The determinants of franchise brand loyalty in B2B markets: An emerging market perspective

Munyaradzi W. Nyadzayo\textsuperscript{a*,b}, Margaret J. Matanda\textsuperscript{b}, Rajesh Rajaguru\textsuperscript{c}

\textsuperscript{a} University of Wollongong in Dubai, Department of Business and Management, Block 15, Knowledge Park, Dubai, United Arab Emirates
\textsuperscript{b} The University of Sydney Business School, Room 4048, 170 - Abcrombie Building, NSW 2006, Australia
\textsuperscript{c} Australian Institute of Business, 27 Currie Street, Adelaide, South Australia 5000, Australia

\textbf{ARTICLE INFO}

Keywords:
B2B brand loyalty
Emotional brand attachment
Franchisor competence
Level of information sharing
Relationship value
Emerging markets

\textbf{ABSTRACT}

Brand loyalty remains a salient measure of brand success in business-to-business (B2B) markets, yet the drivers of B2B brand loyalty vary from one context to another. While global franchising is accepted as a major entry mode into emerging markets, limited research has focused on the drivers of franchise brand loyalty in emerging markets. This study advances a nomological network model of the determinants of franchise brand loyalty in an emerging market. The hypotheses were tested from the franchisees’ perspective using survey data from Indian franchises. The respondents were selected using stratified random sampling based on geographic location and industry type. The findings indicated that perceived franchisor competence and the level of information sharing play key roles in influencing franchisees’ emotional brand attachment and perceived relationship value, which in turn enhance brand loyalty. Theoretical and practical implications as well as future research directions are discussed.

1. Introduction

The combined gross domestic product (GDP) of the eight largest emerging economies is projected to equal or surpass that of the eight largest advanced economies by 2025 (World Bank, 2011). Emerging markets are among the fastest growing in the world, attracting more than half (56%) of global foreign direct investment (FDI) (UNCTAD, 2015). The saturation of retail markets in most developed markets such as the USA, Canada and parts of Europe is driving global brands to seek growth in emerging markets such as India (Welsh, Alon, & Falbe, 2006). In fact, India is expected to become the world’s third largest consumer market by 2020 (Boumphrey, 2010), making it one of the most preferred destinations for FDI. The Indian franchising sector in particular is thriving and contributes approximately 4% to the GDP, and it is estimated that this will increase to 30% by the end of 2017 (FAI, 2016).

The liberalization and deregulation of most emerging markets such as India has also intensified competition levels, thus signaling the need for firms to search for new sources of competitive advantage (Kumaraswamy, Mudambi, Saranga, & Tripathy, 2012). In franchising, for instance, given that the brand is central to the franchise relationship, understanding what engenders franchisees’ brand resonance and patronage is crucial in enhancing brand value (Badrinarayanan, Suh, & Kim, 2016). However, despite the recognized importance of franchising in emerging markets (Xiao, Neill, & Wang, 2008) there is limited empirical research that examines the salient drivers of brand loyalty in business-to-business (B2B) markets. Also, there is limited research that captures the perspective of emerging market customers in India (Jaikumar & Sarin, 2015; Singh, Bakshi, & Mishra, 2015), especially in B2B branding (Sheth & Sinha, 2015).

Extensive research, mostly from developed countries, highlights the importance of brand loyalty in B2B markets (e.g., Nyadzayo, Matanda, & Ewing, 2016; Pedeliento, Andreini, Bergamaschi, & Salo, 2016; Rauryuen & Miller, 2007). Brand loyalty is an important measure of firm performance, especially in emerging markets where firms operate in highly vulnerable and locally sensitive markets (Nguyen, Barrett, & Miller, 2011; Sheth, 2011). Extant research suggests that strong brands and effective B2B relationships are the key drivers of firm competitiveness (Webster, 2000), brand equity (Wong & Wickham, 2015) and brand loyalty (Nguyen et al., 2011) in emerging markets. However, the current knowledge of marketing and brand management is mostly grounded in Western countries’ perspectives (Sheth, 2011), and there is limited research on B2B branding in emerging markets (Biggemann & Fam, 2011; Gupta, Balmer, & Low, 2015; Sheth & Sinha, 2015). Moreover, Badrinarayanan et al. (2016, p. 3943) stated that “...very little is known about the cultivation of brand-centric relationships among franchisees...” in emerging markets. There have also been...
further calls to explore franchise brand relationships in emerging markets (Gupta et al., 2015; Nyadzayo et al., 2016).

Firms that adopt a franchising business model generally generate higher revenues and profits than non-franchised businesses (Young, 2010). However, the unique characteristics of emerging markets present some challenges, which include (i) faith-based socio-political institutions that are strongly driven by public policy, (ii) a lack of infrastructure and chronic shortages of resources, and (iii) intense competition from unbranded products/services (Sheth, 2011). Moreover, the motives of franchisees could be opportunistic, thereby exposing the franchise brand to unforeseeable risks (Gassenheimer, Baucus, & Baucus, 1996). This is plausible in emerging markets where franchisees might focus on acquiring short-term profits in the quest for mere survival. Thus, many principles that are central to marketing (such as market orientation, brand relationships, brand equity and brand loyalty) may be at odds with the realities of such markets (Sheth, 2011). However, limited research explains how mutually beneficial B2B relationships and firm resources contribute to branding outcomes such as brand equity (Gupta et al., 2015) and brand loyalty (Heinberg, Ozkaya, & Taube, 2016).

Therefore, the main purpose of this study is to advance a nomological network model of the key determinants of brand loyalty in a franchisor-franchisee relationship in emerging markets. More specifically, this study examines the transaction-specific perceptions of franchisor competence and the franchisor's level of information sharing as key factors that influence attitudinal outcomes such as franchisee's emotional brand attachment and perceived relationship value that in turn drive brand loyalty. This study contributes to the literature on franchising, B2B and, in particular, emerging markets, in three specific ways. First, this study responds to the calls for more research to enhance the understanding of the role of brand-centric relationships in B2B franchising (Badrinarayanan et al., 2016; Nyadzayo et al., 2016; Singh & Venugopal, 2013). Second, most of the prior research has examined the franchisor-franchisee relationship from the franchisor's perspective (Dant, 2008). This study addresses this gap by considering the drivers of brand loyalty from a franchisee's perspective as little is known about franchisees' interpretations of the franchise relationship or their perspective on franchises brands. Finally, Western-based theories have dominated the marketing literature in general and more specifically in the areas of B2B branding (Dant, Grünhagen, & Windsperger, 2011) and franchising (Grünhagen & Dorsch, 2003; Weaven, Grace, Frazer, & Giddings, 2014). Therefore, research on franchise branding in emerging markets such as India can contribute to theory development and managerial practice by providing context-specific and germane theoretical frameworks that can help inform both franchisors and franchisees on how to leverage brand relationships to enhance brand loyalty.

2. Research background

2.1. B2B branding in emerging markets

The fast growth of the GDP in emerging economies has provided opportunities for global brands and a favorable atmosphere in which to operate (Keller & Moorthy, 2003). However, given the diversity in culture, physical infrastructure, political and socio-economic environment, each emerging market poses context-specific challenges to the global brands operating in those markets (Sheth & Sinha, 2015). Managing a B2B brand is particularly difficult in emerging markets as operating a business in socio-economically and ecologically vulnerable areas is challenging (Sheth, 2011; Sheth & Sinha, 2015). Additionally, B2B firms face brand development challenges as a result of the regulations and restrictions imposed by federal and local governments as well as community perception (Beverland, Napoli, & Lindgreen, 2007). Dawar and Chattopadhyay (2002) suggest that low income, income disparities, and cheap labor have a significant impact on a firm's marketing mix and require close scrutiny when operating in emerging markets. Major brands such as McDonalds and KFC have at times faced issues of overpricing in emerging markets, which influences their products' affordability for local consumers (Keller & Moorthy, 2003). The complexity of such a business environment is further exacerbated by the fact that most businesses pay limited attention to branding due to the belief that industrial buyers are not affected by emotional, brand-related values (Leek & Christodoulides, 2011). As a result, there is an apparent need for empirical research focusing on B2B branding in emerging markets (Sheth & Sinha, 2015).

2.2. Franchising in India

India's open foreign investment policy and the rise of a large upper middle-class have resulted in the creation of new markets for branded products and services (Sheth, 2011). Consequently, India has become one of the most preferred destinations for foreign investors, particularly for franchising, which is the second fastest growing industry in the country and contributes approximately 4% of GDP and expected to employ approximately 11 million people by 2017 (FAI, 2016). India's growing population, lower operating expenses, the expanding upper-middle-class market and less complex business laws provide a viable market for franchise businesses (Michaelidou, Siamagka, & Christodoulides, 2011). For these reasons, franchising is rapidly growing in India and attracting both domestic and international brands. Approximately 3200 businesses in India operating in the food, beverage, retail, oil, automotive, health and wellbeing, and consumer service sectors, among others, have adopted the franchising business model (FAI, 2016). However, franchising is a nascent trend in India that is still growing, and most of the investments are targeted at recruitment and sales, unlike Western countries where the focus is mainly on the franchisee role in increasing profitability and brand loyalty (Fil, 2016). Thus, India presents an appropriate context for more empirical work that can help to shed light on how to enhance franchise brand loyalty.

3. Literature review and hypothesis development

3.1. Perceived franchisor competence

Franchisor competence is at the core of franchising success as it improves franchisees' ability to provide necessary support and guidance to franchisees (Lim & Frazer, 2000). Prior research has found that positive franchisee behavioral outcomes are a result of the continual competence-based support provided by franchisors through training, operational, knowledge, and marketing support (Morrison, 1996). Communication skills, people- and conflict-handling skills, a strong work ethic and a strong commitment to the business are the key competences that franchisors need to be able to provide the support required by franchisees (Lim & Frazer, 2000). In addition, Wong and Wickham (2015) identified financial capital, relationships, operation management, brand reputation and human capital as key competences that facilitate the establishment of brands and brand equity in emerging markets.

Generally, perceived franchisor competence can promote positive attitudinal and behavioral outcomes in franchisees. While franchisees' behavioral outcomes are reflected through the repeated purchase of a brand (Assael, 1998; Chaudhuri & Holbrook, 2001), attitudinal outcomes lead to brand attachment and commitment (Tuškoj, Golob, & Podnar, 2013). Competence-based franchisor support contributes to the development of a franchise relationship (Grace, Frazer, Weaven, & Dant, 2016) and franchisees' attachment to the franchise brand (Doherty, Chen, & Alexander, 2014). Moreover, Roh and Yoon (2009) emphasized the need for franchisors to provide adequate support to franchisees, as continuing support leads to franchisee commitment and a sustainable franchise relationship.
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات