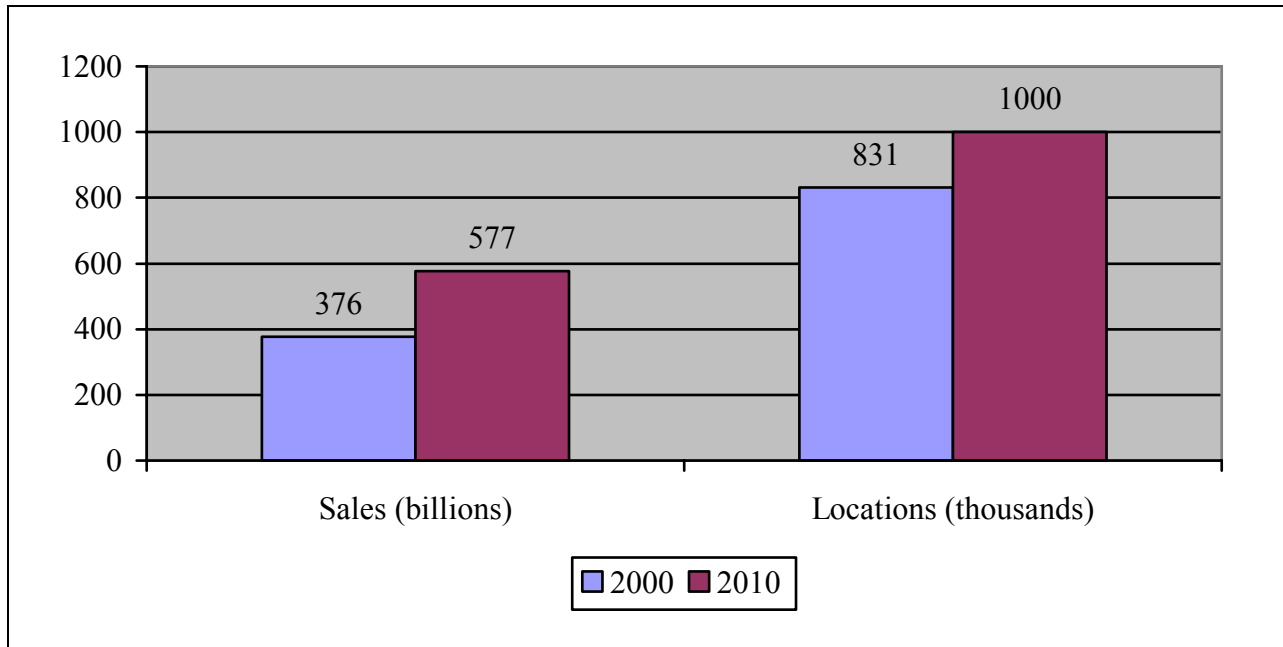


CHAPTER ONE INTRODUCTION

BACKGROUND

The restaurant industry consists of restaurants, bars, and other away-from-home eating facilities. The National Restaurant Association (NRA), an industry trade group based in Washington, D.C., estimated that industry sales in 2001 totaled \$399 billion and predicted that industry sales will hit \$576.9 billion by 2010. According to the National Restaurant Association (1999), an estimated 844,000 establishments offered prepared food in the United States in 2001 and the number of restaurants in the U.S. is forecasted to increase to 1,001,305 by the year 2010 (Figure 1.1).



Source: National Restaurant Association (1999)

Figure 1.1 Restaurant Industry Sales and Locations

There are a variety of possible locations for restaurants including a freestanding unit, located in shopping mall outlet, food court, or a multiple concept unit within an existing facility designed for another business such as a gas station and convenience store. It may be leased space, a building the retailer purchases, or a new structure built to specification. Each has its own advantages and disadvantages for specific types of restaurants (James, Walker, and Etzel, 1975; McGuire, 1993; Powers, 1997; Hsu and Powers, 2002). The cost of land, lease expenses, and building varies with the location of the restaurant. Metropolitan areas are more expensive than nonmetropolitan areas. Also, these costs vary considerably with the design and type of restaurant. Freestanding restaurants are more expensive than smaller kiosks or drive-through restaurants (Khan, 1992; Khan, 1999).

Restaurateurs are struggling with and thinking hard about where and how to expand (Steintrager, 2001). For today's restaurateur, few things are more challenging than finding the perfect location (Klara, 2001). Location is usually the first factor considered in making a real-estate decision. Concept, food quality, service and economic shifts all factor into a restaurant's success or failure. But if the customer base in a neighborhood is wrong, accessibility is poor or there simply aren't enough people, a restaurant, no matter how good the food or trendy the ambience won't make it (Silver, 2000).

Restaurateurs want the best location to be successful and so site selection is a key factor. Identifying and researching a potential restaurant site can generate mountains of work (Perlik, 2001). Finding the right location for a restaurant takes time and hard work (Rex and Walls, 2000).

The choice of a location should be directed by predetermined objectives. These objectives call for evaluation that combines facts with good judgment. Location objectives may be: to provide for the potential of adequate sales and, therefore, profit; to offset gains made by a competitors' choice of location; to minimize the cost of preparing an outlet for operation; and to respond to specific market or community needs (James et al., 1975).

Real estate for a restaurant can be purchased or leased (Table 1.1). Whether leased or purchased, site selection is critical to the success of a business. Due to the rising costs of land,

building and construction, and associated interest rates, the significance of avoiding poor or mediocre locations has heightened (Mercurio, 1984).

Restaurant site selection is increasingly complicated business these days. Demographic studies, focus groups, consumer surveys, consultants and endless number crunching are all part of the formula. No restaurateur – single-shingle, multi-concept operator or large chain - can afford to open an eatery today without spending time and money on some or all of the above (Silver, 2000). However, limited information is available on the relative importance of various site selection factors (Rex and Walls, 2000).

Table 1.1 Advantages and Disadvantages of Buying, Leasing, and Building

ALTERNATIVE	ADVANTAGES	DISADVANTAGES
Buying	Ownership Operating flexibility Quick occupancy Accessibility to traffic Asset appreciation	Long-term commitment Initial capital outlay Adaptability Initial facility condition Maintenance costs
Leasing	Quick occupancy Relatively low initial costs Reduced commitments	Operating inflexibility Changing lease terms Initial facility condition Adaptability Lease nonrenewal
Building	Ownership Operating flexibility Facility condition Asset appreciation Location flexibility	Long-term commitment Initial capital outlay Construction time Maintenance costs

Source: Mason, J. B., Mayer, M. L., & Ezell, H. F. (1988)

Companies devote significant time and resources to analyzing each prospective site to avoid the failure of the business. The main criteria are customer traffic levels and convenience. Proximity to sites that draw large crowds, such as retail centers, office complexes, and hotel and entertainment centers, is desirable. Accessibility concerns, such as the availability of parking and ease of entry, are also important. In addition, a company will review potential competition in a trade area, local market demographics, and site visibility (Standard and Poor's, 2001). And also,

demographics, economic information, traffic counts, crime statistics and competitors' locations, local zoning ordinances, and population density are common topics to be considered (Perlik, 2001).

Site selection has to be done carefully because the success or failure of a restaurant depends to a great extent on its location. A careful assessment of restaurant sites by an experienced professional is necessary (Khan, 1992; Khan, 1999). Franchisors maintain a real estate department staffed with site selection experts. The franchise company also has its pooled experience to guide it. Given the importance of location to most hospitality operations, the availability of expert advice is important (Powers and Barrows, 1999).

The Federal Trade Commission (FTC) requires disclosure of important facts in a single document either the Basic Disclosure Document (often referred to as offering circular) or the Uniform Franchise Offering Circular (UFOC). Section 17 of the Basic Disclosure Document is site selection. The disclosure required by this section concerns the selection or approval of a site for the proposed franchise outlet and the time frames for such activity, based on the franchisor's experience in the preceding fiscal year (Khan, 1992; Khan, 1999).

Item 11 of the Uniform Franchise Offering Circular are the franchisor's obligations. Among them, the methods used by the franchisor to select the location of the franchisee's business are required to be disclosed: whether the franchisor selects the site or approves an area within which the franchisee selects a site, how and whether the franchisor must approve a franchisee selected site, the factors which the franchisor considers in selecting or approving sites, the time limit for the franchisor to locate or to approve or disapprove the site, and the consequences if the franchisor and franchisee cannot agree on a site (International Franchise Association, 2000).

The most common service provided by franchisors to franchisees is assistance in site selection and development (Khan, 1992; Khan, 1999). The franchisors will, with the criteria for site selection, which they have established, investigate and evaluate sites for the franchisees (Mendelsohn, 1992). The franchisors either select the site for the franchisees or approve the site proposed by the franchisees. The examples of the criteria for site selection from either the Basic Disclosure Document or the Uniform Franchise Offering Circular of each company are as

follows (Table 1.2). The restaurants such as KFC approve the site proposed by the franchisees. However, the restaurants such as Applebee’s, Blimpie Subs & Salads, Burger king, McDonald’s, Subway, and T.G.I.Friday’s select the site for franchisees.

Table 1.2 The Criteria for Site Selection

	Applebee’s	Blimpie Subs & Salads	Burger King	KFC	McDonald’s	Subway	T.G.I.Friday’s
Demographics	√	√	√	√			√
Parking	√		√	√		√	
Visibility	√	√	√	√		√	
Traffic Patterns		√	√	√	√	√	√
Signage		√	√				
General Location			√	√			
Accessibility			√				
Competitor’s Location				√			
Market Statistics					√		
Competition					√		
Costs					√		
Future Demographic Developments					√		
Size							√
Proximity To Population Concentration							√

STATEMENT OF THE PROBLEM

The old joke about the three most important keys or prerequisite to success in the fashion retailing business – “Three L principle, or Location, location, and location”- is just as true of the restaurant business (Mariani, 2001). There is no question that proper site selection is critical in

most ventures providing a consumer service or product (McGuire, 1993). In the extremely competitive retail environment, even slight differences in location can have a significant impact on the market share and profitability. Most importantly, since store location is a long-term fixed investment, the disadvantages of a poor location are difficult to overcome (Ghosh and McLafferty, 1982). Basic to the success or failure of any retail firm are decisions about location. An outlet can have quality offerings, excellent personnel, and competitive prices but fail because it is not conveniently located. Store location has a major influence on a store's success (James et al., 1975).

Since the infant days of the franchise industry and the signing of the first franchise agreement, every franchisor (and franchisee) has been on the hunt for the ultimate franchise location. Since the first franchise agreement and the first store opened, franchisors have followed one basic rule: *location, location, location* (Blake, 1993). As the industry grows and matures, and as competition continues to intensify, competition for prime sites also intensifies. Franchisors are forced to find better and more innovative methods of locating and evaluating sites. A key challenge facing every franchisor today is how to quickly identify the factors that determine a successful franchise location (Blake, 1993).

Established franchisors have expert real estate and property development staff and provide their assistance to franchisees. A complete market feasibility study is undertaken that includes data on overall market, population demographics, traffic patterns, site size and cost, break-even sales, and competition (Khan, 1992; Khan, 1999). The objective of such a study is to understand market demographics, conditions, and forecasts; to determine customer driving time and access; and to chart the purchasing power of the target market area and the percentage of share of the market that the store can anticipate based on the competition and its own history and character (Israel, 1994). Most experienced franchisors make few mistakes in location evaluation when they use appropriate criteria (McGuire, 1993).

The location greatly affects the success of restaurants. However, limited information is available, even though the importance of site selection has been highly recognized. The problem for this study is to identify the site selection factors that influence the U.S. restaurant industry. In addition, this study will gather opinions from experts for the importance of site selection factors.

The factors are divided into 6 headings: general location, position of site, demographics, traffic information, competition, and cost consideration (Table 1.3).

Table 1.3 Definitions of Terms

HEADINGS	DEFINITION
General Location	Location refers to a general area within a city. Physical characteristics and area characteristics should be considered. The factors related to the general location include but are not limited to population (density), market statistics, and neighborhood.
Position of Site	Site is a specific piece of property. Size, parking facilities, accessibility of utility and public services, convenience, and visibility are factors related to but not limited to the position of site.
Demographics	Information pertaining to consumers must be collected including data about age, sex, occupation, income, food preferences and potential for future growth and development.
Traffic Information	Traffic flow patterns are important for the analysis of the site. The factors related to traffic information include traffic counts and patterns, and frequency pattern of traffic flow.
Competition	A restaurant operation must consider its actual and potential competition. The factors related to competition include but are not limited to location and operating results of competitor, and proximity to competitor.
Cost Consideration	Costs associated with the development of the site need to be calculated carefully. This includes both the cost of purchase and the cost of site development, which covers factors such as building, landscaping, and the provision of associated facilities such as car parking and access roads. The cost of improvement – renovations and modifications - is also important considerations.

Source: Khan, M. (1992) & Khan, M. (1999)

This research was conducted using the Delphi Technique. The sample consisted of U.S. restaurant companies that have franchised units. The participants were those who are responsible for real estate development. The list of restaurant companies was selected from the category of the restaurant by International Franchise Association's Franchise Opportunities (<http://www.franchise.org>) and Franchise Opportunities Guide data consisting of the number of domestic franchised units and company-owned units, and years in business and franchising. A 'domestic franchised unit' is a unit located in the U.S. and owned and operated by a franchisee.

A 'domestic company-owned unit' is a unit located in the U.S. and owned and operated by the franchisor. 'Total domestic unit' includes both domestic franchised units and domestic company-owned units (International Franchise Association, 2000).

OBJECTIVES OF THE STUDY

Site selection is important because, whether leased or purchased, the success or failure of a restaurant depends on its location. Companies devote significant time and resources to analyzing each prospective site. However, limited information is available on the relative importance of various site selection factors for restaurants.

Established franchisors have expert real estate and property development staff and provide their assistance to franchisees. The franchisors select the site for the franchisees or evaluate the site proposed by the franchisees with the established site selection criteria. This study investigates the site selection factors by the companies that have franchised units in the U.S. restaurant industry.

The objective of this study was to identify and rank the importance of the site selection factors that influence the U.S. franchise restaurant industry.

CONTRIBUTIONS OF THE STUDY

The study provides valuable information for selecting the site based on opinions from the experts. The study ranks factors considered by the experts for the prospective sites. Also, the study focuses on the importance of the factors weighed by experts for the prospective sites. This will provide a site selection guide for a prospective restaurateur.

The significance of selecting perfect locations is important because the success or failure of a restaurant depends on its location. This study identifies the important site selection criteria for the restaurant. However, the site selection factors should be reviewed regularly and modified as required since business and economic conditions are constantly changing (Blake, 1993).

This study is limited since it identifies only the site selection factors without measuring the performance of the restaurant. The ultimate test of strength for any restaurant system is how each individual unit performs and the ultimate measure of success is the return on investment (ROI) generated by each restaurant (Blake, 1993). The findings must ultimately be linked to a financial analysis (Mercurio, 1984). However, the measurement of the performance is not considered in order to stay within the objective of the study: to identify and rank the importance of the site selection factors.

SUMMARY

This chapter presented an overview of the proposed study beginning with the background of the study. Companies devote significant time and resources to analyzing each prospective site. However, limited information is available on the relative importance of various site selection factors for restaurants. Then, the chapter discussed the problem statement: (1) to identify site selection factors that influence the U.S. restaurant industry; and (2) to gather opinions from experts for the importance of site selection factors. The objective of the study is to identify and rank the importance of the site selection factors that influence the U.S. restaurant industry by conducting the Delphi Technique. The results of this study will secure as a site selection guide to prospective restaurateur.

CHAPTER TWO LITERATURE REVIEW

INTRODUCTION

The purpose of this chapter is to review the literature related to the research area of this study. First, this chapter will present a brief description of franchising. Next, both location analysis and site analysis will be discussed. Then, factors considered in the literature will be reviewed.

FRANCHISING

Franchises are common in all types of businesses today, from restaurants to laundromats, from tax preparation services to auto parts stores. Franchising is a widespread phenomenon today both in this country and around the world. According to the International Franchise Association, a Washington, D. C. based trade group, over 41% of all retail sales in the United States, or some \$800 billion annually is derived from franchised businesses. Over 550,000 such businesses were in operation in the United States in 1999 (Standard and Poor's, 2001).

Restaurants can be company owned and operated, or franchised to an individual or group operating under a licensing agreement. Overall about 70% of restaurant chain outlets are operated by franchisees, with the remainder run by parent companies. However, the percentage of franchised operations varies widely among individual chains. For example, about 85% of Wendy's units are franchised, versus 9% of the outlets in the Ryan's Family Steak Houses Inc, system (Standard and Poor's, 2001).

Definition

Franchising can be defined as a contract agreement either expressed or implied, whether oral or written, between two or more persons by which: (1) a franchisee is granted the right to

engage in the business offering, selling or distributing goods or services under a marketing plan or system prescribed in substantial part by a franchisor; and (2) the operation of the franchisee's business pursuant to such plan or system is substantially associated with the franchisor's trademark, service mark, trade name, logotype, advertising or other commercial symbol designating the franchisor or its affiliate (Khan, 1992; Khan, 1999).

There are two primary means of franchising: product and trade name franchising and business format franchising. Product and trade name franchising offers the right to distribute products in a territory and to use the manufacturer's name. Examples of this type of franchising are soft drink bottlers and automobile dealers. Business format franchising is more complex in its requirements of both the franchisor and franchisee. In return for a licensing fee and royalties, a franchisor offers a complete business plan for the franchisee to follow. The plans are detailed and include operational procedures, marketing plans, specifications for signs and buildings, and general obligations of the franchisor and franchisee. The franchisee must uphold and meet all requirements outlined in the contract or risk losing the business and his or her investment. Business format franchises include restaurants, hotels, rental services and various other types of businesses (Khan, 1992; Khan, 1999).

Franchising is a way of doing business that benefits both the franchisor and franchisee. Franchising offers opportunities for individuals and business firms who want to expand the number of their distribution outlets carrying their products and services (Swerdlow, 1993). Franchisors provide a variety of services to franchisees as a part of the franchise agreement. The services provided by a franchisor can be of two distinct types: one is initial, or one time, services such as site and building development and the other is ongoing services such as training, purchasing, marketing and product development (Mendelsohn, 1992; Khan, 1992; Khan, 1999). Each of these types of service is important. Franchisees pay a substantial amount for these services in the form of franchise, royalty, and advertising fees (Khan, 1992; Khan, 1999).

The word franchising comes from an old French word that means "freedom from servitude." The idea underlying this word is that by owning a franchise, the franchisee is freed from the bondage of working for someone else as an employee. The franchisee becomes a business owner with much of the same self-reliant, decision-making ability as an independent

businessperson who starts a firm from scratch. The primary difference, however, between a franchisee and an independent businessperson is that the franchisee has a legal, contractual relationship with a franchisor that requires him to do business as the franchisor instructs him (Swerdlow, 1993).

History

Franchising can trace its origins to the middle Ages when the Catholic Church and local governments granted tax-collecting franchises. Tax collectors (franchisees) made their rounds, sending their revenues to the Church or government body (franchisor), but keeping a percentage for themselves. In 1562, the Council of Trent banned this form of taxation because it seemed to breed corruption. In the eighteenth and nineteenth centuries, the legislature and monarchy of England granted franchises to noblemen, giving them complete authority over large geographical areas to develop their personal wealth in exchange for their unwavering support (Swerdlow, 1993).

Retail franchising began in the United States in the 1850s, when I. M. Singer & Co. established a chain of dealerships across the country. Salesmen paid a fee for the right to sell sewing machines in certain territories, and sewing machines became a common household convenience. But it was not until the early 1900s that franchising became more popular as a business practice. At that time, manufacturers dominated the franchising business. Automobile manufacturers and soft drink distributors developed national distribution networks and brand name recognition by franchising to local dealers or bottles. By the 1930s, as automobiles became more popular and highway networks were constructed, major oil companies jumped on the franchising bandwagon. Roadside foodservice franchisees abounded; Howard Johnson's distinctive orange-roofed restaurants flourished, as did A & W root beer and Dairy Queen stands (Standard and Poor's, 2001).

In 1955 within about three months of each other McDonald's and Burger King began what was to become a revolution in foodservice franchising. McDonald's from Southern California and Burger King from Southern Florida have become international giants in the fast-

food business. Also during the 1950s, Kentucky Fried Chicken and International House of Pancakes began their operation (Swerdlow, 1993).

Advantages and Disadvantages

Foodservice experiences the highest rate of failure of all retail businesses. Some statistics show that 80-90 percent of restaurants are bankrupt within the first five years (Justis and Judd, 1989). Franchising helps brighten up these pessimistic numbers. In the mid-1980s, only 3.3 percent of all types of franchises were discontinued for any reason. The statistics seem to suggest that franchising a restaurant has important advantages that substantially increase the chance of success of the franchisee over an independent operator (Swerdlow, 1993).

Some of the most important advantages of franchising are recognized name and logo, a reputation, technical assistance, lower costs, quality control standards, and opportunities for expansion. Some of the most important disadvantages of franchising are restrictions on franchisee decision-making, franchisor power issues, the perception that franchises are failure proof, and inconsistency of standards (Swerdlow, 1993).

Advantages to the franchisee include: involvement in an established concept; provision of tools for success; availability of technical and managerial assistance; use of quality control standards; minimum risk involvement; relatively low operating capital; access to credit; possibility of performance comparison with other units within the system; benefits from franchisor's research and development; professional help in advertisement and promotion; and other opportunities. Disadvantages include unfulfilled expectations; lack of freedom; advertisement and promotion fees; and inadequate services provided (Khan, 1992; Khan, 1999).

Types

Many types of operations come under the category of foodservice franchises. Some of the categories overlap, but the typical ones are fast-food restaurants, full service, family style, or coffee shop restaurants, ice cream parlors, retail baked goods, retail food stores, doughnut shops,

other categories such as ethnic, limited and full menu, nutrition, and drive-in/drive-thru. (Swerdlow, 1993)

The International Franchise Association classifies restaurants based on menu theme into the following segments: chicken, hamburger, pizza, Mexican, seafood, pancakes/waffles, steak (full menu), sandwich, and other. Nations' Restaurant News, which ranks chains based on variety of criteria, categorizes them into the following market segments: sandwich, contract, pizza, family, dinner house, hotel, chicken, snack, cafeteria, grill buffet, and others. However, this classification includes all types of chains, including franchised and nonfranchised units. Other classifications are similar to these categories (Khan, 1992; Khan, 1999).

SITE SELECTION

The selection of a site involves both location and site selection, in other words, identifying the general area for the business and identifying a specific site within the area (James et al., 1975; Marquardt, Makens, and Roe, 1983; Powers, 1997). Location refers to a general area within a city, while the site is a specific piece of property (Powers, 1997).

A common approach to site evaluation is to first develop a checklist to ensure that all relevant factors are considered (Applebaum, 1965). Essentially, it involves an evaluation of various factors that are likely to impact upon sales and costs at a site. A judgment about the desirability of the site is made based on this evaluation (Ghosh and McLafferty, 1982).

Several standard checklists have been published to aid the evaluation process (Nelson, 1958; Gruen and Smith, 1960; Kane, 1966; Applebaum, 1966; Khan, 1992; Khan, 1999). These checklists commonly include information on the socioeconomic and demographic composition of the neighborhood, level of competition, and existing retail outlets in the area. Site-specific factors such as traffic count, parking facilities, ease of ingress and egress, and visibility are also considered (Ghosh and McLafferty, 1982).

While some of the data may be quite subjective, the use of checklists allows standardization of the data-collection procedure and some comparison of information on different potential sites. Moreover, as Goldstucker, Bellenger, Stanley, and Otte (1978) note, the

relative ease with which the checklist procedure can be implemented and its reliance on expert opinion are seen as advantages by many.

Location Analysis

According to Nelson (1958), the value of a location depends upon four factors:

- (1) Its accessibility to the resident population;
- (2) Its accessibility to people moving about or gathering together on errands other than shopping;
- (3) Its physical desirability from the standpoint of grade or level, appearance, size, shape, neighborhood or district environment, and other amenities;
- (4) Its reputation.

Location analysis should begin with a general area analysis including economic conditions, population, potential competition, and growth (James et al., 1975). It also requires the definition of a trading area, roadway and transportation system, and traffic patterns and the volume of traffic (Powers, 1997).

Mercurio (1984) highlighted the major topics that must be addressed in a location strategy as follows:

- (1) Internal factors (The company): type of retail business, type of markets, sales expectations, market coverage requirements, operating policies, merchandising approaches, pricing, and advertising
- (2) External factors (The market): physical environment, economic base, population base, demographic characteristics, expenditure potential, retail environment, and available existing facilities

The location decision is important because opening a business costs a lot of money, the retailer is committed to the location for a long period of time even with a lease, competition is getting tougher and a good location is one way to beat the competition, and problems such as store saturation, an uncertain economy, and tough zoning laws are making good locations harder to find. Simply estimating probable sales is not enough in a location decision. The types of

customers who are candidates for the merchandise sold by the firm, the prospects for future growth in the trading area, customer lifestyles, and probable future competition should be considered (Mason, Mayer, and Ezell, 1988).

Site Analysis

Whatever the occasion or motive for locating a restaurant, there are eight principles which must be observed in applying selection criteria to each specific site as follows: adequacy of present trading area potential, accessibility of site to trading area, growth potential, business interception, cumulative attraction, compatibility, minimizing of competitive hazard, and site economic (Nelson, 1958).

Specific site selection involves the study of a trading area, traffic, complementary and competing outlets, vulnerability, parking surroundings, area changes, and cost (James et al., 1975). It also considers ease of entrance and exit from the site, the site's visibility, nearby land use, the size of the site, and its cost (Powers, 1997).

Evaluating a specific site is important. Choosing a specific site involves assessing the adequacy and potential of vehicular or passenger traffic passing a site, the ability of the site to intercept traffic en route from one place to another, the nature of adjacent stores, type of goods sold, and adequacy of parking (Mason et al., 1988).

McGuire (1993) identified several criteria applicable to competent site selection, depending on the location's ability to capitalize on the franchise trademark. Those criteria are demographics, accessibility, market range, residential vs. commercial mix, visibility signage, longevity, direct and indirect competition, and tenant combinations.

Factors to be considered in site analysis are zoning, area characteristics, physical characteristics, cost consideration, utilities, access, position of site, traffic information, availability of services, visibility, competition, market, and type of restaurant and service (Khan, 1992; Khan, 1999).

FACTORS

Access, visibility, traffic counts, center size, and the presence of other complementary stores including restaurants have been addressed as the factors that affect restaurant placement in empirical studies.

Access generally refers to the convenience of local transportation and parking. Several empirical studies have linked access to the location needs of convenience retail stores and restaurants (Lee and McCracken, 1982; Timmermans, 1986; Pillsbury, 1987; Simons, 1992). Visibility concerns the ability of potential shoppers to enjoy an unobstructed view of a store or its sign from a number of vantage points. The importance of this factor has been demonstrated with respect to supermarket location and shopping center vacancy rates (Lee and McCracken, 1982; Ordway, Bul, and Eakin, 1988; Simons, 1992). The factor of a store or on the nearest public roadway is also an important consideration for restaurant location (Pillsbury, 1987). Shopping center size, the additional amount and type of nonrestaurant retail space, and the anchor tenants for the center are also important considerations (Timmermans, 1986; Pillsbury, 1987; Okabe, Asami, and Miki, 1985). The presence of other fast-food restaurants or food stores may help rather than hinder sales, which indicates that shoppers may be attracted to an area rather than to a specific store. The presence of other restaurants in the immediate vicinity is often referred to as a restaurant cluster (Pillsbury, 1987; Okabe et al., 1985).

The other factors in many studies include demographic factors such as population, the number of households, income and per capita income (Ingene and Yu, 1982; Lee and McCracken, 1982; Simons, 1992) and macrolocation factors such as whether a store is located in a college town or in a suburban location (Simons, 1992).

SUMMARY

This chapter reviewed the literature related to the areas of franchising, location and site analysis, and site selection factors. The review of franchising covered the definition, history, advantages and disadvantages, and types of foodservices franchising. The review on site

selection involved location analysis and site analysis and is used as foundation to group the factors. The factors considered in the literature were also reviewed.

CHAPTER THREE METHODOLOGY

INTRODUCTION

The preceding chapter outlined the proposed area of research for this study in terms of site selection factors that influence the U.S. restaurant industry. And also the relevant research in the areas of site selection factors was presented.

The purpose of this chapter is to: 1) present the research question and proposition that this study will explore and examine, and 2) discuss the Delphi technique, which will be used to explore the criteria considered for site selection. This chapter will present the overall design of the research, the method for selection of the Delphi panel, data collection, and analyze procedures.

RESEARCH QUESTION

The purpose of this study is to identify and rank the importance of the site selection factors that influence the U.S. franchise restaurant industry. The factors are divided into 6 headings: general location, position of site, demographics, traffic information, competition, and cost consideration (Figure 3.1).

The following research question is defined for the study and addresses objective of this study: What are the important site selection factors that influence the U.S. restaurant industry?

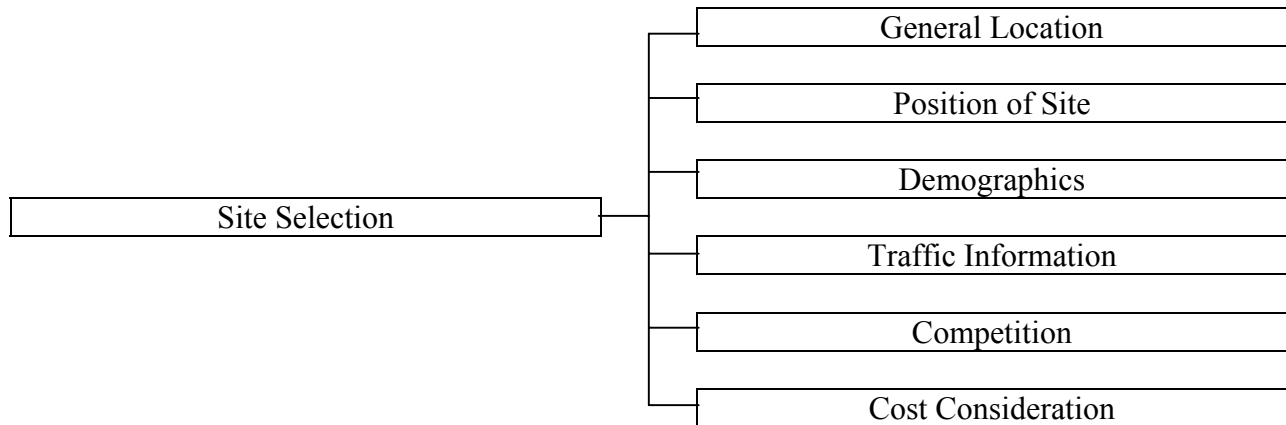


Figure 3.1 Site Selection Factors

RESEARCH PROPOSITION

Based on the research question, this study will use the following research proposition:
 The factors under position of site and competition are the major concerns that influence the site selection of the restaurant companies.

RESEARCH DESIGN

The Delphi technique was used to gather information for this study since the study requires a consensus of experts in the field. The Delphi technique was developed by staff at the RAND Corporation in Santa Monica, California, in the early 1950s to predict the former Soviet Union’s strategic targeting system. Recently, the Delphi technique has been utilized in a wide variety of divergent areas including land-use planning, regional policy-making, and organization restructuring (Andranovich, 1995). Linstone and Turoff (1975) stated that the Delphi technique is useful when necessary information is unavailable or expensive to collect, and when subjective inputs are necessary to evaluate. The sample will be U.S. restaurant companies that have franchised units.

The Delphi technique is one of the most well established means of collecting expert opinion and of gaining consensus among experts on various factors under consideration

(Linstone and Turoff, 1975; Green, Hunter, and Moore, 1990; Tersine and Riggs, 1976). It is a method for obtaining information and opinion feedback from any number of persons through sequential interrogations (Helmer and Rescher, 1960). The lack of face-to-face exposure permits anonymity of the participants (Tersine and Riggs, 1976).

There are three basic components of the Delphi method: the creation of a panel of experts, the use of a series of questionnaires for consultation purposes, and provision for feedback of findings to respondents (Masser and Foley, 1987).

The Delphi Technique

Many research methods focus on bringing research respondents together for face-to-face communication of ideas and opinions, or to reach agreement. However, interacting groups, or face-to-face communications, are not the only ways to exchange ideas and opinions or to accomplish consensus. An alternative method that does not necessitate face-to-face communications is the Delphi technique (Andranovich, 1995).

The Delphi technique is a tool for organizing group communication, without direct discussion, in order to refine group opinion and arrive at a consensus (Linstone and Turoff, 1975; Tersine and Riggs, 1976; Fendt, 1978). Delphi is an attempt to elicit expert opinion in a systematic manner for useful results. It usually involves iterative questionnaires administered to individual experts in a manner protecting the anonymity of their responses. Feedback of results accompanies each iteration of the questionnaire, which continues until convergence of opinion, or a point of diminishing returns, is reached. The end product is a consensus of experts, including their commentary on each of the questionnaire items, usually organized as a written report by the Delphi investigator (Sackman, 1975).

By using Delphi data, the researcher can make more rational judgments of a given situation or set of circumstances. "Delphi is the method for obtaining group judgments on factual matters, for which precise information is a matter of opinion" (Skutsch and Hall, 1973). Cyphert and Gant (1970) found that this technique could also be utilized in the molding of opinion.

Application of the Delphi Technique

The Delphi technique has been applied to a variety of problems. The most prominent use has been for forecasting (Fusfeld and Foster, 1971; Helmer, 1975; Bardecki, 1984; Green et al., 1990; McCleary and Whitney, 1994). However, a variety of other application areas have been developed, such as developing causal relationships in complex economic or social phenomena, delineating the pros and cons associated with potential policy options, evaluating possible budget allocations, exploring urban and regional planning options, planning university campus and curriculum development, and distinguishing and clarifying real and perceived human motivations (Linstone and Turoff, 1975).

Miller (1988) developed accreditation standards for faculty in four-year hospitality management education programs using the Delphi technique. Green et al., (1990) used the Delphi technique to assess the environmental impact of tourism development. Kim (1992) used the Delphi technique to identify key factors associated with the political environment in newly industrialized countries in Asia that affect the business development and operations of the multinational hotel chain. McCleary and Whitney (1994) conducted research using the Delphi technique to project western consumer attitudes toward travel in six Eastern European countries. Bosereewong (1994) used the Delphi technique to identify environmental factors that influence the choice of franchising methods of U.S. restaurant companies in the Pan Pacific region. Kim (1998) employed the Delphi technique to explore the underlying structure of the overall acquisition process for hotel acquirers. Singh and Schmidgall (2000) used the Delphi technique to identify the future sources and availability of financing for hotels.

According to Linstone and Turoff (1979), the Delphi technique should be used when one or more of the following properties exist in the problem.

- (1) The problem does not lend itself to precise analytical techniques but can benefit from subjective judgments on a collective basis.
- (2) More individuals are needed than can effectively interact in a face-to-face exchange.
- (3) Time and cost make frequent group meetings unfeasible.

- (4) The individuals needed to contribute to the examination of a broad or complex problem have no history of adequate communication and may represent diverse backgrounds with respect to experience or expertise.
- (5) The heterogeneity of the participants must be preserved to assure the validity of the results (i.e., the participants must not be dominated by quantity, known as the bandwagon effect, or by strength of personality, called the halo effect).
- (6) When the anonymity of the participants is important.

Advantages and Disadvantages

Delphi advantages include: (1) elimination of bias by keeping the identities of the participants unknown; and (2) elimination of geographic limitations because participants do not need to meet at a common location (Tersine and Riggs, 1976). The expert opinion expressed comes from each panel, not from a group of panels, where peer pressure and the desire to conform may greatly alter any predictions given (Linstone and Turoff, 1975).

Delphi achieves a consensus similar to that of a committee meeting without the disadvantages inherent in direct group contact (Gow, 1979). Drawbacks of group discussion include influence of a group decision by dominant individuals (Jager and Busch, 1984), group pressure for conformity, irrelevant and biasing communication, and the unwillingness of people to abandon positions to which they have publicly committed themselves (McGaw, Browne and Rees, 1976). However, a Delphi participant finds it much easier to change his or her mind if he or she has no ego involvement in defending an original estimate and he or she is less subject to the halo effect, where the opinion of one highly respected man influences the opinion of others (Tersine and Riggs, 1976). Also reduced is the bandwagon effect, which encourages agreement with the majority (Tersine and Riggs, 1976).

The Delphi can assemble participants' opinions collectively without bringing them into the same place or room. This can reduce the overall research costs. More importantly, through avoiding participants getting together, the Delphi can minimize the possible effect of a dominant person, due to status problems, and it can lead the group to share responsibility. By carefully

managing iterative feedback, the Delphi can minimize possible direct conflict and the disadvantages that dispute leads to: abruptly accepting or discarding other opinions. The problem of a dominant participant can cause other problems, such as focusing on personal characteristics rather than concentrating on the issues at hand, and possible deviant or novel ideas. The Delphi also ensures that each participant's opinion is contemplated in the final response. This promotes shared responsibility for not only the product of the Delphi, but also in the process that ultimately leads to the product. These advantages contribute to accomplishing a group consensus about the topic through promoting participation and providing ownership of the overall Delphi (Andranovich, 1995).

Other advantages of this technique include a highly motivating environment for respondents, obtaining interesting feedback, and allowing one to share the responsibility posed by the task while not being restrained because of group pressures due to the anonymity among the respondents (Dalkey, 1969). Also, from the standpoint of the researcher, the Delphi technique has the advantage of being relatively inexpensive to organize and administer provided that a panel of experts are willing to give time to the project (Masser and Foley, 1987). An additional advantage is that it eliminates participation constraints, which occur as the size of a meeting increase (Miller, 1988).

Weatherman and Swenson (1974) listed the following advantages of the Delphi technique:

- (1) It provides a means of obtaining information from a large number of persons, without restrictions imposed by geography.
- (2) It is easy to administer and relatively low in cost.
- (3) It provides a means of obtaining information about particular complex phenomena, which are often difficult to conceptualize.
- (4) It permits a high degree of control by the survey manager.

However, the researcher should be aware of some of the disadvantages of the Delphi technique. Some of the major disadvantages are difficulties in mail communication, possible distortions due to the selection of participants, and lack of assurance that a particular criterion of consensus will be reached (Bernstein, 1969). According to Andranovich (1995), the Delphi

requires of the participants some degree of written communication skills. Since the Delphi is bounded by a written communication instrument, it is important for all participants to be able to understand, and to answer well within a written format. The Delphi needs highly motivated respondents to get a valuable outcome. Since there is no guarantee that the Delphi questionnaires will be completed and returned, the selection of qualified participants depends upon their interests, motives, and benefits throughout the overall procedure.

Other limitations to the Delphi technique deserve discussion. First, the successful outcome of the Delphi method depends on the selection of an appropriate panel of experts (Taylor and Judd, 1989). Helmer (1967) noted that it is generally difficult to find experts who will participate in Delphi studies. Second, the time required between each round of questionnaires to analyze the data and prepare the next round is a disadvantage for implementing the Delphi technique (Gow, 1979), because the interest of the participants may decline if there is a long delay between rounds (Tersine and Riggs, 1976). The Delphi is inherently labor intensive and time consuming. If the time frame is short, the Delphi is not useful. In many cases, especially if mailed questionnaires are employed, the Delphi usually takes 45 days to administer over a 12-week period, from decision-to-go to the final outcome. To avoid this problem, sometimes the Delphi is used in conjunction with meetings. The participants' commitment to the Delphi process is a key to its success (Andranovich, 1995). A third, the disadvantage is lies in the dependence on the ability of the researcher or the monitor team, who must correctly present the developing consensus and dissenting views to the respondent group of experts (Linstone and Turoff, 1975). Fourth, high attrition occurs at the preliminary stage (Wheeler, Hart, and Whysall, 1990).

General Procedure

The steps of the Delphi technique can vary based on the intended application. The steps in conducting the Delphi study combined from various sources (Tersine and Riggs, 1976; Martino, 1983; Deveau, 1994) are as follow:

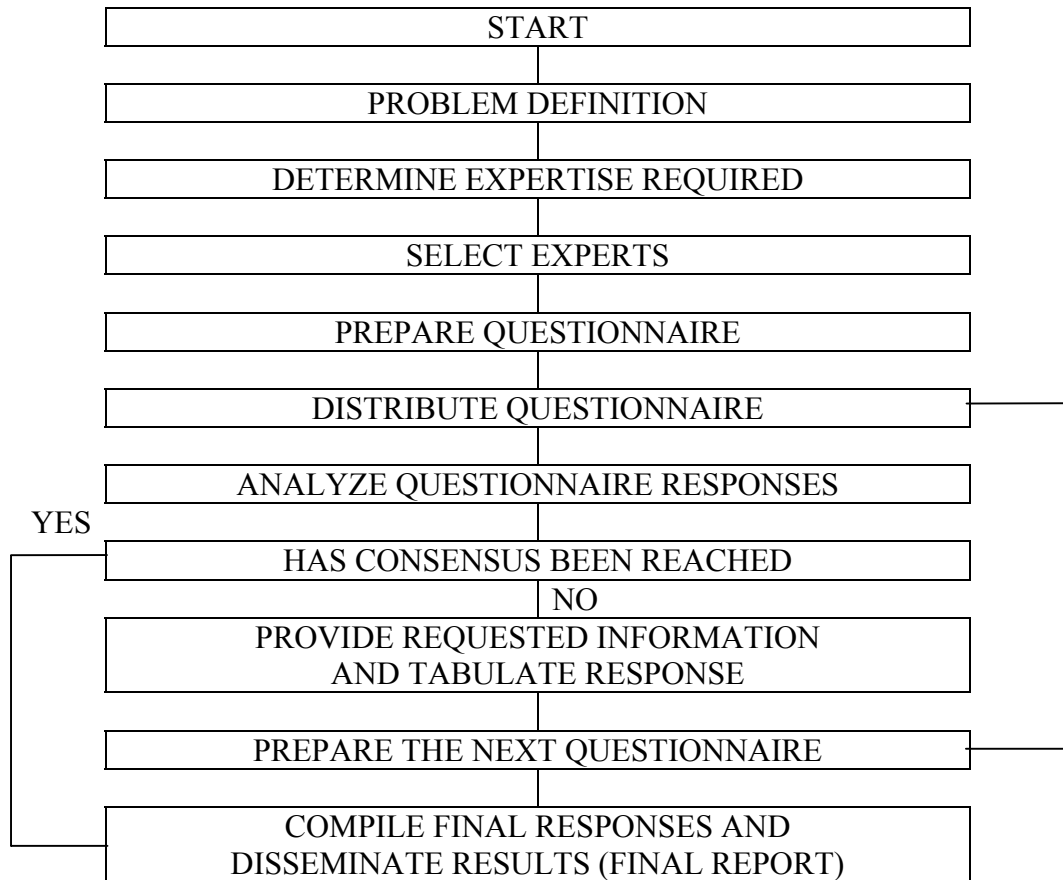
- (1) Identify the basic issues, problems, and events to be predicted;

- (2) Select a panel of experts;
- (3) Explore, discuss, and finalize the basic issues and events to be predicted;
- (4) Design a draft questionnaire;
- (5) Pilot-test the draft questionnaire;
- (6) Mail round one of the Delphi questionnaire;
- (7) Summarize the statistical results of round one and include those results with the round-two questionnaire mailing;
- (8) Continue future rounds similar to steps six and seven; and
- (9) Analyze the data to show consensus of participants over progressive rounds.

Figure 3.2 represents a basic diagram of the complete Delphi process. The first task is to define the area of study, to identify a likely sequence of events, and to research the information, which has been developed in the area of study (Tersine and Riggs, 1976).

Selecting the panel of experts or respondents is the second step. Respondent selection is very important to the value of the process and its results. Since the composition of this group is critical in determining the effectiveness of the Delphi technique, basic criteria should be considered in choosing participants (Tersine and Riggs, 1976; Taylor and Judd, 1989). According to Tersine and Riggs (1976), there are five basic criteria in selecting participants:

- (1) Basic knowledge of the problem area and ability to apply that knowledge
- (2) Good performance record in their area of focus
- (3) High degree of objectivity and rationality
- (4) Time available to participate throughout the process
- (5) Willing to give the time and effort necessary to do a thorough job of participation



Source: Tersine and Riggs (1976)

Figure 3.2 Steps for the Delphi Technique

The third step is determining the sample size. Although there are no specific guidelines for determining the optimal number of participants, a panel of 10 to 15 members has sufficed for producing effective results if the group is homogeneous (Tersine and Riggs, 1976; Brady, 1988). Green (1991) successfully conducted research on the selection of cook-chill production in hospital foodservices using the Delphi technique having only 11 respondents after the completion of the three rounds. However, if the panel members are basically heterogeneous (with broad representation), a larger number is necessary to achieve reasonable quality (Taylor and Judd, 1989). Norman Dalkey, an expert in Delphi methodology, recommends a 30-35-panel member for social issues (Gow, 1979), while Talyor and Judd (1989) suggest a 20-30-panel

member for environmental forecasting. Even though there are no specific guidelines for determining the optimum number of panel members to use, the process should start with more panel members to compensate for these panel members who drop out between rounds. The Delphi technique is a labor-intensive procedure and the greater the number of participants, the greater the information load, for both the participants and the coordinator. Therefore, it is critical to seriously appraise the number of participants.

The fourth step is contacting the respondents. The panel members should be informed about the purpose of the study, their role in reaching the results, and the importance of their effort to successful results. Helmer (1967) suggested that, in selecting experts to participate in Delphi studies, one should select the experts wisely. Since this study is based on the opinions of professionals in the field of the restaurant industry, especially in the area of site selection, the appropriate panelists for this study are those who work in real estate development in the U.S. franchise restaurant industry. The chosen restaurants are those that expanded their companies through franchising.

Representatives from the restaurants were selected from the category of restaurant by International Franchise Association's Franchise Opportunities (<http://www.franchise.org>) and Franchise Opportunities Guide. The selected U.S. restaurants are those that have franchised units in the U.S. The total sample size was designed to have about 10 members. However, letters of invitation and Round I questionnaires were sent to 30 selected restaurant companies to allow for attrition during the early rounds. The letter emphasized their anonymous participation as an expert with a group of their peers and included a personal information sheet. Return of this information together with the answers to the Round I questionnaire was considered agreement on the part of the panel member to participate in the total Delphi process. Two weeks after Round I questionnaires were sent, reminder fax messages were sent to panelists, who did not respond by the deadline, to encourage return of the information sheet and the Round I questionnaire.

Regarding the development of the questionnaire, Green et al., (1990) demonstrated that a three-stage process is sufficient to gain a high degree of group consensus. The final questionnaire for this research was completed after a three-stage process. Stage 1 was the Round I questionnaire which asked the panel members to identify important site selection factors under

each category. Stage 2 was the Round II questionnaire, which asked the panel members to rate the importance of each factor identified in the first stage. Stage 3 was the Round III questionnaire, which asked the panel members to re-evaluate the importance of each factor in light of the overall panel response to the second round.

Questionnaire Construction and Data Collection Process

According to Andranovich (1995), the objective of the Delphi must be clear so that the initial questions can be established. The Delphi questions must match interests between the study problem and the participants' interests and benefits. Moreover, the Delphi questions must ensure clarity because the panelists will respond on their own. Delbecq, Ven, and Gustafson (1975) recommended three probes to develop focused Delphi questions:

- (1) Why are you interested in this particular Delphi?
- (2) What do you need to know that you don't know now?
- (3) How will results from the Delphi influence decision-making once the procedure is completed?

The panel participates in-group communication through a series of controlled questionnaires referred to as rounds or phases. The questionnaires in Round I of this study consisted of open-ended questions. The panelists were asked to identify the site selection factors that influence the decisions (Appendix A). Generally, the first phase allows for complete freedom to explore the topic (Miller, 1988). The panelists were free to list factors that were considered important to site selection.

In Round II, the panel members rated factors based on the data collected from Round I (Appendix B). Factors identified from Round I were listed using a five point Likert-type rating scale based on the factor's level of influence on the expansion of restaurants (Kim, 1992; Bosereewong, 1994). Panel members rated factors using a scale from 1 through 5; 1 meaning "not influential at all" and 5 meaning "extremely influential". Also, the panel members were asked to indicate their degree of confidence in each of their responses in this round using the scale from 1 through 5; 1 meaning "not confident at all" and 5 meaning "extremely confident."

Measuring the degree of confidence in the Delphi technique was evident in research done by McCleary and Whitney (1994).

In Round III, the questionnaire was concerned with a re-examination of the importance of each factor in light of the overall panel response to Round II (Appendix C). Round III allowed respondents to reach an agreement on selecting the factors that are considered influential in selecting sites. The questionnaire from Round III was the same as the Round II except that it included the mean overall influential associated with each factor. Also, a record of the individual panel member's initial response to Round II was included in the Round III questionnaire. The purpose of this information feedback was to encourage opinion convergence (Green et al., 1990; Delbecq et al., 1975). The panel members were asked if they would like to modify their initial response in the light of this information and, therefore, move the panel towards a consensus of opinion.

In each round, the material enclosed consisted of a cover letter, which explained a brief overview of the study and the questionnaire. Fax messages were sent to encourage participants to send their questionnaires back on the due date in each round.

Data Analysis Procedure

All of the items identified by the panel members in the first round were included in the Round II questionnaire. Round II aimed to have the panel members rate the importance of each item identified in the first round. All factor scores were then summed up and averaged.

The use of a measure of dispersion such as the standard deviation in the Delphi method was based on the research done by Kaynak and Macaulay (1984), and Green et al., (1990). The rank of the factors, based on the mean, from the most important impact factor (the largest point) to the least important impact factor (the smallest point) were presented in Round II and Round III (Green et al., 1990; Bosereewong, 1994). Also, standard deviation and coefficient of variation about the mean of each impact were calculated for Round II and Round III (Green et al., 1990; Bosereewong, 1994). The coefficient of variation is the standard deviation expressed as a percentage of the mean. To compare two different standard deviations, researchers compute the

coefficient of variation and then discussed the difference between them (Ott, Rexroat, Larson, and Mendenhall, 1992).

According to Green et al. (1990) and Bosereewong (1994), a reduction in standard deviation and the coefficient of variation over the two Delphi rounds represents an increasing consensus among panel members. Green et al., (1990) discontinued the Delphi survey when the coefficient of variation fell below 50 percent for most of the impact for round III. Bosereewong (1994) arbitrarily selected 40 percent because all of the factors, except one, had a coefficient of variation of less than 50 percent.

For this study, a coefficient of variation that is over 40 percent would have implied that there is a disagreement between panel members. This number was selected instead of 50 percent because all of the factors, except two, had a coefficient of variation of less than 50 percent. In Round II, the degree of confidence from the panelists about their responses in Round II was added up and averaged out.

In Round III, the panel members reevaluated their responses after they reviewed the group average. The panel members were asked if they would like to modify their initial responses. Also, a record of the individual panel member's initial response to Round II was included in the Round III questionnaire. The purpose of information feedback was to encourage a consensus of opinion. The results of this round were utilized to establish the important criteria regarding site selection for restaurants.

SUMMARY

This chapter first introduced the research question and proposition that guide the study. Next, data collection was presented. This study attempted to identify and rank the important site selection factors for the U.S franchise restaurant industry by employing the Delphi technique through three rounds of survey efforts. The upper three levels of a five-point scale of influence (5-3) were considered as the crucial criteria regarding site selection. The finding should provide insights for any U.S. restaurant companies interested in the site selection for restaurants.

CHAPTER FOUR DATA ANALYSIS AND DISCUSSION

INTRODUCTION

The site selection factors in the U.S. franchise restaurant industry were identified using the Delphi technique. This chapter reports the results of survey questionnaires regarding the site selection. Participation of panel members is summarized and the results of each of the three Delphi rounds are presented. The important factors that result from Round II and Round III of the survey are presented and discussed.

PARTICIPATION OF PANEL MEMBERS

The objective of this study was aimed at identifying site selection factors of the U.S. franchise restaurants. A panel of 30 experts was invited to participate in this study. These panelists were from U.S. restaurants that have franchised units. The list of the U.S. restaurants was obtained from the restaurant category on International Franchise Association's Franchise Opportunities (<http://www.franchise.org>) and under Franchise Opportunities Guide. An invitation letter and the first round questionnaire were faxed to all prospective panel members.

Out of 30 panel members, 9 panel members, which accounted for (30%), completed and returned the first round questionnaire. The duration of Round I was about a month. Fax messages were sent two weeks after the survey to the panel members as a reminder and as an encouragement for them to respond to the survey.

Some of the respondents gave reasons for not responding the Round I survey. Two declined to respond to the questionnaire because the survey would be too time consuming and he or she would not have time to participate. One declined to respond due to company confidentiality reasons. Two sent company-printed materials regarding site selections instead of returning the questionnaire.

The positions held by the 9 participants are: the President of Development (1), Vice President of Real Estate (1), Director of Real Estate (2), Real Estate Manager (4), and Real Estate Administrator (1). According to their positions, they all had strong expertise and background in site selections. The length of their experience in the position ranged from five months to forty-one years, with an average of nine years (Table 4.1).

Table 4.1 Years in Position held by the Panel Members

Panel Members	Years in Position
Panel A	6 years
Panel B	1 year
Panel C	5 years
Panel D	N/A
Panel E	N/A
Panel F	N/A
Panel G	41 years
Panel H	3 ½ years
Panel H	5 months

The selected nine U.S. restaurant companies have at least 500 domestic units including both domestic franchised units and domestic company-owned units. They have been in the business for more than 12 years. They have been in the franchise business for at least 4 years except one company, which discontinued franchise business and may resume later (Table 4.2).

Table 4.2 Number of Domestic Units and Years in Business and Franchising by the Company

Company	Numbers of Units in the U.S.		Years in	
	Franchised	Company-owned Units	Business	Franchising
Company A	390	120	28	11
Company B	0	667	12	N/A
Company C	900	1,200	82	63
Company D	13,200	2	36	26
Company E	N/A	N/A	66	4
Company F	20,000	10,000	N/A	N/A
Company G	3,173	0	37	37
Company H	750	450	49	25
Company I	N/A	N/A	61	61

In Round II, a total of eight questionnaires were returned, making the response rate of 88.9% as compared to the first round. The duration of Round II was fifteen days. Fax messages were sent one week after the survey as reminders.

In Round III, a total of eight questionnaires were returned and the response rate was 100% as compared to the second round. The duration of Round II was fifteen days. Again, fax messages were sent one week after the survey to encourage them to respond.

ANALYSIS OF DATA FROM ROUND I

Round I listed six different headings of site selection factors: general location, position of site, demographics, traffic information, competition, and cost consideration (Table 4.3). A few examples of factors to be listed were presented in each category to help the panel member answer the questionnaire. The examples of the factors came from the study by Khan (1992; 1999). The panel members listed factors that affect the decision to select a site under each category.

Table 4.3 Round I: Identification of Site Selection Factors

FACTORS	EXAMPLES OF FACTORS
1. General Location	1. Population (Density) 2. Location 3. Market Statistics
2. Position of Site	1. Size of Site 2. Convenience 3. Visibility
3. Demographics	1. Age 2. Income 3. Future Growth and Development
4. Traffic Information	1. Traffic Patterns 2. Traffic Counts
5. Competition	1. Competitor's Location 2. Proximity to Existing Restaurants
6. Cost Consideration	1. Costs of Construction 2. Costs of Improvement

According to the Round I questionnaire, panel members suggested a total of 56 factors (Table 4.4). Seven of the factors were related with general location (12.5%), 10 with position of site (17.86%), 12 with demographics (21.42%), 10 with traffic information (17.86%), 7 with competition (12.5%), and 10 with cost consideration (17.86%). Complete listings of the six factors are presented in Tables 4.5, 4.6, 4.7, 4.8, 4.9, and 4.10.

Table 4.4 Number of Factors Suggested under Each Category (Round I)

CATEGORY	NUMBER OF SUGGESTED FACTORS	PERCENT (%)
General Location	7	12.5
Position of Site	10	17.86
Demographics	12	21.42
Traffic Information	10	17.86
Competition	7	12.5
Cost Consideration	10	17.86
TOTAL	56	100.0

Table 4.5 Factors under General Location Listed by the Panel Members (Round I)

1. Concentration of target households
2. Eating and drinking sales
3. Focal point of area
4. Retail sales
5. Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)
6. Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)
7. Types of location (e.g., highways, campus, mall and so on)

Table 4.6 Factors under Position of Site Listed by the Panel Members (Round I)

1. Accessibility
2. Accessibility of utility and public services
3. Convenience
4. Parking
5. Proximity to industrial, residential, recreational, sports, educational, and business centers
6. Signage
7. Size of site
8. Type and condition of street (e.g., curbs, gutters, pavements, and so on)
9. Visibility
10. Zoning

Table 4.7 Factors under Demographics Listed by the Panel Members (Round I)

1. Age
2. Daytime population
3. Ethnicity
4. Evening population
5. Food preferences
6. Future growth and development
7. Income
8. Life style and value
9. Occupation
10. Residential population
11. Sex
12. Work population

Table 4.8 Factors under Traffic Information Listed by the Panel Members (Round I)

1. Anticipated changes in the flow of traffic
2. Direction of traffic flow (i.e., going home side versus going to work side)
3. Frequency pattern of traffic flow
4. Future traffic patterns
5. Number of lanes
6. Speed limits
7. Traffic counts
8. Traffic lights
9. Traffic patterns
10. Types of transportation

Table 4.9 Factors under Competition Listed by the Panel Members (Round I)

1. Actual and potential competition
2. Direct and indirect competition
3. Location of competitors
4. Proximity to other restaurants
5. Quality of competition
6. Quantity of competition
7. Sales volumes of competitors

Table 4.10 Factors under Cost Consideration Listed by the Panel Members (Round I)

1. Cost of construction
2. Cost of development (i.e., purchasing vs. leasing)
3. Cost of improvement (i.e., renovations and modifications)
4. Cost of land
5. Equipment cost
6. Internal Rate of Return (IRR)
7. Labor cost
8. Property Taxes
9. Return on Investment (ROI)
10. Utility cost

ANALYSIS OF DATA FROM ROUND II

The objective of Round II was to rate the degree of influence of factors generated from Round I. The panel members were asked to rate their confidence level toward each factor along with the degree of influence of that particular factor. The rating scale for the influence of each factor was set from 1 being marginally influential to 5 being extremely influential. Similarly, the rating scale for the confidence level was set from 1 being marginally confident to 5 being extremely confident. Data for each of the site selection factors were analyzed as follows.

According to Green et al. (1990), consensus between panel members could be reached if the coefficient of variation is below 50 percent. Bosereewong (1994) used 40 percent of the coefficient of variation to decide if a consensus between panel members is reached. For this study, since most of the factors received a coefficient of variation below 50 percent, the

researcher selected the factors that had a coefficient of variation below 40 percent to be considered as having a high degree of agreement among panel members.

General Location

The panel members suggested a total of 7 factors under this category. Table 4.11 presents the ranking of factors related with general location from the highest means to the lowest means. This table also shows the confidence level, standard deviation, and coefficient of variance about the mean of each factor.

Table 4.11 Factors under General Location in Rank Order of Importance (Round II)

R A N K	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%	CON- FIDENCE LEVEL
1	Concentration of target households	4.50	5.0	0.76	16.80	4.63
2	Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)	4.38	4.5	0.74	17.01	4.50
2	Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)	4.38	4.5	0.74	17.01	4.63
3	Types of location (e.g., highways, campus, mall and so on)	3.88	4.0	1.13	29.06	4.13
4	Focal point of area	3.63	3.5	1.30	35.93	4.13
5	Retail sales	3.38	3.5	1.19	35.19	4.00
6	Eating and drinking sales	2.63	2.5	1.19	45.25	4.00

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

CONFIDENCE LEVEL: 1 = Marginally confident to 5 = Extremely confident

The three factors that were considered very influential, which had means above 4.00, were “concentration of target households” (4.5), “sales generators” (4.38), and “traffic generators” (4.38). Interestingly, only one of the factors received a mean of below 3.00 and had a high coefficient of variation (high degree of disagreement between panel members). The factor was “eating and drinking sales” which received a mean of 2.63 and a coefficient of variation of

45.25 percent. None of the factors had a confidence level below 4.00. This means that the panel members were very confident in their answers.

Position of Site

Under this section, the panel members suggested ten factors (Table 4.12). The factors are listed in rank order of importance (as indicated by mean). None of the factors had a mean below 3.25, which means that all of the factors related with position of site are quite influential to site selection.

Table 4.12 Factors under Position of Site in Rank Order of Importance (Round II)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%	CONFIDENCE LEVEL
1	Visibility	4.50	4.5	0.53	11.88	4.63
2	Parking	4.38	4.0	0.52	11.83	4.63
3	Convenience	4.25	4.0	0.71	16.64	4.38
3	Zoning	4.25	4.5	0.89	20.86	4.58
4	Signage	4.13	4.0	0.83	20.23	4.50
5	Accessibility	4.00	4.0	0.76	18.90	4.63
5	Proximity to industrial, residential, recreational, sports, educational, and business centers	4.00	4.0	0.76	18.90	4.38
5	Size of site	4.00	4.0	0.76	18.90	4.63
6	Accessibility of utility and public services	3.63	3.5	1.30	35.93	4.38
7	Type and condition of street (e.g., curbs, gutters, pavements, and so on)	3.25	3.0	0.71	21.76	4.38

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential
 CONFIDENCE LEVEL: 1 = Marginally confident to 5 = Extremely confident

Since none of the factors had a coefficient of variation higher than 40 percent, there was a consensus among the panel members. Also, the panel members rated their confidence level for

these factors very high since all the factors were rated above 4.38, which means that the panel members were very confident on factors related with position of site.

Demographics

Twelve factors were identified by the panel members for this section (Table 4.13). The mean for this category ranged from 1.86 to 4.63. The lowest mean and the highest mean were “sex” and “residential population,” respectively.

Table 4.13 Factors under Demographics in Rank Order of Importance (Round II)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%	CONFIDENCE LEVEL
1	Residential population	4.63	5.0	0.74	16.09	4.63
2	Daytime population	4.25	4.0	0.71	16.64	4.88
3	Evening population	4.13	4.5	0.99	24.02	4.50
3	Work population	4.13	4.0	0.64	15.54	4.63
4	Income	4.00	4.0	0.53	13.36	4.38
5	Future growth and development	3.50	4.0	1.07	30.54	4.00
6	Age	3.38	3.0	0.92	27.14	4.50
7	Ethnicity	2.88	3.0	0.83	29.03	4.50
8	Food preferences	2.86	3.0	0.90	31.49	4.00
9	Life style and value	2.50	2.5	0.93	37.03	4.25
9	Occupation	2.50	2.5	1.31	52.37	4.50
10	Sex	1.86	1.0	1.21	65.42	4.57

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

CONFIDENCE LEVEL: 1 = Marginally confident to 5 = Extremely confident

There was some degree of disagreement among panel members on some of the issues: “sex” (CV 65.42%) and “occupation” (CV 52.37%). The degree of confidence ranged from 4.00 to 4.88. This means that the panel members were quite confident in their answers.

Traffic Information

The panel members suggested a total of 7 factors for this section (Table 4.14). Only one factor, “types of transportation”, received a mean of 2.50, the rest of the factors received above 3.00. The three factors that were considered very influential factors, which had means above 4.00, were “traffic counts” (4.38), “anticipated changes in the flow of traffic” (4.14), and “traffic lights” (4.13).

Table 4.14 Factors under Traffic Information in Rank Order of Importance (Round II)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%	CONFIDENCE LEVEL
1	Traffic counts	4.38	4.5	0.74	17.01	4.50
2	Anticipated changes in the flow of traffic	4.14	4.0	0.90	21.72	4.14
3	Traffic lights	4.13	4.0	0.64	15.54	4.38
4	Future traffic patterns	3.88	4.0	0.83	21.54	4.00
5	Direction of traffic flow (i.e., going home side versus going to work side)	3.63	4.0	0.92	25.27	4.50
5	Traffic patterns	3.63	3.5	1.06	29.26	4.13
6	Number of lanes	3.38	3.0	0.52	15.33	3.88
7	Speed limits	3.25	3.0	0.71	21.76	3.88
8	Frequency pattern of traffic flow	3.14	3.0	1.21	38.66	4.00
9	Types of transportation	2.50	3.0	1.07	42.76	4.25

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

CONFIDENCE LEVEL: 1 = Marginally confident to 5 = Extremely confident

The coefficient of variation ranged from 15.33 percent to 42.76 percent. This could be attributed to the fact that some of the factors did not receive a consensus in the answer. The issue that obtained a high coefficient of variation (high degree of disagreement between panel members) was the factor “types of transportation” (CV 42.76%). The confidence level ranged from 3.88 to 4.50. The issues that received the lowest confidence level (3.88) were “number of

lanes” and “speed limits.” This means that the panel members were quite confident on factors related with demographics.

Competition

The panel suggested a total of 7 factors under this category (Table 4.15). The highest mean for this section “location of competitors” and “sales volumes of competition” were low (4.25) compared to the highest means for demographics (4.63), general location (4.50), cost consideration (4.50), and position of site related factors (4.50). However, the lowest mean for this section “proximity to other restaurants” was quite high (3.63) compared to the lowest means for demographics (1.86), cost consideration (2.50), traffic information (2.50), and general location related factors (2.63). Since the means for this category ranged from 3.63 to 4.25, the factors related with competition were identified as quite influential to site selection.

Table 4.15 Factors under Competition in Rank Order of Importance (Round II)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%	CONFIDENCE LEVEL
1	Location of competitors	4.25	4.0	0.71	16.64	4.25
1	Sales volumes of competitors	4.25	4.5	0.89	20.86	4.13
2	Quantity of competition	4.00	4.0	0.93	23.15	4.00
3	Actual and potential competition	3.88	4.0	0.83	21.54	4.00
3	Direct and indirect competition	3.88	4.0	0.83	21.54	4.00
4	Quality of competition	3.75	3.5	0.89	23.64	3.63
5	Proximity to other restaurants	3.63	4.0	0.92	25.27	4.13

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential
 CONFIDENCE LEVEL: 1 = Marginally confident to 5 = Extremely confident

The coefficient of variation ranged from 16.64 percent to 25.27 percent. Since none of the factors had a coefficient of variation higher than 40 percent, there was a consensus among the panel members toward the factors under competition. Also, the panel members rated their

confidence level for these factors from 3.63 to 4.25. This means that the panel members were quite confident in their answers.

Cost Consideration

Ten factors were identified by the panel members for this section (Table 4.16). The mean for this section ranged from 2.50 to 4.50. The three factors that received the mean below 3.00 were “utility cost” (2.50), “property taxes” (2.75), and “labor cost” (2.88).

Table 4.16 Factors under Cost Consideration in Rank Order of Importance (Round II)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%	CONFIDENCE LEVEL
1	Cost of land	4.50	4.5	0.53	11.88	4.75
1	Return on Investment (ROI)	4.50	5.0	0.76	16.80	4.25
2	Cost of construction	4.38	4.5	0.74	17.01	4.63
3	Cost of improvement (i.e., renovations and modifications)	4.25	4.0	0.46	10.89	4.25
4	Internal Rate of Return (IRR)	4.13	4.5	1.36	32.88	4.63
5	Cost of development (i.e., purchasing vs. leasing)	4.00	4.0	0.76	18.90	4.50
6	Equipment cost	3.13	3.0	1.25	39.89	4.25
7	Labor cost	2.88	3.0	0.64	22.29	4.00
8	Property taxes	2.75	3.0	0.71	25.71	4.00
9	Utility cost	2.50	2.5	1.20	47.81	4.25

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

CONFIDENCE LEVEL: 1 = Marginally confident to 5 = Extremely confident

The issue that obtained a high coefficient of variation (high degree of disagreement between panel members) was the factor “utility cost” (CV 47.81%). The degree of confidence ranged from 4.00 to 4.75. This means that the panel members were very confident on factors related with cost consideration.

Site Selection Factors

Table 4.17 presents the site selection factors in rank order of importance as indicated by means. The means ranged from 4.63 to 1.86. There were a total number of forty-six issues that had a mean above 3.00, making them quite influential to making decisions for the site selection. Among those forty-six issues, twenty-eight issues received a mean of above 4.00 indicating that they are very influential to decisions.

The factor that had the highest means (4.63) from all of the sections was “residential population” which belongs to factors related with general location. The four factors that ranked second (mean of 4.50) were: “concentration of target households” from general location related factors, “cost of land” and “return on investment” from cost consideration related factors, and “visibility” from position of site related factors.

Ten factors received a mean of below 3.00. The factor that received the lowest mean (1.86) was “sex” from demographics related factors, followed by “utility cost” from cost consideration related factors, “types of transportation” from traffic information related factors, and “occupation” and “life style and value” from demographics related factors with means of 2.50. It is interesting to find that none of the factors related with competition and position of site received a mean score of below 3.00. This means that the factors related with competition and position of site are quite influential to site selection.

Table 4.17 Site Selection Factors in Rank Order of Importance (Round II)

RANK	CATEGORY OF FACTOR	FACTORS	MEAN
1	Demographics	Residential population	4.63
2	General Location	Concentration of target households	4.50
2	Cost Consideration	Cost of land	4.50
2	Cost Consideration	Return on Investment (ROI)	4.50
2	Position of Site	Visibility	4.50
3	Cost Consideration	Cost of construction	4.38
3	Position of Site	Parking	4.38
3	General Location	Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)	4.38
3	Traffic Information	Traffic counts	4.38
3	General Location	Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)	4.38
4	Position of Site	Convenience	4.25
4	Cost Consideration	Cost of improvement (i.e., renovations and modifications)	4.25
4	Demographics	Daytime population	4.25
4	Competition	Location of competitors	4.25
4	Competition	Sales volumes of competitors	4.25
4	Position of Site	Zoning	4.25
5	Traffic Information	Anticipated changes in the flow of traffic	4.14
6	Demographics	Evening population	4.13
6	Cost Consideration	Internal Rate of Return (IRR)	4.13
6	Position of Site	Signage	4.13
6	Traffic Information	Traffic lights	4.13
6	Demographics	Work population	4.13
7	Position of Site	Accessibility	4.00
7	Cost Consideration	Cost of development (i.e., purchasing vs. leasing)	4.00
7	Demographics	Income	4.00
7	Position of Site	Proximity to industrial, residential, recreational, sports, educational, and business centers	4.00
7	Position of Site	Size of site	4.00
7	Competition	Quantity of competition	4.00
8	Traffic Information	Future traffic patterns	3.88
8	General Location	Types of location (e.g., highways, campus, mall and so on)	3.88
8	Competition	Actual and potential competition	3.88
8	Competition	Direct and indirect competition	3.88
9	Competition	Quality of competition	3.75

Table 4.17 Site Selection Factors in Rank Order of Importance (Round II) (Continued)

10	Position of Site	Accessibility of utility and public services	3.63
10	Traffic Information	Direction of traffic flow (i.e., going home side versus going to work side)	3.63
10	General Location	Focal point of area	3.63
10	Traffic Information	Traffic patterns	3.63
10	Competition	Proximity to other restaurants	3.63
11	Demographics	Future growth and development	3.50
12	Demographics	Age	3.38
12	Traffic Information	Number of lanes	3.38
12	General Location	Retail sales	3.38
13	Traffic Information	Speed limits	3.25
13	Position of Site	Type and condition of street (e.g., curbs, gutters, pavements, and so on)	3.25
14	Traffic Information	Frequency pattern of traffic flow	3.14
15	Cost Consideration	Equipment cost	3.13
16	Demographics	Ethnicity	2.88
16	Cost Consideration	Labor cost	2.88
17	Demographics	Food preferences	2.86
18	Cost Consideration	Property taxes	2.75
19	General Location	Eating and drinking sales	2.63
20	Demographics	Life style and value	2.50
20	Demographics	Occupation	2.50
20	Traffic Information	Types of transportation	2.50
20	Cost Consideration	Utility cost	2.50
21	Demographics	Sex	1.86

ANALYSIS OF DATA FROM ROUND III

The Round III questionnaire was a duplication of the Round II questionnaire. The objective of Round III was to have the panel members re-examine the factors. The Round III questionnaire presented the means associated with each factor outlined by the panel in Round II and asked the individual panel members if they would like to modify their initial response in the light of this information and, therefore, move the panel towards a consensus of opinion. Again, the factors that received a coefficient of variation higher than 40 percent would be considered as having a high degree of disagreement between panel members.

General Location

The ranking of all of the factors of this round was almost the same as the last round even though there were some changes in the means (Table 4.18). Only one factor moved up from second to first. The factor was “traffic generators.” Its mean increased from 4.38 to 4.50, and its standard deviation increased from 0.74 to 0.76. Its coefficient of variation decreased from 17.01 percent to 16.80 percent. The other factor was “focal point of area” that remained fifth and received mean of 3.75, which increased from 3.63, and standard deviation of 1.28, which reduced from 1.30. Its coefficient of variation decreased from 35.93 percent to 34.18 percent. These reduced coefficients of variation showed a slight increase in the agreement on these two factors between panel members.

Table 4.18 Factors under General Location in Rank Order of Importance (Round III)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%
1	Concentration of target households	4.50	5.0	0.76	16.80
1	Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)	4.50[^]	5.0	0.76	16.80
2	Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)	4.38	4.5	0.74	17.01
3	Types of location (e.g., highways, campus, mall and so on)	3.88	4.0	1.13	29.06
4	Focal point of area	3.75[^]	4.0	1.28	34.18
5	Retail sales	3.38	3.5	1.19	35.19
6	Eating and drinking sales	2.63	2.5	1.19	45.25

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

The rest of the factors received the same mean, standard deviation, and coefficient of variation as in Round II. The only factor that received a mean of below 3.00 (2.63) and the coefficient of variation of above 40 percent (CV 45.25%) was “eating drinking sales.” This factor was the same as in Round II.

Position of Site

For this round, the range of standard deviation and the coefficient of variation of factors ranged from 0.38 to 1.06, and from 7.96 percent to 29.26 percent respectively compared to Round II, in which the standard deviation and the coefficient of variation ranged from 0.52 to 1.30, and from 11.83 percent to 35.93 percent respectively. The mean for this round ranged from 3.25 to 4.75 compared to from 3.25 to 4.50 in Round II (Table 4.19).

Table 4.19 Factors under Position of Site in Rank Order of Importance (Round III)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%
1	Visibility	4.75 [^]	5.0	0.38	7.96
2	Parking	4.38	4.0	0.52	11.83
2	Signage	4.38 [^]	4.0	0.52	11.83
3	Convenience	4.25	4.0	0.71	16.64
3	Zoning	4.25	4.5	0.89	20.86
4	Size of site	4.13 [^]	4.0	0.64	15.54
5	Accessibility	4.00	4.0	0.76	18.90
6	Proximity to industrial, residential, recreational, sports, educational, and business centers	3.88	4.0	0.64	16.54
7	Accessibility of utility and public services	3.63	3.5	1.06	29.26
8	Type and condition of street (e.g., curbs, gutters, pavements, and so on)	3.25	3.0	0.71	21.76

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

The three factors received higher mean than Round II were “visibility” (4.75 from 4.50) and “signage” (4.38 from 4.13). These factors also received lower standard deviation and coefficient of variation than Round II. However, there is also one factor, which received a lower mean than Round II. The factor was “proximity to industrial, residential, recreational, sports, educational, and business centers” (3.88 from 4.00). This factor also received a lower standard deviation and coefficient of variation than Round II. The one factor “accessibility of utility and public services” received same mean but lower standard deviation and coefficient of variation compared to Round II. This information indicated that there was an increasing agreement between panel members.

There were some differences according to the ranking of the factors between Round III and Round II. For example, the factor “signage” moved from the fifth place to the second place; the factor “proximity to industrial, residential, recreational, sports, educational, and business centers” ranked eighth in Round III but ranked sixth in Round II.

Demographics

Table 4.20 presents the responses in factors under demographics, which ranked in order according to the mean. There were some changes in mean, standard deviation, and coefficient of variation but no change in ranking over Round II. The factors “future growth and development” and “life style and value” received higher mean than Round II. The factors received lower mean than Round II were “food preferences,” “occupation,” and “sex.”

Table 4.20 Factors under Demographics in Rank Order of Importance (Round III)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%
1	Residential population	4.63	5.0	0.74	16.09
2	Daytime population	4.25	4.0	0.71	16.64
3	Evening population	4.13	4.5	0.99	24.02
3	Work population	4.13	4.0	0.64	15.54
4	Income	4.00	4.0	0.53	13.36
5	Future growth and development	3.63[^]	4.0	0.92	25.27
6	Age	3.38	3.0	0.92	27.14
7	Ethnicity	2.88	3.0	0.83	29.03
8	Food preferences	2.75	3.0	0.89	32.23[^]
9	Life style and value	2.63[^]	2.5	1.19	45.25[^]
10	Occupation	2.25	2.5	0.89	39.40
11	Sex	1.75	1.0	1.16	66.57[^]

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

There were changes in the agreement between panel members over Round II. In this round, “sex” (CV 66.57%) and “life style and value” (CV 45.25%) were considered as having

disagreement between panel members compared to “sex” (CV 65.42%) and “occupation” (CV 52.37%) in Round II.

Traffic Information

According to table 4.21, there were some changes in mean, standard deviation, and coefficient of variation even though the ranking of all of the factors of this round was almost the same as Round II. There was an increase in mean for factors “anticipated changes in the flow of traffic” (4.38 from 4.14), “direction of traffic flow” (3.75 from 3.63), “traffic patterns” (3.69 from 3.63), and “frequency pattern of traffic flow” (3.25 from 3.14). There was a reduction in standard deviation and the coefficient of variation over Round II for these factors, which showed an increasing consensus between panel members.

Table 4.21 Factors under Traffic Information in Rank Order of Importance (Round III)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%
1	Anticipated changes in the flow of traffic	4.38[^]	4.5	0.74	17.01
1	Traffic counts	4.38	4.5	0.74	17.01
2	Traffic lights	4.13	4.0	0.64	15.54
3	Future traffic patterns	3.88	4.0	0.83	21.54
4	Direction of traffic flow (i.e., going home side versus going to work side)	3.75[^]	4.0	0.89	23.64
5	Traffic patterns	3.69[^]	3.5	0.96	26.07
6	Number of lanes	3.38	3.0	0.52	15.33
7	Frequency pattern of traffic flow	3.25[^]	3.0	1.16	35.85
7	Speed limits	3.25	3.0	0.71	21.76
8	Types of transportation	2.50	3.0	1.07	42.76

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

The rest of the factors received the same mean, standard deviation, and coefficient of variation as in Round II. The only factor that received a mean of below 3.00 (2.50) and the coefficient of variation of above 40 percent (CV 42.76%) was “types of transportation.” This factor was the same as in Round II.

Competition

There were some changes in mean, standard deviation, and coefficient variation for three factors under this category: “sales volumes of competitors”, “quantity of competition”, and “quality of competition” (Table 4.22). These three factors received increased mean and reduced standard deviation and coefficient of variation over Round II. For example, the coefficient of variation for these three factors decreased from 20.86 percent in Round II to 17.00 percent in Round III, from 23.15 percent in Round II to 21.25 percent in Round III, and from 23.64 percent in Round II to 21.54 percent in Round III, respectively.

Table 4.22 Factors under Competition in Rank Order of Importance (Round III)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%
1	Sales volumes of competitors	4.38[^]	4.5	0.74	17.00
2	Location of competitors	4.25	4.0	0.71	16.64
3	Quantity of competition	4.06[^]	4.0	0.86	21.25
4	Actual and potential competition	3.88	4.0	0.83	21.54
4	Direct and indirect competition	3.88	4.0	0.83	21.54
4	Quality of competition	3.88[^]	4.0	0.83	21.54
5	Proximity to other restaurants	3.63	4.0	0.92	25.27

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

The rest of the factors received the same mean, standard deviation, and coefficient of variation as in Round II. None of the factors related with competition received a coefficient of variation above 40 percent for this round again. There was an increasing consensus among panel members for competition related factors according to the reduction in standard deviation and coefficient of variation.

Cost Consideration

Table 4.23 presents the responses in factors under this category, which ranked in order according to the mean. The two factors that showed changes in mean, standard deviation, and coefficient of variation were “return on Investment” and “Internal Rate of Return.” There was a

move toward the increasing consensus of a higher influence of these two factors since standard deviation and coefficient of variation were reduced and mean was increased.

Table 4.23 Factors under Cost Consideration in Rank Order of Importance (Round III)

RANK	FACTORS LISTED BY THE PANEL MEMBERS	MEAN	MEDIAN	STD. DEV.	CV%
1	Return on Investment (ROI)	4.63 [^]	5.0	0.52	11.19
2	Cost of land	4.50	4.5	0.53	11.88
3	Cost of construction	4.38	4.5	0.74	17.01
3	Internal Rate of Return (IRR)	4.38 [^]	4.5	0.74	17.01
4	Cost of improvement (i.e., renovations and modifications)	4.25	4.0	0.46	10.89
5	Cost of development (i.e., purchasing vs. leasing)	4.00	4.0	0.76	18.90
6	Equipment cost	3.13	3.0	1.25	39.89
7	Labor cost	2.88	3.0	0.64	22.29
8	Property Taxes	2.75	3.0	0.71	25.71
9	Utility cost	2.50	2.5	1.20	47.81

Note. MEAN: 1 = Marginally influential to 5 = Extremely influential

The rest of the factors showed no changes in mean, standard deviation, and coefficient of variation over Round II. The factors with a mean below 3.00 were “labor cost” (2.88), “property taxes” (2.75), and “utility cost” (2.50); and the coefficient of variation above 40 percent was “utility cost” (CV 47.81%), which was same as the last round.

Site Selection Factors

The mean for site selection factors of this round ranged from 1.75 to 4.75 versus 1.86 to 4.63 for the last round (Table 4.24). There were a total number of forty-six issues that had a mean above 3.00, which is considered quite influential to making decisions for the site selection. There were twenty-seven issues that received a mean of above 4.00 indicating that they were very influential to decision.

Table 4.24 Site Selection Factors in Rank Order of Importance (Round III)

RANK	CATEGORY OF FACTOR	FACTORS	MEAN
1	Position of Site	Visibility	4.75
2	Demographics	Residential population	4.63
2	Cost Consideration	Return on Investment (ROI)	4.63
3	General Location	Concentration of target households	4.50
3	Cost Consideration	Cost of land	4.50
3	General Location	Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)	4.50
4	Cost Consideration	Cost of construction	4.38
4	Position of Site	Parking	4.38
4	General Location	Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)	4.38
4	Traffic Information	Traffic counts	4.38
4	Competition	Sales volumes of competitors	4.38
4	Traffic Information	Anticipated changes in the flow of traffic	4.38
4	Cost Consideration	Internal Rate of Return (IRR)	4.38
4	Position of Site	Signage	4.38
5	Position of Site	Convenience	4.25
5	Cost Consideration	Cost of improvement (i.e., renovations and modifications)	4.25
5	Demographics	Daytime population	4.25
5	Competition	Location of competitors	4.25
5	Position of Site	Zoning	4.25
6	Demographics	Evening population	4.13
6	Traffic Information	Traffic lights	4.13
6	Demographics	Work population	4.13
6	Position of Site	Size of site	4.13
7	Competition	Quantity of competition	4.06
8	Position of Site	Accessibility	4.00
8	Cost Consideration	Cost of development (i.e., purchasing vs. leasing)	4.00
8	Demographics	Income	4.00
9	Position of Site	Proximity to industrial, residential, recreational, sports, educational, and business centers	3.88
9	Traffic Information	Future traffic patterns	3.88
9	General Location	Types of location (e.g., highways, campus, mall and so on)	3.88
9	Competition	Actual and potential competition	3.88
9	Competition	Direct and indirect competition	3.88
9	Competition	Quality of competition	3.88

Table 4.24 Site Selection Factors in Rank Order of Importance (Round III) (Continued)

10	Traffic Information	Direction of traffic flow (i.e., going home side versus going to work side)	3.75
10	General Location	Focal point of area	3.75
11	Traffic Information	Traffic patterns	3.69
12	Position of Site	Accessibility of utility and public services	3.63
12	Competition	Proximity to other restaurants	3.63
12	Demographics	Future growth and development	3.63
13	Demographics	Age	3.38
13	Traffic Information	Number of lanes	3.38
13	General Location	Retail sales	3.38
14	Traffic Information	Speed limits	3.25
14	Position of Site	Type and condition of street (e.g., curbs, gutters, pavements, and so on)	3.25
14	Traffic Information	Frequency pattern of traffic flow	3.25
15	Cost Consideration	Equipment cost	3.13
16	Demographics	Ethnicity	2.88
16	Cost Consideration	Labor cost	2.88
17	Demographics	Food preferences	2.75
17	Cost Consideration	Property Taxes	2.75
18	General Location	Eating and drinking sales	2.63
18	Demographics	Life style and value	2.63
19	Traffic Information	Types of transportation	2.50
19	Cost Consideration	Utility cost	2.50
20	Demographics	Occupation	2.25
21	Demographics	Sex	1.75

The factors that had the highest means (4.75) from all of the section, were “visibility” which belong to factors under position of site. The two factors that ranked second with mean of 4.63 were: “residential population” from demographics and “Return on Investment” from cost consideration.

Ten factors received a mean of below 3.00: five factors under demographics, three factors under cost consideration, and one factor under general location and traffic information. Again, none of factors under competition and position of site received a mean score of below 3.00. The factors received the lowest mean (1.75) was “sex” (1.75) under demographic, followed by

“occupation” (2.25) under demographics, “types of transportation” (2.50) under traffic information and “utility cost” (2.50) under cost consideration.

There were some changes in ranking due to the change in means, which resulted from the modification of panel members’ responses. The factors moved up in ranking were “visibility”, “traffic generators”, “sales volumes of competitors”, “anticipated changes in the flow of traffic”, “Internal Rate of Return”, “signage”, “size of site”, “quantity of competition”, “quality of competition”, “future growth and development”, “frequency pattern of traffic flow”, and “life style and value”. However, the factors “proximity to industrial, residential, recreational, sports, educational, and business centers” and “occupation” moved down in ranking.

SUMMARY

This chapter presented the data of the study, conducted among restaurant professionals, from the results of the three rounds of the Delphi questionnaire. The Delphi questionnaire attempted to reach a consensus among all participants on the site selection factors.

Thirty experts from the restaurant industry were invited to serve as the panel for this study. All of the experts held the positions in which they were responsible for the site selection of their restaurants. There were 9 participants for the first round, 8 participants for the second and third rounds.

In Round I, the restaurant professionals listed factors that affect the decision to select a site under six different headings: general location, position of site, demographics, traffic information, competition, and cost consideration.

In Round II, the experts rated the suggested factors regarding influence to site selection and their confidence levels on a five point Likert-type scale.

In Round III, the panel members re-examined the factors to reach an agreement. The mean of each factor from Round II was presented to panel members. Panel members reviewed the mean of each factor before rating the factors for this round.

The results were presented in ranking order according to the mean of each factor under each heading. Also, the site selection factors were presented in Round II and Round III.

CHAPTER FIVE DISCUSSION AND RECOMMENDATIONS

INTRODUCTION

In this chapter a review of the purpose and objective established at the outset of the study are discussed. This chapter also states limitations of this study. Appropriate conclusions are drawn from the findings of the Delphi questionnaire.

SUMMARY OF THE STUDY

The purpose of this study was to identify and rank the importance of the site selection factors that influence the U.S. franchise restaurant industry. To identify the site selection factors, this study sought assistance and support from restaurant professionals. The Delphi technique was used to elicit the opinions of a panel of experts regarding the site selection factors.

The panel was composed of restaurant professionals of restaurant companies, which had already developed franchised units in the U.S. The list of restaurant companies was acquired from the restaurant category by International Franchise Association's Franchise Opportunities (<http://www.franchise.org>) and Franchise Opportunities Guide, which is based on the data comprising of the domestic franchised units and company-owned units; and years in business and franchising. A total of 30 restaurant professionals received the Delphi survey. Panel members developed and rated the level of influence of each factor and their confidence level for each factor using a five point Likert type scale. In Round II and Round III, the site selection factors were ranked according to their mean.

SUMMARY OF FINDINGS

In Round I, panel members suggested a total of 56 factors under six different headings of factors. Seven of the factors were related with general location (12.5%), ten with position of site

(17.86%), twelve with demographics (21.42%), ten with traffic information (17.86%), seven with competition (12.5%), and ten with cost consideration (17.86%).

According to the results from Round II, forty-six factors were identified as being quite influential to the site selection with a mean of above 3.00. The factor that had the highest mean (4.63) from all of the section, was “residential population” under general location. The factor that received the lowest mean (1.86) from all of the section, was “sex” under demographics. None of the factors under competition and position of site received means below 3.00.

For Round III, forty-six factors again received means above 3.00, meaning that these factors were quite influential. The factor that received the highest mean (4.75) from all of the section, was “visibility” under position of site. The factor that had the lowest mean (1.75) from all of the section, was “sex” under demographics. All the factors related with competition and position of site received means above 3.00.

Proposition Discussed

Proposition: The factors under position of site and competition are the major concerns that influence the site selection of the restaurant companies.

Results indicated strong support for this proposition. There were ten and seven factors identified under position of site and competition, respectively in Round I. According to the results from Round II and Round III, all of the factors related with position of site and competition received means above 3.00, which means that they are quite influential in making decisions related to site selection. The coefficient of variation were all below 40 percent indicating all the panel members reached an agreement on the level of importance or influence towards these factors. The confidence levels were all above 4.00 except one with 3.63, which means that panel members were quite confident of their answers. This information shows that the factors identified under position of site and competition are major aspects that influence the site selection of the restaurant companies.

CONCLUSIONS

First, the restaurant professionals reached a consensus on the site selection factors on most of the issues except one under general location, two under demographics, one under traffic information, and one under cost consideration. These five factors were “eating and drinking sales”, “life style and value” and “sex”, “ types of transportation” and “utility cost”, respectively. Those five factors received a coefficient of variation higher than 40 percent. This means that panel members could not agree on the importance or influence level of these five issues.

Second, all the factors under position of site and competition were identified as being quite influential according to the means obtained in Round II and Round III. And also, the panel members reached an agreement on the importance or influence level of these factors. However, this does not mean that restaurant professionals should overlook other factors related with general location, demographics, traffic information, and cost consideration that received a mean above 3.00 by this study.

Third, the nature of this research is practical because the site selection factors from both Round II and Round III were developed using experienced restaurant professionals.

Fourth, this study identified 56 factors that affect restaurants that franchise in the U.S. All of these factors should be examined by those restaurant professionals who plan to expand but have little experience with the real estate development.

LIMITATIONS

As with the general nature of any research, there are a number of limitations associated with this study. One of the major limitations of this study is that the size of the respondent groups was relatively small, so that it would be difficult to generalize some of the study’s results. The restaurant franchises that were selected for this study are companies that have franchised units in the U.S. This restricts the total sample size to 30, all members of the International Franchise Association. Therefore, the results of this study depend heavily on the expertise of the participating restaurants.

In addition, due to the nature of the Delphi technique, the problem of attrition of experts existed during each round. In order to cope with this problem and encourage the experts to participate, fax messages were sent two weeks (Round I) and one week (Round II and III) after the survey was sent to the panel members as a reminder. There were several reasons for the attrition of panel members. One reason was that panel members had to decline due to company confidentiality reasons. Two restaurants declined to participate because panel members were too busy to respond to the questionnaire.

Another limitation of this study was that the site selection factors were identified without measuring the performance of the restaurant. The ultimate test of strength for any restaurant system is how each individual unit performs and the ultimate measure of success is the return on investment generated by each restaurant. Further studies may focus on linking financial analysis to site selection.

RECOMMENDATIONS

Lack of attention to potential influencing factors may lead to an unsuccessful operation. The following recommendations are made for utilization of the results of this study for selecting a site for restaurants:

Factors identified through this study should be used as guidelines for restaurant companies when planning to build or expand their units. Each factor should be considered regarding its influence level on final selection.

The site selection factors identified as being quite influential from Round II and Round III should be examined closely in their final analysis after all of the identified factors have been reviewed. Major factors identified should be given while making site selection decision.

RECOMMENDATIONS FOR FUTURE RESEARCH

Since site selection is a key for restaurant's success, more research in this area is crucial. The findings and recommendations from this study suggest some future research topics related to this particular area.

This study of site selection factors was conducted among restaurant professionals. The results represent the franchisors' perspective. It is recommended that broader base such as franchisees would contribute to the enumeration of the site selection factors since franchisees may propose the prospective site within the area.

Although the site selection factors were developed from panel members, another study should be done to increase the validity of these factors. The larger the Delphi panel, the larger the possibility of the accuracy of the generalization of findings.

One of the major limitations of this study is the small sample size. Future studies should conduct similar research, but change the research method to case study choosing one type of the restaurant at a time and then comparing the results. The results would be more reflective of each type and increase the generalizability of the study for each type.

Replication of this research should be conducted to investigate and pursue any change in the influence in factors as well as any change in the factors themselves. Some factors may have a high rating for a period of time and some new factors may arise. Thus, keeping the factor rankings current would assist restaurant professionals by keeping them abreast.

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APPENDIX A
ROUND I QUESTIONNAIRE

FAX COVER

TO: ((First Name)) ((Last Name))
((Company))

FAX: (000) 000-0000

FROM: Kunsoon Park
Department of Hospitality and Tourism Management
Virginia Polytechnic Institute & State University

FAX: (540) 231-8313

DATE: November 00, 2001

Number of pages including cover: 7 pages

SUBJECT: Survey Questionnaire

COVER LETTER

November 00, 2001

((First Name)) ((Last Name))
((Position)) ((Company))
((Address))
((City)) ((State)) ((Zip Code))

Dear: ((First Name)) ((Last Name))

I am a graduate student in the Hospitality and Tourism Management program at the Virginia Polytechnic Institute and State University. I am conducting this study to develop criteria for the site selection of restaurants in the United States. Your responses to the research questions are very critical for the completion of my Master of Science thesis, which is the last milestone to earn this degree.

The process that will be used to collect the information is called the Delphi method, which will involve three rounds. For the first round, you will be asked to identify key elements in the site selection. In the second and third round you will then be asked to rate the factors with regard to the importance of each. The response from the third round will be analyzed and utilized to develop the criteria for site selection. These criteria would serve as a guideline for the restaurants that want to expand units.

You are among the selected few who have been asked to participate in the development of the criteria by giving your expert opinion on site selection. Anonymity is a characteristic of the Delphi Technique. Therefore, your name will not be associated with responses during the study. When making your decision to participate please remember that the success of the Delphi Technique and this study depends on the completion of all the rounds. The study will require approximately 15 minutes of your time three times during coming months.

Enclosed is the first round questionnaire of the Delphi process. It would be very much appreciated if you will be kind enough to participate in the study. Please return the completed questionnaire by November 00, 2001 by fax to (540) 231-8313. Since your responses will be the basis for round two, it is important for you to complete the first round. I will be willing to send the final results of the study for your reference.

Thanking you in advance for your attention and looking forward to your cooperation.

Sincerely,

Kunsoon Park
Graduate Student
Hospitality and Tourism Management
Virginia Tech

Enclosure

Participant's Background

Personal Information

Name: _____

Name of Company: _____

Position: _____

Telephone Number: _____ Fax: _____

Corporation Information

Number of Domestic Franchised Units: _____

Number of Domestic Company-Owned Units: _____

Total Number of Domestic Units: _____

Years in Business since: _____

Years in Franchising since: _____

ROUND I

Identification of Key Site Selection Factors.

Directions

I would like to identify key factors for the site selection that affect the decision to expand units.

In pages that follow you will find five categories of the site selection factors. In the space provided for each category please list the key issues that you consider them as important to make decision. It is kindly requested that issues be specific. Please use the back of these pages if necessary.

Thank you.

I. General Location

Examples:

1. Population (density)
2. Location
3. Market statistics

These are only given as examples. Feel free to add more factors that you feel are appropriate.

II. Position of Site

Examples:

1. Size of Site
2. Convenience
3. Visibility

These are only given as examples. Feel free to add more factors that you feel are appropriate.

III. Demographics

Examples:

1. Age
2. Income
3. Future Growth and Development

These are only given as examples. Feel free to add more factors that you feel are appropriate.

IV. Traffic Information

Examples:

1. Traffic Patterns
2. Traffic Counts

These are only given as examples. Feel free to add more factors that you feel are appropriate.

V. Competition

Examples:

1. Competitor's Location
2. Proximity to Existing Restaurants

These are only given as examples. Feel free to add more factors that you feel are appropriate.

VI. Cost Consideration

Examples:

1. Costs of Construction
2. Costs of Improvement

These are only given as examples. Feel free to add more factors that you feel are appropriate.

VII. Other

Please feel free to list below any additional categories and factors that are important in making the decision.

Please go back and make sure that you have answered each question.
Each of your responses is very important.

THANK YOU!

DEFINITION OF TERMS

General Location:

Location refers to a general area within a city. Physical characteristics and area characteristics should be considered. The factors related to the general location include but not limited to population (density), market statistics, and neighborhood.

Position of Site:

Site is a specific piece of property. Size, parking facilities, accessibility of utility and public services, convenience, and visibility are factors related to the position of site but not limited to.

Demographics:

Information pertaining to consumers must be collected including data about age, sex, occupation, income, food preferences and potential for future growth and development.

Traffic Information:

Traffic flow patterns are important for the analysis of the site. The factors related to traffic information include traffic counts and patterns, and frequency pattern of traffic flow.

Competition:

A restaurant operation must consider its actual and potential competition. The factors related to competition include but not limited to location and operating results of competitor, and proximity to competitor.

Cost Consideration:

Costs associated with the development of the site need to be calculated carefully. This includes both the cost of purchase and the cost of site development, which covers factors such as building, landscaping, and the provision of associated facilities such as car parking and access roads. The cost of improvement –renovations and modifications- are also important considerations.

FOLLOW UP LETTER

TO: ((First Name)) ((Last Name))
((Company))

FAX: (000) 000-0000

FROM: Kunsoon Park
Department of Hospitality and Tourism Management
Virginia Polytechnic Institute & State University

FAX: (540) 231-8313

DATE: November 00, 2001

Number of pages including cover: 7 pages

SUBJECT: Survey Questionnaire

About a week ago, you were sent a survey, which requested your response to site selection factors. I am writing to request that you please fill out the questionnaire and return it to me by fax to (540) 231-8313 as early as possible (but no later than November 00). It is extremely important that you participate in this study for it to be truly representative of the U.S. franchise restaurant industry.

Thank you for your cooperation.

Sincerely,

Kunsoon Park
Graduate Student
Hospitality and Tourism Management
Virginia Tech

Enclosure

**APPENDIX B
ROUND II QUESTIONNAIRE**

FAX COVER

TO: ((First Name)) ((Last Name))
((Company))

FAX: (000) 000-0000

FROM: Kunsoon Park
Department of Hospitality and Tourism Management
Virginia Polytechnic Institute & State University

FAX: (540) 231-8313

DATE: December 00, 2001

Number of pages including cover: 7 pages

SUBJECT: Survey Questionnaire

COVER LETTER

December 00, 2001

((First Name)) ((Last Name))
((Position)) ((Company))
((Address))
((City)) ((State)) ((Zip Code))

Dear: ((First Name)) ((Last Name))

Thank you very much for completing round one of the Delphi study to determine key factors having an impact upon the development of restaurants. Your thoroughness and kind cooperation in completing the round one questionnaire has helped the panel arrive at a comprehensive listing of key factors as attached.

The round two has only eight pages and I hope that completing it will not take an unfair amount of your time and it is easier than round one. The final round, round three, is dependent on your completing this second questionnaire. Please take a few moments, complete the enclosed form, and return it by December 00, 2001 by fax to (540) 231-8313.

Thank you again for your time and cooperation.

Sincerely,

Kunsoon Park
Graduate Student
Hospitality and Tourism Management
Virginia Tech

Enclosure

ROUND II

Rating of Key Site Selection Factors.

Below is a listing of factors that was identified from your contribution to the ROUND I survey.

Directions

1. Please indicate how influential you feel each factor [F] is to the site selection.

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

2. Please indicate the degree of confidence [C] in your response to each question.

Rating scales [C]

5 = Extremely confident	4 = Very confident	3 = Moderately confident
2 = Somewhat confident	1 = Marginally confident	

Please fill in the number for the rating scales for each factor. (i.e., types of location [5] & [4] means the factor is extremely influential and you are very confident)

I. General Location

		F	C
1	Concentration of target households		
2	Eating and drinking sales		
3	Focal point of area		
4	Retail sales		
5	Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)		
6	Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)		
7	Types of location (e.g., highways, campus, mall and so on)		

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

Rating scales [C]

5 = Extremely confident	4 = Very confident	3 = Moderately confident
2 = Somewhat confident	1 = Marginally confident	

II. Position of Site

		F	C
1	Accessibility		
2	Accessibility of utility and public services		
3	Convenience		
4	Parking		
5	Proximity to industrial, residential, recreational, sports, educational, and business centers		
6	Signage		
7	Size of site		
8	Type and condition of street (e.g., curbs, gutters, pavements, and so on)		
9	Visibility		
10	Zoning		

III. Demographics

		F	C
1	Age		
2	Daytime population		
3	Ethnicity		
4	Evening population		
5	Food preferences		
6	Future growth and development		
7	Income		
8	Life style and value		
9	Occupation		
10	Residential population		
11	Sex		
12	Work population		

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

Rating scales [C]

5 = Extremely confident	4 = Very confident	3 = Moderately confident
2 = Somewhat confident	1 = Marginally confident	

IV. Traffic Information

		F	C
1	Anticipated changes in the flow of traffic		
2	Direction of traffic flow (i.e., going home side versus going to work side)		
3	Frequency pattern of traffic flow		
4	Future traffic patterns		
5	Number of lanes		
6	Speed limits		
7	Traffic counts		
8	Traffic lights		
9	Traffic patterns		
10	Types of transportation		

V. Competition

		F	C
1	Actual and potential competition		
2	Direct and indirect competition		
3	Location of competitors		
4	Proximity to other restaurants		
5	Quality of competition		
6	Quantity of competition		
7	Sales volumes of competitors		

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

Rating scales [C]

5 = Extremely confident	4 = Very confident	3 = Moderately confident
2 = Somewhat confident	1 = Marginally confident	

VI. Cost Consideration

		F	C
1	Cost of construction		
2	Cost of development (i.e., purchasing vs. leasing)		
3	Cost of improvement (i.e., renovations and modifications)		
4	Cost of land		
5	Equipment cost		
6	Internal Rate of Return (IRR)		
7	Labor cost		
8	Property Taxes		
9	Return on Investment (ROI)		
10	Utility cost		

Other Comments: _____

COMPANY NAME: _____

PARTICIPANT'S NAME: _____

YEARS IN THIS POSITION: _____

Please go back and make sure that you have answered each question.
 Each of your responses is very important.

THANK YOU VERY MUCH FOR YOUR TIME AND SUPPORT!

FOLLOW UP LETTER

TO: ((First Name)) ((Last Name))
((Company))

FAX: (000) 000-0000

FROM: Kunsoon Park
Department of Hospitality and Tourism Management
Virginia Polytechnic Institute & State University

FAX: (540) 231-8313

DATE: December 00, 2001

Number of pages including cover: 6 pages

SUBJECT: Survey Questionnaire

About a week ago, you were sent a survey, which requested your response to site selection factors. I am writing to request that you please fill out the questionnaire and return it to me by fax to (540) 231-8313 as early as possible (but no later than December 00). It is extremely important that you participate in this study for it to be truly representative of the U.S. franchise restaurant industry.

Thank you for your cooperation.

Sincerely,

Kunsoon Park
Graduate Student
Hospitality and Tourism Management
Virginia Tech

Enclosure

APPENDIX C
ROUND III QUESTIONNAIRE

FAX COVER

TO: ((First Name)) ((Last Name))
((Company))

FAX: (000) 000-0000

FROM: Kunsoon Park
Department of Hospitality and Tourism Management
Virginia Polytechnic Institute & State University

FAX: (540) 231-8313

DATE: December 00, 2001

Number of pages including cover: 6 pages

SUBJECT: Survey Questionnaire

COVER LETTER

December 00, 2001

((First Name)) ((Last Name))
((Position)) ((Company))
((Address))
((City)) ((State)) ((Zip Code))

Dear: ((First Name)) ((Last Name))

Thank you very much for kind return of round two of my Delphi survey. The questionnaire for round three, final round was prepared based on the result of round two. The Delphi process will be completed with this third round and you will find directions for this round on the enclosed questionnaire. Please return it by December 00, 2001 by fax to (540) 231-8313.

Round three will ask you to reach an agreement on whether or not to select each variable as a key factor having an impact upon the site selection of restaurants. At the completion of this study key variables selected as being “very influential,” “moderately influential,” and “average influential” will be incorporated into the analysis of site selection factors.

Using this opportunity, I would like to express my deep appreciation for your participation in my study in spite of your busy schedule. I am sure this study could not be accomplished without your valuable time and cooperation. A copy of the final listing of key factors selected by the panel will be sent to you.

Thank you again for everything you have done for the success of this study.

Sincerely,

Kunsoo Park
Graduate Student
Hospitality and Tourism Management
Virginia Tech

Enclosure

ROUND III

Reexamination of Key Site Selection Factors

The following list is a duplication of Round two. Round three gives the participants an opportunity to reach an agreement on the influential of factors to the site selection. This round also gives you a chance to reconsider your initial responses in comparison with the average ratings made by the other participants.

Directions

1. Review each factor and note the average ratings by all participants.
2. Compare your response with average ratings of each factor.
3. INDICATE YOUR DECISION TO CHANGE YOUR RESPONSE BY FILLING IN A NEW RATING UNDER CHANGE TO OR KEEP YOUR RATING AS IT IS BY MARK (X) IN UNDER NO CHANGE

Example

		Y	Avg.	Change to	No Change
1	Concentration of target households	1	4.5	4	

```

*****
*      Y = Your response from Round II      *
*      Avg. = Average responses from all participants from Round II      *
*      CHANGE TO = Fill in a new rating if you decide to change your answer *
*      NO CHANGE = Mark X if you decide to keep your response as it is    *
*****

```

This means that after you analyze the group answer, you decide to change your answer from 1 (marginally influential) to 4 (very influential). However, if you decide not to change your answer, you just mark (x) under “NO CHANGE” without filling any number under “CHANGE TO.”

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

I. General Location

		Y	Avg.	Change to	No Change
1	Concentration of target households				
2	Eating and drinking sales				
3	Focal point of area				
4	Retail sales				
5	Sales generators (i.e., retail, employment, market efficiency, average sales, and so on)				
6	Traffic generators (i.e., industrial, residential, recreational, sports, education, and business centers)				
7	Types of location (e.g., highways, campus, mall and so on)				

II. Position of Site

		Y	Avg.	Change to	No Change
1	Accessibility				
2	Accessibility of utility and public services				
3	Convenience				
4	Parking				
5	Proximity to industrial, residential, recreational, sports, educational, and business centers				
6	Signage				
7	Size of site				
8	Type and condition of street (e.g., curbs, gutters, pavements, and so on)				
9	Visibility				
10	Zoning				

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

III. Demographics

		Y	Avg.	Change to	No Change
1	Age				
2	Daytime population				
3	Ethnicity				
4	Evening population				
5	Food preferences				
6	Future growth and development				
7	Income				
8	Life style and value				
9	Occupation				
10	Residential population				
11	Sex				
12	Work population				

IV. Traffic Information

		Y	Avg.	Change to	No Change
1	Anticipated changes in the flow of traffic				
2	Direction of traffic flow (i.e., going home side versus going to work side)				
3	Frequency pattern of traffic flow				
4	Future traffic patterns				
5	Number of lanes				
6	Speed limits				
7	Traffic counts				
8	Traffic lights				
9	Traffic patterns				
10	Types of transportation				

Rating scales [F]

5 = Extremely influential	4 = Very influential	3 = Moderately influential
2 = Somewhat influential	1 = Marginally influential	

V. Competition

		Y	Avg.	Change to	No Change
1	Actual and potential competition				
2	Direct and indirect competition				
3	Location of competitors				
4	Proximity to other restaurants				
5	Quality of competition				
6	Quantity of competition				
7	Sales volumes of competitors				

VI. Cost Consideration

		Y	Avg.	Change to	No Change
1	Cost of construction				
2	Cost of development (i.e., purchasing vs. leasing)				
3	Cost of improvement (i.e., renovations and modifications)				
4	Cost of land				
5	Equipment cost				
6	Internal Rate of Return (IRR)				
7	Labor cost				
8	Property Taxes				
9	Return on Investment (ROI)				
10	Utility cost				

COMPANY NAME: _____

PARTICIPANT'S NAME: _____

Please go back and make sure that you have answered each question.
Each of your responses is very important.

THANK YOU VERY MUCH FOR YOUR TIME AND SUPPORT!

FOLLOW UP LETTER

TO: ((First Name)) ((Last Name))
((Company))

FAX: (000) 000-0000

FROM: Kunsoon Park
Department of Hospitality and Tourism Management
Virginia Polytechnic Institute & State University

FAX: (540) 231-8313

DATE: December 00, 2001

Number of pages including cover: 5 pages

SUBJECT: Survey Questionnaire

About a week ago, you were sent a survey, which requested your response to site selection factors. I am writing to request that you please fill out the questionnaire and return it to me by fax to (540) 231-8313 as early as possible (but no later than December 00). It is extremely important that you participate in this study for it to be truly representative of the U.S. franchise restaurant industry.

Thank you for your cooperation.

Sincerely,

Kunsoon Park
Graduate Student
Hospitality and Tourism Management
Virginia Tech

Enclosure

VITA

KUNSOON PARK

Department of Hospitality and Tourism Management
Virginia Polytechnic Institute and State University
362 Wallace Hall
Blacksburg, VA 24061-0429

EDUCATION:

January 2002
M.S. in Hospitality and Tourism Management
Virginia Polytechnic Institute and State University, Blacksburg, VA

December 1995
Master of Business Administration
University of Nebraska at Omaha, Omaha, NE

December 1995
Bachelor of Science in Business Administration
University of Nebraska at Omaha, Omaha, NE

February 1989
Bachelor of Science in Law
Chung-Ang University, Seoul, Korea

WORK EXPERIENCE:

June 2000 – present
Donaldson Brown Hotel and Conference Center, Blacksburg, VA
Banquet Captain: Responsible for training new dining room and banquet employees, supervising and working with employees on banquet events.

June 1999 – June 2000
Donaldson Brown Hotel and Conference Center, Blacksburg, VA
Banquet Server

September 1996 – January 1999
Shin Han Customs Brokerage Corporation, Seoul Korea
General Affair Assistant Manager: Responsible for implementing clerical work in daily basis.

ACADEMIC EXPERIENCE:

August 2000 – December 2000
Graduate Assistant, Virginia Tech
HTM 5984 Advanced Seminar in Strategic Management in the Hospitality Industry

January 2001 – May 2001
Graduate Assistant, Virginia Tech
HTM 2984 Franchising in Hospitality Management
HTM 5424 International

May 2001 – June 2001
Graduate Assistant, Virginia Tech
HTM 2984 Franchising in Hospitality Management

August 2001 – December 2001
Graduate Assistant
HTM 2984 Franchising in Hospitality Management
HTM 5514 Contemporary Problems in the Hospitality Industry

HONORS

2001 – present
Phi Upsilon Omicron, National Honor Society

ASSOCIATIONS:

2000 – present
National Restaurant Association
American Hotel and Lodging Association
Council for Hotel, Restaurant and Institutional Education
Travel and Tourism Research Association