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SUCCESS FACTORS FOR FRANCHISE BUSINESS MODELS IN SOUTH AFRICA

By

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SHORT DISSERTATION

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Abstract

This study explored the factors that influence the development of successful franchise business models in South Africa. The study uncovered factors that facilitate and impede the success of home-grown franchises in South Africa to compete globally. A total of ten participants in the franchise industry were selected for the study, and a self-administered questionnaire with twelve open-ended interview questions was used to collect qualitative data. Latent thematic and inductive analyses revealed themes and sub-themes in the collected data. Deductive templates of codes and driven induction led to the identification of various themes and sub-themes. These themes and sub-themes revealed factors that can lead to the development of a successful franchise business model in South Africa.

The findings revealed that most of the participants (managers and entrepreneurs) were aware of crucial factors that define a successful franchise business model and showed their ability to assess successful franchise business models. The following factors were identified for assessing the franchise business model: market share, branding, revenues, profitability, and sales. Successful and highly ranked franchise firms scored highly on these factors, according to the participants. The following were identified as impacting successful franchise business model development in South Africa: E-hailing, which has reduced entry barriers; digital marketing platforms, which provide misleading information; and load shedding, which affects operating hours. This study found that franchisors and franchisees face several challenges within certain FFRs, including high franchise fees and ongoing royalties paid by franchisees, inadequate moral and technical support from franchisors, and exploitation by franchisors. These factors lead to poor FFRs, which damage trust and franchisee profitability models.

Finally, the study recommends the following as important aspects in order to design effective food franchise business models for the South African market: Proper market research on prospective franchise models before launch, avoiding hasty franchisee outlet growth, staying friendly with franchisors (FFRs), specialisation in menus and service delivery, effective supply chain management and product differentiation (avoid copying what is already existing in the market can lead to business model failure).

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Keywords

Agency Theory, Franchise-Based Brand Equity (FBBE), Leader Member Exchange (LMX), Leveraged Growth Theory, and Resource Scarcity Theory.

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List of Acronyms

Acronym	Meaning
FASA	Franchise Association of South Africa
IFA	International Franchise Association
FDD	Franchise Disclosure Document
LMX	Leader Member Exchange (LMX) Theory
SDGs	Sustainable Development Goals
GT	Grounded Theory
WFC	The World Franchise Council
GDP	Gross Domestic Product
UN	United Nations
SGDs	Sustainable Development Goals
RDP	Rural Development Programme
NDP	The National Development Programme
KFC	Kentucky Fried Chicken
FBBE	Franchise-Based Brand Equity
TCE	Transactional Cost Economics
USA	United States of America

CHAPTER 1: INTRODUCTION

1.1 Statement of Purpose

The study analysed factors leading to the formation of a successful home-grown franchise model that can compete globally.

1.2 Background of the study

The concept of franchising, in its most basic form, has existed for quite some time. Since the late 19th-century, business strategies based on franchises have developed into the mainstream after enduring many changes (LeBrun, 2020). These models were popularised mostly by entrepreneurs and organisations from the United States of America (USA). The franchise business sector is a key player in many global economies of the 21st-century. The franchise business sector has a lower failure rate of 10% as opposed to the 90% experienced by other models (FASA, 2023). Various franchises—at local, national, and international levels—provide drivers for economic, social, infrastructure, and institutional development (Bevis, 2019; Lanchimba et al., 2021).

The franchise business has evolved into a well-established sector that is worth multiple billions of dollars and has a significant presence around the globe. South Africa is a home to 813 franchises that collectively operate in 47,923 locations and contributing 13.9% of the country's gross domestic product (GDP) and provide jobs for approximately 500,000 individuals (FASA, 2019). Olabanji et al., (2014) highlighted the South Africa's franchise sector distribution as follows:

- 20% are in the fast-food industry.
- 15% are in retail industry.
- 12% are in low-cost office and home services.
- 11% are in the childcare, education, and training industry.
- 8% are in the business-to-business industry.
- 7% are in the automotive industry.
- 5% are in other industries.

A franchise model comprises a business operator (franchisee) or operators (franchisees) running a business based on the business idea or model of a franchisor. A franchisor is

the owner of the business brand or model, whereas a franchisee is the licenced party that has bought franchise rights. The business arrangement between a franchisor and franchisees is called a franchisor– franchisee relationship (FFR) (Franchise Business Review, 2018). There are two main types of franchises that dominate the franchise industry (see table 1.1).

Table 1. 1: Types of Franchises

Franchise Type	Description
Product Distribution Franchise	The franchisee has rights to sell and sometimes assists in the distribution of a product manufactured by a franchisor. Examples: Pepsi, Coca Cola, and Car Dealerships.
Business format franchise	The franchisee has the right to manufacture, distribute, and sell trademark and brand products of the franchisor. Examples: Nandos, KFC, McDonald’s. This is the most popular form of franchise

Source: Author Derived (2023)

A franchise agreement must benefit both parties (franchisee and the franchisor). The FFR relationship is characterised by various roles and expectations from either party that can lead to mutual benefits. Legally binding franchise business contracts in South Africa are regulated by the following acts: Competition Act 89 of 1998; Consumer Protection Act 68 of 2008; and Companies Act 71 of 2008 (du Plessis, 2022; Lovell, 2019).

The above-mentioned acts require the two contracting parties (the franchisor and franchisee) to adhere to certain compulsory legal provisions. For instance, the franchisor must issue a Franchise Disclosure Document (FDD). The franchisor should give a franchisee an FDD at least 14 days before signing the contract. This document should stipulate conditions such as licence fees, operating costs, and planned performance outcome. In addition, the contract entered must indicate guarantees and protection for either party in clear terms or conditions.

Several franchise associations play oversight, ethical, and quality control roles. Asorpota (2014) and Karen (2017) discuss the formation of national and international franchise

associations that are mandated to facilitate franchise expansion, raise awareness, and oversee ethical issues. The following are examples of local and international associations: Franchise Association of South Africa (FASA), International Franchise Association (IFA), and World Franchise Council (WFC). Membership in the association is on a voluntary basis. Since there are no guarantees for success in franchising, there is a need to understand the success drivers to profitability in a franchise business model (Olabanji et al., 2014).

The franchise industry, here in South Africa or elsewhere in the world, is associated with factors that can either promote or hinder a franchisee’s profitability (Hizam-Hanafiah, Ghani, Isa, & Hamid, 2022). The pull and push factors that make a franchise model attractive or challenging for stakeholders in the franchise sector are listed in Table 1.2.

Table 1. 2: Pull and Push Factors of Factors of the Franchise Model

Pull Factors: The pros	Push Factors: The cons
<p>A. Franchisor</p> <ul style="list-style-type: none"> - convenient way of raising and accessing financial resources to drive expansion strategies; increase brand awareness, market penetration; product innovation; cover operating costs, etc., without losing control of business ownership or dealing with the pressure of being indebted through loans. 	<p>A. Franchisor</p> <ul style="list-style-type: none"> - risks of brand dilution if the franchisee cannot maintain high-quality standards - difficulties in dissolving a legally binding contract with a non-performing franchisee
<p>B. Franchisee</p> <ul style="list-style-type: none"> - Easy access to start-up capital, technical know-how, and support provided by franchisor - a high probability of success due to an established brand and market provided by the franchisor - lower input costs because of established supply chains 	<p>B. Franchisee</p> <ul style="list-style-type: none"> - little or no independence in terms of decisions regarding issues such as operating, marketing, advertising, and product innovations. - payments of franchise licences and ongoing royalties increase operating costs

Source: Adapted from Dube & Mara (2020); George (2017) & Goldberg (2023)

The FASA conducted a study on common challenges within the franchise industry. The challenges are summarised in Table 1.3 (The Franchise Association of South Africa, 2019).

Table 1. 3: Common Challenges of the Franchise Industry

No	Franchisor Challenge	Franchisee Challenge
1	Incompatible Franchisor– Franchisee Relationship (FFR) based on cost theory	Economic downturns and recessions
2	Challenges in retaining skilled staff and high staff turnover	Challenges in retaining skilled staff and high staff turnover
3	Recession and economic downturns	Geographical locations with a high concentration of similar franchise brands leading to increased competition, low customer retention rates, and revenues.
4	Inappropriate geographical locations for outlets, e.g., those widely dispersed from the franchisor’s head office	High operating expenses due to ongoing royalty fees, supply logistics, etc.
5	High rental costs for larger warehouses to store franchisee supplies	Product pricing and competition
6	Inability of Franchisees to maintain required product or Service Quality Standards	Risk of franchisor opportunism: franchisor strategies that harm the interests of a franchisee.
7	Risks of free riding by franchisee outlets	Adverse Selection and Moral Hazards
8	Adverse Selection and Moral Hazards	Unequal power balance
9	Resource Constraints	Signalling
10		Resource Constraints

Source: Adapted from the FASA (2019)

This study investigated factors that lead to the development of successful franchise business models in South Africa. A qualitative research methodology was used to explore

critical factors that impact the failure or success of local franchise businesses. The findings provide an in-depth understanding and insights that can be used by stakeholders in the franchise industry in South Africa to make informed decisions and strategies.

1.3 Context of the Study

The role of franchising in South Africa is significant. Various studies postulate the benefits of this economic sector. For instance, the sector provides entrepreneurship options among all social groups and is thus a viable strategy for economic growth, sustainable development, and the reduction of unemployment and poverty in South Africa.

Franchising is at the core of various economic sectors and activities in this country, especially in the urban areas of Gauteng, Kwa-Zulu Natal, the Western Cape, and the Free State province. These businesses add value across supply and logistic chains because many entrepreneurs have direct and indirect involvement in the primary production of raw materials, processing of semi-finished and finished products, retail services, and research activities.

However, as George (2017) posits, franchisors and franchisees operate in an environment with high failure rates. It has been shown that only 10% of franchise businesses survive beyond the first decade of operations in South Africa and elsewhere. This is in stark contrast to other forms of business. The proposed study investigated issues leading to successful business model which generate profitability in this important economic sector for all stakeholders. Therefore, the benefits associated with a franchising business cannot be under stressed.

1.4 Introduction to the Literature Review

The focus of the literature review was on business models, franchise models, factors that lead to the development of successful franchise models, existing theories that drive decisions in the franchise industry, grounded theories that will be constructed based on research findings, government regulatory frameworks, policies, acts, and franchise associations, franchise industry contributions towards South Africa's economy, Gross Domestic Product (GDP), and development strategies and initiatives such as the 2030 NDP, RDP, and the 2030 UN Agenda on Sustainable Development Goals (SDGs). Finally,

in the review, we pinpointed gaps in the current literature that relate to our research objectives.

- i. To outline the operational challenges encountered by franchisors in the franchise industry.
- ii. To identify franchisor factors that impact the profitability of franchise businesses.
- iii. To determine the challenges that franchisors experience with franchisees in the Franchisor– Franchisee Relationship (FFR).

The review in Table 1.4 is based on an analysis of various papers. The review has been arranged thematically, summarising and synthesising the literature findings and highlighting similarities, differences, and gaps in knowledge.

1.5 Gaps identified during literature review

1.5.1 Outline the operational challenges encountered by franchisors in the franchise industry

A literature review outlined some of the expected challenges that franchisors face as part of their ongoing relationship with franchisees (Le Brun, 2020; Dube & Mara, 2020). However, there are not many studies on the challenges potential franchisors face regarding developing successful and profitable franchise concepts and brands in South Africa or elsewhere.

1.5.2 Identifying factors that impact the profitability of franchise businesses

The sources that were interrogated during the literature mostly focussed on franchise rankings, earnings, GDP contributions, and market penetration in the USA, South Africa, and other parts of the globe (FASA, 2019 & 2021). None of these sources discuss factors that drive the profitability of established franchise businesses.

1.5.3 Determine the challenges that franchisors experience with franchisees in the Franchisor– Franchisee Relationship (FFR)

Many literature sources unpack details of what constitutes an FFR, theories behind FFRs, and legal aspects of FFRs (George, 2017). However, no studies have investigated this relationship in the context of franchise sectors and markets in South Africa or elsewhere.

Table 1. 4: Summary of the literature review

Theme	References	Article Name	Literature findings	Limitations
Factors contributing to a profitable franchise	(Aleksandar & Peric, 2017)	Money or Skills – what is more important – stories from Croatian franchisees	<p>Understanding what factors can be directly attributed to franchise business profitability is important. The various papers have highlighted the following:</p> <ul style="list-style-type: none"> • Several factors have been identified (Franchisors-related, franchisee-related, relationship, franchisor capabilities and external environment) as factors affecting franchise performance. • Although money is a critical requirement for a franchise business to start, it also requires skills from the entrepreneur to be profitable. • Relationship between the two parties is critical in the franchise business. 	<p>To this day, research has yet to be completed that fully addresses all the factors contributing to the franchise business's profitability. Factors such as market and environmental conditions have yet to be fully understood.</p> <p>Due to the nature of the studies conducted, the sample size presented a limitation due to the location and sector in which the study was conducted.</p>
	(Bui, Jambulingam, & Amin, 2022)	A literature review of franchisee performance: Insights for further research		
	(Hizam-Hanafiah, Ghani, Isa, & Hamid, 2022)	Critical Success Factors of Franchising Firms: A Study on Franchisors and Franchisees		
	(Flint-Hartle & de Bruin, 2011)	Franchising success: Insights from real estate brokerage		
	(Ghantous & Shobha S., 2018)	International franchising and performance: a		

		resource-based perspective		
Research theoretical framework for determining factors of profitable franchise business	(Li & Xia, 2019)	Franchise: A Literature Review and Directions of Future Research	<p>The theoretical framework in any research is fundamental for creating common variables in the field of study. The lack of a framework has resulted in the following challenges:</p> <ul style="list-style-type: none"> • The lack of a unified theoretical framework has resulted lack of understanding of critical factors affecting success or failure of the franchise business. • Studies identified different frameworks such as, interconnection with franchisees, constant innovation, agency theory, resources scarcity theory 	<p>Unified theoretical framework and literature on legal issues from a business perspective.</p> <p>Due to the nature of the studies conducted, the sample size presented a limitation due to the sector in which the study was conducted.</p>
	(Mani & Wathne, 2017)	Franchisor– Franchisee Bankruptcy and the Efficacy of Franchisee Governance		
	(Hizam-Hanafiah, Ghani, Isa, & Hamid, 2022)	Critical Success Factors of Franchising Firms: A Study on Franchisors and Franchisees		
The role of the franchisor in the enhancement of the	(Sun & Lee, 2019)	Competitive advantages of franchising firms and the moderating role of organizational	A franchise business must have a competitive advantage in the market to be profitable. Limited studies have shown how competitive advantage affects franchising business as follows:	The agency theory, which is a relationship-based theory, has noted that relationship is not the only factor contributing

franchise's competitive advantage		characteristics: Evidence from the restaurant industry	<ul style="list-style-type: none"> No evidence confirms that increased franchisor involvement enhances the franchise business's differentiation. 	to a profitable franchise business. Due to the nature of the studies conducted, the data selected presented a limitation due to the sector in which the study was conducted.
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Source: Author Derived (2023)

1.6 Problem Statement

Foreign-owned franchises dominates the South African franchise industry in almost all sectors. The likes of McDonald's, KFC, Pizza Hut, etc. dominate the restaurant sector; the filling station franchise sector has only one SA franchise (SASOL), and there is no SA car dealership franchise. According to Jacobs (2023), fewer than 10 home-grown franchises made it to the 2023 top 20 food franchises operating in South Africa. In contrast, the US market has the least penetration of foreign-owned franchises. A preliminary literature review revealed a gap in the factors leading to the development of successful and profitable home-grown franchises that can compete within local market niches or internationally. Despite South Africa's extensive experience in this economic sector, many new franchise entrants have difficulty breaking through the market to become attractive and lucrative. Domestically developed franchise models fail to successfully establish themselves against international franchise brands. A handful of local franchising business models are exceptions compared to the size of the market. The perception is that home-grown franchise models are poorly developed and have become less attractive, even locally in South Africa.

1.7 Research Questions

The following questions were addressed in this study:

- i. What factors can determine the development of successful franchises in South Africa?
- ii. What challenges do South African franchisors experience in local and international markets?
- iii. What challenges impact Franchisor– Franchisee Relationships (FFR) in South Africa?

1.8 Research Objectives

1.8.1 Primary Objective of the Research

The primary objective of this research was to evaluate factors leading to the development of successful franchise business models in South Africa to compete globally.

1.8.2 Secondary Objectives of the Research

The secondary objectives of the research are as follows:

- i. Explain the operational challenges encountered by franchisors in the franchise industry.
- ii. Determine the challenges that franchisors experience with franchisees in the Franchisor– Franchisee Relationship (FFR).

1.9 Rationale or (Justification) for the Study

The research findings filled the literature gaps on factors leading to the development of successful franchises in South Africa and provided an in-depth understanding and valuable insights into profitability drivers in the franchise industry's local context. The increased body of literature will allow stakeholders and managers to develop informed decisions and strategies to distinguish between success and failure for franchisors and franchisees.

In addition, the availability of well-researched information will encourage more entrepreneurs and investors to participate in franchise businesses and make meaningful contributions to South Africa's economic development. This increased participation will have implications and linkages on wider sustainable development strategies such as South Africa's National Development Plan 2030 and the United Nations (UN) 2030 Agenda on Sustainable Development Goals (SDGs).

1.10 Delimitations of the Study

The study focussed on a few sectors of the country's franchising industry. A study population drawn from franchisors (entrepreneurs and businesses) operating in large hubs of Johannesburg, Pretoria, Rustenburg, Mafikeng, and Bloemfontein etc., provided qualitative information required to answer the research questions the study was seeking to address. The logistical issues topped the delimitation of the study and seconded by manageability of accessing a large and geographically dispersed population of the franchising sector in South Africa.

1.11 Operational Definitions

A conceptual framework was adopted to gain an in-depth understanding and insights into factors that impact franchising successes and profitability in South Africa. The framework was used during the investigation of the literature review, data collection, and analysis sections. Table 1.5 summarises various terms, concepts, and theories that form this conceptual framework.

Table 1. 5: Definitions of terms and concepts

Term/Concept / Theory	Definition
Agency Theory	This is a concept or principle that oversees the business relationship between principals and agents. A franchisor is the principal, while a franchisee is an agent. This relationship is often associated with unequal power dynamics. For instance, in the Franchisor– Franchise relationship (FFR), the former is dominant, whereas the latter is weaker
Brand	An intangible business concept or idea that allows customers to recognise products or services offered by a business
Business Model	This is a business approach adopted by businesses aimed at creating, delivering, and adding value to customers and making profits.
Business Model Canvas	This is a tool that businesses can use to assess the effectiveness of a business model.
Resource Scarcity Theory	Situation whereby an organisation faces constraints on resources. This forces a business to embrace external sources of raising funds.
Franchise	A business model in which a franchisor grants a franchisee partially or whole rights to business operations
Leveraged Growth Theory	A business model whereby a resource-constrained business resorts to external means to reduce operating costs. For example, a franchisor selling franchisee rights.

Adverse Selection	A scenario where information asymmetry leads to the difference and accuracy of information possessed by two parties in a contract – that is, one party either has more or more accurate information while the other does not.
Moral Hazard	A situation whereby one business fails to act in good faith because it knows that the other business will absorb the economic consequences of their actions or behaviour. This is a common occurrence in the Franchisor–Franchisee relationship (FFR)
Signalling Theory	A form of strategic posturing whereby an organisation that is resource constrained creates an impression that says otherwise. For instance, a franchisor using revenues from franchise royalties to beef up its bottom line to attract more franchisees
Opportunism	Situation in strategies by one party in a contract disadvantages the others. A good example is a situation in which franchisors' decisions often hurt the interests of franchisees.
Free Riding Theory	A situation whereby a franchisee reduces costs associated with marketing, advertising, etc. because it is located close to outlets that are owned and run by a parent franchisor
Leader Member Exchange (LMX) Theory	This is a two-way dyadic relationship between a leader and his or her followers. A biased LMX can lead to negative impacts on a business or contract agreement in terms of trust, loyalty, turnover, job performance and satisfaction, morale, and cooperation.
Resource Constraints	Having little or inadequate resources to achieve planned organisational outcomes
Geographical Dispersion	FFR refers to a situation where franchisees are located far from a parent franchisor's head office.
Firm and Location Specific Theory	What drives decisions of a franchisor to either run an outlet or franchise it

Franchisor	A party that owns a franchise
Property Rights Theory	Collection of legal entitlements, privileges, and limitations that regulate the ownership and utilisation of tangible or intangible property and resources in any country.
Fiedler's Contingency Theory	The effectiveness of a leader or manager determines the specific business situations and the environment.
Franchisee	The party that buys franchise rights
Royalties	Ongoing fees paid by a franchisee to a franchisor
Trademark	A sign that distinguishes the goods or services of one producer from those of another
Brand Recognition	The extent to which consumers can identify a particular product or service by its logo, tag, packaging, etc.
Retention of the Customer	Increasing the business rate of repeat customers to extract additional value
Repeat Customers	A customer who purchases two or more products or services from the same seller or provider
Transactional Cost Theory or Transactional Cost Economics (TCE)	These are the costs that each player in market incurs but cannot recover.

Source: Adapted from Dube and Mara (2020); George (2017) and Mishra (2017)

1.12 Assumptions

These assumptions were investigated during the research:

- i. Franchisees prefer to locate their outlets next to those belonging to the same franchisor.
- ii. Franchisees locate outlets in areas with opportunities for free riding.
- iii. Franchisees prefer to buy local franchise brands over international ones.
- iv. More profitable franchise outlets are located near busy transport terminals or routes, shopping centres or malls.
- v. The restaurant and fast-food franchise sector is more profitable than the others.

- vi. Franchisors franchise outlets that are located far from their head offices whilst owning and running those nearby.
- vii. Franchisors make strategic decisions driven by opportunism regarding franchising policies.
- viii. South African franchisors are less competitive and profitable than international ones.
- ix. FFRs in South Africa are characterised by power imbalances that harm franchisees.

1.13 Theoretical Framework

This section covers the main relevant theories central to achieving research objectives and answering research questions during the proposed study. According to Dube & Mara (2020), Bui et al. (2022), Ghantos & Shobha (2018), Mishra (2017), and Vinz (2022), an effective evaluation of existing theories on franchising leads to insights into the drivers of franchisor strategic decisions and the dynamics of the Franchisor– Franchisee Relationship (FFR). Therefore, a thorough understanding of these firm-specific and location-specific theories is a priority for franchisors that want to maintain healthy bottom lines and competitiveness and minimise conflict with a franchisee network.

The proposed study thoroughly investigated the factors leading to the establishment of successful and profitable home-grown franchises in South Africa, table 1.9 shows the comprehensive theories that will be used as the basis for the study. The table thoroughly describes each theory, including its application and use. By utilising these theories, this study aims to better understand the challenges and opportunities presented by the franchise business model and identify potential areas for improvement.

Table 1. 6: Theories identified for the study

No	Theory	Theory Background	Application of theory in research
1	Agency theory (also known as Principal-Agent Problem)	<p>Dube & Mara (2020) define agency theory as the underlying principle that describes business partners’ interrelationships. The theory assumes that a principal and an agent often have conflicting motives and incentives. The franchisor– franchisee relationship (FFR), in which the former is a principal, has more autonomy, while the latter is an agent in a subordinate position. The power imbalance favours the franchisor when making strategic decisions on operations and maximising profits.</p> <p>In reaction to the challenges of being in dependent positions, less autonomy, and unfavourable bottom lines, some franchisees choose to resolve conflicts by terminating existing franchise contracts with parent franchisors or not renewing contracts. The termination or non-renewal of franchise contracts has costly repercussions for both franchisors and franchisees in terms of competitiveness, market share and penetration, bottom lines, and loss of invested capital eventually.</p>	<p>This theory will be relevant because it will help the researcher understand how Agency Theory impacts the establishment of successful and profitable home-grown franchises in South Africa. As posited by Grace, Frazer, Weaven, and Dant (2016), agency theory provides an effective option for overcoming resource constraints that many start-ups and entrepreneurs experience.</p> <p>However, there is a need to prioritise skills and knowledge training for all franchisee managers to mitigate agency-related challenges and problems that negatively impact the success and sustainability of</p>

			franchise business operations. In addition, franchisors are advised to clearly communicate business strategies to franchisees to eliminate or reduce costly misunderstandings in a franchisor– franchisee relationship (FFR).
2	Franchise-Based Brand Equity (FBBE)	<p>A franchise-based brand equity (FBBE) is a unique and intangible business concept, idea, or name that singles out a franchisor in a market and enables potential customers to recognise its products or services (Kenton, 2022 & Ghantous & Jaolis 2012). Those responsible for building franchise-based brand equity (FBBE) must avoid mixing this equity with marketing or promotional tools such as logos and slogans.</p> <p>Franchisors, therefore, must protect a brand or brands against copyright infringements or imitations by means of local and international trademark laws. Strong and recognisable brands are crucial assets that create value for stakeholders and boost sales of franchisee rights and franchise outlets' products and services within any market.</p>	The theory will provide insight into how well a maintained franchise brand equity contributes to the success and profitability of home-grown franchises in the franchise market and industry.

3	Geographical Dispersion Theory	<p>Mishra (2017) defines geographical dispersion as the physical distance between a business organisation's head office and its subsidiaries or branch offices. In the franchise business model, this refers to the distance between the parent franchisor's head office and the locations of its franchise outlets.</p> <p>The presumption is that geographical dispersion affects proximate and far-flung outlets differently. According to Landier et al. (2006), proximate franchise outlets enjoy more advantages than those located far from the parent franchisor's office. First, franchisors prefer to own and operate franchise outlets located nearby while franchising those far away to cut managerial and operating costs. The decision is strategic because it allows parent franchisors to avoid challenges common to franchise outlets in far-flung locations, such as low brand recognition, a high concentration of non-repeat customers, and lower demand. Second, the proximate outlets benefit more from the quality and frequent face-to-face interactions with supervisors and parent franchisors than those at a distance.</p> <p>Distance creates a bias regarding how the parent franchisor treats its outlets in the franchisor– franchisor relationship (FFR). Lastly, the location of outlets impacts the quality of employees working for franchises. Landier et al. (2006) maintain that franchise outlets near</p>	<p>The theory guided the researcher in investigating and gaining an understanding of how the geographical dispersion of franchise outlets affects the franchisor– franchisee relationship (FFR) and the development of profitable and successful home-grown franchises. In addition, the research study will investigate how franchisors and franchisees are capitalising on the proliferation of the Internet of Things and digital strategies to overcome challenges associated with geographical dispersion in the 21st century markets.</p>
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		head offices are more employee-friendly and are associated with higher levels of job security.	
4	Leader Member Exchange (LMX) Theory	<p>This is a two-way dyadic relationship between a leader and his or her followers. A biased and dysfunctional LMX can lead to formation of ‘in groups’ and ‘out groups’ within a partnership, and that can then impact a business in terms of trust, loyalty, turnover, job performance and satisfaction, morale, and cooperation.</p> <p>In a Franchisor– Franchisee Relationship (FFR), the franchisor is the leader of all franchisee outlets under a given brand. Dube & Mara (2020) & George (2017) argue that franchisors should strive for non-biased handling of franchisee outlets. Where there is unequal treatment and favouritism, an alienated ‘out group’ (franchisees that are treated unfairly in terms of resource support etc.) end up performing poorly and diluting a franchisor’s brand image in the market.</p>	The theory will assist the researcher in developing insight into franchise management and franchisor and franchisee relationships.

Source: Author Derived (2023)

1.14 Rationale of the Theories

There is much literature on franchising as a viable business model in global economies. The focus is mostly on issues such as business models in use; the historical background of the modern franchise business model, showing how the USA led the way; the evolution of franchises as key players in various global economies; the legislative frameworks that govern franchising in South Africa; various franchise associations; the competitiveness of the various franchise sectors and their contributions towards economic development; and deductive theories that underpin the concept of the franchise business model. However, some gaps in the literature are evident. Examples of these gaps relate to inadequate studies on the drivers of successful and profitable franchise concepts and brands in domestic markets, especially those from the developing world. There is a need to have more insights on this subject since it can be helpful to entrepreneurs and businesses that would like to start a franchise or franchise existing brands in a country like South Africa.

1.15 Research methods

The research methodology used for the study is briefly discussed here, including the research framework and study design. The research methodologies and techniques employed were crucial in providing answers to the research questions presented in Section 1.5 above.

1.15.1 Research Philosophies

Modern research procedures are based on many philosophical assumptions that guide data collection and study output. Modern research investigations follow a philosophical viewpoint, according to Creswell (2007) and Saunders et al. (2009). Research techniques involve paradigms and philosophical assumptions. Johnson & Christensen (2012) defined the research paradigm as a collection of common assumptions, beliefs, attitudes, concepts, and behaviours around knowledge generation. Research is knowledge development. New knowledge is created to solve a problem in an organisation or area (Creswell, 2014).

The research paradigm combines two notions about the world and researchers. It facilitates research. Research paradigms comprise methodologies and ideologies. This combination helps researchers comprehend and learn about their subjects. The research

paradigm combines two perspectives about the world and researchers. It aids in the study execution. Methods and ideologies constitute the research paradigm. This combination of studies helps a researcher grasp and understand the topic or phenomenon. This study discusses two philosophies: one for quantitative research and one for qualitative research. These are ontological and epistemological perspectives.

1.16 Research Approach

The proposed research used a qualitative research approach. The choice was suitable for exploring the various insights on factors and challenges that start-ups, businesses, and entrepreneurs should consider when developing franchise brands or concepts within the South African market context.

1.17 Research Design

Research design is a vital part of any study. It helps to turn an idea, interest, or question into a purposeful examination of a social or physical process. The research objectives and questions that were defined determined which research components were used in this study.

Hair, Bush, and Ortinau (2003) suggests that there are three main types of research designs that can be used to meet qualitative research objectives: exploratory, descriptive, and explanatory or causal research. Each design has its own unique strengths and can be used to gather different types of data. It is important to choose the right design for your research to ensure that you can effectively answer your research questions.

Exploratory research methodology was used for this investigation. This research design was employed because the researcher was unfamiliar with the problem. There was little or no historical data or few studies for comparison. Using formal qualitative research means an in-depth interview, which constitutes exploratory research (Pellissier, 2010). In addition, exploratory research was employed to gather background information, define terms, clarify issues, and establish research priorities (Mason, Augustyn & Seakhoa-King, 2010). Given the new nature of the franchise model and its associated risks in South Africa, the exploratory research design was applicable to this study.

1.18 Data collection methods

The research aims were to collect qualitative data on the key factors and challenges to be considered when developing successful franchises in South Africa. This was done using interviews to gather data and a combination of semi-structured and open-ended questions. These questions were communicated to respondents through an interview guide, either in person or virtually. Through this approach, the respondents' perspectives were explored on the various factors and challenges associated with the development of successful franchise brands and concepts within South African markets.

1.19 Population and Sample

1.19.1 Research Population

According to Bryman (2016), the term "population" refers to a set of components or instances that comply with specified criteria and to which it is intended to generalise the results of the study. In other words, a population may be considered as a sample group. It is possible that people, things, or even events fall under this category. The population of this research comprises all entrepreneurs, business leaders, and managers who are involved in the franchising industry as start-up or established franchisors in the South African market.

1.19.2 Sample size

The research utilised a non-probability sampling technique to select the sample. Non-probability sampling techniques include accidental sampling, purposive sampling, and quota sampling (Bloom & Trice, 2007). The researcher targeted franchise businesses using a judgement sampling technique to access information from the rich respondents. This cohort was chosen based on more information about the franchise business model, which was the focus of the research (Parahoo, 2006). Having a sample of twelve participants for the study guarantees that sufficient information will be collected to adequately address the research questions and increase the reliability and validity of the findings.

1.20 Procedure for data collection

The plan was to conduct interviews with sampled individuals face-to-face or virtually after obtaining relevant permission from the university. The responses were recorded

electronically and transcribed to ensure that all responses are recorded. Using interviews to gather data has the advantages of flexibility in allowing participants to provide precise, accurate, and high probability of collecting in-depth information. Conversely, interviews conducted face-to-face and virtually are cost-effective for accessing respondents in far-flung places because this was a self-funded study.

According to Saunders, Lewis, and Thornhill (2011), regardless of the research questions and objectives, the researcher must decide whether to use sampling. In certain situations, data can be collected from every conceivable case or constituent of the population; this practise is known as a census. Due to time, cost, and access limitations, it is often not possible to collect or analyse all the data available from every participant (Bryman, 2011). Therefore, sampling techniques must be used to reduce the quantity of data that a researcher must deal with by contemplating only data from a sample population, thereby making it manageable.

1.21 Data analysis strategies and interpretation

Data analysis refers to both the methodologies for and the process of data analysis. It can be defined as the transformation of unstructured data into valuable information (Brassington & Pettit, 2013). This research utilised thematic analysis. In qualitative research, thematic analysis is the most prevalent form of research analysis. According to Hanuman (2012), to draw conclusions, data obtained through interviews or secondary sources must be analysed. The analysis emphasised that the researcher perused through the collected data multiple times to become familiar with it. This allowed the researcher to identify, examine, and generate codes by (a) coding features of the data in a systematic manner, (b) collating/organizing data pertinent to each code, and (c) recording any emerging patterns or themes. The identified patterns across the collected datasets are important to the description of a phenomenon and are associated with a specific research question. The identified themes were color-coded and then interpreted.

1.22 Limitations and challenges of this study

The study findings considered limitations that impacted the study's context, validity, and credibility. These were:

- i. Logistic challenge in accessing all sampled individuals to complete the interviews, as this was self-funded research. The selection of information-rich samples from franchises based in urban centres was one way of overcoming this challenge.
- ii. A high rate of unanswered questions. Additional participants were identified and interviewed until a saturation point was reached.
- iii. Inability to get responses to certain sensitive questions due to issues of privacy or fear of being victimised. As part of ethical considerations, this research provided guarantees to respondents regarding the adherence to privacy and confidentiality of the gathered sensitive information.

1.23 Quality Assurance

Quality assurance is a procedure by which a researcher guarantees the validity and dependability of results (Costa, 2022 & Creswell, 2014). The following elements contribute to validity and reliability: trustworthiness, credibility, correctness, transferability, dependability, and reflection of findings. According to Lumsden (2022), identifying quality assurance in qualitative research studies can be difficult because of the many philosophical worldviews involved with this research style. Therefore, researchers are recommended to employ more flexible criteria for quality assurance. These quality assurance indicators were adhered to throughout the research process:

- i. Credibility aimed at collecting data that leads to trustworthy and credible findings.
- ii. Linkage and alignment of theories associated with franchising, research questions, sampling, data collection, and analysis methods.
- iii. Transferability of findings was assured 100% due to certain study limitations. The scope was narrowed down to a study group sampled from the food and restaurant, retail, and filling station franchise sectors in the urban hubs of provinces in South Africa due to logistic constraints.
- iv. Confirmability of collected data directly linked to findings.
- v. Dependability through a well-outlined research design and methodology that can be replicated by another researcher under similar conditions.

1.24 Ethical Consideration

Bhandari (2021) defines the concept of research ethical principles as a collection of guidelines for study designs and techniques. Scientists and researchers are required to

conduct themselves in accordance with a set of rules while collecting information from the public. Research conducted in academic and commercial contexts should adhere to the rules of ethical research.

The study considered various potential ethical issues, including the sensitivities of the situation and the dignity, emotions, rights, and well-being of the research participants. The following procedures were followed throughout the research to uphold ethical standards:

- i. Holding interviews at the participants' places of employment to avoid psychological injury and ensure participant comfort.
- ii. Explanation of the study's aims and importance in detail to participants.
- iii. Acquisition of approval from the participants' supervisors and informed and voluntary consent without coercion from all participants.
- iv. Participants were allowed to leave the study at any time without consequence because of this, and they did not have to worry about stress, anxiety, reputation, or job loss.
- v. Study participants were protected against dangers to health, discomfort, anxiety, harassment, invasions of privacy, humiliating behaviour, physical danger, pain, anxiety, harassment, invasions of privacy and demeaning conduct.
- vi. Guarantee of confidentiality and anonymity (this entailed hiding participants' identities and not utilising interview data without permission) in accordance with the Data Privacy and Protection Act of 1998 and the Protection of Personal Information Act (POPIA) 4 of 2014.
- vii. Avoiding unethical research practises such as coercion, fraud, falsification, lying, exaggeration, and plagiarism.

1.24.1 Permission to conduct the study

A research permission application was submitted to conduct the study. The researcher then requested that the subjects sign an informed consent form to participate in the research project. Participants had to choose whether to participate in studies that used interviews or other methods to collect information directly from them. It is common to obtain research authorisation for empirical studies or theses.

1.24.2 Informed consent

To obtain informed consent, potential research participants were informed of the study's objectives and their participation. For the research to be ethical, participants provided their informed consent. One typical method to obtain consent was to give a written permission document to prospective participants that contained all the necessary information (i.e., informed consent). The researcher then explained all participants how they could participate in the study to prevent misunderstandings and ensure ethical research procedures.

1.24.3 Voluntary participation

Participants were required to provide informed consent. For researchers to obtain people's compliance, they had to guarantee the safety of the study. This guaranteed that participants were aware of the potential dangers and thus thoughtfully and freely chose to participate in the study.

1.24.4 Confidentiality and anonymity

Personal information collected from human subjects was protected at all stages of the research process, including data collection, analysis, and reporting. The process of erasing or otherwise altering the personally identifiable information of participants is referred to as "confidentiality." Anonymity refers to the collection of data without using any personal information. In qualitative research, maintaining participant anonymity is less of a priority than maintaining participant confidentiality. In either scenario, the researcher collected data from those who participated in the study.

1.24.5 Data management

The researcher managed and protected personal data to fulfil all the requirements outlined in the Personal Data Act and the Data Protection Regulations. The protection of individuals' private information was a priority at every stage of the study design process. Before any processing of the participants' personal data may take place, the participants in the study were informed. a document that specifies how the handling and processing of personal data were carried out.

1.25 Structure of the dissertation

Below is an outline of the chapters that will comprise the final research:

- i. Chapter 1: Background of the study – Provides an introduction, purpose of the study, problem statement, motivation of the study, and objectives of the study.
- ii. Chapter 2: Literature Review – Provides detailed discussion of available published secondary literature related to the franchising industry in South Africa, and literature gaps identified.
- iii. Chapter 3: Research methodology-This chapter develops in detail the research methodology used in this study. This chapter explains the methodology used to collect data in detail, the selected design of the research, and the validity and ethical aspects of the research. The selected population sample and sampling frame used was discussed in detail.
- iv. Chapter 4: Presentation, analysis, and interpretation of quantitative and qualitative data. The collected data was sorted, organised, analysed and interpreted.
- v. Chapter 5: Discussion of findings – This chapter discusses the findings of the study and provided a platform for drawing conclusions.
- vi. Chapter 6: Conclusion - This chapter presents the conclusion of the research findings and provides recommendations based on the research findings.

1.26 Chapter conclusion

Chapter 2 presented the literature review in which the researcher explores the literature of the study in detail analyses the factors that leads to the formation of successful home-grown franchise models in South Africa that can compete globally.

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

Chapter 1 introduces the study by outlining the research background, research problem, significance, objectives, methodology, and data-gathering tools. The current chapter intends to examine the literature regarding theories related to franchise business models, empirical variables that underpin the study, and similar studies on franchising conducted in South Africa and other parts of the globe.

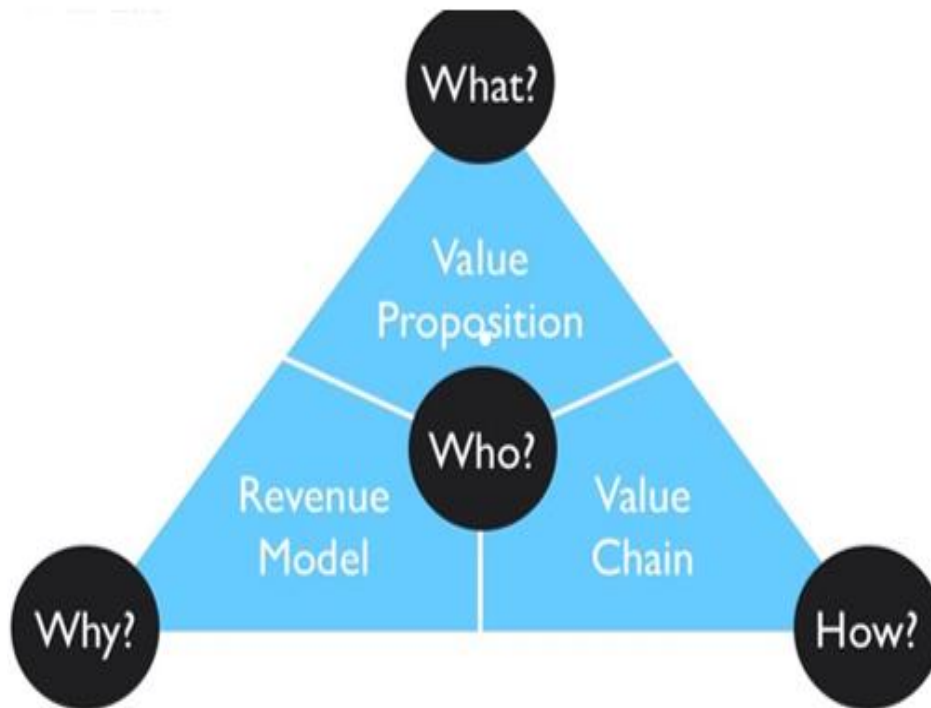
2.2 Business Models

2.2.1 Definition of the business model

A business model is an approach adopted by businesses aimed at creating, delivering, and adding value to customers and making profits (Becker, 2023 & Geissdoerfer, 2018). The business model outlines strategic adaptations to changes and products and service innovations that businesses must make regularly to remain competitive, relevant, and sustainable within a given market (see Figure 2.1). Effective business models enable entrepreneurs, business leaders, and managers to ask the following strategic questions:

- i. What value does a business offer to its customers?
- ii. Who are the target customers of a business?
- iii. How does a business create a value proposition?
- iv. Which factors better position a business model to generate revenues?

Figure 2. 1: Business Model



Source: Adapted from Markovi (2023)

2.2.2 Principles of the Business Model

Markovi (2023) notes that an effective business model must be underpinned by principles such as strategic questions, correct identification of target markets and customers, a well-outlined organisational mission and vision, expected value and benefits of products and services, and uniqueness. A lack of awareness of these principles by business leaders and managers increases the chance of adopting business models that can lead to drawbacks such as loss or shrinking of existing market share, revenues, and poor implementation.

Therefore, it is advisable to evaluate the effectiveness of business models regularly using tools such as the business model canvas (Alberdi, 2022). The business model canvas, a brainchild of Alexander Osterwalder, is an evaluation tool that businesses can use to assess the effectiveness of a business model. The various components of the canvas are summarised in Table 2.1.

Table 2. 1: Components of the business model canvas

Component	Description
Customer Segments	Identification of potential customers based on demographics, geography, gender, socioeconomic background, personality, etc.
Customer Relationships	Relationships of business staff with various customers; brand loyalty; sentimental attachment to products or services; strategies for attracting new customers, etc.
Channel	Various pathways of distributing and selling products or services to customers – physical or direct sales, online, social media, etc.
Value Proposition	Driven by the uniqueness of products and services in terms of customer experience and satisfaction, accessibility, convenience, user friendliness, pricing, etc., which gives a business a competitive edge over rivals.
Key Activities	Main business tasks performed by a business
Key Resources	Financial, human, technological, and infrastructure needed to perform key activities
Key Partners	Stakeholders from outside the crucial business for key activities
Revenue Streams	How a business generates revenue
Cost	Estimated costs of conducting key activities

Source: Adapted from Alberdi (2023)

Several business models are in use worldwide (Becker,2023 and Geissdoerfer, 2018). Examples of these are given in table 2.2 below:

Table 2. 2: Business Models

No	Business Model	Description
1	Bricks and clicks business model	This is a business model that utilises various digital platforms to sell products and services.
2	Collective Business Model	In this model, similar businesses pool resources to minimise costs and maximise profits.
3	Cutting the Middleman Business Model	A business eliminates the services of intermediaries in a supply chain to deal directly with its customers.
4	Direct Sales Business Model	Products or services are directly delivered to customers' homes
5	Franchise Business Model	This is a situation in which a franchisor grants a franchisee partially or whole rights to business operations.
6	Sourcing the Business Model	Targeted, systematic, and structured needs of a customer are aligned to a specific supplier or suppliers through equity partnerships, vested outsourcing, etc.
7	Freemium Business Model	This is a model whereby businesses sell certain basic products or services at high discounts or give them away as freebies but charge high prices for premium ones.
8	Pay as You Go	A model that allows consumers to pay for required products or services on a non-contractual basis.

9	Monopolistic Business Model	This cartel-like model is associated with little or no competition in the supply chain due to the dominance of large businesses.
10	Razor and Blade Business Model	This is a model whereby a business offers discounted or free products or services to customers to increase their sales.
11	Subscription Business Model	This model allows businesses to charge customers premiums in exchange for products or services.

Source: Author Derived (2023)

2.2.3 Business Model Effectiveness

A business model is a strategy that established businesses or start-ups adopt to sustainably compete, carve a niche within markets, and make money through the creation and delivery of value propositions for customers (Osterwalder, 2012). According to Sparviero (2019), business models allow managers and entrepreneurs to develop regular strategic adaptations in response to evolving market changes and product and service innovations.

Entrepreneurs and business managers should test the effectiveness of their choice of business through various tools and mechanisms. Examples of these are the Business Management Canvas (BMC), Lean Canvas, and Value Proposition Canvas. The tools mentioned above address strategic questions on the value businesses offer customers, identify customers based on their needs and characteristics, and create value propositions and factors that increase revenue generation. Alexander Osterwalder, along with Yves Pigneur, developed the Business Management Canvas (BMC) in 2005 (Carton, 2021). The Business Management Canvas (BMC) comprises nine components.

The other two canvases are adaptations of the Business Management Canvas (BMC). For instance, the Lean Canvas, created by Ash Maurya in 2010, is meant to assist start-up businesses in overcoming customer-related problems through a value proposition.

Maurya substituted 'Key Partnerships' of the BMC with 'Problem and Solution', 'Key Resources' with 'Key Metrics' and 'Customer Relationships' with 'Unfair advantages' (Maurya, 2010). The Value Proposition Canvas came up when Osterwalder expanded the 'Customer Segment' and 'Value Proposition' categories of the Business Model Canvas and reamed them 'Product / Service', 'Gain Creators' and 'Pain Relievers'.

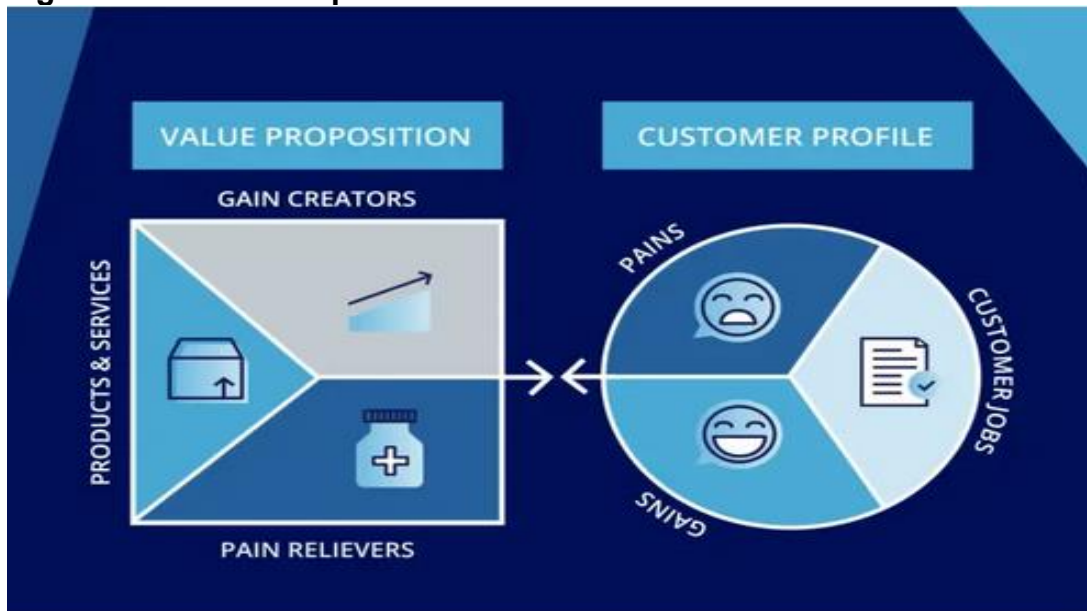
Therefore, based on recommendations provided by Carton (2021), South African franchisors and franchisees need to understand how certain critical components of the Business Management Canvas (BMC) – value proposition, revenue models (streams), value chain, and personality traits (customer segmentation) – can assist in the establishment of successful and sustainable home-grown franchise businesses.

2.2.4 Value proposition (VP)

Value proposition (VP) is a mixed marketing strategy that delivers measurable tangible and intangible benefits aimed at satisfying consumers differentiated current and future needs and wants (Kaplan et al., 2018). Lanning and Michaels proposed the concept of value proposition in 1988 to explain how consumers can value for money based on the criteria of quality and price of goods and services purchased.

The application of this concept (illustrated in Figure 2.2) enables franchise businesses to create value for consumers by focussing on certain aspects of infrastructure. Regarding infrastructure, the franchisor must prioritise identifying key activities and resources that are critical for driving efficient operations, affordable pricing of products or services, and effective business relationships with various suppliers and competitors in each market. With this infrastructure, franchise businesses can easily offer their customers a value proposition (VP) because of efficient operations, lower risks, and unique, convenient, user-friendly, and affordable goods and services.

Figure 2. 2: Value Proposition



Source: B2B International (2018)

2.2.5 Revenue Models and Streams

The concepts of revenue models and revenue streams are vital building blocks in any business model. Genadinik (2014) and Wagner (2023) posit that these two concepts are different but somehow interlinked. A revenue stream refers to a business' source of income from each customer category. In contrast, a revenue model is a business's framework or strategy to manage revenue streams and required resources.

Every business, such as franchisors and franchisees, must, therefore, identify a viable revenue model and stream or streams to follow to generate income from its customers. This entails making decisions at the onset of business operations on value to customers that purchase goods or services, price of goods or services, and potential or target customers in a market. Failure to do so often results in problems related to profitability and sustainability.

Established business organisations or start-ups can adopt one of the many types of revenue models available. Factors such as the business' core activities and production costs determine the revenue model or stream choice. On the other hand, the size of a business dictates its number of revenue streams (See table 2.3 below).

Table 2. 3 Summary of common revenue models in the franchise model

Type of Revenue Model	Description
Ad-Based Revenue Model	The ad-based revenue model sells advertising space on mostly digital platforms such as webpages and social media apps. Intending to generate income. There are four categories of this model, namely display, video, mobile and native, that use performance metrics to charge customers based on click-through rate (CTR), cost-per-click (CPC) and cost-per-impression (CPM), to mention a few. Despite being simple to be set up, this model is only profitable when a business has millions of customers.
Affiliate Revenue Model	Businesses make money by connecting customers to manufacturers or suppliers of goods or services in exchange for commissions. Amazon and Shopify are popular proponents of this model, making a lot of money. However, a business' size, product or service range, and target customers affect the model's success.
Transactional Revenue Model	The transactional revenue model is when a business sells its products or services directly or through digital platforms to customers. Customers find this model attractive because of the availability of options. The drawback of this model is that it is associated with high levels of competition and lower prices.
Subscription Revenue Model	Business organisations generate recurring revenues when customers pay for products or services over an agreed-upon period. The success of this model is driven by factors such as large customer bases, free trial of products or services, and difficulty cancelling contractual agreements.
Channel Sales (Indirect Sales) Model	Companies use agents to sell, distribute, or deliver products or services on their behalf. This model is ideal for virtual products or services.

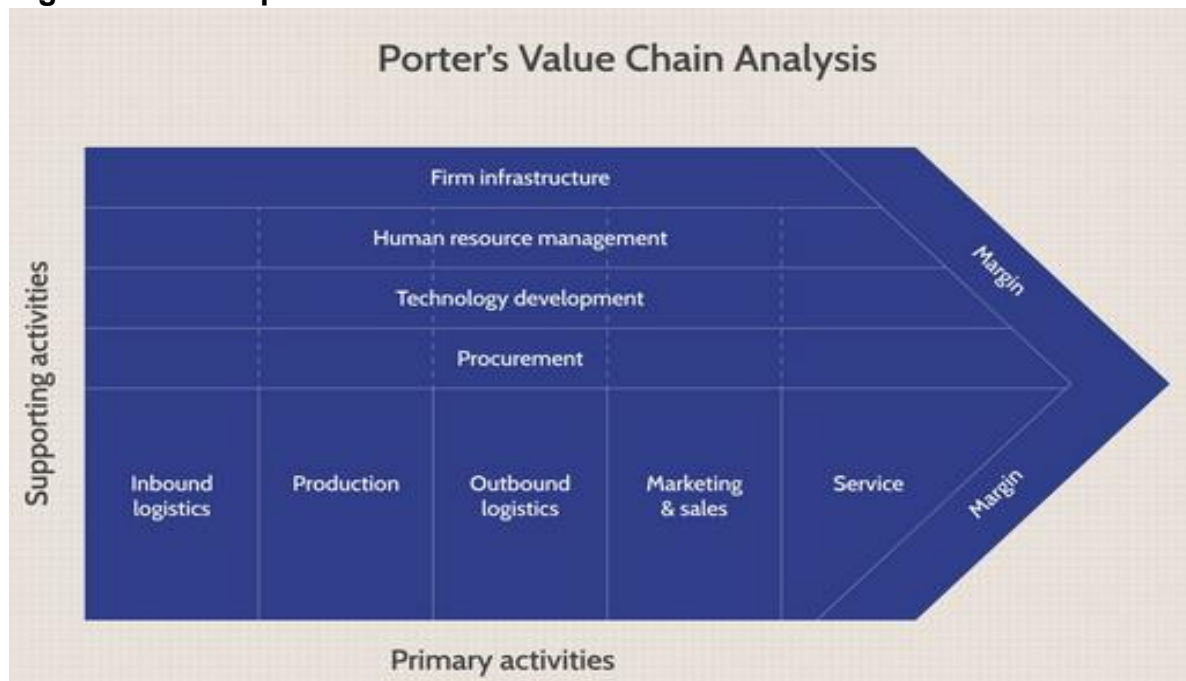
Commission Marketplace Model	Businesses resort to digital platforms that charge commissions to sell products or goods. The model's success rate is high due to its scalability, flexibility, and monetary incentives as long as one can set up the necessary software. The model is what those in e-commerce do nowadays – Uber, Bolt, Airbnb, etc.
Licensing Model	Technology and data businesses sell intellectual property or copyrights to customers in exchange for the use of products or services.
Retail Model (Brick and Mortar Model)	Businesses physically sell products or services from shops directly to customers. The model facilitates the sale of complimentary products and services to existing customers and effectively promotes brand awareness. However, costs are associated with rent payments and rates for space and labour to run traditional shops.

Source: Adapted from Kopp (2023)

2.2.6 Value Chain Model

A value chain model refers to interlinked business tasks or activities comprising the production, marketing, distribution, and delivery of goods or services intended to meet customers' needs (Tardi, 2023). Michael Porter developed this concept in his 1995 book "Competitive Advantage" whilst exploring ways to help business organisations become efficient, gain and maintain competitiveness against rivals in any market, enhance bottom lines and create value for consumers. According to Porter (1995), business organisations become more competitive and efficient by focussing on individual key activities (or value chain nodes), from sourcing inputs to customers' consumption of products or services. Value-creating activities are divided into two main groups: primary and support or secondary (see Figure 2.3)

Figure 2. 3: Components of the Value Model



Source: Tardi (2023)

Primary activities include inbound logistics (receiving, warehousing, and management of production inventory); operations (processing of raw materials or resources into semi-finished or finished goods); outbound logistics (distribution of goods and services to customers); marketing and sales (creating product visibility and awareness among target customers in a market through adverts, promotions and setting prices); and customer services and experiences. On the other hand, the aim of support or secondary activities (or overheads) is to drive efficiency in each stage of primary activities. Examples are procurement of inputs at reasonable prices; adoption of technologies and automation in operations; human resource functions (hiring, retention and management of employees that run activities); and organisational infrastructure that performs planning, accounting, administrative, legal and quality control functions. Bearing in mind the significance of the role of the value model, South African franchisors and franchisees must understand how to implement effective value chains to be better positioned to gain and maintain competitiveness over rivals. This competitive advantage, in turn, facilitates the establishment of profitable and sustainable franchise models and outlets in domestic and international markets.

2.2.7 Consumer Segmentation (Personality Traits of Consumers)

Businesses can use Osterwalder's Business Model Canvas to group or segment the needs of potential consumers by examining certain traits or similarities. According to Tarver (2023), consumer segmentation is a critical marketing strategy that allows businesses to identify products or services that can deliver maximum value to target consumers within a market. Asking the right questions is one way of discovering information on traits and characteristics that can drive effective consumer segmentation. Available data can help businesses group potential customers according to homogeneous needs. For example, in other cases, athletes usually purchase different clothing and footwear from non-athletes. Second, marketers can group consumers along demographic lines such as race, age, ethnicity, religion, gender, literacy, and income levels. Each demographic criterion determines unique consumer needs. Businesses should consider segmenting potential consumers based on spending patterns and behaviours. This criterion, due to its ever-changing nature, can help businesses predict and thus align the production and supply of products or services to current consumer needs.

2.3 Background of Franchise as a Business Model

2.3.1 Franchise Business Model

The idea behind each franchisor– franchisee relationship (FFR) is to ensure mutual benefits for each party. However, some critics believe that the franchisor, by virtue of being a more autonomous partner, accrues more economic benefits from this relationship (Sanfelic, 2015). A franchise agreement empowers a franchisor to cede full or partial licence, trademark, and intellectual property rights, technical know-how, and marketing and distribution of products and services to a franchisee in return for an initial fee and ongoing royalties.

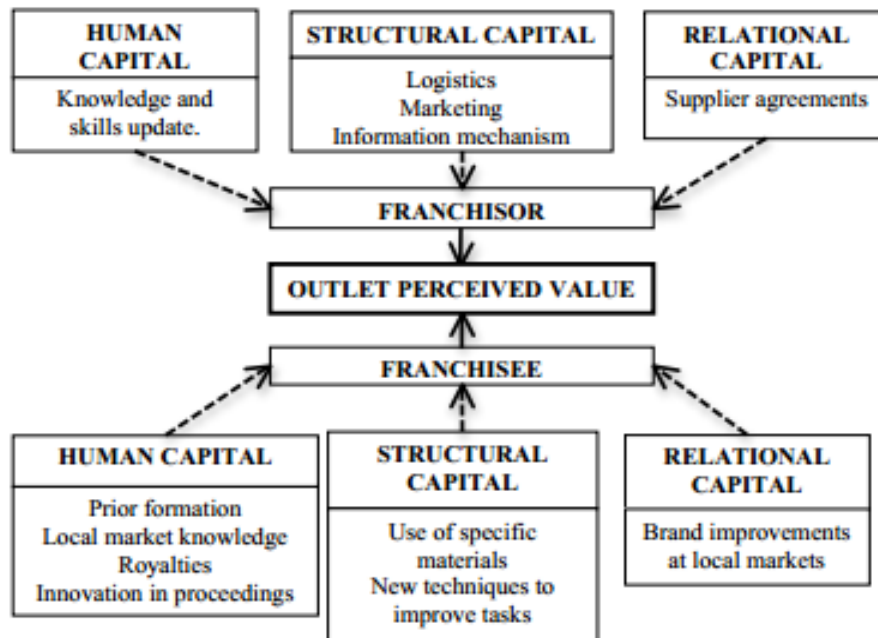
2.3.2 Definition of a Franchise

Franchise is a version of the French word "franchise" which stands for "free man, free to work something." According to the Random House Dictionary of English (1973), franchise was originally a description of an organisation's freedom to conduct business ventures under certain conditions or rights. Hayes (2021) & Hussain et al. (2019) define

a franchise as a business model whereby a business buys trademark or brand rights to perform operations in exchange for fees and royalties.

By signing a franchise agreement, the franchisor and franchisee enter into a specified and legally binding contract. The contract leads to a partnership or relationship known as a franchisor– franchisee relationship (FFR). Each party to the FFR has obligations and expectations that must be fulfilled during the duration of the franchise contract (see Figure 2.4). Hanafiah et al. (2023) provided examples of mutual expectations associated with FFRs. First, the franchisor expects the franchisee to pay rents or fees as part of the initial franchise licences and ongoing royalties. Second, the franchisor expects the franchisee to meet set performance outcomes that will enhance franchise brand equity and increase market share and penetration of franchise brand products and services. Finally, the franchisee expects to accrue benefits from buying an established business model with a recognised brand or trademark and other forms of support from the parent franchisor.

Figure 2. 4: Roles and expectations in a franchise relationship (FFR)



Source: Sanfelix (2015:8)

2.3.3 History of the franchise

Franchising traces its origins to the days of feudalism. Epstein (2007), Herlihy (1970), & Le Brun (2023) discuss the parallels between feudalism and franchising. In such systems, owners or controllers of trading rights and licences grant others the rights or permission to conduct economic activities in exchange for fees or royalties. For instance, under feudalism, governments run by monarchs and church institutions (franchisors) entered into contractual agreements with merchants, peasants, and the nobility (franchisees). The latter paid royalties to monarchs, the clergy, or their representatives to farm, trade, or offer certain civil services such as tax collection and security.

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These rudimentary forms of franchising became entrenched and formed the basis of the European Common Law. Franchises also played significant roles during the colonisation of the Americas, Africa and Asia by European powers. Modern franchises began entering mainstream business operations in the 16th-century. A timeline for developing the modern franchise industry is outlined in Table 2.4.

Table 2. 4: Timeline of modern franchise development

Date	Franchisor	Description
1731	Benjamin Franklin of the USA	Granted some businesses in the USA, Jamaica, Britain, and Canada to offer printing services
1840s	SPATEN (German Brewer)	Sold franchises to local taverns to sell SPATEN beer
1850s	IM Singer & Company of the USA	Sold distribution franchises of sewing machines to various sales representatives in the USA
1880s	Pemberton of the USA	Allowed selected merchants to distribute and sell Coca-Cola
	Ford Motors, General Motors Corporation, and other US car manufacturers	Sold car dealership franchises to the likes of William Metzger, H.O. Kohler, and others to distribute and market automobiles
1900s	Louis Liggett	Established the Rexall Drugstore franchise in 1902
	Chevron and other US oil companies	Came up with filling station franchises to service car owners
1950s	McDonald brothers and Ray Kroc	Founded McDonald's chain restaurant franchise
	Colonel Harland Sanders of the USA	Opened Kentucky Fried Chicken (KFC) franchise
	Kemmons Wilson of the USA	Founded the hotel chain vacation Inn & IHG Hotels and Resorts
1960s	George Halamandres of South Africa	Founded the Steers Franchise

Source: LeBrun (2020)

Other well-known franchise brands founded in the 20th century include A&W Root Beer, Howard Johnson Restaurants, Dairy Queen, Burger King, Pick “n” Pay, Shoprite, Wal-Mart, 7 Eleven, Herzt, Pizza Hut, Nandos, Chicken Licken, etc. The founding of Steers in 1961 launched South Africa into the franchise industry.

2.3.4 Franchise Rankings

Franchise rankings are based on annual surveys conducted by local and international franchise associations (FASA, 2020; Jacobs, 2023 & Olabanji et al. 2014).

The surveys, which collected data on themes such as size, market earnings and penetration, popularity, and industry sector, etc., revealed the following information:

- i. World's most popular franchise – Chick – fil A
- ii. The world's largest franchise – McDonald's with market valuation of US\$ 154.92 billion and outlets in over 100 countries
- iii. Foreign franchises dominate South Africa's market. For instance, the likes of McDonald's, KFC, Pizza Hut, etc. dominate the restaurant sector; the filling station franchise sector has only one SA franchise (SASOL), and there is no SA car dealership franchise in this country. In contrast, the USA market has the least penetration of foreign franchises. However, top SA franchises such as Pick 'n Pay, Shoprite, Steers, and Nandos are making inroads in Southern African markets such as Lesotho, Zimbabwe, Namibia, Zambia, Malawi, Mozambique, Swaziland, and Botswana.
- iv. Mr. Jeff (of Spain) is the number franchise in South with Nandos and Steers sitting at No. 3 and 6, respectively.
- v. No South African franchise is ranked among the global top 100 franchise list.
- vi. Restaurant and fast-food franchises are the most profitable franchises in both global and domestic markets.
- vii. KFC is the most profitable franchise brand in South Africa. Except for McDonalds, the remaining 8 positions are occupied by local franchises of Pick 'n Pay, SPAR, Nandos, Chicken Licken, Steers, Food Lovers Market, and Debonairs.
- viii. South Korea has the largest number of home-grown franchises (48,000), followed by India (39,220) and Taiwan (33,000).

Based on the above statistics, one can conclude that South African home-grown franchises are not globally competitive except in markets in Southern Africa.

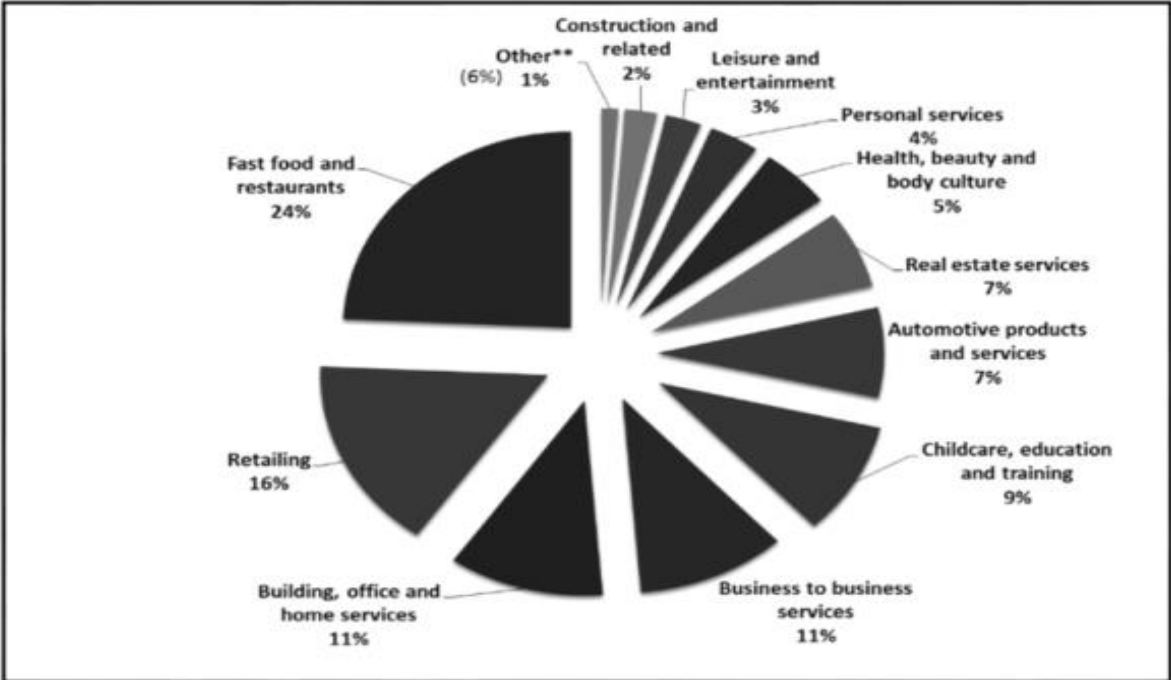
2.3.5 Economic Contribution of the Franchise Industry

Franchise businesses have evolved into significant players across multiple sectors of national and global economies (FASA, 2020). Studies indicate that more than 80% of

businesses in global economies are either owned by domestic or international franchisors. For example, McDonalds is the largest franchise, with more than 38,000 outlets located in over 100 countries. Other big international franchises include KFC, Burger King, Pizza Hut, Subway, 7–Eleven, Wallace Foods, etc.

According to the Franchise Association of South Africa (2016 & 2019), franchise businesses are major contributors to economic growth and other forms of development. For example, there are around 2 million franchises in the world that employ over 19 million people; the industry value is over US \$2.3 trillion. The South African franchise sector contributed 13.9% to the national gross domestic product (GDP). This contribution is mostly from franchises operating in the restaurant and food sector market (see Figure 2.5).

Figure 2. 5: South African Franchise Sectors



Source: Adapted from Constantaras (2016)

2.3.6 Franchise Legislative Framework

In South Africa, franchises are subject to the following legislation:

- i. Copyrights Act 98 of 1978.
- ii. Trademarks Act 194 of 1993.

- iii. Competition Act 89 of 1998.
- iv. Companies Act 71 of 2005.
- v. Consumer Protection Act 68 of 2008.

The various legislative frameworks ensure that there are fair, just, and reasonable franchise contractual agreements between franchisors and franchisees; mechanisms in place to enforce adherence to provisions of property rights that comprise franchise contractual agreements; and to resolve conflicts that might arise between franchisors and franchisees, and consumers of franchise products and services (Woker, 2012).

2.3.7 Franchise Associations

No legislation compels franchisors or franchisees to join local, regional, or international franchise associations. However, most franchisors and franchisees willingly become members of various franchise associations, such as the Franchise Association of South Africa (FASA), the International Federation of Franchises (IFC), and the World Council of Franchises (WFC). These associations are beneficial to members in terms of guidance on ethical conduct, business practises and quality control.

2.3.8 Critique of the Franchise Business Model

According to Sinha (2022), the franchise model is an attractive option or strategy because of these factors. First, adopting a franchise business model is associated with benefits and minimal challenges. This situation is not the same for entrepreneurs or businesses that start from scratch or operate non-franchise businesses. Franchisees buy or obtain rights to established business brands; manufacture, sell, and distribute highly recognisable franchisors' trademark goods or services; have access to wide customer bases; have financial assistance options; and receive effective advice from experienced franchisors. Second, franchise business models have lower failure rates of less than 10%. By comparison, evidence shows that two out of every non-franchise business fails to succeed within the first five years of being established. Third, franchise agreements increase franchisees' purchasing advantage. This is possible because most franchise contracts compel franchisees to source materials from a network of suppliers identified or used by parent franchisors. Finally, franchisees derive many benefits from franchisors' product or service research and innovation efforts.

Epstein (2007), Jumadilayeva (2015), and Tournos (2023) identified various disadvantages of adopting franchise business models or entering franchise contracts. First, critics attack contractual agreements between a franchisor and its network of franchisees. Franchise business models are reminiscent of practises from the mediaeval feudal system due to a high degree of exploitative and monopolistic business practises that mostly benefit franchisors at the franchisees' expense. For instance, franchisors (dominant partners) expect franchisees (weak partners) to pay exorbitant rents in the form of initial franchise joining fees and ongoing royalties. In addition, franchisors enjoy more autonomy regarding decision-making on issues such as geographical location of franchise outlets, product or service innovativeness, termination of franchise contracts, and creative inputs from entrepreneurs. As a result, franchisors tend to favour operational strategies that can maximise their profitability and protect brand images and trademarks over those of businesses in the franchisee network.

Second, many entrepreneurs are reluctant to purchase franchises due to high entry barriers. According to data provided by BusinessTech (2023) and FASA (2023), purchasing franchise rights to operate or own a franchise requires a considerable amount of capital that most start-up entrepreneurs cannot easily raise. For instance, a Steers franchise costs between R1.97 and R3.75 million with 11% monthly royalties; a McDonald's restaurant is valued at R4 and R6 million; a Roco Mama franchise sells at R4.6 million with a required surety of R2.2 million; a KFC outlet is worth R6 million; and a Dischem pharmacy requires an investment of R15 million. In addition to these initial investments, potential franchisees must contend with other expenses such as set-up and management costs.

Third, the franchise business model disadvantages entrepreneurs and businesses from emerging markets in the developing world. Entrepreneurs and businesses in these markets mostly face exclusion because of factors such as ineffective protection of property and intellectual rights, low levels of awareness about the franchise business model as a viable investment option, challenges of accessing adequate capital to buy franchise rights, and unconducive economic conditions driven by weak currencies and high inflation rates.

Fourth, businesses that adopted the franchise business model faced unique challenges. For instance, franchisors run higher risks of tarnished reputations and brand images in situations where franchisees fail to maintain acceptable control measures. In addition, the contractual nature of franchises makes it hard for franchisors to implement merger or acquisition strategies like other non-franchised businesses.

Finally, there is a pushback against the influence of franchise business models by cultural custodians in non-Western markets (Tournos, 2023). The anti-franchise movement believes that an influx of multinational franchises such as McDonald's into local markets is a form of cultural imperialism. This so-called imperialism, associated with the spread of western ideologies such as consumerism and materialism, is blamed for displacing and destroying local cultures and lifestyles.

Arguments against the franchise business model are based on several premises. First, critics attack contractual agreements that govern the working relationship between a franchisor and its network of franchisees. Epstein (2007) argues that the franchise business model shares parallels with the mediaeval feudal system. The franchise business model is associated with exploitative and monopolistic business practices that benefit one party at the expense of the other. That is, a franchisor (dominant partner) expects a franchisee (weak partner) to pay exorbitant rents in the form of initial franchise joining fees and ongoing royalties. In addition, franchisors enjoy more autonomy regarding decision making and dictate operational strategies to maximise profitability and protect brand image.

Second, critics feel that the franchise business model disadvantages entrepreneurs and businesses from emerging markets in the developing world (Jumadilayeva, 2015). Entrepreneurs and businesses in these markets mostly face exclusion because of factors such as ineffective protection of property and intellectual rights; low levels of awareness about the franchise business model as a viable investment option; challenges of accessing adequate capital to buy franchise rights; and uncondusive economic conditions such as weak currencies and high inflation rate.

It is crucial to acknowledge and address the shortcomings of the franchise business model, as they may create obstacles for franchisees who perceive the model as being unbalanced. Ultimately, this approach may have more drawbacks than advantages for businesses and individuals looking for economic independence and creativity, as well as for nations that prioritise cultural preservation.

2.4 Franchise Theories

The research is guided by agency theory, franchise-based brand equity (FBBE), geographic dispersion theory, and leader-member exchange (LMX) theory. These theories provided a conceptual framework of the research topic, guided a systematic unpacking of laws and facts applicable to the franchise industry, and facilitated the choices of research approach and design, formulation of research questions, review of appropriate franchise literature, analysis and interpretation of findings, and explanation of relationships between factors to answer research questions.

2.4.1 Agency Theory

2.4.1.1 Agency Theory (principal –Agent Problem)

Agency theory or principal– agent problem helps people understand business interactions between principals and agents and mitigate conflicts that often arise. Dube & Mara (2020) define agency theory as the underlying problems that business partners face within contract interrelationships. The theory postulates that principals and agents will encounter problems driven by conflicting interests and views, risk sharing and aversion, available incentives, and compensation in most contractual relationships. Agency theory is a combination of Ross' economic theory of agency and Mitnick's institutional theory of agency, which were developed separately in the 1970s (Mitnick, 2015).

The economic theory of agency examines the correlation between risks and expected compensation or incentives in business contractual agreements between parties. On the other hand, the constitutional theory of agency states that social and institutional factors such as norms, level of information, and biases influence the behaviour and actions of principals and agents. According to Chen (2023) and Lafontaine (1992), agency theory affects the formulation of strategic decisions, franchise fees and royalties paid by

franchisees (agents) to franchisors (principals) as a legal requirement of franchise contracts, and the dynamics within franchisor– franchise relationships (FFR) in several ways.

Agency theory directly affects franchise fees and royalties charged by franchisors. When franchisors are less risk averse, franchisees are compelled to pay higher franchise fees and royalties. The franchisor assumes a greater risk regarding invested input costs to cover the resources needed for monitoring and support provided to franchisees. Expected higher returns from invested inputs incentivise franchisors to assume greater risks. The opposite is true for franchisees who are less risk averse. In this case, franchisees pay lower franchise fees and royalties and thus expect to make more profits.

Lafontaine (1992) and Smith & Snynowka (2006) described how agency theory creates two forms of moral hazard within franchise networks, affecting franchise fees and royalties. For instance, a moral hazard leads to paying lower and fixed franchisee fees and royalties because franchisees (agents) are willing to take on more risks than parent franchisors. The moral hazard is on the side of franchisees. A two-sided moral hazard occurs when franchisors that invest more in terms of resources expect higher franchise fees and royalties from franchisees who are challenging to supervise or monitor. There is equal sharing of risk, and hence moral hazard for both parties.

Principals (franchisors) use Agency theory to make strategic decisions regarding resource constraints and ownership of franchise outlets (Grace, Frazer, Weaven & Dant 2016). The power imbalance favours the franchisor when making strategic decisions on operations and maximising profits. The Franchisor–Franchisee relationship (FFR), in which the former is a principal, has more autonomy, while the latter is an agent in a subordinate position.

The assumption is that franchisors use the proceeds from selling franchise rights and ongoing royalties to overcome cash flow problems or as investments. Cash-strapped franchisors often charge high franchise fees but lower royalties. Franchisors' decisions to either operate or franchise outlets are influenced by the profitability of outlets and the

ease of monitoring franchisee operations. Normally, franchisors prefer to run franchise outlets that are easy to monitor and sell franchise rights to those that are difficult to monitor. In reaction to the challenges of being in dependent positions, less autonomy, and unfavourable bottom lines, some franchisees choose to resolve conflicts by terminating existing franchise contracts with parent franchisors or not renewing contracts. The termination or non-renewal of franchise contracts has costly repercussions for both franchisors and franchisees in terms of competitiveness, market share and penetration, bottom lines, and loss of invested capital (Grace et al. 2016).

The Corporate Finance Institute (CFI) Team (2021) pointed out certain proactive ways that franchisors (principals) and franchisees (agents) can follow to eliminate or minimise agency problems and conflicts associated with contractual agreements. First, both sides must insist on transparency and fairness regarding strategic decisions that can impact the smooth running of franchisor– franchisee relationships (FFR). Second, there is a need to draft franchise agreements that clearly outline the guidelines and restrictions. These guidelines and restrictions can act as balances and cheques on power abuse and thus facilitate the establishment of trust in franchisor– franchisee relationships (FFR). Lastly, franchisors should consider introducing a bonus system. Such a system incentivising healthy relations and good performance among franchisee outlets within a franchise will, in turn, benefit parent franchisors.

Aggrieved parties within the franchisor– franchisee relationship can resort to the law to settle disputes. Legislative acts and national franchise associations in South Africa provide oversight and regulate franchise contracts. Strachan (2023) stated that in the absence of specific franchise legislative acts and regulations, South African franchises are regulated by business legislative acts such as the Copyrights Act 98 of 1978, Trademarks Act 194 of 1993, Competition Act 89 of 1998, Companies Act 71 of 2005, and Consumer Protection Act 68 of 2008. These acts enforce brand and intellectual property rights, guide the registration and sale of franchises, protect consumer rights of franchisees, and promote transparent business practises and labour conditions. In addition, franchisors and franchisees are encouraged to join national and international franchise associations such as the Franchise Association of South Africa, which promote

ethical business practises ease access to financial assistance, and provide advice on quality control measures to members.

This theory was relevant for the study because it provided insights into how agency theory affects the establishment of successful and profitable home-grown franchises by South African businesses and entrepreneurs. Unpacking the theory showed the significant role that economic and institutional factors play in the daily operations of franchise businesses and how empowered management helps mitigate agency-related challenges and problems within any franchisor– franchisee relationship (FFR). Studies conducted by the likes of Dube (2020), Minguela-Rata et al. (2009) & Sanfelix & Puig (2016) demonstrated that an adequate understanding of this theory by franchisors and franchisees is critical for the success and sustainability of franchise business operations in various sectors.

2.4.2.2 Franchised-Based Brand Equity (FBBE) Theory

The franchise-based brand equity (FBBE) theory provides important insights into how well-developed and maintained franchise brand equity contributes to homegrown franchises' success and profitability in the franchise market and industry in South Africa. Entrepreneurs and franchisors must understand how franchise-based brand equity (FBBE) drives an organisation's decisions to adopt a franchise business model, the franchisor's sales of franchise rights to franchisees and purchases of franchise brand products and services by consumers.

Aaker (2003) defines brand equity as *"a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract the value provided by product or service to a firm or its customers"*. This definition shows that brand equity is of strategic importance for businesses that want to achieve differentiation competitive advantage over rivals and influence consumers' perceptions and behaviours in a market. Brand equity enhance performance and creates value for both consumers and business organisations. Hayes (2023) identified two types of brand equity: customer-based brand equity and firm-based brand equity. Customer-based brand equity relies on information and brand awareness to create either positive or negative product or service brand associations in consumers. Firm-based brand equity is a situation whereby businesses regard brand

equity as an asset that can attract customers and thus increase the generation of revenues and improve bottom lines due to sales of highly recognisable brand goods or services.

Felicio et al. (2014) identified critical components of brand equity that are summarised in Table 2.5.

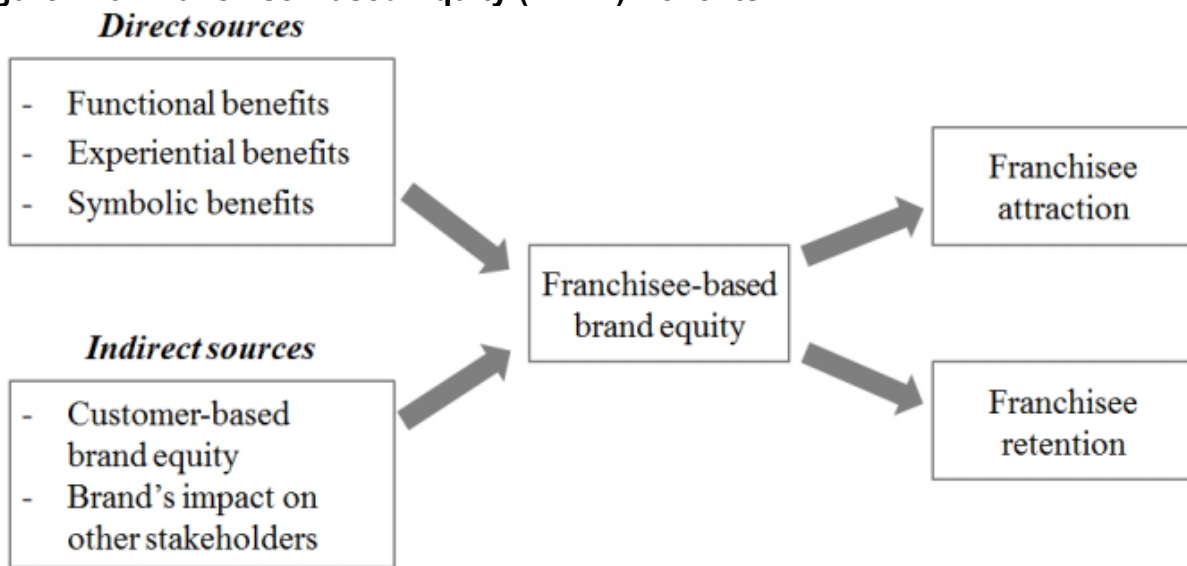
Table 2.5: Components of Brand Equity

Component of Brand Equity	Description
Brand Awareness	Brand awareness measures the extent to which customers can recognise and remember goods or services of a particular brand based on brand exposure.
Perceived Brand Image	These are various reactions or associations caused by a brand among its consumers. The drivers of brand image are the favorability, strength, and uniqueness of the products or services that a brand offers consumers.
Brand Personality	Brand personality is a collection of consumer traits and demographics such as age, gender, ethnicity, and socioeconomic background. A brand personality is built on factors such as sincerity, excitement, competence, and sophistication associated with products or services from a brand.
Brand Loyalty	Consumer behaviour of repeatedly buying specific brand products or services is determined by factors such as switching costs, access to substitutes, purchasing risks, and prior experiences with the product or service.
Perceived Brand Application	Perceived brand application refers to the utility that consumers associate with brand products or services.
Brand Quality	Brand quality deals with consumers' judgmental decisions about brand products or services regarding perceived value, quality, and prestige.

Source: Author Derived (2023)

Brand equity is a significant building block of franchise-based brand equity (FBBE) in franchising. Franchise-based brand equity (FBBE) is a unique and intangible franchise package that adds value, singles out a franchisor in a market, and enables potential customers to recognise its products or services (Kenton, 2022 & Ghantous & Jaolis, 2012). Franchisors with well-developed franchise-based brand equities are bound to attract more customers (franchisees) eager to enter contractual agreements because of the expected benefits. Figure 2.5. Below are the benefits of franchise brand-based equity (FBBE).

Figure 2. 6: Franchise-Based Equity (FBBE) Benefits



Source: Ghantous & Jaolis (2012:3)

2.4.2.3 Functional benefits

Functional benefits refer to the ability of a brand’s products or services to meet and satisfy the various needs of consumers in a market. Functional benefits also extend to franchisors and franchisees. That is, franchisors with well-developed brands attract more buyers of franchise rights. Entrepreneurs or small businesses prefer to be part of recognisable franchise brands because of benefits such as expected resource support and an established customer base in the market.

2.4.2.4 Experiential Benefits

Experiential benefits are changes in behaviours and perceptions that a brand (logos and slogans) causes among consumers of its products or services and employees working

for franchisors or franchisee outlets. According to Ghantous and Jaouil (2012), well-developed brands attract more consumers to buy products or services and increase employee performance.

2.4.2.5 Symbolic Benefits

Symbolic benefits occur when images enhance brand loyalty and create value for franchisees. Many studies have demonstrated that the degree of a consumer's emotional attachment is directly linked to trustworthy, reliable, and quality brand products or services (Felicio et al., 2014). Both franchisors and franchisees exploit to drive sales of franchise rights to and sales of a brand's product or service range.

2.4.2 Geographical Dispersion Theory

Geographical dispersion theory analyses the impact of geographical distance and distribution of business outlets from each other and head offices Guo (2023) (Mishra, 2017). Even in a 21st-century environment characterised by enormous technological and digital advances, geographical distance, and distribution play critical roles in business relationships with each other and consumers due to several factors (Rosenthal et al., 2020).

A dense distribution and clustering of commercial activities in large urban centres and cities positively enhances the advantages that businesses can derive from economies of agglomeration. This kind of geography leads to easy access to superior supply networks; large skilled and unskilled labour forces; broad market bases due to high populations; good and affordable transportation infrastructure; investment capital; specialised products and services for consumers; diffused knowledge and ideas on research and development and innovative ideas; high productivity and competition that increase cost saving opportunities for businesses.

Geographic proximity between head offices influences the nature and enforcement of contractual agreements between business partners. According to Landier et al. (2006), sub-offices or outlets near head offices accrue more benefits than those at a distance. For instance, head offices incur lower overheads from resources required for supervisory and monitoring functions of proximate sub-offices and outlets. Sub-offices or outlets

located near head offices tend to have more face-to-face interactions with head office personnel, higher rates of customer retention, and freebie opportunities from marketing and promotion efforts of head offices compared with those located at a distance.

In the franchise industry, geographical dispersion theory complements agency and leader– member exchange theories. Guo (2023) and Landier et al. (2006) discuss how geographical distance and distribution influence the formulation of certain strategic decisions and governance policies by parent franchisors that create disadvantages for some franchisee outlets. It is common practise for franchisors to own and operate nearby franchise outlets and sell franchise rights for distant ones. The decision is strategic because it minimises managerial and operating-related costs and assists in mitigating other challenges such as low brand recognition, high concentration of non-repeat customers and lower demand. In addition, geographical distance relegates non-proximate outlets to out-group status in the franchisor– franchisor relationship (FFR). Finally, the location of outlets influences the quality and retention of franchised employees. Franchise outlets near head offices are more employee-friendly and are associated with higher job security.

2.4.3 Leader– Member Exchange (LMX) Theory or Vertical Dyad Linkage (VDL) Theory

Leader– member exchange (LMX) theory examines the effectiveness of organic and distinctive relationships between management (leadership) and subordinates (followers) that affect behaviour and actions and the achievement of goals in business organisations (Jason, 2022). The theory regards vertical dyadic relationships as drivers of trust, respect, communication, loyalty, empowerment, job satisfaction, responsibility, morale, motivation, organisational culture, shared experiences, stressors, and workplace conflicts. Dansereau, Green, and Haga presented this leadership theory at a seminar in 1975. According to the trio, a dyadic interaction between leaders and followers occurs in three phases (Erdogan, 2015). The first phase, role-taking, occurs during the stages of contact between leader and team members. The leader or manager forms impressions and perceptions of employees regarding abilities, skills, attitudes, and experiences through observations and other information-gathering tools. In the second phase, role making, a leader or manager categorises employees into two subgroups based on

impressions and perceptions made while employees perform individual tasks. An in-group or 'go-to' group comprises trustworthy, responsible, and cooperative employees. Members of this group receive more favours, support, resources, and attention from management or leadership. By contrast, the other subgroup, referred to as an out-group, is less favoured and consequently receives less support, attention and resources from leadership or management. Role-making results from factual and subjective employee information that can include factors such as race, ethnicity, religion and gender. The last phase, routinisation, involves unequal treatment and even discrimination of employees driven by group membership status by leadership or management.

Leader-member exchange (LMX) applies to the franchise business model because of the nature of contractual agreements between franchisors and franchisees. Franchisors assume leadership and management roles within a franchise network of outlets. Based on evidence from many studies, the leader– member exchange (LMX) theory provides insights into franchisor– franchise factors that can enhance the quality of franchisor– franchisee relationships and lead to the establishment of profitable and sustainable franchises in South Africa and elsewhere. For example, studies by Dube and Mara (2020) and George (2017) stated that franchisors ought to refrain from adopting policies or strategies that might categorise franchisees into in-groups or out-groups and consequently subject the latter to unequal or discriminatory treatment. A poor grasp of this theory on the part of franchisors (leaders) encourages the formation of biased and dysfunctional franchisor– franchisee relationships (FFR) and out-groups within a franchise network that can then negatively impact trust, loyalty, turnover, and performance and dilute franchisors' brand image in the market.

2.5 Other Studies Related to Franchising

Several franchise-related studies have been conducted in South Africa and elsewhere. Outlined below are a few examples of studies that influenced this study through their findings on the implementation and performance of the franchise business model across various sectors.

2.5.1 Sustainable franchise venture framework for new franchises in South Africa

In this 2017 master's dissertation titled "A sustainable franchise venture framework for new franchises in South Africa", Karen George of the Nelson Mandela Metropolitan University investigated the factors that drive the adoption of successful and sustainable franchise business models. The research was underpinned by some relevant theories, such as agency, resource scarcity, signaling, and transactional cost economics, which are critical in the implementation and performance of the franchise business model.

To address the research questions for this interpretivist and qualitative study, the researcher used a case study approach to gather qualitative information from a purposive sample comprising Spur Restaurant owners and employees in the Western Cape Province of South Africa. Study participants underwent semi-structured interviews, while others answered emailed questionnaires. Afterwards, the qualitative data were thematically analysed to draw conclusions.

The findings demonstrated that certain independent variables (like franchise branding; location; marketing; training; product quality; resources; innovation and performance) positively affect the success and sustainability of franchise ventures within the country.

2.5.2 Factors Influencing Entrepreneurs' Choice of franchising as a Business

Model: The Case of Mankweng Township in the Limpopo Province of South Africa

Oni A.D et al. (2014) of Limpopo University conducted a qualitative study to explore factors that drive entrepreneurs' decisions to operate fast food franchises in peri-urban areas. The researchers conducted a survey comprising semi- structured questions to interview seven entrepreneurs who own and run fast food franchises in the Mankweng Township of Limpopo.

The participants provided various contextual insights that informed their decisions to operate fast food franchise outlets in a township setting such as Mankweng. According to the findings, the viability and success of peri-urban fast-food franchises is dependent on individual entrepreneurs' level of ambition, understanding of certain business concepts such as risk aversion, possession of vital knowledge and skill sets on business planning and interpersonal dynamics, and business competitiveness.

2.5.3 Perceptions of franchise stakeholders regarding trust in franchising relationships

Dube explored the perceptions of franchisors and franchisees that are pivotal in any FFR as part of his 2020 master's dissertation at the University of Johannesburg. The study revealed that most franchisor– franchisee relationships (FFRs) experience challenges and conflicts despite well-spelt out franchise contractual agreements. These challenges and conflicts are often triggered by unequal power dynamics between franchisors and franchisees, resource scarcity, and an inadequate understanding of certain franchise-related theories, such as agency, leader member exchange (LMX), and resource constraint theories, by stakeholders.

In conclusion, the study recommended that FFRs benefit greatly from factors such as perceived trustworthiness, approachability, and open communication. Consequently, these factors are critical in enhancing franchise brand loyalty, success, performance, and sustainability.

2.5.4 Knowledge Transfer Mechanisms and Performance of Franchise Systems: An Empirical Study

Minguela-Rata et al. (2009) conducted a study on how knowledge transfer mechanisms impacted the performance of franchise businesses within the Spanish franchise sector. The researchers interviewed 267 franchises belonging to the Spanish Association for Development and Defence of Franchised Operators (AEDEF). A questionnaire incorporating a Likert Scale was used to measure the effectiveness of knowledge transfer mechanisms adopted by the franchise networks. Examples of knowledge transfer mechanisms measured during the study were trainings, conference meetings, councils, committees, supervisory visits, manuals, reports, and databases.

The quantitative findings were then subjected to a multilinear analysis with the assistance of SPSS Windows version 15.0 software. In conclusion, this study demonstrated a correlation between the success and sustainability of franchise systems and the effectiveness of knowledge transfer mechanisms adopted by franchise networks.

2.5.5 Franchisors' choice between royalties and fixed fees: Evidence from Brazil

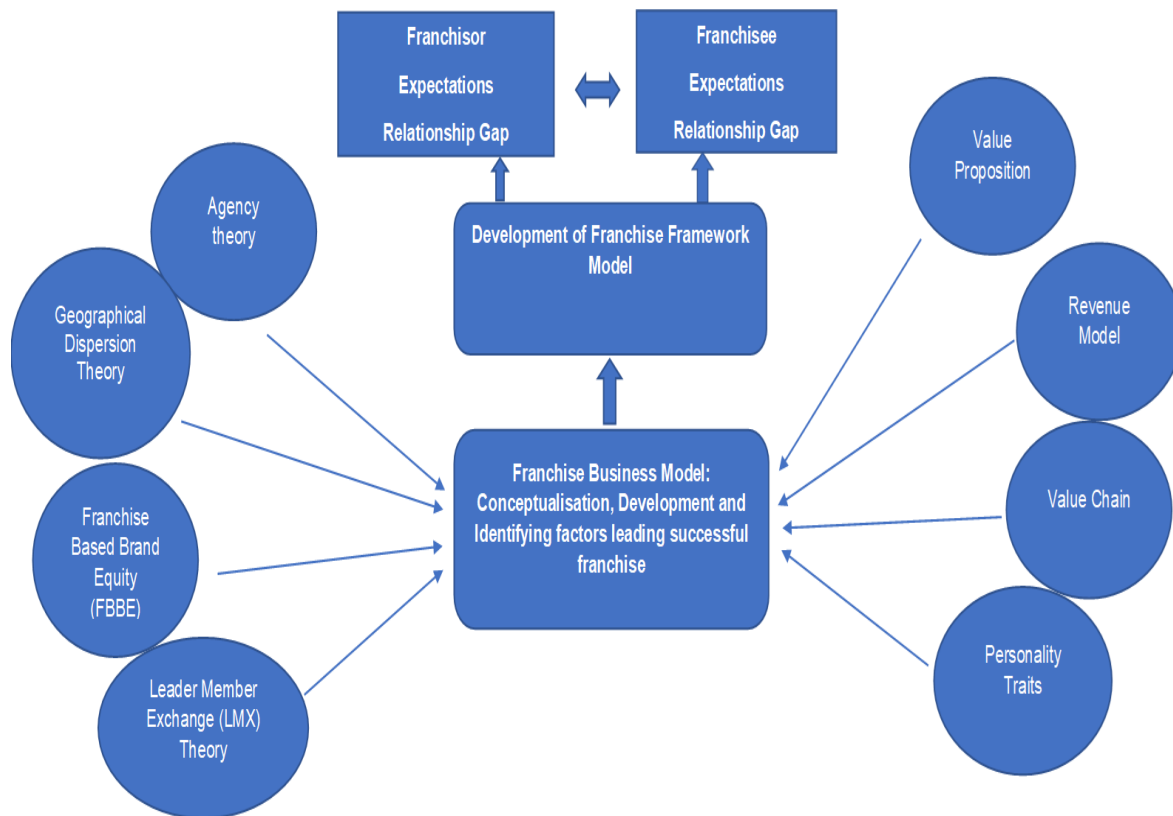
Bitti et al. (2018) investigated how agency and geographical dispersion theories determine franchisors' decisions regarding the amount of royalties and fixed fees in

franchise contractual agreements within Brazil. The researchers utilised a dataset provided by 335 franchises between 2011 and 2016 to address their research questions. The study found that Brazilian franchise networks' decisions on the amount of royalties and fixed fees differ from the traditional approach characteristic of markets in other countries. Traditionally, franchisors expect distant franchisees to pay higher initial fixed fees but lower ongoing royalties. This contractual condition provides a higher degree of incentive to franchisee outlets that operate far from the head offices. In contrast, Brazilian franchisors charge higher franchise royalties but ask for lower fixed fees from franchisee outlets that are located far from the head offices. The rationale for this interesting practise is that franchisors prefer to maintain and increase control over franchisee' outlets. According to the findings, increased control enables franchisors to protect their brands against abuse by franchisee outlets.

2.5.6 Conceptual Framework

As part of the research on the franchise business model in South Africa, a conceptual framework was used to understand the factors that contribute to its success. On the basis of previous research and theoretical writings, the researcher proposed the framework in Figure 2.7. The framework establishes the connection between independent and dependent variables and will be utilised to determine the factors that lead to a successful franchise business model.

Figure 2. 7: Conceptual Framework: Understanding Factors Leading to the Development of Successful Franchise Model



Source: Author Derived (2023)

2.6 Chapter conclusion

Chapter 2 unpacked published literature related to the franchise business model – theories; factors that affect its implementation and performance across various sectors, and examples of studies on franchising that have influenced this investigation. Chapter 3 provides a detailed discussion of the research design and methodology that guided processes such as sampling techniques, data instruments, data collection and analysis, study limitations, and ethical considerations.

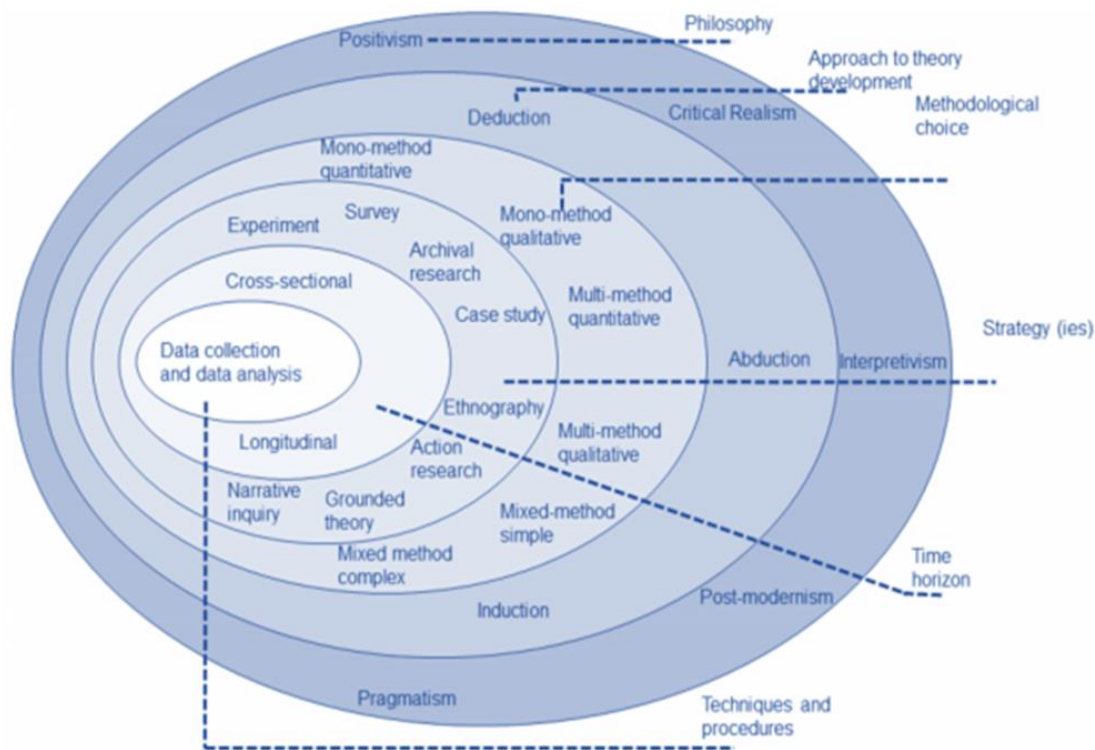
CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The preceding chapter examined the theories and factors that influence the adoption of successful business models from a global, region, and South African perspective. The following chapter discusses the research design and methodology for this study. The research onion was used as a guide to structure this section.

The Saunderson's Research Onion Figure 3.1 rationalised various decisions regarding the choices of research philosophies, approach, design, sampling techniques, data collection and analysis throughout the study.

Figure 3. 1 : Research Onion Model



Source: Saunders *et al.* (2019:108)

The chapter concludes by looking at research ethics and the validity and reliability of findings.

3.2 Research philosophy

Research philosophy is concerned with "the formation of research assumptions, its knowledge, and nature" (Zakauskas et al., 2018: 2). According to Leedy and Ormrod (2015: 23), an assumption is a presumption that is taken for granted yet without which the research effort would be useless. A researcher conducting research in an academic setting lays forth a declaration of their premise as the cornerstone upon which their research depends. There are four schools of thought in research philosophy: epistemology, axiology, ontology, and methodology.

This cross-sectional research study will be conducted within an interpretivist philosophical viewpoint using a qualitative technique to inductively examine and describe elements that contribute to the creation of successful franchise business models in South Africa.

3.2.1 Ontological and Epistemological Views

The study of epistemology is mainly concerned with the nature and categories of knowledge, the relationship between the researcher and reality, and methods for capturing reality (Amakiri & Juliet, 2018). Ontology examines the researcher's values and ideas, what may be considered factual and real, and whether they favour naïve realism, relativism, or realism (Ryan, 2018). Methodology, on the other hand, describes the methods or strategies utilised for locating, picking out, gathering, processing, and analysing data (Henry and Macpherson, 2019).

According to Phair & Warren (2021), ontological and epistemological assumptions exist behind each philosophy or worldview. By establishing reality, ontological ideas help researchers interpret discoveries (Moon & Blackman, 2017). These queries aid scholars in making sense of reality: How is reality presumed to be? Who is a reality checker? How should we approach the dual nature of reality? Epistemology focuses on the study's philosophy and knowledge. Epistemology helps researchers choose the study scope, data collection and analytic methodologies, subject– object relationships, and study validity (Rehman & Alharthi, 2016). The nature of reality must consequently be better understood and expressed by researchers, who must also acquire this knowledge.

The premise of this study is that the components that contribute to the formation of a successful franchise model are unique and effective in different ways. Depending on the franchisor's needs, the company's concept drives some franchise models. To answer the research questions, this study used participant-subjective data. Ontological and epistemological reasoning, therefore, aid this interpretative philosophical inquiry.

3.2.2 Philosophical Worldviews

Philosophies affect research methods, strategies, and approaches (Creswell, 2007).

These philosophies are counted differently by academics (See table 3.1 below).

Table 3. 1: Philosophical Worldviews

Name of the Philosophy	Description
Positivism	Quantitative study investigates established notions, facts, and human behaviour and actions. Independent and unemotional researchers make it more objective. Reductionist and deductive, it turns thoughts and concepts into variables for hypothesis testing to obtain reasonable and logical findings in studies.
Constructivist	Qualitative research methodologies designed to investigate and understand several meanings associated with human interactions with their environment. It is more subjective because it considers the varied social perspectives and circumstances of the participants throughout a research study and uses an inductive technique to assist the emergence of new ideas, linkages, and patterns.
Realism	A belief in the existence of certain entities despite people's thoughts or perceptions—one must relate to the universe exclusively based on facts. Uses a combined research approach to study complex issues in political, social, and economic contexts. Action-oriented research provides practical solutions to problems, challenges, and dilemmas.

Pragmatism	Uses a combined research approach to study complex issues in political, social, and economic contexts. Action-oriented research provides practical solutions to problems, challenges, and dilemmas.
Interpretivism	The premise that qualitative findings from social actors such as businesspeople are subjective. The researcher interprets subjectively.

Source: Creswell JW (2007) and Guest et al., (2011).

Interpretivism was the philosophy that guided this study. This philosophy was appropriate because the study investigated multiple variables leading to the establishment of successful and profitable home-grown franchises in South Africa.

3.3 Research Methods

A research method refers to a chosen procedure that helps a researcher collect, analyze, and interpret information (Kumar, 2011). There are three types of research methods: quantitative, qualitative, and mixed. The mixed-methods research strategy integrates qualitative and quantitative techniques into a single method. When conducting research, a mixed-approach strategy strikes a good balance between numeric and descriptive data in answering research questions and a broad application of the results (Dawadi et al., 2021).

Quantitative research requires the collection and analysis of numerical data using certain statistical methodologies to answer research questions. Quantitative research applies natural scientific approaches to ensure impartiality, generalizability, and dependability when testing hypotheses, determining facts, demonstrating relationships between variables, and forecasting results (Apuke, 2017).

A qualitative research approach is flexible, so it lets the researcher look into and understand the problems and challenges of individuals and groups; use inductive reasoning; deal with new research questions and issues; reach goals and objectives; analyse and make sense of findings; and come up with themes, patterns, new theories, relationships and frameworks (Bryman & Bell, 2015). This research will use a qualitative research method to gather data and respond to research questions.

This qualitative study was conducted within the philosophical worldview of interpretivism. According to Saunders et al. 2014, interpretivism, by acknowledging the existence of multiple realities, provides researchers with more opportunities to gain increased understanding and insights from the varied subjective and personal views and experiences of study participants. Therefore, this worldview will allow the researcher to address the various research objectives and questions and make subjective interpretations based on responses provided by various social actors on 'factors that lead to the development of successful home-grown franchises within the South African market'.

3.4 Research Design

Creswell (2014) defined research design as a research plan comprising logical and rational steps, procedures, tasks, logistics, and processes. A research design enables one to effectively address research problems, objectives, and questions through the choice of relevant target and study population, sampling techniques, data collection instruments, data gathering, and analysis methods.

This study adopted a qualitative research method to explore subjective and contextual views and perspectives of senior managers employed by franchisors and franchisee outlets on factors that can lead to the development of successful home-grown franchises in South Africa. The design had the benefits of increasing the level of understanding and insights on the research problem and questions for the study. However, it will be difficult to generalise the findings of the study to franchise industries outside South Africa. A drawback of explorative studies is that the findings are not generalisable.

3.5 Research and Target Population

A research population comprises a larger group of individuals (people, animals or inanimate objects like households, organisations, or events) that possess features of research interest (Kumar, 2011). The research population for this study will comprise all registered and legal franchisors and franchisees that operate in South Africa. By contrast, a target population or sample is made up of a smaller group of individuals who have

information or features that can be measured or observed as part of answering research questions (Bhandari (2022) & Kumar (2011)).

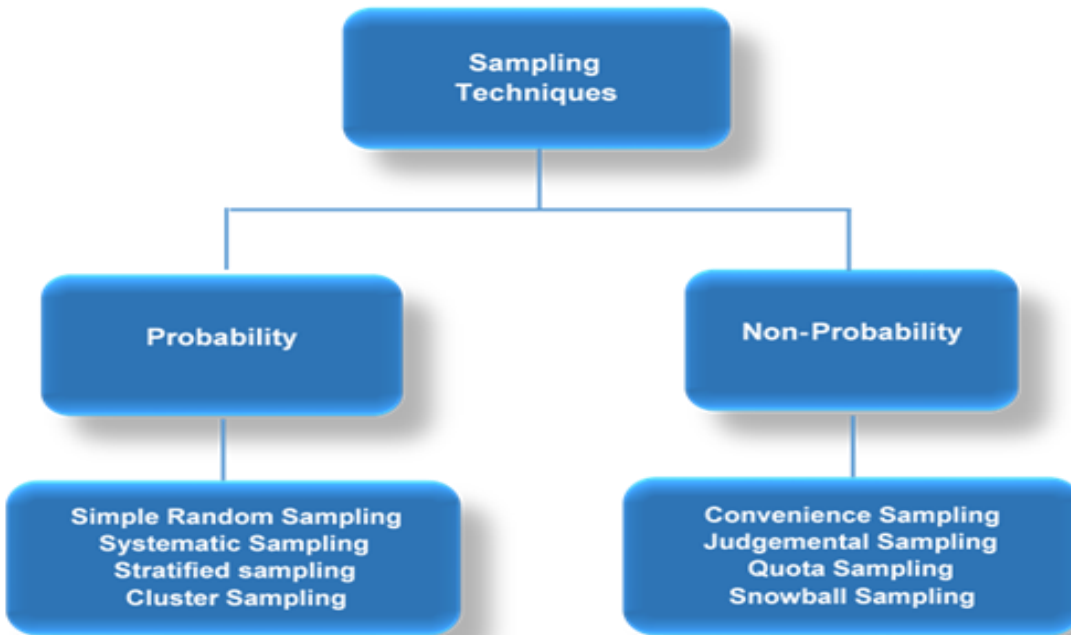
The target population for this study were senior managers working for franchisors and franchisee outlets in the franchise and entrepreneurs who were aspiring to build their own franchises.

3.6 Sampling techniques and procedures

According to Creswell (2014) and Malhotra (2019), sampling is a procedure that leads to the selection of a sample group or individuals from a research population during an investigation or study. Creswell (2014) identified two main types of sampling methods: probability sampling and non-probability sampling (see Figure 3.2). Creswell (2014), Kumar (2011), and Malhotra (2019) described how research problems and questions determine the selection of either probability or non-probability sampling techniques.

The probability technique ensures that every sample unit has an equal and separate chance of being chosen to take part in a study. Any given sample unit is either chosen or discarded without considering personal views or other factors. This method lowers sampling bias, raises both internal and external validity, and makes it easier to draw conclusions and draw inferences about the entire study population. A probability technique is a random selection of samples involving these types: simple random sampling (SRS), systematic sampling, and stratified sampling. Random selection as a sampling technique is complicated, time consuming, and costly; however, it affords sample units an equal chance of being selected and promotes higher levels of reliability of findings and statistical power.

Figure 3. 2: Sampling techniques



Source : Shukla et al. (2009)

In the non-probability approach, the selection of sample units for qualitative or quantitative research is guided by aspects such as convenience and cost. In addition, the approach is suitable for circumstances in which a phenomenon is unknown or cannot be recognised (Palinkas et al (2014)). Sample sizes vary depending on the nature of the research topic. In qualitative research, sample size is decided by data saturation, whereas in quantitative research, sample size is predetermined (Taherdoost, 2016).

Non-probability sampling is the selection of samples based on convenience or purpose in terms of information richness regarding observations or responses. Common non-probability techniques include quota, accidental, purposive, expert, and snowball sampling.

In addressing the research problem and questions of this study, the researcher will follow a non-probability purposive method to select a sample of 12 managers working for franchisors and franchisee outlets in South Africa. However, data collection will stop after reaching a saturation point. Beyond this point, the other senior managers in the sample

could not provide any new information to address the research questions. A purposive method facilitates the application of the inclusion and exclusion criteria of sampling (Kumar, 2011). The researcher only interviewed senior managers and entrepreneurs who had relevant information regarding the drivers of successful home-grown franchise business models in South Africa. All low-ranked employees and entrepreneurs without in-depth knowledge of the franchise business model in South Africa were excluded.

3.7 Data Collection

Data collection involves the collection, analysis, and interpretation of qualitative and quantitative data from various sources with the intention of addressing research problems and questions (Creswell, 2014 & Malhotra, 2019).

3.7.1 Data Collection Instruments

A data collection instrument is a tool that a researcher uses to gather relevant and accurate information for answering research questions (Kothari, 2004). Effective and efficient instruments increase the degree of data validity, reliability, generalisability, and interpretation.

This study utilised in-depth semi-structured interviews to collect qualitative data from senior managers who work for franchisors or franchisees and entrepreneurs who own franchises in South Africa. Kumar (2011) and Malhotra (2019) explained how an interview differs from a questionnaire as a research instrument. An interview involves a face-to-face conversation between an interviewer and interviewees regarding a research topic. In comparison, a questionnaire requires interviewees to provide written responses to the research questions.

The research instrument designed for this study was open-ended questionnaires, the instrument allowed interviewees to express themselves freely in order to collect qualitative data (narratives, meanings, perceptions, opinions and views) and to encourage a more comprehensive and varied set of answers about the factors that contribute to the success of home-grown franchise businesses, the interview questions (see to Appendices 1) were designed to be both open-ended and flexible.

3.7.2 Interview Protocol

The processing and storage of personal data collected during this study will be compliant with research ethics and legal requirements such as the Data Privacy and Protection Act of 1998 and the Protection of Personal Information Act (POPIA) 4 of 2014. For instance, the researcher obtained written permission from franchise organisations that employ the respondents before data collection. In addition, face-to-face interviews of approximately 30 minutes were conducted at respondents' workplaces, and respondents had to give consent before being recorded. Interview questions will be e-mailed to respondents so that they can prepare for the day of the interview. The interview will last between 45 and 60 minutes and avoid casual language.

3.7.3 Preliminary Interviews

Kumar (2011) referred to preliminary interviews as a process of pretesting data collection instruments. A researcher conducts a trial run on a smaller group that shares similar features with a study sample under similar conditions. The aim of preliminary interviews is not to collect data per se, but to critically evaluate questions that comprise an instrument in terms of language, wording, and clarity; provide interviewers with opportunities to become confident and experienced; raise issues for follow-up investigations; and establish instruments' acceptability, validity, and reliability. The researcher then makes amendments based on the feedback provided by respondents during the interviews.

In this study, top managers in Gauteng will be used to test the interview questions used in gathering data. The 2 respondents will be interviewed face-to-face at their offices. Feedback from the preliminary tested respondents will be used to determine the effectiveness of the interview approach and whether the questions are effective, satisfactory, appropriate, and relevant. Afterwards, some amendments will be made based on issues raised during the preliminary interview sessions.

3.8 Data Analysis

Kumar (2011) and Pell Institute (2016) describe data analysis as the act of structuring, summarising, and interpreting raw data through the identification of themes, transcription, and verbatim quotation of responses and notes. The aim of data analysis is to find meanings, address research questions, and test hypotheses.

This study used a thematic analysis to identify, examine, and interpret emerging themes from textual responses provided by a sample of 12 senior managers and entrepreneurs who either work in or own home-grown franchises. According to Braun, Clark, and Gray (2017), thematic analysis follows six steps: data familiarisation; generating codes; identification of potential themes from codes; revision of potential themes; establishing final themes and sub-themes; and report writing. Once interpreted, the themes provided understanding and insights into the drivers that determine the development of successful franchise business models in South Africa.

3.9 Quality Assurance (QA)

Costa (2022) defines quality assurance as various steps and strategies undertaken by a researcher to promote rigour, integrity, accuracy, security and trustworthiness of research findings, and compliance with research ethics and legal requirements. Quality assurance comprises pilot testing of data collection instruments and data cleaning, coding and verification, and utilisation of relevant data analysis software. The study maintained quality assurance by making sure that data collected is well protected using passwords and stored in a safe lockable place.

3.9.1 Preliminary Interviews

Data collection instruments pilot tested through preliminary interviews with a small group of senior managers and entrepreneurs and checked by the supervisor. Two preliminary interviews will be conducted to answer the questions.

3.9.2 Inclusivity of the Data Collection Instruments

The data collection instrument used the English language to ensure that questions could easily be understood by all respondents.

3.9.3 Validity and Reliability of Findings

The researcher will use similar recording devices to record responses during interviews with senior managers and entrepreneurs and analyse findings through a thematic approach using similar data analysis tools.

Data received through interviews will be analysed. The researcher will read the collected data numerous times to become comfortable with it and to identify, investigate, and develop initial codes by categorising the information. Coding of data characteristics in a systematic manner throughout the full data set (semantic or latent), collating/organizing data important to each code, and noting any emergent patterns or themes. The detected patterns across the gathered datasets are essential to the description of phenomena and are linked to a particular research issue. The selected themes will then be color-coded, analysed, and used to answer the research questions.

3.9.4 Ethical Compliance

The study complied with research ethics and laws that regulate the collection, usage, and privacy of personal information in South Africa.

3.10 Research Ethics

Ethics in research comprise various principles that underpin decisions on acceptable research approaches, designs, sampling, data collection analysis, interpretation and reporting of findings, and interactions with study participants (Creswell, 2014; Kumar, 2011 & Saunders et al. 2009).

This study on the drivers of successful home-grown franchises in South Africa complied with research ethics because it incorporated the following:

3.10.1 Ethical Clearance

Ethical clearance will be obtained from Wits University for the researcher upon review and approval of the study proposal by relevant faculty authorities.

3.10.2 Informed consent and permission

The researcher will send out introductory letters to all sampled senior managers (and their superiors) and entrepreneurs to inform them about the aims of the study and seek permission. All participants in the study provided written informed and voluntary consent prior to the commencement of data collection. The researcher explained that participants could withdraw at any stage of the study and that the findings of the study were purely for academic purposes.

3.10.3 Privacy, Anonymity, Confidentiality, and Safety

As mandated by the legal provisions of the Data Privacy and Protection Act 1998 and Protection of Personal Information Act (POPIA) 4 of 2014, the researcher avoided all forms of misconduct such as plagiarism, fraud, and falsification of findings; treated study participants' responses with outmost privacy and confidentiality; and ensured anonymity, dignity, and safety of interviewees. The researcher will conduct face-to-face semi-structured interviews at participants' workplaces to reduce discomfort and anxiety.

3.11 Study Limitations

Study limitations are all potential structural problems, challenges, and weaknesses that arise due to research decisions regarding design, methodology, sampling, data collection instruments, and data collection and analysis (Miles, 2019). External factors beyond the control of researchers are responsible for study limitations and can therefore affect the interpretation of findings. Some of the limitations identified during this study are outlined. Logistical challenges of accessing study samples from all franchise sectors operating in rural and urban areas of South Africa due to inadequate financial resources.

The researcher will only interview participants that operate in urban areas. Any high number of unanswered questionnaires will force the researcher to identify more participants to reach a saturation point. Some sensitive questions might not be answered by interviewees despite guarantees of adherence to privacy and confidentiality regarding the gathering of such information.

3.12 Chapter conclusion

This chapter discussed the research approach, design, sampling, data collection, data analysis, and ethical considerations. The choice of various research processes and procedures for this study were influenced by an interpretivist philosophical worldview. The study followed a qualitative research design, and a purposively sampled out 10 senior managers and entrepreneurs who provided subjective information during semi-structured interviews and through questionnaires. The researcher adopted a thematic approach for analysing and interpreting the findings. Emerging themes and patterns from responses of

the study sample assisted the researcher to answer the various research questions and achieve goals regarding factors that lead to the development of successful home-grown franchises in South Africa.

Chapter 4 provides the analysis of findings from data collected from Junior and senior managers who work for franchises and entrepreneurs who own franchises within the franchise sectors.

CHAPTER 4: PRESENTATION, ANALYSIS, AND INTERPRETATION OF THE FINDINGS

4.1 Introduction

This chapter presents the findings from structured interviews with study participants. The study sample consisted of individuals occupying managerial positions within various food franchises located in urban areas of Gauteng province, South Africa. Participants' responses were processed and analysed thematically in six phases in accordance with suggestions made by Maguire and Delahunt (2017). Several main themes and sub-themes linked to the research questions were identified, presented visually through tables or graphs, and expounded upon. This led to a deeper understanding and insights into the research phenomena.

4.2 Data collection

The data collection instrument was self-administered interview schedules made up 12 open-ended questions that were distributed to 15 sampled individuals employed as managers of food franchise outlets and entrepreneurs in South Africa. The open-ended questions posed to interviewees explored factors that influence the development of successful franchise business models in South Africa. For instance, the questions highlighted the drivers of success among franchises; examples of successful and unsuccessful franchise business models; factors that influence the profitability and effectiveness Franchisor–Franchisee relationship (FFR) of franchise business models; challenges, threats, and opportunities associated with franchise business models; and recommendations that can lead to the establishment of a successful franchise business model.

4.3 Data Analysis

Responses provided by the participants were subjected to a latent thematic analysis. Braun and Clarke (2006 & 2013) defined latent thematic analysis as research steps that result in the identification and interpretation of patterns or themes and sub-themes from qualitative findings provided by study participants during the data gathering phase. Such patterns or themes enable researchers to understand and gain insights into research phenomena.

This approach does not restrict researchers to any given epistemological or theoretical perspective, as is often the case with other qualitative analysis approaches. Thematic data analysis played a critical role in answering the following research questions:

- i. What factors can determine the development of successful franchises in South Africa?
- ii. What challenges do South African franchisors experience in local and international markets?
- iii. What challenges impact Franchisor– Franchisee Relationships (FFR) in South Africa?

4.4 Demographic Analysis

This section on demographic analysis profiles study participants (see Table 4.1) according to age, gender, educational or professional qualification, work experience, and franchise sector.

Table 4. 1: Demographic Analysis of the Study Participants

Respondent	Position	Work experience (years) in the organisation	Franchise Sector
R1	Junior Manager	4	Food – Restaurant
R2	Senior Manager	11	Food: Restaurant
R3	Executive Manager	25	Entrepreneur
R4	Senior Manager	13	Food: Restaurant
R5	Senior Manager	24	Food: Restaurant
R6	Senior Manager	7	Food – Take Away
R7	Junior Manager	2	Food: Restaurant
R8	Junior Manager	2	Food – Take Away
R9	Executive Manager	15	Entrepreneur
R10	Senior Manager	10	Food: Restaurant

Source: Author Derived (2023)

4.4.1 Response Rate by Study Participants and saturation point

The study sought to collect primary data from an initially selected sample of 15 participants in the franchise sector and entrepreneurs aiming to be franchisors, however

during data collection, the choice was made in accordance with the saturation point rule, as defined by Majid (2018) and Kumar (2021). According to the aforementioned writers, the saturation point in qualitative research occurs when the researcher concludes that all relevant data required to answer research questions has been gathered. Purposively sampled managers and potential franchise owners were asked 12 open-ended interview questions each. However, after interviewing ten of the fifteen participants, saturation point was reached. Babbie (2007), provide further guidelines as presented in the table below, and looking at the response rate of 67 percent during data collection, it was regarded good and sufficient saturation threshold (See in table 4.2 below).

Table 4. 2 : Guidelines for Response Rate

GUIDELINE OF THE RESPONSE RATE	
PERCENTAGE	GUIDELINE
50%	Adequate
60%	Good
70%	Excellent
80%	Excellent

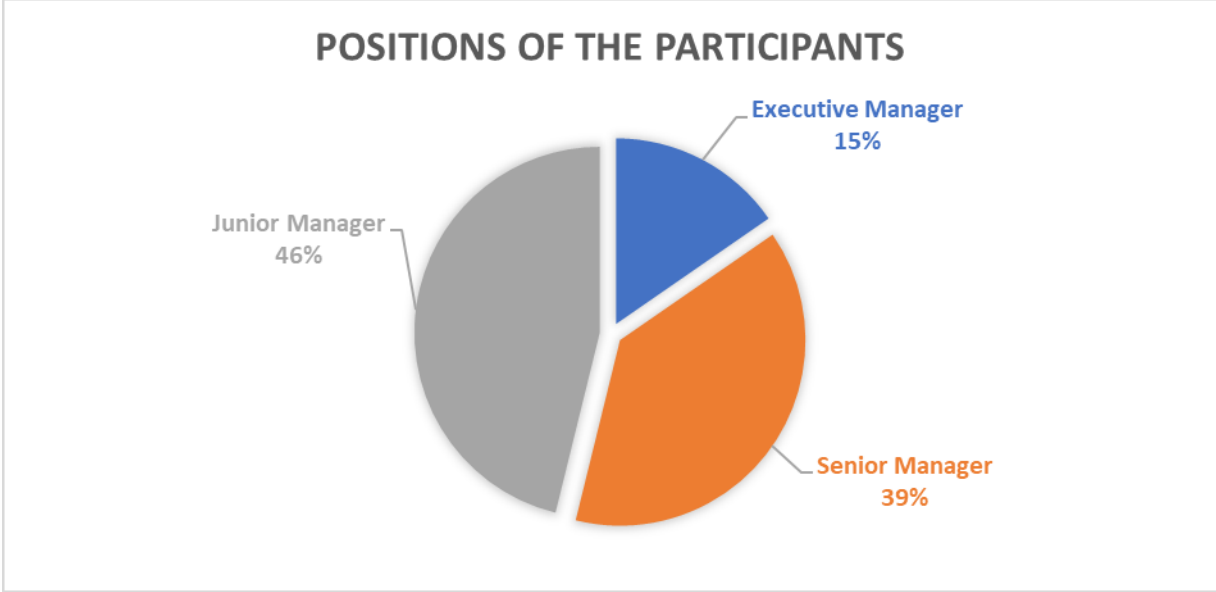
Source: Babbie (2007: 289)

4.4.2 Position at work and experience of the participants

According to the data from the respondents in Figure 4.1 below 15% of the participants were Executive managers, 39% Senior Managers and 46% Junior Managers. Findings also revealed that the work experience of majority of the respondents ranges from 2 to 25 years, 20% have more than 21 years' experience, 40% have work experience of between 10 and 20 years, and another 40% have worked for less than 10 years. The average work experience of the respondents was 11.3 years (Figure 4.2 below).

According to Ochonma et al. (2018), the level of a manager's work experience is linked directly to job performance, productivity, profitability, and success of companies. For instance, experienced managers are more capable of motivating employees deal with work-related conflicts, increasing competitiveness, and achieving organisational goals.

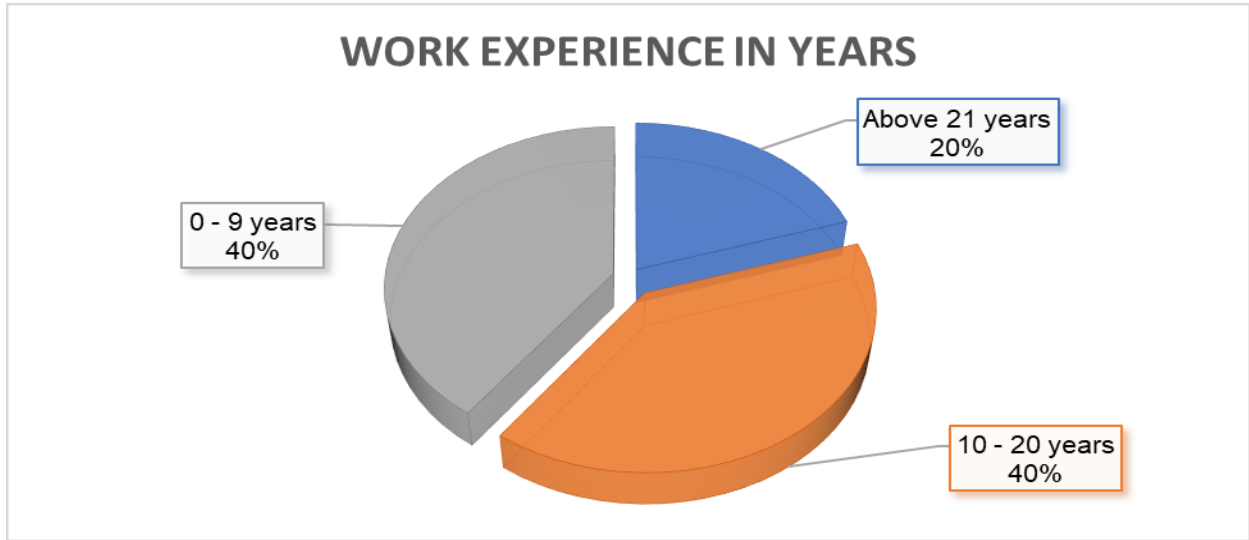
Figure 4. 1: Positions of the participants



Source: Author Derived (2023)

This means that the managers have had enough opportunities to acquire adequate knowledge and skill sets that can positively contribute towards the success of the respective food franchise businesses where they are currently working.

Figure 4. 2: Work experience of the respondents



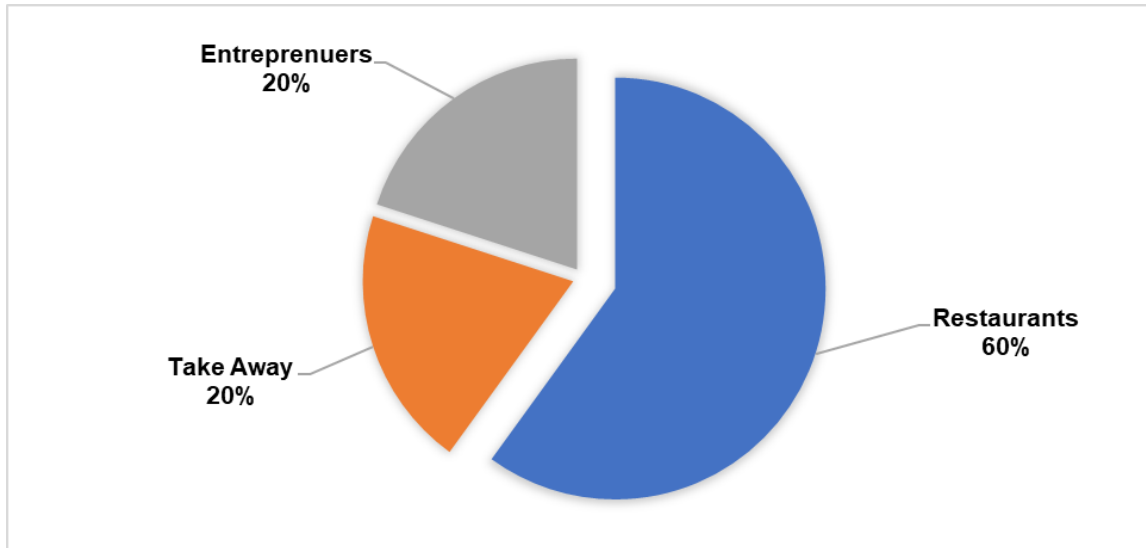
Source: Author Derived (2023)

4.4.3 Breakdown of the sample selected for the study in the Franchise Sector

4.4.3.1 Franchise Sector

All participants who answered the self-administered questionnaire work in the food franchise sector. According to the findings presented in Figure 4.3 below, a majority of these (60%) manage franchised restaurants, 20% are in take-away, and 20% of participants were entrepreneurs in the food business who were interested in developing their own franchises in the food franchise sector.

Figure 4. 3: Breakdown of the sample selected for the study in Food Franchise



Source: Author Derived (2023)

These findings align with the 2022 franchise ranking released by FASA (FASA, 2022). According to the ranking, the popularity of the food franchise sector is due to its high levels of profitability and saleability. The sector comprises a quarter of all established franchisors and franchisees within the South African franchise industry (FASA, 2022).

4.4.3.2 Origin of the sampled Franchises

Table 4.3 shows the origins of the franchises for which the participants involved in this study work.

Table 4. 3: Sampled Franchises

Name of the Franchise	Origin
McDonald's	International (USA)
Wimpy	International (USA)
KFC	International (USA)
Rocomamas	Local (SA)
Roman Pizza	Local (SA)
Spur	Local (SA)

Mochachos	Local (SA)
Nandos	Local (SA)

Source: Author Derived (2023)

Most of the participants (62.5%) are employed by homegrown companies, while the rest work for international companies (37.5%).

4.4 Analysis of the Data

4.4.1 Factors of success in the Franchise Business Model

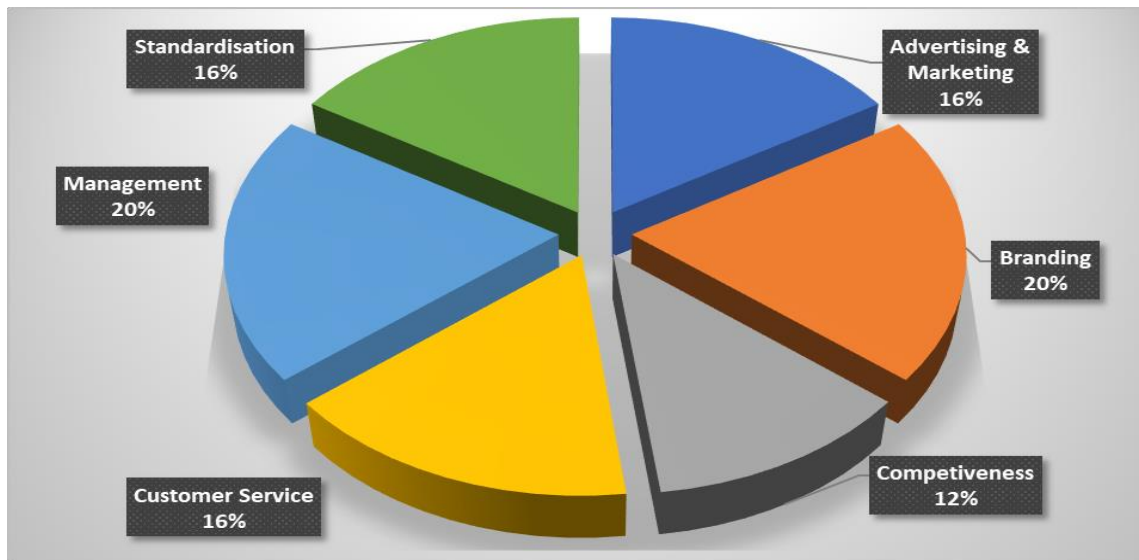
Interview Question 1 – ‘In your opinion, what are some of the key factors that contribute to the success of a franchise model in South Africa?’

Participants were asked to name factors that led to the development of a successful franchise in this country. A review of responses resulted in the identification of the theme “Franchise Business Model Success Drivers” and various sub-themes, as illustrated in Annexure 1 and Figure 4.4.

As demonstrated in Annexure 1 and Figure 4.4, all respondents could identify key factors contributing to the success of a franchise business model. A review of these factors helped identify the main “Franchise Business Model Success Drivers” and several emerging sub-themes discussed below.

4.4.2 Subthemes identified

Figure 4. 4: Success Drivers of the Franchise Business Model



Source: Author Derived (2023)

4.4.2.1 Advertising and Marketing

Approximately 16% of the respondents felt that well-funded and resourced advertising or marketing strategies are critical drivers of the success of a franchise business model in South Africa. According to Arun (2023), effective advertising and marketing strategies are beneficial for both franchisees and franchisors because of the following benefits: increased brand awareness, recognition, and reputation; customer loyalty; and market expansion and penetration. These benefits in turn impact a franchise's performance, productivity, and profitability, and thus its success.

Responses quoted below show that stakeholders recognise the key role of advertising and marketing in driving the success of franchise business model:

R1 *"The brand is well known enough. Advertising is done on a large scale by the franchisee"*; R6 *"Brand Strength & Support, Mutual trust and sharing, Sales and marketing, Strategies, and long-term thinking"* and R8 *"Marketing, maintaining core brand identity, Ability to change with times."*

4.4.2.2 Branding

Approximately 20% of the respondents identified various aspects of branding as important factors in the success of a franchise business model. The respondents referred to the

following branding aspects – recognition; strength; quality; loyalty and enforcement – as important contributors to any franchise’s potential to succeed in South Africa. In their opinion, a strong brand image is important because it is linked to high market visibility, and thus directly or indirectly increases a franchise’s levels of performance, competitiveness, and profitability.

These participants, as demonstrated through their responses, concurred that branding is a key factor behind the success of a franchise business model: R1 “*The brand is well known enough, Advertising is done on a large scale by the franchisee*”; R2 “*Standardised operational practices, Enforcing of Brand Values*” and R6 “*Brand Strength & Support, Mutual trust and sharing, Sales and marketing, Strategies, and long-term thinking.*”

4.4.2.3 Competitiveness

Approximately 12% of the respondents believe that franchises with pronounced competitiveness have higher chances of success. Competitiveness is a combination of several factors such as reasonably priced products or services, identification of competitors and target markets, physical location of franchise outlets, and affordability of suppliers.

The following responses emphasise how competitiveness is a critical factor in the success of franchises: R3 “*Low price, Quality, Service*”; R9 “*Location, Product, Price, Target Market, Competitor*” and R10 “*Brand Name, Location, Management Marketing, Service to the consumers.*”

4.4.4 Customer Service

Approximately 16% of the respondents identified customer service as one of the key factors contributing to the success of franchises within South Africa. High-quality customer service better positions franchisors or franchisees to succeed in comparison to those that fail and have lower levels. This is more pertinent in a franchise sector that offers similar (or hard to differentiate) products or services such as restaurants or takeaways. In this sector, franchises that prioritise quality customer service tend to have higher success rates.

Customer service importance in driving franchise success is reflected by what these participants' responses: R3 "*Low price, Quality, Service*"; R6 "*Brand Strength & Support; Mutual trust and sharing; Sales and marketing, Strategies, and long-term thinking*" and R10 "*Brand Name, Location, Management Marketing, Service to the consumers.*"

4.4.5 Management

Approximately 20% of the respondents recognised the role of management effectiveness in the success of a franchise business model. The level of knowledge and skills among management personnel determines the effectiveness of management. Managers are required to implement plans and strategies; monitor and evaluate employee performance and productivity; make necessary adaptations or innovations to achieve planned outcomes; and increase the productivity, competitiveness, and profitability of business organisations. Therefore, franchises run by skilled and knowledgeable management teams tend to enjoy more success than those that do not.

Quotations from the following study participants attest to the fact that management impacts the effectiveness of a franchise business model –R6 "*Brand Strength & Support; Mutual trust and sharing; Sales and marketing, Strategies, and long-term thinking*"; R8 "*Marketing, maintaining core brand identity and ability to change with times*" and R10 "*Brand Name, Location, Management Marketing, Service to the consumers.*"

4.4.6 Standardisation

Based on the findings, 16% of those interviewed were aware of critical standardisation in terms of operations and product or service range contributing to the development of a successful business model in South Africa. As noted by Grant (2021) and Thobejane (2017), standardisation plays a pivotal role in enhancing a franchise's uniformity and consistency of products or services and operations; brand recognition and uniqueness; and trust and quality in the eyes of its customers. This in turn reflects positively on the franchise's market competitiveness, profitability, and success. As a result, parent franchisors strive to ensure that franchisee outlets use similar equipment or suppliers to produce products or services aligned to the franchise brand image.

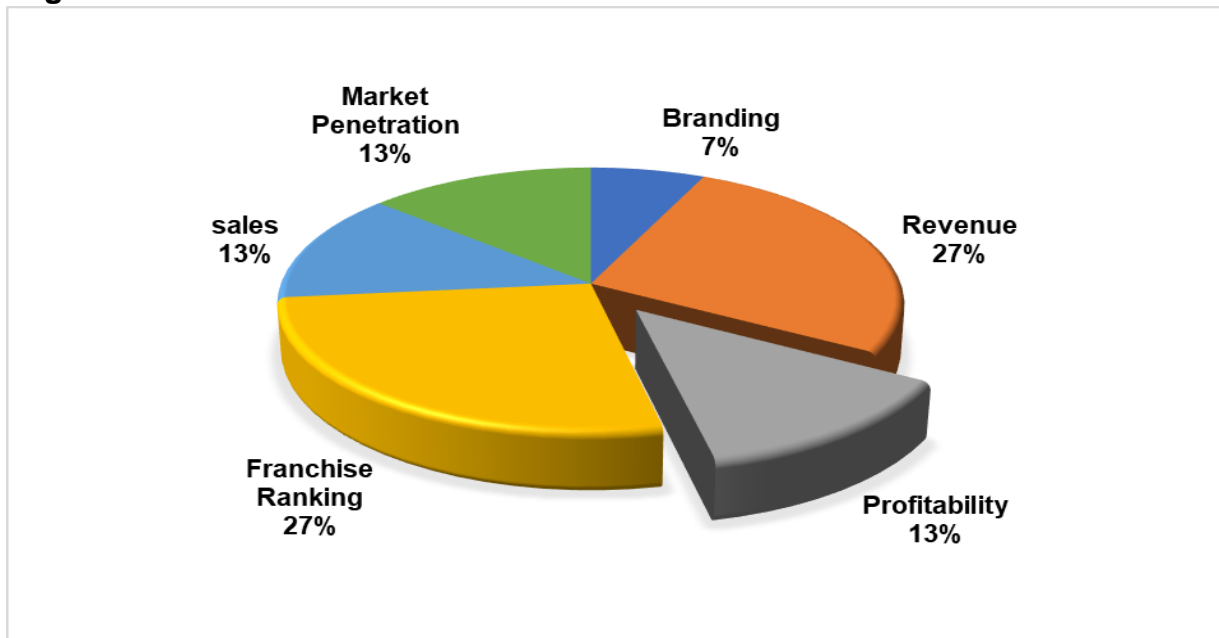
For instance, R2 raised this issue by saying, “*Standardised operational practices and Enforcing of Brand Values.*”

4.5 Measurement or Evaluation of the Success of a Franchise Business Model

Interview Question 2 - ‘How do you measure or evaluate the success of a franchise business model?’

The question explored respondents’ views on measuring or evaluating the success of franchise business models. A review of responses provided by the participants led to the identification of the theme “Success Measurement or Evaluation of a Franchise Business Model” and various sub-themes (indicators of success). Table 4.5 Success Indicators of the Franchise Business Model.

Figure 4. 5: Franchise success indicators



Source: Author derived (2023)

According to the presentations in Annexure 2 and Figure 4.5, the respondents of the interview schedules in this study had an idea of how to measure or evaluate the success of a franchise business model using various indicators.

4.5.1 Branding

7% of the respondents' regard brand loyalty as a choice indicator that can be used to measure or evaluate the success of the franchise business model. Franchises with high brand loyalty have a higher chance of success because loyal customers prefer to buy their products or services as opposed to those offered by competitors. In this way, such franchises can generate more sales, which in turn increases turnover and profitability.

Participant R1 concurred that branding is a significant indicator of successful franchises by saying that "*Customer loyalty to the brand market research – helps for location, brand recognition.*"

4.5.2 Revenue

Approximately 27% of the respondents use revenue as an indicator when measuring or evaluating the success of a franchise business model. Factors such as increased sales, market penetration, and brand awareness often result in high revenues for franchises, and consequently more chances of achieving success as opposed to those that do not.

Participants R2, 3, 6, 6, 9 & 10 identified revenue as a key indicator for measuring or evaluating the success of franchises as demonstrated in these quotations: R2 "*Turnover Growth of the brand, Profitability, Quality rating in comparison to other competitors*"; R3 "*ROI*"; R5 "*By its performance & success in terms of achieving the target & goals*"; R6 "*Revenue, Assess the franchise, Research, and understand the franchise concepts*"; R9 "*Sales, Break even, Balance score card, Profit margin*" and R10 "*Turnover per year (yearly), Daily budget – breakdown your yearly target in monthly, and daily target to reach there.*"

4.5.3 Profitability

The findings show that 13% of the respondents measured or evaluated the success of a franchise business model by examining its profitability. The rationale is that profitable franchise operations are synonymous with a successful franchise business model in a particular industry.

Profitability is a valid measure of a franchise's success as these participants pointed out: R2 "*Turnover Growth of the brand, Profitability, Quality rating in comparison to other competitors*" and R9 "*Sales, Break even, Balance score card, Profit margin.*"

4.5.4 Franchise Ranking

Local and international franchise affiliations such as FASA and IFA regularly rank franchises according to various criteria or requirements. In the franchise sector, higher rankings are often associated with successful franchise business models. These rankings lead to many positive spinoffs for franchisors and franchisees in terms of profitability, market penetration, sales, brand, marketability, etc. As a result, many franchise stakeholders strive to comply with affiliation requirements to capitalise on these benefits. Responses from the following participants franchise ranking by FASA and IFA is tool that can be used to measure the success of franchise business models: R5 "*By its performance & success in terms of achieving the target & goals*" and R7 "*By its sales, And by its fame amongst the consumers and, also the services.*"

4.5.5 Sales

According to the findings, 13% of the respondents used the volume of sales to measure or evaluate the success of a franchise business model. The assumption is that the more sales a franchisee or franchisor makes, the higher their chances of being successful. The use of sales as a measuring tool for the success of franchise business models was raised by participants R7 who said "*by its sales, And by its fame amongst the consumers, and also the services.*"

4.5.6 Market penetration

Market penetration is defined as the extent to which consumers buy products or services provided by a specific business in comparison with those of competitors (Kenton, 2023). Businesses resort to various strategies such as lower prices, acquisition of competitors, opening of new markets, and introduction of new products or services to increase market penetration. Approximately 13% of the respondents admitted using the level of market penetration as an indicator of a franchise business model's success.

Participants 5 & 8 emphasized the point of how market penetration can be adopted as tool for measuring a franchise business model success through their responses: R5 *“By its performance & success in terms of achieving the target & goals”* and R8 *“You can measure the success of franchise by its expansion abilities.”*

A deeper market penetration represents various advantages for a franchise such as increased customers, sales, revenues, competitiveness, and brand dominance etc. that often underpin success for any business model. Several local and international studies concur with these findings. Examples of such studies are as follows:

- N. Lachman (2017): A study of fast-food franchising as a popular business model in the South African dining landscape
- A.T. Ardan (2019) International marketing strategies adopted in the franchise internationalisation process as a multiple case study in the apparel industry
- M.A. Achola (2016): Franchising a market entry strategy for Kentucky Fried Chicken (KFC) in Kenya
- M.F. Abdul Ghani et al. (2022): A preliminary study: Exploring growth factors of franchisors and franchisees

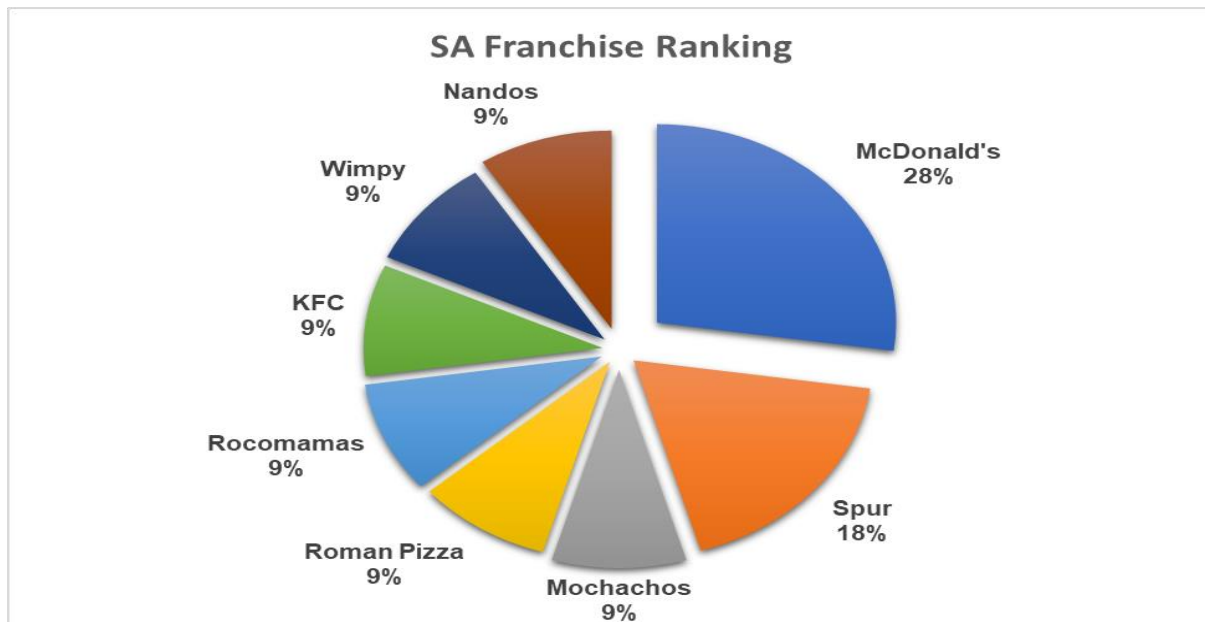
These studies have discussed how franchises resort to market penetration as a viable strategy to establish themselves within a given market environment and thus become successful.

4.6 South Africa’s Successful Franchise Business Models

Interview Question 3 - ‘Can you give me some examples of successful franchise business models in South Africa? What makes them successful?’

The question asked study participants to identify a few examples of successful franchise business models and the factors behind this success. After reviewing the findings (presented in Annexure 3 & Figure 4.6), the theme of ‘South Africa’s Successful Franchises’ and various sub-themes explaining such success emerged.

Figure 4. 6: SA Franchise Business Model Ranking



Source: Author Derived (2023)

4.6.1 Successful SA Franchise Models

According to Figure 4.6, respondents ranked McDonald's (28% of the respondents) as the most successful franchise business model in South Africa, followed by Spur (18% of the respondents). Other franchises such as Mochachos, Roman Pizza, Rocomamas, KFC, Wimpy, Nandos, and Debonairs came in third (9% of the respondents).

Participants R1 & R5 had this say about what makes McDonald's the most successful franchise operating in South Africa: R1 *"What makes them successful is the consistency of food quality making their customers loyal hence growing their customer base and customer service is the best"* and R5 *"McDonald's it has been in SA since 1994 and still maintains their best quality, cleanliness, and services."*

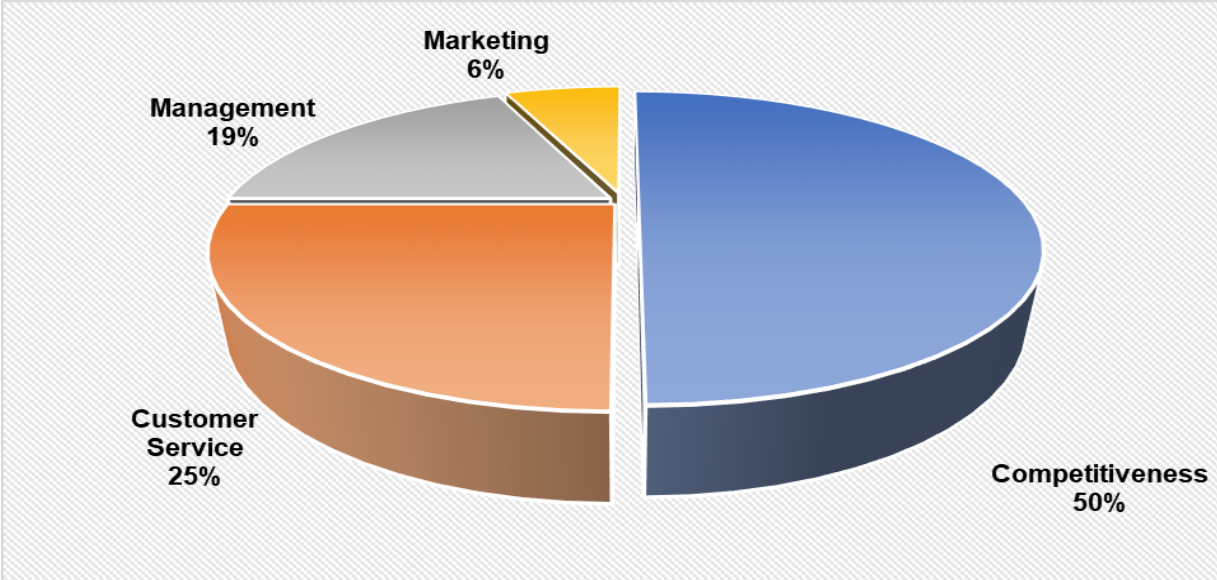
The findings do not reflect franchise rankings based on recent survey outcomes conducted by Businesstech (2023). The survey in question ranked these food franchises as follows: KFC (No.1); Debonairs (No. 2), Wimpy (No. 4), McDonald's (No.5); Nandos (No. 7), and Rocomamas (No.9). Mochachos, Spur, and Roman Pizza did not make the top 10 list. The respondents ranked McDonald as the most successful franchise based on its support to franchisees and its quick response and constant review of the menus,

unlike most other franchisors, while the businesstech survey is more dependent on market penetration and brand preferences among South Africans.

4.6.2 Success Drivers of SA’s High-Rating Franchise Models

In the second part of question 3, respondents discussed factors (see Figure 4.7) responsible for the success of franchise business models ranked in 4.6.1.

Figure 4. 7: Success drivers of SA’s high-ranking franchise models



Source: Author Derived (2023)

4.6.2.1 Competitiveness

50% of the respondents (such as R1, R2, R3, R5 & R7) attributed the success of franchises like McDonald’s, Spur, Wimpy, KFC, and Nandos to their higher level of competitiveness within the food franchise sector. This competitiveness is mostly driven by factors such as quality products and services, cleanliness, unique tastes and menu lines, and excellence. As a result, these franchises have well-established brand identities, deeper market penetration, and can generate more sales from their large customer bases within the restaurant or take away market niche in the country.

4.6.2.2 Customer Service

Approximately 25% of participants think that unique and quality customer service is behind the success of the highly ranked food franchises in South Africa. Superior

customer service confers a competitive advantage to businesses because it enhances sales, brand loyalty, customer retention, and referrals that consequently translate into profitability and success (Grant, 2023). Examples of participants who thought that customer service drives success among franchises in South Africa are R1, R3 & R5.

4.6.2.3 Marketing

A single respondent R7 (or 6% of the sample) stated that effective marketing is responsible for the success of food franchises such as McDonald's. Marketing, when effectively conducted, creates brand awareness, and contributes to increased sales volume of products or services within any market. R7 said this about Nandos "*the products and style of marketing they use.*"

4.6.2.4 Management

19% of the respondents indicated that management is a key factor that leads to the development of successful food franchises. Successful franchises tend to have knowledgeable, skilled, and experienced management teams that can effectively plan, implement strategies, monitor, and evaluate the performance of employees and production processes to achieve goals and be profitable.

Out of the total sample, only 2 participants identified management as a success driver as reflected in these quotations: R6 on Roman Pizza's success "*what made them successful was to make sure that is compliant for every state*" and R10 quoted on Wimpy "*it is an established brand that is always introducing new menu items, but also keeping their old-line menu Also under strict supervision of their head office.*"

4.7 South African Unsuccessful Franchise Business Models

Interview Question 4 – ‘Can you give me examples of unsuccessful franchise business models in South Africa? What makes them unsuccessful?’

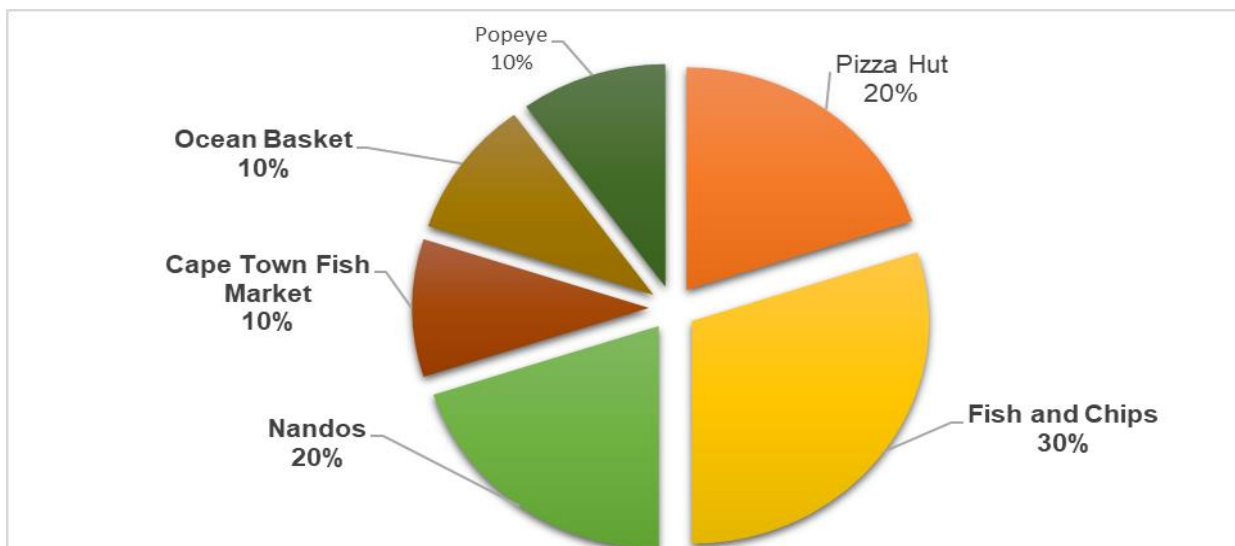
The question explored participants' views on some of the country's unsuccessful franchise business models and the reasons behind them. A review of the findings (see

Annexure 4) uncovered the theme of “SA’s Unsuccessful franchises” and various sub-themes explaining why they failed.

4.7.1 Unsuccessful SA Franchises

Figure 4.8 indicates a list of franchises that were regarded as unsuccessful in the opinions of the participants who answered the question. Number one on the list are Fish and Chips (30%), Pizza Hut (20%), and Nandos (25%) followed by the likes of Cape Town Fish Market (12%), Ocean Basket (10%), and Popeye (10%). The participants’ views concurred with recent survey findings that ranked these franchises very low within the country. The exception to this is Nandos, which is ranked as the 7th most popular franchise in South Africa by a 2023 Businesstech survey.

Figure 4. 8: SA’s Unsuccessful Franchises

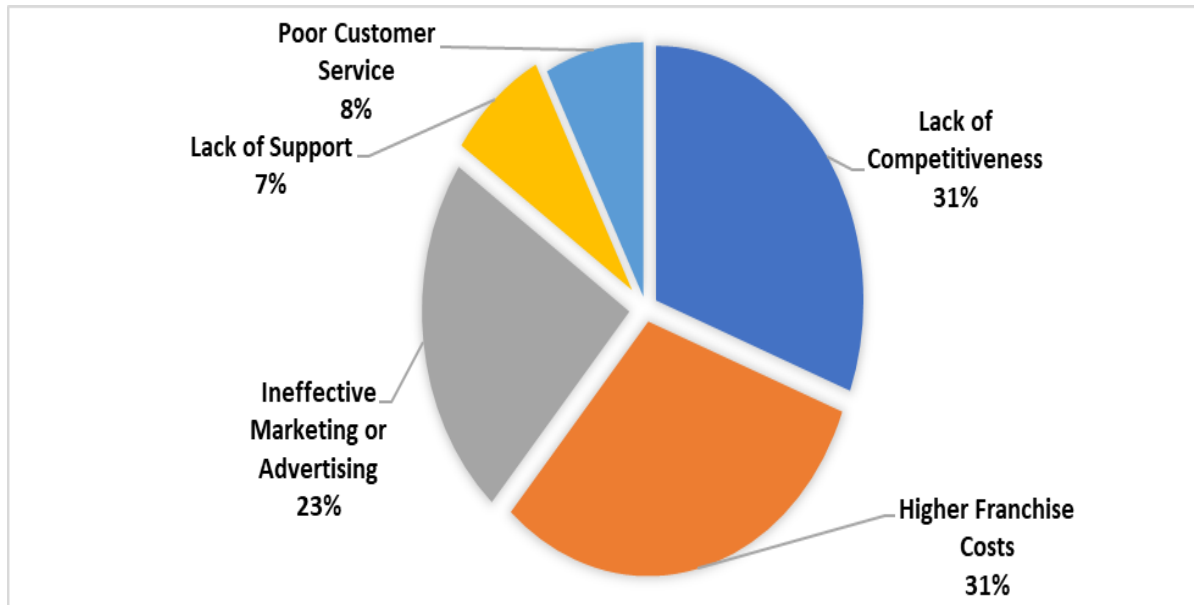


Source: Author Derived (2023)

4.7.2 Factors Responsible for Failure

The participants provided reasons for the failure of the franchises shown in Figure 4.9. The findings – illustrated in Figure 4.9 - on these questions are outlined as sub-themes below:

Figure 4. 9: Factors behind the failure of SA’s franchises



Source: Author Derived (2023)

4.7.2.1 Lack of Competitiveness

Approximately 31% of the participants stated that some SA franchises are unsuccessful due to lack of competitiveness. In the opinion of these franchises, they are uncompetitive due to unreasonable priced products, poor physical location, market saturation, and lack of nearby suppliers. This factor is pertinent because there are proven linkages between levels of competitiveness and favourable business outcomes such as profitability, sustainability, and success in any industry.

Based on responses given, participants R1, R4 and R8 felt that lack of competitiveness negatively impacts franchise operations. Here are direct quotes from these participants:

R1 *“Poor site selection can make franchise, unsuccessful; inadequate working capital, treating franchises as profit centre e.g. Pizza Hut”*; R4 *“Competition is too much”* and R8 on Nandos poor performance *“Competition from the likes of Pedros that offer the same menu a cheaper price.”*

4.7.2.2 Higher Franchise Costs

Thirty-one percent of the participants believe that higher franchise costs are driven by factors such as set-up costs, initial fees, and royalties that are ultimately responsible for the failure of some franchises in South Africa. As a result, some franchises end up with

unhealthy bottom lines and low profits because a large percentage of revenues is spent on meeting various franchise-related costs.

The following participants attribute higher franchise costs as a constraining factor for success in the franchise industry: R1 *“Poor site selection can make franchise, unsuccessful; inadequate working capital, Treating franchises as profit Centre e.g. Pizza Hut”*; R3 *“Lack of service & Low ROI”* and R6 *“CNA, Nandos, Lack of support, High costs and royalty payments.”*

4.7.2.3 Ineffective Marketing or Advertising

31% of participants identified ineffective marketing or advertising strategies as a reason why some franchises ended up being unsuccessful. This is disadvantageous for these franchises, resulting in poor brand establishment or visibility and minimal market penetration and share in a highly saturated sphere.

Participants that highlighted identified ineffective marketing or advertising strategies as a reason why some franchises ended up being unsuccessful were: R7 talking about Pizza Hut *“they are not well known amongst the consumers and its marketing is less attractive and less shown”*; R9 on Popeye *“the product was not well marketed, and the taste of the product was unfamiliar”* and R10 regarding Fish and Chips, *“they failed to react to public demand and introduce new menu.”*

4.7.2.4 Lack of Support

7% participant thinks that some franchises in South Africa are unsuccessful due to lack of support. The probability of success increases with the level of support that franchise outlets receive from parent franchisors or the head offices of a franchise network.

For example, R6 is the opinion that franchises like CNA, Nandos are failing because of *“Lack of support, High costs and royalty payments.”*

4.7.2.5 Poor Customer Service

8% Participant cited poor customer service in response to the question. This participant feels that unsuccessful franchises identified during this question have a poor track record

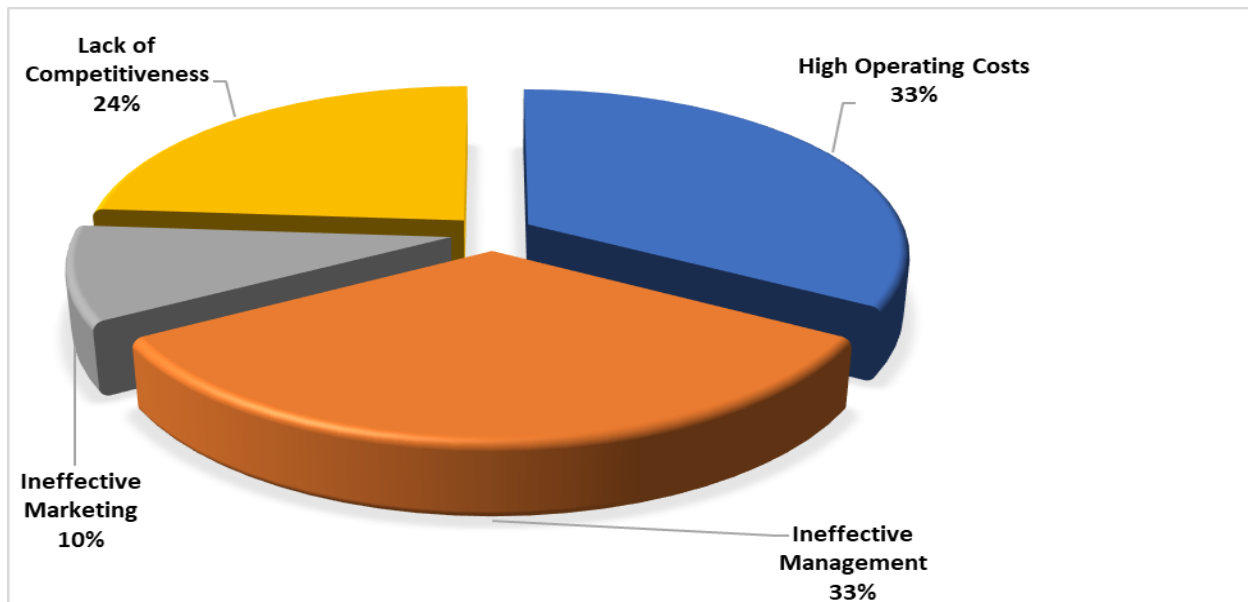
in customer service and treatment. For instance, many customers may choose to stop patronising franchise outlets or brands after being at the receiving end of a bad experience with employees thereof. In their response, R3 touched on this theme by saying “*Lack of service and Low ROI.*”

4.8 Factors Impacting the Profitability of Franchise Business Models in South Africa

As part of interview question 5 – ‘Identify current or emerging factors that impact the profitability and development of franchise businesses in South Africa?’

Participants voiced their views or opinions regarding factors that impact profitability and development of franchises in the country. Annexure 5 below shows the theme ‘Factors that Impact Franchise Profitability and Development’ and several sub-themes emerged after reviewing responses from the participants.

Figure 4. 10: Factors that negatively impact franchise profitability and development
Source: Author Derived (2023)



The participants were able to identify various factors (sub-themes) that impact the profitability and development of franchises within South Africa. The findings identified factors (see Annexure 5 & Figure 4.10) that negatively impact the level of franchise profitability and successful development eventually.

4.8.1 Lack of Competitiveness

24% of the respondents believe that a lack of competitiveness can negatively impact the profitability and development of franchise business models in South Africa. According to these respondents, lack of competitiveness can be caused by factors such as inferior locations of franchise outlets, inability to adapt to changes in trends, and poor franchise brand reputation. Less competitive franchises tend to have lower sales and revenues, which in turn affect their profitability and long-term development.

Responses from participants quoted below describe a lack of competitiveness as a negative factor on the profitability and development of franchise business models in South Africa: R3 *“Adapting to change”*; R6 *“Franchise reputation, Franchise market, Franchise relationship”* and R7 *“Quality of the brand and our product, and unique marketing and adapting to the changes of the market”*

4.8.2 Ineffective Marketing

A small percentage of participants (10%) identified ineffective marketing as a key factor that can negatively influence profitability and development in the country. For instance, some franchises lack the expertise or resources required to implement effective marketing strategies that lead to increased brand awareness among potential customers in a particular market. The downside of this is reduced sales volumes, revenues, profitability, and development of affected franchises.

Participant R7 admitted that ineffective marketing negatively affects franchise profitability and development in the country because “Quality of the brand and our product, and unique marketing and adapting to the changes of the market.”

4.8.3 Ineffective Management

most participants (30%) view ineffective management abilities and capacities on the part of franchisees and franchisors as a hindrance to higher profitability and increased potential for development. For instance, managers do not have the required knowledge, skills, and experience to successfully set realistic poor goal setting; monitor or evaluate performance; minimise operational costs; adapt to changes or trends; and resolve

conflicts within franchise networks. Consequently, poorly managed franchises experience lower levels of profitability and struggle to sustainably develop.

Some participants through their responses pointed out that ineffective management hinders franchise profitability and development: R1 "*Royalties that's the franchise fee, Location of your business, Goals, and the performance of the business*"; R2 "*Profitability, Load shedding, Exchange rates, imported stock prices fluctuate, Rental investments & Landlords, Trends change faster than franchises can implement, sustainable practices*" and R10 "*Load shedding the 2 hours cuts it cost food industry billions a day, Poor management failing to control your cost of sales, gross profit, Treat every stock as cash.*"

4.8.4 High Operating Costs

35% of the participants felt that franchises' high operating costs lower profitability and hinder the development of many franchises in this country. These high costs are mostly combined effects of persistent load shedding, import price fluctuations, unstable currency exchange rates, rentals, utilities, and labour.

The following responses indicate that managers are aware about the negative impact of high operating costs on the profitability and development of franchises in South Africa: R2 "*Profitability, Load shedding, Exchange rates, imported stock prices fluctuate, Rental investments & Landlords, Trends change faster than franchises can implement, sustainable practices*"; R4 "*Unsustainable energy, Load shedding, Things getting expensive*"; R8 "*Operational costs such as labour costs and utilities Cost of sales*" and R10 "*Load shedding the 2 hours cuts it cost food industry billions a day,*

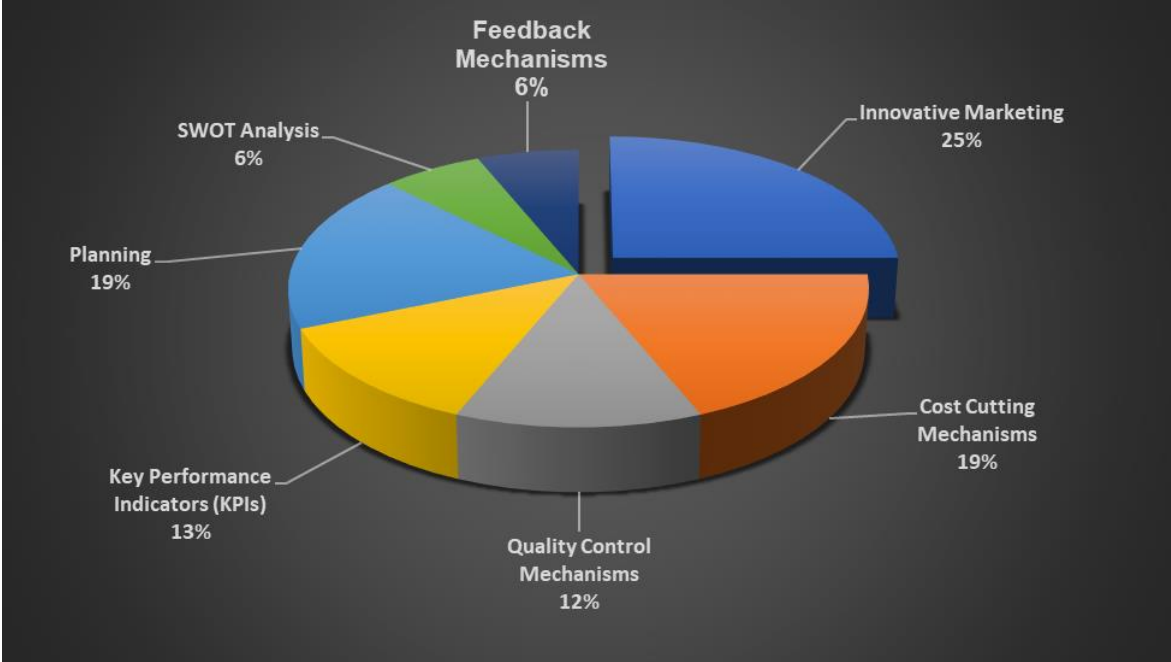
4.9 Coping mechanisms against challenges or threats to profitability

In question 6 – ‘What mechanisms are used to cope or adapt to profitability challenges or threats that affect the development of franchise business in South Africa?’

Participants were questioned about various mechanisms that franchises adopt to cope with challenges or threats to profitability. Except for one (R4), all participants addressed the question correctly. A review of the findings led to the identification of the theme

“Coping Mechanisms against Profitability Challenges or Threats”, and various sub-themes shown in Annexure 6 and Figure 4.11 below.

Figure 4. 11: Coping mechanisms



Source: Author Derived (2023)

4.9.1 Innovative Marketing

25% of participants suggested that franchises can use innovative marketing strategies to mitigate various profitability challenges or threats. Examples of these strategies include adoption of digital platforms and social media applications, regular sales promotions, and discount offers on products or services. The aim of innovative marketing is to increase brand awareness, sales, and market penetration that can enhance franchise profitability.

These responses demonstrate that participants were in favour of innovative marketing as a coping mechanism against profitability challenges: R2 “*Concessions by franchisors to lower franchise fees, Use of current social media tools and data analytics to hear what customers are saying, Use of Eisenhower Matrix to identify and unnecessary tasks as well as costs*”; R7 “*Giving specials and competitions to make franchise interesting, making apps for people to use and making the experience fun and satisfying*”; R9 “*Unique*

and trendy platforms, Digitisation to cut out human contact, AIR platforms in South Africa” and R10 “In food industry – make sure every customer buy and gets the value for their money, Marketing – advertise and introduce special to lure customers back, Compare – be aware of your competition.”

4.9.2 Cost Cutting Measures

Three participants, 19% were of the view that franchises should intensify the implementation of cost cutting measures across all operation areas within franchises. For instance, franchises can strive to increase production and prices while keeping operating costs down, use the Eisenhower matrix to eliminate unnecessary tasks or activities, and adopt various technological and digital mechanisms to minimise or eliminate costs incurred from manual tasks or activities. Maric (2023) and Team Asana (2022) describe the Eisenhower matrix as a tool that helps managers prioritise time spent on tasks or activities. The matrix uses a quadrant to categorise the importance or urgency of tasks. Such measures directly reduce expenses and thus boost franchise profitability.

For example direct quotes from these participants show an alignment to this theme: R1”*First by reducing costs, increase efficiency of your product; focus on profit margins; assess effectiveness of cost budget; also increase productivity”*; R2 “*Concessions by franchisors to lower franchise fees, Use of current social media tools and data analytics to hear what customers are saying, Use of Eisenhower Matrix to identify and unnecessary tasks as well as costs”* and R8 “*Having projections of profits, increase prices to balance cost of sales as well as turnover.”*

4.9.3 Quality Control Mechanisms

12% of the participants believed that franchises should introduce effective quality control mechanisms as a way of dealing with challenges or threats to profitability. The use of such mechanisms facilitates quality customer service and satisfaction and the provision of value-for-money products or services to customers. This is likely to drive up sales volumes and revenues, and ultimately profitability.

In agreement to the theme, participants R10 said *“in food industry – make sure every customer buy and gets the value for their money, Marketing – advertise and introduce special to lure customers back, compare – be aware of your competition.”*

4.9.4 Key Performance Indicators (KPIs)

13% of the participants favoured the use of various key performance indicators (KPIs) by franchise managers to mitigate challenges or threats to profitability. Appropriate KPIs can assist supervisors to monitor or evaluate critical aspects of profitability, such as gross profit margins and turnovers, with franchise businesses on a regular basis, and take timely corrective actions where necessary.

Participant R6 identified *“Gross profit margin: which is used to indicate how well a franchise manages its costs relative to its sales”* as an example of a KPI used by franchise managers.

4.9.5 Planning

Of the participants, 19% said that effective planning enables franchises to cope with potential challenges or threats to profitability within the sector. Planning provides managers with frameworks for realistic goal setting, implementation of effective strategies, monitoring or evaluating employee performance or production processes, and decision making. Therefore, effective planning better positions franchise managers to deal with profitability challenges or threats that might arise.

For instance, as R8 put it *“Having projections of profits, increase prices to balance cost of sales as well as turnover”* enables to cope with potential challenges or threats to profitability within the sector.

4.9.6 SWOT Analysis

6% of the participants felt that SWOT analysis was an appropriate mechanism that franchises could adopt to cope with profitability challenges or threats. For instance, regular SWOT analysis will allow managers to identify any profitability challenges or threats that competitors pose within a particular market and mitigate them in time.

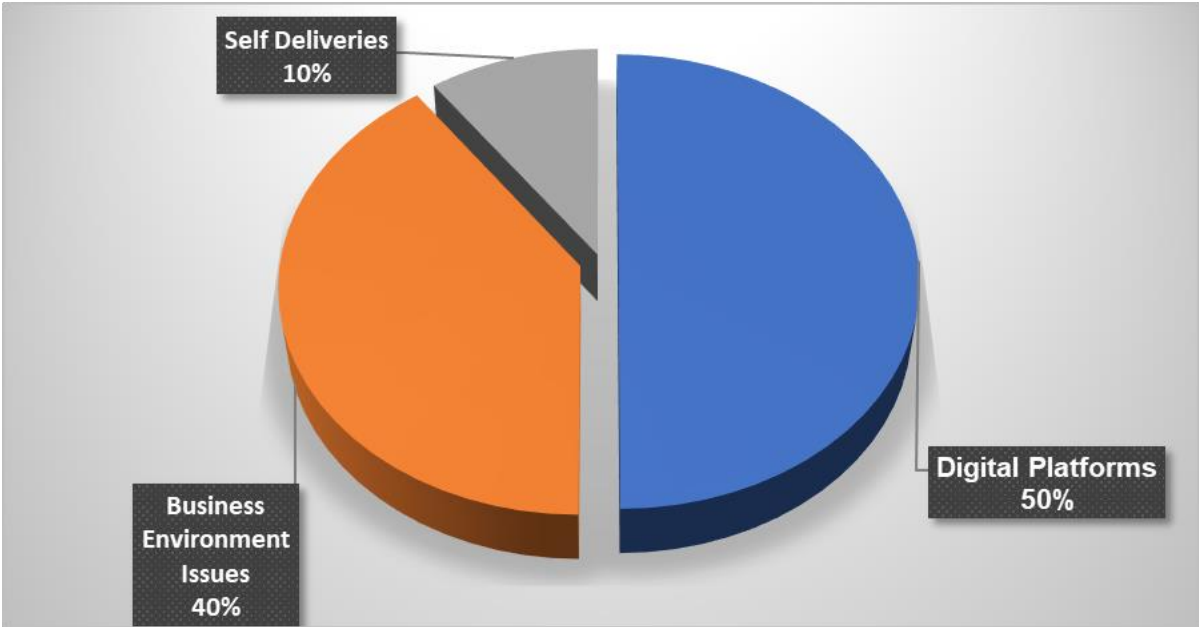
Participant R10 concurred with the adoption of SWOT analysis as an appropriate mechanism that franchises can adopt to cope with profitability challenges or threats by saying *“In food industry – make sure every customer buy and gets the value for their money, Marketing – advertise and introduce special to lure customers back, compare – be aware of your competition.”*

4.10 Emerging Opportunities and Trends Affecting the Development of Franchise Business Models in South Africa

Interview question 7 – ‘What are some of the current or emerging opportunities or trends that affect the development of franchise business models in South Africa?’

The question asked about participants’ views on current or emerging opportunities or trends that affect the development of franchise business models in this country. The participants were able to mention one or more emerging trends that currently affect the development of franchise business models. The findings (presented in Annexure 7 and Figure 4.12) caused the theme ‘Emerging Opportunities or Trends’ and three sub-themes.

Figure 4. 12: Opportunities and trends



Source: Author Derived (2023)

4.10.1 Digital Platforms

50% of the participants think that internet-driven digital platforms are affecting the development of franchise business models in South Africa. Most franchises and customers have embraced these platforms to varying degrees for various purposes such as placing and processing orders, conducting contactless sales or business interactions, and marketing. The trend became more pronounced during the recent Covid 19 pandemic as a way of avoiding lockdown restrictions. Aside from a few negative effects such as bad publicity through smear campaigns (R7 & R9), franchises are capitalising on various benefits associated with these digital platforms to increase brand awareness, sales and competitiveness.

Some of the responses that resonated with this theme were: R2 *“Online orders & shopping, Live social media interaction in real time, catch phrases – what comes to mind when you think (insert brand name)”*; R3 *“Social media trend”* and R8 *“The trend of plugging.”*

4.10.2 Business Environment Issues

According to 40% of the participants, many emerging trends within the internal and external business environments are affecting the development of franchise business models. Examples of these include persistent load shedding, unstable exchange rates, rampant inflation, poor management, and high competition. The effective mitigation of these negative trends increases operating costs and expenses on the part of affected franchises while reducing profit margins.

In their responses, such the ones quoted below, participants acknowledged the impact of business environment issues on the development of franchise business models: R4 *“Competition, Load shedding, Poor management”*; R5 *“Not making any profit, Sustainability of employees”*; R6 *“High start-up costs”*; R7 *“Market changes and inflations, social attacks”* and R9 *“Smear campaigns, Unstable exchange rates, Competition.”*

4.10.3 Self-delivery

10% of the participants regard the emergence of a self-delivery industry by the likes of Mr. D, Uber, etc. as an opportunity for the development of franchise business models in South Africa. For instance, food franchises that have gone digital can use the services of this industry to deliver food orders quickly to the premises or homes of their online customers at all hours of the day.

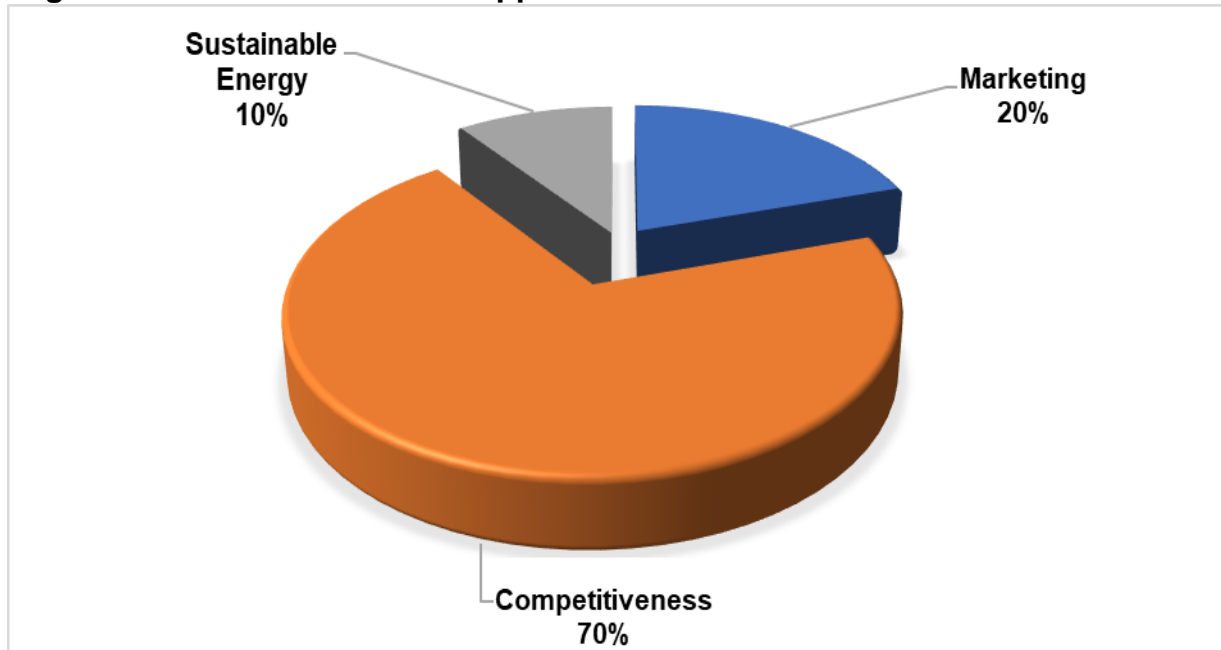
This is what participant R10 said about self-delivery as an emerging opportunity for the development of franchise business models in South Africa – *“Self-deliveries – Mr D, Uber etc. It is easy to make more sales on contact than on contactless service It is difficult to control your sales.”*

4.11 Maximising Opportunities or Trends to Improve Franchise Profitability

Interview question 8 – ‘Explain how opportunities or trends are maximised in the franchise business to improve profitability.’

Participants provided insights on how franchises are capitalising on various opportunities or trends to enhance the profitability of their organisations. Responses from participants were reviewed to generate the theme ‘How to maximise opportunities or trends’ and sub-themes shown in Table 4.13 below.

Figure 4.13: How to Maximize Opportunities or Trends



Source: Author Derived (2023)

4.11.1 Marketing

20% of the participants would like to incorporate emerging opportunities trends into franchise marketing strategies. For instance, these participants believe that internet-driven digital platforms will increase the depth and scope of marketing strategies for franchises in the 21st century. Through digital platforms, franchises can run advertisement and promotion campaigns targeting many potential online customers throughout the country. Direct spin-offs from such campaigns are increased brand awareness and recognition and volume sales of products or services that can then improve franchise profitability.

Participant R2 “*Buying power through economies of scale, bigger marketing campaigns nationwide, Loyalty programmes to retain customer base*” and R10 “*Introduce promos, extend working hours, Loyalty discounts app, App promos, Cash back app*” sharing their views on increased depth and scope of marketing strategies for franchises in the 21st century.”

4.11.2 Competitiveness

The findings show that most participants (70%) regard various emerging opportunities or trends as means of boosting the competitiveness of franchises and consequently their profitability. This view is supported by evidence that technological or digital opportunities are being used by modern-day businesses to reduce labour and production costs and expenses, expand market penetration, and improve the quality of customer service and efficiency levels.

In this way, maximising these opportunities can be beneficial for franchises because it directly increases their profitability. This sentiment is reflected in what the following participants had to say: R4 “*Sustainable energy resource and revise our prices compared to other businesses*”; R5 “*Keep up to the standard of improving service in term of keeping customers stay*”; R7 “*Making or be in the competitive race with other franchise businesses and by having Ref / Rev to check and encourage safe food*” and R9 “*Online ordering of food with free delivery, Unique specials made for certain periods*”

4.11.3 Sustainable Energy

10% of the participants believe franchises can use emerging opportunities or trends as a source of sustainable energy. This view makes sense at a time when the country is facing an energy crisis due to ongoing load shedding those costs businesses billion of Rands. Franchises that use available sustainable energy technologies for solar or wind electricity will be able to reduce operating expenses and thus improve their profitability.

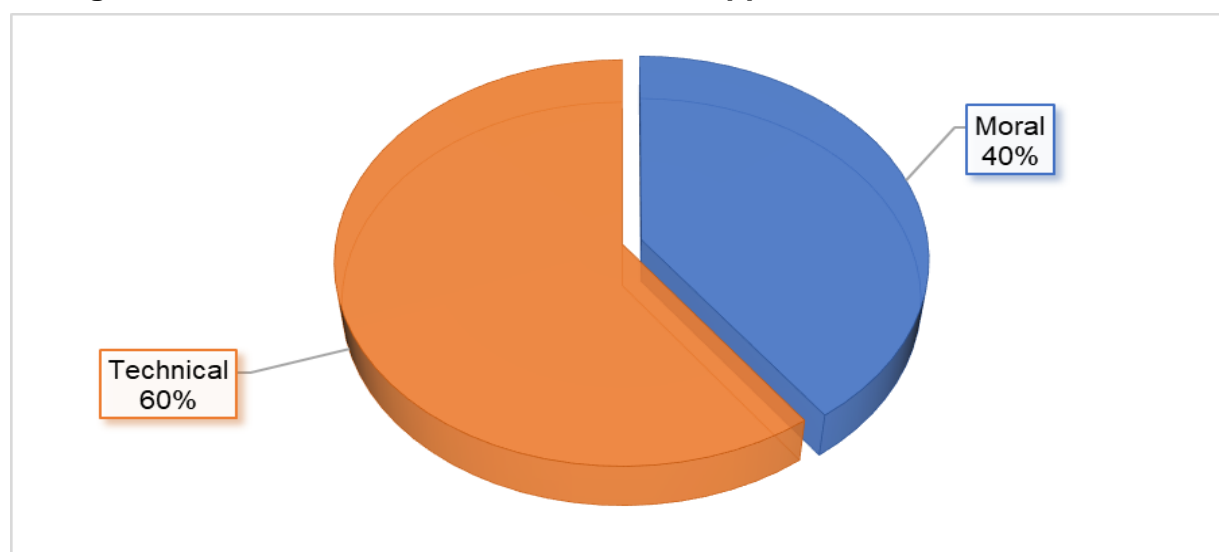
Participant R4 reply took into account the use of “*Sustainable energy resource*” as a strategy worth embracing in order to remain profitable.

4.12 Impact of Parent Franchisor Support on the Success and Profitability of South Africa’s Homegrown Franchises

<p>Interview question 9 – ‘Explain how the level of support provided by parent franchisors can determine the success and profitability of home-grown franchises in South Africa.’</p>
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The question examined the relationship between the level of support from parent franchisors and the success and profitability of home-grown franchise outlets in South Africa. Seven participants addressed the question in a satisfactory manner, two did not respond (Annexure 9 - R1 & R6), and one (R5) provided an invalid answer. A review of the findings led to the identification of the theme “Parent Franchisor Support to Home-grown Franchises” and some sub-themes (refer to Annexure 9 & Figure 4.14).

Figure 4. 14: Forms of Parent Franchisor Support



Source: Author Derived (2023)

4.12.1 Technical Support

Most participants (60%) were under the impression that franchisees benefit greatly from regular technical support provided by parent franchisors. Examples of technical support include management assistance, sourcing of ingredients or supplies, supervision or monitoring, skills training, sales and growth strategies, etc. This type of support by increasing production and performance efficiency, contributes positively to the success and profitability of franchisees within a given network.

The importance of technical support was highly valued as a form of support from parent franchisors judging by the following responses: R2 *“Also, negative group prices from suppliers and extremely vital – parent franchisor needs to ensure consistency amongst all franchises – as franchise reputation is as good as the worst one”*; R3 *“Makes a huge*

effect”; R7 “*The support by parent can give foundation and encouragement and a platform to grow*”; R9 “*The credibility that comes with the parent franchisors can boost sales and the market confidence*” and R10 “*If you have parent franchisors they negotiate deals with suppliers, to make promos for you, advertising, Training – experience is an asset, monitor operation – franchisor manage to help a franchisee run a smooth business .*”

4.12.2 Moral Support

40% of the participants felt that regular moral support from parent franchisors had many positive spin-offs for franchisees. Regular support leads to an increased reputation and credibility for franchise outlets within a market. As a result, well-supported employees tend to be more productive, show high employee performance, provide quality customer service, and make more sales on average. That is how moral support is linked to franchisee profitability.

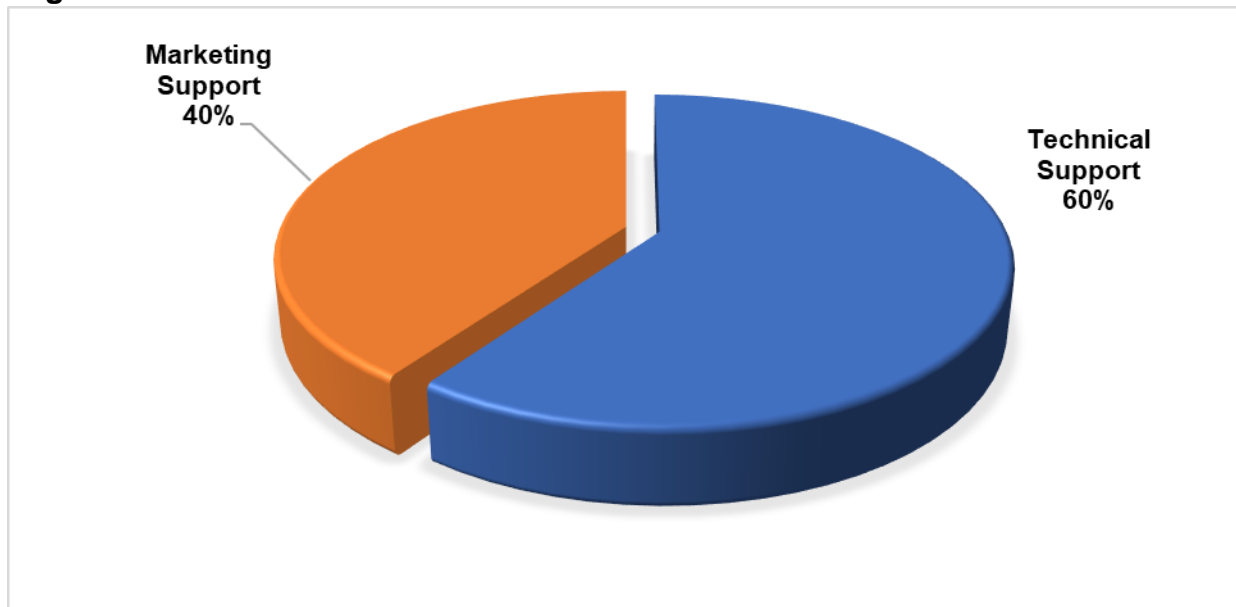
Quoted here are responses of participants on the theme of moral support: R2 “*Also, negative group prices from suppliers and extremely vital – parent franchisor needs to ensure consistency amongst all franchises – as franchise reputation is as good as the worst one*” and R7 “*The support by parent can give foundation and encouragement and a platform to grow.*”

4.13 Franchisor– Franchisee Relationship (FFR) Factors that Impact the Success and Profitability of Home-grown Franchises

Interview question 10 – ‘Identify various factors in the Franchisor– Franchisee Relationship (FFR) that are crucial for the establishment of successful and profitable home-grown franchises by South African entrepreneurs’

The interview question explored how FFRs influence success and profitability among home-grown franchises in the country. FFRs mostly act as frameworks that franchisors use to support individual franchisees with a network based on stipulations in franchise agreements. In return, franchisees are charged a fee or pay ongoing royalties. A review of the findings led to the identification of the theme “Impact of FFRs on Success and Profitability of Home-grown Franchises” and two sub-themes.

Figure 4. 15: Basis of FFR



Source: Author Derived (2023)

4.13.1 Technical Support

The majority of participants (60%) expect franchisors to support franchisees technically in many ways, such as operational know-how, financial audits and reviews, menu planning, sourcing input materials from recommended suppliers, training employees, and mitigating various operational challenges.

Franchisees, judging by these participants' responses expect some form of technical support from the parent franchisor - R2 *"Operational support & audits, Brand marketing that ties in with local community marketing, Continuous training to equip franchisees, financial reviews quarterly to help improve profitability"*; R9 *"Training of employees and Supply chain of the franchise"* and R10 *"Support – have a system that benefit both in term of monitoring growth and Training, Menu planning – always researching on what public wants, Product supply – it's better to buy from franchisor."*

4.13.2 Marketing Support

Of the participants, 40% stated that franchisors must help franchisees with marketing. Franchisors, on account of their superior resources and skills, within most FFRs often take on this significant role to increase brand awareness, recognition, and market

penetration. Such effective marketing strategies benefit franchisees in terms of increased sales volume and profitability and thus boost their chances of success.

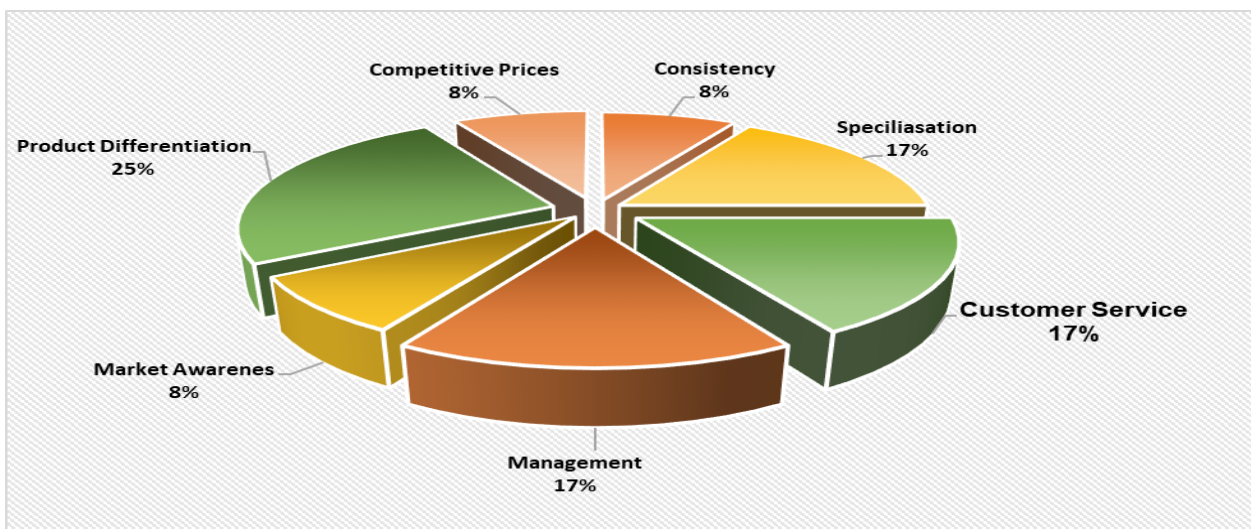
In these responses, participants express the franchisees’ need for marketing support: R2 “Operational support & audits, Brand marketing that ties in with local community marketing, Continuous training to equip franchises, financial reviews quarterly to help improve profitability”; R7 “Having a brand or brand name, Adaptation in the market and Open minded of new market” and R8 “Understanding of brand identity and Transparency between franchisor and franchisee”

4.14 Developing a Successful Franchise Business Model in South Africa

Interview question 11 – ‘Based on your experience and knowledge, what are some of the best practices or tips for developing a successful franchise business model in South Africa?’

Participants shared their experience on how a successful business model is developed. Participants outlined best practices or tips that can lead to the development of a successful franchise business model in Japan. The theme of ‘Qualities of Successful Franchises’ and various sub-themes emerged after a review of the findings.

Figure 4. 16: Qualities of Successful Business Franchise Models



Source: Author Derived (2023)

According to responses from 9 participants, a franchise business model must have the following qualities or characteristics (see Figure 4.16) to increase its chance of success:

- i. Consistency in product or service quality (8%)
- ii. Specialisation of product or services (17%)
- iii. Market Awareness (8%)
- iv. Quality customer service and experience (17%)
- v. Product Differentiation (25%)
- vi. Effective Management (17%)
- vii. Competitive Pricing (8%)

Below are examples of participants' responses highlighting the qualities listed above: R1 "*Consistency in quality or product, Customer Service*"; R2 "*Stick to your core product. It's better to be the master of one thing than a novice at everything, Have a unique selling point – what's your X factor*"; R4 "*Stay focused, Turn every customer to a regular*"; R5 "*Always have knowledge and be trained in what is happening in the business factor and be aware of the chances in the markets*"; R6 "*Trust your employees, Give customers great service*" and R7 "*Have a competitor in the franchise, have a unique style and brand signature in the food and service, Making the consumer experiences and exciting.*"

Entrepreneurs that combine the abovementioned qualities have a better chance of establishing a successful franchise business model in South Africa. These qualities are associated with increased competitiveness, sales volume, market share and penetration, customer satisfaction and retention, performance, and production and efficiency.

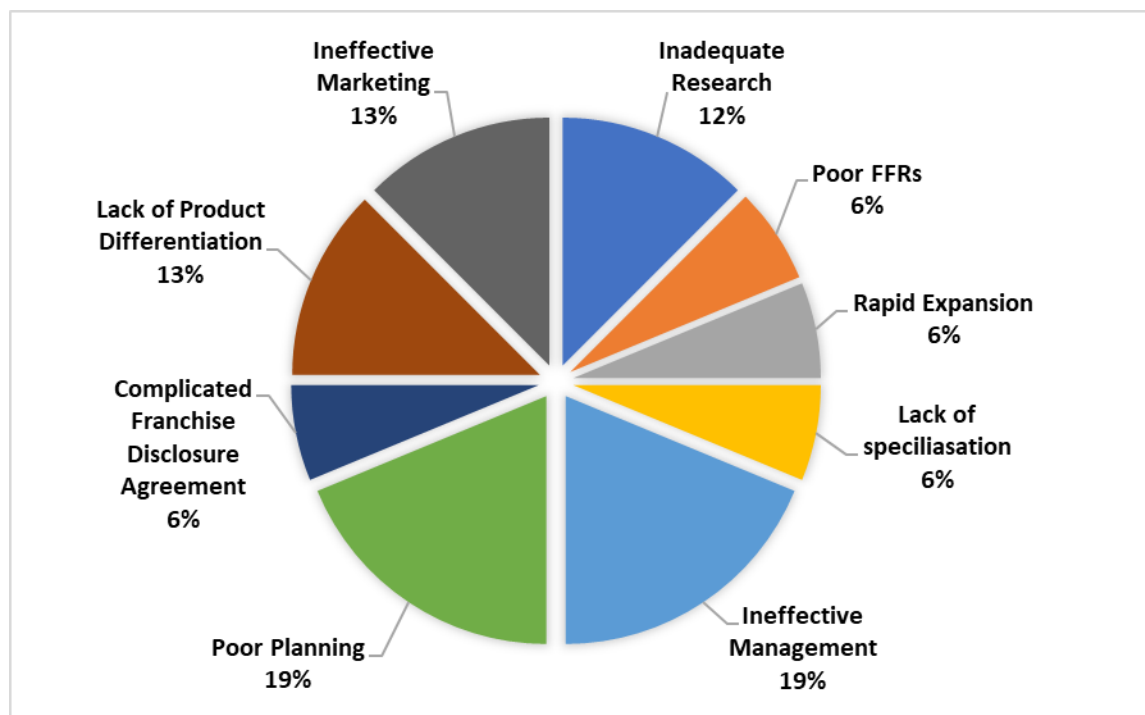
4.15 Pitfalls to Avoid when Developing a Franchise Business Model in South Africa

Interview question 12 – 'What common pitfalls or mistakes should be avoided when developing a franchise business model in South Africa?'

Participants were asked to provide examples of pitfalls or mistakes to be avoided when developing a franchise business model in South Africa

All participants answered this question. A review of the findings identified the theme “What to avoid when developing a franchise” and several sub-themes on examples of pitfalls or mistakes that entrepreneurs should avoid.

Figure 4. 17: Examples of Pitfalls or Mistakes



Source: Author Derived (2023)

Figure 4.17 shows some pitfalls or mistakes identified by the participants:

- i. Inadequate research regarding the potential market of franchise model products or services and credibility of franchisors or franchisees (12%).
- ii. Rapid expansion in the words of R2 “*Growing outlets too quickly – they cannibalise each other.*” (6%)
- iii. Poor franchisor–franchisee relationships (FFRs) (6%)
- iv. Lack of specialisation (6%)
- v. Ineffective Management (19%)
- vi. Lack of Product Differentiation (13%)
- vii. Poor planning (19%)
- viii. Ineffective Marketing (13%)

Sample responses provided below demonstrate franchise managers' awareness about pitfalls that need to be avoided when developing a franchise: R1 "*Not choosing a trusted brand, Insufficient market research, Poor financial planning*"; R2 "*Inadequate franchisee vetting, Growing outlets too quickly – they cannibalise each other, Straying from the core product to try to maximise on a short term trend, Franchisor 'policing' instead of assisting*" R4 "*Mismanagement of stock*"; R5 "*Don't target more profitability without expecting challenges*" and R6 "*Failure to fully review franchise disclosure document, ensure you are well funded for launch and beyond, Plan for the future.*"

These pitfalls or mistakes must be avoided because they negatively impact the drivers of business success, such as competitiveness, profitability, performance, production, and brand image.

4.16 Chapter conclusion

This chapter analyzes data gathered by means of self-administered interview schedules. The 12 open-ended interview questions led to the collection of qualitative data from 10 participants working in various food franchise outlets in Gauteng province's franchise industry. There was a fair gender representation among interviewees – 50% males and 50% females aged between 25 and 44 years are currently employed as managers. A latent thematic analysis of qualitative data led to the identification of various main themes and sub-themes. The study participants provided insights into factors responsible for the development of a successful franchise business model that answered the three research questions of the study.

CHAPTER 5: DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

In the previous chapter, qualitative findings were presented. The main themes and sub-themes identified during a thematic analysis of qualitative data are linked to various franchise theories reviewed in chapter 2 and academic publications that debate the development of franchise business models. The findings provide insights into various franchise success drivers, constraints, challenges, and suggestions that businesses or entrepreneurs must consider when developing successful franchises in South Africa.

5.2 Themes

In this section, the student discussed how particular themes relate to the development of successful franchise business models in South Africa by businesses or entrepreneurs. Below is a discussion of the thematic findings on each of the three research questions for this study.

5.2.1 Determining the development of successful franchise business models

Research Question 1 “Identify factors that determine the development of successful franchise business models in South Africa”
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Findings on research question 1 are collaborated by literature documented by Hizam-Hanafiah (2022) and Lee de Bod (2018). First, the high ranking and successful franchises such as KFC, Nandos, McDonald’s, Debonairs, etc. are attributed to awareness about key drivers and opportunities or trends like those revealed by participants during this study (refer to Figure 7). Some of these success determinants are effective advertising and marketing; branding and management; high levels of competitiveness and standardisation of products or services; quality customer service; readiness to capitalise on emerging opportunities or trends and adopt various technological innovations (see Figure 14). These success determinants better position franchisors and franchisees to become more competitive, profitable, and productive and increase performance, thus developing successful franchise business models in an emerging market such as South Africa. Second, the use of quantifiable key performance indicators (KPIs) to monitor operations by franchise management personnel or entrepreneurs plays a critical role in

the development of successful franchise business models in South Africa as it is elsewhere across the world (Kriger, 2021 & Neha, 2023). South Africa's successful franchises are adept in using KPIs such as those mentioned by the study participants (see section 4.7.1 & Figure 8). These KPIs provide quantitative data on franchise opportunities, costs, production, and profitability. As a result, managers and entrepreneurs can make better decisions regarding cost cutting, production, and expansion growth strategies and thus stand a better chance of developing successful franchise business models in this country.

Finally, the level of entrepreneurs' and management's coping skills and knowledge influences the development of successful franchises in South Africa (Abid Aziz, 2022; Barnabas, 2022; Nuss, 2022 & van Zly, 2012). Coping mechanisms such as those identified by study participants (see section 4.11.2 & Figure 13) enable a franchise business model to develop effective strategies for mitigating the negative effects of various challenges or threats to profitability.

5.2.2 Challenges South African Franchises experience within Local and International Markets

Research Question 2 'What challenges do South African Franchises experience within local and international markets?'

As noted by Patricio (2023) and Pillay (2014), South African franchises experience several challenges and pitfalls that negatively impact their competitiveness, performance, productivity, profitability, brand image, and ranking within local and international markets. Some challenges and pitfalls are unique to the South African context, while others exist in all markets. First, franchises in South Africa must factor in regular power outages (load shedding) into their operating expenses and customer satisfaction and experience. This consequently reduces profit margins and sustainability of franchise operations. Lastly, economic growth has gone through a slump in the past few years. Lack of economic growth negatively affects the number of customers that consume franchise services and products, as well as long-term sustainability. These authors warn that failure to adapt or take corrective actions often results in lower profitability, competitiveness, and inevitable collapse over time (see in section 4.8.1).

5.2.3 Challenges that Impact Franchisor– Franchisee Relationships (FFRs)

Research Question 3 “What challenges impact Franchisor– Franchisee Relationships (FFR) in South Africa?”

Every franchise agreement is the sum of the interdependent roles played by either franchisor or franchisee(s). As a result, the development of successful franchise business models in South Africa is influenced by cordial and smooth franchisor– franchisee relationships (FFR) (Dube, 2020; Spoor & Fisher, 2019 & Yozi, 2009). South African franchises experience several challenges. Most franchisees believe that FFRs are not mutually beneficial, as the theory implies. For instance, some franchisees fail to receive adequate market and technical support from franchisors as stipulated in franchisor– franchisee agreements. Such inherent frictions lead to parent franchisors and few franchisees gaining more out of these relationships in terms of profitability and market share. Therefore, these challenges or loss of trust within any FFR should be timeously resolved or avoided if possible.

5.3 Chapter conclusion

This chapter discussed how an awareness of certain key factors, opportunities and trends, use of key performance indicators (KPIs), application of coping mechanisms, and tackling market and Franchisor– Franchisee Relationship (FFR) challenges by franchise management personnel and entrepreneurs contributes towards the establishment of successful franchise business models in South Africa. Chapter 6 provides a summary, conclusion, study limitations, and recommendations.

CHAPTER 6: SUMMARY, CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS

6.1 Introduction

This chapter discusses the conclusion of the study, limitations associated with the various research processes, and recommendations for managers and entrepreneurs interested in developing profitable and successful home-grown franchise business models in South Africa. It also suggests future research topics on franchise business models.

6.2 Conclusions

This study, through its findings, has contributed towards the expansion of the existing body of knowledge on the development of franchise business models. The findings have demonstrated that correlations exist between key success drivers, such as emerging opportunities or trends, effective management, marketing and advertising, and coping mechanisms, good Franchisor–Franchisee relationships (FFR) and key performance indicators (KPIs) and the development successful home-grown franchise development within South Africa. At the same time, the study revealed threats and pitfalls that constrain the establishment of successful franchise business models in South Africa. However, the nature of the study makes most the findings applicable only to the development of franchise business models within a South African context. Examples of these contextual issues or challenges are unreliable energy sources due to persistent load shedding, low levels of digitisation among some franchises and higher franchise-related fees or charges.

This knowledge derived from the findings is useful for both business and academic fields. The insights provided by the study could be beneficial for franchise managers and entrepreneurs. For instance, these insights can enable managers and entrepreneurs to effectively exploit identified good practices and opportunities, mitigate challenges or threats, and avoid pitfalls when making informed strategic decisions. The identification and assessment of problems and opportunities, and the choice of and evaluation of effective actions are critical in the development of successful franchise business models in South Africa.

From an academic point of view, the findings of this study play a role in strengthening the mutual relationship between entrepreneurs and institutions of higher learning. There is a possibility of some business schools incorporating the findings into the teaching of existing entrepreneurship courses and providing material to support theories from other related academic fields. In addition, businesses such as South African franchises can use the knowledge from the study to solve real-life problems or come up with innovations necessary for the development of successful brands.

6.3 Recommendations

The study found that certain contextual factors create conducive conditions for the development of successful franchise business models in South Africa. Therefore, it is advisable for franchise management personnel and entrepreneurs in this country to follow the following recommendations:

- i. Avoiding rapid strategies that lead to rapid expansion of franchisee outlets
- ii. Maintaining cordial franchisor–franchisee relationships
- iii. Conduct adequate research regarding the potential market of the franchise model, products or services, and credibility of franchisors or franchisees
- iv. Specialise in franchise core functions and products or services
- v. Equip managers with appropriate knowledge and skills
- vi. Implement product differentiation
- vii. Implement effective and innovative marketing strategies

On the other hand, to expand the body of local franchise knowledge, academics should undertake further studies on topics such as:

- i. Investigating factors that affect the competitiveness of home-grown South African franchises in both the local and international franchise sectors
- ii. A comparative study of the profitability and success of home-grown non-food South African franchises in domestic and international markets

6.4 Limitations of the study

The findings of this study should be considered considering various limitations that affect quality assurance in terms of credibility, transferability, dependability, confirmability, and reflectivity.

First, practical constraints and logistic challenges made it difficult to secure face-to-face interviews with busy managers or entrepreneurs and sample individuals from franchise outlets located very far from the residence of the student. To overcome this limitation, the student sampled participants from nearby franchise outlets and allowed them to complete self-administered interview schedules during their spare time. This flexibility led to the collection of sufficient data needed to address research questions successfully.

The reader should therefore bear in mind that these findings were derived from responses of a small study group of entrepreneurs (Franchisors) and managers of franchises in urban locations. Second, it was beyond the scope of this study to fully address research question 2 of 'challenges that South African franchisors experience within local and international markets'.

Participants only discussed challenges faced by franchise business models within domestic rather than international markets. Lastly, the qualitative approach and methodology creates challenges in generalising the findings of this study to other franchise contexts in South Africa and elsewhere. A recommendation for overcoming this limitation would be to conduct a longitudinal quantitative study with a wider scope in the future.

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APPENDICES

Appendix 1: Interview Guide

Interview Guide



UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG

TOPIC: SUCCESS FACTORS FOR FRANCHISE BUSINESS MODELS IN SOUTH AFRICA

PART 1: INTRODUCTION

1. Greet the participant and introduce yourself and your role.
2. Explain the purpose and scope of the interview.
3. Explain how the interview will be recorded and how the data will be used and protected.
4. Ask for consent and permission to record the interview.
5. Ask if the participant has any questions before starting.

PART 2: BACKGROUND

1. Tell me a little about yourself and your role in the franchise industry.
2. How long have you been involved in franchising?
3. What are some of the benefits and challenges of franchising in South Africa?

PART 3: BIOGRAPHICAL INFORMATION

Name of Respondent:

Designation of Respondent.....

Date:

Please indicate your preferred answer with an X in the appropriate box

1. Your work experience in the current company in years

Executive management	
Senior Management	
Junior Management	
Specialist	
If other (<i>please specify</i>)	

PART 4: Questions

SECTION A: Explain factors of successes encountered by franchisors in the franchise industry - Questions 1- 4

1. In your opinion, what are some of the key factors that contribute to the success of a franchise business model in South Africa?

2. How do you measure or evaluate the success of a franchise business model?

3. Can you give me some examples of successful franchise business models in South Africa? What makes them successful?

4. Can you give me some examples of unsuccessful franchise business models in South Africa? What makes them unsuccessful?

SECTION B: Identify factors that impact the profitability of franchise businesses - Questions 1 - 6

1. Identify what current or emerging factors impact the profitability of franchise businesses that affect the development of franchise business models in South Africa?

2. What mechanisms are used to cope or adapt to profitability challenges or threats within the franchise business in South Africa?

3. What are some of the current or emerging opportunities or trends that affect the development of franchise business models in South Africa?

4. Explain how opportunities or trends are maximised in the franchise business to improve profitability.

5. Explain how the level of support provided by parent franchisors can determine the success and profitability of home-grown franchises in South Africa.

6. Identify the various factors in the Franchisor-Franchise Relationship (FFR) that are crucial for the establishment of successful and profitable home-grown franchises by South African entrepreneurs.

SECTION C: Recommendations and Suggestions

1. Based on experience and knowledge, what are some of the best practices or tips for developing a successful franchise business model in South Africa?

2. What common pitfalls or mistakes to avoid when developing a franchise business model in South Africa?

3. What areas or aspects need more research or support for developing a successful franchise business model in South Africa?

SECTION D: Closing

4. Is there anything else that can be added or shared about the research?

5. Are there any questions?

6. Thank you for your time and participation.

Appendix 2: Feasibility Study Plan

Feasibility Study Plan	Timelines In Months						
	1	2	3	4	5	6	7
Collect data:							
Obtain a list of franchisee and franchisors from the FASA	■						
Select a sample of participants within the uber areas		■					
Engage and obtain consent from participants			■				
Prepare the interview questions				■			
Contact research participants and confirm interview dates					■		
Share the interview questions with participants						■	
Close the questionnaire							■
Analyse data:							
Explain the data analysis techniques	■	■					
Develop data collection Instruments			■	■	■		
Thematic data analysis						■	
Identify patterns in data collected							■
Conclusion:							
Present the findings in a clear and organized manner	■						
Relate the findings to the research question and objective		■					
Identify unexpected or contradictory results			■				
Summarise key findings				■			
Write the report					■		
Edit the report						■	
Submit the final report							■

Appendix 3: Consent Form

TITLE OF PROJECT: SUCCESS FACTORS FOR FRANCHISE BUSINESS MODELS IN SOUTH AFRICA

Name of researcher: Kedibone Mashaakgomo

I,, agree to participate in this research project.

I agree to the following:

(Please circle the relevant options below)

The research study was explained to me. I understand what this study is about. YES NO

I understand that I can volunteer to take part in the study. YES NO

I agree that direct quotations from my questionnaire may be used by the researcher in their research report. YES NO

I agree that my participation will remain anonymous (my name or other identifying data will not be used by the researcher in their research report) YES NO

I agree that other researchers may use the information I provide in my questionnaire (depending on their own ethics clearance being obtained) but my name and any personal information will not be used or passed on. YES NO

..... (signature)
..... (name of participant)
..... (date)

..... (signature)
..... (Kedibone Mashaakgomo)
..... (date)

Appendix 4: Participant Information Sheet (PIS)

Dear Sir / Madam

My name is Kedibone Mashaakgomo. I am a Masters student in Business Administration at the University of the Witwatersrand, Johannesburg. My supervisor is Dr. Thubelihle Ndlela. I am conducting a research study on franchise business models. The study title is “**SUCCESS FACTORS FOR FRANCHISE BUSINESS MODELS IN SOUTH AFRICA.**”

I am inviting you to take part in answering the questionnaire. If you decide to take part, your participation in this research study will last about 10 Minutes. The research activity will take place at the convinces of your location at the time most appropriate to you. Only the researcher will have access to the data.

During the research activity, I must ask for your personal information, including gender, highest work position and work experience.

The questionnaire will be confidential and anonymous. When I share the research study results, I will not include your name or anything else that could identify you. With your permission, other researchers may use the data collected from this study, but your name and personal information will not be used or passed on.

If you decide to participate in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits, or rights you would normally have if you decided not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study.

The risks for this research study are no more than what happens in everyday life / some of the questions asked may make you feel sad or upset. If this happens, please stop the questionnaire, and continue another time.

This research study will be written up as a research report. The report will be available on the university library website. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,

Researcher:
Kedibone Mashaakgomo
9900629x@students.wits.ac.za
082 904 6002

Supervisor:
Dr Thubelihle Ndlela
Thubelihle.ndlela@wits.ac.za

ANNEXURES

SECTION A: Explain factors of successes encountered by franchisors in the franchise industry - Questions 1- 4

Interview Question 1 - In your opinion, what are some of the key factors that contribute to the success of a franchise business model in South Africa?

Annexure 1:Opinion on some of the key factors that contribute to the success of a franchise business model in South Africa

Respondent	Responses	SUB-THEMES
R1	The brand is well known enough Advertising is done on a large scale by the franchisee	Branding Advertisement & Marketing
R2	Standardised operational practices Enforcing of Brand Values	Branding Standardisation
R3	Low price, Quality, Service	Competitiveness Customer Service
R4	Bring Business Quality	Customer Service
R5	People (External & Internal) Equipment (Well working equipment) Good Supplier	Management Standardisation
R6	Brand Strength & Support Mutual trust and sharing Sales and marketing, Strategies, and long-term thinking	Branding Advertisement & Marketing Customer Service Management
R7	Product, Equipment, well trained team	Standardisation Management
R8	Marketing, maintaining core brand identity, Ability to change with times	Advertisement & Marketing Branding Management
R9	Location, Product, Price, Target Market, Competitor	Standardisation Competitiveness
R10	Brand Name, Location, Management Marketing, Service to the consumers	Branding Competitiveness Management Advertisement & Marketing Customer Service

Interview Question 2 - 'How do you measure or evaluate the success of a franchise business model?'

Annexure 2 : Success Indicators measures of a Franchise Business Model

Respondent	Responses	SUB-THEMES
R1	Customer loyalty to the brand market research – helps for location, brand recognition Business hours	Branding
R2	Turnover Growth of the brand, Profitability Quality rating in comparison to other competitors	Revenue, Profitability Franchise Ranking
R3	ROI	Revenue
R4	Excellent	Franchise Ranking
R5	By its performance & success in terms of achieving the target & goals	Revenue, Franchise Ranking, Market penetration
R6	Revenue, Assess the franchise, Research, and understand the franchise concepts	Revenue
R7	By its sales, And by its fame amongst the consumers And, also the services	Sales Franchise ranking
R8	You can measure the success of franchise by its expansion abilities	Market penetration
R9	Sales, Break even, Balance score card, Profit margin	Revenue, Profitability
R10	Turnover per year (yearly), Daily budget – breakdown your yearly target in monthly, and daily target to reach there	Revenue

Interview Question 3 - Can you give me some examples of successful franchise business models in South Africa? What makes them successful?

Annexure 3: Successful Franchise Business Models in South Africa

RESPONDENT	RESPONSES	SUB-THEMES
R1	McDonald's & Mochachos: What makes them successful is the consistency of food quality making their customers loyal hence growing their customer base and customer service is the best	Competitiveness Customer Service
R2	Spur Corp (commitment to operational excellence at all levels from kitchen to corporate), McDonalds (consistent taste anywhere)	Competitiveness
R3	Customer Service, Price, Quality	Customer Service Competitiveness
R4	Quality, Consistency	Customer Service Competitiveness
R5	McDonald's it has been in SA since 1994 and still maintains their best quality, cleanliness, and services	Competitiveness Customer service
R6	Roman Pizza – what made them successful was to make sure that is compliant for every state McDonald's – realistic goals	Management
R7	Nandos – the products and style of marketing they use	Marketing Competitiveness
R8	Spur, Rocomamas, Debonairs – their ability to be unique and different makes to be successful	Competitiveness
R9	KFC – it is the most popular franchise in SA, always located correctly and pricing is always affordable	Competitiveness
R10	Wimpy – it is an established brand that is always introducing new menu items, but also keeping their old-line menu Also under strict supervision of their head office	Competitiveness Management

Interview Question 4 - Can you give me some examples of unsuccessful franchise business models in South Africa? What makes them unsuccessful?

Annexure 4: Unsuccessful Franchises in South Africa

RESPONDENT	RESPONSES	SUB-THEMES
R1	Poor site selection can make franchise, unsuccessful; inadequate working capital, Treating franchises as profit centre e.g. Pizza Hut	Lack of competitiveness High Franchise Costs
R2	Cape Town Fish Market (emphasis is on all fresh products made inland outlet costs higher than coastal outlets) knocked profitability	High Franchise Costs
R3	Lack of service Low ROI	Poor Customer Service High Franchise Costs
R4	Competition is too much	Lack of Competitiveness
R5	Ocean Basket, Fish & Chips	NA
R6	CNA, Nandos, Lack of support, High costs and royalty payments	High Franchise Costs Lack of Support
R7	Pizza Hut, they are not well known amongst the consumers and its marketing is less attractive and less shown	Ineffective Marketing / advertising
R8	Nandos, Competition from the likes of Pedros that offer the same menu a cheaper price	Lack of Competitiveness
R9	Popeye, the product was not well marketed, and the taste of the product was unfamiliar	Ineffective Marketing / advertising
R10	Fish and Chips, they failed to react to public demand and introduce new menu	Ineffective Marketing / advertising

**SECTION B: Identify factors that impact the profitability of franchise businesses -
Questions 1 - 6**

Interview Question 5 - Identify what current or emerging factors impact the profitability of franchise businesses that affect the development of franchise business models in South Africa?

Annexure 5 : Emerging Opportunities or Trends Affecting the Development of Franchise Business Models

RESPONDENT	RESPONSES	SUB-THEMES
R1	No Response	
R2	Online orders & shopping, Live social media interaction in real time, catch phrases – what comes to mind when you think (insert brand name)	Digital Platforms
R3	Social media trend	Digital Platforms
R4	Competition, Load shedding, Poor management	Business Environment Issues
R5	Not making any profit, Sustainability of employees	Business Environment Issues
R6	High start-up costs	Business Environment Issues
R7	Market changes and inflations, social attacks	Business Environment Issues Digital Platforms
R8	The trend of plugging	Digital Platforms
R9	Smear campaigns, Unstable exchange rates Competition	Digital Platforms Business Environment Issues
R10	Self-deliveries – Mr D, Uber etc. It is easy to make more sales on contact than on contactless service It is difficult to control your sales	Self-Deliveries

Interview Question 6 - What mechanisms are used to cope or adapt to profitability challenges or threats within the franchise business in South Africa?

Annexure 6: Coping Mechanisms against Profitability Challenges or Threats among Franchises

RESPONDENT	RESPONSES	SUB-THEMES
R1	First by reducing costs, increase efficiency of your product; focus on profit margins; assess effectiveness of cost budget; also increase productivity	Cost Cutting, Mechanisms, Use of KPI, Planning
R2	Concessions by franchisors to lower franchise fees, Use of current social media tools and data analytics to hear what customers are saying, Use of Eisenhower Matrix to identify and unnecessary tasks as well as costs	Feedback Mechanisms, Cost Cutting, Mechanisms, Innovative Marketing Platforms, Planning
R3	Price point	Cost Cutting, Mechanisms
R4	Load shedding crisis	NA
R5	It is maintaining the global standard and continually maintaining the cost	Quality Control Mechanisms
R6	Gross profit margin: which is used to indicate how well a franchise manages its costs relative to its sales	KPI
R7	Giving specials and competitions to make franchise interesting, making apps for people to use and making the experience fun and satisfying	Innovative Marketing Platforms, Feedback Mechanisms
R8	Having projections of profits, increase prices to balance cost of sales as well as turnover	Planning, Cost Cutting Mechanisms
R9	Unique and trendy platforms, Digitisation to cut out human contact, AIR platforms in South Africa	Innovative Marketing Platforms
R10	In food industry – make sure every customer buy and gets the value for their money, Marketing – advertise and introduce special to	SWOT Analysis, Innovative Marketing

	lure customers back, Compare – be aware of your competition	Platforms, Quality Control, Mechanisms
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Interview Question 7 - What are some of the current or emerging opportunities or trends that affect the development of franchise business models in South Africa?

Annexure 7: Factors that Impact Franchise Profitability and Development in South Africa

RESPONDENT	RESPONSES	SUB-THEMES
R1	Royalties that's the franchise fee, Location of your business, Goals, and the performance of the business	High Operating Costs, Ineffective Management, Lack of Competitiveness
R2	Profitability, Load shedding, Exchange rates, imported stock prices fluctuate, Rental investments & Landlords, Trends change faster than franchises can implement, sustainable practices	High Operating Costs, Ineffective Management
R3	Adapting to change	Lack of Competitiveness, Ineffective Management
R4	Unsustainable energy, Load shedding, Things getting expensive	High Operating Costs
R5	The impact come more on our deliveries	High Operating Costs
R6	Franchise reputation, Franchise market, Franchise relationship	Lack of Competitiveness, Ineffective Management
R7	Quality of the brand and our product, and unique marketing and adapting to the changes of the market	Ineffective Marketing, Ineffective Management, Lack of Competitiveness
R8	Operational costs such as labour costs and utilities Cost of sales	High Operational Costs
R9	E-hailing delivery services, social platform pressure, Brand packaging costs, Diversity awareness, Marketing	High Operational Costs, Ineffective Management, Ineffective Marketing

R10	Load shedding “the 2 hours cuts it cost food industry billions a day, Poor management failing to control your cost of sales, gross profit, Treat every stock as cash	High Operating Costs Ineffective Management
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Interview Question 8 - Explain how opportunities or trends are maximised in the franchise business to improve profitability.

Annexure 8: “Maximisation of Opportunities or Trends by Franchises”

RESPONDENT	RESPONSES	SUB-THEMES
R1	No Response	
R2	Buying power through economies of scale, bigger marketing campaigns nationwide, Loyalty programmes to retain customer base	Marketing
R3	Market share, Customer service	Competitiveness
R4	Sustainable energy resource and revise our prices compared to other businesses	Sustainable Energy Competitiveness
R5	Keep up to the standard of improving service in term of keeping customers stay	Competitiveness
R6	No response	
R7	Making or be in the competitive race with other franchise businesses and by having Ref / Rev to check and encourage safe food	Competitiveness
R8	Franchises normally choose successful franchises with proven track record	
R9	Online ordering of food with free delivery, Unique specials made for certain periods	Competitiveness
R10	Introduce promos, Extend working hours, Loyalty discounts app, App promos, Cash back app	Marketing, Competitiveness

Interview Question 9 - Explain how the level of support provided by parent franchisors can determine the success and profitability of home-grown franchises in South Africa.

Annexure 9: Parent Franchisor Support to Home-grown Franchises

RESPONDENT	RESPONSES	SUB-THEMES
R1	No Response	
R2	Also, negative group prices from suppliers and extremely vital – parent franchisor needs to ensure consistency amongst all franchises – as franchise reputation is as good as the worst one	Moral Support Technical Support
R3	Makes a huge effect	Technical Support
R4	No response	
R5	Always takes priority to its employees and customers	
R6	No response	
R7	The support by parent can give foundation and encouragement and a platform to grow	Technical Support Moral support
R8	It can determine the success of franchise business to have support from the parent franchise as it boosts moral and public support	Moral support
R9	The credibility that comes with the parent franchisors can boost sales and the market confidence	Technical Support
R10	If you have parent franchisors they negotiate deals with suppliers, to make promos for you, advertising, Training – experience is an asset, monitor operation – franchisor manage to help a franchisee run a smooth business	Technical Support

Interview Question 10 - Identify the various factors in the Franchisor-Franchise Relationship (FFR) that are crucial for the establishment of successful and profitable home-grown franchises by South African entrepreneurs.

Annexure 10: Impact of FFRs on Success and Profitability of Home-grown Franchises

RESPONDENT	RESPONSES	SUB-THEMES
R1	No response	
R2	Operational support & audits, Brand marketing that ties in with local community marketing, Continuous	Technical Support Marketing Support

	training to equip franchises, financial reviews quarterly to help improve profitability	
R3	Profitability, Market share	Technical Support Marketing Support
R4	Load shedding! Poor quality of service	Technical Support
R5	Based on the franchise & company – controlling the profit of and cost of the business	Technical Support
R6	No response	
R7	Having a brand or brand name, Adaptation in the market and Open minded of new market	Marketing Support
R8	Understanding of brand identity and Transparency between franchisor and franchisee	Marketing Support
R9	Training of employees and Supply chain of the franchise	Technical Support
R10	Support – have a system that benefit both in term of monitoring growth and Training, Menu planning – always researching on what public wants, Product supply – it's better to buy from franchisor	Technical Support

SECTION C: Recommendations and Suggestions

Interview Question 11 - Based on experience and knowledge, what are some of the best practices or tips for developing a successful franchise business model in South Africa?

Annexure 11: Tips for Developing a Successful Franchise Business Model in South Africa

RESPONDENT	RESPONSES	SUB-THEMES
R1	Consistency in quality or product, Customer Service	Consistency
R2	Stick to your core product. It's better to be the master of one thing than a novice at everything, Have a unique selling point – what's your X factor	Specialisation
R3	No response	
R4	Stay focused, Turn every customer to a regular	Specialisation Customer Service

R5	Always have knowledge and be trained in what is happening in the business factor and be aware of the chances in the markets	Management Market Awareness
R6	Trust your employees, Give customers great service	Customer Service
R7	Have a competitor in the franchise, have a unique style and brand signature in the food and service, Making the consumer experiences and exciting	Product Differentiation
R8	Develop a franchise that offers something new in the market	Product Differentiation
R9	Product Differentiation, Affordable Prices, Brand that can sell	Product Differentiation
R10	Hands on management – be involved, Train your staff, Marketing – advertise your products, Make everyone involved be informed on how much you are making or losing because people push harder when informed	Management Market Awareness

Interview Question 12 - What common pitfalls or mistakes to avoid when developing a franchise business model in South Africa?

Annexure 12: What to avoid when developing a franchise in South Africa

RESPONDENT	RESPONSES	SUB-THEMES
R1	Not choosing a trusted brand, Insufficient market research, Poor financial planning	Inadequate Research Poor Planning
R2	Inadequate franchisee vetting, Growing outlets too quickly – they cannibalise each other, Straying from the core product to try to maximise on a short term trend, Franchisor 'policing' instead of assisting	Poor FFR Rapid Expansion
R3	No Response	
R4	Mismanagement of stock	Ineffective Management
R5	Don't target more profitability without expecting challenges	Ineffective Management

R6	Failure to fully review franchise disclosure document, ensure you are well funded for launch and beyond, Plan for the future	Complicated Franchise Disclosure Agreement Poor Planning
R7	Having something that is commonly sold and known by many, Copying styles of other brands and signatures	Lack of Product Differentiation
R8	Failure to market brand / franchise can lead to the failure of the franchise	Inadequate Marketing
R9	Creating a replica from other competitors without proper research or industry analysis	Lack of Product Differentiation
R10	Location, Menu options, Operating hours	Poor Planning