

**AN EVALUATION OF FRANCHISING AS A RETAILING STRATEGY: A CASE
STUDY OF FIRST STREET SPAR (2008-2012)**

ITAI ZIYENGE

STUDENT NUMBER: R082003A

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**

2012

GRADUATE SCHOOL OF MANAGEMENT

UNIVERSITY OF ZIMBABWE

SUPERVISOR: DR. D. MARAVANYIKA

DECLARATION

I,,do hereby declare that this dissertation is a result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

.....

Student Signature

.....

Date

.....

Supervisor Signature

.....

Date

ACKNOWLEDGEMENTS

I would like to express my sincere jubilation and gratefully acknowledge the enthusiastic supervision of Dr. Maravanyika during this work. His seemingly endless enthusiasm and constant support assisted me throughout my program at the University of Zimbabwe.

I would like to acknowledge the general assistance from all participants for taking part in my interviews giving their time to answer my questions and contributing to this dissertation.

I am forever indebted to my family, for their prayers and profound love and who have supported and encouraged me to do my best in all matters of life. Particular thanks to my wife, Netsai, for her tireless support, love and affection and without her I would have struggled to find the inspiration and motivation needed to accomplish this dissertation.

Last but not the least; I dedicate my dissertation to my parents whose loving support encouraged me throughout my academic career and life. Sadly, my father Swisten rested in peace in 2002 and is waiting for the second coming of Jesus.

ABSTRACT

The general conclusion from literature on franchising is that franchising results in increased organisational performance by enabling firms to have instant commercial identification, marketing assistance, a proven operating system, on-going management support and professional training. However, this literature has been confined to other parts of the world; hence the aim of this research was to attempt to fill the research gap by investigating the impact of franchising on the performance of a Zimbabwean retail outlet. The research information and its application were aimed at benefiting the corporate world, the country and academic community. This research was based on a single case study design of First Street SPAR (FSS).

Empirical data was obtained through face-to-face interviews with senior managers at the strategic and operational levels of the organization. Unstructured questions were used for gathering in-depth information from the respondents. The respondents were the Managing Director, Branch Manager and Finance Manager. A qualitative research philosophy was used and the data gathered was analyzed through Data Displays in the form of content analytic summary tables.

The study found that franchising had limited impact on the organizational performance of FSS. The organization failed to enjoy all the benefits of franchising because of weak management support from the franchisor as evidenced by infrequent visits by retail specialists to the retail outlet and the ineffective promotional campaigns. It was also established that FSS was not motivated to adhere to the dictates of the franchise because this was not adding value and solving the problems bedeviling the retail outlet.

In view of these findings this study recommends that FSS should demand the right promotional product and prepare a monthly store visit schedule for the franchisor's retail specialists to ensure regular team visits. It is further recommended that FSS should request the franchisor to reduce the royalty rate from 1% of turnover if it continues to fail to get the necessary support from the franchisor, FSS should consider the termination of the franchise and operate as an independent store or join a successful franchise.

TABLE OF CONTENTS

Declaration	2
Acknowledgements.....	3
Abstract.....	4
List of tables.....	11
List of figures.....	13
List of abbreviations.....	14
 CHAPTER 1	 15
1.0 Introduction.....	15
1.1 Brief History of SPAR Zimbabwe.....	16
1.1.1 History of First Street SPAR.....	16
1.2.1 Vision.....	17
1.2.2 Mission Statement.....	17
1.2.3 Core Values.....	17
1.2.4 First Street SPAR Organization's structure.....	17
1.3 Background to the Study Organization.....	18
1.4 Operating Environment.....	21
1.4.1 Environmental Scanning.....	22
1.4.2 SWOT Analysis.....	25
1.4.2 .1 Strengths.....	25
1.4.2 .2 Weaknesses.....	25
1.4.2 .3 Opportunities.....	26
1.4.2 .4 Threats.....	27
1.5 Problem Statement.....	27
1.6 Research Proposition.....	28
1.7 Objectives of the Study.....	28
1.8 Research Questions.....	28
1.9 Justification of research.....	28
1.10 Scope and Delimitation.....	29
1.11 Limitations of the Study.....	29
1.12 Assumptions of the Study.....	29
1.13 Dissertation Structure.....	30

CHAPTER 2

2.0 Literature review.....	31
2.1.0 Business Strategies.....	31
2.1.1 Definition.....	31
2.1.2 Retail Strategies.....	32
2.2.0 Franchising.....	32
2.2.1 Definition.....	32
2.2.2 Important Concepts of Franchising.....	33
2.2.3 Franchisor.....	33
2.2.4 Franchisee.....	34
2.2.5 Franchise Contract.....	34
2.3.0 The Evolution of Franchising	35
2.4.0 Franchising Options.....	35
2.4.1 Product and trade name franchise.....	35
2.4.2 Business format franchising.....	36
2.4.3 A master license.....	36
2.4.4 Multiple-unit ownership.....	37
2.4.5 Piggyback franchising.....	37
2.4.6 Multi-brand franchising.....	37
2.5.0 Advantages of franchising.....	37
2.5.1 The franchisee's viewpoint.....	38
2.5.2 A proven system.....	38
2.5.3 Start-up assistance.....	38
2.5.4 Ongoing assistance.....	38
2.5.5 Advertising and purchasing.....	39
2.5.6 Easier to obtain finance.....	39
2.5.7.0 Franchisor's viewpoint.....	40
2.5.7.1 Rapid expansion.....	40
2.5.7.2 Dedicated owner-operators.....	40
2.6.0 Disadvantages of franchising.....	40
2.6.1 Financial Issues.....	40
2.6.1.1 Initial franchise fee.....	41
2.6.1.2 Investment costs.....	41
2.6.1.3 Royalty payments.....	41

2.6.1.4 Advertising costs.....	42
2.6.2 Competitive issues.....	42
2.6.3 Management issues.....	42
2.7.0 The Legal Issues of Franchising.....	43
2.7.1 Franchise Disclosure Document (FDD).....	43
2.7.2 The Franchise Agreement.....	44
2.8.0 Investigating a Potential Franchise.....	44
2.8.1 Sources of Information for Evaluation	45
2.8.1.1 Federal state agencies	45
2.8.1.2 Business publications.....	45
2.8.1.3 Franchise consultants.....	45
2.8.1.4 The Franchisor as a source of Information.....	45
2.8.1.5 Existing and Previous Franchisees as Sources of Information.....	46
2.8.2.0 Becoming a Franchisor.....	46
2.8.2 Key Considerations when Developing a Business Franchise	47
2.8.2.1 The Business Model.....	47
2.8.2.2 Business Model Defined.....	47
2.8.3.0 Financial considerations.....	48
2.8.4.0 Required assistance.....	48
2.8.5.0 The operations manual.....	48
2.8.6 0 Government regulations.....	48
2.8.7.0 Adding long-term value	48
2.8.8.0 Standardisation in products or service.....	49
2.8.9.0 Reproducibility.....	49
2.8.10 Distinctive and noticeable business.....	49
2.8.11 Straightforward Operating Methods.....	49
2.8.12 Profitability.....	49
2.8.13 Regular supplies.....	49
2.8.14 Legal constraints.....	50
2.8.15 Personal commitment.....	50
2.9.0 Steps in developing a Franchise System.....	50
2.11.0 Success stories in franchising as a business model.....	54
2.11.1 McDonald's Corporation.....	54
2.11.2 Nando's.....	55

2.12.0 Conclusion.....	56
CHAPTER 3.....	57
3.0 Research Methodology.....	57
3.1 Introduction.....	57
3.2 Research design.....	57
3.3.0 Research Philosophies.....	57
3.3.1 Positivism Approach.....	58
3.3.1.1 Advantages of Positivism Approach.....	58
3.3.1.2 Disadvantages of Positivism Approach.....	59
3.3.2.0 Phenomenological Approach.....	59
3.3.2.1 Advantages of Phenomenological Approach.....	59
3.3.2.2 Disadvantages of Phenomenological Approach.....	60
3.4.0 Research Philosophy Justification.....	60
3.5 Research Strategies.....	61
3.5.1 Survey.....	61
3.5.1.1 Advantages of Survey Research.....	62
3.5.1.2 Disadvantages of Survey Research.....	62
3.5.2 Exploratory Research.....	62
3.5.2 Causal /Explanatory Research.....	63
3.5.3 Descriptive Studies.....	63
3.5.4 Case study.....	63
3.5.4.1 Prejudices against the case study strategy.....	64
3.6 Research Strategy Justification.....	65
3.7 Data Collection.....	65
3.8 Population	65
3.9 Sampling procedure.....	65
3.10 Judgment or purposive sampling.....	66
3.12 Data Sources.....	67
3.13.0 Data Collection Instruments.....	67

3.13.1 Questionnaire.....	68
3.13.1.1 Advantages of a Questionnaire.....	68
3.13.1.2 Disadvantages of a Questionnaire.....	69
3.13.2 Personal interviews.....	69
3.13.3 Interviewing Respondents.....	70
3.14 Research Instrument Reliability and Validity.....	71
3.15 Ethical Considerations.....	71
3.12.1 Advantages of Secondary data.....	72
3.12.2 Disadvantages of Secondary Data.....	72
3.16 Data Analysis and Presentation.....	72
3.17 Summary.....	73
CHAPTER 4	74
4.1 Results and findings.....	74
4.2 Part A: Managing Director, Branch Manager and Finance Manager.....	74
4.3.1Section A: Demographic information.....	74
4.3.2 Section B: The Benefits of a franchise to the franchisee.....	75
4.3.3 Section C: Franchise Costs.....	87
4.3.4 Section D: Challenges of maintaining a franchise agreement.....	91
4.3.5 Section E: Franchising and retail outlet success.....	99
4.3.6 Section F: franchise system implementation and management.....	104
4.4.0 Summary of Findings.....	109
4.4.1 Benefits of a franchise to the franchisee.....	109
4.4.2 Franchise Costs.....	110
4.4.3 Challenges of Maintaining a Franchise Agreement.....	110
4.4.3 Franchising and retail outlet success.....	111
4.4.3 Franchise system implementation.....	111
4.5 Conclusion.....	112

CHAPTER 5	113
5.0 Conclusions and recommendations.....	113
5.1 Introduction.....	113
5.2Conclusions.....	113
5.2.1 To identify the benefits of a franchise to the franchisee.....	113
5.2.2 To evaluate the costs of obtaining and maintaining a franchise.....	113
5.2.3To analyze the challenges of maintaining a franchise.....	113
5.2.4 Determine how the franchisor's performance affects performance of the franchisee in the long run.....	113
5.3 Recommendations.....	114
5.3.1 Benefits of franchising.....	114
5.3.2 Franchise costs.....	114
5.3.3Challenges of maintaining a franchise.....	114
5.4 Study limitations and areas of further research.....	115
References.....	116
Appendix 1.....	121
Appendix 2.....	127

LIST OF TABLES

Table 1.1 SPAR Eastern Region Store Numbers by Retail Format

Table 1.2 Retail Price Comparisons

Table 4.1 Demographic Information of the respondents

Table 4.2: The extent of benefit from the franchise arrangement

Table 4.3 Advertising and Marketing support by the franchisor

Table 4.4 Financial assistance offered by the franchisor to the franchisee

Table 4.5 Role and Importance of franchisor team to the franchisee

Table 4.6 Usefulness of the Franchise-Operating Manual

Table 4.7 Effectiveness of the initial and ongoing training

Table 4.8 Effectiveness of the Franchisor's trademark in luring shoppers

Table 4.9 Cost of Initial Investment

Table 4.10 Monthly Fees paid by the franchisee

Table 4.11 Uses of Fees remitted to the franchisor

Table 4.12 Business Profitability after paying all the fees

Table 4.13 Fairness and Easy Dealing

Table 4.14 Frequency of Franchisor communication

Table 4.15 Franchisor's Responsiveness to franchisee's concerns

Table 4.16 Encroachment by the franchisor

Table 4.17 Goal Compatibility between Franchisor and Franchisee

Table 4.18 Adherence to standards and operating procedures

Table 4.19 Dispute Resolution

Table 4.20 Franchisees that have closed down business

Table 4.21 Profitability of the outlet

Table 4.22 Store Department Profit Contributions

Table 4.23 Customer Count Growth Rate

Table 4.24 Price Competitiveness of franchisor supplied goods

Table 4.25 Franchisor- owned retail outlet in operation

Table 4.26 Usefulness of the operations manual to the franchisee

Table 4.27 Franchisor Training Facilities

Table 4.28:Start-up assistance by the franchisor

Table 4.29: Staying in touch with the market

LIST OF FIGURES

Figure 1.1 First Street SPAR's Organizational Structure

Figure 1.2 First Street SPAR customer count

Figure 1.3 First Street SPAR Sales

Figure 1.4 First Street SPAR Average Sales per Square Meter

Figure 1.5 First Street SPAR Gross Margin

Figure 2.3: Conceptual Framework

Figure 3.9: Classification of sampling methods

Figure 3.13: Classification of research instruments

LIST OF ABBREVIATIONS

FSS First Street SPAR

FASA Franchising Association of South Africa

FDD Franchise Disclosure Document

PESTLE Political Economic Social Technological Legal Environment

SWOT Strengths, Weaknesses, Opportunities and Threats

MDC Movement for Democratic Change

EPAs Economic Partnership Agreements

EU European Union

ESA Eastern and Southern Africa

SIGMA SPAR Integrated Stock Management

ZAADS Zimbabwe Accelerated Arrears, Debt and Development Strategy

VAT valued added tax

ZIMRA Zimbabwe Revenues Authority

CBD Central Business District

MUF Multi-unit franchising

FTC Federal Trade Commission

CHAPTER 1

1.0 INTRODUCTION

Franchising offers the franchisee immediate commercial identification, professional training, marketing assistance, a proven operating system and on-going management support, compared to running an independent business (Seltz, 1982). The author further submitted that a well-developed franchise blueprint contains the tools designed to ensure the success of franchisees. Foster (1988). concurred with Seltz (1982) when he pointed out that franchising is a reduced-risk form of new business start-up because every element from site selection to inventory is pre-planned, carefully documented and easily transferable.

Foster (1988) provided performance comparison statistics that showed that nine out of ten franchised businesses succeed for at least five years, whereas eight out of ten non-franchise start-ups never make it past the first year. According to Levy and Weitz (1992), the major attractions of buying a franchise versus starting a business from scratch are higher success rate, reduced risk, availability of operating and training manuals for franchisees and cost savings through participating in national advertising and promotions organized by the franchisor.

Literature on franchising studies has been conducted in other parts of the world for companies such as McDonald's Corporation and Nandoes (Niemand, 1998). There is, however, no franchising literature on Zimbabwe in general and grocery shops in particular. It is against this background that this investigation is aimed at filling this research gap by evaluating the effectiveness of franchising as a retailing strategy through a case study of FSS over the period 2008 to 2012.

1.1 Brief History of SPAR Zimbabwe

SPAR was launched in 1932 as DESPAR, an acronym of a slogan Van Well created to describe the organization: "Door Eendrachtig Samenwerken Profiteren Allen Regelmatig". This roughly translates in English as: "All will benefit from joint co-operation". Globally, SPAR serves 11 million customers a day out of 13 000 supermarkets in various formats. SPAR is the world's largest supermarket chain by store numbers. In Zimbabwe, SPAR rights were sought from SPAR International in 1966 by two wholesalers namely Pick and Save in Harare and Gordon Brothers in Bulawayo after failing to get them through South Africa in 1965 because of sanctions.

At the moment SPAR rights are owned by Innsco Africa in the Eastern Region in Harare and is made up of 5 corporate stores and 63 locally owned independent retailers across the country with two distribution centers, Eastern and Western distribution centers located in Harare and Bulawayo respectively (www.spar.co.zw). The retailers apply to become members of a Guild of SPAR Grocers, who in turn elect a Guild committee annually (made up of retailers and wholesalers) to administer and protect the interests of the SPAR brand and its member retailers, together with formulating brand strategy.

1.1.1 History of First Street SPAR

FSS is the brainchild of Mohammad Valais who launched it on the 9th of November 2004 to trade as a member of The SPAR Guild of Grocers in the Eastern Region. However, the retail outlet failed to sustain its operations due to the economic downturn and eventually closed at the end of 2007 and the founder surrendered the retail outlet to The SPAR Guild of Grocers and left for England to pursue other business interests. Bret Pissas, who was the retail operations director at The SPAR Guild of Grocers in the Eastern Region, in partnership with the Ricks Brothers, Simon and Mayer, reopened FSS on 01 January 2008. At retail level, FSS competes mainly with TM Supermarkets, OK Bazaars, Food World, Afro-Foods, Town & Country and unofficial tuck shops.

1.2.1 Vision

We envision being the most exciting, innovative and sought-after retail brand in Zimbabwe

1.2.2 Mission Statement

We have a mission to be the Zimbabwean consumer's first choice when shopping for grocery.

1.2.3 Core Values

- Dependability
- Teamwork
- Customer service
- Efficiency
- Excellence
- Reliability

1.2.4 First Street SPAR Organization's structure

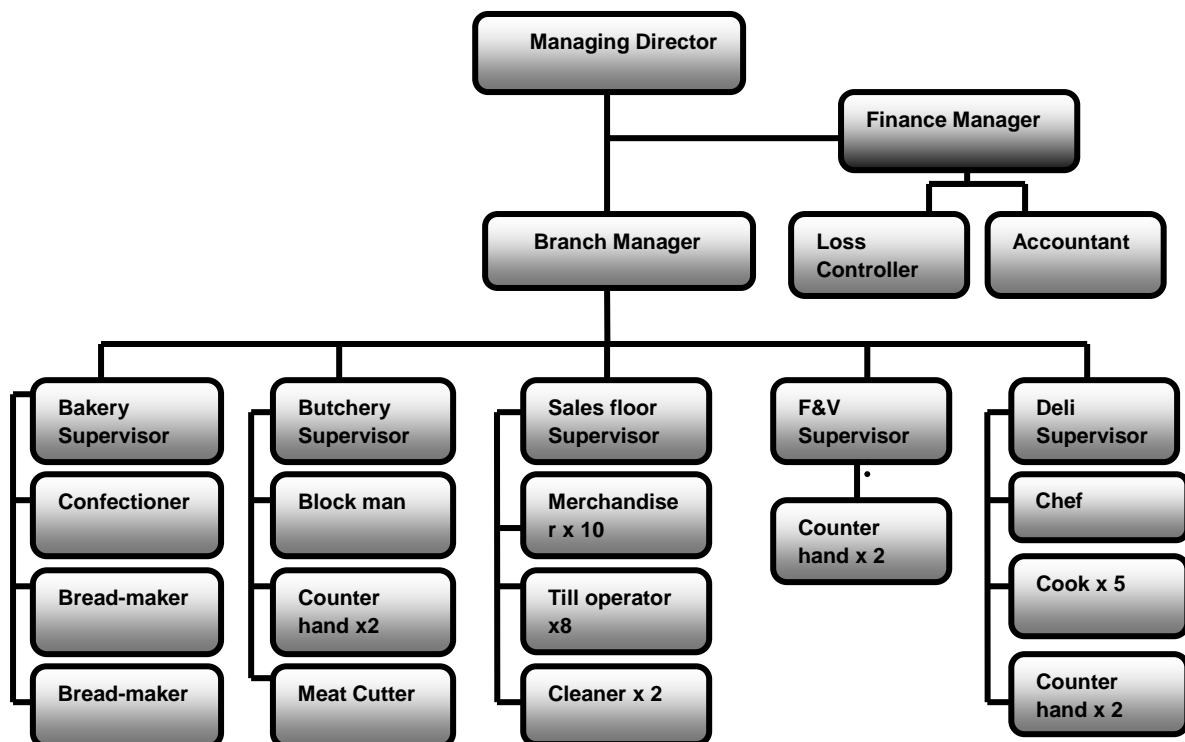


Figure 1.1 First Street SPAR's Organizational Structure

Source : (www.spar.co.zw)

1.3 Background to the Study Organization

Retailing today is at interesting crossroads. On the one hand, retail sales have surged as the nation has been recovering from a low economic base after the inception of the inclusive government in February 2009. SPAR has been the dominant supermarket chain in Zimbabwe in terms of store numbers — ahead of OK Bazaars, TM, Town & Country, Food World, AfroFoods and many other small retail shops. National retailing possibilities abound such that a quick look at the interim results for OK Bazaars (Annual Report, 2012) for the six months ended September 30 2012 seems to suggest the good times are back for the supermarket group. Earnings attributable to shareholders came in at US\$4, 9 million, equating to a 26% growth over September 2011 levels. Management attributed the jump in sales to growth in market share as its main competitors are struggling. Currently the company is undertaking refurbishments at its supermarkets and this has resulted in increased traffic evidenced by a 22, 8% growth in sales per square meter.

On the other hand, SPAR is in a very critical position such that at a time when its major rivals are bubbling with phenomenal growth, its franchised retail outlets are closing down because of excessive losses as presented in Table 1.1 below

Year	2008	2009	2010	2011	2012	
Number of SPAR franchisees	78	75	72	67	63	
Number of SAVEMOR franchisees	42	35	29	22	17	
Number of Contract stores	12	11	8	8	4	
Number of corporate stores	2	2	4	6	5	
Total	134	123	113	103	89	

Table 1.1 SPAR Eastern Region Store Numbers by Retail Format

Source:(www.spar.co.zw)

The researcher was motivated to conduct this study on the effectiveness of franchising as a retailing strategy, with FSS as the case study of a franchised retail outlet, after observing the teething problems that SPAR is experiencing as portrayed in table 1.1 above. An investigation of FSS revealed that the supermarket's operations are bedevilled as indicated by the following retail parameter.

a) Declining Customer Count

Comparable customer counts are key performance indicators used within the retail industry and are indicative of consumer acceptance of a store's marketing initiatives as well as their attitude towards an outlet. The customer count figures for FSS are as depicted in Figure 1.2 below

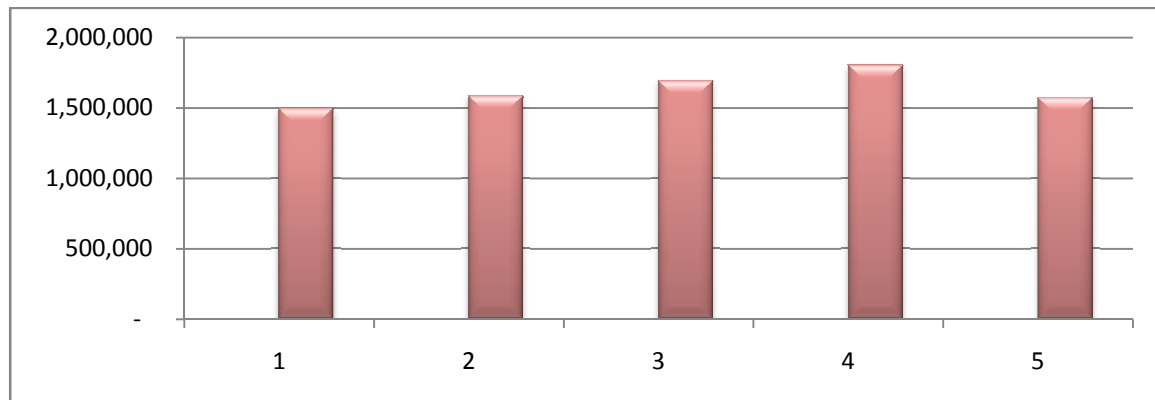


Figure 1.2 First Street SPAR customer count

Source: First Street SPAR Annual Financial Reports (2008 - 2012)

b) Declining Turnover

The sales momentum gained during the initial years of trading as a franchised store is no longer the same and turnover is now declining as reflected in figure 1.3 below

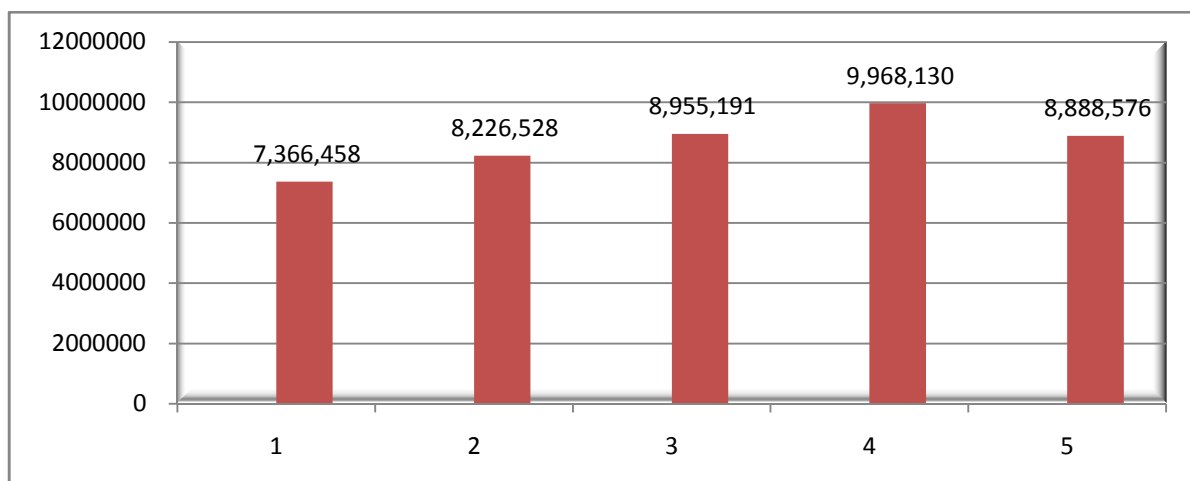


Figure 1.3 First Street SPAR Sales

Source: First Street SPAR Annual Financial Reports (2008 - 2012)

c) Average sales per square meter

FSS refurbished in 2009 and increased the supermarket's trading area to 450m² from 350m² and this resulted in increased customer traffic. The major concern is that there was a decline in sales per square meter which suggests that there were no incremental volumes from the store upgrades as shown in Figure 1.4 below

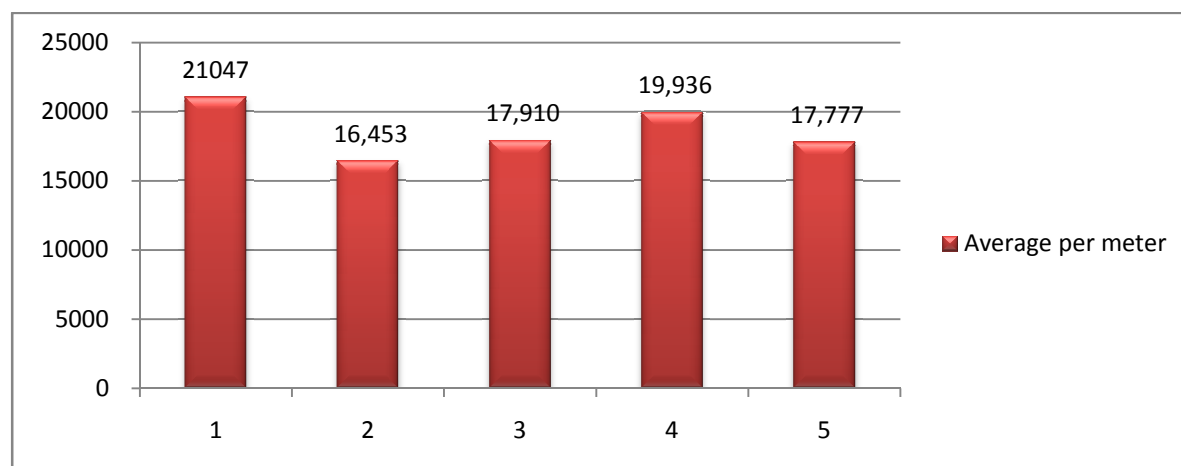


Figure 1.4 First Street SPAR Average Sales per Square Meter

Source: First Street SPAR Annual Financial Reports (2008 - 2012)

d) Decline in Gross Margin

Gross margins continue to decline from the benchmark of 25% mainly because of utilities. Electricity supplies were also erratic, forcing the outlet to make use of a generator. Additional expenditure was incurred in installing a new retail system known as SPAR Integrated Stock Management (SIGMA) so as to reduce pilferage. This resulted in shrinkage declining to 1.1% but remained above the company benchmark of 1%.

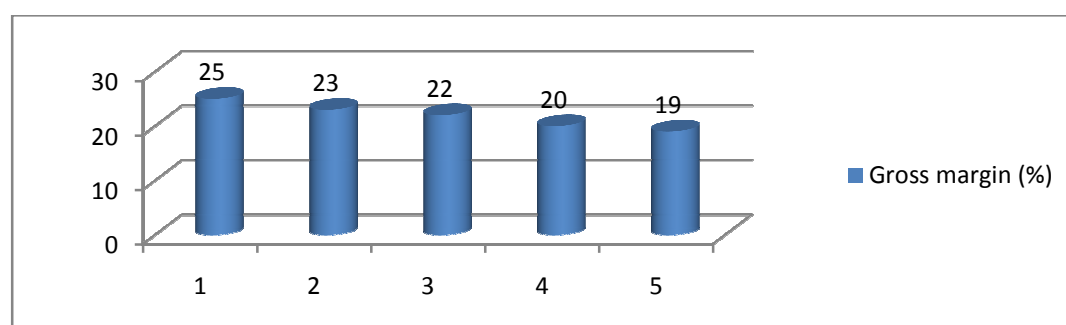


Figure 1.5 First Street SPAR Gross Margin

Source: First Street SPAR Annual Financial Reports (2008 - 2012)

e) Price Comparison

The researcher did a price comparison exercise against the retail outlet's major rivals. The results clearly indicated that the supermarket is more expensive on the known value items (KVIs) and shown in Table 1.2 below

Product	First Street	TM	OK	Joina	Food World	J-Way
Description	SPAR		Bazaars	SPAR		SPAR
1kg Laundry bar soap	1.75	1.55	1.60	1.65	1.70	1.65
250g margarine	1.45	1.41	1.42	1.41	1.35	1.43
100ml Colgate Toothpaste	1.59	1.25	1.20	1.25	1.30	1.19
500ml Steri milk	0.95	0.88	0.90	0.90	0.90	0.90
2L Delite Cooking Oil	4.21	4.15	4.20	4.25	3.99	3.99
500g Spaghetti	1.35	1.44	1.45	1.29	1.15	1.27
2kg Gloria flour	2.27	2.09	2.15	2.09	1.99	2.13
500g Loose biscuits	1.50	1.25	1.50	1.50	1.50	1.25
2kg Irvines chicken	3.99	4.03	3.99	3.99	3.82	3.99
50ml Nugget shoe polish	1.15	1.00	1.00	0.99	0.95	1.15
2kg Mahatma rice	3.10	2.95	2.99	2.99	2.89	2.95
2l Mazoe orange crush	3.49	3.45	3.45	3.45	3.39	3.30
375ml Peanut Butter	2.03	1.99	1.99	2.03	1.99	1.99
500g Mixed Fruit Jam	2.03	2.02	1.95	2.00	2.01	1.96
Lion Matches	0.70	0.60	0.55	0.60	0.55	0.60
1kg Omo washing powder	3.31	3.12	3.29	3.25	3.15	3.15
2kg Fine Salt	0.80	0.78	0.77	0.80	0.80	0.79
450g Candles	2.00	1.89	1.85	1.85	1.89	1.85
Bread	0.80	1.00	0.90	0.80	1.00	0.80
Royco Usavi mix	0.49	0.45	0.45	0.45	0.49	0.50
	38.96	37.30	37.60	37.54	36.81	36.84

Table 1.2 Retail Price Comparisons

Source: First Street SPAR Weekly Price Comparison (15 December 2012)

1.4 Operating Environment

The researcher seeks to understand the business environment in which the retail outlet is operating and for that reason both external and internal environmental analysis will be conducted. An analysis of the external environment will expose opportunities and threats whilst an internal analysis through SWOT will be conducted to identify the supermarket's strengths and weaknesses.

1.4.1 Environmental Scanning

It is necessary for the researcher to scan the environment particularly focusing on factors such as Political, Economic, Social, Technological, Legal and Environment (PESTLE). The environmental analysis will enable the researcher to understand the abounding opportunities which management at FSS can exploit and also identify the forces that can threaten the survival of the retail outlet.

1) Political Context

The www.africaneconomicoutlook.org (15/12/2012) described the political situation in Zimbabwe as summarized below;

- There is political uncertainty in Zimbabwe arising from policy inconsistencies, especially with respect to the economic Empowerment and Indigenisation regulations. This Lack of clarity and policy inconsistencies has impacted negatively on investment in retail shops
- According to www.africaneconomicoutlook.org(15/12/2012) the political uncertainty in Zimbabwe is further complicated by bickering among the Inclusive Government partners around issues relating to governance, media and security sector reforms, bringing finality to the land issue, finalisation of the new constitution, national referendum on the new constitution and pending national elections.
- All the three political parties concur that the inclusive government is not performing as per agreement and this explains why there are disagreements on the road map to free and fair elections because the partners are so desperate to terminate the current marriage of convenience.
- These parties remain in disagreement over the timing of the next election, with ZANU-PF insisting that elections should be held immediately without recourse to the new constitution, while the two MDC formations insist on elections being held after the finalisation of the new constitution, governance, security sector and electoral reforms.
- In view of the above political challenges, investors have adopted a watch and see game.
- On the positive side the government has been negotiating for the new Economic Partnership Agreements (EPAs) with the European Union (EU)

under the Eastern and Southern Africa (ESA) grouping (www.africaneconomicoutlook.org)

- In addition the country has increasingly sought to strengthen its relationship with the east because of the sour relationship with the western countries.

2) Economic Environment

- According to www.africaneconomicoutlook.org (15/12/2012) Zimbabwe adopted a multi-currency regime since February 2009 and this means that the government no longer has control over the monetary policy. This has resulted in serious price distortions in retail shops since importing retailers are sourcing foreign currency at different exchange rates. Large retail shops are now using their financial muscle to suffocate small retailers who cannot afford to import bulk merchandise due to financial constraints.
- On the other hand the adoption of a multi-currency regime had a positive impact in the form of price stabilization and reducing inflation. This will ensure business prosperity.
- The [africaneconomicoutlook.org](http://www.africaneconomicoutlook.org) (15/12/2012) went on to say that nominal lending rates in the banking sector have remained generally high largely due to the prevailing liquidity crunch coupled with a high demand for credit in the economy. This is not conducive for retailing business because retailers require large amounts of cash to finance the importation of inventory. Importing retailers can only achieve good profit margins if they import large quantities of inventory.
- The present-day business enterprise, in Zimbabwe, finds itself within the realm of the capitalistic order, which functions on the basis of a free-market economy and is characterized by competition in the market environment. This means that every business trying to sell a product or a service in the market environment is constantly up against competitors who often determine how much of a given product can be marketed and at what price.

3) Social Context

- According to www.africaneconomicoutlook.org (15/12/2012) the formation of the inclusive government brought positive results in health, education and prevention and treatment of HIV/AIDS, tuberculosis and malaria. For example,

training and health institutions that had closed and scaled down operations have re-opened and scaled up their operations. The recovery of these social sectors has been largely facilitated by the focus of donor support on humanitarian assistance.

- Pension and old-age programmes were affected by the hyper-inflationary period, and are only in a recovery mode.
- On the positive side the inclusive government adopted the Zimbabwe National Employment Policy Framework (ZiNEPF) in June 2010 which integrates Youth Employment Initiatives in the context of high structural unemployment and endemic poverty (www.africaneconomicoutlook.org)
- Unemployment was officially last estimated in the Labour Force Survey of 2004 at 9.3%. Although there is no recent official data on unemployment, it is anticipated to have surged over the years since the last official estimate. (www.africaneconomicoutlook.org)

4) Technological Environment

- The impact of technology is so huge and business operations will continue to be radically transformed each day. The modern firm is now deriving a sustainable competitive advantage through the intranet and extranet to manage its external stakeholders like suppliers and customers.
- SPAR is dominating its major rivals in terms of technological advancement such that FSS has installed SIGMA

5) Legal Environment

- The major concern for investors is on the Indigenization bill which is focused on empowering the Zimbabwean citizens through share ownership in local firms. Investment in the retail sector has slowed down due to the tenets of this bill.
- On the positive side the government of Zimbabwe approved the Zimbabwe Accelerated Arrears, Debt and Development Strategy (ZAADS), whose main objective is to facilitate re-engagement of all creditors and the international community on arrears clearance, a comprehensive debt relief programme and mobilising new financing (www.africaneconomicoutlook.org)

1.4.2 SWOT Analysis

According to Porter (1980) sustainable competitive advantage results from a good match between the strengths and weaknesses of a business and opportunities and threats in the external environment. He further said that the integration is revealed through SWOT which stands for strengths, weaknesses, opportunities and threats. Performing the SWOT analysis helps the firm to identify potential business opportunities that match its resources and capabilities. The strengths, weaknesses, opportunities and threats of FSS are as presented below

1.4.2 .1 Strengths

- a) **Trade mark** – The SPAR trade mark is associated with good service such that the outlet is instantly identifiable with customers.
- b) **Service departments** – unlike its major rivals FSS has all the service departments functioning including bakery, delicatessen, butchery, fruit produce, provisions and dry grocery. These enable the outlet to achieve high profit margins as compared to dry grocery.
- c) **Strategic location** – The retail outlet is conveniently located where there is high customer traffic along the famous first street road.
- d) **Good Customer care** – The employees have mastered the art of taking care of every customer who enters into the outlet.
- e) **High shop standards** – both the interior and exterior environments are appealing to customers.
- f) **Advanced retail system** – The outlet has been installed with SIGMA which ensures quick processing of orders and inventory management.

1.4.2 .2 Weaknesses

- **Limited trading area** – the shop's space is 450m² and this includes production, offices, shelving, receiving and warehousing area. It is too congested and customers are not free to move around when shopping.

- **Limited parking space** – There is no easy parking along Robert Mugabe Road and First Street where the store is located. This means that customers who fail to secure parking will opt to do their shopping elsewhere.
- **High selling prices** – The store is more expensive than its rivals especially on grocery lines as reflected by the price comparison survey results in Table 1.2 above.
- **Inflexibility** – The retail outlet has to get instructions and approval from the franchisor before making any decision.
- **Poor stockholding** – There is no breadth and depth in product lines due to financial constraints.
- **Contract labour** – Labour turnover is high and staff morale is low because the store is using contract labourers who can easily terminate contracts if they get alternative employment.
- **Inexperienced staff** – Experienced employees will quickly quit because of the nature of employment contracts at FSS.

1.4.2 .3 Opportunities

- **Economic recovery** - Since the inception of the Inclusive Government of Zimbabwe in February 2009, Zimbabwe has been recovering from a low economic base (www.africaneconomicoutlook.org). The adoption of the multicurrency was also a favourable development in retail circles as it had the effect of eliminating price distortions in the market while retail revenues and the cost of goods now share a common currency. This is an opportunity for retailers to launch more profitable retail outlets.
- **Increased Manufacturing** - The Short Term Emergency Recovery Programme (STERP) which was regarded by its authors as a roadmap that pointed to the priority areas that must be addressed immediately helped to stimulate the economic turnaround and increased manufacturing (STERP, 2009). This is an opportunity for retailers because they can easily refill their shelves without waiting for imported goods. Local products will lessen their

financial woes because they can arrange for credit terms unlike with foreign firms.

1.4.2 .4 Threats

- **Emergency of Tuck shops** - The pendulum is now swung in favour of grocery retailers in informal circles and as such they were performing far better than the larger supermarket chains. These informal retailers are competing on the basis of low price because they are not remitting valued added tax (VAT) to the Zimbabwe Revenues Authority (ZIMRA).
- **New entrants into the retail sector** - Pick n Pay which is one of Africa's largest and currently South Africa's second largest retailer of food, general merchandise and clothing now holds a 49 per cent holding in 50 TM Supermarkets in Zimbabwe. According to OK Annual Report (2012) OK Bazaars has been aggressive in looking out for new spots, the Victoria Falls shop being the latest addition. Plans are also in place to open a new outlet in Hwange and refurbish shops in Chinhoyi, Kadoma and Lobengula in Bulawayo.
- **Regulation and Legislation** – The Indigenization bill which seeks to empower local citizens can have two implications, that is, it can benefit local players or scare away potential investors into the retail sector.

1.5 Problem Statement

As cited in Section 1.0 above literature indicates that a properly established franchise system contains the tools designed to ensure that a franchisee runs a successful business. This prior literature has established that franchising is a reduced-risk form of new business start-up because every element from site selection to inventory is pre-planned, carefully documented and easily transferable to the franchisees. It further stated that nine out of ten franchise businesses succeed for at least five years, whereas eight out of ten non-franchise start-ups never make it past the first year.

The background to the Case Study (Section 1.1.1) shows that FSS adopted franchising as a retailing strategy. However, contrary to literature, FSS does not

exhibit success features such as high profit margins and increased customer count, Is FSS not adhering to the franchisor's operations? What is inhibiting FSS from benefitting from franchising? Is FSS getting enough support from the franchisor? What should FSS do to benefit from franchising? The research problem is therefore to evaluate whether franchising is benefiting from franchising in line with the success stories in prior literature.

1.6 Research Proposition

Franchising is not an effective retailing strategy for FSS because the franchisor is not offering sufficient management support.

1.7 Objectives of the Study

The study is aimed at accomplishing the following objectives:

1. To identify the benefits of a franchise to the franchisee
2. To evaluate the costs of obtaining and maintaining a franchise.
3. To analyze the challenges of maintaining a franchise
4. To determine how the franchisor's performance affect the performance of the franchisee in the long run.
5. To recommend what the franchisee should do in line with the research findings.

1.8 Research Questions

The research is aimed at answering the following questions:

1. How is the franchisee benefitting from the franchise arrangement?
2. What challenges is the franchisee encountering in maintaining and sustaining the franchise agreement?
3. Is the franchisee satisfied with the support he is getting from the franchisor?
4. How much does it cost to acquire the franchise?

1.9 Justification of research

The research is being carried out to evaluate the effectiveness of franchising as a retailing strategy. The researcher wants to clarify whether the poor performance of FSS represents the failure of franchising as a retailing strategy or is a result of any other factor limited to that retail outlet. This will help the management of FSS to decide whether to continue trading under this franchising arrangement or to withdraw membership if the store is not benefiting as expected in a franchise arrangement.

Also other organizations, especially in the retail industry, will be able to draw a lesson from FSS.

The researcher will also learn how effective is franchising as retailing strategy in the retail sector.

The study is also intended to provide new information for the academic community since there are very few studies which were done on this subject to evaluate franchising as a retailing strategy in Zimbabwe. Franchising may have been successful elsewhere but the researcher wants to evaluate how it applies to Zimbabwe.

1.10 Scope and Delimitation

The research is to be conducted within the retail sector with FSS located in Harare Central Business District (CBD) as the single case study. The respondents will be the management at FSS.

1.11 Limitations of the Study

This study is constrained by limited financial resources to carry out this study. The researcher would have wanted to adopt a multiple unit case study for comparison purposes but this is not possible due to the limited financial resources to do the running around. Secondly, there is limited time to carry out the research as the researcher has got other commitments at work.

1.12 Assumptions of the Study

In undertaking the research the researcher assumed that:

- 1 Franchising benefits the franchisor more than the franchisee.
- 2 Franchising may not be an appropriate retailing strategy in the Zimbabwean retail context although it may have been successful elsewhere.
- 3 Consumers of groceries consider prices most when making purchase decisions instead of trade names.
- 4 There are other factors that affect the success of stores other than trade names.

1.13 Dissertation Structure

Chapter 1

This chapter looks at the background of the study, scope and justification of the study. The research questions are also outlined in this chapter.

Chapter 2

This chapter looks and analyses literature concerning franchising

Chapter 3

This chapter presents the methodology used to collect data and also justifies the rationale of adopting a single case design and the use of the case study approach using the phenomenological philosophy. The research instruments and data analysis techniques will also be described.

Chapter 4

This chapter presents, interprets and provides an analysis of the findings from the study as evidenced by the collected data.

Chapter 5

This chapter presents research conclusions and recommendation

CHAPTER 2

2.0 LITERATURE REVIEW

Literature review is being done to show the path of prior research and how the current project is linked to it. It also demonstrates a familiarity with a body of knowledge and establishes credibility. Reviewing the accumulated knowledge about a question helps to integrate and summarize what is known in an area of study (Neuman, 2003)

This chapter explores the literature available on franchising and uses Longenecker et al (2010) as a guide in this research study. All the read literature will be submitted under various subheadings such as business growth strategies, franchising concepts and systems, advantages and disadvantages of franchising, selection of a franchise system, franchise package, legal issues in franchising and franchising success stories from the retail sector. The chapter ends with a summary on the key literature areas, a critique of prior literature and a conceptual framework for the present study.

2.1.0 Business Strategies

In order to put the discussion on franchising into context, the researcher preferred to start by reflecting on the business strategy in general and then move on to look specifically at the retail strategic choices, in which franchising is one of them.

2.1.1 Definition

One of the earliest definitions of strategy comes from the ancient Greek writer Xenophon (Cummings, 1993) who stated that strategy is about demonstrating knowledge of the business you propose to carry out. This definition stresses that strategy requires knowledge of the business, an intention for the future, and an orientation towards action. Andrews (1971) defined strategy as the pattern of major objectives, purposes or goals and essential policies or plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.

Ohmae (1983) defined strategy as the way in which a corporation endeavours to differentiate itself positively from its competitors, using its relative strengths to better satisfy its customer needs. Kare-Silver (1997) suggested that strategy should have

just two elements – future intent and sources of advantages. Mathur and Kenyon (1997) proposed that a good business strategy should satisfy six tests of quality which are as follows:

1. It will be correctly scoped
2. It will be appropriately documented
3. It will address real customer needs
4. It will exploit genuine competencies
5. It will contribute to competitive advantage
6. It will lay the ground for implementation

2.1.2 Retail Strategies

A retail strategy is the overall plan or framework of action that guides a retailer and without a defined and well-integrated strategy, a firm can flounder and be unable to cope with the marketplace Levy and Weitz (1992). The steps in planning and enacting a retail strategy are situation analysis, objectives, identification of consumers, overall strategy, specific activities and control. An essential aspect of situation analysis is assessing ownership and management alternatives, including whether to form a sole proprietorship, partnership, or corporation—and whether to start a new business, buy an existing business, or become a franchisee (Levy and Weitz, 1992)

2.2.0 Franchising

2.2.1 Definition

Franchising was defined by Murray (2003) as a form of business ownership created by a contract whereby a company grants to a buyer the rights to engage in selling or distributing its products or services under a prescribed format in exchange for royalties or share of profits. Longenecker et al (2010) concurred when they looked at franchising from a legal perspective, whereby the franchisee conducts business according to terms specified by the franchisor.

A functional definition of franchising was provided by the Franchise Association of Southern Africa (FASA, 2002) which defined a franchise as a grant by the franchisor to the franchisee entitling the latter to the use of a complete business package containing all the elements necessary to establish a previously untrained person in

the franchise business, to enable him or her to run it on an ongoing basis according to guidelines supplied efficiently and profitably.

According to Maitland (1991) franchising begins when one party develops a successful business format with identifiable features, and then subsequently licenses it to another party to set up and run a wholly identical venture in a particular area for a specific period of time. A business franchise, according to Shivell and Banning (1993), can be defined as an arrangement whereby the franchisee obtains the privilege or right to use the franchisor's methods of marketing, operational systems, logos and trademarks

Inferring from the above definitions, it is clear that franchising offers someone who has developed a certain business concept and who owns a certain intellectual property, the opportunity to make the system and the use of the intellectual property available to others in exchange for royalties.

For the purpose of this study, the functional definition of franchising given by FASA (2002) will be adopted as the definition of franchising. It is clear from this definition that franchising involves an on-going activity, which is unlike in, for example, a contract of sale which is an event.

2.2.2 Important Concepts of Franchising

2.2.3 Franchisor

Seltz (1982) defined a franchisor as the person in the franchise relationship who introduces structure and discipline, operating procedures, and sophisticated control techniques that ordinarily would be unavailable to the operator of a single unit. On the other hand Maitland (1991) describes a franchisor as the party granting a license to the franchisee to operate a business using the franchisor's business concept. The franchisor as stated by Shivell and Banning (1993) is the person in the franchise relationship who dictates many of the details of the business such as process, quality, product and equipment specifications and the methods and hours of operations.

2.2.4 Franchisee

A franchisee according to Seltz (1982) is the person to introduce an entrepreneurial spirit to the franchise relationship – a dedication and willingness to devote long hours and hard work to the enterprise - that usually would not be obtained by the franchisor from its employees. Maitland (1991) simply defines a franchisee as the party buying the franchise. It is clear from these definitions that the person who obtains the rights to operate the franchisor's business system and the licence to use the intellectual property is known as the franchisee.

2.2.5 Franchise Contract

According to Murray (2003) a "franchise contract" is the same as franchise agreement and it specifies all the terms on which the relationship between the franchisor and the franchisee is based. It also specifies all the rights and obligations of the two parties and how the franchise is to be operated. According to Fulop and Forward (1997) a franchise is an agreement between two legally independent parties and specifies the following rights and obligations;

1. The franchisee has the right to market a product or service using the trademark or trade name of the franchisor
2. The franchisee has the right to market a product or service using the operating methods of the franchisor
3. The franchisee has the obligation to pay the franchisor fees for these rights
4. The franchisor has the obligation to provide rights and support to franchisees

It is clear from the above definitions by various authors that a franchise operation is a contractual relationship between the franchisor and the franchisee in which the franchisor is obliged to maintain a continuing interest in the business of the franchisee in such areas as know-how and training. The franchisee operates under a common commercial identification, format and procedure owned by the franchisor. A franchisee will make a substantial capital investment in the business from his or her resources.

2.3.0 The Evolution of Franchising

According to Longenecker et al (2010) Singer Sewing Machine Company is credited with being the first franchisor in the United States. The company began contracting with local retailers in 1850 to give them exclusive rights to sell Singer sewing machines. The author also mentions Benjamin Franklin as the first United States franchisor based on the arrangement he made with a printer in South Carolina to reproduce the Poor Richard's Almanac columns that Franklin was producing in Philadelphia. Today's standard dictionary definition of franchising still reflects historical heritage, 'a privilege granted by the sovereign power to any person or body of persons'. In this context, a franchise referred to the granting of various rights and obligations from the sovereign, which would otherwise be reserved for the Crown" (Felstead, 1993).

2.4.0 Franchising Options

A franchisee has three options when it comes to choosing a business franchise and these are product, manufacturing and business format franchising (Lambing and Kuehl, 1997). The classifications proposed by Spinelli et al (2004) differ from Lambing and Kuehl (1997) because only two distinct franchising formats of product or trade name franchise and business format franchising were identified. Longenecker et al (2010) provide a more comprehensive list of franchising options as discussed in sections 2.4.1 to 2.4.6

2.4.1 Product and trade name franchise

When the main benefit the franchisee receives is the privilege of using a widely recognized product name, the agreement between the franchisor (supplier) and the franchisee (buyer) is called product and trade name franchising. It is a franchise agreement granting the right to use a widely recognized product or name. Briggs and Morgan (2008) and Felstead (1993) stated that product and trade name franchises simply sell the franchisor's products and are supplier-dealer relationships. The franchisor allows the franchisee to use its trademark and logo. However; the franchisor does not provide the franchisee with an entire system for running his or her business. According to Felstead (1993) product and trade name franchises are popular in industries such as soft drink distributors, automobile dealers and gas stations.

2.4.2 Business format franchising

Longenecker et al (2010) described this as an arrangement whereby the franchisee obtains an entire marketing and management system geared for entrepreneurs. It is common in restaurants, hotels and retail. According to (Briggs and Morgan, 2008) business format franchise provides the trademark to the franchisee and operational support such as the marketing plan and operations manuals.

According to Felstead (1993) business format franchising is broadly different from its product or trademark counterpart in at least four respects.

1. The business format franchising is growing at a fast rate, offering more opportunities for aspiring entrepreneurs seeking to 'be their own boss';
2. The concentration among product or trademark franchise networks is raising the capital required to become a franchisee;
3. Recent evidence suggests that the number of potential franchisees may be on the increase. Where these hopefuls lack a specific business idea, business format franchisors can provide a complete, tried and tested business package;
4. A franchise based on the intangible assets of a ready-made business is more likely to be protective of its knowledge than one based on the supply of a branded product.

Felstead's (1993) distinction between product/trademark franchising and business format franchising will be adopted in this study because it reveals how franchising is practised today.

2.4.3 A master license

Longenecker et al (2010) stated that a master licensee is an independent firm or individual acting as a sales agent with responsibility of finding new franchisees within a specified territory. They went on to say that this independent company or businessperson is a type of middleman or sales agent responsible for finding new franchisees within specified territories and that franchisors expand in international markets through master licensing. Master franchise agreements grant the rights of development to an individual (whose purpose is) to recruit, train, and oversee the operations of individual franchisees in the area (Dandridge and Falbe, 1994).

2.4.4 Multiple-unit ownership

Multi-unit franchising (MUF) refers to an organizational arrangement where one franchisee operates two or more franchised outlets in the same franchise system (Kalnins and Mayer, 2004). In the United States of America about 20% of franchisees operate more than half of the franchised outlets (Wardsworth and Morgan, 2003). The multi-unit franchising phenomenon can be divided into two categories that is, sequential multi-unit franchising and area development multi-unit franchising (Kaufmann and Dant, 1996). In the first type one of the existing franchisees is granted a right to open additional outlets and each of the outlets is governed by separate franchising contract (Gruenhagen and Mittelstaedt, 2005). In the second type of arrangement, the franchisee is selected as an area developer and he is obliged to open a certain number of outlets in a particular geographical area during a specific time period as stipulated in the franchise contract. Kaufmann and Kim (1995) concurred and went on to say that the area developers often get exclusivity in that particular area

2.4.5 Piggyback franchising

Hall and Dixon (1991) portrayed this as the tendency of operating a retail franchise within the physical facilities of a host store, such as when McDonalds's operates restaurants within a Wal-Mart store

2.4.6 Multi-brand franchising

This involves the operation of several franchise organizations within a single corporate structure. The Dwyer Group is a pioneer in this form of franchising with six brands namely Rainbow International, Mr. Appliance Corp, Mr. Rooter, Aire Serv, Mr. Electric and Glass Doctor (Longenecker et al, 2010).

2.5.0 Advantages of franchising

In analysing the franchise option, it is important for the prospective franchisee to clearly understand the attraction and drawbacks of buying a franchise versus starting his or her own business or buying an existing enterprise (Levy and Weitz, 1992). For various reasons, both the franchisor and franchisee benefit from a franchise relationship (Felstead, 1993).

2.5.1 The franchisee's viewpoint

The major attractions in favour of franchising from the franchisee's view point are as discussed in sections 2.5.2 to 2.6.0

2.5.2 A proven system

Unlike a truly independent entrepreneur, a franchisee need not prove the viability of the business concept as this will have been done for him or her by the franchisor, which will have tried and tested the concept in his own stores. There is reduced risk as the franchise is based on a proven method of doing business. On the other hand virgin start up business owners needs to develop and prove the viability of business methods (Hall and Dixon, 1991)

Longenecker et al (2010) regarded trademarks as the greatest benefit arising from franchising because they make the franchisee's business instantly identifiable to prospective customers and clients. The authors gave the example of Doctor's Associates, the company that owns Subway Restaurants, which reported that over half of their new franchisees purchase their stores from retiring owners, demonstrating the value they attach to the brand. Doctor's Associates registered 15 different trademarks

2.5.3 Start-up assistance

Justis and Judd (1989) said that franchisees have an advantage because the franchisor will incorporate every new franchisee into the system and provide them with initial training, help with site selection, store upgrades, stocking up the store and help with staff recruitment prior to opening the store to the public. Levy and Weitz (1992) also acknowledged the startup assistance that franchisees get in the form of site selection, facilities layout analysis, financial assistance, management, and training and employee selection.

2.5.4 Ongoing assistance

Justis and Judd (1989) acknowledged the availability of operating and training manuals for franchisees whilst non-franchisee business owners rely mainly on their own experiences and trial and error methods. Longenecker et al (2010) added that franchisors provide well-prepared and thoroughly tested business methods and standards of operation to the franchisee. They went on to say that these manuals

and procedures enable franchisees to function efficiently from the start and that franchisees will be profitable if they abide by the guidelines in the operations manual. The authors also mentioned ongoing management support as an advantage of franchising, since franchisors provide training to compensate for weaknesses in managerial skills. McDonald's has gone as far as opening Hamburger University (MacDonald's, 1999).

2.5.5 Advertising and purchasing

Hall and Dixon (1991) said that franchisees have an advantage because the franchisor will operate an effective marketing program from which all franchisees will benefit. They went on to say that national advertising and promotion initiatives by the franchisor save on costs for the franchisees. This benefit is not enjoyed by independent business owners who advertise at their own expense. Further to that, a franchisor will also create networks or negotiate favorable terms with suppliers of goods on behalf of the franchisees (Hall and Dixon, 1991)

2.5.6 Easier to obtain finance

Taylor (2000) observed that franchisees will not struggle to get funding from financiers because they are more bankable than independent startup businesses. The author further concluded that the failure rate for franchised businesses is smaller than independently owned counterparts. Taylor (2000) and Foster (1988) confirmed that nine out of ten franchised businesses succeed for at least five years whereas eight out of ten non-franchise start-ups never make it past the first year

Longenecker et al (2010) said that some franchisors go to the extent of providing financial support to prospective and existing franchisees. They gave the example of firms such as GNC and Wingstop that have gone as far as forming alliances with banks to create preferred lending programs for franchisees. Firms like Burger King, Ace Hardware and Yum Brands (KFC, Taco Bell, and Pizza Hut) have programs to fund franchisees to obtain valuations of their businesses so that they can restructure their financing (Longenecker et al, 2010)

2.5.7.0 Franchisor's viewpoint

2.5.7.1 Rapid expansion

Niemand (1998) noted that since franchisees provide the startup capital and assume responsibility for day-to-day operations, franchisors can grow their business much faster via the franchise route than if they were to set up a network of branches.

2.5.7.2 Dedicated owner-operators

Seltz (1982) made a comparison between a franchisee and a manager in terms of the level of motivation and commitment to business success. He discovered that a franchisee is usually far more committed to the long-term success of the business than could be expected from a salaried branch manager because they would have invested their money. This great motivation leads to increased customer satisfaction and accelerated growth of the individual outlets. He went on to say that this results in enhanced feedback on market trends and competitor activity at outlet level, further enhancing the entire network's chances for accelerated growth.

2.6.0 Disadvantages of franchising

Longenecker et al (2010) cautioned prospective franchisees against the erroneous assumption that franchising is a bed of roses. Entrepreneurs should be aware of the bad side of franchising. The major drawbacks of franchising from the franchisee viewpoint are as discussed in sections 2.6.1 to 2.6.3

2.6.1 Financial Issues

Drunker (1996) identified some of the costs involved in becoming and remaining a franchisee and warned that some franchisors lure franchisees by making misleading contract terms and financial projections. It has also been observed by Longenecker et al (2010) that some franchisees are not permitted to sell their businesses in order to invest elsewhere. The authors also noted that franchisees are forced to purchase their products from the franchisor at a higher cost and this compromises their profitability. According to Longenecker et al (2010) the current and previous franchisees of Quiznos sued the firm in Illinois, Pennsylvania, and Wisconsin for luring franchisees into the system by misrepresenting contract terms and financial projections.

Longenecker et al (2010) identified the costs associated with the privilege of being in a franchise arrangement and such costs have several components, all which need to be recognized and considered by the prospective franchisee. These franchising costs are as discussed in section 2.6.1.1 to 2.6.1.4

2.6.1.1 Initial franchise fee

According to Longenecker et al (2010) the total cost of a franchise begins with an initial franchise fee, which may range from several hundreds to many thousands of dollars. They cited Eagle Rider Motorcycle Rentals which charges \$30 000 as initial fees but gives prospective franchisees the option of paying \$750 per month, financed over 48 months.

2.6.1.2 Investment costs

Brickley and Dark (1987) pointed out that significant costs may be involved in renting or building an outlet and stocking it with inventory and equipment. The authors further indicated that certain insurance premiums, legal fees, and other startup expenses must also be paid. In view of such huge investment costs, the authors recommended that funds must be available to cover personal expenses and emergencies for at least six months. In addition, franchisors often require franchisees to make franchisor-specific investments in materials, signs, or building designs (Brickley and Dark, 1987). On its website, Ace Hardware presents estimated startup costs, but it also indicates the immediate benefits that a franchisee can expect to receive (www.myce.com)

2.6.1.3 Royalty payments

Lal (1990) defines royalty as a fee charged to the franchisee by the franchisor and that it is calculated as a percentage of the gross income that franchisee receives from customers for selling the franchised products and services. He gave the example of Phillips Seafood which charges a 5 percent royalty fee. He goes on to say that the franchisor has an incentive not to default on his monitoring obligations because he or she receives ongoing royalties which are linked to franchisee performance. Potential franchisees see the size of the royalty rate as a measure of the franchisor's incentive to develop and uphold system assets. This reassures potential franchisees that the system is organized in a way that will minimize agency problems (Lal, 1990)

2.6.1.4 Advertising costs

Many franchisors require that franchisees make contributions towards advertising fund to promote the franchise and these fees are generally 1 to 2 percent of sales, sometimes even more (Lal,1990)

2.6.2 Competitive issues

Fladmoe-Lindquist (1996) identified the possibility that franchisors may compete with franchisees directly such as when a franchisor opens a corporate-store near the franchisee or sell the products or services via the mail or over the internet as a threat. The writer also noted that a franchisee may suffer from encroachment when a franchisor enters into another franchise contract within the same territory of an existing franchisee. Franchisees are also concerned with the non-compete clauses inserted into franchise agreements by franchisors. For example, franchisees are not permitted to operate a similar business in competition with the franchisor should they decide to do so on a future date (Fladmoe-Lindquist, 1996)

2.6.3 Management issues

According to Sanghavi (1990) a franchisee is not free to make independent business decisions, which means that he or she is not a free business owner. The writer went on to say that franchisees are required to adhere to the franchisor's rules and guidelines whilst Independent business owners have their own rules. In addition a franchisee is given some conditions which may include the products/services to offer, trading hours, prices to charge and other business aspects. Some of the common restrictions include:

1. Limiting sales territories
2. Requiring site approval for the retail outlet and imposing requirements regarding outlet appearance
3. Limiting goods and services offered for sale
4. Limiting advertising and hours of operation

2.7.0 The Legal Issues of Franchising

According to Calvani (1990) the success of a franchise depends on the nature of the relationship between the franchisor and franchisee. He went on to say that the decision to buy a franchise must be premised on a clear understanding of the franchise program because it involves a long-term business relationship. Mendelsohn (1992) said that a prospective franchisee should seek legal advice from an attorney to avoid making fatal mistakes.

Franchising is governed by federal and state laws that require franchisors to provide prospective franchisees with information that describes the franchisor-franchisee relationship (Longenecker et al, 2003). The authors identified two key franchising legal documents which are the Franchise Disclosure Document (FDD) and Franchise Agreement.

2.7.1 Franchise Disclosure Document (FDD)

The purpose of the FDD according to Longenecker et al (2010) is to provide prospective franchisees with information about the franchisor, the franchise system and the agreements they will need to sign. According to Longenecker et al (2010) an FDD contains the following information:

1. The franchisor details
2. The franchisor's key staff
3. Franchisor's experience in franchising
4. Franchisor's bankruptcy and litigation history
5. Initial and ongoing fees involved in opening and running the franchise
6. Required investment and purchases
7. Territory rights
8. Responsibilities of the franchisor and franchisee
9. Other franchisees in the system with contact information

Rule 436 of the Federal Trade Commission (FTC) stipulates that a franchisor cannot enter a valid franchise contract without presenting the prospective franchisee with an FDD (www.ftc.gov). Calvani (1990) concurred when he said that franchisors must give prospective franchisees 10 days to meditate before signing the franchise agreement

2.7.2 The Franchise Agreement

A franchise agreement is more specific than the FDD(Mendelsohn, 1992)because it addresses the following critical aspects:

1. The franchise system, such as use of trademarks and products
2. territory
3. Rights and obligations of the parties: standards, procedures, training, assistance, advertising, etc.
4. Term (duration) of the franchise
5. Payments made by the franchisee to the franchisor
6. Termination and/or the right to transfer the franchise

A franchise agreement is the legal, written document that governs the relationship and specifies the terms of the franchise purchase. Like the FDD, a franchise agreement also enjoys a “cooling off” period. Prospective franchisees are legally entitled to have the final franchise agreement for at least 5 business days before they are allowed to sign. This gives them time to review and consider the terms of the agreement (Calvani, 1990)

2.8.0 Investigating a Potential Franchise

Mendelsohn (1992) advises all prospective franchisees to carefully evaluate the targeted franchise candidate due to the huge investments involved and the commitment required. The evaluation should be a two-way process in that the franchisee evaluates the franchisor while the franchisor also investigates the franchisee. Longenecker et al (2010) stated that an evaluation of franchise opportunities means that the prospective franchisee should answer the following questions:

1. Is the franchisor dedicated to a franchise system as its primary mechanism of product and service distribution?
2. Does the franchisor produce and market quality goods and services for which there is an established market demand?
3. Does the franchisor enjoy a favourable reputation and broad acceptance in the industry?
4. Will the franchisor offer an established, well-designed marketing and business plan and provide substantial and complete training to franchisees?

5. Does the franchisor have good relations with its franchisees, and do the franchisees have a strong franchisee organization that has negotiation leverage with the franchisor?
6. Does the franchisor have a history of attractive earnings by its franchisees?

2.8.1 Sources of Information for Evaluation

According to Murray (2003) sources of information for evaluation are as discussed in section 2.8.1.1 to 2.8.1.5

2.8.1.1 Federal state agencies

Since most states require registration of franchises, a prospective franchisee should not overlook state offices as a source of assistance (Longenecker et al, 2010). The Federal Trade Commission has produced various helpful reports and documents regarding franchising, including buying a franchise. A comprehensive listing of franchisors can be found in the Franchise Opportunities Guide, [<http://www.ftc.gov/bcp/menus/business/franchise/shtm>]

2.8.1.2 Business publications

Business publications are also excellent sources of franchisor ratings. Fortune, Entrepreneur and the Wall Street Journal, to name a few, can be found in most libraries, and all have websites with archives (Longenecker et al, 2010)

2.8.1.3 Franchise consultants

In recent years, franchise consultants have appeared in the marketplace to assist individuals seeking franchise opportunities. Some consulting firms, such as Francorp, present seminars on choosing the right franchise (Longenecker et al, 2010)

2.8.1.4 The Franchisor as a source of Information

Longenecker et al (2010) indicated that the prospective franchisee can use information provided by the franchisor being evaluated. Such information is available on websites. A franchisor usually arranges a meeting with a tentatively qualified franchisee to discuss the contents of an FDD. As pointed in section 2.7.1 above, an FDD is a detailed statement provided to a prospective franchisee, containing such information as the franchisor's finances, experience, size, and involvement in litigation (Longenecker et al, 2010)

2.8.1.5 Existing and Previous Franchisees as Sources of Information

Existing franchisees are a better source of information. If possible, the prospective franchisee should discuss with franchisees that have left the business because they can offer valuable insights into their decision to give up the franchise (Longenecker et al, 2010)

2.8.2.0 Becoming a Franchisor

Niemand (1998) considered franchising as an ideal option for business expansion and pointed out that a successful business is likely to be approached by individuals who ask to become franchisees. He went on to say that the franchisor must have a product or idea that can be franchised before franchising can take place. The decision to franchise will usually arise according to Niemand (1998) out of one of five possible situations:

1. The prospective franchisor is currently operating a successful established business and wishes to expand. Franchising is an appealing method of achieving this;
2. The prospective franchisor has specifically set out to develop a business concept that can be franchised;
3. The prospective franchisor has developed a specific product or service and would like to establish an extensive distribution network quickly for that product or service;
4. The prospective franchisor seeks out established independent outlets in the same field of business and persuades them to join a network, a practice known as conversion franchising;
5. The prospective franchisor is a firm with profitable individual units, which are burdened by management and labour concerns, or the corporate structure or distribution system is inadequate. The prospective franchisor could franchise these units to maximise profits. This is called retro-franchising.

2.8.2 Key Considerations when Developing a Business Franchise

Longenecker et al (2010) concurred with Niemand (1998) and proposed that before entering into such an agreement, the prospective franchisor should address the following aspects:

1. Business model
2. Financial considerations
3. Required assistance
4. Operations manual
5. Government regulations
6. And adding long-term value.

These aspects will be discussed in sections 2.8.2.1 to 2.8.7

2.8.2.1 The Business Model

In Bradack's (1998) view the questions that must be addressed about a business model are;

1. Is the business replicable, that is, can the model of doing business be successfully adopted and used in another location?
2. Is the system efficient, and can it clearly be explained so that someone can apply it?

2.8.2.2 Business Model Defined

Knolmayer (2004) stated that a business model relates to a company's ability to deliver profits and is a way of doing business that creates value to sustain the firm. The author further said that any organization will adopt a business model that describes the design of value creation, delivery and mechanisms used by the firm to sustain it. Calvani (1990) supported the views of Knolmayer (2004) when he said that a business model converts innovation to economic value for the business and expresses the business logic of a specific company. Chesborough and Rosenbloom (2002) further submitted that a business model must address the following critical questions:

1. Does the chosen strategy make good business sense?
2. Can the strategy deliver value to customers in a profitable manner?
3. How will the business generate revenue and will the revenues be sufficient to cover operating costs?

2.8.3.0 Financial considerations

According to Costello (1999) a firm intending to start a franchise should decide how he or she will finance the growth of the company. Horne (1999) concurred and pointed out that franchising is not cost-free for the franchisor since there are legal documents to prepare, an operations manual to write, personnel to hire and many other tasks to perform. He went on to identify the other costs involved such as recruiting franchisees, training and monitoring to ensure adherence to standards of operation.

2.8.4.0 Required assistance

An expert is required to start a franchise such as an attorney with knowledge and experience with the franchise method. These experts provide help when drafting the operations manual, drafting an FDD, franchisee selection and others (Murray, 2003)

2.8.5.0 The operations manual

The franchisor should be able to present an operations manual to his franchisees which clearly articulates the desired business methods and practices. The manual should help the franchisee increase sales and control expenses (Norton, 1988)

2.8.6 0 Government regulations

According to Vaughn (1979) a franchisor is required to obey the government's franchise rule – a rule that prescribes that the franchisor must disclose certain information to prospective franchisees

2.8.7.0 Adding long-term value

According to Webster (1986) a franchisor should address the following questions:

1. Can he or she add value to the franchisees year after year?
2. What benefits will the franchisees derive from the franchisor each year?
3. Will new products or services be introduced?
4. Will improved marketing strategies be implemented?

If the business model does not add value on a continuous basis then franchising is not the right method for growing an entrepreneur's business (Webster, 1986)

Niemand (1998) proposes a criterion for identifying and developing a successful franchise operation as discussed in sections 2.8.8.0 to 2.9.0

2.8.8.0 Standardisation in products or service

There must be a high degree of standardisation in the products or services, as well as the way they are sold and in the overall image and appearance of the franchised outlets. For example, the products or services, image and appearance of all outlets in the Kentucky Fried Chicken franchise group are the same.

2.8.9.0 Reproducibility

It is important that the business concepts must be developed that can easily be reproduced or duplicated successfully in any location or different territory away from the franchisor's business.

2.8.10 Distinctive and noticeable business

The business must be distinct and noticeable in order to distinguish it from its industry rivals. It should have some unique selling point that cannot easily be copied or replicated by others.

2.8.11 Straightforward Operating Methods

The operating methods of the business must be reasonably straightforward so that franchisees can quickly learn the operating system and be able to develop the required skills within a short time so that they can launch their business and have it operational as soon as possible.

2.8.12 Profitability

It is essential that the business must have a track record of profitability, and the market for the service or product must be large enough to support a sizeable franchise network.

2.8.13 Regular supplies

There should be adequate inventory or suppliers available of a specific product if the business depends on the supply of that product. For example, if the company is going to sell shirts made from a unique cloth, there should be regular and sufficient supply of that type of fabric.

2.8.14 Legal constraints

The prospective franchisor should determine what legal constraints are in place in respect of the type of business.

2.8.15 Personal commitment

One must be willing to make a substantial investment in systems development and support infrastructure. One must also accept a moral responsibility for the well-being of the franchisees.

2.9.0 Steps in developing a Franchise System

Step 1: Establish whether the business is suitable for franchising

The business should be evaluated using the criteria proposed by Niemand (1998) as outlined in sections 2.8.8.0 to 2.9.0

Step 2: Draw up a business plan or feasibility study

The next step is to determine the feasibility of developing a potential or existing business into a franchise operation. A business plan or feasibility study is drawn up to assess the overall viability of the business concept. It must be determined whether the business will be able to administer the franchising system properly, be able to support franchisees with administrative functions and benefit more through franchising than operating a separate, independent business(Niemand, 1998)

The feasibility study starts with the analysis of the industry, identifying its strengths and weaknesses and charting the industry cycle. An in-depth analysis of the intended market will be necessary for measuring current demand and forecasting future demand, as well as identifying desired market segments, and market positioning objectives (Niemand, 1998).

Adam and Prichard (1987) echoed Niemand's (1998) sentiments in stating that a necessary pre-condition for setting up a new franchise business must exist. The franchisor should actually have something to franchise. An idea on its own is not good enough. If the prospective franchisor is intending to develop an ethical franchise, it must be thoroughly tried and tested so that the franchisor can demonstrate to the prospective franchisees both the viability of the business and its proven success in different circumstances.

Step 3: Establish a pilot operation

The next step in the development of a franchise operation deals with the setting up of a pilot operation. It is essential that the business concept has been fully developed before the first franchise is sold. Niemand (1998) believe it is unethical to use the franchisees as guinea pigs for their businesses will soon suffer if operating methods are constantly changed simply because the system was not fully thought out and tested beforehand. Therefore, at least one franchisor-owned pilot outlet should be set up. Maitland (1991) is of the opinion that these outlets should be operated for at least one year in order to test the proposed franchise system rigorously under actual working conditions.

Mendelsohn (1979) goes further to say that the franchisor, besides running a pilot operation for a year, should have tested the business in different locations to obtain the widest possible experience in various conditions. The franchisor must also have experimented with different types of equipment to ensure that the best is utilised and at the most economical price. Ultimately the franchisor must perfect the product and product range that the business is to market.

Step 4: Develop the franchise package

Developing the franchise package involves bringing together the elements of the business, thus reflecting the accumulation of the franchisor's total operational experience in a transmittable form (Niemand, 1998). This comprehensive package must be prepared in advance and the experience obtained in setting up and running the pilot operation will provide the basis upon which the elements in the package are structured.

Foster (1988) states that a franchising package, which includes a business plan, should be usable by the franchisee for funding as it contains all the key elements required for finances. The franchising package will serve as a blueprint of the business that assists in competing in the marketplace, as it contains a marketing plan and budget. The business plan will guide the franchisee to profitability with a clear perspective of the factors that influence income and expenses. The franchise package will cover the following:

1. Franchise marketing kit

2. Training programme and facilities
3. Operations and procedures manual
4. Start-up assistance

Steps 5: Develop the manuals and agreement

Shivell and Banning (1993) regard the operations manual as the blueprint for success. The manual is, as a consequence, a confidential document. Some franchise agreements will highlight the fact that the franchisee is merely borrowing it for the duration of the franchise agreement. Disclosure is prohibited and is often grounds for terminating the franchise contract (Shivell and Banning 1993)

The operations and procedure manual is the single most important document franchisees will receive from the franchisor. Operations refer to the way the business works while procedures refer to the manner of conducting the business. The franchisee will consult the manual in order to duplicate the success of the franchisor. The operations manual becomes the backbone, as the franchise system develops (Niemand, 1998).

An effective manual should describe comprehensively the policies and procedures stipulated by the franchisor to be used in operating the franchise. It should contain the franchisor's definition of the quality and service standards to be maintained during the operation of the business. It is the principal tool for ensuring that all franchisees deliver their products or services in a consistent manner. The operations manual is critical to the continued and successful existence of a franchise and franchisors should include it as part of the franchise agreement (Shivell and Banning, 1993).

Step 6: Meet all ethical requirements

Many unscrupulous business people and confident tricksters have used the word "franchise" in advertisements in recent years to add some credibility to their business proposals. Many unsuspecting consumers (or would-be franchisees) have lost their life savings as a result of falling for these scams. It is therefore imperative that any prospective franchisor should take note of the ethical requirements associated with franchising. These are basically the Consumer Code for franchising (issued by the Business Practices Committee), the disclosure document of Franchise Association of

Southern Africa (FASA) and membership of FASA. There is nothing to be gained, and much that can be lost, from a negative attitude towards the Consumer Code and disclosure requirements emanating from the Code. One should rather regard compliance with these regulations as a marketing tool.

Step 7: Recruit and select franchisees

Franchisors will be competing for quality applicants who can become successful franchisees. Marketing the franchise requires considerable patience. Very few of the mass enquires end up as suitable franchisees with the capital to invest in the franchise. To attract these applicants, franchisors must promote their franchises and handle enquires promptly and in a professional manner. Franchisees are seen by many as entrepreneurs “not by themselves but for themselves” In selecting franchisees one would look for many, or most, of the characteristics of the entrepreneur.

Step 8: Train the Franchisees

According to (Vaughn, 1979) the franchisor is responsible for providing suitable training so that each franchisee is capable of running a franchise outlet competently. Niemand (1998) said that developing the training component of a franchise system will require three major actions by the franchisor:

1. Designing and implementing a training unit or function
2. Establishing a training location
3. Developing the training programme

Step 9: Manage the franchise system

According to Birley and Muzyka (2000) the normal management actions apply to the franchise system: plan, organize, lead and control. It is only the relationships of the participants that are different. The constructive support of franchisees is essential for efficient operation and the ultimate success of a franchise system. The franchisors must therefore develop and maintain a support structure that will meet the needs of each franchisee. Franchisees normally require the following support:

1. Initial training to instil confidence
2. Assistance in setting up the business

3. Ongoing support, such as market information, product development and procedures

2.11.0 Success stories in franchising as a business model

Eighty percent of all businesses started, fail within the first year of operation whereas of all franchise outlets only slightly more than one and a half percent fail each year (Foster, 1988). In a major survey conducted by Peter Gordon Associates on franchising, as reported by Niemand (1998), it was found that since 1990 the number of businesses, which have expanded on a franchise basis, has doubled. This is some indication that franchising is gaining popularity and it is expected that franchise systems will grow by at least 20% in number over the next couple of years. Franchising has over the years proven to be a successful way for entrepreneurs to conduct business successfully without the usual risks involved in starting a business from scratch

Franchise establishments represent almost half of all US domestic trade. It is understandable, as franchising is a reduced-risk form of new business start-up, with every element from site selection to inventory pre-planned, carefully documented and easily transferable (Foster, 1988). A well-developed franchise blueprint contains the tools designed to ensure the success of franchises (Seltz, 1982).

It is not surprising that nine out of ten franchise businesses succeed for at least five years with the blueprint at play in the franchise relationship, whereas eight out of ten non-franchise start-ups never make it past the first year (Foster, 1988).

2.11.1 McDonald's Corporation

The retail service sector, especially the restaurant sector, has become one of the more recognized industries associated with the franchising form of business structure. Many such fast food franchising ventures have proven extremely successful. The one name in this industry sector that has risen to become the pinnacle of the fast food franchising sector is McDonald's. McDonald's first franchise was awarded in Des Plaines, Illinois in 1955. From that beginning, McDonald's has steadily grown to its present dominant position in the fast food restaurant industry. Today, 70% -80% of McDonald's 31,000 restaurant locations are franchises operated by independent operators with the remaining restaurant locations serving

as corporate stores. McDonald's founder, Ray Kroc, decided that he wanted McDonald's to be more than just a supplier to franchisees -- he wanted the McDonald's corporation to be able to maintain quality control over its franchisees. Hence, the plan for McDonald's franchising was born. (McDonald's Corporation, 1988).

2.11.2 Nando's

According to Nando's [www.nandos.co.za] the group's business model was reviewed by the board of directors in 1999 and it was resolved that the core of the company-owned stores would be best enhanced and supported by a franchising element. As a result of franchising, the following results were achieved in 2000:

- Nando's maintained a growth path
- Revenue increased by 49.5 per cent
- Operating profit before finance costs increased by 40.5 per cent
- Finance costs increased by 139.3 per cent
- Net finance costs were: interest paid R11.3million and interest received R1.8million
- Headline earnings increased by 17.4 per cent
- Strong cash flows generated by the group were used to reduce interest-bearing debt by R34.7 million
- Franchising continued: South Africa opened six franchise units, Australia opened 19 franchise stores and the Middle East hub had a successful signing of master licenses
- The group's presence expanded from London to Manchester and Birmingham
- No dividend was declared
- The earnings forecast was 2.83 cents per share
- October 2000: Nando's ranked 11th as South Africa's most global company. It is also one of the top ten South African companies for three or four major globalization criteria. According to Robert Brozin, the founder of Nando's, this is a clear recognition of the stature and presence that the Nando's brand has achieved.

2.12.0 Conclusion

This chapter has discussed the fundamental concepts of franchising as well as the franchising success stories from the retail industry. Franchising was portrayed as a safe business strategy for startup ventures because it minimizes the risk of business failure. However, the available literature is weak because it does not answer the research objectives outlined in chapter 1; hence this study which evaluates the effectiveness of franchising as a business strategy from a Zimbabwean retail industry perspective. The study is guided by the conceptual framework in Figure 2.3 below and the research methodology discussed in the next chapter.

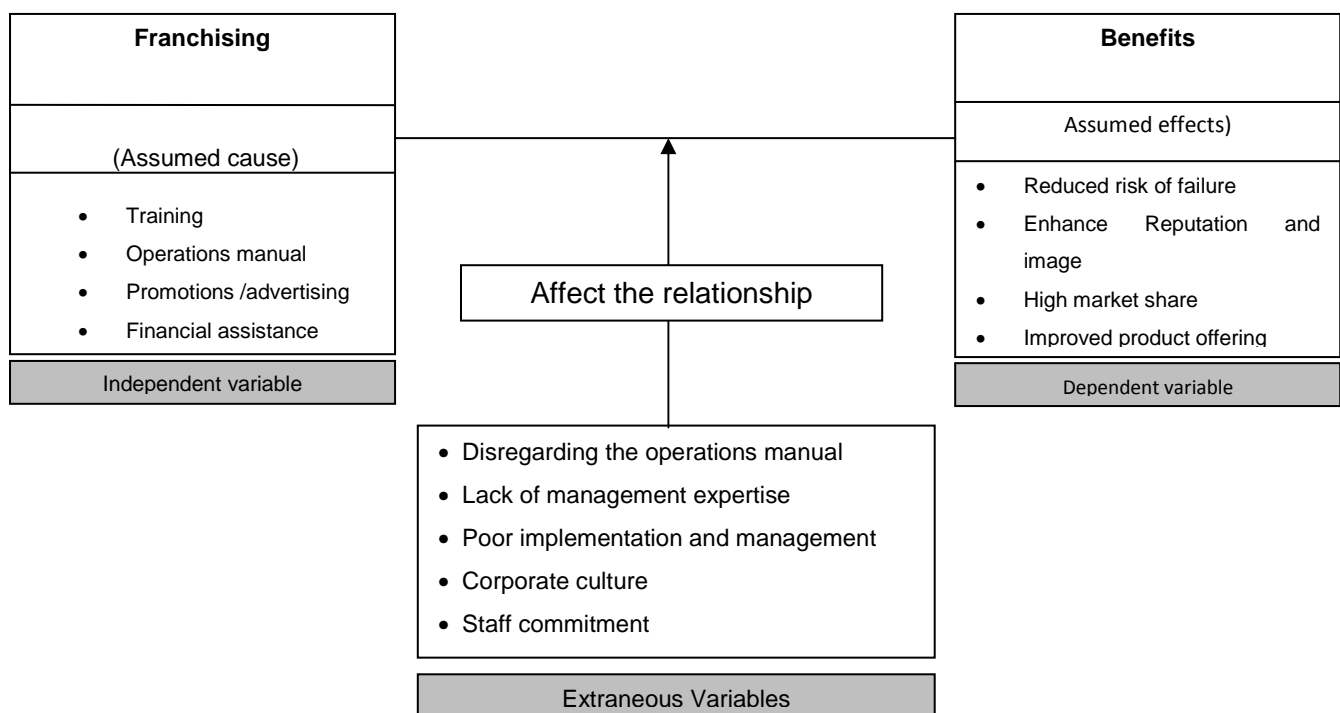


Figure 2.3: Conceptual Framework.

Source: Adapted from Kumar (2011)

CHAPTER 3

3.0 Research Methodology

3.1 Introduction

Chapter two explored the relevant literature on which this study was based. It was necessary to embark on literature review for the sake of borrowing ideas from the current body of knowledge and to draw a link between the present study and prior literature on franchising. The first part defines the research design and philosophies. The second part discusses sample selection using purposive sampling technique and also explains primary data collection activities, mainly from semi-structured personal interviews with senior managers at FSS, and secondary data collection from archival documents. The final section of the chapter discusses the concepts of data reliability and validation, ethical considerations and the data analysis methods used for this study.

3.2 Research design

Yin (2008) regards research design as the procedure that connects the empirical data to the study's initial research questions and leads to its conclusions. According to Wild and Diggines (2009) research design provides an outline or blueprint for marketing research investigation and is the framework that directs research efforts. This means that the data required and the procedures for collecting, processing and analyzing the data are specified in the research design. It means that the researcher must establish in advance the type of data needed, where to find it, what collection methods and techniques to use, the target market and how the collected data will be analyzed (Wild and Diggines, 2009)

3.3.0 Research Philosophies

Kolb (2008) stated that primary data can be collected through either qualitative (phenomenological) or quantitative (positivism) approach, and each of these approaches can be further subdivided into distinctive methods of data collection. The researcher must decide which of the two approaches is best suited to the specific problem at hand and the data required. Although the methods can also be combined to complement one another, the researcher should preferably use only one specific method (Wild and Diggines, 2009). As Saunders et al (2003) note, research

philosophy adopted contains important assumptions about the way in which the researcher views the world and such assumptions will underpin the research strategy and the methods chosen as part of that strategy.

Saunders et al (2003) cautions researchers against falling into the trap of thinking that one research philosophy is 'better' than the other since they are 'better' at doing different things. The writer went on to quote Johnson and Clark (2006) who argued that the important issue is not so much whether research should be philosophically informed, but it is how well the researcher is able to reflect upon his or her philosophical choices and defend them in relation to the alternatives that could have been adopted.

3.3.1 Positivism Approach

Wild and Diggines (2009) consider positivism or quantitative research as the collection of data that involves larger, more representative respondent samples and the numerical calculation of results. They added that the scientific approach to research is the guiding framework for quantitative research. Quantitative research enables the researcher to establish the relationship between variables.(Leedy, 1997).Descriptive research was described by Gall et al (1996) as the most basic form of quantitative research methods.Quantitative research is objective because it tries to gather sufficient evidenceto test theories and hypothesis (White, 2000).

3.3.1.1 Advantages of Positivism Approach

Wild and Diggines (2009) stated the following advantages;

1. Quantitative research is generally an iterative process whereby evidence is evaluated; theories and hypotheses are refined and tested.
2. Quantitative research is based on scientific methods and can provide proof
3. Basically quantitative research is objective while qualitative is subjective.
4. Quantitative research seeks explanatory laws and qualitative research aims at in-depth description.
5. Quantitative research generates reliable ,population based and generalised data and is well suited to establish cause and effect relationships

3.3.1.2 Disadvantages of Positivism Approach

1. A quantitative survey form with predetermined answers can result in misleading results (Kolb,2008)
2. Quantitative studies are not as useful when answering questions such as 'Why?' or 'What if?'

3.3.2.0 Phenomenological Approach

Saunders et al (2003) quoted Denzin and Lincoln (1994) who defined phenomenological or qualitative research as a multi-method, involving an interpretive and a naturalistic approach to its subject matter. Phenomenological research tries to identify the reasons why people behave in certain ways (Creswell, 2002). In other words researchers see people from inside. The three classic methods of collecting qualitative data according to Guba and Lincoln (1994) are interviews, participatory observation and documentary analysis.

Wilson (2006) as quoted by Saunders et al (2003) provides the following distinguishing features of phenomenological research

1. involves documenting real events,
2. records what people say with words and gestures
3. observes speech behaviour
4. studies written documents or examining visual images

A qualitative study is designed to uncover consumer attitudes, beliefs and opinions rather than facts (Kolb, 2008). Another unique aspect of qualitative research is that new techniques are continuing to be developed by researchers (Shakar and Goulding, 2001).

3.3.2.1 Advantages of Phenomenological Approach

Wild and Diggines (2009) identified the following advantages of qualitative research:

1. Generally cheaper than quantitative research
2. Flexible and process oriented approach
3. Gives greater insights into consumer motivation
4. It can assist in making quantitative research more efficient
5. Creates an opportunity for probing by the researcher and identification of ambiguous responses.

6. It is a multi-method in focus, involving an interpretive, naturalistic approach to its subject matter
7. Generates rich, detailed and valid data that contribute to in-depth understanding of the context
8. It can be an empowering exercise that helps people to grow and take charge of their lives and engage in social change.

3.3.2.2 Disadvantages of Phenomenological Approach

Wild and Diggins (2009) advises researchers to take note of the potential impact of the limitations associated with qualitative method which are:

1. Qualitative research is not as effective as quantitative research in distinguishing small differences in related problems. This is largely due to the larger scale of quantitative methods.
2. Qualitative research methods are not necessarily considered representative of the population as they generally use smaller sample sizes and focus more on in-depth discussion with small groups of people. They should therefore be used to define problems or develop hypotheses to be tested in quantitative approach
3. Quantitative research can be influenced significantly by a dominant individual, when using a group. The dominant individual may not represent the overall opinions or ideas of the group but will steer the focus of the discussions in another direction.
4. Quantitative research methods depend heavily on the interpretation and understanding of the researcher or interview moderator; any misinterpretations or bias can significantly affect the results of the research. Not many people possess the required high degree of skill

3.4.0 Research Philosophy Justification

Leedy (1997) pointed out that qualitative and quantitative research are different in that qualitative research generates rich, detailed and valid data that results in an in-depth understanding of the context while quantitative research involves making useful descriptions of observed phenomena and explaining the possible relationships between descriptive surveys, longitudinal developments, correlational and ex post factors research designs. The researcher must decide which of the two approaches

is best suited to the specific problem at hand and the data required. Although the methods can also be combined to complement one another, the researcher should preferably use only one specific method (Wild and Diggines, 2009)

This study adopted the qualitative approach and the information required to answer the research questions was obtained through semi-structured personal interviews which enabled the researcher to have an in-depth understanding of the effectiveness of franchising as a retailing strategy in the retail sector. Interviews were most appropriate for the particular questions being explored on the basis that they provide an opportunity for further probing and also because they enable the interviewer to observe non-verbal communication signals and the responses are immediate.

3.5 Research Strategies

Yin (2008) identified multiple ways of doing research such as case studies, experiments, surveys, histories and the analysis of archival information. The writer pointed out that each of these strategies has certain benefits and limitations, depending on the type of research question, the control the investigator has over actual behavioral events and the focus on the current rather than historical phenomena.

In order to ensure that this research is successful, the researcher will begin by reviewing the various research strategies which are as follows:

1. Descriptive
2. Exploratory
3. Survey
4. Causal or Explanatory studies
5. Case study

3.5.1 Survey

Kolb (2008) stated that a survey is a quantitative research methodology which consists of a set of questions with predetermined answer choices from which participants must choose. According to Wild and Diggines (2009) a survey can be defined as a method of primary data collection in which information is gathered by communicating with a representative sample of people.

3.5.1.1 Advantages of Survey Research

The following are the advantages of survey research as stated by Wild and Diggines (2009)

1. Survey research is based on a specific, logical and formal procedure
2. Survey research selects units of the population without personal preference or prejudice
3. Survey research contains units that are representative of the investigation itself and the population in which the investigation is going to take place.
4. Survey data is collected quickly, as surveys are done in a short time in the field.

3.5.1.2 Disadvantages of Survey Research

Wild and Diggines (2009) stated that survey research has its flaws which were identified as follows

1. The fact that people are involved, either as interviewer or interviewee, means that problems can creep in and influence the quality of the data collected
2. The cost of a personal interview is high
3. The limited time available to carry out a survey means that it is not possible to follow up a respondent's response in too much detail
4. Because of the time and cost factor, it has been suggested by many that survey data is usually artificial
5. As the essence of a survey is a communication process between humans, it is subject to those weaknesses related to human communication. The respondent may not answer truthfully, or exaggerate to avoid feelings of embarrassment. Alternatively; the respondent may simply misinterpret the question asked, and therefore provide incorrect data.

3.5.2 Exploratory Research

Kolb (2008) considered exploratory research to be relevant when a research question deals with finding information on consumer attitudes, opinions and beliefs. Wild and Diggines (2009) stated that exploratory studies are intended to explore a relatively unknown area. The objectives of exploratory study as provided by Wild and Diggines (2009) are as follows:

1. To acquire new insight into the phenomenon: the phenomenon is what is in actual fact being researched.
2. To be a preliminary survey before a more structured study of the phenomenon
3. To explain central concepts and constructs
4. To determine priorities for further research
5. To develop new hypotheses about an existing phenomenon

3.5.2 Causal /Explanatory Research

The purpose of causal study according to Wild and Diggines (2009) is to show causality between variables or occurrences. The research is conducted to reveal cause and effect between the dependent and independent variables. According to Kolb (2008) explanatory research is conducted to discover causal relationship between variables. Research questions that require causal research have a cause and effect relationship – for example, such questions as ‘Will a new promotion campaign using a celebrity increase purchases of books among young people’? Or ‘Will customers at the cinema purchase more refreshments if we have a new menu’?

3.5.3 Descriptive Studies

Descriptive research is used when statistical data are needed on a fact (Kolb, 2008). According to Robson (1993) descriptive research has the objective of portraying an accurate profile of persons, events or situations. Descriptive research is necessary when the knowledge of a particular market or marketing aspect is vague or where the nature of the competition in a particular industry is unclear (Wild and Diggines, 2009). They went on to say that the objective of descriptive research is to describe the research domain accurately and thoroughly, and that the methods used for descriptive research are longitudinal and cross-sectional studies.

3.5.4 Case study

According to Yin (2008) the case study research can either be qualitative or quantitative. A qualitative research adopts an interpretive approach to data, studies things within the context and tries to understand the subjective meanings that people bring to their situation. Robson (1993) defined a case study as the development of detailed, intensive knowledge about a single case or a small number of related cases.

According to Wild and Diggines (2009) a case study is an investigation of a small number of entities (people, enterprises or situations) from a global perspective. They added that by analyzing case studies, a good understanding of the relevant characteristics or the broad relationship of a specific decision-making situation can be acquired. However, the writers caution the researcher to ensure that the cases investigated are relevant to the problem and are careful not to make unintentional generalizations.

Saunders et al (2003) quoted Morris and Wood (1991) who stated that the case study strategy will be of particular interest to the researcher who wishes to gain a rich understanding of the context of the research and the processes being enacted.

Yin (2003) distinguishes between four case study strategies which are as follows;

1. Single case versus multiple case;
2. Holistic case versus embedded case.

3.5.4.1 Prejudices against the case study strategy

A common complaint about case studies is that it is difficult to generalize from one case to another and analysts fall into the trap of trying to select a “representative” case or set of cases. Yet no set of cases, no matter how large, is likely to deal satisfactorily with the complaint (Yin, 2008:38). As a result Yin (2008) advocates for the other strategies which have well defined methods and specific procedures to follow. White (2000) as quoted by Saunders et al (2003) differed with Yin (2008) and is of the view that a case study should be used as a research strategy in the same way as case study teaching where it is used to demonstrate a concept more effectively.

Case studies have also been criticized because they provide little basis for scientific generalization. However, case studies like experiments are generalizable to theoretical propositions and not to populations or universes (Yin, 2008), the case study therefore does not represent a sample but the goal is to expand and generalize theories and not to enumerate frequencies.

3.6 Research Strategy Justification

In this study, the researcher adopted the case study strategy as the most suitable strategy because the research addresses the “how” and “why” questions about a contemporary set of events, over which the investigator has little or no control. The study was aimed at answering “how” and “why” questions on franchising at FSS. The researcher obtained an in-depth knowledge of franchising at FSS through the case study strategy.

In addition, the researcher opted for the case study strategy because of time constraints to conduct the research and accessibility to research information (Wild and Diggines, 2009). The case study strategy was considered to be the most suitable for this study because the qualitative methods such as interviews use open-ended questions which allow the respondents to respond in their own words and can thus provide more detail. Qualitative research creates an opportunity for probing by the researcher and identification of ambiguous responses and is also a flexible method hence its suitability as it allowed the researcher to probe the respondents by further asking “how” and “why” questions.

3.8 Data Collection

3.8 Population

According to Wild and Diggines (2009) a population consists of a comprehensive number of individuals, units or items that can become objects for observation. Kolb (2008) defined a population as a group of individuals who share characteristics defined by a researcher. A population refers to the total group of people or entities from whom information is required (Neuman, 1994). In this research the population was made up of 10 senior managers at FSS and were targeted for the sole reason that they are directly involved in retail operations of this retail outlet.

3.9 Sampling procedure

Neuman (1994) defined a population as the total group of people or entities from whom information is required and a sample as a subset of a population (universe). A census refers to those situations where data are obtained from or about every member of the population of interest whilst sampling is the process used to draw the sample from the population (Kolb, 2008). There are problems of conducting a census

and as a result a sample can be drawn from the entire population whose opinions and attitudes will be representative of the entire population (Kolb, 2008). Wild and Diggines (2009) divided sampling procedures into two major categories, that is, probability or non-probability sampling as demonstrated below:

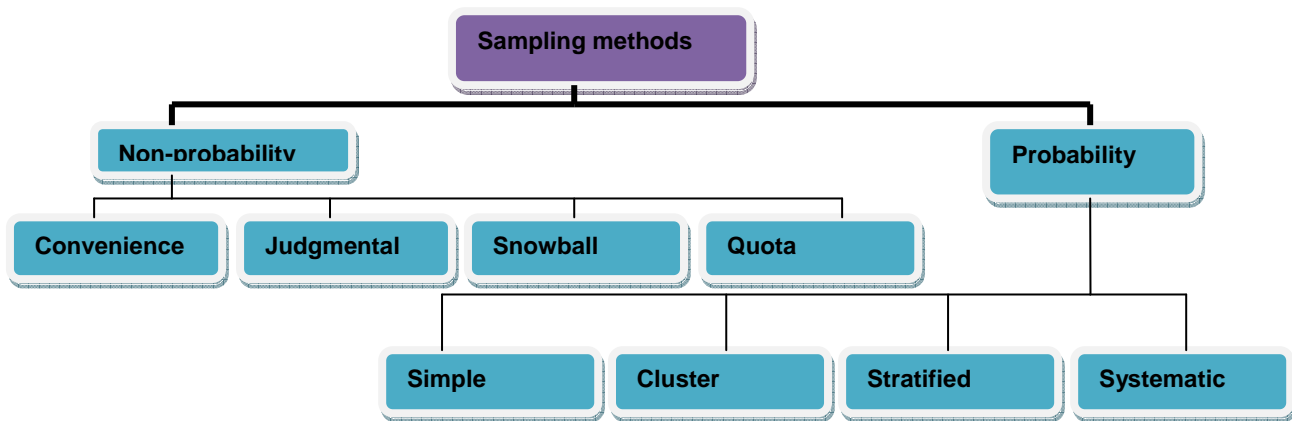


Figure 3.9: Classification of sampling methods

Source: adapted from Wild and Diggines (2009)

In probability sampling, each unit of the population has a known positive probability of being selected as a unit of the sample while in non-probability sampling; the probability that a specific unit of the population will be selected is unknown and cannot be determined (Wild and Diggines, 2009)

The methods of probability sampling from which researchers can choose include simple, stratified, and systematic and cluster. These vary in the randomness of the resulting sample, complexity and the time and effort it will take to construct a sample (Kolb, 2008). There are three basic non-probability methods for constructing a participant sample and these are convenience sampling, judgemental (purposive) sampling and quota sampling (Kolb, 2008). However Wild and Diggines (2009) identified four non-probability sampling methods as demonstrated in Figure 3.9 above.

3.10 Judgment or purposive sampling

Qualitative research is only effective if the right participants are selected and purposive sampling is the most effective method to ensure that this occurs. The sampling strategy uses logic and common sense to select a representative sample of the population (Kolb, 2008). For this study, the Judgmental sampling method was

adopted to select a sample of 3 senior managers comprising of Managing Director, Branch Manager and Finance Manager. Senior managers were selected for the sole reason that they are directly involved in retail operations of this retail outlet.

3.13 Data Sources

Data sources are places where the researcher can obtain data and the two sources are primary and secondary, which can be obtained from both internal and external. Primary data is primarily or specifically collected to solve the marketing problem or opportunity facing management. It is collected from scratch by means of surveys, observation or experimentation. Secondary data is data that already exists, as the information had been previously gathered for some other purpose, not for the specific study (Wild and Diggines, 2009). In this study, both primary and secondary data were applied. Primary data was obtained through personal interviews while secondary data was obtained from annual reports.

3.13.0 Data Collection Instruments

Robson (2002) quoted Tuckman (1972) who defined a research instrument as any procedure or device used for systematic collection of data. The researcher collected primary data through questionnaires and interview schedules, and secondary from reports, journals and the internet. Kolb (2008) classified research instruments according to data sources, that is, primary and secondary sources as shown below

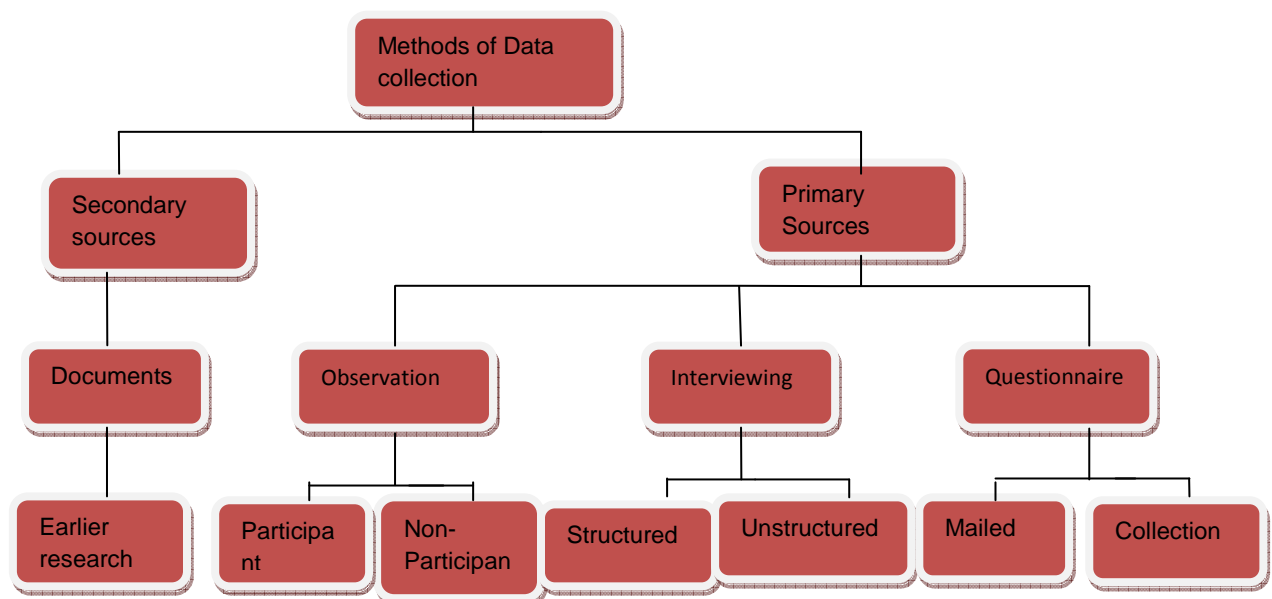


Figure 3.13: Classification of research instruments

Source: adapted from Kolb (2008)

3.13.1 Questionnaire

Wild and Diggines (2009) defined a questionnaire as a list of structured questions and is used to obtain responses from a chosen sample. In general, a questionnaire is an effective mechanism for efficient collection of certain kinds of information (Wild and Diggines, 2009). Leedy (1985) regarded a questionnaire as a data collection technique where the respondents are expected to respond to a set of questions with predetermined answers. Robson (2002) quoted Bush and Buns (2000) who defined questionnaire as a standard data collection form that is used to record responses from the targeted respondents. A sound questionnaire requires applying applicable principles, common sense, concern for respondents, a clear concept of the needed information and thorough testing.

Questionnaires are usually not particularly good for exploratory or other research that requires large numbers of open-ended questions. They work best with standardised questions that you can be confident will be interpreted the same way by all respondents (Robson, 2002). Although questionnaires may be used as the only data collection method, it may be better to link them with other methods in a multiple-methods research design. For example, a questionnaire to discover customers' attitudes can be complemented by in-depth interviews to explore and understand these attitudes. In addition, questionnaires, if worded correctly, normally require less skill and sensitivity to administer than semi-structured or in-depth interviews (Jankowicz, 2005).

3.13.1.1 Advantages of a Questionnaire

Wild and Diggines (2009) stated the following advantages

1. Respondents are allowed to express themselves without interference from the interviewer.
2. It is less expensive to collect data from a large sample at the same time.
3. It is much easier to interpret because responses are standardized.
4. Enables the researcher to get responses on a large number of issues and questions of concern in a relatively efficient way.
5. There is high response rate compared to other instruments.

6. Often, questionnaires are designed so that answers to questions are scored and scores summed to obtain an overall measure of the attitudes and opinions of the respondent.
7. They may be mailed to respondents (although this approach may lower the response rate).
8. There is anonymity and this anonymity increases the rate of response and chances of giving truthful information is high

3.13.1.2 Disadvantages of a Questionnaire

Kolb (2008) stated the following disadvantages

1. The response rate depends on the motivation levels of the respondents.
2. This is a complicated instrument such that results can be misleading if the questionnaire is poorly designed.
3. They are an unsuitable method of evaluation if probing is required because there is usually no real possibility for follow-up on answers.
4. Quality of data is probably not as high as with alternative methods of data collection, such as personal interviewing.
5. They can be misused especially if a researcher tries to read too much into questionnaire results.

3.13.2 Personal interviews

An interview is a purposeful discussion between two or more people (Robson, 2002). Saunders et al (2003) quoted Kvale (1996) who regarded interviews as “ ... an interchange of views between two or more people on a topic of mutual interest, sees the centrality of human interaction for knowledge production, and emphasizes the social situatedness of research data’. Cohen et al (2000:267) as quoted by Robson (2002) explains that the interview is not simply concerned with collecting data about life but it is part of life itself and that its human embeddedness is inescapable.

There are many reasons to use interviews for collecting data and using it as a research instrument. Gall et al (2006) provided the following reasons:

1. There is a need to attain highly personalized data.
2. There are opportunities required for probing.

3. A good return rate is important.
4. Respondents are not fluent in the native language of the country, or where they have difficulties with written language.

Interviews had an advantage because they provided room for further probing which allowed the researcher to acquire in-depth information. Non verbal responses were noted which allowed the researcher to make some conclusions and the responses were immediate which allowed the researcher to get immediate conclusions to the research questions. The researcher carried out the interviews so that both bias and costs were eliminated.

Interviews were conducted with senior management in order to obtain in-depth information about the effectiveness of franchising in the organization. The senior managers are involved in the formulation and implementation of retail strategy and thus can evaluate whether the current retail strategy is a success or failure. An interview guide with semi-structured and open-ended questions was employed. The interview guide was pre-tested before use in order to establish usability. In all cases, the face-to-face interviews were conducted.

3.13.3 Interviewing Respondents

In retail most managers are not prepared to disclose strategic information to outsiders because they fear that it could be used to create a sustainable competitive advantage by competitors. In order to address this element of fear in the managers at FSS, the researcher borrowed the wisdom given by Wild and Diggines (2009) who said that respondents will be more willing to provide honest and accurate answers to the questions asked if they are treated in an ethical manner. Therefore it was extremely important to treat the respondents in an ethical manner to ensure that the respondents do not feel abused or mistreated. The researcher had to convince the managers at FSS that the interview was for academic purposes only and not an elaborate scheme to obtain extremely sensitive information to be used as ammunition by rivals. In addition the respondents were given sufficient time and information to make an informed decision on whether they wanted to take part in the research or not.

3.14 Research Instrument Reliability and Validity

According to Wild and Diggines (2009) validation is declaring that the data gathered is valid and accurate. Data is valid if the survey measures what it is supposed to measure. During the validation process each questionnaire is examined to decide whether to include it in the survey analysis or to discard it. Wild and Diggines (2009) provided the following guidelines for the validation of data

1. Check backs
2. Review the questionnaire and the interviewing instructions
3. Evaluate the reputation of the interviewers

In this research, the interviews were conducted personally by the researcher and the question pattern was not varied.

3.15 Ethical Considerations

According to Wild and Diggines (2009) when conducting marketing research, engaging in ethical business practices is not a matter of choice but a necessity. All research should be conducted in an ethical manner and any good researcher should consider the ethical implications of their actions and choices. The writer provided four general guidelines to ensure ethical treatment of respondents as follows;

1. Do not harm the respondent – Respondents should not be physically or mentally harmed. Every effort should be made to ensure that the respondent is not embarrassed, mocked, or generally made to feel uncomfortable during the interviewing process.
2. Do not deceive the respondent – The interview should be for research purposes and not an elaborate scheme to convince consumers to buy your particular product. Give the respondent an accurate estimation of the amount of time it will take to complete the interview.
3. Respondents should be willing and informed – It is essential to obtain the respondent's permission to conduct the interview. The respondent must be provided with sufficient information to make an informed decision on whether they want to take part in the research or not. Respondents should be aware of any potential risks involved in taking part in the research and then be allowed to decide whether to continue with the interview.

4. Data should be held in confidence – All data collected from respondents should be held in confidence. Some research projects collect extremely sensitive information, which could be a source of embarrassment or discomfort if made available to other sources. Respondents should be given a guarantee that their responses will be kept confidential.

3.12.1 Advantages of Secondary data

According to Wild and Diggines (2009) the collection of secondary data rather than primary data has the following advantages:

1. It is collected with less effort than primary data
2. It enhances the collection of primary data
3. It can be more accurate than primary data, since information on past events can be obtained accurately from secondary sources
4. It provides comparative data that makes for a more illuminating interpretation of primary data.

3.12.3 Disadvantages of Secondary Data

Kolb (2008) identified the following limitations of secondary data:

1. The secondary data often does not apply to the specific problem being investigated, as it was collected for other purposes.
2. The accuracy of secondary data is questionable, as research errors are possible in data collection and analysis
3. Secondary data dates quickly in a dynamic environment
4. Different sources define and classify terms and definitions differently. This is especially true in the marketing field where the same term is defined in different ways.
5. Secondary data uses different measures. When comparing secondary data from different sources, the researcher must note the measures that are used. For example, one source may use the per capita income of households while another source may use the total average income per household.

3.16 Data Analysis and Presentation

The features of qualitative data outlined in section 3.3.2.0 above indicate its diverse nature and because of this, there is no standardised procedure for analysing such

data (Saunders et al,2003).Despite this, it is still possible to group data into three main types of processes:

- Summarising (condensation) of meanings;
- Categorisation (grouping) of meanings;
- Structuring (ordering) of meanings using narrative.

Neuman (2006) concurred with Saunders et al, 2003) when he said that there is no standard format in data analysis in qualitative research. As a result the researcher decided to analyze data using data displays. Data collection entailed deciding what and which meaning could be attributed to the words and what are the implications to that effect and how does it relate to the topic under investigation (Saunders et al, 2003). The data was analyzed by going through all the questions and establishing common themes, patterns and relationships (Saunders et al, 2003). All the information gathered was analyzed against theory cited in the literature review and the appropriate inferences were made. Although these write-ups were simply pure descriptions, they were central to the generation of insight.

3.17 Summary

This chapter has presented the methodology that was used to conduct this study, beginning with the basic research design of the current study. It also justified the rationale of adopting a single case design and the use of the case study approach using the phenomenological philosophy. This was followed by a description of the population and the sample. The research instruments and data analysis techniques were then described. The following chapter is a description of the analysis of the results of the study which was conducted according to the methodology presented above.

CHAPTER 4

4.1 RESULTS AND FINDINGS

Having discussed the methodology used to gather information for this research in the previous chapter, this chapter seeks to present and discuss the major findings in addressing the research objectives as well as the major research questions using the data from in-depth interviews and analyses these results through the use of content analytic tables. The results in the tables were explained followed by a discussion on the implications and the link to literature. The chapter comprises of sections that summarize the responses of the face-to-face interviews conducted with the Managing Director, Branch Manager and Finance Manager of First Street SPAR.

4.2 Part A: Managing Director, Branch Manager and Finance Manager

Face-to-face interviews were carried out with the Managing Director, Branch Manager and Finance Manager who are all senior managers and occupy strategic positions in the organization. The Managing Director and the Branch Manager have been with First Street SPAR for more than eight years whilst the Finance Manager has served the retail outlet for five years. The researcher asked the respondents questions that were relevant to answer the research objectives and questions. These were categorized into six sections namely demographic information, benefits of a franchise, franchise costs, franchise challenges, impact of franchising and franchise system implementation.

4.3.1Section A: Demographic information

Table 4.1 below presents the demographic information of the three respondents that the researcher interviewed.

Table 4.1 Demographic Information of the respondents

Respondent	Age of respondent (years)	Professional / academic background	Number of Years employed by First Street SPAR	Number Of Years In Current Position
Managing Director	36-45	Economist	9	9

Branch Manager	46-56	Marketer	8	6
Finance Manager	25-35	Accountant	5	5

The respondents were all mature senior managers and had served the retail outlet for a period greater than four years. This is a clear indication that the respondents had a profound appreciation of the retail industry and quite knowledgeable about First Street SPAR operations by virtue of their strategic positions and the long duration that they had served the grocery store. The above findings showed that they all occupied strategic positions within the organization during the period covered by the case study (2008-2012) as indicated by the number of years each (5-9years) has been in their respective positions. The convergence of their professions in terms of marketing, economics and accounting enabled the researcher to obtain comprehensive information from the perspectives of individuals who are responsible for spearheading the operations of the grocery store.

4.3.2 Section B: The Benefits of a franchise to the franchisee

In section B of the questionnaire, the researcher attempted to ascertain whether First Street SPAR was benefitting by trading as a franchised store. In order to ensure that the answers given by the respondents were related to the subject matter, the researcher started by defining key terms such as franchising, franchisor and franchisee to each one of the respondents. The definition provided by Seltz (1982) as cited in the literature review section was adopted when the researcher was explaining the key terms to the respondents. The researcher outlined to the respondents what this study was trying to achieve and then highlighted how their responses would enable the researcher to answer the research questions. In addition, each section of the interview guide was explained and defined by the researcher for the benefit of the respondents.

Question 1: To what extent is your retail outlet benefitting from the franchise arrangement?

Table 4.2 below presents the responses given by the three respondents.

Table 4.2: The extent of benefit from the franchise arrangement

Respondent	Response
Managing Director	We are in business for ourselves but not by ourselves. This means that if one of our members experience problems, he will quickly raise alarm bells to all the other members within the retail chain.
Branch Manager	The greatest benefit derived from the current business arrangement is in the form of the trade mark which made our outlet instantly identifiable with prospective customer.
Finance Manager	Customers are flocking into our store because of the trademark. We are the retailer of first choice because of the SPAR flag which is flying high on our store.

The responses in Table 4.2 above showed that the respondents considered the franchise as an important component in the success of the retail outlet. The Managing Director pointed out that their retail outlet had the privilege of consulting other retailers within the franchise system to get business ideas. This implies that the synergism that results from being part of a larger chain of merchants carrying the same identification can sometimes provide an additional competitive edge for the entrepreneur which is not obtainable from an independent small business.

The response given by the Finance Manager and Branch Manager also indicated that they all considered the reputation of the SPAR brand to be a great advantage in terms of luring customers to their retail outlet. This confirms that there is reduced risk as the franchise is based on a proven method of doing business. SPAR brand name gave First Street SPAR a great advantage over other competing retail shops because it made the outlet instantly identifiable to prospective customers and clients. This implies that by investing in a franchise of an established chain, a franchisee acquires access to the

distinctive trade identification of the franchisor in the form of the trademark or other commercial identification used by the franchisor. This provides an advantageous head-start on acquiring goodwill in the marketplace.

It became clear to the researcher that unlike a truly independent retail outlet, a franchised retail outlet need not prove the viability of the retail concept. This will have been done for him by the franchisor, which will have tested the business concept in his corporate stores. The franchisor's success will definitely extend to the new stores, as well as the marketing and systems and procedures necessary for the profitable operation of the business. As the Finance Manager and Branch Manager indicated, customers were already waiting at the door step because of the strength of SPAR brand.

Question 2: What type of advertising and marketing support do you get from the franchisor?

Table 4.3 below presents the responses given by the three respondents.

Table 4.3 Advertising and Marketing support by the franchisor

Respondent	Response
Managing Director	The franchisor runs weekend and month end promotional campaigns to boost our sales. Whilst we appreciate such marketing initiatives, the promotions are not being effective because of stock-outs, limited product range, and choice of promotional lines, poor timing and communication difficulties.
Branch Manager	We participate in national promotions according to the franchisor's calendar but most of the product lines are ideal for the up market not our market segment. It is better for the franchisor to organize special bargains tailor-made for our retail outlet instead of combining retail outlets from different market profiles.
Finance Manager	It is a requirement that we should participate in all national promotions according to the franchisor's Special Events Calendar. Given a choice we would not participate because the promotions are being used as a way of dumping slow moving lines from the franchisor's warehouse to our shelves and this

	affects our profit margins.
--	-----------------------------

The respondents as shown in Table 4.3 all concurred that the franchisor was making some marketing initiatives in the form of national sales promotions mainly slotted during weekends and month-ends to coincide with pay days for most employed customers. From the responses, it was apparent that the retail store is participating half-heartedly in most of such promotional efforts because they were considered as haphazard one-shot and quick-fix approach by the franchisor and fell short of addressing the retail outlet’s needs. It appeared that promotional campaigns were failing to create a substantial impact because the product lines featured on promotion were not ideal for the store’s market segment, insufficient stock and poor communication. Instead of creating excitement and enthusiasm, these challenges caused the management at First Street SPAR to develop a negative perception towards the promotions.

Promotional programs undertaken by producers, manufacturers, franchisors, and service creators need the assistance and support of channel members to be successful. This is not happening within SPAR chain of stores because store participation in promotions is not voluntary but compulsory. It is almost certain that even the most sophisticated promotional program that integrates advertising, personal selling, sales promotion, and publicity will not have a positive impact as long as franchisees have a negative perception towards promotions.

Promotions can only succeed if there is strong follow-through in terms of giving more space, using shelf-talkers, displaying promotional merchandise on the eye-level and ordering more quantities to cater for increased consumer demand. Thus the effectiveness of the franchisor’s overall promotional strategy is being hampered by the franchisor’s failure to secure the cooperation of the franchisees in implementing the promotional strategy. If the promotion was mutually beneficial to both the franchisor and franchisee, there would be no need to push retail stores into promoting products but instead franchisees would participate and cooperate because they will be benefitting through incremental volumes due to promotions.

The reaction of the franchisee to promotional programs and the manner in which promotions are being conducted at SPAR were contrary to literature which created the impression that franchisees are at an advantageous position because the franchisor will operate an effective marketing program from which all franchisees will benefit. If a

franchised store stands to benefit from the franchisor's promotional campaigns as mentioned in literature, then the researcher expected the respondents to celebrate and anticipate more promotions. Instead of boosting sales, SPAR promotions are eroding the profit margins of this store and causing liquidity problems through introducing slow moving lines on the retail shelves.

Question 3: When you experience working capital problems, what type of financial assistance do you get from the franchisor?

Table 4.4 below presents the responses given by the three respondents.

Table 4.4 Financial assistance offered by the franchisor to the franchisee

Respondent	Response
Managing Director	We have to arrange with financiers to obtain the required capital as individuals and not collectively. The only financial assistance is in the form of credit terms when we buy inventory
Branch Manager	The franchisor is not involved financially and as a result we approach banks for funding. This is clearly stated in the Franchisor Disclosure Document and is not a secret at all
Finance Manager	The franchisor is not a possible source of funds for our store. We have to consider banks and other sources.

The responses indicated that the franchisor does not have some form of financial packages to bail out franchisees in dire need of working capital. As a result store management has to approach financiers individually and not collectively to obtain working capital. This limits the prospects of getting funds since financiers prefer to deal with established and big firms when extending financial credit. The management at First Street SPAR clearly indicated that they had to hassle to source funds from different sources with stringent loan conditions. At one point, management had to dispose its backup generator in order to generate working capital.

Based on the previous literature reading, the researcher was under the impression that a franchised start-up business should not struggle to get funding from financiers since it is more bankable than an independent business start-up. This impression was further reinforced by the fact that a growing number of financial institutions are showing greater

willingness to finance franchised businesses because it has been proved that the failure rate for franchised businesses is smaller than independently owned counterparts.

The researcher obtained evidence that pointed out that some franchisors go to the extent of providing financial support to prospective and existing franchisees. Firms such as GNC and Wingstop have gone as far as forming strategic alliances with banks to create preferred lending programs for franchisees whilst firms like Burger King, Ace Hardware and Yum Brands (KFC, Taco Bell, and Pizza Hut) have programs to fund franchisees to obtain valuations of their businesses so that they can restructure their financing (Longenecker et al, 2010)

Since retailing is a cash business, it is essential for a store to have sufficient working capital to ensure adequate stockholding, assortment in all product categories, timeous settlement of amounts owed to creditors and respond to spontaneous surge in consumer demand. The management at First Street SPAR admitted that their competitors such as OK Bazaars and TM Supermarkets had increased spending power and access to bulk purchasing because revenues from the chain of corporate stores could be pulled together and used to negotiate for discounts, promotions and refurbishment of all the retail branches. This was different with SPAR stores where management is responsible for funding the operations of their individual shops. The researcher discovered why some SPAR shops are looking healthier than others in terms of store appearance, stockholding, assortment, staff remuneration and relationships with suppliers.

Question 4: How important is the role of the franchisor team to the successful running of your retail outlet?

Table 4.5 below presents the responses given by the three respondents.

Table 4.5 Role and Importance of franchisor team to the franchisee

Respondent	Response
Managing Director	They did all the prelaunch work such as training our staff, introducing retail standards, merchandising instructions and recipes and this really helped us to get started. However, we rarely see them nowadays because of their tight visit schedule.
Branch Manager	The franchisor team comes once in a while but their advice is too theoretical because they do not understand our situation

	better than we do.
Finance Manager	We see them with so many checklists to rate us and this makes them more of policemen than business advisors. At times they just call instead of visiting us.

It was clear from the responses that the franchisor team is not having a positive impact on the day-to-day running of the retail outlet. The Managing Director indicated that the team was very instrumental during the prelaunch stage when it assisted with training, initial ordering, introducing the recipes and category management. The other respondents also pointed out that the team was failing to make any meaningful impact because it had no understanding of the situation at the retail level. The respondents appeared to be frustrated because the team members rarely visited the retail outlet due to its tight schedules.

In its disclosure document, SPAR promised that it would provide its retailer members with a comprehensive retail store management consultancy and advisory service, which includes service department specialists who visit stores and advice and train staff in the latest techniques used in the relevant departments (Refer to Appendix 2). This undertaking should oblige the franchisor to provide continuous support services after the conclusion of the contract. The services should include marketing, development of the business system to adapt to the changing demands of customers, advice and training as he promised.

It is clear that the franchisor's behavior is deviating from his initial commitment to offer ongoing support in the form of supervision and management support. Management at First Street SPAR is concerned because the royalty fees that the franchisor charges are supposed to finance the operations of the franchise system and this includes supervision and management support. The researcher discovered that the franchisor has only employed 12 retail specialists to oversee the day-to-day operations of 63 stores. As a result of the heavy workload on these specialists, a store can only be visited once a month or not at all. The advisors' schedules are so tight to the extent that they spend most of their time travelling from one store to the other. They have limited time to observe and thoroughly assess the situation of each retail outlet before offering practical solutions.

It also emerged that the retail advisors have resorted to using a standard retail template which they distribute to each store upon their visit. This wholesale approach is not working

because each retail outlet has its own unique challenges and circumstances which require tailor-made solutions. The respondents felt that it was necessary for the advisors to spend some time on the ground to appreciate the realities before giving prescriptions. Logically, store operations are different and this also demands tailor-made solutions. A SPAR store operating in Gokwe, for instance, may be failing to push sales because the villagers are yet to harvest cotton whilst another shop in Harare maybe losing sales because another grocery shop with lower prices and more variety has just been opened next door. In the second scenario, the retail advisor should focus more on strategies that the store can use to subdue its new rivals and win back customers that have already defected to competition. The franchisor's team needs to possess a broad working knowledge of the business world. Franchisees will rightly want the franchisor to have sufficient experience to advise and guide them during difficult periods. It is important that the franchisor has traded via his outlets to develop experience.

The situation at First Street SPAR is not in line with literature because a franchisor should be applying the normal management actions of planning, organizing, leading and controlling to the franchise system. The constructive support of franchisees is essential for efficient operation and the ultimate success of a franchise system. The franchisor must therefore develop and maintain a support structure that will meet the needs of each franchisee.

Question 5: How useful is the franchise-operating manual?

Table 4.6 below presents the responses given by the three respondents.

Table 4.6 Usefulness of the Franchise-Operating Manual

Respondent	Response
Managing Director	It worked as a guiding framework when we launched the store because we did not have a strong retail background. It was easy to run this business since all the instructions and operating procedures were specified for us. After spending some time in the retail industry and with all the experience gained so far, I feel that the operations manual should be updated to reflect the dynamics on the market.

Branch Manager	This operating-manual was a very essential tool especially in the first days of trading.
Finance Manager	It is an important document that contains guidelines and operating procedures. We all referred to it when we opened the store to avoid deviating from the set standards. It informed us about product pricing, trading hours and how to handle customers.

The responses showed that the operations-manual was relatively more important during the initial trading days since management had no strong retail background. The Managing Director pointed out that the operations-manual should be updated to reflect the dynamics in the retail industry. The views expressed by the Managing Director concur with Norton (1988) who said that the franchisor should be able to present an operations manual to his franchisees which clearly articulates the desired business methods and practices. The manual should help the franchisee increase sales and control expenses.

The respondents were also in line with Shivell and Banning (1993) who regarded the operations manual as the blueprint for success. On further inquiry, the managers at First Street SPAR indicated that the operations manual was a confidential document which the store was entitled to use during the duration of the franchise agreement and that disclosure is prohibited and is often grounds for terminating the franchise contract

It was clear that the operations and procedure manual is the single most important document franchisees will receive from the franchisor. Operations refer to the way the business works while procedures refer to the manner of conducting the business. The franchisee will consult the manual in order to duplicate the success of the franchisor. The operations manual becomes the backbone, as the franchise system develops. It was clear that the manual was effective because it enabled management to run the store successfully from the start.

From the discussions with the managers at First Street SPAR, the researcher was convinced that an operations manual contains procedures which enable franchisees to function efficiently from the start and that franchisees will be profitable if they abide by the guidelines in the operations manual as stated in literature. All the respondents indicated that the operations-manual provided by the franchisor to the retail outlet acted as a guiding

framework in which management at First Street SPAR got orientation in terms of product pricing, shrinkage control, stock management, production scheduling, customer service and many other business aspects.

Question 6: How effective do you feel the training you received in the beginning was, and what type of regular training is provided?

Table 4.7 below presents the responses given by the three respondents.

Table 4.7 Effectiveness of the initial and ongoing training

Respondent	Response
Managing Director	The initial training was very effective because it enabled us to run this outlet competently and efficiently. Our staff received on-the- job training because they were posted to other SPAR outlets for a month before the store opened its doors to the public.
Branch Manager	We all benefitted from the initial training sessions conducted at SPAR Training Institute. The training programme focused on product pricing, shrinkage management, customer care and merchandising techniques.
Finance Manager	The training we received before launching the store was sufficient for us to operate a successful outlet and was comprehensive enough that it addressed all the key areas of retail operations.

It is clear from the responses that the initial training programs were very effective because they enabled the franchisee to operate the outlet competently and efficiently. The Managing Director was impressed by the fact that his staff received on-the-job training conducted in the other already operating outlets. Upon further investigation, the researcher discovered that the entrepreneur and his staff underwent an induction program in which they gained firsthand experience on store operations.

All the respondents concurred that the initial training was effective to the extent that it focused on most of the critical aspects of store management including product pricing, shrinkage management, customer care and merchandising. Literature is very clear that the franchisor is responsible for providing suitable training so that each franchisee is capable of running a franchise outlet competently. Niemand (1998) identified three major actions which the franchisor should take when developing the training component of a franchise system:

4. Designing and implementing a training unit or function
5. Establishing a training location
6. Developing the training programme

It was clear that the franchisor's actions are consistent with the views of Niemand (1998) and Vaughn (1979) because the franchisee and his employees are obliged to go for training by the franchisor in the business system before a shop starts trading. In addition, the franchisee may not induce employees of fellow franchisees to leave their employment and take up employment with him. It is not in the best interest of the development of a franchise network to allow franchisees to lure trained employees away from fellow franchisees.

The respondents indicated that the franchisor provides the franchisee with training. He determines, in consultation with the franchisee, which of the franchisee's employees will undergo training in the business system and he must supply the franchisee with the same services and facilities as the other franchisees. The franchisor has established The SPAR Training Institute for the sole purpose of carrying training needs analysis in all the retail outlets within the system and then conduct training sessions to bridge the knowledge gap. It is clear that training of the franchisee is the most important aspect of the franchising process because it is at this stage that the franchisor is able to assess if the potential franchisee is indeed a 'qualified' franchisee. The franchisee on the other hand, will also be able to determine whether the franchise is the ideal set-up for him/her.

Training is linked to recruitment and selection. If only potential successes are recruited, selection of franchisees will not be problematic; if only trained personnel are selected, the training problem will be non-existent. Initial training is necessary only to fill the gaps in skills and knowledge of newly selected personnel, and the selection methods should, if possible, reveal strengths and weaknesses of the prospects so that training can be tailored

accordingly. From what the researcher picked up during the discussions, SPAR has established permanent training facilities in order to achieve three basic goals:

1. To improve skills, this cannot simply be mastered by reading but requires practice;
2. To modify values and knowledge;
3. To impart information that includes facts, assumptions, opinions, trade gossip and grapevine data.

There is a strong need for effective transferral of knowledge for business success. This is applicable to the franchisees and the franchise staff. The franchisee often becomes the trainer for his or her staff.

Question 7: How effective is the franchisor's trade name in attracting shoppers to your store?

Table 4.8 below presents the responses given by the three respondents.

Table 4.8 Effectiveness of the Franchisor's trademark in luring shoppers

Respondent	Response
Managing Director	As I said earlier, the trademark is the greatest asset for us because it made our retail outlet immediately identifiable to prospective customers.
Branch Manager	Customers were already making inquiries long before we opened to the public because they had seen the SPAR logo on our store and this indicated the value they attached to the brand.
Finance Manager	It is quite obvious that customers are flocking into our retail outlet mainly because of the trademark. Generally, SPAR brand is associated with quality merchandise and exceptional customer care.

The responses were in line with Longenecker et al (2010) who stated that trademark is the greatest benefit arising from the franchising arrangement because it makes the franchisee's business instantly identifiable with prospective customers. The respondents

indicated that customers are still attracted to their retail outlet mainly because of the value they attach to the SPAR brand. It became clear that franchising involves duplicating the business over and over again and establishing the concept and quality standards and also brand loyalty in the minds of the customers. The customers will then know when they see a franchised outlet what quality they can expect, what the prices are and what type of the products they can buy.

The response given by the Finance Manager and Branch Manager also indicated that they all considered the reputation of the SPAR brand to be a great advantage in terms of luring customers to their retail outlet. It was clear from the responses that unlike a truly independent retail outlet, a franchised retail outlet need not prove the viability of the retail concept. This will have been done for him by the franchisor, which will have tested the business concept in his corporate stores. The franchisor's success will definitely extend to the new stores, as well as the marketing and systems and procedures necessary for the profitable operation of the business. As the Finance Manager and Branch Manager indicated, customers were already waiting at the door step because of the strength of SPAR brand. It shows that FSS acquired access to the distinctive trade identification of the SPAR brand. This provided an advantageous head start on acquiring goodwill in the marketplace.

4.3.3 Section C: Franchise Costs

Cost is a disadvantage of franchising. Franchises almost always entail substantial fees, which constitute both an ongoing cost burden and often a structural competitive disadvantage. No one is under any legal obligation to pay fees to a franchisor in order to start an independent business in any particular line of business. Before committing to pay substantial fees to a franchisor, a prospective franchise investor should satisfy himself that the value to be derived from the franchise offering is commensurate with the fees to be paid over the life of the franchise (Longenecker et al, 2010)

The attractive nature of many franchise offers can be alluring to a prospective investor. This section examines the franchise costs associated with the privilege of being in a franchise arrangement and these costs have several components, all which need to be recognized and considered by entrepreneurs when evaluating franchising as an entrepreneurial opportunity. Some of the franchise costs to be considered in this section are initial franchise fee, investment costs, royalty fees and advertising costs.

Question1: What initial investment did you make in order to be granted the franchise?

Table 4.9 below presents the responses given by the three respondents.

Table 4.9 Cost of Initial Investment

Respondent	Response
Managing Director	The franchisor insisted on certain minimum standards of furnishings, fittings and equipment. This increased the initial cost of setting up the shop to about \$450 000 dollars
Branch Manager	The initial cost of setting up this shop was nearly half a million dollars especially considering that a lot of changes had to be done to the physical structure of the shop and that new equipment had to be bought.
Finance Manager	We were charged a lump sum payment of \$48 000 to obtain the franchise and this is payable in 60 months

The responses in table 4.9 confirm that it is not cheap to obtain a franchise. The Managing Director pointed out that they had to incur \$450 000 through furnishings, fittings and buying equipment. This confirms the views of Brickley and Dark (1987) who pointed out that significant costs may be involved in renting or building an outlet and stocking it with inventory and equipment.

It was clear that the franchisor insisted that the store should meet certain minimum standards before the official launch. The franchisor played a major role on matters relating to the establishment of the retail store such as the design and decor of the premises; layout of the building; shop fittings; electrical and sign writing. Some of the minimum standards specified by the franchisor included the following;

1. To be a SPAR member you require a store, either owned or leased, with minimum selling/trading area of 250m² "KWIKSPAR STORE", or 450m² to be a "SPAR Supermarket. This area does not include areas to be used for storage, staff amenities, loading areas, offices, bakery and butchery preparation area. (Please note the above areas may change from time to time without notice).
2. Suitable access to the rear storage areas of the supermarket is essential (as we do not allow stores to receive deliveries of merchandise through the front

doors of the store.) and our Projects Division will visit the proposed store to determine the accessibility and suitability of the loading area (refer to appendix 2)

Question 2: What monthly fees are you expected to pay to the franchisor?

Table 4.10 below presents the responses given by the three respondents.

Table 4.10 Monthly Fees paid by the franchisee

Respondent	Response
Managing Director	The monthly fee is known as a royalty and it is calculated as 1% of our basic turnover.
Branch Manager	The monthly fee depends on our sales for the period. Generally; it is determined by multiplying a month's turnover by 1%.
Finance Manager	Every one percentage of our turnover goes to the franchisor for the right to continue operating the franchise. This explains why we are expected to submit our turnover schedule to the franchisor on the 5 th of every month.

The respondents shared the same sentiments that their retail outlet was obliged to remit one percentage of its monthly turnover to the franchisor for the right to continue operating the franchise. The responses were also in line with literature which pointed out that royalty fees are calculated as a percentage of gross income. The percentage is calculated monthly by multiplying the turnover by the percentage. If the turnover is US\$500 000 in a particular month, then the royalties for that month will be US\$5 000. This represents franchisor's primary income and it uses this monthly income to finance and support services of the franchise system.

In consideration to these fees, the franchisee-investor must make a thorough and careful assessment of the price-value relationship between the franchise fees charged by the franchisor and a package of services offered. The managers expressed concern because the store is not getting sufficient management support from the retail specialist yet the store is being charged royalty fees.

Therefore a royalty is a fee charged to the franchisee by the franchisor and that it is calculated as a percentage of the gross income that a franchisee receives from customers

for selling the franchised products and services. In other words, these are management services fees that the franchisee pays for the right to operate the franchise.

Question 3: How are these fees charged by the franchisor spent?

Table 4.11 summarizes the responses from the Managing Director, Branch Manager and Finance Manager

Table 4.11 Uses of Fees remitted to the franchisor

Respondent	Response
Managing Director	The franchisor uses this monthly income to finance the support services of the franchise system, namely staff salaries, administrative and operating costs.
Branch Manager	This is the franchisor's primary income and cannot pay its operating costs without these fees.
Finance Manager	The franchisor desperately needs these fees to enable the franchise system to function. The franchisor also uses these fees to finance advertising campaigns.

The respondents shared a common position that the monthly fees that they pay are the primary source of income for the franchisor. The respondents indicated that the franchisor uses this monthly income to finance the support services of the franchise system, which are salaries, administrative systems and operating costs. The Finance Manager imagined chaos on the part of the franchisor if he/she fails to get the royalty fees in time. It appears that the difference between the royalties paid and the costs incurred is the franchisor's profit. The Finance Manager also pointed that the fees are used to finance the advertising campaigns of the franchise company and this is one of the advantages of the franchise concept if it is properly implemented.

Logically, franchisors must establish and enforce contractual provisions for advertising, training and outlet operations, and auditing franchised units to ensure their compliance. These monitoring activities impose a cost for which the franchisor needs to be compensated. To the extent that the franchisor receives ongoing royalties, he has an incentive not to default on his monitoring obligations. Potential franchisees see the size of the royalty rate as a measure of the franchisor's incentive to develop and uphold system

assets. This reassures potential franchisees that the system is organized in a way that will minimize agency problems (Lal, 1990).

From the discussions held with the respondents it became clear that the franchisor is charging the franchisee a monthly management fee or royalty to provide the franchisees with training, regular general support and advertising. This fee has become a regular flow of income for the franchisor.

Question 4: Will there be sufficient profit left once you have paid all the required fees?

Table 4.12 below presents the responses given by the three respondents.

Table 4.12 Business Profitability after paying all the fees

Respondent	Response
Managing Director	The fees we pay are limited to a percentage of the sales achieved and this does not affect our profitability
Branch Manager	We will still make profit provided we control the other elements such as operating costs and shrinkage
Finance Manager	Our outlet can still achieve its profit objectives after paying all the required fees because we have already inflated our selling prices by 1% to cater for such franchisor fees.

All the three respondents agreed that the retail outlet was capable of achieving profit after paying all the fees to the franchisor. The Finance Manager clearly pointed out that they had incorporated all the fees in their retail prices.

4.3.4 Section D: Challenges of maintaining a franchise agreement

Franchise industry propaganda paints a rosy picture of franchise investment opportunities. In section D of the questionnaire, the researcher attempted to ascertain whether there are any challenges or problems that might threaten the sustainability of the franchise relationship.

Question 1: In your opinion, how fair and how easy is it to deal with is the franchisor?

The responses are in Table 4.13 below

Table 4.13 Fairness and Easy Dealing

Respondent	Response
Managing Director	He is very fair and objective when dealing with us.
Branch Manager	All the retail outlets are treated exactly the same way.
Finance Manager	There are no sacred cows in our retail chain and this is good.

The respondents indicated that the franchisor was fair and objective when dealing with the retail outlets. The responses showed that SPAR shops are operating as a family and not as individual stores. The synergism that results from being part of a larger chain of merchants carrying common trade identification can sometimes provide an additional competitive edge for the entrepreneur that is not obtainable from an independent small business. It is clear that uniformity within the franchise network is necessary for the success of such a network. The franchisor must ensure that the franchised businesses operate as a single unity and in accordance with the business system (Longenecker et al, 2010)

According to Longenecker et al (2010) a franchisee suffers from vulnerability to the other franchisee's performance and the quality and value of the franchisor's operational performance. The writer went on to say that the shared brand identification of the franchisee's business can have negative implications. Such that if the other members in the system or nearby markets do a shoddy service to customers, the public ill will automatically be transferred to the franchisee despite his or her concerted efforts in running the business. Bad publicity from another franchisee's dismal performance, such as a food contamination issue, can severely injure the business of an innocent franchisee simply because they share the same brand.

Question 2: How often does your franchisor communicate with you?

The respondents' answers are in Table 4.14 below.

Table 4.14 Frequency of Franchisor communication

Respondent	Response
Managing Director	We rarely hear from the franchisor unless if there is a problem or in the event of promotions.
Branch Manager	There is no frequent communication between us and the franchisor. The franchisor team calls when in need of turnover figures, especially on the 5 th day of every month or when taking promotional orders.
Finance Manager	Communication between us and the franchisor is mainly triggered by a problem or promotion.

The main issue that emerged during the researcher's discussions with the managers at First Street SPAR was that of the ineffective communication between the franchisee and franchisor due to behavioral problems especially in the form of secretive behavior and infrequent communication. Inadequate frequency of communication is leaving the franchisee feeling left out of the loop.

Based on what the respondents said, it seems that the franchisor is contradicting the conventional wisdom because he rarely communicates with the franchisee. This has created an information gap to the extent that the franchisor is totally divorced from the situation in the market and at retail level. The respondents shared a common position that communication is triggered when the franchisor wants to take orders for promotion or to request for the monthly turnover figures which are mainly due on the fifth day of each month. The respondents gave the impression that there is one-way communication in which the franchisor passes promotion instructions to the retail store and the store is not involved in critical areas such as product selection, timing and pricing.

The initial success of a franchise system lies in the ability of the franchisor to communicate with qualified franchisees whilst its long-term success is uniquely tied to the franchisor's ability to receive and assimilate process feedback from the franchisees and use this feedback to modify it. In any social system, communication is the glue that holds together

a channel of distribution and it provides a basis for sending and receiving information among the channel members and between the channel and its environment.

It was clear that franchising is a unique form of business relationship that embodies such a significant degree of mutual interdependence and this unique relationship requires continual and effective communication between franchisees and franchisors. Both franchisees and franchisors, to maintain this unique relationship, need to commit to establishing and maintaining programmes that promote effective communication within the franchise system. The franchisor should have adopted the intranet to continually exchange information among and between the retail shops and management. This would also allow a retail outlet to compare the performance another retail outlet.

Question 3: How receptive is the franchisor to your concerns?

Table 4.15 gives a summary of responses to the question.

Table 4.15 Franchisor's Responsiveness to franchisee's concerns

Respondent	Response
Managing Director	In the event of a problem, we approach our Guild Representative, who will ensure that our concern is deliberated in the Guild Committee. The Guild Committee meets once a month to discuss the welfare of retailers within the chain.
Branch Manager	There is a time lag created by the fact that our concerns are addressed by the Guild Committee which meets once a month.
Finance Manager	A solution is not immediately available because the Guild Committee has to meet and then consider the issues and then a collective position is taken when the committee members convene that meeting.

It was clear from the responses that there is no immediate solution to a problem bedeviling the operations of the retail store. As the respondents indicated, there is a time lag created by the fact that important decisions are made by the Guild Committee which convenes a meeting once a month. The Managing Director made it clear that they are suffering from bureaucratic red tape because they are required to approach their representative, who will then take up the issue to the full committee. The respondents acknowledged that there is an imbalance in the relative power of the franchisor and franchisee.

Based on the researcher's experiences at SPAR, a consultative/franchise committee (representing the franchisees) is not always successful in their representation and the franchisor should therefore encourage its franchisees to provide feedback directly to him or her. This allows the franchisor to amend and meet the franchisee requirements. The support provided by the franchisor is an important part of the franchise package and it is the franchisor's duty to advise and support the franchisee when required.

The constructive support of franchisees is essential for the efficient operation and ultimate success of a franchise system. The franchisor must develop and maintain a support structure, which will satisfy the needs of each franchisee. The Managing Director pointed out that the most critical aspect to the retail shop was the level of support offered by the franchisor. He went further and said that franchising could be viable if the franchisor was able to offer a level of support that allows the franchisee to be competitive in the market.

Question 4: How are you affected each time the franchisor opens another franchised retail outlet in your trading area?

Table 4.16 below presents the responses given by the three respondents.

Table 4.16 Encroachment by the franchisor

Respondent	Response
Managing Director	Our customers will do their shopping at the new SPAR outlet and this means a huge drop on our turnover.
Branch Manager	This has the effect of cannibalizing our sales because we lose most of our customers to the newly launched retail outlet.
Finance Manager	There will be disaster for us because all our customers are attracted to the new store to take advantage of opening specials.

The respondents indicated that the franchisor is negatively affecting their business performance through operating or granting other persons the right to operate within the same territory. It is clear that opening another SPAR outlet within the same territory has the effect of dividing the customers especially because the outlets will be using a common commercial identification in the form of trade mark or logo. Literature confirms that a franchisee may suffer from encroachment when a franchisor enters into another franchise contract within the same territory of an existing franchisee.

According to Longenecker et al (2010) a franchise agreement may allow for competitive encroachment by the franchisor or his affiliates through nearby new outlets, or distribution of competitive products through other channels of distribution under the same brand identification used by the franchisee. This can be a very severe risk to the franchisee because its own franchisor can become a primary threat to the franchised business (Longenecker et al, 2010)

Question 5: How do your objectives differ with those of the franchisor in terms of profit, turnover and corporate image?

Table 4.17 below presents the responses given by the three respondents.

Table 4.17 Goal Compatibility between Franchisor and Franchisee

Respondent	Response
Managing Director	We all agree that our brand is a competitive tool and thus all parties try to protect the corporate image. However, our sales and profit objectives are different because the franchisor tries to maximize turnover by sacrificing our profit margins.
Branch Manager	We do not agree with the franchisor because of the manner he erodes our profit margins through incessant sales promotions.
Finance Manager	It is difficult to agree with the franchisor because he is pursuing a turnover path and this means we have to markdown our prices to enable the franchisor to achieve the targeted sales volumes.

It is clear from the responses given that the franchisor and the franchisee have conflicting objectives in terms of profit and turnover. The respondents strongly emphasized that the franchisor is pursuing a turnover path which entails pushing more volumes at reduced prices. According to the managers at First Street SPAR, the franchisor is in the habit of arranging for incessant and compulsory sales promotions as an excuse to force retail shops to reduce selling prices such that he is able to accumulate sales volumes. On the other hand, the retail store is pursuing a profit path which entails putting a higher mark-up percentage on goods to maximize profitability. This explains why promotions are regarded as a threat rather than an opportunity to boost sales.

According to Lal (1990) potential franchisees can use the size of the royalty rate as a measure of the franchisor's incentive to develop and ensure uphold system because his royalty depends on the performance of each outlet. This reassures potential franchisees that the system is organized in a way that will minimize agency problems (Lal, 1990)

Question 6: How difficult is it for your retail outlet to adhere to standards and operating procedures set by the franchisor?

Table 4.18 below presents the responses given by the three respondents.

Table 4.18 Adherence to standards and operating procedures

Respondent	Response
Managing Director	We try our best to comply but total adherence is difficult because the franchisor may make unreasonable demands such as requiring that premises be redecorated or refurbished without assessing our financial position.
Branch Manager	The franchisor makes a lot of demands such as seeking approval before advertising or conducting promotional marketing activities. In addition, we must observe the franchisor's trading hours and also obliged to allow the franchisor to carry inspections or investigations.
Finance Manager	We have too many obligations and it is not easy to satisfy all these obligations and for instance, we are not allowed to buy goods from other suppliers without a written approval from the franchisor.

The respondents concurred that the retail outlet was obliged to conduct its operations strictly in accordance with the operations manual provided by the franchisor. The manual contained instructions on all the aspects of the business and the franchisee was expected to adhere strictly to any written specifications and directions as may be laid down or given by the franchisor from time to time. The respondents gave the impression that the retail outlet had no freedom to make decisions and was struggling to adhere to the standards and operating procedures as specified by the franchisor. The attitude demonstrated by the

managers at First Street SPAR clearly demonstrated that under difficult situations, franchisees will try to adjust in order to survive.

The researcher observed that uniformity within the franchise network was an essential ingredient for the success of such a network. A franchisor needs to keep consistency within the franchise operation. This ensures that standards and quality are maintained. The franchisee should not be stifled in his/her independence but the franchise should never be compromised. Ultimately the brand belongs to all the franchisees and the franchisor. The franchisor is responsible for protecting the brand against unorthodox individual franchisees

It emerged during the discussions that the success of every franchise operation rests upon exact duplication of the franchisor's blueprint. Every franchisee was expected to operate a carbon copy of the franchisor's original business. This created the impression that franchising success is based on the premise that people will prefer to build a new business under the guidance of an established organisation, using proven methods and procedures, rather than by trial and error.

Question 7: What happens in the event of a dispute with the franchisor?

Table 4.19 below presents the responses given by the three respondents.

Table 4.19 Dispute Resolution

Respondent	Response
Managing Director	The matter is referred to the Guild Committee, which tries to mediate between the warring parties.
Branch Manager	We approach the Guild Committee for conflict resolution. Both parties are asked to present their positions before a decision is made
Finance Manager	The Guild Committee is responsible for finding a lasting solution if there is any dispute.

The respondents concurred that the Guild Committee is mandated to mediate between the franchisee and franchisor. The Branch Manager pointed out that both parties are given a chance to present their side of the story before a decision is made.

4.3.5 SECTION E: FRANCHISING AND RETAIL OUTLET SUCCESS

The franchising system was designed to provide a formula for operating a successful business. Unavoidable business mistakes will have been eradicated from the system through experience before it is packaged as a franchise and sold to franchisees. It follows that the franchisor must have operated the business for a reasonable period, preferably in several locations, and honed its systems and procedures to perfection. This section looks at franchising and retail success. The questions were intended to assess the impact of franchising on retail performance.

Question 1: Have any franchised retail outlets failed or left the organization in the past 12 months? If so, what were the reasons?

The responses are as presented in table 4.20 below

Table 4.20 Franchisees that have closed down business

Respondent	Response
Managing Director	I know about fifteen retail outlets that have closed so far and this is mainly because of prolonged net losses.
Branch Manager	There are quite a number of stores that have closed because it is no longer viable for them to continue trading
Finance Manager	More than 12 retail outlets have closed whilst the other 29 stores have frozen accounts. The situation is not good for most of the SPAR retail outlets.

The respondents contradicted literature because they indicated that most of the SPAR retail outlets were finding it difficult to continue trading in the current business environment. The Finance Manager pointed out that more than twelve stores have been closed whilst the other twenty nine are failing to draw stock from the Distribution Centre (franchisor's warehouse) because of failing to settle outstanding amounts. Management at First Street SPAR showed signs of panicking and were unsettled because of the problems bedeviling other stores within the retail chain. It was surprising because the researcher was under the impression that franchised businesses should be more successful than non-franchised start-ups.

Question 2: Since you joined the franchise, how profitable has been your retail outlet?

The responses are as presented in table 4.21 below

Table 4.21 Profitability of the outlet

Respondent	Response
Managing Director	Our financial position improved especially soon after launching the store. Shoppers were attracted to our outlet because of wide product assortment, competitive prices and good customer service. The situation is no longer the same due to poor stockholding and uncompetitive pricing.
Branch Manager	During the initial years of trading, our revenues and resulting profits were looking good. Our greatest strength was derived from the service departments such as butchery, delicatessen, fruit produce, bakery and coffee shop.
Finance Manager	We used to achieve a consolidated gross profit of 25% and a net profit of about 10%and have since recovered all the investment costs

All the respondents indicated that the store's profit position was looking favorable during the first days of trading. The Finance Manager clearly pointed out that the store used to achieve a consolidated gross profit of twenty five percent and a net profit of ten percent. This shows that cost of sales were 75% of turnover and operating expenses were 15% of turnover. This is a favorable position in the retail sector where the standard gross profit is 20% with a net profit of 7%.

First Street SPAR managed to achieve a consolidated gross profit of 25% because it was the franchisor who insisted that the shop could only start trading when all the service departments such as bakery, delicatessen, butchery, fruit produce, perishables and grocery were operational. This increased the initial cost of setting up the shop to US\$450 000. However, this huge initial capital outlay incurred through the acquisition of service department equipment helped the shop to enhance its profitability and thus shortened the investment payback period as highlighted by the Finance Manager.

The researcher gathered evidence from the Finance Manager which showed that service departments had a higher profit contribution than the grocery section as summarized in table 4.22 below:

Table 4.22 Store Department Profit Contributions

Department	Sales Ratio	Gross Profit	Profit Contribution		
Bakery	10%	45%	4.5%		
Butchery	12%	35%	4.2%		
Deli	10%	50%	5.0%		
Fruit Produce	8%	30%	2.4%		
Perishables	5%	20%	1.0%		
Grocery	55%	15%	8.3%		
Total	100%		25.4%		

An analysis of the figures presented in table 4.22 shows that even though the bakery department has only a sales contribution of 10%, it has a great profit contribution of 4.5%. It is clear that the grocery department has the highest sales contribution yet its profit contribution is less. This is because most grocery items are just “crowd pullers” such that customers are highly sensitive to price differences. For instance, the mark-up percentage applied on an item such as sugar is about 15% against 100% for a delicatessen item like roasted chicken.

SPAR stores have a strong competitive edge over other retailers because the franchisor’s business model is such that 40% of turnover should be coming from service departments whilst the remaining 60% should be contributed by the dry grocery. This balance in sales between the service departments and grocery department is known as the magical mix (40:60) in SPAR stores.

Question 2: What has been your company's growth rate per annum in terms of customer count?

The responses are as presented in table 4.23 below

Table 4.23 Customer Count Growth Rate

Respondent	Response
Managing Director	We used to serve about 96 000 customers a month but the figure has now dropped to less than 60000 shoppers.
Branch Manager	Our customer traffic has declined mainly because of our high prices and poor stockholding
Finance Manager	The number of customers visiting our shop at the moment is not the same as when we started trading.

Based on the responses given, it is clear that the number of customers visiting the supermarket has decreased. The respondents cited high prices and poor stockholding as some of the reasons why customers are now avoiding the store. This creates the impression that the store is poorly stocked and expensive as compared to its rivals. The Managing Director pointed out that customer count had declined by 37.5%.

In retail, customer count is an important performance measure which represents the number of customers who enter into a retail store per day or month. A decrease in customer count has the following implications;

1. Retail competition is escalating due to new entrants into the retail sector
2. Customers are defecting to competitors possibly because of their dissatisfaction with the service or maybe the new players are using promotions as bait to entice customers
3. Diminishing customer loyalty as shoppers switch from one outlet to the other in search of better prices, good service, product assortment, convenience any other variable.

Question 3: How competitive do you find the cost for products purchased from the franchisor compared with similar products from other suppliers?

The responses are as presented in table 4.24 below

Table 4.24 Price Competitiveness of franchisor supplied goods

Respondent	Response
Managing Director	Most of these products are highly priced but it is a requirement that we should buy 60% of our grocery merchandise from the franchisor. This is why most our products are highly priced than those of our immediate competitors
Branch Manager	It is almost impossible to beat our rivals because of the uncompetitive prices that the franchisor is charging us. It is unfortunate that we cannot deal with other suppliers directly.
Finance Manager	The franchisor's prices are about 15% higher than what we can get from other suppliers. This makes our retail prices much higher than our competitors who are free to shop around for cheap products.

When the researcher asked this question, the respondents were quite emotional and this indicated that he had touched a sensitive issue. It was very clear that the retail outlet is being negatively affected because of the requirement that the store cannot deal with any other supplier without the franchisor's approval (refer to Appendix 2). As a SPAR member the store is entitled to purchase from "Preferred Suppliers" and these preferred suppliers include merchants of butchery and bakery machinery and equipment, shelving, industrial cleaning agents, floor tiles, shopping baskets and trolleys and others. The franchisor provides a list of these suppliers to ensure store compliance.

The Finance Manager indicated that the franchisor's products are 15% higher than what other suppliers are offering. This creates a cost disadvantage for the retail outlet's perspective especially considering that the store is expected to buy 60% of its grocery merchandise from the franchisor as stated by the Managing Director. The situation at First Street SPAR is contrary to literature because a franchisor is expected to create networks

and negotiate favorable terms with suppliers of goods on behalf of the franchisees. As far as management at First Street SPAR is concerned, the franchisor's supra-competitive costs and sourcing restrictions reflect a lack of awareness of franchisee needs or appear to work against them especially when the store is forced to sell its merchandise above the retail price points. In retail, price points are specific prices to which consumers have become accustomed. In other words consumers come to expect certain products to be available at customary prices, for example, the price of 2kg White sugar is known to be \$2. Price points are also referred to as Known Value Items (KVI)

Failing to recognize retail price points can create problems for the manufacturer/franchisor as well as its channel members if consumers expect to find products at particular price points and such products are not offered. The respondents also pointed out that their customers were highly price sensitive and as a result were prepared to do a comprehensive price comparison before committing their hard earned cash.

It also emerged that the franchisor was struggling to get favorable terms and discounts from the suppliers because of his bad reputation of failing to pay suppliers on time. This showed that in the long run, the franchisee is extremely vulnerable to the overall commercial performance of their franchisor. If the franchisor fails financially, the consequences can be catastrophic for system franchisees. This vulnerability extends both to the conduct of business that is being franchised and to the franchisor's skills in administering its franchise relationships.

4.3.6 SECTION F: FRANCHISE SYSTEM IMPLEMENTATION AND MANAGEMENT

This section will concentrate predominately on the franchisor in order to develop a model that would enable potential franchisors to establish a successful fast moving consumer goods franchise. The nature of managing a franchise operation differs considerably from that of managing a subsidiary or a retail unit in a multiple operation. The franchisee and the franchisor enter into a formal written agreement. The franchisee contracts to operate the franchise in a prescribed way and remunerates the franchisor with a capital sum, a royalty or by agreeing to purchase product for resale. The franchisor, in return, provides training, brand support, consultancy and exclusivity of territory (McGoldrick and Davies 1995:153). In this section of the questionnaire, the researcher attempted to ascertain how the franchisors managed the success of the franchised stores.

Question 1: Are there any franchisor-owned retail outlets in operation? If so, how sufficiently dispersed are they in a number of locations?

The responses are as presented in table 4.25 below

Table 4.25 Franchisor- owned retail outlet in operation

Respondent	Response
Managing Director	The franchisor has 5 retail outlets and these are all located in Harare. These are Letombo, Arundel, Bridge, Golden Stairs and Village SPAR
Branch Manager	As far as I know, the franchisor has about 5 stores which are operating in Harare
Finance Manager	The franchisor's 5 stores are all here in Harare especially on the up market segment.

The respondents all concurred that the franchisor has retail outlets that are currently trading only in Harare and these were identified as Letombo SPAR, Arundel SPAR, Bridge SPAR, Golden Stairs SPAR and Village SPAR. It also emerged that these franchisor-owned stores were also experiencing financial problems, such that the franchisor was forced to close down Avondale SPAR whilst Letombo SPAR is temporarily closed.

It is clear as the Finance Manager and Managing Director mentioned that the stores are located in the up market segment where customers have a higher disposable income. The franchisor is not operating stores in the other market segments such as rural areas and high density. This explains why the franchisor is featuring luxury items on promotions and supplying products at high prices to the retail outlet because he is used to dealing with high profile customers who are so choosy and not price sensitive.

The operation of a pilot store gives the franchisor the opportunity to experiment with different ideas and methods, to find the right combinations to franchise the business. The hands-on approach is invaluable. It gives the franchisee more faith in the abilities and expertise of the franchisor. It is important that potential franchisors know their target market and their product thoroughly well before attempting to franchise their business. The

respondents revealed that they had little confidence in the franchisor's ability and capacity to revamp the operation of First Street SPAR because he was struggling to bail out his own outlets.

Question 2: Did you receive any operations manual from the franchisor when you launched? If so, how useful is it to your day to day running of the shop?

The responses are as presented in table 4.26 below

Table 4.26 Usefulness of the operations manual to the franchisee

Respondent	Response
Managing Director	Indeed we received the operations manual from the franchisor. It was very useful during the initial days because we had little retail experience and had to constantly refer to it for pricing, ordering, costing, recipes and others. We are now used to retailing and as a result we rarely refer to the operations manual.
Branch Manager	The operations manual was such a critical document when we launched because we were still desperate for guidance in almost all the retail aspects.
Finance Manager	The operations manual guided us mainly in product costing, merchandising techniques, shrinkage control and customer care.

Based on what the respondents said, It is clear that when the franchisor incorporates a new franchisee, he provides an institutional structure allowing detailed control over the individual store's marketing and operational programs through the operations manual. This shows that the franchisor believes that it is critical for each retail outlet to follow recommended marketing and operational guidelines to ensure success of the system as a whole as well as for each outlet. However, all the respondents concurred that the operations manual was more critical during the first days of trading. This may suggest that the franchisor is doing very little to add value to franchisee businesses through updating the operations manual to reflect the realities on the ground.

Question 3: Explain whether your franchisor has a training institute?

The responses are as presented in table 4.27 below

Table 4.27 Franchisor Training Facilities

Respondent	Response
Managing Director	Our franchisor has a training institute where employees from the various retail outlets are trained.
Branch Manager	We regularly send our employees for refresher courses at SPAR Training Institute.
Finance Manager	SPAR employees from various stores receive training at SPAR Training Institute.

The respondents agreed that the franchisor managed to establish a training institute, where employees from all the outlets in the system attend for training. By establishing a training institute, the franchisor demonstrated an understanding that the franchisees and their staff will need to be trained. It also appears that a detailed training programme has been developed and that the training requirements for the franchisees and their staff are constantly identified.

It is clear that the longer the franchisee is trained the better success for both the franchisor and the franchisee. Training should ideally take place at a centralised point, such as the pilot store. Training of in-house staff should take place on an on-going basis and constant training is important to maintain standards and improve services rendered. The key to juggling franchise units is the ability to delegate the daily operations to well-trained managers and paying attention to details especially service.

Question 4: How helpful was the franchisor in setting up your retail store?

The responses are as presented in table 4.28 below

Table 4.28:Start-up assistance by the franchisor

Respondent	Response
Managing Director	The franchisor helped us in many aspects such as site selection,pre-opening assistance, staff recruitment and training
Branch Manager	Without the franchisor's assistance, it was going to be very difficult for us to open the store. We received help in terms of staff training, location decisions, feasibility study and supplier networking
Finance Manager	Our franchisor was very supportive especially in putting in place administrative systems and organizing opening promotion

All the respondents indicated that the franchisor really supported the franchisee in setting up the operations. The franchisor assisted the franchisee in the following matters:

1. Site selection and location outlet.
2. Pre-opening assistance.
3. Statutory requirements
4. Staff selection and training
5. Administrative systems.
6. The opening promotion.

Question 5: How dependable is your franchisor in terms of market information?

The responses are as presented in table 4.29 below

Table 4.29: Staying in touch with the market

Respondent	Response
Managing Director	Our franchisor depends on the information that we provide to him because we are the ones on the ground.
Branch Manager	We have more information about the developments in the retail industry and we usually inform our franchisor from time to time.
Finance Manager	Our feedback enables the franchisor to understand the situation in the market. We have current information than the franchisor and if we do not pass on the information, then the franchisor stays in the dark.

The above responses indicated that the franchisor relies on the franchisees for market information. The responses clearly indicated that the franchisor will not understand the market if franchisees do not provide him with regular updates. This is contrary to literature because a franchisor should maintain direct customer contact in order to respond to changing consumer preferences, and to stay one step ahead of the competition. In order to be effective, the franchisor should receive both formal and informal feedback from the franchisees on an ongoing basis. The franchisor needs to remain on top of developments in the market. It is essential that he can test and verify the feedback he/she receives from franchisees against end-user responses recorded in the company-owned outlet.

4.4.0 Summary of Findings

4.4.1 Benefits of a franchise to the franchisee

Franchising has assumed ever-increasing importance in the retailing industry and this phenomenon can be observed throughout the world. According to Felstead (1993) franchising holds many advantages to the franchisee and these include proven business system, start-up assistance, on-going assistance, advertising and purchasing assistance and financial assistance. Longenecker et al (2010) regarded trademarks as the greatest benefit arising from franchising because they make the franchisee's business instantly identifiable to prospective customers and clients. The management at First Street SPAR is

impressed because the SPAR brand made their retail outlet immediately identifiable to customers when they opened.

However, management is concerned because of the incessant promotions organized by the franchisor because the product lines featured are not ideal for their market segment and eroding the outlet's profit margins. Management is also concerned because the store is not getting management support since the franchisor's field team rarely visits the outlet. In addition, the operations manual was very critical during the initial trading days but now needs to be updated to ensure relevance to the current retail environment.

4.4.2 Franchise Costs

As Drunker (1996) and Longenecker et al (2010) said, there are costs associated with the privilege of being in a franchise arrangement and these costs have several components. The management at First Street SPAR revealed that the outlet incurred about 1.5million dollars as initial investment to upgrade the store, purchase equipment and inventory as instructed by the franchisor. According to the management at First Street SPAR, the store is also required to remit royalty fees every month. These royalty fees are calculated as 1% of gross turnover. Management indicated that the fees are used to finance support services and advertising campaigns.

4.4.3 Challenges of Maintaining a Franchise Agreement

The management at First Street SPAR is concerned because of the infrequent communication between their outlet and the franchisor. There is no effective communication because it is one-way and only triggered by a certain problem. The other concern for management at this retail outlet is the length of time it takes to address its concerns. This time lag is created by the role of the Guild Committee in conflict resolution. The management at First Street SPAR is also concerned because the franchisor is continuing to open more franchised retail outlets within its trading area. This move is negatively affecting the performance of the outlet because customers are flocking to new outlets. There is also a problem of goal incompatibility between the franchisor and franchisee because the franchisor is focusing on pushing huge volumes through promotion whilst the store is trying to protect its profit margins. This explains why promotional campaigns are seen a threat by the retail store. There is also high uncertainty concerning the future prospects of the retail outlet because 15 stores have so far ceased to operate within 12 months whilst 29 more stores are battling due to liquidity constraints.

4.4.3 Franchising and retail outlet success

The management at First Street SPAR is impressed that the franchise helped to improve business performance. The store managed to achieve a consolidated gross profit of 25% and a net profit of 10% compared to the retail benchmark of 20% and 7% respectively. Management is also impressed by the fact that the store has since recovered all the costs incurred in refurbishments, shelving and equipment. The franchisor has also increased customer traffic into the retail outlet. However; management at First Street SPAR is concerned because customers are flocking into the outlet but sales are declining, which means that customers are not getting what they want. Management is also concerned by poor stockholding and limited product assortment. The other concern for management at First Street SPAR is the fact that products supplied by the franchisor are highly priced than other suppliers and this creates a negative price perception on customers.

4.4.3 Franchise system implementation

Niemand (1998) believes it is unethical to use the franchisees as guinea pigs as their business will soon suffer if operating methods are constantly changed simply because the system was not fully thought out and tested beforehand. The franchisor has done well to set up a pilot operation because he has 5 outlets that are currently operating Harare. Mendelsohn (1979) said that the franchisor, besides running a pilot operation for a year, should have tested the business in different locations to obtain the widest possible experience in various conditions. Unfortunately, these outlets cannot act role models for the other franchisees because they are also struggling to survive and are not adequately dispersed to represent all the market segment that is, rural market and high density areas.

Shivell and Banning (1993) regard the operations manual as the blueprint for success. The management at First Street SPAR really appreciated the fact that the franchisor made their life easy through the provision of operations manual. However, management is concerned because it is no longer deriving any value from the manual because it is no longer relevant especially in a dynamic retail environment. Management is also impressed because the franchisor has established some training facilities and also provided start-up assistance to the retail outlet. The managers at First Street SPAR are worried because the franchisor does not provide current information to ensure the supermarket chain stays ahead of competition

4.5 Conclusion

This chapter was mainly concerned with reporting the research findings and discussing these findings, their implications and link to literature. The following chapter covers the conclusions made through the research, recommendations, the study limitations and areas for further research.

CHAPTER 5

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the researcher makes inferences and conclusions of the research using information obtained from the findings as discussed in chapter four. It also reflects the extent to which this dissertation achieved the objectives and aims set. Recommendations and areas of further study will also be given in this chapter.

5.2 Conclusions

The significant conclusion drawn from this study is that franchising is not an effective retailing strategy at First Street SPAR as evidenced by the following conclusions to the research objectives:

5.2.1 To identify the benefits of a franchise to the franchisee

The study established that First Street SPAR is not enjoying all the benefits of franchising as evidenced by the limited impact of promotions, drop in average sales per customer and lack of management support from the franchisor.

5.2.2 To evaluate the costs of obtaining and maintaining a franchise.

The study demonstrated that the initial franchise fee paid by First Street SPAR to acquire the franchise and the continuous payment of monthly royalty fees are not justified considering the limited benefits that the retail outlet is deriving from the franchise.

5.2.3 To analyze the challenges of maintaining a franchise

The study indicated that First Street SPAR is struggling to adhere to the dictates of the franchise because this is not adding value and solving the problems bedeviling the retail outlet

5.2.4 To determine how the franchisor's performance affects performance of the franchisee in the long run.

The findings showed that in the long run, the franchisee is extremely vulnerable to the overall commercial performance of their franchisor. If the franchisor fails financially, the consequences can be catastrophic for system franchisees. This

vulnerability extends both to the conduct of business that is being franchised and to the franchisor's skills in administering its franchise relationships.

5.2.4 To establish how a franchise system can be successfully implemented

The study established that the franchisor did not properly implement the franchise and is failing to manage it for the benefit of retail outlets.

Proposition Test

- Based on the above conclusions the researcher accepts the proposition that franchising is not an effective retailing strategy for First Street SPAR because the store is incurring unnecessary franchise costs yet it is not enjoying the franchise benefits.

5.3 Recommendations

In view of the findings cited above this study makes the following recommendations for the retail outlet.

5.3.1 Benefits of franchising

The franchisee should ensure that the franchisor is fulfilling his obligations and to that extent the management at First Street SPAR should demand the right promotional product, prepare a monthly store visit schedule for the franchisor's retail specialists.

5.3.2 Franchise costs

First Street SPAR should request the franchisor to reduce the royalty rate from 1% of turnover. Alternatively, the franchisee and franchisor can agree on a fixed amount, which should be staggered depending on turnover thresholds. This remuneration method will compel the franchisor to support the outlet so as to maximize revenues.

5.3.3 Challenges of maintaining a franchise

First Street SPAR should consider termination of the franchise contract and operate as an independent store if it continues to fail to get the necessary support from the franchisor.

5.4 Study Limitations and Areas of Further Research

The major limitation was the time frame in which the research had to be carried out. The other limitation was the difficulty in obtaining confidential information. Some of the respondents felt that they could not divulge some information for confidentiality reasons and fear of bolstering rivals.

The research was a single case study analysis which only focused only on First Street SPAR. The results may be inconclusive since more solid inferences may be made by looking at a number of similar franchised retail outlets to evaluate franchising as a retailing strategy.

This study demonstrated that the field of franchising is broad and the growth rate of the franchising industry demonstrates the need for further research. It is recommended that further research be done to determine how a potential franchisor can establish a successful franchise in fast moving consumer goods industry.

References

1. Allen, K.R. (1999) Growing and managing an entrepreneurial business. Boston: Houghton Mifflin
2. Allen, R. E. (1984) The pocket Oxford dictionary. 7th edition, Oxford: Clarendon Press.
3. Andrews, K.R. (1971) The concept of corporate strategy (Homewood, Ill. Irwin)
4. Adams, J. and Prichard Jones, K. V. (1987). Franchising. 2nd edition. London: Butterworth's.
5. Ayling, D. (1988). "Franchising in the U.K." Quarterly Review of Marketing 13(summer): 19-24.
6. Bateman, T.S. and Snell, S.A. (1999). Management: Building Competitive Advantage, 4th edition. Boston: Irwin/McGraw-Hill
7. Brickley, J. and Dark (1987). 'The choice of organizational form: The case of franchising, Journal of Financial Economics, 18, pp. 401–420.
8. Birley, S. and Muzyka, D.F. (2000). Mastering Entrepreneurship. London: Prentice Hall.
9. Bygrave, W. D. (1994). The portable MBA in entrepreneurship. New York: John Wiley and Sons.
10. Chesborough, H. and Rosenbloom, R. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. Industrial and Corporate Change, 11, 3529-555
11. Calvani, T. (1990) is the case for franchising legislation? International Journal of Franchising and Distribution Law, 5
12. Cummings, S. (1993) The First Strategists, Long range planning. 26/3: 133-5
13. Creswell, J. (2002) Research Design: Quantitative and Qualitative Approaches, 2nd edition, Thousand Oaks, CA: Sage.
14. David H. (2004) Entrepreneurship A New Venture Creation. Prentice Hall of India
15. Drunker P. F (1996) Innovation and Entrepreneurship: Practice and Principles Heinmann; London
16. Dandridge, T. and Falbe, C (1994). 'The influence of franchisees beyond their local domain', International Small Business Journal, 12 (2), pp. 39–49
17. De Kare-Silver, M. (1997) Strategy in Crisis (London: Macmillan)

18. Expect the best from Hot Dog Café. (2003). Succeed. January/February issue.
19. Eisenhardt, K. (1989). 'Agency theory: An assessment and review', *Academy of Management Review*, 14 (1), pp. 57–74.
20. Franchise Advice and Information Network (FRAIN).2002.Selecting and evaluating a franchise opportunity. Available at <http://www.frain.org.za>.(Accessed 06 November 2012)
21. Franchising Association of South Africa (FASA).2002.The franchising handbook of southern Africa. Johannesburg.
22. Fladmoe-Lindquist, K. (1996). "International Franchising: Capabilities and Development." *Journal of Business Venturing* 11: 419-438.
23. Fulop, C and Forward (1997), Insights into franchising: a review of empirical and theoretical perspectives. *The Service Industries Journal*,17 (4),603-25
24. Foster, D. L. (1988)Franchising for free. New York: John Wiley and Sons, Inc.
25. Franchise World. Ebscohost [Online]. Vol. 33. Issue 3 (Accessed 31 January 2013)
26. Gruenhagen, M. and Mittelstaedt, R. A., (2005), "Entrepreneurs or investors: Do multi-unit franchisees have a different philosophical orientations", *Journal of Small Business Management*, Vol. 43, No. 3, pp. 207-225.
27. Gall, M.D., Gall, J.P. and Borg, W. (2006) *Educational Research: An Introduction* (8th edition). New York: Longman.
28. Guba, E. and Lincoln, Y. (1994) 'Competing paradigms in qualitative research', in N.K. Denzin and Y.S. Lincoln (eds) *Handbook of Qualitative Research*. London: Sage, pp. 105–17.
29. Hisrich, R.D. and Peters, M.P. (1998.)*Entrepreneurship*,4th edition.Boston:Irwin/McGraw-Hill
30. Huszagh, S.M., Huszagh, F.W. and McIntyre, F. (1992). "International Franchising in the Context of Competitive Strategy and the Theory of the Firm." *International Marketing Review* 9(5): 5-18.
31. Hoinville, G. I (1978); *Survey Research Practice*, Heinemann: London,
32. <http://www.fasa.co.za> (accessed 6th November 2012)
33. Hall, P. and Dixon, R. 1991. *Franchising*. London: Pitman.
34. Hirsrich, R.D. and Michael, P.(2003) *Entrepreneurship* Prentice Hall

35. Internet] <http://www.spar.co.zw> (accessed on the 20th August 2012)
36. International Franchise Association code of ethics. Franchise World [Online]. April 2001. Vol. 33 Issue 3.
37. Jankowicz, A.D. (2005) Business Research Projects, 4th edition, London: Thomson Learning.
38. Justis, R.T. & Judd, R.J. (1989). Franchising. South Western Publishing: Cincinnati.
39. Kaufmann, P. J., and Dant, R. P., (1996), "Multi-unit franchising: Growth and management issues", Journal of Business Venturing, Vol. 11, No. 5, pp. 343-358.
40. Kaufmann, P. J., and Kim, S. H., (1995) "Master franchising and system growth rates", Journal of Marketing Channels, Vol. 4, No. 1, pp. 49-64.
41. Kalnins, A. and Mayer, K. J., (2004), "Franchising, ownership, and experience: A study of pizza restaurant survival." Management Science, Vol. 50, No. 12, pp.1716-1728.
42. Kotler, P. (2000); Marketing Management, Millennium Edition, Prentice Hall.
43. Kolb.(2008) Marketing Research: Practical Aproach, 1st Edition, SAGE
44. Kumar, R.C. (2011) Research Methodology, APH Publishing
45. Lambing. & Kuehl, C.(1997). Entrepreneurship. Upper Saddle River, NJ: Prentice Hall.
46. LaGrassa, K. (2001). A tale of three success stories: How four women made it big through multi-unit franchising.
47. Lal, R. 1990. 'Improving channel coordination through franchising', Marketing Science, 9 (4), pp. 299–318.
48. Levy, M. and Weitz, B. A. (1992.) Retailing management. Homewood, IL: Richard D. Irwin, Inc.
49. Leedy, P. D. (1997). Practical research: planning and design (6th edition). Upper Saddle River, NJ: Prentice-Hall, Inc.
50. Longenecker, J.G., Moore, C.W. and Petty, J.W. (2003). Small business management: an entrepreneurial emphasis, 12th edition. Cincinnati: South-Western.
51. Maitland, I. (1991). Franchising. London: Mercury Books.

52. Mathur, S.S. and Kenyon, A. (1997) *Creating Value: Shaping tomorrow's business* (Oxford: Butterworth Heinemann)
53. McGoldrick, P. J. and Davies, G. (1995). *International retailing. Trends and strategies*. London, UK: Pitman Publishing.
54. Murray, I (2003), *How to choose a Franchise*, New York: The free press
55. Mendelsohn, M. (1992). *The guide to franchising*, 5th edition. London: Cassell
56. Mendelsohn, M. and Bynoe, R. (1992). *Franchising*. London: FT Law and Tax
57. Niemand, G. (1998). *The franchise option: how to franchise your business*. Cape Town: Kenwyn: Juta
58. Longenecker, J.G, Petty, J.W and Palish, L.E., Hol (2012). *Managing Small Business, an entrepreneurial emphasis*. 1^{6th} edition (International). South-Western Cengage Learning
59. Rosenbloom, B. (2004) *Marketing channels: A Management View*, 7th ed. South Western
60. Robson, C. (2002) *Real World Research* (2nd edition). Oxford: Blackwell
61. Sanghavi, N. (1990) *Retail Franchising in the 1990s*. Longman
62. Shakar, A and Goulding C (2001) 'Interpretive consumer research: two more contributions to theory and practice', *Qualitative Market Research: An International Journal*, 4 (1).
63. Saunders, M., Lewis, P. and Thornhill, A. (2003) *Research Methods for Business Students*. 3rd ed. Harlow: FT/Prenticehall
64. Shivell, K. and Banning, K. 1993. *Running a successful franchise*. New York: McGraw-Hill.
65. Seltz, D.B. (1982) *The complete handbook of franchising*. Reading, Massachusetts: Addison-Wesley.
66. Spur Steak Ranches. *Succeed Special Edition*. 2002.
67. Taylor, S (2000) *Franchising Organization and Debate*, Oxford: Butterworth Heinemann
68. Vaughn, C.L. (1979) *Franchising*. 2nd and revised edition. Lexington, Massachusetts: Lexington Books.
69. Wadsworth, F. and Morgan, K. B., (2003), "Multi-unit Franchisee Ownership Study", proceedings of 17th Annual International Society of Franchising Conference: San Antonio, Texas.
70. Wild, J., Diggins, C. (2009). *Marketing Research*, 2nd Edition, Juta.

71. Williamson, O. (1985). *The Economic Institutions of Capitalism*. Free Press, New York.
72. www.spar.co.zw (accessed on the 16th August 2012)
73. www.africaneconomicoutlook.org (accessed on the 15th December 2012)
74. www.MacDonalds.com (accessed on the 14th September 2012)
75. www.myce.com (accessed on the 10th November 2012)
76. (<http://www.ftc.gov/bcp/franchise/netdiscl.htm> (accessed on the 10th November 2012)
77. <http://www.ftc.gov/bcp/menus/business/franchise/shtm> (accessed on the 10th November 2012)
78. www.okzim.co.zw (accessed on the 11th of November 2012)
79. Yin, R.K. (2003) *Case Study Research: Design and Method* (3rd edn). London: Sage.
80. Zimmerer, T.W. & Scarborough, N.M. (1998). *Essentials of entrepreneurship and small business management*, 2nd ed. Upper Saddle River, NJ: Prentice Hall.

APPENDIX 1

GUIDELINE TO INTERVIEW FOR MANAGERS

SECTION A: BACKGROUND OF RESPONDENT

1. What is your position in the organization?

.....

2. Please state your age

☒ 25-35years ☐ 36-45years ☐ 46-55 ☐ above 56 ☐

3. Please state your professional/academic background?

.....

4. How many years have you been employed by the organization?

.....

5. How long have you been in your current position?

.....

SECTION B: BENEFITS OF A FRANCHISE TO THE FRANCHISEE

1. To what extent is your retail outlet benefitting from the franchise arrangement?

.....
.....
.....
.....

2. What type of advertising and marketing support do you get from the franchisor?

.....
.....
.....
.....

3. When you experience working capital problems, what type of financial assistance do you get from the franchisor?

.....
.....
.....
.....

4. How important is the role of the franchisor team to the successful running of your retail outlet?

.....
.....
.....
.....

5. How useful is the franchise-operating manual?

.....
.....
.....
.....

6. How effective do you feel the training you received in the beginning was, and what type of ongoing training is provided?

.....
.....
.....
.....

7. How effective is the franchisor's trade name in attracting shoppers to your store?

.....
.....
.....
.....

SECTION C: FRANCHISE COSTS

1. What initial investment did you make in order to be granted the franchise?

.....
.....

.....
.....

2. What monthly fees are you expected to pay to the franchisor?

.....
.....
.....
.....

3. How are these fees charged by the franchisor spent?

.....
.....
.....
.....

4. Will there be sufficient profit left once you have paid all the required fees?

.....
.....

SECTION D: CHALLENGES OF MAINTAINING A FRANCHISE AGREEMENT

1. In your opinion, how fair and how easy is it to deal with is the franchisor?

.....
.....
.....
.....

2. How often does your franchisor communicate with you?

.....
.....
.....
.....

3. How receptive is the franchisor to your concerns?

.....
.....
.....
.....

4. How are you affected each time the franchisor opens another franchised retail outlet in your trading area?

.....
.....
.....
.....

5. How do your objectives differ with those of the franchisor in terms of profit, turnover and corporate image?

.....
.....
.....
.....

6. How difficult is it for your retail outlet to adhere to standards and operating procedures set by the franchisor?

.....
.....
.....
.....

7. What happens in the event of a dispute with the franchisor?

.....
.....
.....
.....

8. Have any franchised retail outlets failed or left the organization in the past 12 months? If so, what were the reasons?

.....

.....

.....

.....

SECTION E: FRANCHISING AND RETAIL OUTLET SUCCESS

1. Since you joined the franchise, how profitable has been your retail outlet?

.....

.....

.....

.....

2. What has been your company's growth rate per annum in terms of customer count?

.....

.....

.....

.....

3. How competitive do you find the cost for products purchased from the franchisor compared with similar products from other suppliers?

.....

.....

.....

.....

SECTION F: FRANCHISE SYSTEM IMPLEMENTATION

1. Are there any franchisor-owned retail outlets in operation? If so, how sufficiently dispersed are they in a number of locations?

.....

.....

.....

.....

2. Did you receive any operations manual from the franchisor when you launched? If so, how useful is it to your day to day running of the shop?

.....
.....
.....
.....

3. Does your franchisor have a training institute and how effective are the training programmes?

.....
.....
.....
.....

4. How helpful was the franchisor in setting up your retail store?

.....
.....
.....
.....

5. How dependable is your franchisor in terms of market information, product procurement and operating procedures?

.....
.....
.....
.....

End of Questionnaire

Thank You for Your Valuable Time and Support.

Appendix 2: Franchise Disclosure Document

The SPAR Organisation

We thank you for your valued enquiry to become a member of the SPAR Organisation.

Below is a brief description of what the SPAR Organisation is and what it stands for, with the general requirements and criteria on which your application would be assessed and what you as an independent retailer can expect from SPAR. We hope this will assist you in deciding whether or not you would like to be part of the SPAR Brand.

SPAR is the Largest Supermarket Group in the World. It is a voluntary trade organisation set up in the Netherlands in 1932. SPAR was originally called DE SPAR, being the initial letters for a slogan, which when translated into English means “all will benefit from a united co-operation”. Later the name was abbreviated by dropping the letters DE, but the underlying meaning remains the philosophy of the organisation.

The SPAR organisation unites independent food wholesalers and retailers and its objectives are to put independent retailers in a position to compete with the ever-increasing threat of the major chain stores.

1. To be a SPAR member you require a store, either owned or leased, with minimum selling/trading area of 250m² “KWIKSPAR STORE”, or 450m² to be a “SPAR Supermarket. This area does not include areas to be used for storage, staff amenities, loading areas, offices, bakery and butchery preparation area. (Please note the above areas may change from time to time without notice).
2. Suitable access to the rear storage areas of the supermarket is essential (as we do not allow stores to receive deliveries of merchandise through the front doors of the store.) and our Projects Division will visit the proposed store to determine the accessibility and suitability of the loading area.
3. The location of your store will be appraised with regards to its location, both on the trade it is expected to generate and whether there is an existing SPAR

member trading in the area. In such a case it is possible that your application may be rejected dependant on the effect it may have on an existing store.

4. SPAR does not finance the setting up of the store either when upgrading an existing store or developing a new one.
5. Spar will require information on what finances you have at your disposal for setting up the proposed new store and will require information on the projections of the store. Information relating to the qualifications and retail experience of the applicant will also be requested.
6. If identified as being a suitable member, SPAR will forward your application to the Guild Committee, (which is made up of SPAR members appointed by their fellow retailers). If they have no objections to your application you may then become a "Contract Member".
7. As a SPAR member you will be entitled to purchase from our "Preferred Suppliers" who will give you the discounts offered to all existing SPAR members. These preferred suppliers include merchants of butchery and bakery machinery and equipment, shelving, industrial cleaning agents, floor tiles, shopping baskets and trolleys etc. and are listed in the SPAR Projects Office where they may be easily accessed.
8. It is usual for new members to trade for between 4-6 months as "Contract Members". This means that although the store may obtain stock from the SPAR Distribution Centre (D.C.) and receive support and advice from the Retail Operations Manager, it may not yet meet the minimum specifications of a SPAR store and cannot therefore be branded a SPAR store or carry any of the SPAR brands. (In special circumstances this stage may be by-passed).
9. Once upgraded you will be required to pay a Launch Fee before being launched as a full SPAR member - this is to cover advertising and announcements that you are opening as SPAR store, etc. This will apply even if the stage in clause 8. Above is by-passed.
10. Guild fees from 1% to 0.5% of turnover (on a sliding scale dependent on turnover) are paid monthly to the Guild. This money covers on-going national advertising and promotional material. These are not franchise fees and belong

to the members to be utilised as directed by them. Spar does not charge franchise fees.

11. It is very important to note that it is not permitted to operate a SPAR Supermarket and also hold a competitor's franchise agreement.

12. Spar provides retailer members with a comprehensive retail store management consultancy and advisory service, which includes the following:

- Appropriate merchandise at competitive prices
- Retail Operations Support service with the express object of implementing the SPAR plan.
- Service department specialists who visit stores and advise and train staff in the latest techniques used in the relevant departments.
- Regular free delivery of all products to SPAR stores nation wide.
- Full colour leaflets.
- Own house brands under the “SPAR” and SaveMor labels.
- Consumer competitions.
- Regular exposure in the press, radio and television.
- Access to bulk buying.
- Reduced back-door congestion.
- Volume discounts.
- Computer systems for ordering and control.
- Improved cash flow.
- Store development.
- Retailer consultancy service.
- Retailer competitions.
- Customer service campaigns.
- Increased turnover and more importantly higher gross profit.
- Exchange of know-how.
- In-store training
- Comprehensive Training courses for all categories of staff.
- Access to World wide expertise from SPAR International

We hope the above will help you to understand the workings of SPAR, and what Spar can do for you.

Should you now wish to apply for membership of the SPAR Organization, you are requested to write to us giving the physical address of the premises from which you wish to operate and any other information which you feel will enhance your application. Once we have evaluated your application and believe that it meets the required criteria, you will be expected to pay for the Application for Membership Package which includes:-

- Application for membership of SPAR Guild,

- Constitution of SPAR Guild,

- Application for credit facilities from SPAR Harare (Pvt) Ltd.,

- Minimum specifications for SPAR stores,

- Policy document for I.T. projects

The cost of this package is presently Z\$2 000 and is subject to regular review.

Once you decide to engage the services of the SPAR Projects department you will be required to sign a contract with them. This contract binds members to pay for plans and development work initiated by the SPAR Organization if their membership is terminated within two years of their acceptance as members.

The above is subject to change by the Guild without notice.