

**AN EXPLORATORY STUDY OF FRANCHISEE TURNOVER AND ITS  
RELATIONSHIP WITH FRANCHISEE SATISFACTION**

by

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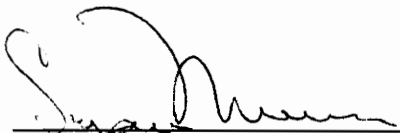
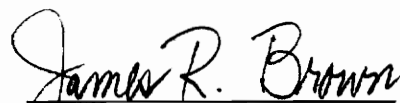
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(ABSTRACT)

The purpose of this study is to investigate franchisee turnover practice and empirically test the relationship between franchisee satisfaction and turnover behavior.

A total of 402 franchisees of a quick service franchise system were surveyed by using two sets of structured questionnaires. Sixty-seven current and 24 terminated franchisee participated in the study, yielding a response rate of 29.8%. Based on the objective and research questions, two hypotheses were established and tested.

The testing of the hypotheses indicated a significant difference between the satisfaction of terminated and current franchisees on service support, social interaction, and general satisfaction. Also, there is a relationship between franchisee's satisfaction and his or her future intention. Through factor analysis two critical factors were identified closely related to the satisfaction and future intention of current and terminated franchisees.

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# **CHAPTER ONE**

## **INTRODUCTION**

## **BACKGROUND**

It is hard to deny the fact that franchising contributed a great deal to the growth of U. S. economy after World War II. The Future of Franchising (1985), a study commissioned by the International Franchise Association and conducted by the Nasbitt Group forecasted that franchise sales will account for half of all retail sales in the United State by the year 2000. In 1990, sales of goods and services by all types of restaurant franchising companies was estimated to have reached over \$64 billion. The International Franchise Association Franchising in the Economy 1989-1991 study projected that franchising growth rate is expected to slow down due to market saturation, especially for the large multi-unit chains. The franchising concept of running a business has reached maturity stage as sales volume and number of outlet experience a slow down in growth. Nevertheless, with a good track record of growth, franchising today is viewed as an expansion and investment tool by both franchisors and franchisees. Both entities have gained knowledge and experience; and have become more sophisticated especially in their negotiation skills and power.

In recent years, quick service franchise companies have faced enormous pressure, externally and internally because of the intense competition. In reaction to these pressures, several operational changes were made which have an impact on external suppliers, customers, competitors, as well as the franchisees within the franchise systems. At the same time, they have strengthened their competitive position by segmentation and expansion through mergers, acquisitions, selling more franchise agreements, as well as finding untraditional distributive locations. The cost of staying competitive, however, is high. To the franchisors, renovation, upgrading, and even

cancellations of obsolete units or markets are strategically inevitable. Often franchisees are required to follow the system and swallow the cost. When these operational changes take place, the relationship between franchisor and franchisee undergoes changes and challenges.

During the past few years, many restaurant franchisor-franchisee disputes have been reported. Legally, the franchisor and franchisee relationship is defined upon commencement of the franchise contract. Legal problems occur when dispute cannot be solved. Legal problems confronting franchising fall into three major categories: the disclosure problem, the tying problem, and the termination problem (Diamond, 1969). The Trade Regulation Rule of Federal Trade Commission and state franchise laws on registration and disclosure seek to remedy the "disclosure problems," and the "tying problems" would fall under the rulings of antitrust law. Though "termination problems" have been the focus of franchise relationship regulation addressed by each state, Selden (1990) suggested that many need clearer and more up-to-date provisions to reflect today's changing franchise operating environment. However, problems exist prior to any legal dispute.

## **PROBLEM STATEMENT**

Today, in spite of increased awareness of potential pitfalls in franchising, it is not unusual to see frictions occur among franchisors and franchisees, especially during difficult times. At the end of the 1980s, many prominent franchise organizations have unavoidably encountered these problems. These franchise organizations include

Kentucky Fried Chicken, Popeyes, TCBY, Shoney's Bar-B-Q, Burger King, Bonanza, Pizza Hut, Little Caesar, and Arby's.<sup>1</sup> As the competitive business environment forces franchisors to strengthen their operations, renovations and further investments are often inevitable to the franchisees. Slackening sales and poorly operated units face cancellation or termination. When franchise contracts expire, franchisees are often forced to make a decision between more capital investment and non-renewal of the contract. The root of these problems may deal with control and autonomy and mere contract disagreement, but years of relationship may be destroyed through the franchise termination or non-renewal process. Many ended up in courts resulting in suits and counter-suits.

In 1988, of the 63,040 franchised restaurant units, 1,373 restaurant franchise agreements were up for renewal, 1,185 or 86.3% were approved by mutual agreement; of the 188 not renewed, 77 were proposed by the franchisees, 39 by the franchisors, and 72 by mutual agreement. In addition, 630 contracts were terminated by the franchisors and 797 contracts terminated by the franchisees prior to the term date (Franchising in the Economy 1988-1990). The report provided reasons for only 630 cases in which franchisor terminated the contract: 324 cases were due to financial default, and 100 cases were due to quality control violation. The remaining 206 had listed "other" as the reason (Table 1). Still, there were 797 cases of termination by the franchisee which were left unexplained. The non-renewed and terminated franchise agreements together accounted for 1,615 cases of ceased franchisor-franchisee relationships.

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<sup>1</sup> For a thorough review, see "Franchising suddenly a tug-of-war," in *Nation's Restaurant News*, January 14, 1991.

**Table 1. 1988 Franchise Renewals**

	Eligible for Renewal	Renewed	Not renewed by franchisor	Not renewed by franchisee	Not renewed by mutual agreement
Franchise Renewals	1373	1185	39	77	72

**1988 Franchise Terminations**

	Terminations		Reasons for Termination by Franchisor		
	by Franchisor	by Franchisee	non-payment financial default	Quality Control Violations	Other
Terminations	630	797	324	100	206

Source: Franchising in the Economy 1988-1990

The end of franchisor and franchisee relationships have several implications at both the individual and organizational level. The magnitude of potential threats of these 1,615 ceased contract agreements can be detrimental to the remaining franchise operation as well as franchisor and franchisee relationships. It is possible for franchisor to revive an average franchise system by getting rid of the poorly performed franchisee-owned units. On the other hand, these cases could be warning signs signaling problems within the system. The consequences, however, are yet to be explored. This study will take an exploratory stance in pursuing a better understanding of this subject.

## **THEORETICAL UNDERPINNINGS**

The theoretical underpinning takes the following three perspectives in examining the franchisor-franchisee relationship:

### **Human Resource Perspective**

Turnover has received enormous amount of attention by the behavioral, social, and management researchers as well as personnel practitioners. The consequences of turnover in an organization have implications at both the individual level and the organizational level (Baysinger and Mobley, 1983; Mobley, 1982). Researchers from different disciplines take different perspectives of the turnover phenomenon. Empirical studies in the past have focused on how to predict individual turnover. However, in recent years more attention have been given to the development of a conceptual model

of individual voluntary turnover (Baysinger and Mobley, 1983). A prominent variable of these models is an “affective response to the present job.” Many studies support the relationship between “affective reactions to the job” and turnover (Parasuraman, 1982; Mobley, Griffeth, Hand, and Meglino, 1979; Price, 1977; Porter and Steer, 1973). Researchers have studied this “affective response to the job” mostly in the context of satisfaction (Mobley et al., 1979; Price, 1977). Specifically, these empirical studies indicated a negative relationship between satisfaction and turnover.

### **Consumer Marketing Perspective**

Since franchisor and franchisee relationship involves a great amount of monetary commitment and dedication from both sides, one could almost identify franchisee and franchisor as buyer and seller, or consumer and marketer. It is also reasonable to study the relationship from a consumer marketing perspective. Consumers after purchasing a certain product/service will experience some level of satisfaction or dissatisfaction (Kotler, 1988). This may lead to different after purchase behaviors. Day and Landon (1977) proposed a wide range of post dissatisfaction alternatives (Figure 1). The marketer's job does not end when the product is bought but continues into the post purchase period. This is especially true for business format franchising. In the franchise setting, the franchisee is the consumer and the franchisor is the marketer. The franchisor puts together a business package and markets toward potential buyers, who eventually may become his franchisees. A satisfied franchisee is more likely to feel good about the relationship. A good relationship will likely lead to a more efficient system thereby securing both parties' goals (Frazier, 1983). On the contrary, a dissatisfied franchisee may choose to withdraw or take legal actions against the franchisor and the system.

Satisfaction, therefore, becomes a key determinant of the relationship between the franchisor and the franchisees.

### **Channel of Distribution Perspective**

The franchisor and franchisee relationship relate to the continuing relationship after the commencement of the contract . It is considered vital and critical facet of any franchised business (Justice and Judd, 1989; Vaughn, 1974). Based on the product life cycle, Justice and Judd (1989) identified four phases of the franchising relationship: Introduction, Growth, Maturity, and Decline/Development. Each stage undergoes expectational and performance changes in the overall relationship. Both franchisor and franchisee can benefit and improve the relationship by understanding expectations and performances of both parties.

In marketing channel studies, satisfaction is considered a fundamental construct in the channel relationship (Robicheaux and El-Ansary, 1975). Frazier (1983) stated that when the actual exchange of products, services, and information begins, the role performance of the franchisor and the franchisee will determine the actual and perceived outcome. The franchisor's performance of the role elements perceived by its franchisees will have an important influence on the attainment of their goals. Based on Frazier's statement, the more role elements performed by the franchisor that had reached or exceeded the expectation level of the franchisees, the more satisfied the franchisee is likely to be. A better relationship, as a result of franchisee satisfaction, may help both the franchisor and the franchisee in achieving better performance. However, crises may occur in the presence of unmatched expectations and actual performance. Mayo,

Robicheaux, and Ferrell (1990) suggest that franchisee commitment is positively related to overall satisfaction with the franchise relationship and future expansion plan; and inversely related to contract disagreements and intentions to terminate the relationship.

To date, there has been no published study which investigates franchisee turnover. Little effort has been made to examine the relationship between franchisee satisfaction and turnover. This study aims to explore this subject as well as examine this relationship in the context of quick service franchises.

## **PURPOSE AND OBJECTIVES**

Franchisee turnover is defined as termination prior to contract term date or non-renewal in this study. It was considered significant because it represents the final stage of a franchisor-franchisee relationship. Often it may lead to a dysfunctional franchise operation, but in most cases it may be the result of a dysfunctional relationship. Several research studies focused on the initial stage of franchisor-franchisee relationship, and did not include the final stages of the relationship. An investigation of the relationship between satisfaction and turnover behavior provides directions for managers and researchers to identify operational problems, strengths and weaknesses. It may be beneficial in further understanding franchisee's behaviors in the franchise system. This may further lead to a better understanding and development of solid foundation and policies within a franchise system.

Conceptual and empirical researches in the past have demonstrated that turnover in the organization, be it managers or blue-collar workers, is a complex process. Any attempt to explain turnover by one single variable provides a limited and even skewed vision of the process. The purpose of this study is to investigate current practice of franchisee turnover, and the relationship between franchisee satisfaction and turnover behavior. The results which focus on the proposed relationship, do not attempt to generalize the whole process of turnover. It does, however, contribute to the body of knowledge in organizational turnover and the franchisor-franchisee relationship.

The objectives of this study can be described as follows:

1. To investigate turnover (termination or non-renewal) practice, and identify various turnover reasons in the quick service sector of the food service industry.
2. To identify the relationship between franchisee's satisfaction and turnover behavior.

## **OVERVIEW OF RESEARCH DESIGN**

### **Variables**

The dependent variable in this study is franchisee turnover. The actual turnover may occur under two different circumstances:

1. Franchise contract terminated, either by the franchisor or the franchisee, prior to term date.
2. Franchise contract expired and not renewed, either by the franchisor or the franchisee, at the end of the term date.

The term "terminated franchisee" will be used throughout the study instead of turnover franchisee, due to sample limitation (only terminated franchisees' names and addresses were obtained). Turnover behavior is operationalized by gathering information on franchisee's future intention of his or her participation in the franchise business.

The independent variable in this study is franchisee's satisfaction toward the franchise system. Franchisee's satisfaction level towards their franchisee system is operationalized by using a multi-dimensional satisfaction measurements adopted from Mayo et al. (1990), Schul, Little, and Pride (1985), Knight (1984), and Ruekert and Churchill (1984).

## **Sample**

Two sets of survey questionnaires were sent to current franchisees and terminated franchisees. The mailing lists of these franchisees were selected from the Uniform Franchise Offering Circular (UFOC) offered by a selected quick service franchise restaurant company. This franchise company was selected since it is a well established quick service franchise with more than 5,000 units. Unfortunately, this list contains only terminated and current franchisees and did not list franchisees that did not renew the franchise agreements. As a result, the sample includes all the terminated franchisees (201) and a matching number of randomly selected current franchisees within this franchise system.

## **CONTRIBUTIONS OF THE STUDY**

By accomplishing the two abovementioned objectives, this study provides:

1. a definition and an investigation of franchisee turnover,
2. a further understanding of franchisee turnover behavior,
3. the examination of a hypothesized relationship between franchisee satisfaction and turnover behavior, and
4. a contribution to the body of knowledge and literature in the hospitality franchising area.

## **SUMMARY**

This chapter presented an overview of the proposed research. As the franchise venture reaches a mature stage, the relationship between franchisor and franchisee undergoes changes as well. Lack of research efforts in many areas of franchising especially in the area of termination is described. It is implied that a good relationship between the franchisor and franchisee supports a franchise system and its performance. The theoretical underpinnings focuses on the human resource, consumer marketing, and channel of distribution perspectives in explaining the franchisor and franchisee relationship.

The objective of the study is to examine the relationship between the franchisor and franchisees as well as the influence it has on the turnover behaviors. The franchisor-

franchisee relationship is studied in the context of franchisee's satisfaction toward the franchise system at a multidimensional level. Eventually, this study will contribute to the body of knowledge and literature in the area of hospitality franchising.

**CHAPTER TWO**  
**LITERATURE REVIEW**

## THE NATURE OF FRANCHISING

### Overview of Franchising

Franchising is probably the most popular business format in the United States since World War II. The franchise method of distribution not only provides rapid growth for the franchisors, but also for the franchisees. While one-third of all independent restaurants can be expected to close within their first two years of operation, only four percent of franchise restaurants close down each year and 90 percent show a profit at the end of the first ten years (Feltenstein, 1988). These figures almost guarantee success for the franchisees. Today franchisee owned units account for approximately 70% of all units, accounting to more than 66% of the total sales (Franchising in the economy, 1988-1990). Franchising not only has become the most popular method of business expansion, it has become a major force in the U. S. economy.

According to Justice and Judd (1989) franchising is a business opportunity by which the owner (producer or distributor) of a service or trademarked product grants exclusive rights to an individual for the local distribution and/or sale of the service or product, and in return receives a payment or royalty and conformance to quality standards. There are two major types of franchising: product-and-trade-name franchising and business-format franchising. Product-and-trade-name franchising accounted for nearly 72.5% of total franchising sales (Franchising in the Economy, 1988-1990). Auto and truck dealers, gasoline service stations, and soft drink bottlers are categorized under this type of franchising, among which auto and truck dealers accounted for 53% of total franchising sales. Yet these types of franchises possess only a

few of the characteristics of a full-fledged, business-format franchisor and franchisee program (Stern & El-Ansary, 1988).

Business-format franchising is one in which one firm (the franchisor) licenses a number of outlets (franchisees) to market a product or service and engage in a business developed by the franchisor using trade names, trademarks, service marks, know-how, and methods of doing business of the franchisor (Stern & El-Ansary, 1988). Business-format franchising has been responsible for the rapid and tremendous growth in franchising since the 1950s. Restaurants, hotels/motels, convenient stores, printing, retailing, and real estate all fall into the business format category of franchising. Business format franchising is characterized as having intense interaction between the franchisor and the franchisees. It is these businesses that people would typify when mentioning the word "franchising."

### **Franchise Regulation**

In 1970, due to the growing franchise frauds throughout the 1960s, California initiated the nation's first franchise law -- The California Franchise Investment Law -- which aimed to regulate franchise offer and sales. The initiative was later followed by 14 other states. These states include:

Hawaii  
Oregon  
Maryland  
Virginia  
New York

North Dakota  
Indiana  
South Dakota  
Minnesota  
Wisconsin

Illinois  
Rhode Island  
Michigan  
Washington

In 1979, the United States Federal Trade Commission (FTC) joined the 15 states by promulgating the Trade Regulation Rule on Franchising, which is referred to as the "Rule." The FTC Rule requires that every franchisor offering franchises in the United States should have a disclosure statement ready to offer the prospective franchisee at the appropriate time. The Uniform Franchise Offering Circular (UFOC) is developed as a multi-state document under the jurisdiction of the North American Securities Administrators Association. It encumbers 23 separate areas of disclosure information that a franchisor must make available to its perspective franchisees. In addition to the requirement of UFOC, many states also require registration of the UFOC.

According to Diamond (1969), legal problems confronting franchising normally fall into three major categories:

- 1) the disclosure problem: misrepresentation by franchisors to potential franchisees about the operation of the franchise,
- 2) the tying problem: restrictions by franchisors on the source of supplies of services purchased by their franchisees, and
- 3) the termination problem: termination provisions in the franchise agreement.

The FTC Rule and state franchise law on registration and disclosure seek to remedy the "disclosure problems." The "tying problem" would fall under the rulings of antitrust law. An infamous example of its kind is the 1971 Chicken Delight case, in which Chicken Delight required its franchisees to purchase products from the franchisor, at a relatively higher price than that of other available alternate sources. Although the "termination problem" has been the focus of franchise relationship regulation by each state, Selden (1990) suggested that many need clearer and more up-to-date provisions to reflect today's changing franchise operating environment.

## **Franchise Relationship Regulation**

The franchise contract agreement defines the relationship of the franchisor and his franchisees. Ideally a franchise agreement should consider the interests of both the franchisor and the franchisee. However, franchising contracts are generally prepared by the franchisor. It is not surprising if these contracts put the franchisor in a more dominant position economically and legally. This poses potential friction between the franchisor and his franchisees. Justice and Judd (1989) suggested that the major business problems associated with a franchised business is not business failure but termination of the franchising agreement by the franchisor. Problems arise due to franchisor's right to terminate the contract agreement without any due cause, and the short-term nature of the agreement, in which the right to renew is controlled solely by the franchisor (Justice and Judd, 1989).

A typical term of franchise contract can range from five to twenty years. It may be terminated upon a franchisor's written notice. Franchise agreement is subject to termination if the franchisee defaults in the performance of any of its obligations under the franchise agreement (Tannenbaum, 1990). According to Justice and Judd (1989), these may include the following events:

1. failure of the franchisor or franchisee to follow contract terms (some failure must be followed by written notice from the franchisor or franchisee and an opportunity to remedy the failure),
2. failure of the franchisor or franchisee to develop the franchise system or the franchise business location, or to open for business,
3. material misrepresentation of franchisee's application,
4. non-delivery of specified items or nonpayment of fees or costs, i.e. abandonment, termination or expiration of site lease, or insolvency (subject to restrictions on termination under the federal bankruptcy laws),

5. franchisee under-reports royalty sales of the store,
6. unauthorized transfers,
7. relevant criminal convictions,
8. death or disability,
9. the franchisor's decision to withdraw from franchisee's market area, and/or
10. noncompliance with the operation manual or standards of franchise procedure.

The federal government has given states the right to legislate franchise business. In addition to requiring registration and pre-sell disclosure for franchise offerings, many states have established regulations covering the franchise agreement and the conduct of the relationship between franchisor and franchisee. Much of the content of these regulations focus on the ending of the franchise relationship. Much of what these regulations cover is no longer of a concern in most sectors of franchising, and they fail to cover many of the areas that are of even more importance to franchisees today. For instance, Selden (1990) noted that the need for "termination with good cause" is no longer clear, because arbitrary or abusive terminations of business format franchises are virtually nonexistent today. According to Selden (1990), roughly half of the states have laws and regulations governing the franchise relationship in one form or another. Some states provide comprehensive codes of regulations which may outline requirements for notice to be given to the franchisee, opportunities to correct default(s), and standards requiring repurchase of terminated franchise by the franchisor. The majority states, however, simply prohibit termination of franchise without "good cause."

In addition to the renewal and termination clause stated in the contract agreement, buy-back agreement is another important issue. When negotiating contract renewals, frictions would surface when franchisor poses tighter and stricter terms on the

franchisees (Rudnick, 1991). In most of the cases, franchisor has the sole right to renew the franchisee agreement. Often franchisees are eligible for renewal if they commit to refurbishing or remodeling the restaurant. In practice, franchisors' reasons for buying back franchises were to resell poorly operated franchises and to eliminate weak franchisees (Knight, 1986). In the case of master franchising, there are two major reasons for master franchisor termination: failure to pay royalty fees and lack of unit development (Justice and Judd, 1986). Franchisees may be forced to terminate or sell their franchise agreement and end the relationship with the franchise system due to soft sales and competition.

## **FRANCHISOR AND FRANCHISEE RELATIONSHIP**

The nature of the relationship follows a simple but important economic rule. In the early development of economic activities, each single person or household cannot produce or allocate all the goods needed for living, therefore they exchange with each other. As a result of the exchange, needs were gratified and fulfilled. This is also true in the relationship between the franchisor and its franchisees. The structure of franchisor and franchisee relationship is based on the inter-dependence of both entities. The franchisor produces products, administration skills, and know-hows, in exchange for the capital and human resources provided by the franchisees for growth and expansion. The franchisee exchanges his capital investment and dedication to the business operation in return for a better chance of success and a membership of a pool of resources and supports he could not have had in an otherwise individual business. When the

franchisor and franchisee decide to initiate an exchange relationship, each possesses certain strengths and weaknesses and each specializes in certain functions. They will agree to perform certain tasks and hold certain responsibilities to facilitate exchange of products, services, and information. "This specialization results in a significant amount of operational interdependence among channel members" (Stern & El-Ansary, 1988).

Specifically, franchisor and franchisee relationship defines the *continuing relationship* between the two after the commencement of contract . It is considered the most important and critical facet of the franchised business (Justice and Judd, 1989; Vaughn, 1974). Vaughn (1974) provided four most important ways of maintaining good relationship:

- 1) motivate franchisees to performance at a high level in terms of internal operations and of marketing
- 2) facilitate the adoption of new ideas
- 3) obtain new ideas from franchisees, and
- 4) avoid legal problems pertaining to the antitrust trademark and trade name requirements.

Based on the product life cycle, Justice and Judd (1989) identified four phases of franchise relationship: Introduction, Growth, Maturity, and Decline/Development. Activities which define and distinguish each phase are described below:

- **Introduction phase**: Both sides express trust, mutual interdependence, and a shared desire for success and profitability. Franchisee starts with extreme optimism, often blind faith, and expectation of great success. Franchisor puts forth its best face, with a very positive and friendly approach to the franchisee, at the same time measuring

the qualifications of the franchisee and eventually selling the franchise. Rapport, understanding, and confidence between the franchisor's organization and the franchisee develop at this phase.

- Growth phase: The actual relationship develop in this phase when franchisee begins training program and has grand opening of the franchise . Assistance and the support system help to solidify the relationship. Field representatives, news letters, franchisee clubs help to maintain the relationship. If support system and training programs fail or there is a break down of communication, the relationship is threatened.

- Maturity phase: If the relationship reaches this stage, the franchisor and franchisee know what to expect from each other. Mutual friendship and understanding have developed. The relationship revolves around the communication and interaction between the two. The franchisees rely on the franchisor to provide useful support services. The franchisor can expect good sales volumes and standard product and services from the franchisee. The hazard of this stage exists when franchisee devalues the franchisor's contribution. While the franchisor continues to sell new franchises to prospective franchisees, old franchisee may feel or actually be ignored.

- Decline/Development phase: Often, if business declines, the franchisee may seek termination of the contract. Alternatively, the franchisee may develop stronger relationship with the franchisor to continue to grow and prosper. It is critical for the franchisor to maintain a strong business entity providing continuing services for all franchisees. More effort is needed to restore a positive relationship with the franchisees.

These four phases of franchisor and franchisee relationship illustrate how franchisor and mostly franchisees seek to match both sides' competence and

contribution with their respective expectations. Crises are prone to develop when expectations are not matched. Lack of communication may further exacerbate the situation.

As the food service industry itself experiences the maturity stage of the life cycle, especially in the quick service sector, restaurant franchising is experiencing transformation as well. Traditionally, single-unit, "moms and pops" ownership were the backbone of the restaurant industry, but more franchisors are now looking for experienced buyers who have the know-how and capital potential to survive in the competitive and saturated market (Coppes, 1990). Franchisors need to have solid ability and performance to accommodate these experienced franchisees.

The effect of the transformation shifts both the roles of franchisor and franchisee. The alignment of the perceived role from both sides become a critical process toward satisfying relationship. Frazier (1983) stated that when the actual exchanges of products, services, and information begin, the role performance of the franchisor and franchisee will determine the outcomes, both actual and perceived, achieved by the relationship. The franchisor's performance of the role elements perceived by its franchisees will have an important influence on the attainment of their goals. Based on Frazier's statement, the more role elements performed by the franchisor that had reached or exceeded the expectation level of the franchisees, the more satisfied the franchisee is likely to be. As a result, a better performance is more likely to be achieved by both.

## TURNOVER

Few subjects have received as much attention as turnover by personnel directors as well as behavioral, social, and management researchers (Cotton and Tuttle, 1986; Baysinger and Mobley, 1983; Mobley et al., 1979). Muchinsky and Morrow (1980) estimated that there are more than 1,500 publications on the general topic of turnover since the turn of the century. Perhaps the reason why turnover received so much attention is the monetary and intrinsic costs associated with the process. It is understood that organizations prefer minimized turnover because lower turnover leads to higher levels of organizational performance (Mowday, Steer, and Porter, 1979). However, Staw (1980) suggested that it would be simplistic to view turnover only from a negative perspective. When turnover is optimal, the movement of organization members may as well help the organizations become healthy and efficient (Mobley, 1982).

Researchers from different disciplines take different perspectives to approach the turnover phenomenon (Baysinger and Mobley, 1983; Dalton and Todor, 1979; Price, 1977). According to Baysinger and Mobley (1983), there are two levels of analysis in the study of turnover: the individual decision-making level, and the aggregate organizational level. At the individual level of analysis, researchers focus on the psychological and behavioral aspect of affective and cognitive process of quit/stay decision. Empirical approach at this level has moved from predicting individual turnover to conceptual modeling of the process of individual voluntary turnover (Baysinger and Mobley, 1983). At the macro, aggregate level of turnover analysis, economists and human resource researchers study the relationship between turnover

rates and aggregate economic activity, employment levels, and vacancy levels (Mobley et al., 1979). Perhaps Baysinger and Mobley's (1983) descriptions best depict the role of these two levels of analysis:

“...The formulation and interpretation of aggregate-level analysis cannot proceed independent of conceptual and empirical developments at the individual level. Moreover, incremental improvements in the practical value of individual analysis of the turnover process may benefit from the guidance of an organizational perspective.”

### **Definition of Turnover**

Price (1977) defined turnover as “the degree of individual movement across the membership boundary of a social system.” This is a generic description of turnover which includes voluntary and involuntary turnover, and it covers both cessations and accessions of organization members. There are problems associated with Price's conceptual definition. It does not specify the direction and initiator of the movement. Price (1977) pointed out voluntary turnover is individual movement across the membership boundary of a social system which is initiated by the individual; and involuntary turnover is turnover not initiated by the individual. Mobley (1982), however, defined turnover more specifically as “the cessation of membership in an organization by an individual who received monetary compensation from the organization.” In his definition, Mobley depicted that the relationship between an individual and an organization is based upon some monetary exchange. The contexts of most turnover research works have focused on the voluntary cessation movement of individual in the organization. This is more in line with Mobley's studies. Mobley's definition, however, specifies the monetary exchange between the individual and the

organization. This sets the limit of turnover phenomenon which in reality is a process universal to all organizations.

One problem associated with many studies on turnover is its unclear definition. Bluedorn (1978) has provided a taxonomy of turnover as a solution to clarify this definition problem. The taxonomy is based on the cross-classification of two dimensions: 1) direction of movement across the organization's membership boundary - in or out, and 2) whether this movement is initiated by the member or not. Accordingly, four types of turnover situations are identified: voluntary separations, voluntary accessions, involuntary separations, and involuntary accessions (Bluedorn, 1978). This taxonomy provides conceptual distinctions of different turnover situations facilitate research pertaining to turnover studies and encourage more turnover studies particularly in the neglected areas, such as involuntary separations.

Empirical studies in the past have focused on how to predict individual turnover. In recent years more attention is given to the development of conceptual model of individual voluntary turnover (Baysinger and Mobley, 1983). A prominent variable of these models is an "affective response to the present job." A large number of studies support the relationship between affective reactions to the job and turnover (Parasuraman, 1982; Mobley et al., 1979; Price, 1977; Porter and Steer, 1973). Researchers have studied this affective response to the job mostly in the context of satisfaction (Mobley et al., 1979; Price, 1977). Specifically, these empirical studies indicated a negative relationship between satisfaction and turnover.

## **SATISFACTION**

### **Human Resource Perspective - Job Satisfaction**

The idea of linking the concept of employee satisfaction with franchisee satisfaction is not new. Walker (1971) has demonstrated possible directions for later researchers. However, caution is needed in transferring the construct of employee satisfaction to franchisee satisfaction. The legitimate relationship between franchisor and franchisee depends on the contract agreement and in most of the cases the agreement involves many years of relationship. The magnitude of time, money and commitment involved in a franchise relationship is far beyond that of an employment agreement. Since the relationship of franchisor and franchisee is established on the franchise contract, despite the fact that franchisor has certain power to control the franchisees, the interactions between the two are more horizontally developed, as opposed to vertical development.

Job satisfaction is a construct widely discussed and researched. Vroom (1969) defined it as "...affective orientations on the part of individuals towards work roles which they are presently occupying. Positive attitudes toward the job are conceptually equivalent to job satisfaction and negative attitudes toward the job are equivalent to job dissatisfaction." Job attitudes and morale are concepts which correspond closely to job satisfaction. Price (1977) defined satisfaction as

"the degree to which the members of a social system have a positive affective orientation toward membership in the system. Members who have a positive affective orientation and a negative affective orientation are respectively satisfied and dissatisfied."

Although satisfaction is often referred to as a single variable, researchers have treated it as a complex set of variables. In Churchill, Ford, and Walker's (1976) study, job satisfaction is defined as the subject's "affective feelings or attitudes toward his job, his organization, and his work environment." Organizational climate is suggested to constitute of a considerable portion of satisfaction. Parasuraman (1982) stated that job satisfaction refers to the primary affective reactions of individuals to various facets of the job and to job experiences. Job satisfaction reflecting the evaluation of both the job and the organization is widely recognized influential both to withdrawal cognition and turnover behavior. In his book "Work and Motivation," Vroom (1969) has discussed the relationship of job satisfaction to many job behaviors, including turnover, absences, accidents, and job performance.

Churchill et al.(1976) studied the relationship between organizational climate and job satisfaction of 479 industrial salesmen. They defined organizational climate as "[subject's] perceptions of the objective characteristics of his organization and the nature of his relationships with other people while doing his job." Over 40% of the variation in total job satisfaction among salesmen are explained by seven climate variables examined. They pointed out that satisfaction increases as salesmen are given greater support and direction. Also when the salesman perceives that he is an active participant in determining the company policies and standards, he tends to be more satisfied and cooperative with the policies and the administration. They also found that when the salesman is uncertain about his role and which partners expect from him or how they will evaluate his performance, he is likely to suffer some anxiety and dissatisfaction.

## **Consumer Marketing Perspective - Consumer Satisfaction**

Because franchisor and franchisee relationship involves complex exchange of monetary and operational dedication, one could identify franchisee and franchisor as buyer and seller, consumer and marketer. It is reasonable to study this relationship from a consumer marketing perspective. Consumer after purchasing a certain product/service will experience some level of satisfaction or dissatisfaction. They are likely to engage in post purchase actions and product uses which are interest to the marketer. In the consumer behavior literature, the consumer is assumed to enter the purchase situation with more or less well-defined expectations of product performance. As the purchase takes place, the exchange of money for product/service occurs, a post purchase evaluation of the purchased item ensues. The outcome of the evaluation process is a judgment by the consumer that product/service performance was 1) exactly as expected, 2) noticeably better than expected, or 3) noticeably worse than expected (Day and Landon, 1977). More specifically, buyer's satisfaction can be understood as a function of the closeness between the buyer's product expectations (E) and the product's perceived performance (P), therefore, satisfaction  $S=f(E,P)$  (La Barbera and Mazursky, 1983). If the product matches expectations, the consumer is satisfied; if it exceeds, the consumer is highly satisfied; if it fails to match or exceed, the consumer is dissatisfied.

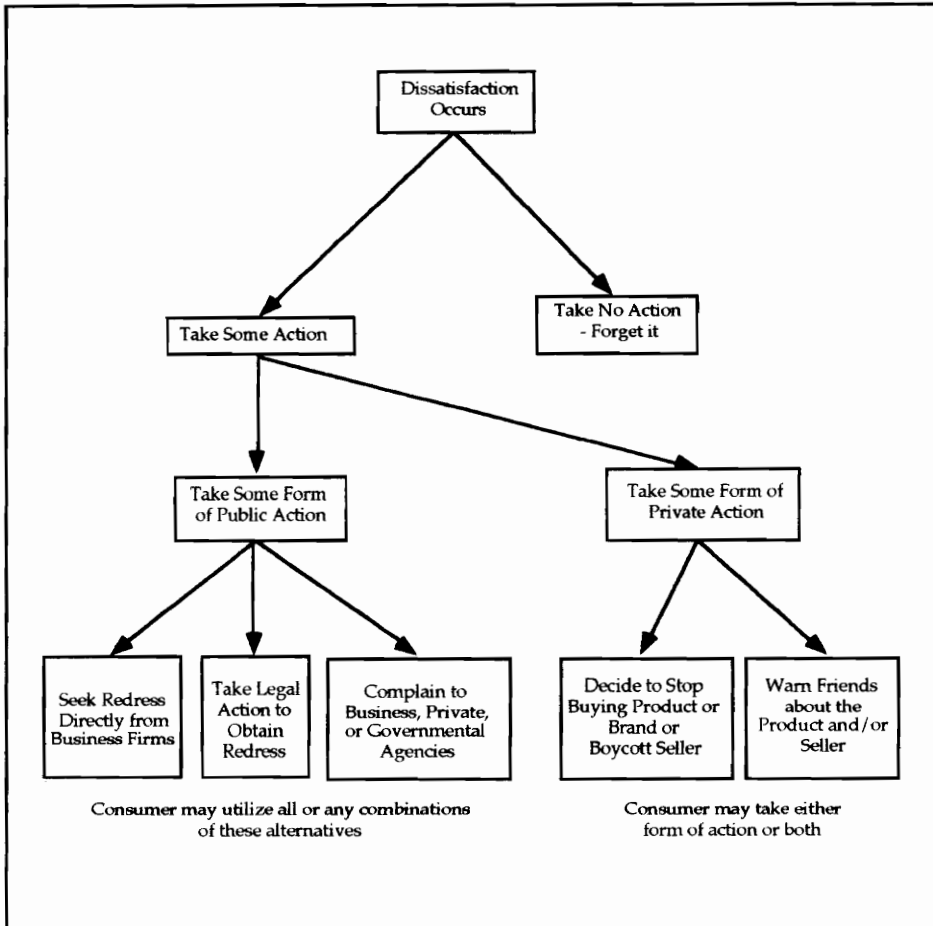
Satisfaction becomes the key determinant of post-purchase actions. A dissatisfied consumer may exhibit a variety of ways to handle the dissatisfaction in order to reduce the dissonance caused by unmet expectations. Day and Landon (1977) suggested that according to the nature of the product and its importance to the consumer, there are a full range of post-dissatisfaction alternatives the consumer can choose from (Figure 1).

In the franchise setting, the consumer is the franchisee and the marketer is the franchisor. The franchisee's satisfaction or dissatisfaction with the franchise package, including the franchise agreement, franchisor's services and supports, intrinsic and extrinsic reward, may all influence subsequent behavior after the purchase of the franchise package. If the franchisee is satisfied, then he or she will exhibit a higher probability of aggressiveness to the franchise system. He or she may continue to expand, fully dedicated in the franchise operation, and consider in buying more franchises.

### **Channel of Distribution Perspective - Channel Member Satisfaction**

Satisfaction has been a fundamental construct in understanding channel relationships (Robicheaux and El-Ansary, 1975-1976). From the marketing channel of distribution stance, Ruekert and Churchill (1984) described channel member satisfaction as a construct which "comprises the domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal organization finds rewarding, profitable, instrumental, and satisfying or frustrating, problematic, inhibiting, or unsatisfactory." Hunt and Nevin (1974) suggested that a higher level of franchisee satisfaction would result in:

- 1) higher morale,
- 2) cooperation between franchisor and franchisee,
- 3) less chance of volunteer termination of contract by the franchisee,
- 4) less chance of individual suits against franchisors by the franchisee,
- 5) less chance of class action by the franchisee, and
- 6) less chance of seeking protective legislation by the franchisees.



Source: Day and Landan (1977)

**Figure 1. Overview of the Consumer's Post-Dissatisfaction Alternatives**

Channel member satisfaction has been studied mostly in the context of power and control. Hunt & Nevin (1974) stated that higher level of franchisee satisfaction is obtained by using non-coercive sources of power rather than using coercive sources of power. They examined the relationship of satisfaction with cooperation, power sources, and control in the channel. Robicheaux and El-Ansary (1975-1976) proposed that channel performance is the result of the effectiveness of channel control and the satisfaction or dissatisfaction of channel members with the channel relationship.

Dwyer (1980) suggested that channel member satisfaction partly is determined from the perceived self control and partner cooperation over decision areas. It is suggested that "firms attempting to control the decision variables of other firms in the channel, by exercising power, should do so in a manner that positively influences channel members' satisfaction with various aspects of the channel arrangement. Schul et al. (1985) suggested failure to do so could result in reduced internal efficiency in conducting channel operations.

Mayo et al. (1990) have studied franchisee satisfaction with the contractual agreement. However, in this study satisfaction towards the operational aspects which is covered in the overall satisfaction with the relationship, were over-generalized and were not specific.

## FRANCHISEE SATISFACTION AND FRANCHISEE TURNOVER

Turnover behavior can be considered as an indicator for an organization's health in its relationship with its members. Channel members' satisfaction gives in-depth understanding of what is right and wrong about different aspects of organizational functions. An investigation of the relationship between satisfaction and turnover behavior will provide directions for managers and researchers to identify organization's problems, strengths, and weaknesses. Job satisfaction has served as a benchmark variable in the study of turnover. Individuals who leave an organization are commonly conceived as dissatisfied with the organization or with some of its aspects. However, not all individuals who leave are dissatisfied, and not all dissatisfied members leave the organization. Empirical researches in the past have established a consistent correlation between job dissatisfaction and turnover (Mobley et al., 1979). In terms of overall job satisfaction, however, Mobley et al. (1979) explained the amount of variance accounted for is consistently less than 14%. They criticized this correlation as "conceptually simplistic and empirically deficient bases for understanding the employee turnover process."

In the distribution channel studies, Hunt and Nevin (1974) implied that a higher level of franchisee satisfaction would result in fewer chances of voluntary contract termination by the franchisee. The results of Mayo et al. (1990) study suggested that franchisee commitment is positively related to overall satisfaction with the franchise relationship and future expansion plans; and inversely related to contract disagreements and intentions to terminate the relationship. This study focused on the satisfaction of

contractual arrangement. It does not, however, cover other aspects of the total franchise operation, such as operation and communication and franchisor-franchisee relationship.

To date, there has been no other published research investigating the relationship between franchisee satisfaction and turnover (termination and non-renewal) behavior. This study will take the initiative in investigating franchisee turnover in the quick service industry, as well as examining the relationship between franchisee satisfaction and turnover behavior.

## SUMMARY

The chapter gives an overview of franchising and regulations pertaining to franchising. A four phase franchisor and franchisee relationship is presented to stress the importance of a dimension which is different from the traditional contractual relationship. Through the construct of satisfaction, three perspectives were adopted to examine the franchisor-franchisee relationship. Finally, it is indicated that even though a great amount of research has been done on the relationship between employee's satisfaction and turnover behavior, there is a lack of research efforts in examining the relationship between franchisee's satisfaction and his or her turnover behavior.

## **CHAPTER THREE**

### **METHODOLOGY**

## RESEARCH QUESTIONS

In the previous chapters, problems were identified and studied regarding the franchisor and franchisee relationship. The following research questions address objectives that are planned to be accomplished by this study:

1. What are the reasons for franchisor and franchisee to end their contractual relationship?
2. Do terminated franchisees feel less satisfied with their franchise system than current franchisees?
3. Is there a relationship between franchisee's satisfaction and his/her future intention?

## OPERATIONAL DEFINITIONS AND MEASUREMENT

### **Dependent Variable -- Franchisee Turnover**

The dependent variable for this study is franchisee turnover. To date, there has been no published study which investigates franchisee turnover. For the purpose of this study, franchisee turnover is defined to have occurred when the contractual relationship between the franchisor and franchisee ceases to continue. The actual turnover may take place under two different situations:

1. Franchise contract terminated, either by the franchisor or the franchisee, prior to term date.
2. Franchise contract expired and not renewed, either by the franchisor or the franchisee, at the end of the term date.

These two situations cover both voluntary and involuntary turnovers. Termination or non-renewal of franchise contract initiated by the franchisee is considered as voluntary franchisee turnover; termination or non-renewal of franchise contract initiated by the franchisor is considered as involuntary turnover. However, due to the limitation of the sample, "terminated franchisee" will be used to represent both voluntarily and involuntarily turnover. Furthermore, as actual turnover behavior cannot be observed from the franchisees, franchisee's future intention of the franchise business will be used to assess the attitudes of the franchisees.

### **Independent Variable -- Franchisee Satisfaction**

The independent variable for this study is franchisee's satisfaction towards the franchise system. Many early studies on channel member satisfaction have used crude measurement to measure satisfaction. Hunt and Nevin (1974) operationally define satisfaction in terms of franchisee's willingness to continue the franchise relationship and treated it as a one-dimensional construct. Rosenberg and Stern (1971) and Wilkinson (1979) measured channel member satisfaction on single-item scale ranging from "very satisfied" to "very dissatisfied."

Lusch (1977) advanced from previous studies and argued that franchisee satisfaction is based on a domain of items over which the franchisee could be satisfied or dissatisfied with the franchisor. He assessed satisfaction across a domain of sixteen

franchisee business policies (Lusch, 1977). In fact, recent studies suggest that it is functional to focus on channel members' perceptions of full range of organizational and social variables when measuring channel-member satisfaction (Schul et al., 1985; Ruekert and Churchill, 1984; Lusch, 1977). Mutli-item measures are more preferable because they overcome at least three weaknesses that single-item measures possess: 1) individual item bear considerable specificity and uniqueness, 2) they permit only gross distinctions among objects, and 3) they are "notoriously" unreliable (Ruekert and Churchill, 1984).

Knight (1984 and 1986) measured satisfaction from a variety of franchise systems in Canada with eighteen items on initial and ongoing services. Ruekert and Churchill (1984) proposed that channel member satisfaction covers five dimensions:

1. Product: demand awareness, and quality of the manufacturers' products,
2. Financial: the attractiveness of the arrangement with respect to such matters as intermediary margins and return on investment,
3. Marketing/advertising: how well the manufacturer supports the intermediary with such aids as cooperative advertising programs and point-of-purchase displays,
4. Social interaction: how satisfactorily the interactions between intermediary and manufacturer have been handled, primarily through sales representative servicing the account, and
5. Other assistances: orders, delivery, shipping, and handling.

Schul et al. (1985) used five-point Likert scale and developed a four-dimensional franchisee satisfaction measurement for real estate brokerage service franchises. The areas covered by this measurement include:

1. Franchise administration: reflects how well satisfactorily interactions between franchisee and franchisor are handled, primarily through administrative personnel representing the franchisor;

2. Service support: assesses how well the franchisor supports the franchisee with such aids as promotional support, managerial and sales training assistance, and new service ideas;
3. Rewards: reflects the attractiveness of the franchise arrangement with respect to both extrinsic rewards and intrinsic rewards provided by the franchise organization to the franchisee; and
4. Franchise fee policies: describes the franchisee's feeling regarding the fairness of the franchise organization's approach to franchisee determination and procedures for collection of initial franchise and ongoing fees.

Mayo et al. (1990) inquired franchisee's contractual satisfaction on twenty contract issue coverages as well as franchisee's overall satisfaction on eight general items regarding the franchise system. They are:

1. Past earnings
2. Current earnings
3. Potential for growth
4. Franchisor advertising support
5. Franchisor operating assistance
6. New product development
7. Franchisor representatives, and
8. Day to day relationship

Based on prior studies and the nature of this study, franchisee satisfaction is operationalized by structuring a multi-dimensional measurement. Specifically, the satisfaction measurement used for this study covers the following five dimensions:

1. Contract arrangement: includes franchise fees, monthly royalties and advertising fees, and territorial restrictions.
2. Service supports: includes training, site selection, centralized purchase, advertising program, and on-going services.
3. Rewards: includes extrinsic and intrinsic rewards.

4. Social Interaction: includes autonomy in decision making, channels of communication, the franchise advisory committee, franchisor representative, and confidence in franchisor.
5. General Satisfaction: covers the overall satisfaction level towards the franchisor and franchise system.

## RESEARCH DESIGN

The purpose of this study is to examine the relationship between satisfaction and turnover of the quick service franchise operations through the investigation of franchisee turnover practice. The context for this research is the quick service franchise industry. This study seeks to find evidence of a relationship between franchisee satisfaction and turnover behaviors. Turnover franchisees are asked to rate their satisfaction on various aspects of their franchise system. It is reasonable to assume that turnover franchisees are less satisfied with the franchise system and thus choose or were forced to terminate or not renew the contract. However, this assumption requires further examination because it neglects the possibility that by enquiring these franchisees' satisfactions after the turnover incident, the satisfaction level may be skewed. Thus turnover franchisees may feel differently toward their franchise system after the incident. In this study two sample groups were selected, namely the turnover franchisees and current franchisees. Current franchisees were asked to provide level of their satisfaction toward the franchise system as well as future intention of the franchises pertaining to the contract arrangement. Turnover franchisees were asked, in addition to the satisfaction level toward their former franchise system and future intention, a series of questions

pertaining to the nature of the termination process. Figure 2 illustrates the development of research assumptions for this study.

### **Sample Selection**

Two groups of sample were selected for this research, the current franchisee and the turnover franchisee. In an attempt to obtain mailing lists of current and turnover franchisees, the researchers were able to procure the lists from the UFOC of a selected restaurant franchise organization. This restaurant franchise listed all of its terminated franchisees' and current franchisees' names and last known addresses in the United States. Another reason for using this franchise system is because it is well established and has more than 1,000 company-owned and nearly 4,000 franchised units nation wide. Its significant size increases the possibility of large number of termination cases. Unfortunately, there was no information pertaining to franchisees that have not renewed their contracts. As a result, for this study a total of 201 terminated franchisees of this quick-service franchise company was used, and a matching number (201) of current franchisees were also randomly selected from this franchise system.

STF : Turnover Franchisee's Satisfaction level  
with the Franchise System

SCF : Current Franchisee's Satisfaction level  
with the Franchise System

ILF : Franchisee's Intention to Leave  
the Franchise System

SF : Franchisee Satisfaction level  
with the Franchise System

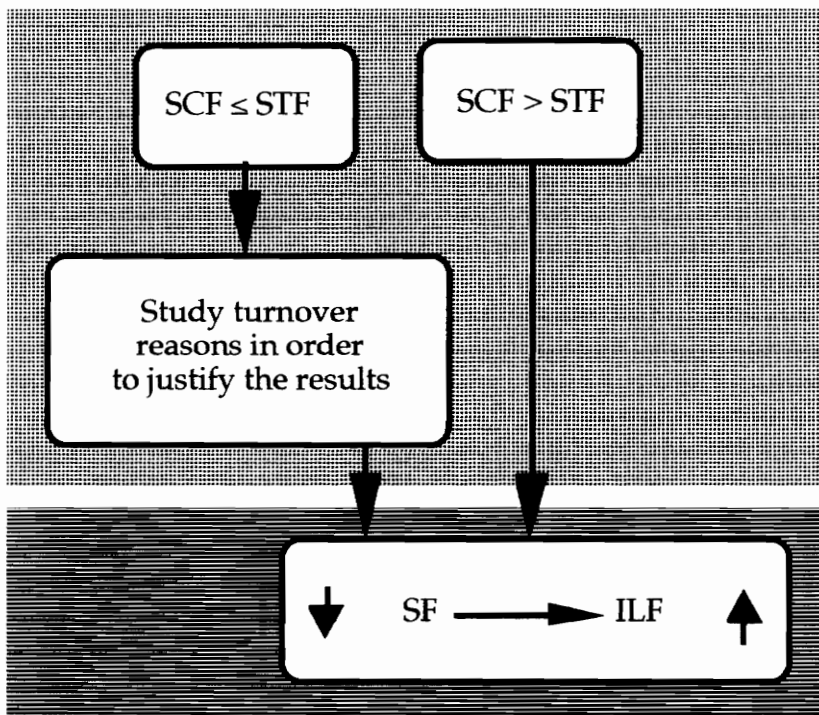


Figure 2. Development of Research Assumption

## **Data Collection Method**

Mail survey was used as the method of data collection in this study. Two different sets of questionnaires were mailed to terminated franchisees and current franchisees. Both questionnaires contain three sections: general information, satisfaction information, and demographic information of current and terminated franchisees. The questionnaire sent to the terminated franchisees consisted of fifteen questions and that sent to current franchisees had ten questions. The questionnaire was circulated among selected faculty and graduate students in the department of Hotel, Restaurant and Institutional Management at Virginia Tech to pre-test the questionnaires. Their input was used to refine the final questionnaire which was sent out to the franchisees. Each questionnaire was accompanied by a pre-paid postage envelope and a cover letter with departmental letterhead addressing the nature of the study and requesting the respondent to cooperate. They were sent via first class mail with hand-written address on a department envelope to increase the response rate. Respondents were also promised a copy of the findings report as incentive for responding.

## **SURVEY INSTRUMENT**

Two sets of questionnaires were developed targeted at terminated franchisees and current franchisees. Both questionnaires contained general , satisfaction, and demographic information. The purpose of each question included in the questionnaire is discussed below:

## Questionnaire A: For Terminated Franchisees

### Section I: General Information

This section aims to 1) identify the nature of termination process, 2) identify general status of terminated franchisees, and 3) obtain franchisees' future intention.

Q-1. What best describe the franchise operation you have/had with this franchise system?

- Area franchise developer                       Both  
 Individual franchisee                       Other (please specify \_\_\_\_\_)

This question asks whether the respondent is an area developer or a franchisee.

Q-2. Which of the following best describes the situation of your termination or non-renewal? (Please select one)

- Termination by me  
 Termination by the franchisor  
 Termination by mutual agreement  
 End of the contract agreement, not renewed by me  
 End of the contract agreement, not renewed by the franchisor  
 End of the contract agreement, not renewed by mutual agreement  
 Other (Please specify \_\_\_\_\_)

Q-3. How many units were involved in the contract termination or non-renewal? \_\_\_\_\_

Q-4. How many units do you have now? \_\_\_\_\_

Q-5. Which of the following best describes the reasons for the ending of the contractual relationship? (Select all that apply)

- Unable to meet the quality standards  
 Noncompliance with the operation manual  
 Non payment of fees or costs  
 Fail to pass or provide training program  
 Financial failure, bankrupt, insolvency  
 Franchisor's decision to withdraw from the market area  
 Death or disability  
 Fail to meet development quota of franchise business  
 Other (please specify \_\_\_\_\_)

Q-6. What happened to the unit(s) you owned after termination or non-renewal?(select all that apply)

- Permanently closed
- Sold to franchisee(s) under the same franchise system
- Reacquired by the franchisor
- Converted to another of your own concept
- Converted to another franchise concept
- Don't know
- Other (Please specify \_\_\_\_\_)

Q-7. After the termination or non-renewal, do you still have any franchise agreement(s) with this franchise system?

- YES                       NO

Q-8. How long have you been a franchisee with this franchise system ? \_\_\_\_\_ Years

Question 3, 4, 5, 6, 7, and 8 seek to obtain a picture of the nature of franchisee turnover in terms of the condition, number of units involved, reasons of turnover, and franchisee's profile.

Q-9. On a five-point scale, how would you rate your franchisor's handling your termination or non-renewal process?

- Fair      1      2      3      4      5      Unfair

Question 9 asks the respondent's attitude toward how the turnover was handled. It serves to be another indicator of franchisee satisfaction selected specifically to the turnover process.

Q-10. What is your plan for the next five years? (Select all that apply)

- Invest more on expansion with the same franchisor
- Invest in other franchise organizations
- Terminate or not renew more units with current franchisor
- Stay put, make no more investment and hang on to current operation
- Retire
- Other (please specify \_\_\_\_\_)

Question 10 asks the turnover franchisee's future intention regarding the franchise operation.

**Section II: Satisfaction Information**

Q-11. Please circle the appropriate response (on a five-point scale) to the following questions relating to the terminated or non-renew franchise system previously mentioned. Please try to refer your feelings prior to the termination or non-renewal incident.

1	2	3	4	5	N/A
STRONGLY DISAGREE (SD)	DISAGREE (D)	NEITHER AGREE NOR DISAGREE (NAD)	AGREE (A)	STRONGLY AGREE (SA)	NOT APPLICABLE (N/A)

CONTRACT ARRANGEMENTS SD D NAD A SA N/A

- 1 The overall franchise fee structure within this franchise arrangement was relatively fair compared with other restaurant franchise organizations..... SD D NAD A SA N/A
- 2 The initial franchise fees assessed by this franchise organization for obtaining a new franchise were too high in comparison to those charged by other franchise organizations..... SD D NAD A SA N/A
- 3 In my opinion, the monthly advertising fees charged by this franchise organization were reasonable in comparison to those fees charged by other franchise organizations ..... SD D NAD A SA N/A
- 4 I think the territorial restrictions set in the terminated or not renewed contract agreement was unreasonable..... SD D NAD A SA N/A
- 5 Overall, the contractual arrangement gave the franchisor a better position legally and economically..... SD D NAD A SA N/A

SERVICE SUPPORTS

- 1 This franchise system did not provide me with adequate management supports (inventory control, bookkeeping system, operating manuals)..... SD D NAD A SA N/A

- 2 The various training programs provided by the franchisor were satisfactory..... SD D NAD A SA N/A
- 3 This franchise organization has assumed a leadership role in the industry with regard to developing and delivering the most competitive products..... SD D NAD A SA N/A
- 4 This franchise system provided good site selection..... SD D NAD A SA N/A
- 5 The centralized purchasing arrangement of this franchise operation was unreasonable..... SD D NAD A SA N/A
- 6 The amount paid to the franchisor for the national advertising program was too much..... SD D NAD A SA N/A
- 7 The franchisor did not offer adequate on-going services after the opening period..... SD D NAD A SA N/A
- 8 When I needed advice, the franchisor was always available for me..... SD D NAD A SA N/A

#### REWARDS (Extrinsic and Intrinsic)

- 1 I was proud to be a member of this franchise organization ..... SD D NAD A SA N/A
- 2 The financial benefits I received from being a franchisee of this franchise organization were satisfying..... SD D NAD A SA N/A
- 3 The benefits I derived directly from being a franchisee in this franchise system were more than adequate to justify the costs of the franchise membership..... SD D NAD A SA N/A
- 4 Having been a franchisee of this franchise organization has helped me in achieving a better status in the industry SD D NAD A SA N/A

#### SOCIAL INTERACTION

- 1 I felt restricted by the franchisor in making my own decisions about my operations..... SD D NAD A SA N/A
- 2 My franchisor often ignored my suggestions and complaints..... SD D NAD A SA N/A
- 3 The franchisee advisory committee played an important role in mediating the franchisor and the franchisees..... SD D NAD A SA N/A
- 4 The franchisor representative communicated with me often ..... SD D NAD A SA N/A

- 5 I had confidence in the fairness and honesty of the management of this franchise organization ..... SD D NAD A SA N/A
- 6 The franchisor representative did a good job in helping my unit(s) develop potential sales ..... SD D NAD A SA N/A
- 7 This franchisor asked for my opinion and suggestions and tries to use them..... SD D NAD A SA N/A
- 8 The franchisor made every effort to make me feel that I was a valuable member of this franchise operation ..... SD D NAD A SA N/A

GENERAL

- 1 If I have the chance to do it all over again, I would still choose this franchise system over others..... SD D NAD A SA N/A
- 2 The overall relationship between the franchisor and me was very satisfying..... SD D NAD A SA N/A

These 27 statements allow the researcher to obtain multiple information pertaining to the attitude of terminated franchisee primarily for use as a measure of satisfaction level toward the franchisor and franchise system. Respondents were asked to rate the questions on a five-point scale with 1 representing strongly disagree and 5 as strongly agree with each statements. Some questions were designed to address negative attitude toward the franchisor and the franchise system. The calculated aggregate scores for these questions were transformed to positive terms toward the franchisor during the process of data analyses. All questions fell into five satisfaction categories referred in the previous section. Questions were scrambled and presented to the franchisees in no particular order in the final questionnaire.

**Section III: Demographic Information**

- Q-12. Your gender:                    \_\_\_ Female    \_\_\_ Male
- Q-13. What year were you born?    19 \_\_\_\_\_

Q-14. Please indicate the highest level of education that you have completed.

- Some high school       High school graduate       Some college  
 College graduate       Graduate School       Other

Q15. How many years of business experiences in general \_\_\_\_\_ years

How many years of experiences in franchising \_\_\_\_\_ years

Question 12, 13, 14, 15 seek demographic information such as gender, age, education level, and business and franchising experiences of the turnover franchisees.

## Questionnaire B: For Current Franchisees

### Section I: General Information

This section seeks to obtain information regarding the current franchisee's general franchise status and future intention of his franchise operation.

Q-1. What best describe the franchise operation you have with this franchise system?

(Please select one)

- Area franchise developer       Both  
 Individual franchisee       Other (please specify \_\_\_\_\_)

Q-2. How many operating units do you currently have under this franchise system? \_\_\_\_\_

Q-3. How long have you been a franchisee with this franchise system? \_\_\_\_\_ Years

Q-4. What is your plan for the next five years? (Select all that apply)

- Invest more on expansion with this franchisor  
 Invest in other franchise organizations  
 Terminate units with current franchisor  
 Not renew expired franchise contract with current franchisor  
 Stay put, make no more investment and hang on to current operation  
 Retire  
 Other (please specify \_\_\_\_\_)

## Section II: Satisfaction Information

The content, sequence, and intention of the questions in this section were the same as questions for the terminated franchisees, except instead of past tense for the turnover franchisee, present tense was used for the current franchisees. As with the terminated version, the 27 questions were scrambled and presented in no particular order.

## Section III: Demographic Information

Q-6 Your gender:     Female     Male

Q-7. What year were you born?    19 \_\_\_\_\_

Q-8. Please indicate the highest level of education that you have completed.

Some high school             High school graduate             Some college  
 College graduate             Graduate School             Other

Q-9. How many years of business experiences in general \_\_\_\_\_ years

How many years of experiences in franchising \_\_\_\_\_ years

Question 6, 7, 8, 9 were same questions as question 12, 13, 14, 15 for the terminated franchisees, which asked basic demographic information

## RESEARCH HYPOTHESES

The hypotheses tested in this study are listed as follows:

### Hypotheses I

H<sub>O</sub>: There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level.

H<sub>A</sub>: There <sup>is</sup> a significant difference between turnover franchisee's satisfaction level and current franchisee's satisfaction level.

### Hypotheses II

H<sub>O</sub>: There is no relationship between franchisee's satisfaction level and his intention to withdraw from the franchise system.

H<sub>A</sub>: There is a relationship between franchisee's satisfaction level and his intention to withdraw from the franchise system.

These two hypotheses were constructed to test whether terminated franchisees are generally less satisfied with the franchise system than current franchisees. Also, less satisfied franchisees are more likely to withdraw from the franchise system. The two hypotheses were tested at four different levels. First, both hypotheses were tested on each of the 27 satisfaction questions. Second, the hypotheses were tests on the means of each satisfaction category. Third, a total mean from the 27 satisfaction questions was calculated and tested. Finally, two major factors identified by factor analysis were tested under both hypotheses as well.

## **RESEARCH PROCEDURE**

This section explains the research procedure and the appropriated statistical analyses used in reporting of the results. All analyses were conducted by using the StatView® II software package for the Macintosh. (StatView II is a product of Abacus Concepts, Inc., 1984 Bonita Avenue, Berkeley, CA 94704)

### **Descriptive Analyses**

Descriptive statistics were prepared for all the questions included in the questionnaire. Much of the information obtained is presented in the format of contingency table by comparing results of current and terminated franchisees. Major aspects include the type of operation, number of units, years with the franchise system, future plan for the next five years, and all satisfaction questions. Questions on terminated units, termination situation, reasons for termination, units after termination, and fairness of termination process were only asked of the terminated franchisees, thus are not presented in the comparison format.

### **Factor Analysis**

Factor analysis was used to further examine the 27 satisfaction statements regarding the relationship between franchisor and franchisees. The main purpose of this

procedure is to identify whether the five proposed satisfaction categories exist for this particular sample group.

### **Hypotheses Testing**

As mentioned, the two proposed hypotheses were tested at four different levels. For hypotheses I, Chi-square test was used to test the association between the distribution of current and terminated franchisees at the individual level; T-test was used to identify the differences between the means at all levels for current and terminated franchisees. In addition to Chi-square test, one-way ANOVA test is used to test on hypotheses II.

### **SUMMARY**

This chapter presents research methodology and a conceptual overview of the research. The dependent variable, franchisee turnover behavior, is operationalized by asking franchisee's future intentions for the next five years. The independent variable, franchisee satisfaction, is operationalized by asking franchisee's opinions of the franchise system at a multi-dimensional level. The data collection method used was through mail survey. The sample includes 201 current franchisees and 201 terminated franchisees from one selected quick-service franchise system. The results of the descriptive analyses, factor analysis, and hypotheses testing of the data are presented in the next chapter.

## **CHAPTER FOUR**

### **RESULTS**

## RESPONSE RATE

The data for this study were collected through two sets of questionnaires that were sent to current and terminated franchisees of one quick-service franchise across the nation. A total of 402 questionnaires were sent out to current and terminated franchisees. All 201 of the terminated franchisees on the mailing list obtained from the UFOC were selected. A matching number of 201 current franchisees was randomly selected from the mailing list. The data were collected between December, 1991 and January, 1992. A total of 91 completed questionnaires, 67 (73.6%) from current franchisees and 24 (26.4%) from terminated franchisees were received. There were 17 and 80 questionnaires from current and terminated franchisee respectively that were undeliverable and returned. Allowing for the undelivered surveys, this yielded a response rate of 36.4% for the current franchisees and 19.8% for the terminated franchisees. The average response rate for all the surveys from both groups is 29.8%. Table 2 summarizes the number of responses obtained from the two groups. The relatively high response rate indicates the techniques applied to increase response rate, including hand-written address, first-class-stamped envelope, academic letter head, report for incentive were in fact effective.

**Table 2. Response Rate from Current and Terminated Franchisees**

	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
Total Number of surveys mailed	201	100.0	201	100.0
Non-delivered	17	8.5	80	39.8
Total number of surveys returned	69	34.3	27	13.4
Unusable	2	1.0	3	1.5
Total Response	67	33.3	24	11.9

## DEMOGRAPHICS OF RESPONDENTS

### Gender and Age of Respondents

As shown in Table 3, females represented only a small portion (4.2%) of terminated franchisees and 13.4% of current franchisees. The majority of both current and terminated franchisees fell in the 31-40 years (62.7% for current and 66.7% for terminated) category (Table 4). Surprisingly, no respondents were in the 51-60 years category, although one respondent was over 61 years old, which indicates that for this particular franchise, it may be a young men's business.  $\chi^2$  statistics indicate that both gender and age may be independent of franchisee's status (current and terminated).

### Education Level of Respondents

Table 5 shows that the education levels of current and terminated franchisees are relatively high, with 85.1% of current and 87.5% of terminated franchisees having at least attended or graduated from college. Again,  $\chi^2$  statistics indicate that education level appears to be independent of franchisee's status.

**Table 3. Number and Percentage of Respondents' Gender**

Gender	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
Male	58	86.6	23	95.8
Female	9	13.4	1	4.2
Total	67	100.0	24	100.0

$\chi^2$  statistics: DF=1,  $\chi^2= 1.551$ ,  $p=.213$

**Table 4. Number and Percentage of Respondents' Age**

Age	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
21 - 30	21	31.3	4	16.7
31 - 40	42	62.7	16	66.7
41 - 50	3	4.5	4	16.7
51 - 60	0	0	0	0
61 or more	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$X^2$  statistics: DF=3,  $X^2= 5.201$ ,  $p=.1577$

**Table 5. Number and Percentage of Respondents' Education Level**

Education Level	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
Some high school	1	1.5	0	0
High School Graduate	9	13.4	3	12.5
Some college	32	47.8	14	58.3
College Graduate	23	34.3	7	29.2
Graduate School	2	3.0	0	0
Total	67	100.0	24	100.0

$\chi^2$  statistics: DF=4,  $\chi^2 = 1.62$ ,  $p = .8052$

### **Years of Business and Franchising Experience of Respondents**

As can be seen from Table 6, the majority of the respondent, current and terminated franchisees fall into the 6-10 years category (41.8 % and 37.5%) and 11-15 years category (26.9% and 33.3%) for general business experience. The years of experience in franchising are less than the general business experience of the respondents. The majority of the respondents, current and terminated have no more than 10 years of franchising experience. Table 7 indicates that 59.7% of the current and 41.7% of the terminated franchisees have less than five years of experience. It also shows that 29.9% of the current and 37.5% of the terminated franchisees have 6-10 years of franchising experiences.  $\chi^2$  statistics indicate that both business and franchising experiences appear to be independent of franchisee's status.

**Table 6. Number and Percentage of Respondents' Years of Business Experience**

Business Experience	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
0 - 5	13	19.4	3	12.5
6 - 10	28	41.8	9	37.5
11 - 15	18	26.9	8	33.3
16 - 20	3	4.5	4	16.7
21 or more	5	7.4	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 6.022$ ,  $p=.1975$

**Table 7. Number and Percentage of Respondents' Years of Franchising Experience**

Franchising Experience	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
0 - 5	40	59.7	10	41.7
6 - 10	20	29.8	9	37.5
11 - 15	4	6.0	4	16.7
16 - 20	1	1.5	1	4.1
21 or more	1	1.5	0	0
No answer	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 4.567$ ,  $p=.3347$

## DESCRIPTIVE ANALYSES

This section will present responses to the questions asked both to the current and terminated franchisees. There are two major categories: general information and satisfaction information. Six additional questions pertaining to the termination process were included only in questionnaire sent to the terminated franchisees. Responses to these questions are presented in the last part of the general information section. Further, Chi-square ( $X^2$ ) test was used to test the differences among the distribution.

### General Information

#### 1. Types of Operation

As can be seen from Table 8, nearly 74% of the current franchisees are individual franchisees, followed by approximately 17% of area franchisees and about 10% that are both. Terminated franchisees are rather equally divided among these three categories. The percentage of terminated franchisees that are area franchisee is very significant, when compared to current franchisees. In fact, as  $X^2 = 11.38$  with degree of freedom at 2,  $p=.0034$ , indicates a significant difference between the distribution of current and terminated franchisees.

**Table 8. Number and Percentage of Types of Operation**

Type of Operation	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
Individual Franchisee	48	73.9	9	37.5
Area Franchisee	11	16.9	7	29.2
Both	6	9.2	8	33.3
Total	67	100.0	24	100.0

$\chi^2$  statistics: DF=2,  $\chi^2= 11.38$ ,  $p=.0034$

## **2. Number of Operating Units**

According to Table 9, nearly half of the current franchisees have only one operating unit, and the rest of the majority operates less than 5 units. The average for currently operating units of the current franchisees is 2.22 and 2.08 among terminated franchisees. T-test ( $t=.256$ ,  $p=.7984$ ) indicates no significant difference between the two means. Although the data shows that no franchisee owns more than 12 units, it does not imply this franchise system has no franchisees with more number of units. In fact, such franchisees were selected from the mailing list, but none had responded. This may imply that small franchisees are more likely to answer this mail survey or the majority of the franchisees of this particular franchise system are simply small franchisees.

## **3. Years With The Franchise System**

The length of franchise contract for this franchise system, as stated in the UFOC, is 10 years. Table 10 shows approximately 70% of the current franchisees have been with the franchise system for less than 5 years and only approximately 10% of the current franchisees have tenures with 10 or more years of relationship with the system. While nearly 21% of the terminated franchisees have been with the system for one year, a majority of the terminated franchisees have more than 5 years' of relationship with the system. Although this is reflected in the average years with the franchise system, average for current franchisee is 4.8 years and for terminated franchisee is 6.31 years, t-test indicates no significant difference.  $\chi^2$  statistics of the 2 x 3 contingency table (Table 11) shows the number of years franchisees have with the franchise system which is associated with franchisee's status.

**Table 9. Number and Percentage of Currently Operating Units**

Number of Current Units	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
0	0	0	12	50.0
1	32	47.7	2	8.3
2	18	26.9	4	16.7
3	5	7.5	1	4.2
4	5	7.5	1	4.2
5	4	5.9	0	0
6	1	1.5	2	8.3
7	0	0	0	0
8	1	1.5	0	0
9	0	0	0	0
10	0	0	1	4.2
11	0	0	1	4.2
12	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

**Table 10. Number and Percentage of Years With the Franchise System**

Years with the Franchise System	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1	7	10.4	5	20.9
2	15	22.4	2	8.3
3	11	16.4	1	4.2
4	4	6.0	1	4.2
5	10	14.9	1	4.2
6	7	10.4	2	8.3
7	3	4.5	3	12.5
8	2	3.0	2	8.3
9	0	0	2	8.3
10	2	3.0	2	8.3
11 - 15	3	4.5	3	12.5
16 - 20	1	1.5	0	0
> 20	1	1.5	0	0
Missing	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

**Table 11. 2 X 3 Contingency Table of Years With the Franchise System**

Years with the Franchise System	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
0 - 5	47	71.2	10	41.7
6 - 10	14	21.2	11	45.8
11 or more	5	7.6	3	12.5
<b>Total</b>	<b>66</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$X^2$  statistics: DF=2,  $X^2=6.747$ ,  $p=.0343$

#### **4. Future Plans For the Next Five Years**

More than half of the current franchisees plan to invest more within the same franchise system (Table 12), while approximately 1/5 of the terminated franchisees showed an interest in investing more with the same franchise system. Nearly 30% of the terminated franchisees plan to invest in non-franchise businesses. It is also note worthy that 20.8% of the terminated franchisees and 28.4% of the current franchisees neither do not plan any further investment nor withdraw from the current status, but prefer to just stay put. This may be affected by the unpromising economic condition during the period this survey was sent. For this table,  $\chi^2=17.479$  and  $p=.0077$  which suggests a significant difference between current and terminated franchisees' plans for the next five years.

#### **5. Terminated Units**

The average for terminated unit found in this study is 2.75 units. However, as shown in Table 13, there are 62.5% of the termination that resulted in one or two units being terminated. There were only one terminated franchisee who had 10 units.

**Table 12 Number and Percentage of Future Plan for the Next Five Years**

Future Plan for the Next Five Years	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
Invest more in this franchise system	38	56.7	5	20.8
Invest more in other franchise system	3	4.5	3	12.5
Invest more in other non-franchise business	8	11.9	7	29.2
Stay put	19	28.4	5	20.8
Terminate or not renew units with this franchise system	6	9.0	1	4.2
Retire	1	1.5	0	0
Other (educational pursue, work as an accountant, find another career, work with franchise consultant firm...)	5	7.5	7	29.2
<b>Total</b>	<b>80</b>	<b>119.5</b>	<b>28</b>	<b>116.7</b>

$\chi^2$  statistics: DF=6,  $\chi^2=17.479$ ,  $p=.0077$

**Table 13. Number and Percentage of Terminated Units by Terminated Franchisees**

Number of Terminated Units	Number of Responses	Percentage %
1	10	41.7
2	5	20.8
3	2	8.3
4	3	12.5
5	1	4.2
6	1	4.2
7	1	4.2
8	0	0
9	0	0
10	1	4.2
<b>Total</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

## **6. Termination Situation**

This question seeks a response as to whether the franchisor or the franchisee initiated the termination. As Table 14 indicates, 50% of the termination cases in this study were initiated by the franchisees. None was initiated by the franchisor. There were 33.3% of the cases where franchisor and franchisee mutually agreed to terminate the franchise agreements.

## **7. Reasons for Termination**

Table 15 presents reasons for the termination. Approximately 21% of the terminated franchisees terminated the contracts because of financial difficulties. However, other reasons provided on the questionnaire were not very helpful in soliciting responses from terminated franchisees. More than 70% of the respondents (terminated franchisees) answered "other" and provided their own reasons for termination. Half (50%) of the respondents terminated the agreement because they decided to sell the unit(s). Among them, most did not provide further reasons, but some indicated selling for profit, further purchase of larger area agreements, or to take on other opportunities.

## **8. Units after termination**

Nearly 80% of the termination resulted in the sale of units to other franchisees under the same franchise system. None of the units were converted into other concepts. Table 16 shows the status of other units that were terminated.

**Table 14. Number and Percentage of Termination Situation by Terminated Franchisees**

Termination Situation	Numbers of Responses	Percentage %
Termination by franchisee	12	50.0
Termination by franchisor	0	0
Termination by mutual	8	33.3
Other	4	16.7
Total	24	100.0

**Table 15. Number and Percentage of Termination Reasons by Terminated Franchisee**

	Number of Responses	Percentage %
Unable to meet quality standards	0	0
Noncompliance with the operation manual	0	0
Non-payment of fees or costs	0	0
Fail to pass or provide training program	0	0
Financial failure, bankruptcy, or insolvency	5	20.8
Franchisor's decision to withdraw from the market area	1	4.2
Death or disability	0	0
Fail to meet development quota or franchise business	0	0
Other	<b>17</b>	<b>70.8</b>
Sale of Units	12	50.0
Other (not satisfied with franchisor's decision, pursue other interests, dislike new area)	5	20.8
No answer	1	4.2
<b>Total</b>	<b>24</b>	<b>100.0</b>

**Table 16. Number and Percentage of Terminated Units After Termination**

Units After Termination	Number of Responses	Percentage %
Permanently closed	3	12.5
Sold to franchisee(s) under the same franchise system	19	79.1
Re-acquired by the franchisor	1	4.2
No answer	1	4.2
Total	24	100.0

## **9. Fairness of Termination Process**

On this question, terminated franchisees were asked to rate, on a scale from 1 to 5 (1 being fair and 5 being unfair), the degree of fairness with which the termination processes were handle. Table 17 shows that half (50%) of the respondents (terminated franchisees) felt the franchisor handled it rather fairly. The mean for the fairness on the 1 to 5 scale is 2.09.

**Table 17. Number and Percentage of Fairness of Termination Process**

Fairness of Termination Process	Number of Responses	Percentage %
1 (Fair)	12	50.0
2	3	12.5
3	4	16.7
4	2	8.3
5 (Unfair)	2	8.3
No answer	1	4.2
<b>Total</b>	<b>24</b>	<b>100.0</b>

## **Satisfaction Information**

In the satisfaction information section, 27 questions were asked both to the current and terminated franchisees concerning perception about contractual arrangement, service support, rewards, social interaction, and general satisfaction toward this particular franchise system. These 27 questions were scrambled when presented to the franchisees on the survey. Table 18 through 44 present the distribution of frequency and  $\chi^2$  statistics of each question answered by current and terminated franchisees in the sequence presented on the survey.

**Table 18. Number and Percentage of Satisfaction Information -Q1**

Q1- General satisfaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The overall relationship between me and the franchisor is very satisfying				
1 - Strongly Disagree	2	3.0	2	8.3
2 - Disagree	12	17.9	4	16.7
3 - Neither Agree Nor Disagree	15	22.4	6	25.0
4 - Agree	32	47.8	11	45.8
5 - Strongly Agree	6	9.0	1	4.2
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2= 1.758$ ,  $p=.7801$

**Table 19. Number and Percentage of Satisfaction Information -Q2**

Q2 - Contractual arrangement	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
In my opinion, the advertising fees charged by this franchise organization were reasonable in comparison with those fees charged by other franchise organizations				
1 - Strongly Disagree	0	0	1	4.2
2 - Disagree	4	6.0	0	0
3 - Neither Agree Nor Disagree	12	17.9	1	4.2
4 - Agree	39	58.2	16	66.7
5 - Strongly Agree	12	17.9	6	25.0
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2= 7.219$ ,  $p=.1248$

**Table 20. Number and Percentage of Satisfaction Information -Q3**

Q3 - Contractual arrangement	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
I think the territorial restrictions set in the contract agreement were unreasonable				
1 - Strongly Disagree	17	25.4	6	25.0
2 - Disagree	34	50.7	11	45.9
3 - Neither Agree Nor Disagree	9	13.4	3	12.5
4 - Agree	5	7.5	2	8.3
5 - Strongly Agree	2	3.0	2	8.3
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 1.266$ ,  $p=.8671$

**Table 21. Number and Percentage of Satisfaction Information -Q4**

Q4 - Contractual arrangement	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
Overall, the contractual arrangement gave the franchisor a better position legally and economically				
1 - Strongly Disagree	2	3.0	0	0
2 - Disagree	6	9.0	0	0
3 - Neither Agree Nor Disagree	15	22.4	11	45.8
4 - Agree	28	41.8	5	20.8
5 - Strongly Agree	16	23.9	8	33.4
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2= 9.004$ ,  $p=.061$

**Table 22. Number and Percentage of Satisfaction Information -Q5**

Q5 - Service support  The various training programs provided by the franchisor were satisfactory	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	1	1.5	1	4.2
2 - Disagree	14	20.9	6	25.0
3 - Neither Agree Nor Disagree	12	17.9	4	16.7
4 - Agree	31	46.3	11	45.8
5 - Strongly Agree	9	13.4	2	8.3
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2 = 1.107$ ,  $p = .8932$

**Table 23. Number and Percentage of Satisfaction Information -Q6**

Q6 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
This franchise organization has assumed a positive role in the industry with regard to developing and delivering the most competitive products				
1 - Strongly Disagree	3	4.5	4	16.7
2 - Disagree	10	14.9	5	20.8
3 - Neither Agree Nor Disagree	7	10.4	1	4.2
4 - Agree	30	44.8	12	50.0
5 - Strongly Agree	17	25.4	2	8.3
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2 = 7.142$ ,  $p = .1286$

**Table 24. Number and Percentage of Satisfaction Information -Q7**

Q7 - Reward  The financial benefits I received from being a franchisee of this franchise organization were satisfactory	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	3	4.5	4	16.7
2 - Disagree	9	13.4	3	12.5
3 - Neither Agree Nor Disagree	17	25.4	3	12.5
4 - Agree	31	46.3	12	50.0
5 - Strongly Agree	6	9.0	2	8.3
N/A or No answer	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2= 5.175$ ,  $p=.3949$

**Table 25. Number and Percentage of Satisfaction Information -Q8**

Q8 - Social interaction  The franchisee advisory committee played an important role in mediating the franchisor and the franchisees	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	3	4.5	0	0
2 - Disagree	14	20.9	7	29.2
3 - Neither Agree Nor Disagree	24	35.8	7	29.2
4 - Agree	21	31.3	7	29.2
5 - Strongly Agree	5	7.5	2	8.3
N/A or No answer	0	0	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2= 4.664$ ,  $p=.4582$

**Table 26. Number and Percentage of Satisfaction Information -Q9**

Q9 - Reward Having been a franchisee of this franchise organization has helped me in achieving a better status in the industry	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	0	0	2	8.3
2 - Disagree	3	4.5	0	0
3 - Neither Agree Nor Disagree	9	13.4	8	33.3
4 - Agree	42	62.7	10	41.7
5 - Strongly Agree	13	19.4	3	12.5
N/A or No answer	0	0	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=5,  $\chi^2= 15.041$ ,  $p=.0102$

**Table 27. Number and Percentage of Satisfaction Information -Q10**

Q10 - Contractual arrangement	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The initial franchise fees assessed by this franchise organization for obtaining a new franchise are too high in comparison to those charged by other franchise organizations				
1 - Strongly Disagree	43	64.2	16	66.7
2 - Disagree	15	22.4	5	20.8
3 - Neither Agree Nor Disagree	8	11.9	1	4.2
4 - Agree	0	0	1	4.2
5 - Strongly Agree	0	0	1	4.2
N/A or No answer	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2=7.058$ ,  $p=.2164$

**Table 28. Number and Percentage of Satisfaction Information -Q11**

Q11 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	6	9.0	0	0
2 - Disagree	22	32.8	7	29.2
3 - Neither Agree Nor Disagree	27	40.3	4	16.7
4 - Agree	8	11.9	7	29.2
5 - Strongly Agree	4	6.0	5	20.8
N/A or No answer	0	0	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2= 15.041$ ,  $p=.0102$

**Table 29. Number and Percentage of Satisfaction Information -Q12**

Q12 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The amount paid to the franchisor for the national advertising program was too much				
1 - Strongly Disagree	4	6.0	1	4.2
2 - Disagree	39	58.2	17	70.9
3 - Neither Agree Nor Disagree	19	28.4	2	8.3
4 - Agree	3	4.5	2	8.3
5 - Strongly Agree	2	3.0	2	8.3
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 5.261$ ,  $p=.2616$

**Table 30. Number and Percentage of Satisfaction Information -Q13**

Q13 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The franchisor made every effort to make me feel that I was a valuable member of this franchise operation				
1 - Strongly Disagree	5	7.5	3	12.5
2 - Disagree	13	19.4	6	25.0
3 - Neither Agree Nor Disagree	28	41.8	10	41.7
4 - Agree	17	25.4	5	20.8
5 - Strongly Agree	4	6.0	0	0
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2= 2.359$ ,  $p=.6701$

**Table 31. Number and Percentage of Satisfaction Information -Q14**

Q14 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
When I needed advice, the franchisor was always available for me				
1 - Strongly Disagree	1	1.5	2	8.3
2 - Disagree	17	25.4	2	8.3
3 - Neither Agree Nor Disagree	14	20.9	8	33.4
4 - Agree	28	41.8	11	45.8
5 - Strongly Agree	7	10.5	1	4.2
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2= 6.957$ ,  $p=.1382$

**Table 32. Number and Percentage of Satisfaction Information -Q15**

Q15 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
I had confidence in the fairness and honesty of the management of this franchise organization				
1 - Strongly Disagree	4	6.0	6	25.0
2 - Disagree	16	23.9	4	16.7
3 - Neither Agree Nor Disagree	14	20.9	7	29.2
4 - Agree	26	38.8	5	20.8
5 - Strongly Agree	7	10.4	2	8.3
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 8.521$ ,  $p=.0743$

**Table 33. Number and Percentage of Satisfaction Information -Q16**

Q16 - Reward	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The benefits I derived directly from being a franchisee in this franchise system are more than adequate to justify the costs of the franchise membership				
1 - Strongly Disagree	0	0	1	4.2
2 - Disagree	7	10.5	4	16.7
3 - Neither Agree Nor Disagree	26	38.8	3	12.5
4 - Agree	23	34.3	8	33.3
5 - Strongly Agree	10	14.9	7	29.2
N/A or No answer	1	1.5	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2= 9.693$ ,  $p=.0844$

**Table 34. Number and Percentage of Satisfaction Information -Q17**

Q17 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The centralized purchasing arrangement of this franchise operation is <u>unreasonable</u>				
1 - Strongly Disagree	7	10.4	2	8.3
2 - Disagree	34	50.7	12	50.0
3 - Neither Agree Nor Disagree	18	26.9	3	12.5
4 - Agree	6	9.0	3	12.5
5 - Strongly Agree	1	1.5	3	12.5
N/A or No answer	1	1.5	1	4.2
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2=7.332$ ,  $p=.1971$

**Table 35. Number and Percentage of Satisfaction Information -Q18**

Q18 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
I feel <u>restricted</u> by the franchisor in making my own decisions about my operations.				
1 - Strongly Disagree	6	9.0	0	0
2 - Disagree	16	23.9	8	33.3
3 - Neither Agree Nor Disagree	14	20.9	7	29.2
4 - Agree	25	37.3	6	25.0
5 - Strongly Agree	6	9.0	3	12.5
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.1</b>	<b>24</b>	<b>100.0</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2= 4.283$ ,  $p=.3691$

**Table 36. Number and Percentage of Satisfaction Information -Q19**

Q19 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The franchisor did not offer adequate on-going services after the opening period				
1 - Strongly Disagree	2	3.0	4	16.7
2 - Disagree	9	13.4	11	45.8
3 - Neither Agree Nor Disagree	15	22.4	4	16.7
4 - Agree	34	50.7	3	12.5
5 - Strongly Agree	6	9.0	2	8.3
N/A or No answer	1	1.5	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=5,  $\chi^2= 20.457$ ,  $p=.001$

**Table 37. Number and Percentage of Satisfaction Information -Q20**

Q20 - Social interaction  The franchisor representative communicates with me often	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	1	1.5	4	16.7
2 - Disagree	10	14.9	4	16.7
3 - Neither Agree Nor Disagree	10	14.9	4	16.7
4 - Agree	40	59.7	9	37.5
5 - Strongly Agree	6	9.0	3	12.5
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=4,  $\chi^2 = 9.317$ ,  $p = .0537$

**Table 38. Number and Percentage of Satisfaction Information -Q21**

Q21 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	11	16.4	2	8.3
2 - Disagree	20	29.8	3	12.5
3 - Neither Agree Nor Disagree	15	22.4	6	25.0
4 - Agree	14	20.9	4	16.7
5 - Strongly Agree	1	1.5	1	4.2
N/A or No answer	6	9.0	8	33.3
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=5,  $\chi^2= 10.526$ ,  $p=.70616$

**Table 39. Number and Percentage of Satisfaction Information -Q22**

Q22 - Contractual arrangement	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The overall franchise fee structure within this franchise arrangement is relatively fair compared with other restaurant franchise organizations				
1 - Strongly Disagree	0	0	1	4.2
2 - Disagree	1	1.5	3	12.5
3 - Neither Agree Nor Disagree	13	19.4	4	16.7
4 - Agree	42	62.7	11	45.8
5 - Strongly Agree	10	14.9	4	16.7
N/A or No answer	1	1.5	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2= 9.205$ ,  $p=.1012$

**Table 40. Number and Percentage of Satisfaction Information -Q23**

Q23 - Service support	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
This franchise system did <u>not</u> provide me with adequate management supports (inventory control, bookkeeping system, operating manuals)				
1 - Strongly Disagree	10	14.9	1	4.2
2 - Disagree	35	52.3	15	62.5
3 - Neither Agree Nor Disagree	12	17.9	6	25.0
4 - Agree	8	11.9	1	4.2
5 - Strongly Agree	0	0	1	4.2
N/A or No answer	2	3.0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>240</b>	<b>100.1</b>

Note: Due to rounding, total percentage adds to more than 100%

$\chi^2$  statistics: DF=5,  $\chi^2= 7.067$ , p=.2157

**Table 41. Number and Percentage of Satisfaction Information -Q24**

Q24 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
I am (was) proud to be a member of this franchise organization				
1 - Strongly Disagree	0	0	1	4.2
2 - Disagree	3	4.5	1	4.2
3 - Neither Agree Nor Disagree	8	11.9	6	25.0
4 - Agree	34	50.8	11	45.8
5 - Strongly Agree	22	32.8	5	20.8
N/ A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 5.699$ ,  $p=.2228$

**Table 42. Number and Percentage of Satisfaction Information -Q25**

Q25 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
The franchisor representative did a good job in helping my unit(s) develop potential sales				
1 - Strongly Disagree	3	4.5	2	8.3
2 - Disagree	21	31.3	9	37.5
3 - Neither Agree Nor Disagree	20	29.8	7	29.2
4 - Agree	18	26.9	5	20.8
5 - Strongly Agree	3	4.5	0	0
N/A or No answer	2	3.0	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=5,  $\chi^2= 2.088$ ,  $p=.8368$

**Table 43. Number and Percentage of Satisfaction Information -Q26**

Q26 - Social interaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
1 - Strongly Disagree	4	6.0	5	20.8
2 - Disagree	21	31.3	6	25.0
3 - Neither Agree Nor Disagree	20	29.8	6	25.0
4 - Agree	17	25.4	6	25.0
5 - Strongly Agree	4	6.0	0	0
N/A or No answer	1	1.5	1	4.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=5,  $\chi^2= 6.341$ ,  $p=.2744$

**Table 44. Number and Percentage of Satisfaction Information -Q27**

Q27 - General satisfaction	Current Franchisee		Terminated Franchisee	
	Number of Responses	Percentage %	Number of Responses	Percentage %
If I have the chance to do it all over again, I would still choose this franchise system over others				
1 - Strongly Disagree	2	3.0	5	20.8
2 - Disagree	5	7.5	0	0
3 - Neither Agree Nor Disagree	15	22.4	4	16.7
4 - Agree	25	37.3	10	41.7
5 - Strongly Agree	20	29.8	5	20.8
N/A or No answer	0	0	0	0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

$\chi^2$  statistics: DF=4,  $\chi^2= 9.996$ ,  $p=.0405$

Table 45 compares the mean scores of current and terminated franchisees. The scores of eight questions (Q3, Q4, Q10, Q11, Q12, Q17, Q18, Q23) presented in rather negative terms on the surveys were reversed to present all the scores in the same direction. As a result, those that received a higher score indicate more agreement with the statements (in the positive expression) and thus more satisfied with the franchisor and franchise operation.

Of the 27 satisfaction statements, terminated franchisees were least agreeable or most dissatisfied (means less than three) with contract favors franchisor, on-going service, franchisor accept suggestions, sales development, feel as a valuable member, confidence in the management, making own decision, and site selection. The statements current franchisees were least agreeable or most dissatisfied (receive means less than three) are contract favor franchisor, site selection, making own decision, franchisor accept suggestions, and sales development. This suggests that terminated franchisees are less satisfied on more issues than current franchisees. Also, the issues for which both groups felt less satisfied may reflect problem areas in this particular franchise system or in franchisor-franchisee relationship.

**Table 45. Current and Terminated Franchisees Responses to Satisfaction Information --Mean Scores<sup>a</sup> and Standard Deviation**

Question	Current Franchisee		Terminated Franchisee	
	Mean	Std. Dev.	Mean	Std. Dev.
<b>Contractual Arrangement</b>	<b>3.69<sup>b</sup></b>	<b>.430</b>	<b>3.59</b>	<b>.510</b>
Q2. Advertising fee	3.88	.769	4.08	.830
Q3. Territorial restriction	3.88	.977	3.71	1.197
Q4. Contract favor franchisor	2.25	1.020	2.13	.900
Q10. Initial franchise fee	4.53	.706	4.42	1.060
Q22. Franchise fee structure	3.92	.640	3.61	1.076
<b>Service support</b>	<b>3.39</b>	<b>.550</b>	<b>3.14</b>	<b>.526</b>
Q5. Training program	3.49	1.021	3.29	1.083
Q6. Product development/ delivery	3.72	1.139	3.13	1.329
Q12. National advertising fee	3.60	.799	3.54	1.021
Q14. Franchisor available to advice	3.34	1.023	3.29	.999
Q17. Centralized purchasing arrangement	3.61	.857	3.30	1.222
Q19. On-going service	3.50	.949	2.50	1.180
Q21. Site selection	2.57	1.087	2.94	1.124
Q23. Management support	3.72	.875	3.58	.830
Q25. Sales development	2.95	.991	2.65	.935
<b>Rewards</b>	<b>3.65</b>	<b>.716</b>	<b>3.48</b>	<b>.944</b>
Q7. Financial benefit	3.42	.993	3.21	1.285
Q9. Industry status	3.97	.717	3.52	1.039
Q16. Benefits justify costs	3.55	.880	3.70	1.222

<sup>a</sup> Five point scale from 1=Strongly disagree to 5=Strongly agree

<sup>b</sup> Category mean scores in bold represent the mean of all the scores of every questions under that particular category

**Table 45. Current and Terminated Franchisees Responses to Satisfaction Information --Mean Score and Standard Deviation (continued)**

Question	Current Franchisee		Terminated Franchisee	
	Mean	Std. Dev.	Mean	Std. Dev.
<b>Social Aspects</b>	<b>3.28</b>	<b>.678</b>	<b>2.93</b>	<b>.817</b>
Q8. Franchisee advisory committee	3.16	.994	3.17	.984
Q11. Franchisor accept suggestions/ complaints	3.27	.994	2.57	1.161
Q13. Feel as valuable member	3.03	1.000	2.71	.955
Q15. Confidence in management's honesty	3.24	1.116	2.71	1.301
Q18. Making own decision/ autonomy	2.87	1.153	2.83	1.049
Q20. Frequent Communication	3.60	.906	3.13	1.329
Q24. Proud to be a member	4.12	.789	3.75	.989
Q26. franchisor accept suggestions	2.94	1.036	2.57	1.121
<b>General Satisfaction</b>	<b>3.63</b>	<b>.898</b>	<b>3.31</b>	<b>1.051</b>
Q1. Overall satisfaction	3.42	.987	3.21	1.062
Q27. Do it all over again and still choose the same franchise	3.84	1.039	3.42	1.412
<b>Total Satisfaction Score<sup>c</sup></b>	<b>3.46</b>	<b>.486</b>	<b>3.21</b>	<b>.613</b>

<sup>c</sup>Total satisfaction mean score is calculated by adding all the response of the 27 questions in this section.

## FACTOR ANALYSIS

Despite the relatively small sample size, factor analysis was conducted to test whether the original five satisfaction categories exist among this sample group. The result of the Varimax rotation is shown in Table 46. The results indicated only two factors were significantly identified with eigen values greater than 1 (2.020 and 1.115) These two factors explained 62.7% of the total variance.

When looking at the characteristics of the variables contained in factor 1 and 2, we can identify an overlap with variables in the social interaction and general satisfaction category. Factor 2 has no significant relationship with the remaining three categories, however, it encompasses aspects that deal with fees paid to and benefits received from the franchisor. It is conceivable that variables in factor 1 reflect the more intangible relationship or exchange between the franchisor and franchisees. Variables in factor 2 reflect the more tangible relationship or exchange between the franchisor and franchisee.

**Table 46. Oblique Solution Reference Structure-Orthotran/Varimax**

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Q1. Overall satisfaction	<b>.678</b>	-.045	-.107	-.424	-.072
Q2. Advertising fee	-.288	<b>.644</b>	.164	.054	.032
Q3. Territorial restriction	-.413	.16	.398	<b>.623</b>	-.143
Q4. Contract favor franchisor	.301	-1.85E-4	<b>-.721</b>	-.174	-.001
Q5. Training program	.226	.151	-.269	<b>.319</b>	.026
Q6. Product development/ delivery	.297	.17	.054	.041	<b>-.364</b>
Q7. Financial benefit	.257	<b>.277</b>	.166	-.066	.007
Q8. Franchisee advisory committee	.012	.188	<b>.542</b>	-.215	.124
Q9. Industry status	-.182	<b>.45</b>	<b>.466</b>	-.01	-.009
Q10. Initial franchise fee	-.315	<b>.587</b>	.155	-.035	.42
Q11. Franchisor accept suggestions	<b>.491</b>	-.1	.115	-.077	.124
Q12. National advertising fee	-.406	<b>.686</b>	-.073	-.051	.183
Q13. Feel as a valuable meneber	<b>.443</b>	.098	.108	-.041	-.124
Q14. Franchisor available to advice	<b>.42</b>	.043	-.066	.076	.068
Q15. Confidence in management	<b>.511</b>	-.085	.212	-.113	-.091
Q16. Benefits justify costs	-3.58E-4	<b>.493</b>	.086	.089	-.178
Q17. Centralized purchasing	-.007	<b>.438</b>	-.045	.334	-.28
Q18. Making own decision	-.024	<b>.396</b>	.031	.297	-.116
Q19. On-going service	.021	-.132	<b>.489</b>	.002	<b>.471</b>
Q20. Frequesnt communication	.217	.014	.021	.06	<b>.659</b>
Q21. Site selection	.127	-.049	<b>.291</b>	<b>.284</b>	.123
Q22. Franchise fee structure	.106	<b>.346</b>	-.104	.042	-.064
Q23. Management support	.035	.025	-.182	<b>.498</b>	.32
Q24. Proud to be a member	<b>.514</b>	.117	-.018	-.367	.133
Q25. Sales development	.116	-4.15E-5	.116	<b>.56</b>	.08
Q26. Franchisor accept suggestion	<b>.379</b>	.002	.153	.032	.059
Q27. Do it all over with same franchisor	<b>.414</b>	.261	-.102	-.1	-.206
Eigen Value	<b>2.020</b>	1.115	.625	.825	.42

**Table 47. Factor Loadings for Significant Factors<sup>a</sup>**

<b>Factor 1 - Intangible relationship</b>	<b>Factor Loading</b>
Q1. Overall satisfaction	.68
Q15. Confidence in management's honesty	.51
Q24. Proud to be a member	.51
Q11. Franchisor accept suggestions/ complaints	(-.49)
Q13. Feel as valuable member	.44
Q14. Franchisor available to advice	.42
Q27. Do it all over again and still choose the same franchise	.41
Q26. Franchisor accept suggestion and use it	.38
<b>Factor 2 - Tangible relationship</b>	
Q12. National advertising fee	.69
Q2. Advertising fee	.64
Q10. Initial franchise fee	(-.59)
Q16. Benefits justify costs	.49
Q9. Industry status	.45
Q17. Centralized purchasing arrangement	(-.44)
Q18. Making own decision/ autonomy	.40
Q22. Franchise fee structure	.35

<sup>a</sup> Variables with coefficients smaller than .30 were eliminated.

## HYPOTHESES TESTING

### Hypotheses I

$H_0$ : There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level.

$H_A$ : There is a significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level.

Both t-tests and Chi-square tests were run on all 27 satisfaction questions to see if there is a difference between terminated and current franchisee's responses to each question. In addition, it was also tested on the average mean scores of each satisfaction category (contractual arrangement, service support, rewards, social interaction, and general) and a total satisfaction mean score. Hypotheses were tested at the categorical level, and a hypothesis regarding the satisfaction of all the questions will be discussed. Table 48 shows the results of these two tests.

**Table 48. Chi-square and t-Test on the Difference Between Current and Terminated Franchisee's Satisfaction**

Question	Current Franchisee Mean	Terminated Franchisee Mean	Chi-square Test	t-test
<b>Contractual Arrangement</b>	<b>3.69</b>	<b>3.59</b>	-	<b>t=.93 p=.3539</b>
Q2. Advertising fee	3.88	4.08	$X^2=7.219$ p=.1248	t=-1.085 p=.2807
Q3. Territorial restriction	3.88	3.71	$X^2=1.266$ p=.8671	t=.697 p=.4875
Q4. Contract favor franchisor	2.25	2.13	$X^2=9.004$ p=.061	t=.546 p=.5862
Q10. Initial franchise fee	4.53	4.42	$X^2=7.058$ p=.2164	t=.586 p=.5595
Q22. Franchise fee structure	3.92	3.61	$X^2=9.205$ p=.1012	t=1.684 p=.0958
<b>Service support</b>	<b>3.39</b>	<b>3.14</b>	-	<b>t=1.98 p=.0508</b>
Q5. Training program	3.49	3.29	$X^2=1.107$ p=.8932	t=.814 p=.4177
Q6. Product development/delivery	3.72	3.13	$X^2=7.142$ p=.1286	t=2.087 p=.0397
Q12. National advertising fee	3.60	3.54	$X^2=5.261$ p=.2616	t=.27 p=.7878
Q14. Franchisor available to give advice	3.34	3.29	$X^2=6.957$ p=.1382	t=.213 p=.8316
Q17. Centralized purchasing arrangement	3.61	3.30	$X^2=7.332$ p=.1971	t=1.294 p=.199
Q19. On-going service	3.50	2.50	$X^2=20.457$ p=.001	t=4.137 p=.0001
Q21. Site selection	2.57	2.94	$X^2=10.526$ p=.0616	t=-1.183 p=.2405
Q23. Management support	3.72	3.58	$X^2=7.067$ p=.2157	t=.678 p=.4998
Q25. Sales development	2.95	2.65	$X^2=2.088$ p=.8368	t=1.273 p=.2065
<b>Rewards</b>	<b>3.65</b>	<b>3.48</b>	-	<b>t=.93 p=.3559</b>
Q7. Financial benefit	3.42	3.21	$X^2=5.175$ p=.3949	t=.841 p=.4026
Q9. Industry status	3.97	3.52	$X^2=15.041$ p=.0102	t=2.292 p=.0243
Q16. Benefits justify costs	3.55	3.70	$X^2=9.693$ p=.0844	t=-.634 p=.5276

**Table 48. Chi-square and t-test on the Difference Between Current and Terminated Franchisee's Satisfaction (continued)**

Question	Current Franchisee Mean	Terminated Franchisee Mean	Chi-square Test	t-test
<b>Social Interaction</b>	<b>3.28</b>	<b>2.93</b>	-	<b>t=2.06 p=.0423</b>
Q8. Franchisee advisory committee	3.16	3.17	$\chi^2=7.142$ p=.1286	t=2.087 p=.0397
Q11. Franchisor accept suggestions/ complaints	3.27	2.57	$\chi^2=15.041$ p=.0102	t=2.804 p=.0062
Q13. Feel as valuable member	3.03	2.71	$\chi^2=2.359$ p=.6701	t=1.368 p=.1748
Q15. Confidence in management's honesty	3.24	2.71	$\chi^2=8.521$ p=.0743	t=1.911 p=.0592
Q18. Making own decision - autonomy	2.87	2.83	$\chi^2=4.283$ p=.3691	t=.121 p=.9043
Q20. Frequent Communication	3.60	3.13	$\chi^2=9.317$ p=.0537	t=1.923 p=.0577
Q24. Proud to be a member	4.12	3.75	$\chi^2=5.699$ p=.2228	t=1.828 p=.0694
Q26. franchisor accept suggestions	2.94	2.57	$\chi^2=6.341$ p=.2744	t=1.46 p=.1478
<b>General Satisfaction</b>	<b>3.63</b>	<b>3.31</b>	-	<b>t=1.41 p=.1631</b>
Q1. Overall satisfaction	3.42	3.21	$\chi^2=1.758$ p=.7801	t=.875 p=.384
Q27. Do it all over again and still choosethe same franchise	3.84	3.42	$\chi^2=9.996$ p=.0405	t=1.537 p=.128
<b>Total Satisfaction</b>	<b>3.46</b>	<b>3.21</b>	-	<b>t=2.208 p=.0455</b>
<b>Factor 1 - Intangible relationship</b>	<b>3.40</b>	<b>3.02</b>	-	<b>t=1.921 p=.0579</b>
<b>Factor 2 - Tangible relationship</b>	<b>3.74</b>	<b>3.62</b>	-	<b>t=.829 p=.4093</b>

## 1. Contractual Arrangement

### Hypothesis Ia

$H_0$ : There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding the franchise contract arrangement.

$H_A$ : There is a significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding the franchise contract arrangement.

Under the category of contractual arrangement,  $\chi^2$  test shows current and terminated franchisees responded to the statement "franchise agreement gave the franchisor a better position legally and economically" differently. From Table 21 it can be seen that while almost all franchisees from both groups felt that the franchise contract favors the franchisor, yet a larger portion of the terminated franchisees agreed strongly than the current franchisees. Also, there were still 12% of the current franchisees that did not feel the contract favor the franchisor, and no one disagreed among the terminated franchisees. However, t-test were unable to show a significant difference between the means of the two.

As seen in Table 39, the majority of both groups felt that the overall franchise fee structure was reasonable, and  $\chi^2$  test shows that the two groups are independent. However, t-test indicates that terminated franchisees are less agreeable than current franchisees on this issue.

Overall, t-test cannot prove a significant difference between current and terminated franchisees' contract related perceptions, therefore, unable to reject the null

hypothesis. This leads to the conclusion that there is no difference between current and terminated franchisees' satisfaction regarding contractual arrangement.

## 2. Service Support

### Hypothesis Ib

$H_0$ : There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding service supports provided by the franchisor.

$H_A$ : There is a significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding service supports provided by the franchisor.

In this category, current and terminated franchisees disagreed on three issues. As shown in Table 23, though half of the terminated franchisee agreed that the franchisor assumed a positive role in the industry in terms of developing and delivering a competitive product, the distribution of terminated franchisees leans more towards the disagree direction. Though  $X^2$  indicate no significant difference in the distribution, t-test shows there is a significant difference between the means of the two groups.

On the on-going service issue, Table 36 clearly demonstrates a difference among the distribution of the two groups: Terminated franchisees seem to disagree more than current franchisees. This is confirmed by both  $X^2$  and t-test.

$X^2$  test reflected a difference between the two groups on the issue concerning site selection, because approximately 1/3 of the terminated franchisees see it as not applicable. However, t-test did not show a difference between the means of current and terminated franchisees.

Overall, t-test shows a significant difference between current and terminated franchisees' service/support related perceptions, therefore, reject the null hypothesis. This leads to the conclusion that there is a difference between current and terminated franchisees' satisfaction regarding franchisor's service and support.

### 3. Rewards

#### Hypothesis Ic

$H_0$ : There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding rewards from the franchise business.

$H_A$ : There is a significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding rewards from the franchise business.

Under this category, two issues need to be mentioned. The two groups responded differently to question 9, which stated that being a franchisee of this franchise organization has helped the franchisee in achieving a better industry status. From Table 26, it appears though only few respondents disagree, terminated franchisee felt less strongly agreeable than current franchisees. Both  $X^2$  and t-test support this assumption.

Question 16 deals with whether the benefits received from being a franchisee justify the costs of becoming one.  $X^2$  test implies that the two groups responded differently, however, t-test did not support that the two means are significantly different.

Overall, t-test cannot prove a significant difference between current and terminated franchisees' perceptions regarding the reward issue, therefore, unable to

reject the null hypothesis. This leads to the conclusion that there is no difference between current and terminated franchisees' satisfaction regarding rewards derived from the franchise business.

#### **4. Social Interaction**

##### **Hypothesis Id**

H<sub>0</sub>: There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding social interaction between the franchisor.

H<sub>A</sub>: There is a significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding social interaction between the franchisor.

On the statement concerning the franchise advisory committee, both groups appeared less agreeable when compared to other questions. The majority of both groups felt that the franchise advisory committee did (or does) not play an important role in mediating between the franchisees and the franchisor. T-test shows that terminated franchisees disagree even more than the current franchisees.

Question 11 asked whether the franchisor ignores franchisees' suggestions and complaints. Table 28 indicates that current franchisees tend to lean toward the disagree direction and terminated franchisees toward the agree direction. Both  $\chi^2$  and t-test demonstrate the two groups differ in distribution and mean. In other word, terminated franchisees often feel ignored by the franchisor than current franchisees.

Another issue that the two groups have different opinions on is the frequency of communication initiated by the franchisor. As can be seen from Table 37, there tend to

be a larger portion of terminated franchisees than current franchisees who do not agree that the franchise representative communicated with them often. Again,  $\chi^2$  and t-test both confirmed that the two responded differently and that current franchisees have a greater mean score than that of terminated franchisees.

Last issue that needs to be mentioned under social interaction is question 24. This question asked the franchisees if they were proud to be a member of this franchise organization. Terminated franchisees responded less positively than current franchisees, and t-test shows that there is a significant difference between the means of the two groups.

Overall, t-test shows a significant difference between current and terminated franchisees' social perceptions, therefore, reject the null hypothesis. This leads to the conclusion that there is a difference between current and terminated franchisees' satisfaction regarding social interactions with the franchisor.

## **5. General Satisfaction**

### **Hypothesis 1e**

$H_0$ : There is no significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding social interaction between the franchisor.

$H_A$ : There is a significant difference between terminated franchisee's satisfaction level and current franchisee's satisfaction level regarding social interaction between the franchisor.

Two questions were asked under this category: the overall satisfaction, and if the franchisees have the chance to do it all over again would they still choose the same

franchise system. Surprisingly, there was no significant difference between the two means on both questions. However, as can be seen from Table 27, though the majority of the respondents from the two groups agreed to do it all over again with the same franchisor, 20.8% of the terminated franchisees strongly disagreed with the statement.

Overall, t-test could not prove a significant difference between current and terminated franchisees' general satisfaction perceptions, therefore, unable to reject the null hypothesis. This leads to the conclusion that there is no difference between current and terminated franchisees' general satisfaction with this franchise system and franchisor.

## **6. Total Satisfaction Mean Score**

### **Hypothesis I f**

$H_0$ : There is no significant difference between terminated franchisee's and current franchisee's total satisfaction level.

$H_A$ : There is a significant difference between terminated franchisee's and current franchisee's total satisfaction level.

Total satisfaction mean score is the mean of all the answers from the 27 satisfaction questions. The means for current franchisees yield a 3.46 and terminated franchisees, 3.21. T-test result indicated that there is a significant difference between them. This leads to the conclusion that terminated franchisees are less satisfied than current franchisees on the total satisfaction level.

## **7. Factor 1 - Intangible Relationship**

### **Hypothesis I g**

**H<sub>0</sub>:** There is no significant difference between terminated franchisee's and current franchisee's intangible satisfaction level.

**H<sub>A</sub>:** There is a significant difference between terminated franchisee's and current franchisee's intangible satisfaction level.

The intangible satisfactions were obtained by including all the scores from the variables in factor 1. The mean scores for current franchisees are 3.401 (standard deviation=.761) and 3.038 (standard deviation=.88) for terminated franchisees. T-test showed a significant difference between the intangible satisfaction level of current and terminated franchisees ( $t=1.921$ ,  $p=.0579$ ).

## **8. Factor 2 - Tangible Relationship**

### **Hypothesis I h**

**H<sub>0</sub>:** There is no significant difference between terminated franchisee's and current franchisee's tangible satisfaction level.

**H<sub>A</sub>:** There is a significant difference between terminated franchisee's and current franchisee's tangible satisfaction level.

The tangible satisfaction levels were obtained by including all the score from the variables in factor 1. The mean scores for current franchisees are 3.739 (standard deviation=.498) and 3.627 (standard deviation=.733) for terminated franchisees. T-test showed there is no significant difference between the tangible satisfaction levels of current and terminated franchisees ( $t=.829$ ,  $p=.4093$ ).

## **Hypotheses II**

**H<sub>0</sub>:** There is no relationship between franchisee's satisfaction level and his intention to withdraw from the franchise system.

**H<sub>A</sub>:** There is a relationship between franchisee's satisfaction level and his intention to withdraw from the franchise system.

The results of hypothesis II will be discussed base on the five satisfaction categories. To provide more explicit results, the seven original choices of plans for the next five years were recoded into three categories: Invest more (with the same franchise), stay put, and withdraw from this system. Both Chi-square and one factor ANOVA tests were performed to determine the association and difference of means. Both current and terminated franchisee's scores are included in the tests. Table 49 shows the result of these two tests.

**Table 49. Chi-square and ANOVA Test Results on Franchisee's Satisfaction and Future Intention**

Question	Chi-square test (DF=8)	One Factor ANOVA (DF=2)
<b>Contractual Arrangement</b>	-	<b>F=.101 p=.9041</b>
Q2. Advertising fee	$\chi^2=5.935$ p=.6545	F=.369 p=.6925
Q3. Territorial restriction	$\chi^2=1.607$ p=.9908	F=.002 p=.9978
Q4. Contract favor franchisor	$\chi^2=7.312$ p=.503	F=.438 p=.6468
Q10. Initial franchise fee	$\chi^2=7.361$ p=.4983	F=1.485 p=.1213
Q22. Franchise fee structure	$\chi^2=6.746$ p=.5643	F=.145 p=.853
<b>Service support</b>	-	<b>F=4.648 p=.0116</b>
Q5. Training program	$\chi^2=7.776$ p=.4556	F= 2.166 p=.1197
Q6. Product development/ delivery	$\chi^2=12.257$ p=.1401	F= 3.16 p=.0465
Q12. National advertising fee	$\chi^2=13.651$ p=.0913	F= .046 p=.9551
Q14. Franchisor available to advice	$\chi^2=10.146$ p=.2549	F=1.395 p=.2524
Q17. Centralized purchasing arrangement	$\chi^2=13.778$ p=.0878	F=4.352 p=.0153
Q19. On-going service	$\chi^2=9.826$ p=.2775	F=1.547 p=.2179
Q21. Site selection	$\chi^2=8.914$ p=.3496	F=.012 p=.9885
Q23. Management support	$\chi^2=15.578$ p=.0488	F= 1.116 p=.3316
Q25. Sales development	$\chi^2=14.373$ p=.0725	F=4.025 p=.0208
<b>Rewards</b>	-	<b>F=4.332 p=.0157</b>
Q7. Financial benefit	$\chi^2=11.422$ p=.1789	F=1.607 p=.2053
Q9. Industry status	$\chi^2=24.283$ p=.0021	F= 7.481 p=.0009
Q16. Benefits justify costs	$\chi^2=6.174$ p=.6278	F=1.404 p=.2504
<b>Social Interaction</b>	-	<b>F=3.05 p=.0516</b>
Q8. Franchisee advisory committee	$\chi^2=12.257$ p=.1401	F=.024 p=.9765
Q11. Franchisor accept suggestions/ complaints	$\chi^2=10.298$ p=.2447	F=3.588 p=.0311
Q13. Feel as valuable member	$\chi^2=5.563$ p=.6961	F= 1.637 p=.1996
Q15. Confidence in management's honesty	$\chi^2=6.133$ p=.6323	F= 1.888 p=.1565
Q18. Making own decision/ autonomy	$\chi^2=7.353$ p=.4991	F=.17 p=.8442

**Table 49. Chi-square and ANOVA Test Results on Franchisee's Satisfaction and Future Intention (continued)**

Question	Chi-square Test	t-test
Q20. Frequent Communication	$X^2=6.006$ p=.6466	F=.993 p=.374
Q24. Proud to be a member	$X^2=17.191$ p=.0282	F=6.288 p=.0026
Q26. franchisor accept suggestions	$X^2=10.145$ p=.255	F=3.216 p=.0442
<b>General Satisfaction</b>	-	F=7.771 p=.0007
Q1. Overall satisfaction	$X^2=14.339$ p=.0734	F=5.811 p=.004
Q27. Do it all over again and still choose the same franchise	$X^2=19.195$ p=.0139	F= 6.157 p=.003
<b>Total Satisfaction</b>	-	F= 5.062 p=.008
<b>Factor 1 - Intangible relationship</b>	-	F=5.634 p=.0047
<b>Factor 2 - Tangible relationship</b>	-	F=2.089 p=.1289

## 1. Contractual Arrangement

### Hypothesis IIa

$H_0$ : There is no relationship between franchisee's satisfaction regarding contractual arrangement and his intention to withdraw from the franchise system.

$H_A$ : There is a relationship between franchisee's satisfaction regarding contractual arrangement and his intention to withdraw from the franchise system.

According to both  $\chi^2$  and ANOVA test, it was not possible to reject the null hypothesis at the individual and general level. No single issue under contractual arrangement was proven associated with franchisees' future intention. This leads to the conclusion that there appears to be no association between franchisee's satisfaction regarding the contractual arrangements and his or her future plans for the next five years.

## 2. Service Support

### Hypothesis IIb

$H_0$ : There is no relationship between franchisee's satisfaction regarding franchisor's service/support and his intention to withdraw from the franchise system.

$H_A$ : There is a relationship between franchisee's satisfaction regarding franchisor's service/support and his intention to withdraw from the franchise system.

According to the  $\chi^2$  tests, four issues of the service/support category appeared to be associated with franchisee's future decision, namely, national advertising fee, centralized purchasing arrangement, management supports provided by the franchisor, and sales development assisted by the representative. There also appeared to be

significant difference in the satisfaction means pertaining to product development/delivery, centralized purchasing arrangement, and sales development.

Overall, the ANOVA test shows that the means of the three future intention groups are statistically different, which, as a result, reject the null hypothesis. Those with intention to invest more on the same franchise received a higher mean (3.50) than those that choose to withdraw (3.16).

### **3. Rewards**

#### **Hypothesis IIc**

$H_0$ : There is no relationship between franchisee's satisfaction regarding rewards derived from the business and his intention to withdraw from the franchise system.

$H_A$ : There is a relationship between franchisee's satisfaction regarding rewards derived from the business and his intention to withdraw from the franchise system.

Specifically, both  $\chi^2$  and ANOVA test indicate an association between industry status and future intention. It is statistically significant that the means on industry status for those that plan to invest more or stay put and those that plan to withdraw were different. Overall, those that plan to invest more received a mean of 3.79, those that plan to stay put, 3.71, and those that plan to withdraw from the system, 3.34. ANOVA f value leads to the rejection of the null hypothesis.

#### 4. Social Interaction

##### Hypothesis II<sub>d</sub>

$H_0$ : There is no relationship between franchisee's satisfaction regarding social interaction with the franchisor and his intention to withdraw from the franchise system.

$H_A$ : There is a relationship between franchisee's satisfaction regarding social interaction with the franchisor and his intention to withdraw from the franchise system.

According to  $\chi^2$  test, there is a relationship between whether the franchisee is proud as a member of this franchise and his future intention. Overall, ANOVA test concluded to reject the null hypothesis, since there was a significant difference among the three means (Invest more=3.37, Stay put=3.22, and withdraw=2.99).

#### 5. General Satisfaction

##### Hypothesis II<sub>e</sub>

$H_0$ : There is no relationship between franchisee's satisfaction regarding general satisfaction toward the franchise system and his intention to withdraw from the franchise system.

$H_A$ : There is a relationship between franchisee's satisfaction regarding general satisfaction toward the franchise system and his intention to withdraw from the franchise system.

Both  $\chi^2$  and ANOVA test indicate an association between overall satisfaction and future intention. It is statistically significant since the mean scores from those that plan to invest more (4.0) are higher than the means of those that plan to stay put (3.46) and those that are willing to withdraw (3.18).

## 6. Total Satisfaction Mean Score

### Hypothesis II<sub>f</sub>

H<sub>O</sub>: There is no relationship between franchisee's total satisfaction level and his intention to withdraw from the franchise system.

H<sub>A</sub>: There is a relationship between franchisee's total satisfaction level and his intention to withdraw from the franchise system.

From the result of ANOVA test, a significant difference was found among the three mean scores received for future intention. They are 3.57 for the invest more group, 3.42 for the stay put group, and 3.23 for the withdraw group. This leads to the rejection of the null hypothesis.

## 7. Factor 1 - Intangible Relationship

### Hypothesis II<sub>g</sub>

H<sub>O</sub>: There is no relationship between franchisee's intangible satisfaction level and his intention to withdraw from the franchise system.

H<sub>A</sub>: There is a relationship between franchisee's intangible satisfaction level and his intention to withdraw from the franchise system.

The one factor ANOVA test ( $F=5.634$  with degree of freedom equals 2) resulted in  $p=.0047$ . In other words, the means for the three groups were statistically different. This leads to the conclusion that there appears to be a relationship between franchisee's satisfaction regarding the intangible aspects with his franchisor, and his intentions for the future.

## 8. Factor 2 - Tangible Relationship

### Hypothesis IIIh

H<sub>0</sub>: There is no relationship between franchisee's tangible satisfaction level and his intention to withdraw from the franchise system.

H<sub>A</sub>: There is a relationship between franchisee's tangible satisfaction level and his intention to withdraw from the franchise system.

The one factor ANOVA test ( $F=2.089$  with degree of freedom equals 2) resulted in  $p=.1289$ . In other words, the means for the three groups were not statistically different. This leads to the conclusion that there appears to be no relationship between franchisee's satisfaction regarding the tangible aspects with his franchisor, and his intentions for the future.

## SUMMARY

This chapter presented results of the data analyses. The mail survey was conducted over a two month period which yielded an average of 29.8% response rate from both the current and terminated franchisees. The average terminated franchisees are slightly older than the current franchisees. Terminated franchisees also have more years of business and franchising experiences than current franchisees. Generally, terminated franchisees were found to be less satisfied than current franchisees.

Factor analysis was performed which identified two important factors (intangible and tangible relationships) of the satisfaction between franchisor and franchisees.

Terminated franchisees are less satisfied than current franchisees on the intangible relationship, but no difference was found on the tangible relationship with the franchisor. Also, there is an association between the intangible relationship and franchisee's future intention, but no association between the tangible relationship and future intention. Finally, hypotheses I were rejected on service support, social interaction, and overall satisfaction. Hypotheses II were rejected on all satisfaction categories except contractual arrangements.

## **CHAPTER FIVE**

### **DISCUSSION AND CONCLUSION**

## OVERVIEW OF RESULTS

The purpose of this study was to examine the relationship between franchisor and franchisee by investigating turnover practice in the quick-service industry. The results focus mainly on the relationship between franchisee satisfaction and turnover behavior. The dependent variable, franchisee turnover, is operationalized by asking current and terminated franchisees' future intention for the next five years. The independent variable, franchisee satisfaction, is operationalized by asking franchisees' opinion of the franchise system on 27 statements. Data were collected through mail survey of 201 current franchisees and 201 terminated franchisees.

The mail survey was conducted over a two month period. Twenty-four terminated franchisees and 67 current franchisees responded which resulted in a 29.8% response rate. The average current franchisee in this study is a male, age 33 who has some college education, with 10 years of business experience, and 5 years of experience in franchising. He is an individual franchisee who owns two units and has been with the franchise system for five years. In general, he tends to be satisfied with the franchisor and the franchise system. For the next five years, he would like to invest more with the same franchise. The average terminated franchisee is a male, age 35 with some college education, and has 11 years of business experience and 7 years of franchising experience. He has terminated 3 units and still has 2 units with this franchise system. The termination was initiated by himself because he wanted to sell the units for a profit. Those units were sold to the franchisees under the same franchise after the termination. He felt the franchisor handled the termination process rather fairly. In

general, he tends to be less satisfied with the franchisor and the franchise system than current franchisees. For the next five years, he is more likely to invest in other non-franchise business or pursue other interests.

The statements terminated franchisees were least agreeable or least satisfied with (means less than three) are contract favors franchisor, on-going service, franchisor accept suggestions, sales development, feel as a valuable member, confidence in the management, making own decision, and site selection. The statements current franchisees were least agreeable or least satisfied with (means less than three) are contract favors franchisor, site selection, making own decision, franchisor accept suggestions, and sales development. This suggests that terminated franchisees are less satisfied on more issues than current franchisees. Also, the issues which both groups felt less satisfied may reflect problem areas in this particular franchise system.

Hypotheses I were rejected on service support, social interaction, and overall satisfaction. Thus, terminated franchisees are less satisfied than current franchisees on service support, social interaction, and overall satisfaction. Hypotheses II were rejected on all satisfaction categories except contractual arrangements. In other words, there is a relationship between satisfaction and franchisee's future intention. Satisfied franchisees are more likely to invest more, less satisfied franchisees are more likely to stay put or withdraw from the system.

Factor analysis has identified two important factors which are identified as intangible and tangible relationships between franchisor and franchisees. Terminated franchisees were less satisfied than current franchisees for the intangible relationship, but there was no difference for the tangible relationship with the franchisor. Furthermore, there is an association between the intangible relationship and franchisee's

future intention, but no association between the tangible relationship and future intention. In other words, franchisees more satisfied with the intangible relationship are more likely to invest more with the same franchisor; franchisees that are less satisfied are more likely to stay put or withdraw from the franchise system.

## DISCUSSION

Based on the results of the question on reasons to terminate the agreement, further discussion is required. When asked about reasons for termination, many franchisees responded that they wanted to sell the units, without providing further explanation. This kind of response involves the question itself since it did not provide appropriate answers. However, another explanation could be that many of the terminated franchisees were caught in the midst of legal battles with the franchisor. Their situation can not be explained as simple as the answers provided on the questionnaire. It may not even be easy to explain it through structured and limited questionnaire.

From the results, it is obvious that many terminated franchisees want to sell their units for a profit. Many franchisees are interested in the profits in the beginning. But there may still be some terminated franchisees who are disappointed with the system and wanted to get out or in the worst case force to terminated and sell back their units. Nearly half of franchisees in this system own only one unit. Compared to the franchisor, they are small, weak, and less experienced. If the franchisor wants to get rid of one individual franchisee, the contract provides a stronger position legally and

economically. Also, since franchisor can easily avail an experienced attorney, the franchisees can be easily intimidated to give in to the franchisor.

Knight (1986) pointed out the primary reasons for franchisor to buy back franchisee owned units were to resell poorly operated franchises and to eliminate weak franchisees. Some franchisors exercise overbearing authority merely to keep their franchisees in line; some are just interested in taking over the outlets (Foster, 1988). This raises many questions. If franchisee turnover is to eliminate poorly operated units and weak franchisees, how is poorly operated or weak franchisees determined? And who will make the decision? After the buy-back and resell of those units, the franchisor gets to eliminate weak franchisees, but what do the franchisees get for selling back the outlets? Does the money received from the sales fully compensate what he has built from the ground up on his time, money and dedication? If both the franchisor and franchisee see franchising as a promising buy-sell investment, will they dedicate themselves to improve the operation and the products? How will the backbone, small "moms and pops" individual franchisees survive in the game of money and power?

Another set of results that needs further discussion is the satisfaction information. From the mean score table (Table 45), these mean scores have a central tendency. However, statements that received mean score over 4.00 and under 3.00 should be considered significant strong and weak points of the system. Those that received above 4.00 mean scores are advertising fee and initial franchise fee for the terminated franchisees, and initial franchisee fee and proud to be a member for current franchisees. Both terminated and current franchisees appreciate the initial fee required by the franchisor. Those statements that received below 3.00 mean scores for the current franchisees are contract favor franchisor, on-going service, franchisor accept suggestions,

sales development, feel as a valuable member, confidence in the management, making own decision, and site selection. Those statements that received below 3.00 mean scores for the current franchisees are contract favor franchisor, site selection, making own decision, franchisor accept suggestions, and sales development. This suggests the system is weak in these mentioned areas.

## LIMITATIONS OF THE RESEARCH

Due to the limited sample group and small sample size, the results of this study are limited in their generalizability to the population of all quick service franchisees in the United States. The results would only apply to the understanding of this particular franchise system. The reason for this is that only one franchise system was used for this study. The topic of this study was such that it was difficult to find an adequate sample. It would be an easier task if the study had received support and cooperation from the franchisor. However, there are reasons to believe that most franchisors are not willing to easily reveal the names and addresses of terminated franchisees. Also, once the franchisor-franchisee relationship ends, there seems to be little reason to document the names and addresses of those who are no longer franchisees of the system.

As has been mentioned many times, the purpose of this study is to investigate turnover practice and examine the relationship between franchisee's satisfaction and his or her future intention (turnover behavior). This study is exploratory in nature which is meant to provide an insight and raise questions for further development and investigation of the subject. Termination is a very complex process than the scope this

study focused on. The results focus on the proposed relationship. It does not attempt to generalize the whole process of turnover. Many questions were eliminated on the final version of the questionnaires to achieve a comfortable length of the survey. This limits the width of the study.

Longitudinal study is ideal for turnover research. However, due to time and financial constraints as well as difficulty in finding the proper sample, this study lacks a longitudinal design, thus limits the depth of findings.

## **RECOMMENDATIONS TO THE FRANCHISOR**

Franchisee turnover may improve the “metabolism” of the system, however, the consequence is detrimental if franchisee satisfaction toward the franchisor was jeopardized. The costs may prove to be high in the long run. From the results of the hypotheses tested, terminated franchisees are less satisfied than current franchisees, especially in the intangible relationship with the franchisor. Also, according to the results, less satisfied franchisees, especially on the intangible relationship, are more likely to withhold and even withdraw their interests in future investment.

Franchisees are more satisfied with the contractual arrangement and rewards than service support and social interactions. The strength of the system is the appealing initial franchise fee, strong trade name, good management support, national advertising program, industry status, but the weakness is the social interaction between the franchisor and franchisee. Both current and terminated franchisees responded less

positive in this area than other areas. The franchise package of this system may be appealing to the franchisees in the beginning but there is still room for the franchisor to improve on maintaining a good relationship with the franchisees.

This may mark another stage in the life cycle of franchisor and franchisee relationship. When the relationship reaches the maturity stage, it requires heavy communication and interaction to exchange expectations of both sides. If the gap of unmatched expectation grew wider, the franchisees will be less satisfied. Performance may be jeopardized as commitment become low. Franchisees will more likely choose to withdraw from the system eventually.

Though the satisfaction measurement used for this study needs further refinement, franchisor can benefit from using the measurement on all the franchisees. It serves as an indicator of the relationship between the franchisor and franchisees. To monitor franchisee satisfaction routinely, problems can be identified early and appropriate corrective measures can be undertaken.

## **RECOMMENDATIONS FOR FUTURE RESEARCH**

### **1. Expand Sample Size and Sample Group**

The recommendations for future research involve overcoming the limitation of this study as mentioned above. A larger sample size would increase the generalizability as well as better facilitate the use of multi-variate statistical analysis.

## **2. Qualitative Approach**

Questions on the termination situation and reasons for termination were unable to provide an in depth understanding of the termination process. The termination topic is not a question that can be answered easily by few structured questions. It is suggested that more in-depth, less structured quality interviews be conducted, before any attempt to quantify the responses.

The satisfaction measurement of this study requires further refinement. A suggested approach is through preliminary qualitative interviews with franchisees of various franchise systems before designing an appropriate questionnaire. More variables, such as financial performance, can be included to expand the discussion on satisfaction-turnover relationship.

## **3. Longitudinal Study**

The use of longitudinal research design would enable the investigation of how satisfaction changes throughout the franchisor-franchisee relationship. This would give empirical support for Justice and Judd's (1989) life cycle model of franchisor and franchisee relationship.

It is suggested by the author that a qualitative longitudinal study would be most suitable to further explore the subject on franchisee turnover. Qualitative approach would make up for the small and limited sample, and longitudinal study would provide the depth of the study.

## SUMMARY

This study is exploratory in nature, thus raises more questions than it answers. However, the objective is to investigate franchisee turnover and its relationship with satisfaction and to test the proposed hypotheses. A total of 402 franchisees of a quick-service franchise system were surveyed by using two sets of structured questionnaires. Sixty-seven current and 24 terminated franchisee participated in the study, yielding a response rate of 29.8%. The testing of the hypotheses indicated a significant difference between the satisfaction of terminated and current franchisees on service support, social interaction, general satisfaction, and total satisfaction mean score. Also, franchisee's satisfaction and his or her future intention are related. Through factor analysis two critical factors were identified and related to the satisfaction and future intention of current and terminated franchisees.

The findings were satisfying, however leave room for improvements. Nevertheless the study provides contribution to the body of knowledge on franchising and hospitality literature, and opens channels for future research.

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## **APPENDICES**

## **Appendix A**

### **Cover Letter for Terminated Franchisees**

COLLEGE OF HUMAN RESOURCES  
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY*Blacksburg, Virginia 24061-0429*DEPARTMENT OF HOTEL, RESTAURANT & INSTITUTIONAL MANAGEMENT  
(703) 231-5515 - Facsimile (703) 231-7826 - Telex 9103331861

December 4, 1991

Dear Sir:

I am a graduate student in the Department of Hotel, Restaurant, and Institutional Management of Virginia Tech collecting data about terminated and non-renewal restaurant franchisees to complete my Master's Thesis. Your name has been selected from the Franchise Disclosure Offerings stating that a contractual relationship between you and your franchisor has recently ended.

Please help me and take a few minutes to complete the enclosed questionnaire. The questionnaire contains questions regarding you and your franchisor's relationship during and prior to the contract termination or expiration. Once completed, please return the questionnaire to me in the enclosed postage-paid envelope. These data will be used solely for the purposes of research and all information received in this study will be held in strict confidence. Also no individual respondent can be identified since the data will be used in a collective form.

Your participation in this study is greatly appreciated and will provide significant contribution to research in the restaurant franchise industry. If you can enclose your business card with the filled-out questionnaire, I will be glad to provide a summary of my findings once I finish. If you would like to know more about this research, please contact me at the address indicated on the return envelope.

Thank you very much for your assistance and cooperation.

Sincerely,

Esther Chiu  
Graduate Student

## **Appendix B**

### **Cover Letter for Current Franchisees**



COLLEGE OF HUMAN RESOURCES

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

*Blacksburg, Virginia 24061-0429*

DEPARTMENT OF HOTEL, RESTAURANT & INSTITUTIONAL MANAGEMENT  
(703) 231-5515 · Facsimile (703) 231-7826 · Telex 9103331861

December 4, 1991

Dear Sir:

I am a graduate student in the Department of Hotel, Restaurant, and Institutional Management of Virginia Tech collecting data about restaurant franchisees to complete my Master's Thesis. Your name has been randomly selected from the Franchise Disclosure Offerings stating that you are currently a franchisee of a franchise system.

Please help me and take a few minutes to complete the enclosed questionnaire. The questionnaire contains questions regarding you and your franchisor's relationship. Once completed, please return the questionnaire to Virginia Tech in the enclosed postage-paid envelope. These data will be used solely for the purposes of research and all information received in this study will be held in strict confidence. Also no individual respondent will be identified since the data will be used in a collective form.

Your participation in this study is greatly appreciated and will provide significant contribution to research in the restaurant franchise industry. If you can enclose your business card with the filled-out questionnaire, I will be glad to provide a summary of my findings once I finish. If you would like to know more about this research, please contact me at the address indicated on the return envelope.

Thank you very much for your assistance and cooperation.

Sincerely,

Esther Chiu  
Graduate Student

## **Appendix C**

### **Questionnaire for Terminated Franchisees**

**IMPORTANT:** This questionnaire contains questions related to the franchise system of \_\_\_\_\_

**Section I: General Information**

1. What best described the franchise operation you have/had with this franchise system?  
 Area franchise developer                       Both  
 Individual franchisee                               Other (please specify \_\_\_\_\_)
  
2. Which of the following best describes the situation of your termination or non-renewal? (please check one)  
 Termination by me  
 Termination by the franchisor  
 Termination by mutual agreement  
 End of the contract agreement, not renewed by me  
 End of the contract agreement, not renewed by the franchisor  
 End of the contract agreement, not renewed by mutual agreement  
 Other (Please specify \_\_\_\_\_)
  
3. How many units were involved in the contract termination or non-renewal ? \_\_\_\_\_
  
4. How many units do you have now ? \_\_\_\_\_
  
5. Which of the following best describes the reasons for the ending of the contractual relationship?  
 (check all that apply)  
 Unable to meet the quality standards                       Noncompliance with the operation manual  
 Non-payment of fees or costs                                       Fail to pass or provide training program  
 Financial failure, bankruptcy, insolvency                       Franchisor's decision to withdraw from the market area  
 Death or disability     Fail to meet development quota of franchise business  
 Other (please specify \_\_\_\_\_)
  
6. What happened to the unit(s) you owned after termination or non-renewal? (check all that apply)  
 Permanently closed     Sold to franchisee(s) under the same franchise system  
 Reacquired by the franchisor     Converted to another of your own concept  
 Converted to another franchise concept                               Don't know  
 Other (Please specify \_\_\_\_\_)
  
7. After the termination or non-renewal, do you still have any franchise agreement(s) with this franchise system?  
 YES     NO
  
8. How long have/had you been a franchisee with this franchise system ? \_\_\_\_\_ Years
  
9. On a five-point scale, how would you rate your franchisor's handling your termination or non-renewal process?  
 Fair 1      2      3      4      5      Unfair
  
10. What is your plan for the next five years ? (check all that apply)  
 Invest more on expansion with the same franchisor  
 Invest in other franchise organizations  
 Terminate or not renew more units with current franchisor  
 Stay put, make no more investment and hang on to current operation  
 Invest in other non-franchise businesses  
 Retire  
 Other (please specify \_\_\_\_\_)

**Section II: Satisfaction Information**

11. Please circle the appropriate response (on a five-point scale) to the following questions relating to the terminated or non-renew franchise system previously mentioned. Please try to refer your feelings prior to the termination or non-renewal incident.

1	2	3	4	5	N/A
<b>STRONGLY DISAGREE (SD)</b>	<b>DISAGREE (D)</b>	<b>NEITHER AGREE NOR DISAGREE (NAD)</b>	<b>AGREE (A)</b>	<b>STRONGLY AGREE (SA)</b>	<b>NOT APPLICABLE (N/A)</b>

		SD	D	NAD	A	SA	
11-1	<i>The overall relationship between me and the franchisor was very satisfying.....</i>	1	2	3	4	5	N/A
11-2	<i>In my opinion, the advertising fees charged by this franchise organization were reasonable in comparison with those fees charged by other franchise organizations.....</i>	1	2	3	4	5	N/A
11-3	<i>I think the territorial restrictions set in the contract agreement were unreasonable.....</i>	1	2	3	4	5	N/A
11-4	<i>Overall, the contractual arrangement gave the franchisor a better position legally and economically.....</i>	1	2	3	4	5	N/A
11-5	<i>The various training programs provided by the franchisor were satisfactory .....</i>	1	2	3	4	5	N/A
11-6	<i>This franchise organization has assumed a positive role in the industry with regard to developing and delivering the most competitive products.....</i>	1	2	3	4	5	N/A
11-7	<i>The financial benefits I received from being a franchisee of this franchise organization were satisfactory.....</i>	1	2	3	4	5	N/A
11-8	<i>The franchisee advisory committee played an important role in mediating the franchisor and the franchisees.....</i>	1	2	3	4	5	N/A
11-9	<i>Having been a franchisee of this franchise organization has helped me in achieving a better status in the industry.....</i>	1	2	3	4	5	N/A
11-10	<i>The initial franchise fees assessed by this franchise organization for obtaining a new franchise are too high in comparison to those charged by other franchise organizations.....</i>	1	2	3	4	5	N/A
11-11	<i>My franchisor often ignored my suggestions and complaints.....</i>	1	2	3	4	5	N/A
11-12	<i>The amount paid to the franchisor for the national advertising program was too much.....</i>	1	2	3	4	5	N/A
11-13	<i>The franchisor made every effort to make me feel that I was a valuable member of this franchise operation.....</i>	1	2	3	4	5	N/A
11-14	<i>When I needed advice, the franchisor was always available for me....</i>	1	2	3	4	5	N/A
11-15	<i>I had confidence in the fairness and honesty of the management of this franchise organization.....</i>	1	2	3	4	5	N/A

	SD	D	NAD	A	SA	
11-16 The benefits I derived directly from being a franchisee in this franchise system were more than adequate to justify the costs of the franchise membership.....	1	2	3	4	5	N/A
11-17 The centralized purchasing arrangement of this franchise operation was unreasonable.....	1	2	3	4	5	N/A
11-18 I felt restricted by the franchisor in making my own decisions about my operations.....	1	2	3	4	5	N/A
11-19 The franchisor did not offer adequate on-going services after the opening period.....	1	2	3	4	5	N/A
11-20 The franchisor representative communicated with me often.....	1	2	3	4	5	N/A
11-21 This franchise system provided good site selection.....	1	2	3	4	5	N/A
11-22 The overall franchise fee structure within this franchise arrangement was relatively fair compared with other restaurant franchise organizations.....	1	2	3	4	5	N/A
11-23 This franchise system did not provide me with adequate management supports (inventory control, bookkeeping system, operating manuals).....	1	2	3	4	5	N/A
11-24 I was proud to be a member of this franchise organization.....	1	2	3	4	5	N/A
11-25 The franchisor representative did a good job in helping my unit(s) develop potential sales.....	1	2	3	4	5	N/A
11-26 This franchisor asked for my opinion and suggestions and tried to use them.....	1	2	3	4	5	N/A
11-27 If I have the chance to do it all over again, I would still choose this franchise system over others.....	1	2	3	4	5	N/A

**Section III: Demographic Information**

12. Your gender:  Female  Male

13. What year were you born ? 19 \_\_\_\_\_

14. Please indicate the highest level of education that you have completed.

Some high school       High school graduate       Some college  
 College graduate       Graduate School       Other

15. How many years of business experiences in general \_\_\_\_\_ years

How many years of business experiences in franchising \_\_\_\_\_ years

**Thank you very much for your opinion and time.  
 Your promptness in returning the questionnaire will be greatly appreciated.**

## **Appendix D**

### **Questionnaire for Current Franchisees**

**IMPORTANT:** This questionnaire contains questions related to the franchise system of \_\_\_\_\_

**Section I: General Information**

1. What best describe the franchise operation you have with this franchise system? (please select one)
  - Area franchise developer
  - Individual franchisee
  - Both
  - Other (please specify \_\_\_\_\_)
2. How many operating units do you currently have under this franchise system ? \_\_\_\_\_
3. How long have you been a franchisee with this franchise system ? \_\_\_\_\_ Years
4. What is your plan for the next five years ? (check all that apply)
  - Invest more on expansion with this franchisor
  - Invest in other franchise organizations
  - Terminate units with current franchisor
  - Not renew expired franchise contract with current franchisor
  - Stay put, make no more investment and hang on to current operation
  - Invest in other non-franchise businesses
  - Retire
  - Other (please specify \_\_\_\_\_)

**Section II: Satisfaction Information**

5. Please circle the appropriate response (on a five-point scale) to the following questions regarding your current franchise operation.

1	2	3	4	5	N/A
STRONGLY DISAGREE (SD)	DISAGREE (D)	NETHER AGREE NOR DISAGREE (NAD)	AGREE (A)	STRONGLY AGREE (SA)	NOT APPLICABLE (N/A)

	SD	D	NAD	A	SA	
5-1 <i>The overall relationship between me and the franchisor is very satisfying.....</i>	1	2	3	4	5	N/A
5-2 <i>In my opinion, the advertising fees charged by this franchise organization are reasonable in comparison with those fees charged by other franchise organizations.....</i>	1	2	3	4	5	N/A
5-3 <i>I think the territorial restrictions set in the contract agreement are unreasonable.....</i>	1	2	3	4	5	N/A
5-4 <i>Overall, the contractual arrangement gives the franchisor a better position legally and economically.....</i>	1	2	3	4	5	N/A
5-5 <i>The various training programs provided by the franchisor are satisfactory.....</i>	1	2	3	4	5	N/A

	SD	D	NAD	A	SA	
5-6 This franchise organization assumes a positive role in the industry with regard to developing and delivering the most competitive products.....	1	2	3	4	5	N/A
5-7 The financial benefits I receive from being a franchisee of this franchise organization are satisfactory.....	1	2	3	4	5	N/A
5-8 The franchisee advisory committee plays an important role in mediating the franchisor and the franchisees.....	1	2	3	4	5	N/A
5-9 Being a franchisee of this franchise organization helps me in achieving a better status in the industry.....	1	2	3	4	5	N/A
5-10 The initial franchise fees assessed by this franchise organization for obtaining a new franchise are too high in comparison to those charged by other franchise organizations.....	1	2	3	4	5	N/A
5-11 My franchisor often ignores my suggestions and complaints.....	1	2	3	4	5	N/A
5-12 The amount paid to the franchisor for the national advertising program is too much.....	1	2	3	4	5	N/A
5-13 The franchisor makes every effort to make me feel that I am a valuable member of this franchise operation.....	1	2	3	4	5	N/A
5-14 When I needed advice, the franchisor is always available for me.....	1	2	3	4	5	N/A
5-15 I have confidence in the fairness and honesty of the management of this franchise organization.....	1	2	3	4	5	N/A
5-16 The benefits I derive directly from being a franchisee in this franchise system are more than adequate to justify the costs of the franchise membership.....	1	2	3	4	5	N/A
5-17 The centralized purchasing arrangement of this franchise operation is unreasonable.....	1	2	3	4	5	N/A
5-18 I feel restricted by the franchisor in making my own decisions about my operations.....	1	2	3	4	5	N/A
5-19 The franchisor offers adequate on-going services after the opening period.....	1	2	3	4	5	N/A
5-20 The franchisor representative communicates with me often.....	1	2	3	4	5	N/A
5-21 This franchise system provides good site selection.....	1	2	3	4	5	N/A
5-22 The overall franchise fee structure within this franchise arrangement is relatively fair compared with other restaurant franchise organizations.....	1	2	3	4	5	N/A
5-23 This franchise system does not provide me with adequate management supports (inventory control, bookkeeping system, operating manuals).....	1	2	3	4	5	N/A

	SD	D	NAD	A	SA	
5-24 I am proud to be a member of this franchise organization.....	1	2	3	4	5	N/A
5-25 The franchisor representative does a good job in helping my unit(s) develop potential sales.....	1	2	3	4	5	N/A
5-26 This franchisor asks for my opinion and suggestions and tries to use them.....	1	2	3	4	5	N/A
5-27 If I have the chance to do it all over again, I would still choose this franchise system over others.....	1	2	3	4	5	N/A

**Section III: Demographic Information**

6. Your gender:     Female     Male

7. What year were you born ?    19 \_\_\_\_\_

8. Please indicate the highest level of education that you have completed.

Some high school             High school graduate             Some college  
 College graduate             Graduate School             Other

9. How many years of business experiences in general    \_\_\_\_\_ years  
How many years of experiences in franchising    \_\_\_\_\_ years

**Thank you very much for your opinion and time.  
Your promptness in returning the questionnaire will be greatly appreciated.**

## VITA

Esther Yi-Chih Chiu, Daughter of Helen and Hua-Ku Chiu, was born on December 3, 1965 in Kaohsiung, Taiwan. She completed her high school education at Gingmei Senior High School, Taipei, Taiwan. She passed the National College Entrance Examination and attended Fu-Jen Catholic University in the foodservice program of the Department of Home Economics where she received a Bachelor in Science.

In August 1988, she entered the graduate school at Virginia Polytechnic Institute and State University to study for a Master of Science in Hotel, Restaurant and Institutional Management. Her major area of research is franchising. While working on her master degree, she has engaged in various research projects for companies in the hospitality industry.

Esther Yi-Chih Chiu