly, Tsai (2011) found that brand love and brand commitment partially mediate the effects of relationships components on brand loyalty in services. In addition, Albert *et al*. (2008, p. 1064) indicate that the characteristics of brand love include: (i) passion for a brand, (ii) brand attachment, (iii) positive evaluation of the brand, (iv) positive emotions in response to the brand, and (v) declarations of love for the brand. In the current study, it was found that brand relationship quality mediates the link between brand relationships and franchisee-based brand equity. In sum, if a franchisee expresses love for the franchise brand, the positive feelings of love tend to trigger brand-related activities that enhance the franchise's brand equity. Therefore, the above discussion confirms the fourth research objective of this study and concludes that franchise managers need to build strong brand relationships to promote franchisees' brand trust, brand commitment and brand love and consequently, franchisee-based brand equity.

8.2.5 Relationship between Brand Relationship Management and Brand Citizenship Behaviour

***Research objective 5:* To investigate the relationship between brand relationship management and brand citizenship behaviour.**

With respect to research objective 5, the study found a positive relationship between brand relationship management and brand citizenship behaviour, providing support for Hypothesis 5 (see Table 8.1). The result suggests that effective brand relationship management practices are crucial in enhancing brand citizenship behaviour in franchisees. In other words, if franchisees develop a strong attachment to the franchise brand, this will promote positive brand citizenship behaviours motivating franchisees to go an extra mile in helping the brand through brand endorsement, supportive behaviour, and showing strong enthusiasm towards the franchise brand.

Previous research suggests that franchisors play a crucial role in fostering consistent brand citizenship behaviour in franchisees (Nyadzayo *et al*., 2011). This implies that franchisors need to develop brand relationship management practices that encourage franchisees to engage in positive brand citizenship behaviours. Thus, effective management of brand relationships fosters the cultivation of cooperative behaviours that promote positive attitudes towards the franchise brand, thereby stimulating brand-related voluntary behaviour that enhances brand equity. Prior research also suggests that the development of inclusive contracts (that spell out principles of cooperation and procedures for conflict handling) can reduce perceived risk through developing relational dependency, fostering voluntary and cooperative behaviour (Li, 2010; Nooteboom, Berger, & Noorderhaven, 1997). The findings of the current study are consistent with prior research that advocates the need for structures, processes and incentives that enable brand-oriented behaviour (Henkel, Tomczak, Heitmann, & Herrmann, 2007; Olson, Slater, & Hult, 2005). Consequently, it is suggested that franchise businesses require a well-defined framework that can assist them in aligning the business goals and strategic visions of franchisees and franchisors to empower brand citizenship behaviour. In this respect, perhaps the most significant role franchisors can play in promoting positive brand attitudes in franchisees is to maintain effective communication. Consistent with Roper and Davies (2010) the current study suggests that effective internal brand communication can motivate franchisees to absorb and live the brand values, thereby reinforcing the positive brand perceptions of external markets. In support, Mudambi (2002) found that to realise the potential of B2B brands, business marketers need to understand and effectively communicate brand values. The benefits of communication can transfer to human behaviour, thereby connecting individual partners and creating good B2B relationships (Duncan & Moriarty, 1998).

Additionally, franchisors can promote brand citizenship behaviour by creating an open and transparent relationship, providing adequate training and support, inclusive decision-making structures and well-documented operational manuals (Nyadzayo *et al*., 2011). Past research found that franchisees feel they are being provided with little opportunity to assist in strategy formulation, and are not able to exhibit their potential levels of entrepreneurial spirit (Watson *et al*., 2005). Similarly, prior research suggests that inclusive contracts enhance relationship governance by reducing role ambiguity, thereby providing a clear understanding of what each party should contribute and gain from the relationship and ultimately this encourages extra-role behaviour such as brand citizenship behaviour (Li, 2010). Further, it can be observed that franchisees are likely to emulate franchisors who ‘lead by example’ which in turn leads to cooperative behaviour by franchisees (Nyadzayo *et al*., 2011). Thus, brand managers can be crucial brand ambassadors and, by acting consistently, their brand congruent behaviour may motivate employees and other stakeholders to imitate top management behaviour (Lockwood & Kunda, 1997). In addition, the behaviour of leaders in a network is an important catalyst in influencing positive selling behaviours; thus, franchisors can use charismatic rhetoric to encourage franchisees to adopt the vision and goals of the firm and brand identity (MacKenzie *et al*., 2001; Zachary *et al*., 2011). If well-managed, such practices can promote voluntary action and cooperative behaviour that can trigger brand citizenship behaviour.

It is therefore recommended that franchisors invest in brand relationship management practices to cultivate positive and functional behavioural outcomes. That is, the stronger the attachment of franchisees to the brand, the more willing they are to forsake personal resources to ensure a continued relationship with the franchise brand. In other words, franchisees become more willing to engage in selfless behaviours that may require unconditional sacrifice of time, money, energy and reputation so as to maintain or deepen brand relationships (Park *et al*., 2010). In sum, effective management of brand relationships is paramount in yielding brand citizenship behaviours that are necessary in promoting franchisee-based brand equity.

8.2.6 Relationship between Brand Citizenship Behaviour and Franchisee-Based Brand Equity

***Research objective 6:* To investigate the effect of brand citizenship behaviour on franchisee-based brand equity.**

In respect to Hypothesis 6, a positive relationship between brand citizenship behaviour and franchisee-based brand equity emerged. In essence, franchisees who exhibit more helping behaviour, brand endorsement and brand enthusiasm contribute to the franchisee-based brand equity (i.e., franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value). Hence, the behaviour of franchisees need to be well-monitored (through effective brand relationship management practices) to promote consistent attitude with the franchise's brand and expressed brand values.

The findings of the current study suggests that franchise managers should pay particular attention to managing brand relationships, as this is crucial in enhancing brand citizenship behaviour that helps to align brand identity and motivate franchisees to consistently and enthusiastically communicate the brand to both internal and external customers. Further, this can reduce free-riding behaviours or opportunistic behaviours, thereby encouraging franchisees to engage in functional and constructive behaviours that enhance brand equity. Consistent with this, Baumgarth and Schmidt (2010, p. 1250) state that "This is not simply a matter of appropriate self-presentation and communication, but also of personal identification with the brand, emotional attachment to it, and motivation to become involved with the branding strategy in direct interaction with customers and influencers." Other researchers also identified that brand-driven markets such as franchise channels, internal personnel need to align with the goals and brand values of their firm (Henkel *et al*, 2007). According to Vallaster and de Chernatony (2006), brand consistent behaviour is critical for the development of a coherent brand image, and is considered one of the crucial success factors in corporate brand management. The argument for internal brand building is based on the important role played by internal staff in ensuring coherent customer brand experiences across all customer touch-points (Burmann & Zeplin, 2005). Thus, if franchisees are committed to the brand, this can promote cooperative behaviour and ensure good customer experiences across the entire franchise channel thereby enhancing franchisee-based brand equity. Baumgarth and Schmidt (2010) found that the internal workforce needs to carry the brand in their hearts and minds and exhibit brand-supportive behaviour, so as to build a strong B2B brand or internal brand equity. Sharing similar views, De Castro, Mota, and Marnoto (2009, p. 21) suggest that the franchise channel's performance is a product of both 'system knowledge about the business and the brand' from franchisors to franchisees; and of 'local market knowledge and country specific knowledge' from franchisees to franchisors. Thus, franchisees are an important source of innovation that contributes to the development of the franchise brand (De Castro *et al*., 2009; Frazer *et al*., 2010).

Therefore, in addressing research objective 6, it can be concluded that positive brand citizenship behaviour can translate into brand outcomes such as increased brand equity, not only for the individual franchisee but also for other franchisees in the network. Given the empirical evidence that emerged in this study that brand relationship management influences brand citizenship behaviour which in turn positively affects franchisee-based brand equity, it was also reasonable to examine the mediating effect of brand citizenship behaviour, discussed in the next section.

8.2.7 Mediating Effects of Brand Citizenship Behaviour on the Link between Brand Relationship Management and Franchisee-Based Brand Equity

Research objective 7: **To investigate the mediating effects of brand citizenship behaviour on the link between brand relationship management and franchisee-based brand equity.**

In Hypothesis 7, brand citizenship behaviour was hypothesised to mediate the link between brand relationship management and franchisee-based brand equity and as shown in Table 8.1, this was supported. In other words, the effect of brand relationship management on the dimensions of franchisee-based brand equity (i.e., franchisee-based brand image, franchisee-based brand loyalty and franchisee-perceived relationship value) was found to be relatively higher when franchisees engage in brand citizenship behaviours. Thus, positive brand relationships result in brand citizenship behaviour and increased brand equity outcomes.

Consistent with prior research, the current study supports the use of limited contractual governance and more relational approaches through brand relationship management practices. Consequently, this yields voluntary brand citizenship behaviour that is fundamental in enhancing franchisee-based brand equity. Extant literature has limited evidence of the mediating effect of brand citizenship behaviour on the relationship between brand relationship management and franchisee-based brand equity. However, it is apparent that in franchise businesses, economic rewards tend to increase when the goals and interests of franchisors and franchisees are aligned through both relationship management and voluntary behaviours (Davies *et al*, 2011). Although legal contracts control the way franchisees behave, they tend to limit the way they act within the parameters of explicitly defined contract terms (Davies *et al.*, 2011), thereby supressing brand citizenship behaviours such as innovativeness. Further, not all potential contingencies can be preconceived and included in the contract (Davies *et al.*, 2011). Hence, franchisors at times feel that contracts provide an insufficient means of control over franchisees (Cochet & Garg, 2008; Stanworth, 1995). Therefore, rigid franchisors will enforce contractual governance and impose coercive measures to achieve franchisee alignment, or terminate contracts without attempting to resolve disputes, thereby damaging brand reputation (Hopkinson & Hogarth-Scott, 1999). Conversely, a softer and more flexible approach to gain franchisee alignment will employ relational exchange approaches and governance grounded in relational norms such as reciprocity, flexibility, solidarity, information exchange and trust, that lead to long-term relationships and franchise profitability (Davies *et al*., 2011; Valta, 2011). In the same vein, Hughes and Ahearne (2010) found that brand identification increases the efforts of salespersons in selling brand specific products, thereby increasing brand performance regardless of whether or not the control systems are aligned to the brand. Thus, brand identity is crucial in enhancing brand extra-role behaviours that ultimately contribute to the viability of the brand (Hughes & Ahearne, 2010).

In summary, it can be emphasised that contract-bound relationships trigger competitive behaviours, while franchise relationships that use relational forms of governance stimulate cooperative behaviours. Relational-based practices (such as brand relationship management) promote goal alignment between franchise partners, leading to enhanced brand consistency and overall franchise value (Davies *et al*., 2011; de Chernatony & Segal-Horn, 2003). Further, franchisees' behaviour towards the brand has implications for brand equity, since the extra effort exerted by franchisees is crucial in enhancing brand-related goals (Iverson, McLeod, & Erwin, 1996; Kimpakorn & Tocquer, 2008; Nyadzayo *et al*., 2011). Thus, it is important to note that franchise managers need to effectively manage brand relationships that promote brand citizenship behaviour that in turn enhance franchisee-based brand equity. The next section discusses results of the moderating effects of both franchisor-franchisee relationship duration and franchisor competence.

8.2.8 Franchisor-Franchisee Relationship Duration and Franchisor Competence as Moderator Variables

Research objectives (8 to 11) were aimed at investigating whether brand relationships and brand equity outcomes are moderated by franchisor-franchisee relationship duration and franchisor competence and the results are discussed below.

> ***Research objective 8:*** **To investigate the moderating effects of franchisor competence on the relationship between brand citizenship behaviour and franchisee-based brand equity.**

The study failed to support the Hypotheses (8a, 8b, 8c) that franchisor competence positively moderates the relationship between brand citizenship behaviour and franchisee-based brand equity. Thus, the study did not find support to conclude that the more competent the franchisor, the stronger the effect of brand citizenship behaviour on: (i) franchisee-perceived brand image, (ii) franchisee-perceived brand loyalty, and (iii) franchisee-perceived relationship value. Perhaps a possible explanation to this outcome is that franchisees do not necessarily consider franchisor competence as the primary driver of brand citizenship behaviour. Thus, the effect of brand citizenship behaviour on franchisee-based brand equity is likely to be strong in situations where franchisors' competence is transferred and communicated to benefit the business operations of franchisees. Therefore, the current study purports that in non-equity alliances such as franchise relationships, communication plays an important role in influencing positive brand citizenship behaviour. This concurs with Webster and Keller (2004) who advise that B2B firms should develop and communicate points of differences such as technical competence or company reputation to other stakeholders to influence positive behaviours that enhance brand equity.

Another possible explanation for this finding is that the moderating effect of franchisor competence may be feasible when it produces trust in channel relationships. Previous models of trust in marketing channels such as franchising have identified competence and integrity as precursors to trustworthiness (e.g., Dickey *et al*, 2007). According to Davies *et al*. (2011), franchisor competence is a prerequisite of franchisee trust that is likely to yield cooperative behaviours that foster healthy franchise systems and reputable brand names. Moreover, due to lack of experiential benchmarks, franchisees may fail to accurately judge franchisor competence (Davies *et al*., 2011). Therefore, franchisees might find it difficult to evaluate the effect of franchisor competence on brand citizenship behaviour. This may explain the insignificant moderating effect of franchisor competence on the relationship between brand citizenship behaviour and franchisee-based brand equity.

In addressing research objective 8, it can be concluded that franchisors are strongly advised not only to be highly competent in their operations but also invest such competences equally in structures that also enhance franchisees' capabilities and skills. Also, franchisors must ensure that they develop channels to communicate and transfer such competencies to franchisees. This can help to cultivate competence-based trust that reduces opportunistic behaviour and free riding (Alvarez *et al*., 2003; Bennet & Robson, 2004), thereby promoting brand citizenship behaviours that enhance franchisee-based brand equity.

> ***Research objective 9:*** **To investigate the moderating effect of franchisor competence on the relationship between brand relationship quality and franchisee-based brand equity.**

With regard to Hypotheses (9a, 9b, 9c), the current study partially supported the hypothesis that the more competent the franchisor, the stronger the influence of brand relationship quality on franchisee-based brand equity. In particular, this study supported the proposition that the more competent the franchisor, the stronger the effect of brand relationship quality (brand trust, brand commitment and brand love) on franchisee-perceived brand image (*Hypothesis 9a*). Thus, the effect of brand relationship management of franchise-perceived brand image is likely to increase when the franchisor is highly competent. Further, the study also confirmed *Hypothesis 9b* that the more competent the franchisor, the stronger the effect of brand relationship quality on franchisee-perceived brand loyalty. Thus, franchisees' loyalty to the franchise brand is strongly enhanced by brand relationship quality when the franchisor exhibits high competence levels. Consistent with prior literature, competent leaders (franchisors) were found to be an important source of trust, confidence, security, satisfaction and other positive outcomes that enhance relationship performance (Dickey *et al.*, 2007; Levin & Cross, 2004; Selnes, 1998).

In line with Dickey *et al.* (2007), the current study found that competent franchisors are more likely to be considered as trustworthy, credible and honest, thereby assuring franchisees that the franchisor is a good business partner. Thus, "...unless the franchisor is honest and able to perform its duties well, the franchisee will feel insecure in the relationship, and will resort to control measures for protection" (Dickey *et al*, 2007, p. 256). Several benefits of having competent franchisors include service responsiveness, reliability, flexibility, and technical competence, which translate into relationship benefits such as good image, trust and solidarity (Lapierre, 2000). The findings of this study also support Croonen (2010) who suggests that franchisees' trust in their franchisors is influenced by their perception of franchisors' competence. Thus, as two parties develop strong links, there is a likelihood that skills and expertise will be transferred from one party to the other, and each will take advantage of learning from the domains in which one is highly competent, thereby reinforcing trust (Rulke & Rau, 2000). Additionally, strong relationships promote compatible thinking and communication which eventually results in shared cognition, trust (Tsai, 2011) and commitment. The findings of the current study further suggest that franchisor's competence strongly drives functional brand behaviours which in turn significantly influence franchisee-perceived brand image and franchisee-perceived brand loyalty. In particular, competent franchisors reinforce brand trust, brand commitment and brand love that promotes franchisees' positive associations as well as their intention to remain with the franchise brand.

In prior B2B research, competence has been reported to be the main driver of value in supplier-customer relationships, thereby promoting relationship longevity (Lindgreen & Wynstra, 2005; Narayandas, 2005). Translated in the context of the current study, it can be noted that competent franchisors tend to improve the likelihood of relationship continuation. However, the current study failed to support *Hypothesis 9c* which proposed that high levels of franchisor competence strongly increase the effect of brand relationship quality on franchisee-perceived relationship value. Although this finding is surprising, prior research also attests that competencies are complex resources that are difficult to evaluate and transfer among firms due to transaction costs and transfer costs because the assets may contain tacit knowledge (Zerbini, Golfetto, & Gibbert, 2007). For instance, Zerbini *et al*. (2007) confirm that little is known about how competencies can be used to modulate relationship behaviour. In franchising, the same problems can arise as franchisors might fail to understand how their competencies can guide appropriate franchisee behaviour, and in extreme cases they might fail to identify, market, and develop competencies that can add value to their franchisees (Zerbini *et al*., 2007). It is apparent that most franchisors consider competencies such as their brand reputation during the recruitment of franchisees; however, franchisors might fail to configure their marketing strategies to communicate the value of their competencies to existing franchisees. Thus, the franchisor competence level will ultimately fail to promote franchisees' positive evaluations of the relationship as well as relationship value.

In summary, these findings substantiate the central notion of competence theory that explains how franchise parties can leverage relational resources to make other resources more productive by increasing effectiveness and efficiency (Davis & Mentzer, 2008). The current study suggests that brand relationships reinforced by franchisor competencies translate into positive brand outcomes such as high franchisee-based brand equity. This result was also supported by the moderated mediation tests (see Section 7.8.3, Chapter 7). That is, the mediating influence of brand relationship quality variables (brand trust, brand commitment and brand love) on franchisee-perceived brand image and brand loyalty were found to be relatively stronger in cases where franchisors exhibit higher levels of competence. On the other hand, the ugly side of incompetent franchisors can result in brand sabotage and in some extremes, 'brand death' in businesses (Ewing, Jevons, & Khalil, 2009). In Australia, it is reported that at least 40 franchisors collapsed between 1990 and 2005, a relatively recent one being the failure of Kleins retail jewellery in 2008 (Gutnick, 2011). The present study therefore suggests that brand building efforts centralised on managing brand relationships alone may fail to enhance franchisee-based brand equity, hence the need for competent franchisors.

***Research objective 10:* To investigate the moderating effects of franchisor-franchisee relationship duration on the relationship between brand citizenship behaviour and franchisee-based brand equity.**

The Hypotheses (10a, 10b, 10c) that the longer the franchisor-franchisee relationship duration, the stronger the effect of brand citizenship behaviour on the three dimensions of franchisee-based brand equity (franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value) were not supported (see Table 8.1). The influence of brand citizenship behaviour on franchisee-based brand equity was not found to vary based on the duration of the franchisor-franchisee relationship.

Generally, there is consensus in prior literature that brand outcomes usually increase as the relationship progresses (Mellewigt, Ehrmann & Decker, 2011). Conversely, the findings of the current study correspond with research that suggests that as relationships mature, they become more susceptible to negative influences that dampen the positive influence of relational resources such as trust and commitment (Moorman, Zaltman, & Deshpande, 1992). Thus, the current study supports the notion that franchise managers need to foster an effective brand relationship management system that promotes brand citizenship behaviour irrespective of relationship duration. In particular, whether in short-term or long-term relationships, constructive brand relationships are paramount in producing compliance that is fundamental in enhancing brand citizenship behaviour and increased brand equity. The current study purports that franchisors should find the appropriate nature of support that fits every course of franchisees' business lifecycle. For instance, high levels of support early in the franchise relationship will help facilitate a franchisee's growth as well as early maturation and this support changes from highly technical and operationally focused at the start, to management, financial and marketing-related skills as the franchisee grows and matures (Roh & Yoon, 2009). Therefore, it can be suggested that it is not the quantity but the quality of support that matters and is germane to all the stages of the franchisee's business lifecycle.

The results of the qualitative study (see Chapter 5) also failed to support the notion that a longer the franchisor-franchisee relationship, the greater the influence of brand citizenship behaviour on franchisee-perceived brand image, franchisee-perceived brand loyalty and franchisee-perceived relationship value. Consequently, it is recommended that regardless of the length of the relationship, franchise managers, particularly franchisors, must keep track of the development stage of each franchisee's lifecycle. Similarly, Davis and Mentzer (2008, p. 441) states that it is important for managers "…to know how the effects of relational resources might vary in new relationships compared to long-term relationships in order to devise relationship management strategies that are appropriate for the age of the relationship." In essence, franchisors are advised that 'age is nothing but a number' and should not be used as a criterion when choosing to invest more resources and energy in managing brand relationships. It is crucial to know when to take appropriate action and when to provide support, as well as understand factors that promote compliance based on the specific business lifecycle stage of the franchisee.

> ***Research objective 11:* To investigate the moderating effects of franchisor-franchisee relationship duration on the link between brand relationship quality and franchisee-based brand equity.**

The Hypotheses (11a, 11b, 11c) that proposed that the longer the franchise relationship, the stronger the effect of brand relationship quality in influencing franchisee-based brand equity, were partially supported. Specifically, this study found that the longer the franchisor-franchisee relationship duration, the stronger the effect of brand relationship quality on franchisee-perceived brand image (*Hypothesis 11a*). In essence, this outcome suggests that the behavioural outcomes of brand relationship management in the form of brand trust, brand commitment and brand love exponentially increase as the relationship matures, thereby significantly influencing franchisee-perceived brand image. Further, the study also supported *Hypothesis (11c)* which stated that the longer the franchisor-franchisee relationship duration, the stronger the effect of brand relationship quality on franchisee-perceived relationship value. Thus, franchisees in longer relationships consider their partnership to be more valuable compared with those in infant relationships, due to their higher levels of brand trust, brand commitment and brand love.

Generally relationships are evolutionary in nature and are time-adjusted associations (Anderson & Sullivan, 1993). In support of prior research, the current study suggests that franchisors should strive to build and maintain long-term relationships, since franchisees can gain more due to the exchange of favours and clearer understanding of the operational system. Dant and Nasr (1998) found that longer franchisor-franchisee relationships provide more security to both parties regarding the continuation of this relationship in the future. This is because relationship duration has a direct influence on relationship variables such as trust, commitment and satisfaction. The current study supports Simpson and Paul (1995) who found relationship duration to be a key contributor to relational sentiments. That is, the longer the relationship has endured, the greater the likelihood of it becoming relational, and consequently, the better the communication between such parties. Subsequently, frequent provision of information to franchisors can be interpreted as evidence of cooperative intent and trust on the part of the franchisees (Dant & Nasr, 1998). Bordonaba-Juste and Polo-Redondo (2008*a*) found that in short-term relationships, franchisees' intention to continue with the relationship is influenced by trust, commitment and satisfaction. However, in long-term relationships, franchisees' intention to continue is directly affected by their commitment to and satisfaction with the relationship. The influence of information sharing on trust and commitment on franchisees' satisfaction and intention to stay were found to have more positive influence in longer relationships compared with shorter ones (Bordonaba-Juste & Polo-Redondo, 2008*a*).

The current study's findings are also consistent with prior findings in existing literature. For instance, franchise relationship duration was found to influence three key factors: cooperation, dependence and relationship variables (Blut *et al*., 2011; Jap & Anderson, 2007). Blut *et al*. (2011) found that the honeymoon phase is mainly characterised by high levels of enthusiasm and excitement by franchisees leading to positive evaluations of relationships properties (such as trust, commitment and satisfaction), dependency and cooperation. However, as the relationship progresses from the honeymoon to the routine stage, these relational variables tend to diminish and the level of conflict and opportunistic behaviours increases (Blut *et al*., 2011). Finally, in the relationship recovery phases (i.e., crossroad and stabilisation), strong relational norms, tangible and intangible assets, and common goals develop, thereby contributing to cooperative and trustworthy behaviour (Blut *et al*., 2011; Palmatier *et al*., 2006).

Additionally, Cochet, Dormann, and Ehrmann (2008) acknowledge that the franchisor-franchisee relationship duration contributes to the stability of the entire partnership. That is, repeated cooperation enhances inter-firm coordination between franchisors and franchisees thereby refining channels of communication and decision-making between the two parties. In addition, parties have the opportunity to learn from past experiences, thus informing future conflict handling strategies and effective channels of knowledge transfer may promote stable interaction patterns that benefits the franchise brand (Mellewigt *et al*., 2011). In particular, Mellewigt *et al*. (2011) found that the longer the franchisor-franchisee relationship duration, the more franchisees learn about the negative effects of uncertainty in highly competitive markets. In fact, franchisees in mature relationships are likely to exhibit high levels of cooperative and brand citizenship behaviour, thereby enhancing brand equity and simultaneously fighting competition compared with those in new relationships.

However, the study did not find support for the hypothesis that the influence of brand relationship quality on franchisee-perceived brand loyalty was stronger in longer franchisor-franchisee relationships compared to shorter ones (*Hypothesis 11b*). This outcome suggests that franchisee-perceived brand loyalty does not vary with the franchisor-franchisee relationship duration. This result corresponds with extant literature that supports the notion that relational variables are not moderated by relationship duration. For instance, some studies propose that there is a 'dark side' to long-term relationships which results in increased opportunistic behaviours, loss of objectivity and increasing demands and expectations which derail relationship performance (Grayson & Ambler, 1999). Further, Homburg, Giering, and Menon (2003) found that the longer the buyer-seller relationship, the weaker is the relationship between satisfaction and loyalty. Kalwani and Narayandas (1995) also identified that one's judgement of recent exchange outcomes is influenced by the cumulative negative effects of long-term experiences with the product, service or organisation.

Given this background, it is reasonable to conclude that franchisors need to safeguard and maintain long lasting relationships with franchisees and ensure effective management of brand relationships that yield strong brand relationship quality and enhances franchisee-based brand equity. In this regard, the current study provides empirical evidence that long-term relationships characterised by strong relational norms (such as brand trust, brand commitment and brand love) produce positive brand perceptions in franchisees and high relationship value.

In conclusion, in Sections 8.2.1 to 8.2.8, the results of various specific relationships of the conceptual model were discussed and reviewed in light of extant literature. To a certain extent most of the current study's findings support those in prior literature. Notably, in most cases this study went further to examine new avenues that were not addressed in prior research. However, in several areas the current study used B2C theories to understand brand relationships and brand equity in franchising due to limited prior research in B2B markets. Thus, this research followed the guidelines suggested in extant literature to modify and apply generalised models of consumer research in B2B markets (Webster & Wind, 1972). Prior research also concedes that B2B and B2C markets relate to each other and share some common characteristics (Bennet, Härtel, & McColl-Kennedy, 2005; Dant & Brown, 2008), thus brand equity-related theories in consumer research may be highly applicable in B2B markets (Bendixen *et al.*, 2004; Gordon *et al.*, 1993).

In the next section, an integrated synthesis of the franchisee-based brand equity model is discussed.

8.2.9 The Integrated Franchisee-Based Brand Equity Model

> ***Research objective 12:* To investigate the integrated model linking brand relationship management, brand relationship quality, brand citizenship behaviour and franchisee-based brand equity.**

In testing the integrated franchisee-based brand equity model Hypotheses 14 to 19 were supported, with the exception of Hypothesis 14b (see Chapter 7, Section 7.9). These findings suggest that effective brand relationship management practices positively influence brand relationship quality and positive brand citizenship behaviour that in turn improves franchisee-based brand equity. Thus, the positive brand outcomes of brand relationship management, brand relationship quality and brand citizenship behaviour promote franchisee-perceived relationship value, franchisee-perceived brand image and franchisee-perceived brand loyalty. This outcome also suggests that satisfied franchisees can derive both tangible and intangible benefits over the lifetime of the franchise relationship and in turn continue to renew their franchise contracts, leading to high channel relationship performance. However, the results did not support Hypothesis 14b that predicted a direct relationship between brand relationship management and franchisee-perceived brand loyalty. Conversely, the results indicated that brand relationship management has a positive indirect effect on franchisee-perceived brand loyalty through brand citizenship behaviour and brand relationship quality. Hence, it is crucial for franchise managers to ensure effective brand relationship management that promote brand citizenship behaviour and brand relationship quality that ultimately enhance franchisee-perceived brand loyalty.

These findings support the central notion of the social exchange view that considers the intangible value of relationships as the main driver behind interrelationships among business partners (Das & Teng, 2002). Existing research also suggests that franchisees tend to believe that they are getting more value for money from the partnership when they are satisfied with the support provided by the franchisor (Leslie & McNeill, 2010). As a result, such franchisees can form healthy relationships with the brand and are in a good position to strengthen the franchise's brand image and their own store image, thereby enhancing overall franchisee-based brand equity. It is also worth noting that brand image can lead to positive brand associations that promote positive attitudes that can spill-over to other brands in the franchise network. Further, the current study revealed that positive brand citizenship behaviour promotes franchisees' brand loyalty that can eventually extend to other stakeholders and final customers. The findings support prior research that suggest that strong B2B brands create intellectual and emotional ties not just with final customers but with other stakeholders such as channel intermediaries and employees (Lynch & de Chernatony, 2004).

Consistent with recent advances in franchising theories, the current study utilised the identity-based brand management and relationship perspective to develop a framework indicating how well-managed brand relationship practices could promote brand citizenship behaviour and franchisee-based brand equity. The current study is consistent with Zachary *et al.* (2011) who examined the role of organisational identity in franchise branding when recruiting potential franchisees. Zachary *et al.* (2011) found that if franchisees' goals are not aligned with the organisational identity of their franchisors, this may lead to opportunistic and free-riding behaviour resulting in high agency costs. Hence, franchisors need to recruit franchisees whose identity matches theirs. Thus, due to the problems of interdependence and possibility of double-sided moral hazard (Combs *et al.*, 2004) franchisors will align the intended image with its identity through organisational communication to attract potential franchisees that have similar values (Bhattacharya & Sen, 2003). Developing the idea further, the current study also looked at existing franchise relationships and identified that franchisors also play a crucial role by encouraging franchisees to engage in brand citizenship behaviour that enhances brand identity across the franchise channel. Thus, well-managed brand relationships play a crucial role in influencing positive brand citizenship behaviour (Nyadzayo *et al*., 2011). The qualitative findings of the current study observed the importance of internal brand communication in driving positive brand citizenship behaviour. This concurs with Zachary *et al*. (2011) who found that the role of charismatic rhetoric used by franchisors was important in encouraging potential franchisees to incorporate the organisational identity of the franchisor in their future business.

The current study also found that franchisors play a crucial role (both during recruitment and implementation stages) in aligning franchisee identity with the goals of the franchisor. Consequently, this might foster brand citizenship behaviour that enhances franchisee-based brand equity. This is consistent with Lawrence and Kaufmann (2011) who used the organisational identity view and found that franchisee associations play a critical role in managing the inherent tension between cooperation and conflict in franchise relationships. Prior research advocates the use of organisational identity theories in understanding franchising phenomena, since franchisees are neither full-time employees nor independent entrepreneurs who work under the topsy-turvy tagline *"work for yourself, not by yourself"* (Lawrence & Kaufmann, 2011, p. 286). Thus, this complex super-organisation could expose franchisees to multiple and competing work groups with which they should identify with, resulting in identity crisis (George & Chattopadhyay, 2005; Lawrence & Kaufmann, 2011). According to Ullrich *et al.* (2007) it is fundamental to identify structures that re-align franchisee identity with franchisors' goals and values, since this is crucial in predicting corporate citizenship behaviour.

Lastly, additional results from the integrated model provide evidence of interrelationships among the three dimensions of franchisee-based brand equity (see Figure 7.13). The results show a positive relationship between franchisee-perceived relationship value and franchisee-perceived brand image. These results suggest that if franchisees perceive increased value and gains from the relationship, this in turn is likely to influence the way they perceives the brand image. This is line with prior research that suggests high relationship value to be an outcome of effective communication that reinforces a strong corporate brand image (Balmer & Gray, 2003). Subsequently, the results suggest that strong brand image positively influences franchisee-perceived brand loyalty. This is consistent with past research that states that superior brand image, enhances brand loyalty (Dalakas & Levin, 2005). Further, according to the balance theory, loyalty towards a brand with an inferior image will increase when it merges with a brand with superior image, and vice versa (Heider, 1958; Lee *et al*., 2010). In addition, a strong brand image increases brand equity, influences consumer's willingness to stay, repurchase, and the likelihood to recommend the brand (Rust, Zeithaml, & Lemon, 2000).

After establishing the integrated model, additional comparative analyses were conducted since the hypothesised relationships might vary across groups due to contextual, cultural, economic, political and other environment factors. Hence, in the next section, results of comparative analyses of the integrated model covered in Section E (Chapter 7) are discussed to explore the differences and/or similarities across the groups.

8.2.10 Comparative Analyses Based on Franchise Value and Type of Franchise Ownership

> ***Research objective 13:*** **To investigate whether the effects of brand relationship management on franchisee-based brand equity differ between low and high value franchisees.**

The findings of the study did not support the proposition that the influence of brand relationship management on franchisee-based brand equity through brand relationship quality and brand citizenship behaviour is different between low and high value franchises. This outcome suggests that the management of brand relationships still remains critical across all groups irrespective of the amount of money that franchisees invested in the business. Thus, brand building and brand management strategies that enhance franchise's brand equity are crucial across all levels of franchise investments.

The findings of the current study supports the notion that regardless of money invested, franchisees are strongly motivated to work hard because their compensation is directly related to the performance of their franchise units (Barthélemy, 2008). Aggarwal (2004) also found that monetary value of the relationship does not influence consumers' evaluation of brand relationship norms both in communal and exchange partnerships. This understanding is based on the relational equity theory which focuses on the outcome evaluation of what has been invested by each exchange partner (Harmon & Griffiths, 2008). In franchise relationships in particular, the interdependent nature of the relationship drives partners to expect fairness in the outcomes and processes incorporated within their relationships and transactions (Davies *et al*. (2011). When one's ratio of inputs to outcomes is considered to be consistent across the partnership, confidence and a sense of equity prevails, opportunistic behaviours are reduced and all parties are satisfied (Ganesan, 1994; Lewin & Johnston, 1997). Alternatively, Harmon and Griffiths

(2008) found that inequity prevails when perceived inputs or outcomes in franchise relationships are psychologically inconsistent with perceived inputs or outcomes. Given this, it can be concluded that the monetary value of the franchise investment alone does not necessarily influence franchisees' attitude towards the brand. This further supports the idea that relational exchanges embedded in social structures reinforce relational resources and contribute to the firm's ability to create more economic value (Davis & Mentzer, 2008).

However, these outcomes are not consistent with prior research which argues that franchise chains with a valuable brand name (that are related to high investment franchises) tend to be vulnerable to free riding behaviour (Barthélemy, 2008). This is because myopic and opportunistic franchisees are likely to benefit from providing a lower-quality product or service based because customers normally associate a reputable brand name with good quality offerings (Michael, 2000). Alternatively, franchisors of high value brands might impose more coercive power strategies in attempts to regulate product or service quality. However, this can constrain franchisee cooperative behaviour and entrepreneurial autonomy, thereby increasing conflicts, leading to loss of integrity and trust (Davies *et al*., 2011), ultimately resulting in negative evaluations of the franchise brand.

> ***Research objective 14:*** **To investigate whether the effects of brand relationship management on franchisee-based brand equity differ between single-unit and multi-unit franchisees.**

The proposition that the influence of brand relationship management on franchisee-based brand equity through brand relationship quality and brand citizenship behaviour differs between single-unit and multi-unit franchisees was supported in this study. This finding suggests that the results of managing brand relationships and its outcomes are different between single-unit franchisees and multi-unit franchisees. In particular, the results suggest that brand relationship management influences franchisee-perceived brand image and franchisee perceived brand loyalty in single-unit franchisees, but not in multi-unit franchisees. In addition, brand citizenship behaviour influences franchisee-perceived relationship value in singe-unit franchisees, yet the effects were not significant in multi-unit franchisees.

These findings are not surprising given that single-unit franchisees are more likely to engage in more extra-role behaviour or brand citizenship behaviour compared with multi-unit franchisees. As most single-unit franchises are family-owned businesses usually managed by the franchisee owner, they are more likely to be committed to establishing B2B relationships in their territory and be involved in community activities such as sponsorships. The current study concurs with

Chirico, Ireland, and Sirmon (2011) who attest that most franchisees and franchisors are family-run ventures. According to Chirico *et al.* (2011) the concept of 'familiness' has a long-running, multi-generational perspective in decision-making that results in stronger franchisor–franchisee relationships and greater opportunities for value creation and competitive advantage. As a result, it can be concluded that in family-run businesses, franchisees display deeper emotional attachment towards the brand, which in turn enhances brand equity. This is also in line with Mellewigt *et al*. (2011) who found that franchisees that operate their own unit are likely to feel satisfied since their behaviour is not much constrained and can take more beneficial risk compared with those that are employee-managed (Stewart *et al*., 1998). On the other hand, Kaufmann and Dant (1996) found that most franchisors allow franchisees to own multiple outlets and eventually these multi-outlet franchisees hire employee managers to run the business. The use of controls on employee-managers in multi-unit franchises inhibit franchisee creativity, thereby reducing satisfaction and commitment and ultimately their willingness to engage in brand citizenship behaviour that enhances franchisee-based brand equity. Although the franchise headquarters may provide incentives to employee-managers to maintain established practices and routines (Sørensen & Sørensen, 2001), this may still inhibit entrepreneurial freedom (Mellewigt *et al*., 2011) that promotes voluntary creative behaviour.

In prior literature, there is some evidence that economic theories dominate the explanation of franchising and the resultant structures of franchise systems (Blair & Lafontaine, 2005). Hence, economic explanations such as economies of scale have been widely used to explain why individuals prefer multi-unit to single-unit structures (Grunhagen, & Mittelstaedt, 2002; Kaufmann & Stanworth, 1995). Similarly, Weaven and Frazer (2007*b*) adopted economic approaches to propose that expansion through multi-unit franchising is positively related to franchise brand value, local market innovation, franchise system uniformity, agency cost minimisation, system-wide adaptation and system reward strategies. Therefore, it can be noted that the use of economic theories *per se*, might fail to capture other subtle yet crucial relational elements of multi-unit franchising. Hence, the current study advocates the use of relational as well as the organisational identity views, to explain multi-unit franchising. As a result, the findings that brand relationship management does not influence franchisee-perceived brand image and franchisee-perceived brand loyalty in multi-unit franchises signal the complexities imposed by multi-unit structures on relationship-based matters. In addition, the outcome that brand citizenship behaviour does not influence relationship value in multi-unit franchisees may explain the perceived lack of creative behaviour and entrepreneurial autonomy in multi-unit franchisees compared to single-unit franchisees.

Other possible explanations regarding the above negative outcomes of brand relationships in multi-unit franchisees may relate to commitment and power issues. For instance, Kaufmann and Dant (1996) found that commitment levels toward continuing to franchise are negatively related to the average number of units per franchise. Given that multi-unit franchisees tend to bear more responsibilities and costs, their level of commitment to the franchise system may be less compared with single-unit franchisees. The findings of the current study are also consistent with prior research that suggests that as franchisees purchase additional units in the system, franchisors' level of power is reduced (Grunhagen, & Mittelstaedt, 2002; Lafontaine & Kaufmann, 1994). Garg, Rasheed, and Preem (2005) found that the potential to open additional outlets offers franchisees a powerful incentive to maintain standards in existing outlets. Further, franchisors normally do this to gain countervailing power effects and improve their decision-making involvement in the franchise system (Grunhagen, & Mittelstaedt, 2002). However, an increase in franchisee power presents its own challenges to the management of franchise relationships, as this can lead to opportunistic behaviour (Weaven & Frazer, 2007*a*). Powerful franchisees are likely to consciously engage in opportunistic and free-riding behaviours and forego franchisors' goals to pursue their own entrepreneurial interests (Gassenheimer, Baucus, & Baucus, 1996). Therefore, the current study suggests that such combative behaviours by multi-unit franchisees negatively influence franchisee-based brand equity as opportunistic behaviours and lack of commitment derail the success of the franchise brand.

In conclusion, the foregoing discussion provides a synthesis of the current study's findings in line with extant literature. Similar findings as well as points of contention were discussed, thereby helping to juxtapose the contributions of the current study in B2B branding and franchising. In the next section, the implications and limitations of the study as well as suggestions for future research are presented.

8.3 Implications of the Study

The findings of this study make valuable contribution to research in B2B branding, B2B relationships, franchising in general and specifically, Australian franchising. The contributions are discussed in terms of theoretical and managerial implications.

8.3.1 Contributions to Extant Literature

First, during the last two decades, there has been growing interest, both practical and academic, in brand building as well as the conceptualisation and measurement of brand equity. Whilst a large body of extant literature on brand equity has focused on consumer markets, limited attention has been paid to brand building and brand equity in B2B contexts. Accordingly, this study conceptualised, operationalised and empirically investigated brand relationship management, brand relationship quality and brand citizenship behaviour and advanced a new model of *franchisee-based brand equity*. Thus, the current study goes some way towards addressing this shortcoming as well as expanding the current understandings of brand equity in B2B markets. In addition, the study developed and operationalised FBBE as a three-dimensional construct comprised of (i) *franchisee-perceived relationship value*, (ii) *franchisee-perceived brand image* and (iii) *franchisee-perceived brand loyalty*.

Second, a review of literature by Combs *et al*. (2011) observed that, given that more researchers are paying more attention to the nature and structure of franchise relationships, particularly the franchisor–franchisee relationship and how it affects important outcomes, there is need for a stronger theoretical grounding to enrich this research stream. Thus, by utilising social exchange theory, competence theory, equity theory and the identity-based brand management view, the current study contributes to theoretical diversity in explaining franchising phenomena. Further, some researchers have recently acknowledged the importance of organisational identity theory in explaining the process of realigning franchisees to the goals of the franchisors (Lawrence & Kaufmann, 2011; Zachary *et al*., 2011). Adding to this research avenue, the current study extends the use of identity-based brand management views to explain how franchisees' relationship with the brand is crucial in enhancing franchisee-based brand equity.

Third, the study extends the concept of brand relationships to B2B markets, a concept that has dominated consumer markets (Aggarwal, 2004; Fournier, 1998) but remains unexplored in business markets. To accomplish this, the current study proposed and empirically tested five BRM dimensions namely information sharing, franchisor support, conflict handling, exercise of power and bonding, thereby contributing to brand relationship theory.

Fourth, the study identified two stages at which franchisors should manage brand relationships: (i) recruitment and (ii) implementation stage.

Fifth, in prior literature, the concept of brand equity is discussed mostly from two main perspectives: customer-based and financial-based. Therefore, by operationalising and advancing the franchisee-based brand equity model, the current study makes a valuable contribution to the research stream that has conceptualised brand equity in B2B markets and advanced terms such as partner or retailer-perceived brand equity and industrial brand equity (e.g., Baldauf *et al*., 2009; Kuhn *et al*., 2008; Mudambi, 2002).

Lastly, brand management in franchise channels remains a multifarious issue that presents many challenges to brand managers, yet relatively limited research has investigated the concept of brand equity in franchise channels (Weaven *et al*., 2011). Consequently, the current study advances an integrated model that explains the role of brand relationships in driving both brand relationship quality, brand citizenship behaviour, and enhances franchisee-based brand equity.

In the next section, the managerial implications are discussed.

8.3.2 Managerial Implications

This study provides some insights for managers in franchise headquarters, franchisors and other B2B managers that may assist their business practices.

First, perhaps the most important implication for managers relates to the role of BRM in B2B brand management. The findings of this study suggest that managers, particularly franchisors, need to comprehend the concept of BRM and its various governing dimensions as identified in this study. Central to the concept of BRM is the notion that negative emotions and feelings towards the brand can negatively influence franchise relationships. This is because negative attitudes can reduce cooperation, trust, mutual understanding and eventually brand benefits, and in some extreme cases can lead to the termination of the relationship. Therefore, franchisors are advised to make more effort to promote and maintain a healthy relationship between franchisees and the franchise brand.

Second, regarding the management of brand relationships, franchisors might ask, “How and when to manage brand relationships?” This study identified two stages at which managers can implement strategies to strengthen brand relationships: (i) recruitment stage and (ii) implementation stage. At the recruitment stage, brand relationships can be managed by being more proactive in selecting the ‘right’ franchisees that have a cultural fit with the franchise vision. Failure to choose appropriate franchisees or partners could jeopardise the long-term survival of the relationship and organisational goals. Additionally, the implementation stage relates to already existing relationships. In this light, franchisors are advised to employ the BRM dimensions to maintain and realign franchisees’ identity with their own. At the implementation stage, franchisors need to ensure adequate provision of support to franchisees, transparent and regular information sharing, well-devised brand architecture strategy, effective conflict handling, avoid use of coercive influence strategies and promote more social interactions.

Third, the study explored how franchisors could enhance franchisees' BCB and franchisee-based brand equity. The exploratory study discussed in Chapter 5 identified the ways in which franchisors can promote brand citizenship behaviour in their franchisees as well as the dimensions of BCB that can be enhanced. Further, since non-compliance is a major drawback in franchise channels, these results suggest that franchisors can promote cooperation and compliance. For instance, it was identified that continual support from franchisors and quick conflict resolutions are paramount in reducing free-riding and non-compliance behaviour thereby enhancing brand endorsement, helping behaviour and brand enthusiasm. Thus, franchisors need to undertake continuous research and make regular store visits to understand the support needed by franchisees and assess whether franchisees are meeting brand goals. Overall, such information can help franchisors to identify ways to quickly take corrective action before negative consequences derail the franchise brand image and identity.

Fourth, existing research suggests that in franchise relationships, it is difficult to determine who actually makes the important brand decisions since neither the franchisor nor franchisee has complete control over brand building (Pitt *et al*., 2003). The current study recommends that franchise headquarters and franchisors need to establish transparent and equally-involving structures that enable joint decision-making by franchisors and franchisees to ensure equitable and fair distribution of both social and economic resources. These unconstrained structures encourage franchisees to engage in BCB, which in turn leads to high brand equity. Consequently, the study seeks to inform franchise practitioners about the need for well-coordinated and integrated brand management practices between franchisors and franchisees. Thus, the study helps to clarify the roles played by different franchise channel members (particularly franchisees) in enhancing franchisee-based brand equity.

Fifth, the importance of franchisor competence in strengthening the quality of brand relationships was emphasised. Thus, managers are called to invest equally in structures that enhance their capabilities, since this is a crucial part of enhancing strong brand relationships necessary to increase brand equity. In other words, franchise managers need to know that brand building efforts centralised on managing brand relationships *per se* are insufficient to enhance the franchisee-based brand equity.

Sixth, from the findings of this study, it seems that 'age is nothing but a number' and should not be used as a criterion when choosing to invest more resources and energy in managing brand relationships. In other words, B2B managers and franchisors are advised to be cognisant of the 'dark side' of long-term relationships that may lead to opportunistic behaviours and goal misalignment. Thus, whether in short- or long-term relationships, the continuous development of positive brand relationships is paramount in fostering franchisee-based brand equity. This is crucial so as to know when to take appropriate action, provide suitable support, and in understanding factors that promote compliance at specific lifecycle stages of the relationship.

Lastly, some practical implications also emerged from the comparative analyses conducted in this study. The findings of the study suggest that brand relationship management should not be contingent on the amount of money franchisees have invested in the franchise system. Hence, regardless of money invested, both franchisors and franchisees should be motivated to equally invest in structures that promote effective brand relationships. Also, since most multi-unit franchisees use employee-managers to run their operations, franchisors are advised to limit the controls imposed on these employee-managers but instead offer more incentives to reduce counter-productive behaviours such as opportunism and free-riding.

8.4 Research Limitations and Directions for Future Research

Similar to any research of a comparable nature, this study was also subject to some limitations that provide opportunities for future research. Despite the increased interest in and evidence of B2B branding in prior literature, it is still obvious that research into B2B branding is still lagging behind, and there is need for more future research to address this deficiency (Leek & Christodoulides, 2011*b*). Whilst, the findings of the current study contribute to this research stream, it is still apparent that a number of intriguing questions still remain unexplored.

The *first* limitation is that the context of the study was limited to Australian-based franchise firms. Although the results can be generalised to other countries and contexts, (since franchising is almost ubiquitous), the economy, geographical location and cultural make-up of Australia must be taken into consideration when interpreting results. Hence, it will be interesting for future research to examine whether a relationship exists between cross-cultural or country-of-origin effects and the way franchisees relate to brands and their outcomes. Therefore, future research could consider the replication of the franchisee-based brand equity model in other countries. Other contexts (such as USA and India) might provide a rich comparative data given that USA is well-established, while India is an emerging franchise market. Testing the FBBE model will enhance the generalisability of the model across different global markets. Specifically, a research context that remains under-explored, but that may present a rich and interesting scope for further research is '*microfranchising*' which mostly occur in 'base-of-the-pyramid' (BOP) markets. Recently, Kistruck *et al.* (2011) noted that franchising in BOP markets present unique research opportunities. Therefore, there is need for further research to understand how the effect of brand relationship management on franchisee-based brand equity differs in emerging markets (e.g., India) and developed markets (e.g., USA and Australia).

Second, whilst the study identified five dimensions of brand relationship management (i.e., information sharing, franchisor support, conflict handling, exercise of power and bonding) other crucial factors might have been overlooked. Future research could examine other factors that are likely to influence brand relationships. In addition, the conceptualisation of brand relationship management was undertaken in franchising. Franchise markets represent non-equity alliances that are freedom-constrained and power denominated and this research setting may not fully capture the concept of brand relationships in other non-franchised B2B markets. Hence, in future, research could extend into other non-constrained principal-agent relationships such as employer-employee relationships. Such research is likely to reveal other factors that influence brand relationships in B2B markets. However, given the limited previous research on brand relationships in B2B markets, the proposed dimensions serve as a starting point for understanding brand relationships in franchise organisations that future research could build on.

Third, franchising is a constrained environment that can repress the expression of other voluntary or innovative brand-related behaviour. Given this limitation, future research can explore other underlying mechanisms that might affect extra-role or brand citizenship behaviour not only in different franchising sectors, but also in other non-franchised B2B relationships.

Fourth, the study examined two moderating variables (franchisor-franchisee relationship duration and franchisor competence) in the franchisee-based brand equity model. In some cases, the results of moderating effects were found to be insignificant, thus possibly indicating the presence of other potential moderating variables. Therefore, future research could also examine other market-related or organisational variables that can potentially moderate the effect of brand relationships on franchisee-based brand equity. For instance, in prior research, there have been calls to investigate how franchise branding practices differ in global franchises as opposed to national or local franchises (Zachary *et al.*, 2011) and to explore the effect of cultural factors in franchising (Dant *et al*., 2011). Also, consumer markets are replete with evidence that country image and brand image are inextricably linked, but limited attention has been paid to B2B markets despite the dominance of global B2B brands. Thus, future research can examine factors such as country-of-origin effects, environmental, cultural differences, brand involvement levels, centralisation or decentralisation of authority, ethical issues, or intensity of competition.

Fifth, the findings of the current study found that both brand relationship quality and brand citizenship behaviour partially mediate the relationship between brand relationship management and franchisee-based brand equity. According to Zhao *et al.* (2010), partial mediation effects entail that an unexplained direct path indicates an omitted mediator variable(s). Therefore, future research could also examine other potential mediator variables such as cooperation, brand satisfaction, or other types of commitment (such as normative, positive or negative calculative) in the franchisee-based brand equity model.

Sixth, the operationalisation of the franchisee-based brand equity construct and its dimensionality should be taken into consideration when interpreting the results. In other words, given that the FBBE concept is new, a full scale development procedure as proposed by Churchill (1979) would have been ideal in conceptualising the construct. However, due to the cross-sectional nature of the data and resource constraints such as time and costs, the current study adapted existing consumer-based measures to operationalise FBBE (as explained in Section 5.6.6 in Chapter 5). Thus, future research could employ the eight steps proposed by Churchill (1979) in conceptualising and developing the FBBE construct.

Seventh, the concept of brand love is still relatively new and has not been well-established in B2B markets. Whilst efforts were made in this study to carefully validate the concept of brand love, contextual or cultural differences should be considered and its applicability needs to be verified in different contexts. Hence, there is a need for future research to investigate the generalisability of the brand love construct in other B2B markets.

Eighth, the study found a direct and positive relationship between BRM dimensions (franchisor support, information sharing, exercise of power, conflict handling and bonding) and BCB behaviour (as discussed in Section 8.2.5). However, interpretation of these findings should take into account the differences in research contexts. Thus, whilst this relationship emerged in franchise systems, issues may be different in other contexts as prior research shows that higher-level relationship variables such as trust and commitment promote BCB. Hence, future research could explore the link between the BRM dimensions identified in this study and BCB in other research contexts to ensure generalisability.

Ninth, prior research suggests that relationships in franchising are non-linear over a period time (Nathan, 2004). However, due to the cross-sectional nature of the data used in the current study, the mean centering approach was used and the moderator was treated as a dichotomous variable (short term vs. long term). Although, a non-linear effect is inferred in this study, future research could use longitudinal data to show a non-linear relationship over a longer period of time.

Lastly, the franchisee-based brand equity model developed in the current study is grounded in franchisees' perceptions of brand equity in franchise businesses. However, the inclusion of franchisors' interpretations as well as other franchise stakeholders such as employees, master franchisees, passive owner franchisees or area developers may provide more insight into franchise branding. As a result, to provide a more comprehensive and robust franchise brand equity model, there is a need to incorporate franchisors' interpretations. Future studies could combine interpretations from both franchisors and franchisees and develop comparative brand equity models that evaluate differences and similarities of their perceptions. Further, to fully-capture the entire spectrum of franchise brand equity, it might be worth incorporating interpretations of other units of analysis such as employees, employee-managers, master or regional franchisees or even headquarters' staff.

8.5 Chapter Summary

In this chapter, a discussion of the major findings in relation to existing literature was presented. Specifically, the chapter began by discussing the direct and indirect relationships (i.e., the mediating effects of brand citizenship behaviour and brand relationship quality) of the major constructs. Further, the moderating effects of franchisor competence and franchisor-franchisee relationship duration were then discussed. The chapter then examined the differences in the integrated franchisee-based brand equity model based on the market value of franchises as well as the type of franchise ownership. The group comparisons indicated that no differences existed between low and high investment franchises, while differences emerged between single-unit and multi-unit franchisees. In addition, this study's key contributions to academic and managerial practice were outlined. The chapter concluded by outlining research limitations and suggestions for further research that may contribute to the extant body of knowledge in this area.

In sum, the study adopted transaction cost theory, social exchange theory, competence theory, relational equity theory and the identity-based brand management to provide a framework showing how well-managed brand relationship practices enhance brand relationship quality, brand citizenship behaviour and ultimately franchisee-based brand equity. The current study suggests that franchisees as crucial customer contact points require constant monitoring to ensure realignment of franchisors' values and goals as well as positive brand citizenship behaviours that enhance franchisee-based brand equity. Franchise brand building grounded in distinctive competence and positive brand relationships is perhaps the best way of doing business in such complex and freedom-constrained marketing environments. Franchisees can best position themselves in the market and differentiate themselves from non-franchised firms by establishing powerful brand relationships and engaging in brand citizenship behaviour. In simple terms, the study contends that franchise managers who aim to promote franchisees' brand relationship quality, brand citizenship behaviour and franchisee-based brand equity, should: provide continuous franchisor support; communicate often and effectively; socialise formally and informally; provide clear contractual terms; use less coercive power; and efficiently resolve conflicts as quickly as possible. Subsequently, it is highly likely that this will result in satisfied franchisees that are willing to make an extra effort in their business operations. Generally, if franchisees are 'happy', positive attitudes are likely to enhance their positive brand perceptions. In the long run, these positive effects will extend to final consumers, thereby enhancing brand equity across the entire franchise network.

8.6 Concluding Comment

The critical role played by brands in the development and maintenance of relationships in B2B contexts as well as in franchising is indisputable and reported in prior literature, yet the area has received scant attention. In response, the current study tested and advanced a *franchisee-based brand equity model* that postulated that effective management of brand relationships enhances brand relationship quality, brand citizenship behaviour and ultimately contributes to high franchisee-based brand equity (i.e., franchisee-perceived brand loyalty, franchisee-perceived brand image and franchisee-perceived relationship value). The researcher acknowledges the limitations and challenges that emerge in developing a new model, as other potential factors and relationships that are not easily identifiable might have been overlooked. Nevertheless, the researcher believes that the franchisee-based brand equity model advanced in this study provides a crucial stepping stone and stimulates subsequent research in B2B branding, specifically on brand relationships and franchise brand management.

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APPENDIX A: SEMI-STRUCTURED INTERVIEW PROTOCOL

BUILDING FRANCHISE BRAND EQUITY THROUGH BRAND RELATIONSHIPS

This research project seeks to explore how franchise businesses can enhance the value of their brands through effective management of brand relationships. In this study, brand relationships refer to the relationship that exists between franchisees and the franchise brand. *Note:* in this study we refer to the brand name of the franchise at a corporate level, not franchisors' brand name at local levels.

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SECTION A: GENERAL INFORMATION (Optional)

a. Briefly describe your current role?
b. How long have you worked in franchising businesses and what type of position/s have you held before?

SECTION B: BRANDS AND BRAND VALUE

a. Can you briefly discuss your understanding of the term 'brand'?
b. How would you define 'brand value' in franchise business systems?
c. Are you aware of the term 'brand equity'? If YES, please briefly explain the term with respect to franchise businesses.
d. In what ways can the franchisor promote the brand?
e. In what ways can the franchisee promote the brand?

SECTION C: BRAND MANAGEMENT

a. What do you think are the main reasons for one joining a franchise business operation?
b. What role does the brand play in a franchisor-franchisee relationship?
c. Do you view the relationship between the franchisee and the brand to be important in any way?
d. In your opinion how is the brand managed between the franchisor and franchisee?
e. The following list includes some of the issues that might influence the success of managing brand relationships in franchise business systems. Please discuss and then indicate the extent to which each item is important on a scale of 1 to 7 *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).* Please circle the appropriate number.

Franchisor support of the franchisee	1	2	3	4	5	6	7
Brand architecture (Corporate vs. product brands)	1	2	3	4	5	6	7
Information sharing	1	2	3	4	5	6	7
Power sharing (franchisor/franchisee)	1	2	3	4	5	6	7
Conflict handling	1	2	3	4	5	6	7
Bonding (legal structures/social interactions)	1	2	3	4	5	6	7
Other (Please list as many as possible)							

SECTION D: FRANCHISOR AND FRANCHISEE COMPETENCES

Competence in franchising can be described as the degree to which the franchisor or franchisee possesses the necessary business skills required to ensure successful business operations. Franchisors and franchisees are expected to contribute capabilities and know-how, and provide a format of running the franchise business.

a. What are the 5 most essential competences of a franchisor?
b. What are the 5 most essential competences of a franchisee?
c. On a scale of 1 - 7 (1 = least important and 7 = extremely important) please rank the competences you have mentioned above for franchisors and/or franchisees.
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SECTION E: BRAND CITIZENSHIP BEHAVIOUR

a. When recruiting potential franchisees, how important is it for franchisors to consider franchisees' attitude towards the franchise brand?
b. What do you consider as constructive franchisee behaviour that is needed for a successful franchise business?
c. What can franchisors do to develop franchisee attitudes that promote brand value?
d. Based on your experience are there any other activities (not written in the contract) that are undertaken by the franchisees to promote the value of the brand?
e. The following list includes brand-consistent behaviours that are considered as crucial to franchisees. Please discuss and then indicate the extent to which each behaviour is important on a scale of 1 to 7, *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).* Please circle the appropriate number.

Helping behaviour – positive attitude, friendliness, helpfulness and empathy.	1	2	3	4	5	6	7
Sportsmanship - willingness to engage for the brand even at high opportunity costs.	1	2	3	4	5	6	7
Brand consideration - adherence to brand-related behaviour guidelines.	1	2	3	4	5	6	7
Brand enthusiasm –extra initiative while engaging in brand related behaviours.	1	2	3	4	5	6	7
Brand endorsement – recommending the brand to others e.g. friends.	1	2	3	4	5	6	7
Self-development - willingness to continuously enhance brand-related skills.	1	2	3	4	5	6	7
Brand advancement- passing on customer feedback or generating innovative ideas	1	2	3	4	5	6	7
Other (Please list as many as possible)							

SECTION F: RELATIONSHIP VARIABLES

a. For a long term relationship with the franchise brand, how important are these relational variables: Please discuss and indicate the level of importance on a scale of 1 (least important) to 7 (extremely important), as shown below: *(Please circle the appropriate number)*

▪ Brand trust	1	2	3	4	5	6	7
▪ Brand commitment	1	2	3	4	5	6	7
▪ Brand satisfaction	1	2	3	4	5	6	7
▪ Other (Please list as many as possible)							

b. Can you comment on the saying that '*the longer the relationship the greater the value or benefits that the franchisee accrues from associating with the brand name'*?

Are there any other comments you would want to make about the issues we have just discussed?

....

....

THANK YOU FOR YOUR TIME, COOPERATION AND INSIGHTS YOU HAVE PROVIDED.

APPENDIX B: SURVEY RESEARCH INSTRUMENT

EXPLANATORY STATEMENT

Dear Franchise Executive
[Date]

Re: Research project on "Franchisee-based brand equity: Integrating brand relationship management in the Australian Franchising Sector"

This note serves to kindly seek your participation in the above-mentioned project being conducted in the Department of Marketing at Monash University, Melbourne, Australia. My name is Munyaradzi W. Nyadzayo and I am conducting research towards a Doctor of Philosophy degree under the guidance of Dr Margaret Matanda (Senior Lecturer) and Prof. Mike Ewing (Head of Department). The research project is funded by the Monash Research Graduate School (MRGS) and the Faculty of Business and Economics at Monash University.

The main objective of this study is to investigate the role of brand relationship management (BRM) and franchisor competence in enhancing brand equity in the Australian franchising industry. The study explores the behavioural aspects of franchise relationships particularly from the franchisee's perspective pertaining to brand management and factors that relate to building brand equity, hence we propose the term *'franchisee-based brand equity'*. The study contributes by advancing both theoretical and practical understanding of brand relational factors that promote brand equity, hence providing insights on how to effectively manage brand relationships so as to enhance brand equity in franchising. The study also examines the role of franchisor competence in strengthening the quality of brand relationships and ultimately brand equity. Thus, offering franchise managers with calls to invest equally in structures that enhance their skills and capabilities.

The study seeks to reinforce competitive business practice in the Australian franchising sector and it is strongly supported by the Franchise Council of Australia (FCA). Furthermore, despite the importance of the brand in franchise businesses, limited research has been done in this area, particularly on the impact of the brand on franchise relationships. Hence, your contribution to this survey is highly appreciated since it will hopefully enrich the business practice of franchises in Australia. The questionnaire should take you approximately 20 minutes to complete. I understand that the time it takes to fill in the questionnaire might be of inconvenience to you, therefore please note that your participation in this study is entirely voluntary and you are under no obligation to participate or answer any questions that make you uncomfortable.

The results will be dealt with confidentially. Your identity or organisation's will be kept anonymous throughout the research, both during data analysis and in any reports or publications that may ensue. Storage of the data collected will adhere to the University regulations and only researchers will have access to data. A summary report of the study is also available to all participants if requested. Should you have any enquiries about any aspect of this study, the way it was conducted or if you have any complaint concerning the manner in which this research is being conducted, please contact Executive Officer and quote the project number **CF10/2262-2010001281**:

Executive Officer
Monash University Human Research Ethics Committee (MUHREC)
Building 3e, Room 11, Research Office, Monash University VIC 3800
Tel: +61 3 9905 2052 Fax: +61 3 9905 3831
Email: muhrec@monash.edu

Yours sincerely,

[redacted]

Munyaradzi W Nyadzayo (Project Researcher)

Please note this survey can also be accessed ***ONLINE****. If you prefer to respond to this electronic version, copy the following link as it is:* http://monashbuseco.qualtrics.com/SE?SID=SV_cClj0mX91oCUwRe

IMPORTANT INSTRUCTIONS

The information below will help you in completing the questionnaire:

- Please note that your information will be kept **STRICTLY CONFIDENTIAL.**
- Attempt to **ANSWER ALL** questions, even if some appear to be similar.
- Please note that in this questionnaire we are interested in various aspects of your relationship with the *key person in the franchise organisation with whom you interact.* We have referred to this person as 'the franchisor' but the person may actually be an area manager, field support officer, master franchisee etc.
- If you have more than one (1) franchise unit of different brands, please choose one (1) brand of your choice and always refer to this brand when answering the survey.
- This questionnaire targets mainly franchisees; however, it can also be answered by person in **senior managerial level or higher positions** (such as store managers, supervisors etc.) with sound knowledge of the industry.
- Please respond to the questions in a way that reflects your franchising industry experience, feelings or position, **NOT** as you wish them to be or plan them to be in future.

Please take note of the following definitions of some 'jargon' used in this questionnaire:

- **Franchise brand –** relates to the brand name of the franchise organisation you are part of.
- **Brand relationships –** relate to the assumed relationship between the franchisee and the franchise brand **NOT** with the franchisor.
- **Brand relationship management (BRM) –** refers to the relationship management strategies that are focused on developing and managing sustainable franchise relationships through the franchise brand.
- **Brand equity -** refers to the added value endowed by the brand to the product.
- **Brand citizenship behaviour –** refers to generic behaviour or extra-role behaviour aimed at enhancing brand identity of your organisation.

- If you would like to contact the researchers about any aspect of this study, please contact the project researcher at:

Mr. Munyaradzi W Nyadzayo
Department of Marketing
Monash University, Faculty of Business and Economics
26 Sir John Monash Drive
Caulfield East, 3145
Tel: +61 3 9903 1286
Fax: +61 3 9903 2900
Email: munyaradzi.nyadzayo@monash.edu.

SECTION A: BRAND RELATIONSHIP MANAGEMENT

PART A: INFORMATION SHARING							
The following statements relate to the level of information exchange between you and your franchisor. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
IS1. My franchisor shares critical information with me.	1	2	3	4	5	6	7
IS2. My franchisor keeps me fully informed about issues that affect my business.	1	2	3	4	5	6	7
IS3. My franchisor shares knowledge of core business processes with me.	1	2	3	4	5	6	7
IS4. My franchisor and I exchange information that helps continuous development of our franchise brand.	1	2	3	4	5	6	7
IS5. My franchisor provides me with timely information	1	2	3	4	5	6	7
IS6. My franchisor strongly encourages me to share ideas with other franchisees.	1	2	3	4	5	6	7
IS7. Overall, my franchisor provides me with reliable information.	1	2	3	4	5	6	7

PART B: FRANCHISOR SUPPORT							
The following statements relate to the level of support you receive from the franchisor. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
FS1. The training provided by my franchisor is very useful.	1	2	3	4	5	6	7
FS2. The amount of franchise fees/royalties was not high.	1	2	3	4	5	6	7
FS3. The promotional and advertising assistance is very good.	1	2	3	4	5	6	7
FS4. The on-going service provided by my franchisor is very good.	1	2	3	4	5	6	7
FS5. There are few franchisor restrictions on day-to-day management decisions.	1	2	3	4	5	6	7
FS6. The marketing fees and advertising fees are reasonable.	1	2	3	4	5	6	7
FS7. My franchisor/representative visits my store regularly.	1	2	3	4	5	6	7

PART C: CONFLICT HANDLING							
The following statements relate to your attitude toward managing conflict with the franchisor. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
CR1. Discussions I have with my franchisor on areas of disagreement are usually productive.	1	2	3	4	5	6	7
CR2. I avoid discussing differences of opinion with my franchisor.	1	2	3	4	5	6	7
CR3. Discussing areas of disagreement with my franchisor tends to create more problems than they solve.	1	2	3	4	5	6	7
CR4. Discussing areas of disagreement with my franchisor increases the effectiveness of our business.	1	2	3	4	5	6	7
CR5. Discussing areas of disagreement with my franchisor strengthens our relationship.	1	2	3	4	5	6	7

PART D: EXERCISE OF POWER							
The following statements relate to power issues in your relationship with your franchisor. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
P1. My franchisor would somehow get back at me if I do not do as he/she asked.	1	2	3	4	5	6	7
P2. My franchisor might withdraw certain needed services from my business if I do not go along with him/her.	1	2	3	4	5	6	7
P3. My franchisor could make things difficult for me if I do not agree to his/her suggestions.	1	2	3	4	5	6	7
P4. My franchisor at times threatens to cancel or refuse to renew our contract.	1	2	3	4	5	6	7
P5. I can get needed help if I agree to my franchisor's requests.	1	2	3	4	5	6	7
P6. I am likely to get favours, if I go along with my franchisor's requests.	1	2	3	4	5	6	7
P7. By going along with the franchisor's requests, I am likely to avoid some of the problems other franchisees face.	1	2	3	4	5	6	7

PART E: STRUCTURAL AND SOCIAL BONDING							
The following statements relate to your level of bonding with your franchisor. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
B1. I have a formal contract with my franchisor that would be hard to break.	1	2	3	4	5	6	7
B2. If I were to leave my franchisor, I would lose a good business friend.	1	2	3	4	5	6	7
B3. I often interact with my franchisor and/or his/her staff on a social basis.	1	2	3	4	5	6	7
B4. I consider my franchisor to be as close to me as family.	1	2	3	4	5	6	7
B5. I always consider my franchisor's feelings before making decisions that may affect him/her.	1	2	3	4	5	6	7
B6. Overall, I have a good working relationship with my franchisor.	1	2	3	4	5	6	7

SECTION B: FRANCHISOR COMPETENCE							
The following statements relate to your perceptions regarding the franchisor's competence. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
FC1. My franchisor shows high levels of expertise in his/her work.	1	2	3	4	5	6	7
FC2. My franchisor invests time and energy into research and development.	1	2	3	4	5	6	7
FC3. My franchisor tells me exactly when services will be performed.	1	2	3	4	5	6	7
FC4. My franchisor has the required business skills necessary to run a successful franchise network.	1	2	3	4	5	6	7
FC5. My franchisor does not have sufficient knowledge of competitors' products and services.	1	2	3	4	5	6	7
FC6. Overall, my franchisor is capable and proficient.	1	2	3	4	5	6	7
FC7. Overall, my franchisor performs its work very well.	1	2	3	4	5	6	7

SECTION C: BRAND CITIZENSHIP BEHAVIOUR							
The following statements relate to your willingness to engage in extra roles that enhances the value of the brand. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).* **I AM WILLING TO:**							
BCB1. attend business events not required by my franchisor that promote the brand.	1	2	3	4	5	6	7
BCB2. keep abreast with developments in the brand.	1	2	3	4	5	6	7
BCB3. defend the brand when other franchisees or people criticise it.	1	2	3	4	5	6	7
BCB4. support this brand through good and bad times.	1	2	3	4	5	6	7
BCB5. wear this franchise's brands or logos on my clothes.	1	2	3	4	5	6	7
BCB6. offer ideas to improve the brand.	1	2	3	4	5	6	7
BCB7. forgive negative experiences with this brand.	1	2	3	4	5	6	7
BCB8. take action to protect this franchise brand from potential threats.	1	2	3	4	5	6	7
BCB9. recommend this franchise brand to others.	1	2	3	4	5	6	7
BCB10. promote this franchise brand in my local area.	1	2	3	4	5	6	7
BCB11. show genuine courtesy toward other franchisees, even under the most trying business or personal situations.	1	2	3	4	5	6	7
BCB12. share my resources to help other franchisees who have work-related problems.	1	2	3	4	5	6	7

SECTION D: FRANCHISOR-FRANCHISEE RELATIONSHIP DURATION

The following statements relate to the length of your relationship with the franchisor. Please tick the most appropriate response.

RA1. The relationship with my franchisor is:

a. ☐ still in the process of building up step by step.
b. ☐ in an advanced stage of development.
c. ☐ in a consolidated phase, in which changes are not to be expected.
d. ☐ at a stage, in which an end to the relationship is possible.

RA2. Please indicate the number of years/months you have been working with this franchisor.	Years	☐	Months	☐
RA3. Approximately, how long do you intend to stay with this franchise brand?	Years	☐	Months	☐

SECTION E: BRAND RELATIONSHIP QUALITY							
The following statements relate to your perceptions regarding the quality of your relationship with the franchise brand. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
Brand Trust							
BT1. This brand has high integrity.	1	2	3	4	5	6	7
BT2. I feel secure with this brand because I know it will not let me down.	1	2	3	4	5	6	7
BT3. I feel confidence in this franchise's brand name.	1	2	3	4	5	6	7
BT4. Overall, I trust this franchise brand.	1	2	3	4	5	6	7
Brand Commitment							
BC1. I am willing to put in a great deal of effort, beyond what is normally expected, in order to help this brand to be successful.	1	2	3	4	5	6	7
BC2. I am proud to tell others that this is a great brand to be part of.	1	2	3	4	5	6	7
BC3. For me this is the best of all possible brands to be part of.	1	2	3	4	5	6	7
BC4. I regret I chose to work for this brand over others I was considering.	1	2	3	4	5	6	7
BC5. It would take very little to cause me to leave this franchise brand.	1	2	3	4	5	6	7
Brand Love							
BL1. This is a wonderful brand.	1	2	3	4	5	6	7
BL2. This brand makes me very happy.	1	2	3	4	5	6	7
BL3. I'm very attached to this brand.	1	2	3	4	5	6	7
BL4. I am passionate about this brand.	1	2	3	4	5	6	7
BL5. Overall, I love this brand.	1	2	3	4	5	6	7

SECTION F: FRANCHISEE-BASED BRAND EQUITY							
The following statements relate to factors that determine the value of your franchise brand. Please circle the most appropriate response for each question. *(The scale is interpreted as 1=Strongly disagree, 2=Disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5= Slightly agree, 6=Agree, 7=Strongly agree).*							
Franchisee-Perceived Relationship Value							
RV1. The benefits I receive from my relationship with my franchisor far outweigh the royalties/costs I incur.	1	2	3	4	5	6	7
RV2. Compared to alternative franchisors, my relationship with my franchisor is more valuable.	1	2	3	4	5	6	7
RV3. Compared to alternative franchisors, I gain more in my relationship with my franchisor.	1	2	3	4	5	6	7
RV4. Compared to alternative franchisors, I am confident my franchisor will better help me reach my goals.	1	2	3	4	5	6	7
RV5. Overall, I receive high value from my relationship with the franchisor.	1	2	3	4	5	6	7
Franchisee-Perceived Brand Image							
BI1. There are good reasons to work with this franchise brand instead of others.	1	2	3	4	5	6	7
BI2. This brand has personality.	1	2	3	4	5	6	7
BI3. This brand is interesting.	1	2	3	4	5	6	7
BI4. I can easily recognise this brand among other competing brands.	1	2	3	4	5	6	7
BI5. Overall, this brand provides good value for money.	1	2	3	4	5	6	7

Section F: Franchisee-Based Brand Equity (cont'd)

Franchisee-Perceived Brand Loyalty							
BL1. This franchise brand would be my first choice.	1	2	3	4	5	6	7
BL2. My relationship with this brand is one I intend to maintain indefinitely.	1	2	3	4	5	6	7
BL3. My relationship with this brand deserves my maximum effort to maintain.	1	2	3	4	5	6	7
BL4. My relationship with this brand is something I would do anything to keep.	1	2	3	4	5	6	7
BL5. My relationship with this brand is one I care a great deal about long-term.	1	2	3	4	5	6	7
BL6. Overall, I am loyal to this brand.	1	2	3	4	5	6	7

SECTION G: ORGANISATIONAL AND RESPONDENT PROFILE

The following statements relate to you and your firm and they will only be used for classification purposes. Please fill in or mark with an (X) the appropriate box.

A. Type of your franchise retailing system.
1. Retail ☐ 2. Automotive ☐ 3.Coffee ☐ 4. Fast –food ☐ 5. Food & Beverage ☐
6. Building & Utilities ☐ 7. Computer & Internet ☐ 8. Mobile ☐ 9. Furniture & Homeware ☐
10. Office supplies ☐ 11. Home-based ☐ 12. Other, please specify ....

B. Do you own more than one (1) franchise unit?
1. Yes ☐ 2. No ☐ If YES, please indicate how many? ☐

C. If you answered YES on Question B above, are your franchise units of the same brand?
1. Yes ☐ 2. No ☐

D. Your current position in the firm.
1. Franchisee ☐ 2. Store manager ☐ 3. Supervisor ☐ 4. Other, please specify...................

E. Total number of years' experience in franchise system. Years ☐ Months ☐

F. Total number of part-time and full-time employees. 1. Part-time ☐ 2. Full-time ☐

G. Estimated market value of your franchise unit (AUD$).
1. Under 50 0000 ☐ 2. 50 000 – 100 000 ☐ 3. 100 000 – 150 000 ☐ 4. 150 000-200 000 ☐
5. 200 000 – 300 000 ☐ 6. 300 000 – 400 000 ☐ 7. 400 000 – 500 000 ☐
8. 500 000 – 800 000 ☐ 9. 800 000 – 1 mln ☐ 10. Above 1 mln ☐

H. Where are you located?
1. ACT ☐ 2. SA ☐ 3. NT ☐ 4. QLD ☐ 5. TAS ☐ 6. VIC ☐ 7. WA ☐ 8. NSW ☐

I. Your gender. 1. Male ☐ 2. Female ☐

J. Your age. 1. 18–25 ☐ 2. 26-35 ☐ 3. 36-45 ☐ 4. 46-55 ☐ 5. 56 or above ☐

K. Your education level. 1. Postgraduate ☐ 2. Bachelor degree ☐ 3. Diploma ☐ 4. Certificate ☐
5. Graduate certificate ☐ 6. High school & below ☐ 7. Other, please specify………….............

Please feel free to write any comments about the issues that have been discussed in this survey
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....

THANK YOU FOR YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE.

APPENDIX C: FRANCHISE COUNCIL OF AUSTRALIA ENDORSEMENT LETTER

FRANCHISE COUNCIL OF AUSTRALIA

10 January 2011

PO Box 2195
Malvern East VIC 3145

Level 1
307-313 Wattletree Road
Malvern East VIC 3145

Telephone: 1300 669 030
Facsimile: +61 3 9508 0899
Email: info@franchise.org.au
Website: franchise.org.au

Dear Franchise Executive,

Re: Research project: "Franchisee-based brand equity: Integrating brand relationship management and franchisor competence in the Australian Franchising Sector"

This research project is being undertaken by Monash University PhD student Mr. Munyaradzi Nyadzayo, under the guidance of Prof Mike Ewing & Dr Margaret Matanda from the Department of Marketing, Faculty of Business & Economics – Monash University.

I'm writing to encourage you to participate in the study, which seeks to identify the important role franchisees play in helping to build and participate in franchise brand equity.

This research project focuses mainly on the interaction between franchisor-franchisee relationship issues and brand management, which are two of the most fundamental aspects central to the franchise system. The research will help franchisees and will also be useful to franchisors and other stakeholders in the franchising sector.

I want to emphasise that your participation in this survey is voluntary and will not affect your relationship with the FCA nor the benefits that you and/or your franchise brand receive. Please be assured Monash has proved written assurance that all information collected from you will be kept strictly confident, and the researchers will not release any information which identifies you.

Thank you in advance for your consideration.

Yours sincerely,

[redacted]

Steve Wright
Executive Director
Franchise Council of Australia

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WORLD FRANCHISE COUNCIL