



UNIVERSITETET I  
NORDLAND

**Bodø Graduate School of Business, Bodø, Norway**

Course Code: BE309E Date: 18.05.2012

Course Name: Master Thesis in International Business

TOPIC: ADVANTAGES AND DISADVANTAGES OF  
FRANCHISING TO THE FRANCHISEE IN NIGERIA

Author: Ochuko Thompson Oghifo

Student NO: 282209

## ACKNOWLEDGEMENT

I must firstly give thanks to Almighty GOD, for his kindness and Grace bestowed on me to carry this research and study.

Additionally, I am thankful to Universitetet I Nordland, (Bodø Graduate Business School), Norway, for giving me the opportunity to carry out this study in Master of Science in Business (International Business) at Bodø Norway.

Moreover, I wish to express my profound gratitude to my project supervisor, Professor Tor Korneliussen, for his good advice, cooperation, patience, and good comments that enable me to make the appropriate corrections to this work.

Finally, I also extend my gratitude to all the amazing staffs of various organizations I contacted for relevant data, in Nigeria society, by whose contribution I have been able to do this work.

.....  
Ochuko Thompson Oghifo

## **ABSTRACT**

The research pertains to the Nigeria Franchising system. It is a study that seeks to provide the necessary information of different stages of franchising system in Nigeria economy; example is like the different stages of product life cycle. It is a descriptive case study which stands to investigate the advantages and disadvantages of Nigeria franchising system to the franchisees found in different industry sectors, using some models outlined by academics in the subject area of franchising in an international business perspective.

With the adverse international business potentials and natural resources, Nigeria has what it takes to attract business organizations to invest in its economy. Though its political sectors have some flaws, but it happens to be the most developed and biggest market with majority of natural resources in its rich Niger delta area in the sub-Saharan region of West Africa. It is a developing country that has the various potentials to improve the standard of living for its citizens through entrepreneurship and franchising being the gateway of entering into the global market. But it is really below standard that majority of the major world outlets of franchisors are still not in the country, it is for reasons such like this that researchers have decided to investigate into the extent of franchising in Nigeria, which will also help to promote the industry in West Africa.

Previous research on this sector has been focused on business format franchising, but this research will extend to cover all the parts of franchising in the field of academics and to bring into the awareness of the majority of people who happen to have no idea about the significance of franchising system and its contribution to societal benefit in a developing economy and the world at large.

## **SUMMARY**

For any research to be carried out there should be a purpose without which it will not be expedient to undertake that particular research in question, be it for academic purpose or non-academic purpose. The purpose of this academic work is to describe and analyze franchising from the perspective of the Nigeria franchisee, to ascertain the advantages and disadvantages the concept of franchising brings to the franchisee's business concern. It will contribute to knowledge about franchising in developing economies in Africa.

## **TABLE OF CONTENT**

<b>1. INTRODUCTION.....</b>	<b>1-3</b>
1.2. Research question.....	3-4
1.3. Contribution of the study.....	4
1.4. Research structure.....	4-5
<b>2. THEORETICAL FRAMEWORK.....</b>	<b>5</b>
2.1. Literature review.....	5-9
2.2. History of Franchising.....	9-10
2.3. What is Franchising.....	11-13
2.4. Type of Franchising.....	13-14
2.5. Advantages of Franchising to Franchisee.....	14-19
2.6. Disadvantages of Franchising to Franchisee.....	19-24
<b>3. RESEARCH METHODOLOGY.....</b>	<b>25-26</b>
3.2. Research design.....	26-30
3.3. Method of data collection.....	30-33
3.4. Data evaluation.....	34-36
<b>4. ANALYSIS AND DISCUSSION.....</b>	<b>37</b>
4.1. Introduction.....	37
4.1.2. Tantalizer.....	37-41
4.1.3. Kentucky Fried Chicken (KFC).....	41-44
4.1.4. Tastee Fried Chicken (TFC).....	44-48
4.1.5. Sweet Sensation.....	48-51
4.1.6. Pizza Inn.....	51-53
4.1.7. Shoprite.....	53-58
<b>4.2. CASE ANALYSIS.....</b>	<b>58-64</b>
<b>5. CONCLUSION AND IMPLICATION.....</b>	<b>65</b>
5.1. Conclusion.....	65-66
5.2. Implications.....	66
5.3. Limitation of Study.....	66
5.4. Proposal for further Research.....	66-67
5.5. Recommendation.....	67

**REFERENCES.....68-72**

**APPENDIX.....72-77**

### **LIST OF TABLES**

Table.2.1. Advantages and disadvantages of franchising to the franchisee

Table.3.1. List of Franchisee and types in Nigeria

Table.4.1. Tantalizer Outlet

Table.4.2. Sweet Sensation Outlet

Table.4.2.1. Advantages of Franchising to Franchisee

Table.4.2.2. Disadvantages of Franchising to Franchisee

Table.4.2.3. Investment cost paid in Nigeria difference with that of international Countries

# **CHAPTER -1**

## **1.1. INTRODUCTION**

Franchising is booming! Much of its popularity arises from its ability to offer those who lack business experience the chance to own and operate a business with a high probability of success. Growth of franchising in recent years has been phenomenal, reaching far beyond the traditional auto dealerships and fast food outlets. Through franchised businesses, consumers can buy nearly every good or service imaginable - from singing telegrams and home cleaning services to waste-eating microbes and tax preparation services. "Franchising is the most successful marketing concept ever credited," says trendtracker John Naisbitt (Scarborough and Zimmerer, 2003). Despite the recent escalation of publicity, franchising is not by any means a new phenomenon in the internalization process of a firm. It is frequently seen as a recent 'import' into Europe, particularly from the United States (Bradley, 2005). Franchising, a derivative *offrancorum rex* or 'freedom from servitude', is now a very significant organizational arrangement in the U.S. economy accounting for approximately 40 per cent of all retail sales and 10 per cent of gross domestic product (Bradley, 2005).

Today, some 5000 franchisors operate more than 600,000 franchise outlets throughout the world, and more are opening at an incredibly fast pace. A new franchise opens somewhere in the United States every 8 minutes and somewhere in the world every 6.5 minutes. Because of the many benefits it offers both franchisors and franchisees, franchising has experienced exponential growth rate in the United States and abroad. Franchises now account for 50 per cent of all retail sales, totaling more than \$1 trillion, and they employ more than 8 million people in more than 100 major industries (Scarborough and Zimmerer, 2003). In contrast, franchised retail sales in Europe are much lower as there is considerable interest in franchising as part of the firm's competitive strategy and internationalization process (Bradley, 2005). Previous academic works on franchising have been done on some developed nations such as the United States, Britain and Australia, and some non-African developing countries such as Brazil, Croatia, Russia, Slovenia, Bulgaria, Indonesia and China (Welsh and Alon, 2001) but to the best of my knowledge there is no published studies of franchising as a mode of entering into an international market on the African continent, so therefore I have decided to undertake this work with Nigeria as the focal point of my study. My belief is that it will help contribute to the understanding of franchising in terms of its ability to create jobs in

the business environment. Also tie in with a related works on the same topic in the same continent to give a better account of the nature or extent of franchising system in developing countries, and its advantages and disadvantages to the franchisees. This academic work will enable me to make comparative analysis between franchising from the franchisees perspective in developed countries and that of developing countries.

Franchising is an ideal way to tap into the business potential of the huge Nigerian market. The sector is growing quickly and attracting the attention of both local and international established companies. Franchising opportunities in Nigeria go beyond retail and restaurants – the traditional industries associated with franchising – to include sectors such as downstream oil and gas, telecommunications, banking, hotels and information technology, though most of these type of franchise are difficult for researchers to get access to their management. The possibilities are limitless, and the returns on investment are lucrative in some cases. Globally, franchising has shown remarkable resilience in weathering hard times, and remained a significant force in the face of the global financial crisis. It is a low-cost and low-risk alternative to wholly-owned operations, which some investors may shun due to the challenging business environment in Nigeria.

The Nigerian International Franchise Association (NIFA), a trade body that supports franchising in Nigeria actively promotes the development of the sector. ‘The scale and strength of the Nigerian franchise sector means that we can no longer overlook it as one of the boosters of our economy,’ says executive secretary Michael Babalola. NIFA mobilizes the Nigerian franchise community through organizing seminars and providing services such as consultancy expertise, feasibility analysis, financial and marketing advice, market research and franchise recruitment.

‘The trust earned from an established and respected brand name promises immediate credibility in the huge market base that exists in Nigeria,’ says Babalola.

Shoprite, the South African-based supermarket outlet is one of the many foreign companies with franchises in Nigeria. KFC also ventured into the country not long ago. These are among the group of companies, particularly from the US and Europe, which are expanding in African countries, attracted by the small capital outlay and the franchisees' knowledge of the local business environment. Research by the African Development Bank shows only 15% of



franchised SMEs fail compared to an 80% failure rate among other independent businesses. Business opportunities are constantly emerging in Nigeria where income spend is increasing, and demand for international branded products and franchises are rising - thanks to Nigerians who have been empowered by the fortunes attained from opportunities in lucrative sectors such as oil and gas, telecommunications and financial services.

This work is not only interesting and important to carry out, because of its ability to create jobs and opportunities for entrepreneurs, but also because it was initially derived as an idea of selling the rights of a business to a person or company who does not have the initial capital to start up his or her own business. Such situations are very common in Nigeria, due to its unstable economy and limited access to loans from banks and financial institutions. Thus, franchising is a way to allow massive scalability of a business, without having to invest every single cash just to expand globally, but rather to have the benefit of receiving up front Franchise fee's instead from those who do have money, while receiving royalty's at the same time. For foreign investors still battling with the effects of the global crisis and depressed markets, franchising in Nigeria could be a sure way to transform businesses. Engaging with highly experienced Nigerians, who have returned home due to loss of jobs abroad, not only provides a potential source of top notch managers but an opportunity to follow customers.

## **1.2. RESEARCH QUESTION**

The research is going to look into this case from the view point of small businesses. Franchising has been argued to be particular importance, since most franchisors still are, or have been recently small businesses themselves and most of their royalty paying franchisees are also small businesses. According to Carter and Jones-Evans, (2000), franchising offers a route to growth for they would be franchisor and business opportunities with limited risk for would be franchisees.

In different forms of market scenario, franchising offers advantages and disadvantages to companies or businesses. Thus, the main research question is:

- **What are the ADVANTAGES AND DISADVANTAGES of franchising to the franchisees in Nigeria?**

### **1.3. CONTRIBUTION OF THE STUDY**

The main motivation of this research study is to describe and analyze franchising from the view of Nigeria franchisee, in other to identify the main and important advantages and disadvantages the concept of franchising brings to the franchisee's business organization in Nigeria.

This study will contribute to knowledge about franchising in Nigeria and developing economies in West Africa. The expected contribution of this research to Nigeria economy is to demonstrate if the advantages of franchising sector outpaced many other sectors of businesses and entrepreneurships in the Nigeria economy during pass period. It will also find if the advantages or disadvantages of franchising in the country can improve direct economic output base on the franchisee business operations, compared to percent for other businesses.

We will also find out if franchise industry created jobs far more than the rate of other businesses. Furthermore, these studies will demonstrated to policymakers that while franchised businesses account for less percent of all businesses in Nigeria, probably their economic contributions are out-sized in relation to their numbers.

In the next chapter, we will review the literature relevant for the study.

### **1.4. THE RESEARCH STRUCTURE**

The research will be made up of six chapters, which will comprise of; introduction, theoretical framework [literature review], methodology, empirical finding, analysis, and conclusion and implication. The thesis is therefore taken for the requirement leading to the award of a Master of Science degree in Business at the Universitetet i Nordland, Bodø, Norway.

The introduction part of this master thesis has the potential goals to present general view of the project plan and also to define the research question. It spells the starting point of choice of theoretical framework and clarifies the purpose for the chosen research area.

The second chapter; Theoretical frame work [literature review], gives theories of franchising system, such as the history, definition of franchising, and the advantages and disadvantages of franchising to the franchisee base of the views of academicians in the field.

The methodological part put into consideration the data collection and analysis. It highlights the research design and strategy, qualitative method and inductive approach. The next analysis and discussion chapter explains the approach of which the information from the field work is discussed. Details of the interviews, both oral and telephone are discuss in this chapter.

The conclusion and implication part provide summary of the necessary and important points of the research undertaken. Recommendation is suggested, base on the research experience, contribution of the study, proposal for further research and the study limitations.

## **CHAPTER – 2; THEORETICAL FRAMEWORK**

### **2.1. LITERTURE REVIEW**

In recent times there has been a growing interest in the concept of franchising as a new distribution paradigm and new market entry strategy in the marketing environment. This growing interest has given birth to diverse views and literature by authors, scholars and practitioners. It is on this basis that we present a review of related literature in the basic concepts and theories that are essentially connected to the research problem and questions.

Franchising provides entrepreneur with an opportunity to enter the world of small business without all of the risks usually associated with starting a business from scratch. In most cases, the cost of entering a franchise are less than the cost of buying a franchise represents the acquisition of a proven business model, thus reducing the odds of failure considerably. This section of the research highlights various philosophies propounded about the concept of franchising. "*There is no smoke without fire*", for that matter it worth having some overview about the general concept of franchising, from international and developing perspective, the fast food franchising in Nigeria, before going into other subsectors like the history , some definitions and types of franchising systems, then proceed in looking at the advantages and disadvantages of franchising to the franchisee.

Franchising is an agreement between organizations where a producer of product or service grant rights to independent business men to conduct business in a specified way, designated place and at a certain period of time. It is a very specific method or way of distributing goods and services. Gates (2000) argued that franchising is not a business itself, but a way of doing business. No wonder she draws a conclusion that it is essentially a marketing concept and franchising as a concept is an innovative method of distributing good and services. The franchise council of Australia (FCA) viewed franchising as a business relationship in which the franchisor assigns to the franchises the right to market and distribute the franchisors goods and services, and to use the business name for a period of time.

International franchising has grown significantly since the 1960s because of both push and pulls factors which Alon (2006) described as domestic saturation, increased competition and diminishing profits as the push factors while, favorable macroeconomic, demographic and political conditions abroad are the pull factors that influenced foreign franchisors. Franchising in developed economy is most pronounced in U.S.A. They have experienced an explosion in business format franchising in the last two decades since, this is the most efficient business model for the distribution of goods and services. Bassuk (2000:5) argued that with the fall of communism and the move away from socialism and towards free market economies, the world is becoming franchise driven. Om sai Ram in (Haiying, 2005) observed that one-third of all retailing in U.S.A. are franchise-related and that there are more than 3,000 franchise companies, trading in about 521,215 outlets. In view of this success story in U.S.A, the companies choose to franchise abroad and today the developed economies have not only adopted franchising but institutionalized it through regulations.

Assessing the economic potential in developing economies is important for international franchisors who wish to prioritize markets for expansion, choose an appropriate mode of entry, and select a proper fee structure for their franchise system. The economic rate of growth, level of population and G.D.P per capita are variables considered while entering emerging markets (Bassuk, 2000 and Frantino, 2006:28). China with a population of more than 1.3 billion people, Brazil with a population of over 500 million and Nigeria (140 million) is the most populous black Nation in the world. Franchising is a relatively new model in these countries where it was first noticed in the early 1970s. Today, China has about 2,500 chains using franchising through more than 50 industries including fast food and employed about 1.8

million people in almost 170,000 stores. On the other hand Brazil is the fifth largest country of franchises.

The Brazilian market has revenue worth \$12 billion dollars and generates 22,000 jobs through 894 franchisers and 46,534 franchise units (Risner, 2001). She revealed further that 94% of the business format franchises are Brazilian while, 6% are foreign. Gunarskara (2007:49) argued that, franchising was the primary guarantee of success for a foreign brand in Brazil but, due to the complex business environment, more than 90% of them failed in the 1980s. This was also true of china where difficulties with quality control, weak legal system, uncertainty of regulations and Intellectual Property (IP) risks are stumbling blocks to foreign franchisors. Ordish (2006:31) reiterated that franchising is a new business model in developing countries and thus, requires a great deal of education at all levels. Despite the great success recorded today in Asian countries most especially fast food franchising which Risner (2001) concluded to be the largest sector in the franchising industry.

African market is yet to fill the impact of this job creation and money spinning distribution concept. While, South Africa is said to have enjoyed from this global trend Nigeria with the largest population in Africa and the 6th crude oil producing Nation in the world is still grappling in the dark. Hoffman and Preble (1993:38) posits that franchising has until recently been an uncommon world in business lexicon in Nigeria hence, the conspicuous absence of foreign franchisors in the country. The earliest form of franchising in Nigeria had been product marketing franchising through Texaco, Total, Agip, Coca cola, and Peugeot etc. But, the earliest business format franchise in Nigeria according to Olumide (2007) is through Duraclean U.S.A. in 1980s. And since then business format franchising has grown significantly, especially in the fast food sector. This is as a result of the sensitization efforts of the National Office for Technology Acquisition and Promotion (NOTAP) and the Nigeria International Franchise Association (NIFA). Today one could conclude that franchising is steadily becoming understood and accepted as attractive business model in Nigeria. Suffice to say that, while the developed market is becoming saturated with franchising model that of developing economies is just opening up and even with its attendant challenges, the emerging markets are potential pot of opportunities. Franchise in the food sector is adjudged the largest area of investment in the developing or emerging markets.

Franchise in the food sector came into the National focus in 1970s when giant companies like Kingsway snacks in Broad street, Leventis snacks marina, UTC snacks among others established their in the Nigeria market. JAI (2004) revealed that the trend changed in 1986 when UAC Lunched her fast food unit called MR. BIGGS. The Nigerian fast food industry has been growing rapidly since then, judging from recent report which had shown that the Nigeria fast food sector had a growth rate of 40% per annum within the last six years (Chamberlain, 2006:6). The list of fast food franchisee is endless; Kentucky Fried Chicken (KFC), Mr. Briggs, Tantalizers, Tastees Fried Chicken (TFC), Sweet Sensation, Big Treat, Pizza inn, Favorites, Kas Chicken, Frechies, Shoprite Chiquita, Gina's Fast Food Delite, Kigstine Jo Snacks & Burger, Friends, The Kitchen, Charlie's and new entrants like Quarter Jack in Ogunlana Drive, Surulere, The Triangle along Kodesho Street, Ikeja, Trendy's and Domino Dina both in Sabo, Yaba, Choppies in ojuelegba among others too numerous to mention. Nworah (2006) argued that due to the competitive nature of the market, many of the outlets have started to blend their menus with African cuisines like Pounded Yam, Amala, Moin Moin, Eba, Semovita, Fufu etc. Other unexplored areas are in core Nigerian 'fast food' and snacks (possibly covering the over 300 varied ethnic nationalities within Nigeria). These include Boil (roasted plantain) & Epa (ground-nuts), Isu Sisun (roasted yam) & Epo (palm oil) with dry pepper, Dundun (fried yam), fried plantain (Dodo), boiled and roasted com, Eko 9congealed, unflavoured custard) & Akara (beans cake), Ogi (unflavoured custard) & Moin Moin, Eran Igbe, Asun (barbecued goat meat), Suya (grilled cow meat) and many others.

Ibru (2007:10) posits that these records has placed Nigeria in a vantage position with its economic potential worth \$220 million which only local franchisors are enjoying with less than 20% from South Africa. There are three distinct segments in the Nigerian fast food market: the indigenous brands led by Mr. Biggs; the international franchises led by South Africa. Chamberlain (2006) observed that franchising fast food companies from the developed countries – McDonald, Pizza Hut etc. had deliberately avoided Nigeria market unlike other developing economies or emerging markets. Olumide (2007:8) argued that many of the consumers expresses desire to buy American fast food franchises but the franchisors are not willing to do business with the Nigerians. Chamberlain (2006) reiterated the reasons for the inability to attract American fast food franchises to include relatively newness of franchising, lack of understanding of the concept and techniques of business format franchising, high cost of acquisition, and culture. Ibru (2007) adding to these challenges highlighted competition, franchise discipline and failed contracts, legislation and registration

networks at developing stage, corruption, bad image and of course capital (considering the exchange rate).

It is pertinent to identify the different types of franchising, these include: (1) product franchise where a producer granted a right to sell its products to the franchisee (2) Name and process franchise is a situation where the franchisee is granted the right to use the name and process of the business and (3) we have the business format mode where the franchisee is not only granted the rights above but, involves the transfer of ways of doing business by the franchisor. Bassuk (2000) concluded that, business format franchising is what franchising is all about today and essentially why franchising is the most successful method of distributing goods and services in the business world. This is evident in the number of business models among which we have manufacturer – retailer, manufacturer – wholesaler, wholesaler – Retailer and retailer – retailer. These models helps to make franchising as the fastest growing marketing strategies in our in our business today.

## **2.2. History of Franchising**

Few historians believed that the word franchising comes from old French meaning privilege of freedom from servitude (Bassuk, 2000:8). Franchising has been traced back to the middle Ages, when the Catholic Church granted franchise to the tax collectors. They would receive a portion of the revenue and turned over what remained to the Pope. This was also noticed during the feudal times. Gates (2000:8) posits that, individuals were also given franchises to sponsor markets and fairs, and observed further that, in 18th century England, royalty and parliament awarded franchises to noblemen who agreed to meet specific responsibilities. Risner (2001: 18) reiterated further that this concept was extended to the kings granting a franchise for all manner of commercial activities and over time the regulations governing franchise became a part of European common law.

Isaac M. Singer (1811-1875) gets credit for starting the modern use of franchising in the U.S. During the early 1850s, Singer, who had improved an existing sewing machine model, wanted to find a wider distribution for his product but lacked the money to increase manufacturing. Another problem was that people wouldn't buy his machines without training, a service retailers weren't able to provide. Singer's solution, to charge licensing fees to people who would own the rights to sell his machines in certain geographical areas, provided money for manufacturing. These licensees became responsible for teaching people how to use his

machines, which created opportunities to bring the first commercially successful sewing machine to the public.

Franchising was employed on a limited basis after the success of Singer's sewing machine distribution method. Business format franchising (the licensing of the brand name/trademarks and of the entire business concept), which is the dominant mode of franchising today, came onto the economic scene after World War II and the subsequent baby boom. There was an overwhelming need for all types of products and services, and franchising provided a way to quickly grow businesses.

Franchising really began to blossom in the post-war 1950s and 1960s. Franchisors of convenience goods and services seemed to be popping up on every corner. McDonald's, Kentucky Fried Chicken, laundry services, dry cleaners, hotels, and rental car franchises flooded the marketplace. One of the early franchise behemoths, McDonald's, opened 1,000 units in just 10 years. Midas Muffler reached 400 locations, Holiday Inn grew to 1,000 locations, and Budget Rental Car topped 500, all during the same period. But growing pains were becoming evident, and by the end of the 1960s trouble was brewing. Many franchisors had begun focusing more on the sale of franchises than on supporting and operating successful franchise systems. Others made misrepresentations in how they recruited prospective franchisees. There were other problems as well.

After a period of cooling and oversaturation, franchising began to make a comeback of sorts during the late 1980s and early 1990s. This growth has continued, with some ebb and flow, steadily through today. According to a study by PricewaterhouseCoopers: franchise businesses are responsible for 40 percent of all retail sales in the U.S; there are more than 750,000 franchise businesses that generate almost \$1 trillion in annual sales; and franchises employ more than 18 million people in the U.S. directly, and over 25 million indirectly.

The franchising model works because it provides a formula for operating a successful business by delivering a uniform product and service to customers. It provides franchisors with the capital they need, creates distribution channels, and gives consumers a recognized standard of what to expect and a higher perceived value. Done right, it's a model that benefits business owners, operators, and customers alike.



### **2.3. What is franchising?**

International Franchise Association defines franchising as a continuing relationship in which the franchisor provides a licensed privilege to do business, plus assistance in organizing training, merchandising and management in return for a consideration from the franchisee. Om sai Ram in (Haiying, 2005) posits that in the past 50 years “business format” franchising has come to be predominant in the developed economy like USA and in more than 80 countries, Generally, franchising in the business environment is composed of three elements viz: the franchisor (owner of business and name in the system); the system (the business in which investment is made) and franchisee (the investor who purchase the right of ownership). The interaction between these elements is carried out under a contractual agreement (Preble, 1992).

Corporate or business strategies are essentially about what the business wants to achieve. Business strategy is about how those corporate objectives are to be achieved. Business strategy is concerned with deciding which markets and activities the business should be involved in; where it wants to be; and how it is going to get there. Strategy is about making high-level decisions and forms the management game plan for...

- Satisfying customers (meeting customer needs)
- Running the business (organizing resources in the most efficient and effective way)
- Beating the competition (strategies and tactics to gain competitive advantage)
- Achieving corporate objectives

The others are company owned units or a combination of company owned and franchised units. Franchising is a business strategy for getting and keeping customers. It is a marketing system for creating an image in the minds of current and future customers about how the company's products and services can help them. It is a method for distributing products and services that satisfy customer needs. According to the executive secretary (NIFA) Michael Babalola ‘Franchising not only allows expansion but is also an empowerment tool, which can benefit start-up companies and develop Nigeria’s small and medium enterprises (SMEs). The expertise gained through the franchise model guarantees the success of a business.

From Root (1994) point of view, franchising is a form licensing in which a company (franchisor) licenses a business system as well as other property rights to an independent company or person (franchisee). For Hisrich and Peters (2002:542), it is «an arrangement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive right of local distribution to independent retailers in return for their payment of royalties and conformance to standardized operating procedures." The person offering the franchise is being referred to as the *franchisor*, whilst *the franchisee* is the party who has purchased the *franchise*, and is given the opportunity to enter a new business with a better chance to succeed than if he or she were to start a new business from scratch. Franchising also refers to the granting of the right by a parent company (the franchisor) to another, independent entity (the franchisee) to do business in a prescribed manner (Czinkota et al, 2003). In the case of Welsh and Alon, it is referred to as comprising a contractual relationship between a franchisee (usually taking the form of a small business) and a franchisor (usually a larger business) in which the former agrees to produce or market a product or service in accordance with an overall "blue print" devised by the franchisor (Welsh & Alon, 2001:88). These are just some of the few definitions mentioned for the purpose of this research.

Franchising is a network of interdependent business relationships that allows a number of people to share:

- A brand identification
- A successful method of doing business
- A proven marketing and distribution system

In short, franchising is a strategic alliance between groups of people who have specific relationships and responsibilities with a common goal to dominate markets, i.e., to get and keep more customers than their competitors. There are many misconceptions about franchising, but probably the most widely held is that you as a franchisee are "buying a franchise." In reality you are investing your assets in a system to utilize the brand name, operating system and ongoing support. You and everyone in the system are licensed to use the brand name and operating system. The business relationship is a joint commitment by all franchisees to get and keep customers. Legally you are bound to get and keep them using the prescribed marketing and operating systems of the franchisor.

Finally, your desire to become a franchisee must be grounded in your belief that you can be more successful using someone else's brand and operating according to their systems and methods, than you could if you opened up your own independent business and competed against them. You want to look for a franchisor who is building a system of interdependent franchisees who are committed to getting and keeping customers, to growing faster than the market, to growing faster than the competitors, and to do all of that with high margins. When you discover a franchisor who understands this relationship, you have a franchisor worth your consideration.

## **2.4. Types of franchise**

According to Gompers and Sahlman (2002), there were two distinct types of franchise systems, which developed in the United States between the 1850s and the 1950s, and these were product/trade name franchising and business format franchising. However, Knowles (1996) brings a third type of franchising system which is Conversion franchising aside the aforementioned two types.

### **2.4.1. Product or trade name franchising**

It was developed in the 1840s when the makers and the inventors of the new and complex machines used a modification of the agent /licensee system to spread knowledge of their products (Gompers and Sahlman, 2002). Examples are auto dealerships and gasoline service stations (Dant, 1995). With this system of franchising, manufacturers are able to govern the how retailers distribute their products (Le. the franchisors products). The manufacturer hereby grants a store owner the authority to distribute goods by the manufacturer. The store owner or business owner is required to pay a fee or purchase a minimum inventory of stock in return for the right.

### **2.4.2. Business format franchising**

This took off in the 1950s as an industry in its own right as fast food chains such as McDonald's and Kentucky Fried Chicken expanded rapidly throughout the country during the decade (Gompers and Sahlman, 2002). This type of franchising is the most popular form of franchising. The system requires that a company provides a franchisee with a proven method for operating a business using the name and trademark of the company. The company will

usually provide a significant amount of assistance to the business owner in starting and managing the company. The franchisee pays a fee or royalty in return.

### **2.4.3. Conversion franchising**

This encompasses benefits derived from collective power of a brand name and its national or international marketing promotion activities, training and purchasing. It could be emphasized that brand name franchising can be considered as conversion franchising. It involves the conversion of otherwise independently owned and operated businesses into a group sharing an umbrella brand name. The group members have to pay a fee for using the brand name.

The concept of franchising is ensured when the franchisor sells a proven business package to the franchisee that then duplicates the business. It is pertinent to conclude that franchising is conceived on dyadic benefits: the franchisor achieves rapid expansion with limited capital outlay; the individual franchisee equally benefits by owning and operating a business which utilizes proven methods and procedures; because the franchisor makes his expertise available in a multitude of areas. In line with this, JAI (2004:3) highlighted the following advantages and disadvantages of franchising.

Other benefits of franchising as a way of growing your business are; the capital needed to expand the business is provided by the Franchisee; Trained, motivated management is part and parcel of franchising; Franchise units tend to be better run, therefore more efficient and profitable than company owned units; Rapid Expansion; Achieve optimum size – maximum profits are realized by getting very large. Great buying power – The large number of units allowed by franchising enables the company to buy for the entire system and at great savings to the individual franchisees. This greatly enhances profit margins and gives the franchisees a very strong advantage over all competitors; Maximum income Franchise fee through franchise royalties, equipment sales, supplies, materials sales, sales of Services, and property Rental.

### **2.5. Advantages of franchising to the franchisee**

Franchising as a mode of entering into an international market in a type of business environment has advantages that make it attractive for prospective entrepreneur to cultivate the burning desire of wanting to operate a business using franchise owned by a franchisor. There are a few good reasons why copycatting doesn't work, and in hard economic times,

these reasons make even more sense. We can't say enough about the security factor of choosing to invest in a franchise as opposed to a new start up. These are some of the advantages of franchising; Branding, Advertising, Name recognition, Reputation, Management Training and Support, Proven Products and Business Format, Financial Assistance, Standardized Quality of Goods and Services, Centralized Buying Power, Site Selection and Territorial Protection, Greater Chance for Success, Economies of scale, and Non-threatening help and advice.

### **2.5.1. Branding**

The first thing Franchises offer franchisees is a strategic identity that is not only effective, it has cumulative market impact. Corporate Brand Identities are proven. Mega-brands like McDonald's and Dunkin' Donuts have literally spent millions on their brandings and logos and the franchisee gets to take full advantage. Most Franchisors have already survived decades in their respective industries and are easily identifiable to the public. A successful brand is one that is remembered, and Franchises have some of the most successful brand identities in the world.

### **2.5.2. Advertising**

Advertising can be one of the biggest expenses for any new business and for good reason. You can't survive without effective advertising and effective advertising is expensive. These days, even if you have a prime location, if customers are unfamiliar with what you have to offer they won't come in. Franchises offer national advertising campaigns that are included in your franchise fee. This is a huge benefit when considering a franchise.

### **2.5.3. Name Recognition**

People today want guarantees like never before and name/menu/brand recognition gives them that assurance. Everyone knows what to expect when they stop at your franchise because the majority of them are repeat customers even if it's the first time in your store. You get to take advantage of the fact that a family from out-of-state, for instance, who has previously enjoyed your franchise's products and services, will think nothing of visiting your facility because of their past positive experiences. In fact, like an old friend, they are counting on you to be there.

#### **2.5.4. Reputation**

Next to Advertising and Branding, a Franchisee enjoys the protected reputation of the Franchisor. I say protected because there are designated legal departments that take care of the inevitable issues like lawsuits, accidents, and difficulties with employees. The reputation of the franchise is important enough, it is what breeds positive expectations that keep patrons loyal, but this benefit coupled with a built-in umbrella of legal protection is an incredible bonus and one you cannot get as an independent.

#### **2.5.5. Support**

Unless you were raised in the specific business you are trying to start, you will need special training. Franchise Head Quarters will train you in everything from the technology involved, to the accounting, to standing behind the counter and taking money. Ongoing and online support is always available as well as special alerts and continuing education. Franchisors want you to be successful and they make themselves available every step of the way. After all, they want to keep selling franchises and high success ratios keep potential franchisees coming.

#### **2.5.6. Proven Product and Business Format**

A franchise owner does not have to build the business from scratch. What a franchisee essentially purchases is a franchisor's experience, products and expertise. Instead of being forced to rely solely on personal ability to establish a business and attract a clientele, a franchisee can depend on the methods and techniques of an established business. These standardized procedures and operations greatly enhance the franchisee's chances of success and avoid the most inefficient type of learning – trial and error (Zimmerer and Scarborough, 2002).

#### **2.5.7. Financial Assistant**

Franchisees rarely receive loans from franchisors to enable them to pay the initial franchise fees. However, once a franchisor locates a suitable prospective franchisee, it may offer the qualified candidate direct financial assistance in specific areas, such as purchasing equipment, inventory, or even the franchise fee (Zimmerer and Scarborough, 2002). To Vaughn (1979), most franchisees in the business for a few years are happy with their positions, due in a large measure to the generally satisfactory level of franchisee income and the feeling of independence. Franchisors typically do not provide any extensive financial help for

franchisees since they depend on their (franchisees) money to grow their businesses. Because the start-up costs of some franchises are already at breathtaking levels, some franchisors find that they must offer direct financial assistance (Zimmerer and Scarborough, 2002). About half of the International Franchise Association's members indicate that they offer some type of financial assistance to their franchisees; but however, only one fourth offer direct financial assistance. In most instances, financial assistance from franchisors takes a form other than *direct loans, leases, or short-term credit* (Zimmerer and Scarborough, 2002). Furthermore, franchisors usually are willing to assist qualified franchisees in establishing relationship with banks, private investors, and other sources of funds. Such support and connections from the franchisor enhance a franchisee's credit standing because lenders recognise the lower failure rate among established franchises (Zimmerer and Scarborough, 2002).

On the other hand, preferred relationship between lenders and franchisors can be critics because finding financing for a franchise can be challenging, just like attracting capital for any business start-up (Zimmerer and Scarborough, 2002).

### **2.5.8. Standardized Quality of Goods and Services**

Building a sound reputation in business is not achieved quickly, although destroying a good reputation takes no time at all. Because a franchisee purchases a license to sell the franchisor's service or product and the privilege of using the associated brand name, the quality of the goods or service sold determines the franchisor's reputation.

If some franchisees were allowed to operate at substandard levels, the image of the entire chain would suffer irreparable damage; therefore, franchisors normally demand compliance with uniform standards of quality and service throughout the entire chain (Zimmerer and Scarborough, 2002). In many cases, the franchisor conducts periodic inspections of local facilities to assist in maintaining acceptable levels of performance. For instance, John Schnatter, founder of Papa John's, a fast-growing pizza franchise, makes personal visits to some of his franchisees' stores four to five times each week to make sure they are performing up to the company's high quality standards. Franchisees say that Schnatter, known for his attention to detail, often checks pizza for air bubbles in the crust or tomato sauce for freshness. "Pizza is Schnatter's life, and he takes it very seriously," says one industry analyst (Zimmerer and Scarborough, 2002).

Furthermore, maintaining quality is so important that most franchisors retain the right to terminate the franchise contract and to repurchase the outlet if the franchisee fails to comply with established standards (Zimmerer and Scarborough, 2002).

### **2.5.9. Centralized Buying Power**

A notable issue is the fact that, a significant advantage a franchisee has over an independent small business owner is participation in the franchisor's centralized and volume buying power. If franchisors sell goods and supplies to franchisees (not all do), they may pass onto franchisees any cost savings from quantity discounts they earn by buying in volume (Zimmerer and Scarborough, 2002).

For instance, it is unlikely that a small, independent ice cream parlor could match the buying power of Baskin-Robins with its 3,000-plus retail ice cream stores. In many instances, economies of scale simply preclude the independent owner from competing head-to-head with a franchise operation (Zimmerer and Scarborough, 2002).

### **2.5.10. Site Selection and Territorial Protection**

A proper location is a critical to the success of any small business, and franchises are no exception. In fact, franchise experts consider the three most important factors in franchising to be *location, location* and *location*. Becoming affiliated with a franchisor may be the best way to get into prime location (Zimmerer and Scarborough, 2002).

Many franchisors will make an extensive location analysis for each new outlet, including researching traffic patterns, zoning ordinances, accessibility, and population density. McDonald's for instance, is well known for its ability to obtain prime locations in high-traffic areas (Zimmerer and Scarborough, 2002). Although choosing a location is the franchisee's responsibility, the franchisor usually reserves the right to approve the final site. Choosing a suitable location requires a location analysis, including studies of traffic patterns, zoning ordinances, accessibility, population density, and demographics (Zimmerer and Scarborough, 2002).

### **2.5.11. Greater Chance of Success**

According to the American Bar Association's Franchise Committee, one-third of the franchisees in a typical franchise system are making a decent profit, one-third are breaking even, and one-third are losing money (Zimmerer and Scarborough, 2002). Investing in a franchise is not risk free. Between 200 and 300 new franchise companies enter the market each year, and not all of them survive. But available statistics suggest that franchising is less



risky than building a business from the group up. One expert says that "becoming a franchisee can be the safest way to scratch the entrepreneurial itch.' Approximately, 24% of new businesses fail by the second year of operation; in contrast, only about 7% of all franchises will fail by the second year. After 6 years, 85% of franchises are still in business compared to just 50% of independent businesses. This impressive success rate for franchises is attributed to the broad range of services, assistance, and guidelines the franchisor provides (Zimmerer and Scarborough, 2002).

### **2.5.12. Economic of Scale**

It is possible for an individual to run his or her own business yet gains the advantages and economies of scale of a larger company. Here the advantages range from initial and ongoing training, to centralized buying, ongoing product/service and market research (Carter and Jones-Evans, 2000).

### **2.5.13. Non-Threatening Help and Advice**

There are other franchisees in the same network with the same challenges and problems and so any individual franchisee can use them as a source of nonthreatening help and advice (Carter and Jones-Evans, 2000).

## **2.6. Disadvantages of franchising to the franchisee**

In as much as franchising gives same benefits to the franchisee, it should also be noted that franchising as a made of entering into an foreign economy to undertake a business has its attendant disadvantages and therefore it worthwhile for would-be entrepreneurs and existing franchisee to take notice of them. The demerits (disadvantages) of franchising to the franchisee can be organized under the following headings: Openness to Fraud, Less freedom, Market constrain, Cost involve, Damage Brand name, Unsatisfactory support\Training, Franchisee Fees and Profit Sharing (this includes initial franchise fee, cash investment, royalty payments, and advertising costs), Tight policies to Standardized Operations.

### **2.6.1. Openness to Fraud**

One of the biggest disadvantages of franchising to the franchisee is that you might be open to fraud. In case you do not conduct a proper back ground check of the franchisor or in case you are taken by the promised words of low franchise costs and quick profits of the franchisor,

then the chances are that you might be duped and taken vantage of and the franchisor might disappear after taking an initial investment from you, thus making this one of the greatest disadvantages of franchising to the franchisee.

### **2.6.2. Less Freedom**

Another disadvantage of franchising to the franchisee is that most of the times, you would not be allowed to do what you want to do, as there are specified rules and regulations in running a franchise business you are required to follow. You would not have a lot of control on the working of the system, the sold products and at times even deciding the location for your franchise. You would have to abide by the franchise contract, hence making it a big disadvantage of franchising to the franchisee.

As franchisees purchase their franchises and sign the contract, they agree to sell the franchisor's product or service by following its prescribed formula. When McDonald's rolls out a new national product, for instance, all franchisees put it on their menus. Franchisors want to ensure success, and most monitor their franchisees' performance closely. Strict uniformity is the rule rather than the exception (Scarborough and Zimmerer, 2003). Entrepreneurs who want to be their own bosses and to avoid being subject to the control of others will most likely be frustrated as franchisees. Highly independent, "go-my-own-way" individuals probably should not choose the franchise route to business ownership (Scarborough and Zimmerer, 2003).

### **2.6.3. Market Constrain**

Another challenge to territorial protection for franchisees is the Internet. Increasingly, franchisors are setting up Web sites, which some franchisees say are taking sales from their outlets and are in violation of their exclusive territory agreements. Franchisees of one drug store chain recently filed arbitration claims to block the franchisor from competing with them by selling products over its Web site. The franchisor denied that its Web site was cannibalizing sales of its franchised outlets and claimed that the site would promote the entire company's brand (Scarborough and Zimmerer, 2003).

### **2.6.4. Cost Involve**

Another disadvantage of franchising to the franchisee is that the costs involved can be more than what would otherwise be, if you start up your own independent business. Apart from the

initial cost of purchasing the franchise, you might also have to pay up an agreed portion of your advertising, marketing, or sales fees.

The service provided by the franchisor may constitute a heavy expense to the franchisee. The franchisee may be obliged to purchase equipment and ingredients from the franchisor, which he or she could have bought more cheaply from other sources. Also management service fees and charges may be high (Carter and Jones Evans, 2000). The services provided by the franchisor which are an expense to the franchisee, in some instances may be of dubious value (Vaughn. 1979), which again makes this one of the biggest disadvantages of franchising a franchisee.

#### **2.6.5. Franchisor may Damage Brand**

Anything bad or anything wrong happens with franchisor or in case franchisor all of a sudden develops a bad reputation in the market for supplying poor quality products and service, then its franchised business can also get affected this way and if the worse of the worst is to happen, the franchisor could all of a sudden run out of business, which means that its franchisees too will run out of business, thus this too is a big disadvantage of franchising to the franchisee. The value of the trade name is questionable in certain business classifications. In those in which repeat sales at frequent intervals are sought, customer satisfaction with the product or service soon becomes much more important than the name or banner under which the establishment operates (Vaughn. 1979).

#### **2.6.6. Unsatisfactory Support\Training**

Another disadvantage of franchising to the franchisee is at times the franchisors might cut slack on their dedication and promise to back up the franchisee. At times, the franchisor might also end up making wrong decisions which could have a bad effect on the franchisees business.

Every would-be franchisee must be wary of unscrupulous franchisors that promise extensive services, advice, and assistance but delivers nothing. For example, one owner relied on a franchisor to provide what had been described as an "extensive, rigorous training program's after paying a handsome technical assistance fee. The program was nothing but a set of pamphlets and do-it-yourself study guides (Scarborough and Zimmerer, 2003), hence making it a huge disadvantage of franchising to the franchisee.

### **2.6.7. Fees and Profit Sharing**

The fees and the initial capital requirements vary among the different franchisors. The Commerce Department reports that total investments for franchises range from \$1,000 for business services up to \$10 million for hotel and motel franchises. For instance, H & R Block requires a capital investment of \$2,000 to \$3000, and the Atlanta Bread Company estimates the total cost of opening a franchise to range from \$362,000 to \$584,000, depending on the size and location of the outlet. A McDonald's franchise requires an investment of \$408,600 to \$647,000 (but McDonald's owns the land and the building). The average start-up cost for a franchise is between \$150,000 and \$200,000 (Zimmerer and Scarborough, 2002). The four typical components of franchising costs are listed below:

#### **1. Initial franchise fee**

The total cost of a franchise begins with an initial franchise fee, which may range from several hundred to several thousand dollars (Longenecker et al, 2000).

#### **2. Cash investment**

There may be significant costs involved in renting or building an outlet and stocking it with inventory and other equipment. Also, certain insurance premium, legal fees, and other start-up expenses must be paid. It is often recommended that funds be available to cover personal expenses emergencies for at least six months. A reputable franchisor will always provide a detailed estimate of investment. McDonald's requires that an individual have a minimum of \$75,000 of non-borrowed personal resources to be considered for a franchise (Longenecker et al, 2000).

#### **3. Royalty payments**

A common practice is for the franchisor to receive continuing royalty payments based on a percentage of the franchise's gross income, TWO MEN AND A TRUCK, for instance, charges a 6 percent royalty fee. McDonald's currently charges a "service fee" of 4 percent of monthly sales plus the greater of (a) a monthly base rate or (b) a percentage rent that represents at least 8.5 percent of monthly sales (Longenecker et al, 2000).

#### **4. Advertising costs**

Start-up costs for franchises often include numerous additional fees. Most franchises impose a franchise fee up front for the right to use the company name. Other start-up costs might include site purchase and preparation, construction, signs, fixtures, equipment, management assistance, and training. Some franchise fees include these costs, whereas others do not. For

instance, Closets by Design, a company that designs and installs closet (and garage) organizers, entertainment centers, and home office systems, charges a franchise fee ranging from \$19,500 to \$34,900, which includes both a license for an exclusive territory and management training and support.

Franchisors also impose continuing royalty fees as profit-sharing devices. The royalty usually involves a percentage of gross sales with a required minimum, or a flat fee levied on the franchise. Royalty fees range from 1 percent to 11 percent, although most franchises assess a rate between 3 percent and 7 percent. The Atlanta Bread Company, for example, charges franchisor's royalty of 5 percent of gross sales, which is payable weekly (Zimmerer and Scarborough, 2002).

Moreover, these ongoing royalties can increase franchisee's overhead expenses significantly. Because the franchisor's royalties and fees are calculated as a percentage of a franchisee's sales, the franchisor gets paid (even if the franchisee fails to earn a profit). Sometimes unprepared franchisees discover (too late) that a franchisor's royalties and fees are the equivalent of the normal profit margin for a franchise (Zimmerer and Scarborough, 2002).

### **2.6.8. Tight Policies to Standardized Operations**

For instant, if a franchisee constantly fails to meet the minimum standards established for the business, the franchisor may terminate its license. Determining compliance with standards is usually accomplished by periodic inspections. At times, strict adherence to franchise standards may become a burden to the franchisee (Scarborough and Zimmerer, 2003). The terms of the franchise agreement govern the franchisor-franchisee relationship that agreement requires franchisees to operate their outlets according to the principles spelled out in the franchisor's operations manual.

## **CONCLUSION**

A broad generalization about the advantages and disadvantages of franchising to the franchisee in Nigeria may be hazardous, and one should ask, "What are the advantages and disadvantages of this particular franchisee to me, as opposed to other source of business alternatives?" Among the alternatives are securing a salaried job with a small or large firm, starting a business from scratch on one's own, and buying a going business concern.

The field work study will investigate the extent to which these advantages and disadvantages also applies to the franchisees business operations in Nigeria metropolis. The franchisees should be able to manage the advantages and disadvantages effectively so as to be able to stay longer in business. Present below is a tabular form of the advantages and disadvantages of franchising to the franchising;

**Table: 2.1. Advantages and Disadvantages of Franchising to Franchisee**

ADVANTAGES	DISADVANTAGES
Branding	Openness to fraud
Advertising	Less freedom
Name recognition	Market constrain
Reputation	Cost involve
Management training and support	Damage brand name
Proven product and business format	Unsatisfactory support and training
Financial assistant	Franchisee fees and profit sharing
Standardize quality of goods and services	Tight policies to standardize operations
Centralize buying power	
Site selection and territorial protection	
Greater chance of success	
Economic of scale	
Non threatening help and advice	

Base on these listed advantages and disadvantages shown on the table above, this paper is going to discuss further in the analysis chapter how franchisee's reacts to these issues in their daily operations in Nigeria

## **CHAPTER – 3**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter present the Methodological aspects that are related to gathering data which will be analysed afterwards. According to Saunders et al. (2003), methodology is the theory of how research should be undertaken, including the theoretical and philosophical assumptions open which research is based and the implications of these for the method or methods adopted. Methodology chapter aims to link both theoretical framework and empirical finding in appropriate way. In this chapter, the choice of research design, method of data collections is presented. Also, qualitative methodology and sampling procedure will be observed. Further, there will be explained dependence of validity and reliability of the Master assignment on relevant methods of research.

In theory, research means to search again and again. One studies the problem again and again to find out something more about the phenomenon. The first look may not be always adequate; it may be prone to error. Therefore, we look into the phenomena again and again and study the problem differently and thoroughly each time. This process, of searching again and again is known as research, thus research is searching the answers to questions. The research work undertaken following a systematic way which is called the research methodology. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically'. (Kothari, 2000:10), research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain object/objects in view' (Kothari, 1994:19).

Present analyses are intended to study the various aspects of Nigeria franchising system, it will find out the advantages and disadvantages of franchising to the franchisee. To achieve the basic objectives of the study, further various methodologies have been adopted for collecting, analyzing and interpreting the data which include research design, population, sample, type and nature of data, Source of data, Data gathering procedure, Data processing procedure, Techniques of analysis and others.

The approach to data collection and analysis will be qualitative in design, in order to utilize theoretical information. The qualitative design methodology will involve the production of an appropriate questionnaire designed to elicit questions regarding the Nigeria Franchising system. The franchising system will be measured by developing a questionnaire about the status of franchising system in Nigeria economy and some information of the advantages and disadvantages of franchising to the franchisee. Basically there are two types of data, one is primary data and another is secondary data. Primary data will be collected by interviewing with concern person and secondary data will be collected from various published and unpublished sources. The data collected will be organized, tabulated and processed and then placed in the presentable form and statistical tools and techniques will be used for processing data.

### **3.2. RESEARCH DESIGN**

According to Bryman (1989) there are five major research designs within organizational context, this study will make use of a case study design as well as a survey design. Firstly, I will employ the survey design to elicit information on different perspectives of franchising system to the franchisee in Nigeria society. In the survey, the advantages and disadvantages of franchising to the franchisee will also be found out to determine their level of vulnerability in terms of their ability to work.

A research design is the specification of methods and procedures for acquiring the information needed to structure or to solve problem. It is the overall operational pattern of framework of the project that stipulates what information is to be collected, from which sources, and what procedures (Green et al., 1998). Once the objectives of the research are determined and the sort of data required is planned, the researcher should decide on a research design, which in turn will influence the task involved in the remainder of the project. The research design explains what procedures are supposed to apply in connection with gathering information (Parasuraman, 1991).

My research study is a multiple case studies and it is focused on determining the advantages and disadvantages experienced by Nigeria franchisees. Why I have decided to implement exactly case study design? There are doubts about two research implementations: qualitative research and case study. Bryman (1989) illuminate reality of this uncertainty “it is often difficult to distinguish qualitative from case study research, because the format often take



place in a single organization (Ibid, p.30). On the other hand, the same Bryman (1989) emphasizes, “Most qualitative research is in fact a form of case study” (Ibid: p.170). Thus, even survey research or field experiment that are conducted with one or small number of cases have little distinctions to the case study from such quantitative investigations. In my opinion, case study provides deeper insight into the studied phenomenon in its context and therefore a comprehensive understanding (Gummesson, 2000).

### **3.2.1. QUALITATIVE METHODOLOGY**

Qualitative research method is a method which usually involves small samples and attempt to elicit descriptive information about the thoughts and feeling of respondents on a topic of interest to the research (Proctor, 2003). Ibid further defines qualitative technique as 'an array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomenon in the social world'.

Before making my choice research, it becomes necessary to acquire basic knowledge of the two methodologies in order to differentiate between them. The search for not just knowledge but that which is relevant in today's context especially in international business that has been characterized by two different views of social science research: positivism and interpretivism. The qualitative methodological argument is based on the interpretivism tradition which mainly applies to the social sciences. Bryman (2004, p.11) contends that positivism is “an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond”. It is clear from this argument that the positivistic paradigm is characterized by numerical and measurable quantities and objectives and universal definitions, often much associated with the physical sciences. The assumption here is that the social world can be studied in the same way as the natural world.

The most fundamental of all qualitative methods is that of in-depth interview (Easterby-Smith et al., 2002). Qualitative data include non-numerical information expressed in descriptions, opinions and judgments. They can be biased due to higher subjectivity and provide less rigid results that are more difficult to compare, but permit incorporate immeasurable information and allow more deep and detailed analysis. However, since qualitative data are less standardized, they provide less reliable results and less generalizability (Patton, 1990).

However, a decision to choose one methodology can be influenced by a consideration of how to handle the complexity involved in finding answers to the research questions guiding the study as well as the resources available. A clear knowledge of what my research wants to uncover will guide me to choose the right approaches to use. Hence, it is my belief that the answers I will be seeking will be obtained mostly from qualitative approach through questionnaires, interviews, observations and documentary analysis. During interviews notes will be taken in addition to tape recordings which would be done with approval of the interviewee. Moreover, qualitative methods permit the evaluation researcher to study selected issues in-depth and detail (Patton, 1990). Qualitative research examines the feelings, attitudes and motivations of product users. It is research which does not subject its findings to quantification or quantitative analysis. Executives are reluctant to base important strategy decisions on small-sample research because it relies so much on the subjectivity and the interpretation of the researcher (Proctor, 2003).

As previously stated above, my research focused on qualitative data and encompassed the collection of data concerning the advantages and disadvantages of the franchising system in Nigeria society (from the perspective of the franchisee) ascertained through the administering of qualitative interview, with my role as complete observer.

### **3.2.2. CASE STUDY RESEARCH**

According Robson (1993: 40), a case study is defined as the 'development of detailed, intensive knowledge about a single' 'case", or a small number of related "cases' '!' This strategy chosen by me will enable me to gain a rich understanding of the context of the research I am undertaking. Any use of multiple-case study designs should follow a replication, not a sampling logic, and an investigator must choose each case carefully.

Yin (2003) mentions four types of case study research design and these are:

- **Holistic Single-case design**

This is a single-case study which examines only the global nature of an organization or of a program. This design is advantageous when no logical subunits can be identified or when the relevant theory underlying the case study is itself of a holistic nature. Potential problems arise, however, when a global approach allows an investigator to avoid examining any specific

phenomenon in operational detail. Thus, a typical problem with the holistic design is that the entire case study may be conducted at an abstract level, lacking any clear measures or data.

- **Holistic multiple-case design**

In this design, each individual case study may include the collection and analysis of less quantitative data or qualitative data. My case study involves at least two franchisees depending on the number of franchisees who are ready to help me with data ascertainment to carry out this research - since it is usual that there is the likelihood of not having access to information from same firms in this 'research world' - and it involves less quantitative data.

- **Embedded single-case design**

This is used, when in an evaluation of a case study, the single case is a public program that involves large numbers of funded projects. Embedded units can be selected through *sampling* or *cluster* techniques (McClintock, 1985).

- **Embedded multiple-case design**

In this design, a study may call for the conduct of a survey at each separate case study. Moreover, each individual case study under this design may in fact include the collection and analysis of highly quantitative data or qualitative data. It should be noted that although all designs can lead to successful case studies, a *multiple-case* design may be preferred over *single-case* designs. Undertaking at least a "two-case" case study, a researcher's chances of doing a good case study will be better than using a single-case design. Additionally, the analytic benefits of having two (or more) cases can be substantial (Yin, 2003: 53).

I have multiple units of cases since I was able to get several units (institutions) to study in Nigeria, and therefore it is a holistic multiple-case design using Yin (2003) approach to case study research.

### **3.2.3. Inductive Approach**

There are varied approaches to research undertaken and various academics and researchers have made attempts to express their views on the differences between inductive and deductive approach to research assignment. According to Saunders et al. (2003), inductive approach concerns with a research approach involving the development of a theory as a result of the observation of empirical data. Gill and Johnson (1991) also indicated that induction approach

commences with the observation of empirical data based upon which explanations and theories were established.

From Gilbert (1993) perspective, the inductive approach deals with the technique for generating theories. From another dimension, Saunders et al. (2003) added that the inductive approach focuses on qualitative data. For Riley et al. (2002), the inductive approach is the process whereby the exploration and analysis of related observations proceed to the induction of a theory that systematically links such observations in a meaningful way.

Emphatically, induction is a process of reasoning (arguing) which infers a *general* conclusion based on *individual cases*. In other words, inductive reasoning works from specific observations to broader generalizations and theories. Guidelines for logical and valid induction:

- The evidence needs to be representative. It should be typical of the entire population being generalized.
- The evidence needs to be well-known and understood.
- When a body of evidence is being evaluated, the conclusion about that evidence which is the simplest but still covers all the facts is the best conclusion.
- The evidence needs to be sufficient. When generalizing from a sample to an entire population, the sample should be large enough to show areal pattern.

My generalizations in this research focused on sufficient or large elements (their number of outcomes). For instance, international exposure as an element of the merits outlined which appeared in some international franchised firms in Nigeria out of the total respondents, and I therefore based on this evidence generalized that it is a dominant merit among the international franchised firms in the country.

### **3.3. METHODS OF DATA COLLECTION**

Primary data collection nature is taken in my data collection process. Primary data, is data collected specifically for the research project being undertaken, (Saunders et el 2006). Primary data could be accumulated by way of interviews, questionnaires and general observations. Research has a road map that should be followed in order to gain credibility; every bit of information gathered has to be analyzed using recognized procedures, data has to

be collected, analyzed and a conclusion has to be drawn. The primary instrument used for gathering data for the study is the questionnaire. The questionnaire were designed in open and close ended patterns and administered directly on the operators of the franchised fast food companies directly. Furthermore, in order to ensure a reduced possibility of questionnaire missing in transit or misplaced the questionnaire were retrieved in same manner, which they were administered.

The empirical information of my data collection in field work, involved the preparation of standard letters introducing my self and what my research is all about. I selected the firm's base on the status in the market and their location in Lagos, due to management of the little resources on my disposal. After I was done preparing the letters, I now visited some franchisee outlet that is at my reach, to deliver the letters, because Lagos is actually and big and over populated city of about 25 million people, with lots of traffic. After few days, I called several of the outlets I visited to make official appointment for an interview, I requested to interview a management staff, to enable me get reliable information's, this is an important factor I put into consideration in selecting the firms to interview. It was quit difficult to get an appointment management staffs, but I finally succeeded in getting from 6 out of total of 10 firms visited, these are; Tantalizer, Kentucky fried chicken (KFC), Tastee fried chicken (TFC), Sweet sensation, Pizza inn and Shoprite.

Before I proceed, I will further like to discuss little more about research strategy. Bryman (2004, p.19) simply explains research strategy as "a general orientation to the conduct of social research". There are two major groups of research strategies, which can be illuminated as quantitative and qualitative. Quantitative methods are used when researcher systematically collects compatible data about many research expressed numerically (Selnes, 1988). Silverman (2000, p. 88) also states that methodology is the "general approach to a research topic", this statement implies that every research work has to follow a kind of procedure. In view of the designs, both qualitative and quantitative methods would be used in data collection process in this research.

### **3.3.1. Interview**

These are data collected specifically for the research project being undertaken (Saunders et al, 2006). An interview is a purposeful discussion between two or more people (Kahn and Cannel in Saunders et al. 2003). The interviews in this research help me, as a researcher to

gather valid reliable data that are relevant to the research questions and objectives. The nature of the interview was consistent with the research question(s) and objectives, the purpose of the research and the research strategy that I have adopted. Interview can take the form of qualitative or quantitative. Qualitative interview are classified into two main forms, which are sole or group interview. My interview is sole interview, which comprise of face to face and telephone interviews.

This research paper is conducted with qualitative interview and administered questionnaires, in which both face-to-face and telephone interview was used. Most of the interview I conducted was mostly telephone interview oriented than physical. The telephone interview will take the form such as asking questions about issues I forgot to ask during the face-to-face interview period and also calling for appointment reservation. Prior to the interview conduction, introduction letter from Bodø Graduate School of Business, University I Nordland, was sent to franchisor and franchisee in the Nigeria market. Each face-to-face interview on the average, will take between 30-45minutes at the premises of the respondent or at different Location as convenient for them.

### **3.3.2. Observation**

From Saunders et el, (2003) perspective, participant observation is qualitative and derives from the work of social anthropology earlier in the twentieth century. Its emphasis is on discovering the meaning people attach to their actions. The other type of observation is structure observation and it is quantitative and is more concern with frequency of people's actions.

As my research is qualitative oriented, I chose the participant observation type where I took the stance of complete observer role in which I will not let the interview realised that I will be observing their facial expression regarding the information they where unearthing to me. According to Saunders et el, (2003), a researcher who takes the complete observer role, which is part of the four roles a researcher can chose from, the other are; (complete participant, observer as participant, and participant as observer), has the complete significant advantage of not conditioning the behaviour of the research subject under study.

### **3.3.3. SAMPLING PROCEDURE**

In this paper, my primary data collection involves the use semi-structured interview and questionnaires conducted with the following organization listed below:

**Table: 3.1. List of Franchisee and type in Nigeria**

FRANCHISE	TYPE
<b>Tantalizer</b>	Franchise – Fast food
<b>Kentucky Fried Chicken (KFC)</b>	Franchise – Fast food
<b>Tastee Fried Chicken (TFC)</b>	Franchise – Fast food
<b>Sweet Sensation</b>	Franchise – Restaurant
<b>Pizza Inn</b>	Franchise – Restaurant
<b>Shoprite</b>	Franchise - Supermarket

**Source; Field work, March 2012**

It should be noted that there were local (domestic) franchised companies in Nigeria which have their franchisors as Nigerian citizens running their operations in the country with their franchisees' companies running their operations in the country also. The local franchisors did not have any of their outlets outside the country borders, i.e. Globalcom telecommunication (with several franchisees) across the country. The nature of the research demanded that the focus is mostly on firms with international franchisees so for that reason I did not consider the advantages and disadvantages of much domestic franchisees in Nigeria, apart from taste fried chicken (TFC) and Sweet sensation.

After locating and getting in touch with these institutions stated above, out of the total companies which were given introduction letters to grant me interview, only few of business firms responded to grant me the permission for interview. The officials were very skeptical about the likely consequences of releasing information to someone they are unfamiliar with, so they did not delve deep into very confidential facts about their institutional operations. They found my interview guide as simple and straight forward task to handle.

Due to limited time factor to embark on the field work data collection, coupled with the nature of the appointment arranged by the resource persons I came into contact, the questionnaire portion was not answered. However, my data collection guide was actually made with great emphasis on the interview section in such a way as to able to carry-out the project work with or without the questionnaire portion filled by the respondent. I could not get in contact with the actual owners of the franchise in Nigeria (i.e. the franchisee in person) so I had to interact with managers with idea about the franchise system in firms in which they are working.

### **3.4. DATA EVALUATION**

The possession of reliability and validity characteristics or consideration is required to ascertain good quality of a research.

#### **3.4.1. Introduction**

Reliability and validity in reference to a research assignment are of distinct meanings. Both are influenced by the respondent's ability to answer a question accurately. In the case where a respondent is not informed on a topic or exhibits poor memory recall relating to the topic, the accuracy of responses will be impeded. In such a situation, the reliability and validity of the question is in doubt (Proctor, 2003).

#### **3.4.2. Validity and Reliability**

To simply collect and analyze data for research is not enough to ensure the quality of the research. Reducing the possibility of getting wrong answers means that attention has to be paid to two particular emphases on research design: Reliability and Validity. (Saunders, 2000)

According to Yin (1994), four tests are crucial to measure the validity and reliability for research, namely: construct validity, internal validity, external validity, and reliability. Construct validity determines the adequate operational measures for the concepts of the research. This can be measured by the use of multiple sources of evidence, establishing a chain of evidence and having key informants review draft case study reports. Constructive validity is crucial in the data collection stage. Internal validity establishes causal relationships between the variable studied by using pattern matching, explanation building and time series analysis techniques. Internal validity is crucial in the data analysis stage. External validity determines the sphere in which findings of a research can be generalized, mainly by using the replication logic in multiple case studies. External validity is important in the research design stage.

#### **3.4.3. Reliability**

According to (Proctor 2003), it is the extent to which measures are free from random error and give consistent results. Reliability objectives in research work is to be sure that if a later investigator follows the same procedures as described by an earlier investigator and conducted



the same case study all over again, the later investigator should arrive at the same findings and conclusion (Yin, 2003).

Base on Proctor view, reliability reflects weather asking the same question of the same person on a subsequent occasion will elicit the same response. The goal of reliability is minimize the mistakes and biases in a case study (Yin, 2003). According to Easterby-Smith at el. (2002), reliability is primarily a matter of stability which means that if an instrument is administered to the same individual on two different occasions the question is, will the result be the same?

Some degree of treat is likely to be encountered by an investigator in research work and Robson (1993) hereby believes that there may be four different threats to reliability in a research project. They are listed as: Subject error, subject bias, observer error, observer bias. These for treats are therefore discussed briefly to understand more about these treats.

1. Subject error: This threat occurs when different circumstances influence the results of study, thus leading to different conclusions. The researcher of investigator should try as much to neutralize such influence by choosing the correct environment for the study (Robson 1993). In this, data I collected from both franchisor and franchisee in the Nigeria franchising system. Thus, it gave me a convenient environment to undertake my interview with them with out any external influence from third party.

2. Subject bias: This threat may also occur in scientific studies, in my case study, there is likelihood to be some restraint or bias in the information to be granted to me from some franchisors, due to the nature of their agreement with some franchisee. Due to certain secrets, not all required information where released to me.

3. Observer error: This threat was at its minimum level, since I will conduct the interview my self as a single individual as compared to the case of several researchers with different manner of observing phenomenon. However, introducing a high degree of structure to the interview schedule lessened this threat to reliability (Robson 1993) of the ascertainment of my data from field work exercise.

4. Observer bias: This threat was also a minimum level as I will undertake the interpreting of data alone as compared to with difficulty to a group of researchers' interpretation who might have found it uneasy to come to agreement as each of them has his or her way of data interpretation (Robson, 1993).

The position I chose as a complete observer in the cause of my research, means that I will not influence the outcome of the information that I received from the respondents and for that matter the results of my analysis base on the data acquisition will be very reliable.

An interview guide which absolutely focuses on the research problem in chapter one was prepared by me and each potential respondent will be given a copy. My recording equipment will also be used to undertake the recording at the respondent premises and the hand written notes (transcript) that I will embarked on during the interview I compared with the recordings and the difference will be sorted out.

The respondents (i.e. franchisors and franchisees) that I interview are individual of high position in their organization, thus they gave me assurance that the data collected was coming from reliable sources. I usually cross-check after every meeting of information given to me by a respondent so as to make sure that the information certainty is highly assured devoid of misrepresentation of fact.

In fulfilling the requirement of research reliability, I believe it would be an easy repetitive interview process by a potential researcher who may decide to use the same procedure I used to ascertain data in a similar research from units like mine.

#### **3.4.4. Validity**

Validity is the extent to which instruments measure that which they are intended to measure of research findings reflects (Proctor, 2003:530). Validity is a question of how far we can be sure that a text or instrument measures the attribute that is suppose to really measure. It is not too easy to ascertain validity for reason being that if one already had a better way of measuring the attribute, there will be not need for new instrument (Easterby-Smith et el, 2002).

According to Saunders et al. (1997), validity is concerned with weather the findings are really about what they appear to be about. Proctor (2003:186) emphasised that ‘validity reflects weather you are ascertaining through a question what you think you are ascertaining’. In as much they are threats to reliability, there are also threats to validity and the researcher should be aware of them. A research design should be chosen in a way so as to reduce the potential lack of validity.

According to Proctor (2003), External validity relates to the extent to which research findings can be generalised to and across population of interest in different situation and at different levels. In the case of Easterby-Smith et al (2002), external validity involves defining the domains to which the results of the study may be generalised; with this kind of validity, case study rely on analytic rather than statistical generalization.

## **CHAPTER- 4**

### **ANALYSIS AND DISCUSSION**

#### **4.1. Introduction**

This section discuss the information ascertained from the fieldwork carried out at the location of the respondent visited for interviews, and also analyses the findings ascertained with consideration of the understanding of the theoretical framework. It gives the advantages and disadvantages of franchising system in Nigeria from the perspective of the firms' management personnel (Manager) interviewed and make conclusion with inductive approach for the franchising system situation in Nigeria society.

This is the part where I look at each firm advantage and disadvantage from the perspective of heads of marketing/manager. The information outlined for each firm is as a result of the interview conducted at each business location. As shown below are the firms under consideration on the perspectives of Franchising in Nigeria

#### **4.1.2. Tantalizer Perspective**

The franchise vision is to achieve a win-win for both the Franchise and Tantalizers as an organization. Tantalizer's growth has been quite significant since inception. The intention of the organization is to continue on an even faster growth pattern in the coming years in response to consumer demand and the obviously huge and untapped market potentials.

The company has identified franchising, a universally accepted way of achieving organizational expansion, as a means of harnessing the identified potentials in the market.

Having carefully and thoroughly studied the various formats of the Franchising concept as employed by various players both within and outside the Fast food industry especially in more

developed countries, Tantalizers has evolved a variant which has taken into consideration the nuances and idiosyncrasies of our peculiar socio-economic environment.

Mr. Ayo Ogunsoya, (marketing manager), first and foremost talked about *hard worker creation*. He believed that the devotion to duty and long hours of working bestows him respect and makes him and the staff hard workers with motivation to duty. Work starts at 8:00 in the morning to 00:00. The normal working hours for labor in Nigeria is 8 hours but the franchise contract permits overtime period in the business. The next merit he talked about has to deal with *risk reduction*. The classroom and the on-the-job training that are made available to him and the employees bring about high efficiency in their performance which at the end of the day helps them to achieve targets. There is degree of comfort in working with the staff members as he believed that the employees have been given the requisite education to work in the organization.

Furthermore, he talked about *sales commission*. Aside the salaries that are paid to him and the workers, they also receive commission on the sales they make at the end of the day. They exhibit job rotation at the sales department whereby each seller turn to work in the 'shoes' of the other so as to have the feel of serving every kind of food the institution deals in. The sales commission is 5%. Moreover there is also *gratis adverting*. Most of the advertising programs which concern the products of the company are undertaken by *Tantalizer's* Franchisor which reduces the financial burden on the company in the area of advertisement. Where it comes to undertaking any promotional activity according to the taste of the Nigeria community, the management seeks the consent of the franchisor which has proven record in the field of fast food selling so as not to incur the displeasure of the franchisor.

For Mr. Ayo, working in this franchisee's business has earned him and the rest of the staff *reliable training*. The management team comprising the franchisee as an individual) have undergone several weeks training in and outside Nigeria, the cost of training was partly financed by the franchisor. The first batch of staff members at their first outlet in Lagos were given 6 weeks training before they commence work. Other training in the United States consisted of both on-the-job training and class room training. The classroom training took the form of seminars. There is also *free development and standardized service*. The company in Nigeria receives standardized building plans from the franchisor for their endorsed brand combination. There is standardization with regards to typical site layout, architectural specifications; equipment cut sheets, east baselines, and exterior and interior facility design.

During the construction of their outlet in Lagos) they received same representatives from the franchisor's Regional Architectural Partners.

## Features

The Tantalizers franchise approach has the following fundamental features:

### Physical Structure

- Prospective Franchisees will identify location, acquire property or lease as the case may be.
- Tantalizers will assess/vet and approve such location.
- Tantalizers will provide the drawing (Architectural) at prospective

**Table 4.1.OUTLETS**

	OUTLETS	ADDRESS	OUTLET NO.
1	Festac I	Makay Plaza, I Close, 21 Road, Festac Town	01-8189322
2	Lagos I	19 Broad St, Opp. Bookshop House, Lagos	01-8190231
3	Allen	117 Allen Ave, Opp Alade Shopping Mall, Ikeja	01-8189388
4	Apapa	62 Kofo Abayomi Ave, Apapa	01-8189284
5	Alaba	154 Olojo Drive, Alaba Int.	01-8189518
6	Masha, Surulere	165 Ogunlana Drive, Surulere	01-8190152
7	Adetokunbo Ademola	35B Adetokunbo Ademola. street, V/Island	01-8190254
8	Festac II	32 rd, by 22 rd, Behind Texaco, Festac Town	01-8189325
9	Lagos II	81/87 Broad Street, Jn of Broad / Abibu Oki street, Lagos	01-8190249

10	Okota	103 Okota road, Okota, Isolo	01-8189294
11	Satellite	391 Old Ojo road, By Abule Ado Jn, Satellite	01-818

*Financial accessibility*, as a merit of franchising for the company and its workers, deals with the situation where he as a manager or a worker, finds it easier getting loans from the bank in his area of residence. For the workers who have had to get same loans from other banking firms, the story has been the same as all the time. That is they have also found it easier getting such facility which from his best of knowledge, would have been very difficult if not impossible to secure such a credit facility from the bank as an independent entrepreneur operating a non-franchised business or working in a non-franchised firm. It is due to the fact that Tantalizer franchisor is noted for its proven financial performance over the past years since it came into being and has a very low credit risk level.

***Notwithstanding the above mentioned advantages, the manager gave the disadvantages of the Tantalizer's franchise system in Nigeria as follow:***

The marketing manager, Mr. Ayo, of Tantalizer (Nigeria) stated that *limited income generation* is a disadvantage to the franchisee's company from his point of view. The continual payments to the franchisor as royalties diminishes the income generation the business earn notwithstanding the amount of sales they have been making. The accumulated amount of money they have been paying over the years is capable of building additional outlets.

Moreover, there is the disadvantage of *costly start-up* in embarking on the Tantalizer's franchise. The offering of the initial investment fee to the franchisor to acquire the Tantalizer franchise is such huge money in the Nigeria Naira, although the payment expected from the Nigeria franchisee is 5% *less* to those expected from the western international franchisee. The shop setting and appearance of the enterprise in conformance to the international standard set by the Tantalizer franchise is very costly to the ordinary Nigerian as he is. Furthermore, he admitted that there is the *threat of customer loss* as a disadvantage. He believes that the likely malfunction of another franchisee holding Tantalizer franchise and operating the same type of business will equally affect the customer frequency rate (where he is working) making the business lose customers as well, The malfunction by a Tantalizer franchisee in other part of

Africa as a result of an instance of poor quality food, will automatically affect adversely the customer frequency ratio of his company.

Additionally, he made mention of *delay delivery* as another disadvantage to the Tantalizer Nigeria franchised company. The ingredients which are supplied by the franchisor sometimes do not come in on time as expected and such affect their product output which is offered to customers. We do not go further into more technical issues like technologies and others, due to time limit and he (manager) has to attend to his staffs.

#### **4.1.3. KFC – Kentucky Fried Chicken Perspective**

Kentucky Fried Chicken (KFC), the latest entrant into Nigeria's fast growing fast foods industry, says it has come to raise the bar in the food and restaurant market in Nigeria, by offering the same international quality and standard it is globally known for. KFC is one of the biggest restaurants in the world, serving over 12 million people every day. The American food chain says its decision to come into the Nigerian market at this point is timely as it was reached after some research and study of the local environment.

The food company which has already opened its first outlet at the popular City Mall, Onikan, is by all standard world class and is manned by over 25 Nigerian employees who were sent on international training to ensure strict quality control and to retain the local content of its operations. They are joined by some expatriate staff.

The company has also embarked on extensive food safety audits and hygiene test of various suppliers' facilities to ensure they met the highest local and international standard. Besides suppliers were trained extensively, and sent to the Hazard Analysis Critical Control Point (HACCP) courses to ensure that the global standard set by Yum Restaurants International, the franchisor, are met," Marc Schreuder, CEO of Devyani International, said at the launch. Devyani International, the franchisee, is a joint venture company between RJ Corp of India and Chellaram Plc. The company was incorporated in 2009 for the purpose of owning and operating KFC restaurants in agreement with Yum Restaurant International. Schreuder says that KFC, which presently owns 13 000 outlets around the world, including Uganda, Malawi and Zambia, plans to open several other outlets across Nigeria.

The Sales and Marketing manager, Mr. Femi Ade, addressed the advantages of franchising to the franchisee's business, from his point of view. He gave the following as the advantages:

First and foremost, there is *time savings in set-up cost*. This advantage comes into existence in the situation where the franchisee is given an expert with absolute knowledge about the establishment of the premises and the setting up of pieces of equipment, fittings and fixtures so as to have the standard nature of the KFC worldwide. The appropriate procedure for setting-up the company is ready at hand and makes the construction faster than what will be in the case of a non-franchised fast food restaurant. The manner of building the physical structures of the company are strictly followed so as to reflect what was agreed upon between the franchisor and the franchisee in the franchise contractual agreement.

Secondly, there is *reliable quality product delivery* which is of major consent to foreign nationals and Nigerians who pop-in to buy food at the premises. For health wise, foreigners will want to consume food which is free from likely defects that may harm their health status so having this franchised institution gives them confidence in food consumption in Nigeria. The Kentucky Fried Chicken (KFC) Nigeria operating arrangement conveys products of key quality. The food offered by the institution is therefore served fresh with the best ingredients selected for all menu items. The company embarks on proven equipment and production techniques to ensure consistency in taste and presentation. Kentucky Fried Chicken Nigeria has exclusive packaging materials which have extensively tested by customers as of higher quality for carrying food. The packaging materials are environmental friendly. The store itself is characterized by quality whereby the scheme designs have therefore been applied to create clean and comfortable environment.

*Persistent marketing support*, has an advantage of franchising to Kentucky Fried Chicken

Nigeria, which stands to mean that the company is continually given advertising and promotional facilitation from the franchisor KFC, USA. This remarkable assistance reduces the cost burden on the franchisee's business to use same medium of advertising that are very expensive in the country. The franchisee's worry of having to advert on the internet has already been taken care of by the franchisor. As regards television advertisement which is the most expensive medium of communicating pictorial aspects of the product offered by the company, less amount of money is spent in doing that. The advertisements do not cover verbal medium in the likes of radio and one-to-one mode. He argues that whether KFC Nigeria embarks upon media advert or not, they still get more customers making purchases from the sales units of the outlets in the country (Nigeria). Posters are made available to them by the franchisor and they come on hand as and when they have been produced. Some of their



posters also include Nigerian characters which are designed and produced by the franchisor targeting only the Nigeria market, but sent to other countries where there are equal franchisees operating with the franchisor.

The manager moreover emphasized that there is also *rapid growth sales* advantage in working with the franchise contract or in working with this franchised company. The long-lived reputation of the trade name attracts more customers who demands value for their money and therefore feel "at home" when buying from such business with great experience in the fast food restaurant industry. He understands that buying from non-franchised fast food restaurant is considered by the customers as more risky, for he thinks that same Nigeria own-operated fast food restaurant are run by nonqualified people who are bent-on doing such business as the means of survival without taking into consideration the health of customers who will fall victim in buying their poor quality product. But in some cases, is really not as the assume, for instant as in the case of Tastee Fried Chicken (TFC) that will also be discuss later below. The manager added that there is *trade credit accessibility* which is commonly encountered in working in this franchised company. For anytime he as a manager wants to buy some items on account, it is the case that he gets the transaction on credit bases with no difficulty at all , for the celebrated name of the business gives him that opportunity.

There is the added advantage of the *sale of going-concern* with regards to the franchised firm. The manager stated that where it happens that the franchisee (the individual who purchased the franchise from the franchisor) wants to bring his ownership of the business to a halt, it is easy for him to sell it to the franchisor or will get a buyer immediately to do the transfer of ownership. In the case of non-franchised fast food restaurant, it is difficult to get someone to buy the business immediately. Furthermore, he mentioned that the franchisee's company receives *operational assistance* from the KFC, USA in areas such as book-keeping and customer relations. There is operational manual furnished by the franchisor which enables KFC to easily run the business. Where it happens that certain information is not clear, the franchisee's business gets the needed assistance from the franchisor. There is a field service consultant who is ever ready to attend to compliance by the franchisee. Accounting procedures with book-keeping software for faster financial records keeping are made available to the franchisee's business. New methods of caring out certain business activities that emerges in today's business world are also consistently made available to the organization.

There is the virtue of *reduced failure in business* as stated by the superior in Kentucky Fried Chicken Nigeria. He explains it to mean that the franchise contract or system brings risk minimization to the franchisee's company of going out of business as the firm strictly follows the strategic mechanism of going about the day-to-day running of the business enterprise. There is the high risk and therefore the higher probability of business failure in the case of the entrepreneur who decides to start his or her own business from the scratch without the purchase of a franchise. He mentioned that most studies that he has ever come across revealed that over 90% of non-franchised enterprises go out of business within 2-4 years of their operation in Nigeria and thinks that making the choice of franchise is the best one to go with

***The manager continued to give the following as the disadvantages characterizing the Kentucky Fried Chicken (KFC) franchise in Nigeria:***

There are some disadvantages in terms of *upfront cash payment* incurred by the KFC franchisee in Nigeria at the initial stages of the contractual process. The franchisee was made to pay a certain percent *less (which was not disclosed)* of what KFC franchisees in the United State have been paying. He also emphatically admitted that the money was huge in terms of Nigeria local currency. The money could have been used by the independent entrepreneur in Nigeria to purchase other tangible assets to earn same returns.

There are also disadvantages of KFC franchise system from the KFC (Nigeria) manager's point of view, there is the presence of *strict control* being exercised by the franchisor on the actions of the management and staff members which leave them with little control to operate with. There is a Field Inspection Officer sent by the franchisor who normally undertakes visits to KFC (Nigeria) to verify the operational performance of the franchisee's business concern and forward and dicey information to the franchisor, and also put things right where he finds certain faulty happenings. The officer undertakes the visits to the premises *once* in every *two years*, as compared with a KFC franchisee in USA, which experience visits from an officer from the franchisor for a longer period.

#### **4.1.4. Tastee Fried Chicken (TFC) Perspective**

The birth of De-Tastee Fried Chicken Limited is a translation of an idea conceived by an industrious woman, Mrs. Olayinka Pamela Adedayo, (managing director), which to the glory of God has transformed into a big organization and a great fortune not only for the owners, but also to thousand of families across Nigeria and the larger society as a whole. In the quest

to actualize the idea, she established Tastee Pot in 1989 to render outdoor catering services to distinguished and discerning clientele across Nigeria.

Tastee Pot has over the years become the outdoor caterer of first choice, serving so many reputable individuals and organizations. The desire of Mrs. Olayinka Adedayo (MD), to meet the yearnings of Nigerians, especially Lagosians for qualitative fast food service, considering her experience in Kentucky Fried Chicken, where she worked between 1978 and 1980 as a Manager, led to the diversification into fast food service with the establishment of De Tastee Fried Chicken Ltd in 1996. The coming on stream of Tastee Fried Chicken undoubtedly revolutionized the concept of fast food service in Nigeria.

The advent of the eatery with new concept of service, qualitative products, and exquisite ambience, became a reference point, but nonetheless, the company still up till today maintains an unusual standard of the concept of service. Tastee Fried Chicken which is undisputedly highly reputed in Nigeria for quality fast food service has at present nine outlets, in metropolitan parts of Lagos, where an array of delicious meals and snacks are offered to delight the populace. The company has two other outlets nearing completion in Lagos. TFC success over the years is attributable to their highly skilled labor, use of qualitative inputs, and combination of environmental friendly production technologies.

### **Locations:**

- **TFC HEAD OFFICE:** Plot 1672, Oyin Jolayemi Street, Victoria Island, Lagos. (01-8737161)
- **TFC FESTAC:** 22 Road, 2nd Avenue, Festac Town, Lagos.
- **TFC IKORODU:** 21 Lagos Road, Ikorodu, Lagos.
- **TFC IKOYI:** 25, Awolowo Road, Oando Filling Station, Ikoyi, Lagos.
- **TFC OGBA:** 44A, Ijaye Road, Ogba, Ikeja, Lagos.
- **TFC OPEBI:** 21, Opebi Road, Ikeja, Lagos.
- **TFC SURULERE:** 61, Adeniran Ogunsanya Street, Surulere Lagos.
- **TFC MARINA** 49C, Marina, Lagos.
- **TFC AGEGE:** 1&2 Balogun Street Pen cinema Agege, Lagos.
- **TFC OMOLE:** Plot 892, Omole Phase 2, Capital Oil Station, Lagos/Ibadan Expressway, Lagos.
- **TFC APAPA:** 50, Warehouse Road, Apapa, Lagos.

## **Career Structure**

### **Human Resources Policies**

The company places great value upon the service of its staff. It establishes policies and procedures, which assist each employee to contribute the best of his or her ability. Specifically, the company recognizes:

- (i) That a capable and contented employee is an asset in the attainment of its objectives;
- (ii) That all jobs in the company are important and that each employee should be treated with highest degree of human respect, tolerance, understanding and dignity;
- (iii) That the employee's dedication, honesty, efficiency, creativity, initiative, dynamism, loyalty and devotion to the advancement of the company service are of paramount importance to the company.

### **Human Resources Management**

In its relationship with employees, the company is always guided by the best principles of professional human resource management.

The company, will, as far as practicable: -

- (i) Provide the customer with the best service at all times.
- (ii) Ensure that jobs in its establishment are filled by the most suitable appointees;
- (iii) Clarify the objectives, tasks and key results expected of each position;
- (iv) Remunerate all employees fairly in line with individual performance and responsibility;
- (v) Provide equal opportunity for all employees for good performance and for advancement within the company service;
- (vi) Reward, honesty, integrity, steadfastness and sustained efficiency
- (vii) Provide appropriate opportunities and support for each employee to develop and improve his or her knowledge, skill and work effectiveness;
- (viii) Avoid all discrimination on grounds of sex, tribe, religion or other affiliation

*Low cost branding and marketing* is the first merit to Mr. Chika Agu, the marketing manager of TFC fast food restaurant in Nigeria. He said that the franchised company has been experiencing less expensive branding and marketing for the past years with the help of their network with other franchisor and pass experience at KFC, compared to other non-franchised companies within the fast food industry.

*Reduced Business Failure* is an element which he believes to be associated with KFC (Nigeria). To him KFC business operation has the least possibility to fail (among other business within the same industry who are non-franchised) in its activities because the operational system in place is what has been used by the franchisor for many years since the franchisor came into being. The laid down procedure is being followed strictly so as not to endanger the profitability of the business and also not tarnish the hard-won reputation of the franchisor. He further argued that the *financial support* is an advantage to franchising. As it is very difficult for small scale businesses to get loans from the banks in the country, TFC gets easy access to loans from the bank and it is the same situation for a worker in the company, due to the reputation they have establish in the country. The individual non-franchised firms are seen by the banks in the country as having a high default rate as they operate with unproven systems while TFC is believed to be operating with a proven system for many years and has been very successful in the industry.

*Scale Economies* is seen to be another factor of advantage characterizing TFC. When it comes to the issue of buying ingredients to be used by the food department, it is usually the case that they make the purchases at lower price as all the outlet come together to make the bulk purchase, thus reducing the unit Cost through the granting of high discount. The franchisor issues the directives specifying the type of ingredient they have to use and where they have to make such purchases. *Quality service* is also an advantage that comes with working in this franchised business. There is a quality standard system put in place which is followed by everyone in the company which has been directed by the franchisor that makes them deliver product of high quality standards that meets the ultimate satisfaction of their numerous customers. The customer population consists of about 20% foreigners and 80% Nigerians who are very particular about the quality of what they buy as food as far as health matters are concerned. High supervision undertaken by him and other superiors of the company ensures that food and sales department put in their best so as not to incur the displeasure of their customers which, when happens will cause the company to loose some customers to competitors. They give immediate attention to customer compliant as when it happens and

resolves the situation as fast they could. There is also *leaning opportunity* that takes place in working in this business, whereby, as one meets and interacts with customers, there is the opportunity for him to know what the customers like and changes in their behavior which may have an impact on the company's sales performance. There is also the ability for him as a superior to learn something from food department and the accounts department.

***Thus, the interview with the manager would not have been completed without discussing about the Disadvantages. He therefore gave the disadvantages of TFC system in Nigeria as follow:***

An employee at one of TFC branch in Lagos made mention of stressful working conditions and long shifts\hours with little returns as one of the most frustrating issue working with the franchise. He also stated that their job is not even permanent, that the can drop them at anytime without any compensation.

The manager also talked about *strict observation of rules and regulation* as a disadvantage of the TFC system. There is no avenue for management members to undertake any sort of beneficial initiative about the product offering by the business. They have the idea of adding other local menu (product) to the officially continental assigned product currently on sale, so as to target those potential customers who are addicted to local dishes. The owner has prevented them of such development. The decision came as a result of their customers' suggestions to the effect that it will be very expedient for them to attach local food to what they (some customers) are already purchasing (the continental food). Moreover, there is also the demerit of *stressful working period*. He explains that the amount of time located to each worker is enormous, whereby a worker has to spend 12 hours at the site with little time for breakfast, lunch and supper break. Each break is allocated with 20 minutes to each worker.

#### **4.1.5. Sweet Sensation Perspective:**

The manager, Mr. Denise Etuk, present sweet sensation as: You are welcome to our world where we specialize in touching the lives of people we come in contact through quality and affordable varieties of meals and excellent customer service in a conducive and relaxed environment that is second to none. You are welcome to the leading Quick Service Restaurant in Nigeria where dreams are fulfilled. Here, we gat *swagger!* Enjoy!

The total satisfaction of our esteemed Customers, career fulfillment of our dedicated workforce, growth of the Nigerian economy and above all building a long lasting relationship with our loyal customers, these are the core values that Sweet Sensation holds in high regard. These can be reflected in their principles of:

- Commitment to Excellent
- Customer First
- Team work
- Honesty
- Growing People
- Passion for what we do

**Menu**

If you walk into any Sweet Sensation outlet, you will have an experience of a lifetime that leaves you with no option than to swagger!

They have over 60 mouthwatering varieties; their offer reflects the Africaness in them, as they draw their recipes from a mixed culture. They also offer peculiar delicacies that cannot be found on the floor of any QSR in Nigeria. These include: African meals, Continental meals, Pastries, Fries dot com, Specials, Bread, Ice cream, Side Items etc.

**OUT- LETS**

With the competitive edge that they have at sweet sensation, their outlets have continued to grow in number to cater for the needs of their growing customers. Currently, the Corporate Head Office is located on the busy Opebi road in Ikeja.

Sweet Sensation has over 25 outlets scattered all over the country with more still emerging. A List of some of our present locations is shown below:

**Table 4.2.Outlets**

Outlet	Location Address
SS Victoria Island	26 Adetokunbo ademola street, VI

SS Abule Egba	Conoil Station 19\21 Lagos\Abeokuta E/W
SS Opebi	3, Opebi Road Ikeja
SS Ifako	4, Diya Street, gbagada Ifako
SS Egbeda 2	20, Shasha Road Egbeda
SS Ogba	26, Ijaiyi Road, Ogba
SS GRA	Isaac John Street, GRA Ikeja

The manager, Mr. Etuk Akan, claimed that working in this company offers him and for that matter Sweet sensation Nigeria *Proven Systems* whereby the business in which he works benefits from accumulated experience of the original business owner, the franchisor. He believes that the system of sweet sensation franchise had stood the test of time which made it very successful nation wide and also in Nigeria. Foreigners who visit and live in the country always visit to buy food from the outlet as they have been practicing in their country of nationality. The proven systems enable the franchisee's business to avoid the mistakes by most independent own startup enterprises in Nigeria.

Another dimension of advantage of franchising for sweet sensation to him is *Prestige*. For the restaurant industry in the country, there is the feeling of prestige in working in a company which has recognition worldwide. As compared with colleagues working in the Nigeria-owned restaurants he feels some respect is given to him by such colleagues to the effect that he is seen as working in a tap class organization in restaurant industry in the world. *Time Savings in setup cost* is another advantage in working in a franchised business. High time consuming factor associated with the cost of establishing a new manufacturing procedure such as design costs, location and acquisition of equipment, and the hiring and training of employees in a non-franchised business in the same restaurant industry is very lower in franchised business in which he is working. In this franchised business enterprise, they have operation setup package document which covers every aspect concerning the setting-up of the whole business given to them by the franchisor which made the establishment of the business faster.



*Quick preamble* is something that he believed to be an advantage of franchising to Sweet Sensation in Nigeria. The franchisee (the owner) took less than 2 months to establish the premises with all the design and logistics to commerce operation. Whilst on the average it takes a non-franchised small company owner at least 6months to get everything in place as regards premises and logistics. He argued that the business has the ability of starting a new outlet within a short time and there are arrangements towards the implementation of such project. The proven operation systems which serve as guidelines provided by the franchisor makes it easier and faster for them to open a new outlet which is not the case of a non-franchised firm.

Lastly, it was mentioned by the manager, that commission on sale is an advantage of the franchising system which is running the business (Sweet Sensation Nigeria). Aside what the staff members receive as remuneration at the end of every month, they additionally receive commission on sales, increasing the take-home-pay of the employee. It is very uncommon to witness such in the non-franchised enterprise within the industry in which Sweet Sensation Nigeria is operating who either pays only salaries or commission on sales.

**Below are some of the Disadvantages further discussed by the manager, Mr. Etuk Akan.**

The nature of Sweet sensation franchise to the Nigeria franchisee's business concern denotes *strict observation of rules*. The management and staff members in the business are bound by the rules and regulation that set out the conditions for running the company in Nigeria. The management of the organization normal sent a representative to undertake monitoring of the activities of the Restaurant to ensure that laid-down procedures are strictly followed so as to help preserve the image of the brand name. The representative visits the business enterprise for inspection once every year, as compared to other entrepreneur or non franchise that operates solely on their own terms and regulations

#### **4.1.6. Pizza Inn Perspective**

Pizza Inn is located in Lagos, Nigeria. Company is working in Restaurants, Italian, and Take away, Pizza delivery business activities.

Mr. Emeka Chika, being the marketing manager of the outlet gave his opinion on the advantages of franchising to the franchised business (Pizza Inn - Nigeria) where he has been working for the past years. He thinks that starting any business involves same element of risk but compared to buying a franchise it less risky to operate with a franchise than starting a new

unknown business. Moreover, the Pizza Inn Nigeria advantage from *Rapid Turnover Growth*. The recognizable brand established by the franchisor gives the franchisee's business rapid growth in sales as compared to non-franchised business within the same industry sector. Customers who have the mental perception of products from the U.S.A. as better than those made locally pop-in frequently to buy pizza from their outlets. Additionally, *operational support* is granted to him or the franchisee's business as a whole. The business receives scheduling, hiring and accounting systems necessary to run the business. For anytime there is a new accounting software development, they receive such program free of charge from the franchisor, Pizza Inn U.S.

There is *Human Resource Development* merit which takes place whereby he yearly travels to the franchisor in the U.S.A. for further education on issues concerning the retailing of Pizza. Such expenses are partly financed by the franchisor in the U.S. The employees get further education and training in this business. An employee undergoes classroom training for *weeks* before he or she is made to start the on-the-job training which also last a period of 4 *weeks*. During the training sessions, the employee who is being trained by the management team as a whole or a member of the team is paid the salary as a when the time is due. The staff members are normally equipped with the required logistics to enable them to deliver according to customer's satisfaction.

*Reliable product quality* is an advantage factor the business (Pizza Inn Nigeria) can not do without. The franchise system has given the business the expected quality that is required of by the customers who frequently visit the company to buy food. The customers' loyalty to the firm has been due to the quality nature of services provided by staff members of the sales department, who have become expert by way of training made available to them, initiated by the franchisor requiring to having them well groomed to be able to meet customers' desire. According to him, the business or him as a manager does not compromise on quality decisions about food services to customers for the customers are seen as the financial blood of the business. Moreover, he welcomes the advantage of *low initial outlay* at the introduction stage of the Pizza Inn (Nigeria) business concern. The building materials for the construction and designing are ascertained from the local market from dealers with quality recognition for the products they are into. Such cost is lower compared with their colleagues in the United States of America. The money payment the Pizza Inn (Nigeria) made to franchisor was 7% *less* than what happens to be the usual collection from Pizza Inn franchisees' businesses in the United States. The amount is payable immediately the franchise contract has been signed.

Finally, it is laudable fact from the opinion of the manager that the franchise contract for the Pizza Inn Nigeria *offers flourishing business*. The experience of the franchisor ascertained during the previous years has accrued him a track record which has placed him in the profit zone and made him successful. By relying on the proven model of the franchisor, the franchisee is being successful in this business in Nigeria. The continual profitability of the Pizza Inn has granted much confidence in the members of the management team that they stand the chance of opening more outlets in the country.

**Shown below are the manager opinions on the disadvantages of Pizza Inn Nigeria franchised:**

Moreover, the *initial investment cost* that is payable to the Pizza Inn (United States of America) serves as the obstacle to his ability to buy a franchise. He continued that the domestic currency of Nigeria (Naira) is of less value to the major foreign currencies on the international front, and it cost a lot of money to pay such initial amount at the contractual stage of the franchise, though the contract provides some percentage reduction to any Nigerian who is interested in the Pizza Inn franchise, whilst their fellow franchisees in developed countries pay the full amount. Additionally, there is *reduced profitability* disadvantage with regards to the Pizza Inn franchise system in Nigeria. The payment of royalties monthly or annually reduces the overall profitability of the Pizza Inn (Nigeria). The purchasing of certain items from approved sources with higher prices also contributes to profit reduction.

The manager further admitted that *restricted product expansion* characterizes operations of Pizza Inn (Nigeria). There is much demand for local food by the majority of the Nigeria customers who patronizes the main menu offered by Pizza Inn worldwide. Their (the management and staff members of Pizza Inn Nigeria) market analysis reveal that it would be lucrative for them to add local products to the already existing continental products being offered by the Pizza Inn (Nigeria). But such can not be accepted by the franchisor, due to strict rules that guide their terms of agreement and regulation of franchisee operations.

**4.1.7. Shoprite Supermarket Perspective:**

Shoprite is the leading retailer across Africa and is the brand of choice for many consumers across the African continent. Shoprite's large following of loyal customers can be attributed

to their ability to offer the widest range of products and the highest standards of freshness and quality whilst maintaining the lowest prices.

Shoprite first entered Nigeria in December 2005, when they opened a store in the shopping center, The Palms in Victoria Island, Lagos. Shoprite has since opened a store in Adeniran Ogunsanya Street, Surulere, Lagos and another store in Enugu.

Community uplifting remains a priority to Shoprite and through their “change a life” campaign, Shoprite has been able to enrich the lives of many underprivileged children and youth within Nigeria. Since the inception of the “change a life” campaign in December 2010, Shoprite Nigeria has been able to assist various orphanages and foundations such as the Red Cross in Nigeria and the SOS Children’s Village.

Shoprite works hand in hand with many local Nigerian suppliers, buying in bulk in order to pass the cost savings onto you as the customer. So this way, you can continue to enjoy a world class shopping experience whilst saving money. Shoprite Nigeria general manager, Anton Wagenaar, according to interview I had with him, he firstly stated that, it is imperative that as they expand their store network across Africa and Asia, they maintain their brand integrity. They will therefore always ensure that their product offering (taking different local brands into account) remains the same whether their customers shop in Lagos, Mumbai or Cape Town.

He later stated that, they have over the past two years used similar promotional strategies that they use in South Africa and the other countries across Africa and Asia in which they trade. As a result of this and their ability of being price competitive with excellent quality products on shelf, they have been able to build up strong brand awareness with their Nigerian customers. They have fully supported locally made products and have since their inception made use of their self designed "Product of Nigeria" labels to create an in store awareness with their Nigerian customers that they totally support Nigeria and its efforts of developing their economy. As a result of this, Shoprite are delighted to see that most of their customers are in fact Nigerian. He continued that, *international exposure* is enjoyed by a worker in the franchised business enterprise at a lower cost as sometimes they have to attend international conferences organized by the franchisor at a subsidized amount or even sometimes with all expenses paid for which to his opinion will be virtual impossible in non-franchised business in the retail sector of a developing economy such as Nigeria where the majority of the income group fall within the low level category. The income distribution of the country can be group

into three main categories being the high income earners, middle income and the low income earners group. The greater part of the population constitutes the low income group and therefore has low purchasing power.

The visiting of franchisors abroad gives them opportunity to undertake sightseeing and interact with expert on issues of great importance not only relating to the nature of the business of retailing clothing but also other areas of relevance in the business world.

Secondly, *management backing* is a merit factor in working in a franchised business enterprise whereby Shoprite (Nigeria) obtain advice on regular basis from the franchisor (Shoprite- South Africa) regarding the retailing of the goods effectively. The assistance usually commences with telephone conversation, and then followed by letter writing. Where there is the need for an expert to be present at the premises to help rectify a situation, he or she or a delegation is sent by the franchisor from South Africa to Nigeria to help rectify the situation. Some of the activities involve organizing seminars to the management and staff of Shoprite (Nigeria). The business concern which is Shoprite in Nigeria intermittently receives representative(s) from the franchisor who come and participate in the actual retailing at the business premises along side the Nigerians workers.

Furthermore, *economies of scale in buying* the goods take place between the franchisor (Shoprite in South Africa) and the franchisee, Shoprite in Nigeria. The retail chain (Shoprite in Nigeria) buys goods at cheap prices from the franchisor which has been in business for a long time and therefore is known for its product quality. For anytime that stock of goods fall to re-order level, requisition for replenishment is made to add-up to what is already left which are well structured so as they meet demand for the product.

Additionally, the operations manager, Mr. Kola Akande, contributed that, the franchising system brings *recognition* to the business as a whole and their workers as individuals before the public. Every customer or non-customer in the country believes that management and staff of Shoprite are people of high caliber. This recognition that they encountered with the public, boost their morale in working for the organization.

Mr. Kola, further argued that the franchising system offers *standardized appearance* to customers whereby they have come to realize from their contact with customers, both Nigerians and foreigners that their products are of expected quality standard and therefore always have the confidence in buying products offered by Shoprite. The Nigeria populace has

the perception of the country South-Africa as well-developed in relation to Nigeria and therefore perceives products from South Africa as products of good quality.

Besides, *promotional assistance* is another advantage factor, from the manager's point of view. By this he means that the company receives advertising and other promotional materials from the franchisor. These materials come in the form of leaflets, print cards, handbook and e-mails, since the franchisor has been in business for a very long time, when it comes to designing advertising programmed to be broadcast on the media, the franchisee (Shoprite in Nigeria) consults the franchisor on how the program should be presented. The recorded advertisement program is air-mailed to the franchisee.

Mr. Kola additionally said there is also the merit of *lower risk factor* in operating with the franchise system. It is believed that the purchase of the system had already eliminated any trial and error failures usually experienced by the non-franchised entrepreneur in the industry. As most enterprises do not succeed in the operations, it is very idealistic that the Shoprite in Nigeria is a franchised business enterprise making it comfortable in a lower risk position.

In addition, *complimentary training* offered by the franchisor benefits the management and staff members of the franchisee's business concern (Shoprite Nigeria). For the management part, as he is a member of the team, they usually have direct training from the franchisor. They (the members of the management team of the franchisee's business) organize two weeks training for staff members. Elaborating on the training aspect, he said that workers or staff members are introduced to the structure of the company (Shoprite- Nigeria) and customer relations.

The manager in the cause of the interview added that there is *credit facility accessibility* which is identified with the Shoprite franchise in Nigeria. The company finds it very easy to effect credit transactions involving assets such as pieces of equipment, stationery, motor vehicle, fixture and fittings' furniture and machinery. The credit terms are so very favorable to the extent that the business is always able to beat deadlines as regard payments. There is *guaranteed compensation* that emerges from the franchise agreement or the Shoprite franchise in the country. It is a common issue to hear that some independent non-franchised enterprises in the country have their workers embarking on strike action due to non payment of salaries that even call for government intervention, thus tarnishing the image of such firms, but with Shoprite Nigeria, workers are paid their salaries and bonuses due them.

The manager, Mr. Kola, increasingly said that the franchise contract which has however brought the Shoprite to Nigeria and referred to as Shoprite Nigeria, brings about *faster start-up* merit, By operating with this franchise, the company experiences a short learning curve as it gains assistance from the franchisor (Shoprite - South Africa) which possesses much experience to draw upon in starting other new operation successfully. The designs of the physical structure and the procedure for undertaking logistics have been furnished by the franchisor, at the point when the contractual agreement between the individual franchisee and the franchisor took place, making it easier in starting new operation with no time wastage. They business (Shoprite Nigeria) feels a sense of competitive edge above the independent non-franchised entrepreneur within the industry where Shoprite finds itself.

***Concerning the disadvantages of the Shoprite franchise system in Nigeria, the following were put forward:***

First and foremost, the most dominant disadvantages are *royalty fees* which wanes Shoprite (Nigeria) net profit of the year. It is always calculated as a percentage of the gross profit. This is paid monthly or in bulk at the end of the financial year Shoprite (South Africa). Also, stressful working conditions, like very long shifts with hardly incentives for long hours consumed by employees is a very important disadvantages, and most of the workers are not even pensionable on retirement.

Additionally, *sole sourcing* happens to be a disadvantage factor characterizing the franchise system Shoprite Nigeria is operating with. The franchisee's business concern has to buy most of their main goods and other items from the franchisor in South Africa. With regards to this matter, it takes high cost getting the goods shipped to the warehouse of the franchisee's company (Shoprite Nigeria).

Furthermore, there are disadvantages of *bad decision by the franchisor* which turns to undermine the competency of the management and staff members of the Shoprite Nigeria. He (the manager, Mr. Kola) admitted that the workers (the management and staff members) are people of high caliber with degrees from the educational institutions of higher learning in the country (the Universities and Polytechnics in Nigeria) and ought to be given the recognition by the franchisor in taking decisions affecting the overall operation of the business in Nigeria. For instance, the decision by franchisor of buying stationery from a particular supplier in the country (Nigeria), which they believe the supplier' s product are very costly, whilst they know

of a other suppliers in the same country who deal in the same quality products but at cheap prices, affect the franchisee' s business financial performance adversely.

The manager indicated that there is *delay in policy implementation* which is a disadvantage to Shoprite (Nigeria) operations in the country. When they (the members of the management team) want to take immediate and very quick decision regarding prices of goods on sale, in seeking consent of the Shoprite (South Africa) on such issues, it takes along time to receive written responds from the franchisor. The manager emphasized that the franchisee's business concern (Shoprite Nigeria) workers (including him as a manger) suffer from *Goodwill transfer loss* to the franchisor in the event of termination of the franchise agreement (contract). For their dedication to duty and entrenched hard work contribute the increased reputation of the Shoprite franchise in the local retail market in Nigeria.

## **4.2. CASE ANALYSIS**

At this point of the paper, I deal with the use of different categorizations of cases to analyze the advantages and disadvantages of franchising system in Nigeria from the franchisee's view as previously mentioned above in the discussion with the branch\marketing managers. These different categorizations of cases are mostly western and non-western international firms, mostly supermarkets, restaurant and non-restaurant retail fast food companies.

The international franchised firms could be group into western and non-western international firms. Tantalizer, Kentucky fried chicken (KFC), Sweet sensation, and Pizza Inn (Nigeria), may be classified as having western nation oriented franchise whilst the other two firms which include Tastee fried chicken (TFC) and Shoprite (Nigeria) belong to the non-western nation oriented franchise. Unfortunately, all the firms in question can be classified into business format franchised firms i.e. Tantalizer (Nigeria), Kentucky fried chicken (KFC - Nigeria), Sweet sensation (Nigeria) and Pizza Inn (Nigeria), Tastee fried chicken (TFC) and Shoprite are considered as belonging to the business format franchise system, due to no limited opportunity to get interview to firm in other category.

### **These are some of the Advantages**

The above data ascertained from the representatives of the franchisees' businesses or enterprises in Nigeria may be analyzed and therefore discussed as below:



From the discussion above, operational support/management backing/operational assistance is a similarity among 5 franchisees firms in Nigeria and these include Tantalizer, Kentucky fried chicken (KFC), Sweet sensation, Pizza Inn and Shoprite. Operational support could be seen as having the same meaning as management backing and operational assistance. Likewise is credit facility accessibility which may be composed of credit purchases and financial accessibility and such characterizes five franchised business concerns in Nigeria which are Tantalizer, Kentucky fried chicken (KFC), Sweet sensation, Pizza Inn and Shoprite.

There are more western nation franchised firms (i.e. four firms) in Nigeria than nonwestern nation franchised firms (i.e. three firms). On continental level, *two* international franchised firms in Nigeria represent the North American continent and these are Kentucky fried chicken (KFC), Pizza Inn (Nigeria) and Sweet sensation. Also, *one* international franchised firm represents the European continent and this is Tantalizer. There are also two international franchised firms which represent the African continent in Nigeria and these are Tastee fried chicken (TFC) and Shoprite (Nigeria). Commission on sales merit is being associated only with western international franchised firms in Nigeria. As well, the merit of economies of scale is a similarity among two franchisees' firms in Nigeria and these firms are Tastee fried chicken (TFC) and Shoprite (Nigeria). Recognition happens to be another similarity among these two franchise operations in Nigeria. Promotional assistance/ marketing assistance may be viewed as being likeness among Tantalizer, Kentucky Fried Chicken (KFC), Sweet sensation and Pizza inn operations in the franchisee business in Nigeria

In addition, human resource development /training/improved managerial skills happens to be a common merit associated with all the five international franchised firms in Nigeria and these are already mentioned as being Tantalizer, Kentucky fried chicken (KFC), Sweet Sensation, Pizza Inn, and Shoprite. Tantalizer and Kentucky Fried Chicken (KFC) have the greatest number of the merits of franchising system in Nigeria with Tastee fried chicken (TFC) having the least number of merits among all the seven firms under consideration.

Also, international exposure as a merit of franchising system in Nigeria is dominant among non-western franchised firms being Tastee fried chicken (TFC) and Shoprite (Nigeria). The advantage of economies of scale in buying only reflects in non-western franchised firms in Nigeria and does not reflect in any of the western franchised firms. This can be ascertained from table below, by a careful observation of the marked- with capital 'A' boxes in it.

**Table: 4.2.1. Perspectives of the respondent on the advantages of Franchising to the Franchisee**

<b>Tantalizer</b>	<b>Tantalizer</b>	<b>Kentucky fried chicken</b>	<b>Tastee fried chicken</b>	<b>Sweet sensation</b>	<b>Pizza inn</b>	<b>Shoprite</b>
Training	A		A			A
Promotion	A	A				A
Research\ development	A					
Product quality & reliability		A		A	A	
Economic of scale	A			A		A
Low risk factor						A
Appearance						
Technology	A					
Expansion	A					
International exposure	A	A		A		A
Quick Start up				A		A
Managerial-skills improvement		A		A		
Opportunities learning						
Compensation						A
Operational assistant	A	A			A	
Access to finance						
Sales concerns		A				
Proven system					A	

Compensation	A					
Support						
Int -standardization	A					
Time saving in cost		A			A	
Transfer knowledge	A				A	
Management Backing	A					A
Growth		A				
Low investment					A	
Credit accessibility						
Business reduction		A		A		
Development human resources					A	
Prestige	A				A	
Failure						
Free services and standardization	A		A			
Business Flourishing					A	
Commission			A		A	
Credit purchase		A		A		
Creation of hard workers			A			
Management services						
Risk reduction		A	A	A		

Low-cost Marketing/branding				A		
Preamble	A	A			A	
Recognition				A		A
Standard appearance						A

Source: adapted from the advantages outlined management unit

In talking about franchising system in Nigeria it could be inductively stated based on figures given that franchised firms or institutions in advantages from an average of 7.29% (refer to table 4.2.1.) reduction in cost at the introduction stages of the franchise contracts as they operate in this developing country in West Africa.

However, franchising has its shortcomings, not all franchises are as successful as McDonald's and other large global franchisors. Many entrepreneurs are uninterested in becoming franchisees because their business behaviors will be too closely regulated and monitored by the franchisor. As there are many benefits to owing a franchise, there are also some drawbacks that one ought to be aware of prior to one's commitment of becoming a franchise owner.

**These are some of the Disadvantages**

The disadvantage of goodwill transfer loss is associated with non-western international franchised firms. Additionally, the demerit loss of autonomy is associated nonwestern international franchised business enterprises.

Stressful working condition as a disadvantage of the franchising system in Nigeria is more familiarized with non-western international franchised firms which are Tastee fried chicken (TFC) and Shoprite (Nigeria) than with western international franchised business enterprises. Royalty's payment and Strict observation of rules as a disadvantage is also dominant among western internationally franchised firms than with non-western international franchised businesses in the country.

Tantalizer and Shoprite record more disadvantages of franchising system in Nigeria among the all the six firms with Sweet sensation, Kentucky fried chicken recording less number of disadvantages.

**Table: 4.2.2. Perspectives of respondent's on disadvantages of Franchising to the Franchisee**

NIGERIA-FRANCHISEE	TANTALIZER	KENTUCKY FRIED CHICKEN	TASTEE FRIED CHICKEN	SWEET SENSATION	PIZZA INN	SHOPRITE
INCOME LIMITATION			DA			
HARD-WORKING CONDITION	DA		DA	DA		DA
SET-UP COST			DA			DA
STRICT RULES		DA		DA	DA	
GOODWILL TRANSFER LOST	DA					DA
SOLE SOURCING	DA					
INVESTMENT COST		DA			DA	
POLICY IMPLEMENTATION DELAY	DA					DA
CUSTOMER LOST THREATS			DA			
STRICT PRODUCT EXPANSION					DA	
PROFITABILITY REDUCTION					DA	
FRANCHISOR DECISION-MISTAKES	DA	DA				
ROYALTY FEES	DA					
LACK-CREATIVITY						DA
AUTONOMY LOSS				DA		DA

Source: adapted from the disadvantages outlined management unit

In general, it could be stated that the franchising system in Nigeria has royalties paid to franchisor, stressful working condition and strict observation of rules as the dominant demerits characterizing the franchised firms in Nigeria. The average working hours therefore has been computed to be 11.5 hours daily which is such an unwelcome situation for the health of a worker in the franchise sector of the economy of Nigeria.

**Table: 4.2.3. Investment cost paid in Nigeria difference with that of international Countries**

NIGERIA FRANCHISEE	DIFFERENCE OF INITIAL INVESTMENT COST
Kentucky fried chicken- (KFC)	8% less
Tantalizer	4% less
Tastee-fried chicken- (TFC)	5% less
Sweet sensation	9% less
Pizza- inn	6% less
Shoprite	10% less
AVERAGE	7%

Source; Data from manager opinion on advantages and disadvantages of franchising to the franchisee in Nigeria

Finally, as the bearing of this work is towards looking at the advantages and disadvantages of the franchising system in Nigeria from the franchisee's perspective, it could be realized that some of the advantages and disadvantages of well-known academicians do not reflect in the Nigeria case. Such advantages include Site Selection and Territorial Protection (Zimmerer and Scarborough, 2002), and demerits such as Unsatisfactory Training Programs (Scarborough and Zimmerer, 2003), Market Saturation (Scarborough and Zimmerer, 2003).

## **5 CONCLUSION AND IMPLICATIONS**

### **5.1. CONCLUSION**

The main aim of the study was focused on the advantages and disadvantages of the franchising system from the perspective of the franchisee in Nigeria. The previous chapter above had look at the analysis of data and this section that follows provides us with the conclusion and implication based on the analysis of the findings using the inductive approach.

With inductive approach and careful observation of table (4.1) and table (4.2.), the franchising system in Nigeria tends to portray that it is characterized by more advantages than disadvantages in the franchising practice in the country. Thus, this makes it advantageous for one to go into franchising business in Nigeria.

Moreover, it could be concluded with little possibility of doubt that there are few international franchised business firms in nations within the West Africa or Sub-Saharan Africa region. To a large extent, there are few internationally franchised firms in low income countries in Africa (South Africa is the only middle income country in Africa). Recent reports by various consulting firms all agree Africa offers among the world's best investment prospects as emerging markets grow increasingly important. On the Goldman Sachs' growth-environment index, which measures a mixture of economic and social development indicators, Nigeria's score has nearly doubled over the past decade.

'If it were to show the same increase in its growth-environment score over the next decade, many investors will look back and say why the hell didn't I invest in Nigeria,' said Goldman Sachs' global head of economic research Jim O'Neill, who coined the term BRICs.

### **5.2. IMPLICATIONS**

For the government of Nigeria, to help increase the presence of franchising system of operation in Nigeria, there is the need for enough education on the advantages and disadvantages it brings to the entrepreneur and with the view that the advantages far outweigh the disadvantages that comes with it. They should also improve in the standard of security in the country and reduce the rate of corruption in other to attract international franchisor to invest in the country.

Additionally, there should be the coming together of the international franchised institutions in the country to help promote common objectives among them or help achieve individual institutional objectives more easily.

To the prospective entrepreneur who would want to go into business, it is worth noting the advantages and disadvantages of a particular franchise system, weigh it merit as against the demerit before making the decision to chose franchising or not. However, my research findings reveals the advantages that a prospective entrepreneur will encounter far outweighs the disadvantages that will be suffered so it worth going into franchising in Nigeria.

Having a lot of franchising businesses in Nigeria help reduce the unemployment problem facing the Nigerian society as it will offer job to some Nigerians in the society who are already without jobs and put smile on their faces, by so many youths will shift from corrupt practice and focus on their job.

### **5.3. LIMITATION OF THE STUDY**

The limitation will eventually influence the empirical findings in most case study research.

I could not get in contact with the actual owners of the franchise in Nigeria (Le. The franchisee in person) so I had to interact with managers with idea about the franchise system in firms in which they are working, however this could not deter me from achieving the objective of the research. Though only 4 firms did not respond to my access to interview with them due to the limited time and resources (no financial support of any kind for my research work) I was to spend in the data collection (less than one month), based on the fact that they were busy with their own projects assignments and could not get any representative to be interviewees, it is perhaps what I will consider as a little limitation in this case, but my being able to get access to 6 respondents makes a strength as regards my research.

### **5.4. PROPOSAL FOR FURTHER RESEARCH**

I would like to propose a future research on the impact of societal culture on the products offering of an international franchised institution. I believe the extent of taste of product vary from one culture to another and from one country to another.



Moreover, I wish a research is carried out in the near future to reflect the comparativeness of the franchising system between international franchised firms and domestic franchised firms.

Finally, as there is not enough work conducted in this field in Africa, my work has therefore contributed to building knowledge about the state of the franchising system in developing countries and base on the information gathered, both international and domestic firms should embrace franchising to gain growth in their economy.

## **5.5. RECOMMENDATION**

Based on the findings of the study, I also recommend as follows; that government of Nigeria should strengthen the Nigeria International Franchise Association (Nifa) and NOTAP towards efficient and effective regulations of the sector. There should be legislation that would provide rules and laws for the franchising industries. Foreign franchisors should be encouraged to enter into the local market by creating conducive atmosphere and giving tax holiday, just as in the case of the newly established TINAPA business resort in Cross River state. The process of adaptation and standardization should be made easy and attractive. Foreign franchisors should take advantage of the Nigeria market by relating with Nigeria business men and women. Nigeria government should encourage her business citizen to franchise with foreign franchisors in the fast food industry by creating loan facilities with the Nigeria banks.

## **REFERENCES**

Ahiau, A. I. (2006). *Advanced Research methods in the Management Science*, Port Harcourt. *Lecture notes PhD class*, Rivers State University of Sciences and Technology: 6.

Alon, I. (2007). *Economic potential of International Franchising in Emerging Markets*. *Franchisechat.com*.

Altinay, L. (2004). Implementing International franchising: The role of intrapreneurship. *International Journal of Service Industry Management*, MCB UP Ltd, Bradford, 15(5), 426-443.

Bradach, J.L. (1998). *Franchise Organizations*. Boston, MA: Harvard Business School Press

Bradley, F. (2005). *International Marketing Strategy*. 5th ed. London: Pearson Education Limited.

Bryman, A. (1989) *Research Methods and Organizational Studies*. Loughborough.

Bryman, A. (2004) *Social Research Methods*. Oxford: Second Edition. Oxford University Press.

Burns, P. (2001). *Entrepreneurship and Small Business*. New York: Palgrave.

Carter, S. and Jones-Evans, D. (2000). *Enterprise and Small Businesses: Principles, practice and policy*. Harlow, United Kingdom: Pearson Education Ltd

Chambarlain, E. (2006). *The fast food Business in Nigeria* [Online] Available: [www.export.gov/comm\\_svc/eac](http://www.export.gov/comm_svc/eac) (assessed October 10, 2007).

Chav, P; Lee, H., Tseng, R., and Downes, N. J. (1990) *Dietary Habits, Heath Beliefs and Related food Practices of Elderly Chinese Uomen: Journal of American Dietetic Association*, 90: 579-580.

Dant, R. B. (1995). *Motivation for Franchising: Rhetoric versus Reality*. *International Small Business Journal*, 15(1), 10-32.

- Davis, D. (2000). *The Consumer Revolution in Urban China*. Berkeley CA, University of California Press.
- Dyer, J.H. and Singh, H. (1998). *The relational view: cooperative strategy and sources of interorganisational competitive advantage*. *Academy of Management Review*, 23(4), 660-679.
- Easterby Smith, M., Thorpe, R. Lowe. A. (2002)/ (2006), *Management Research* 2<sup>nd</sup> edition, London, SAGE Publication.
- Emerson, R. L. (1979). *Fast Food, the Endless Shakeout*. New York; Lebhar-Friedman Books Chain: 142-146.
- Franinto. (2006). Information Regarding Franchising your Business Retrieved. *Business Directions*, Vol. 11; 26-32.
- Gates, T. (2000). Concept of Franchising traces to 12th Century, *Birmingham Business Journal*, Friday, December 8.
- Gill, J. and Johnson, P. (1991). *Research Methods for Managers*. Liverpool: Paul Chapman Publishing Limited.
- Gilbert, N. (1993). *Researching Social Life*. London: Sage Publication Limited.
- Gompers, P.A. and Sahlman, W.A. (2002). *Entrepreneurial Finance: A Case Book*. USA: John Wiley & Sons, Inc.
- Green, P.E., Tull, D.S. and Albaum, G. (1998). *Research for Marketing Decisions*. New Jersey: Prentice-Hall, Inc.
- Gunarskara, G. (2007). Franchising: A case for Regulation; *University of Auckland Business Review*, Autumn, Vol. 9 issue 1: 48-57 7p.
- Haiying. Z. (2005). Fast food in a Chinese Provincial City: A Comparative Analysis. *A Thesis*, May 20 – 48.
- Hoffman, R. C., and Preble, J. F. (1993). Franchising into the Twenty – First century. *Business Horizons*, Nov –Dec. 35-38.
- Ibru, C. (2007). Financing Franchise through the small and medium enterprises equity investment scheme. *ATCTO Franchise Seminar paper*. Thursday, May 10:1-10.
- JAI. (2004). Franchising within a small and medium Enterprises (SME) Development Strategy. *IMA Seminar*, Tunis, Nov. 29 – Dec. 3:2-6.
- Johnson, J.L. (1999). Strategic integration in industrial distribution channels: managing the interfirm relationship as a strategic asset. *Journal of the Academy of Marketing Science*, 57(2), 1-10.
- Kothari CR, *Research Methodology: Methods and Techniques*, Wiley Eastern Ltd., 1993.

Kuruppu, G.C.J. (2005). Franchising in Sri Lanka: Advantages and Disadvantages from the view point of the franchisee. Master Thesis, Norway: Bodø Graduate Business School.

Longenecker, J.G., Moore, C.W. and Petty, J.W. (2000). Small Business Management: An Entrepreneurial Emphasis. 11th ed. USA: South-Western College Publishing.

Maanen, J.V. (1993). Qualitative Methodology. London: Sage Publication Limited.

Matanmi, S., and Awodun, M. (2005). an Assessment of Competitive Strategies and Growth Patterns of New Enterprises in Nigeria using the Developing Economy Model. *Lagos Organization Review*, Volume 1, No. 1, June – August: 26-32.

Mathewson, G. F. and Winter, R.A. (1985). The Economics of Franchise Contracts. *Journal of Law and Economics*, 28(1), 503-526

McClintock, C. (1985). Process Sampling: A method for case study research on administrative behaviour, *Educational Administration Quarterly*, 21, 205-222.

Mendelsohn, M. (1998). How to Franchise Internationally. 2nd ed. London: Franchise World.

Monroy, M.F. and Alzola, L.M. (2005). An Analysis of Quality Management in Franchise Systems. *European Journal of Marketing*.

Mostyn, B. (1985). The Content Analysis of Qualitative Research Data: A Dynamic Approach in M Brenner, J. Brown, Canter (Ed.). *The Research Interview: Uses and Approaches*, academic Press, Inc, London, pp.115-145.

Nunnally, J.C. (1978). *Psychometric theory* 2nd ed. New York McGraw – Hill.

Nwakwo, S. (1999). State and Market Partnership for Development: A Review of Development Strategy for sub-Saharan Africa. *The Review Policy Issues*, Vol. 3 No. 4: 3-23.

Nworah, U. (2006). Nigeria fast food brands. [Online] Available: [www.collegehandouts.com](http://www.collegehandouts.com).

Olumide, A. (2007). Franchising in Nigeria: Opportunities and Challenges Lagos. *New Business/Franchise review*, Tantalizers limited, 10th May: 4-6.

Ordish, R. (2006). New Franchising Rules; A Step in the Right Direction. *China Business Review*; Nov/Dec. Vol. 33 issue 6: 32-33, 2 p.

Ordish, R. (2006). Testing the franchising waters in China. *China Business Review*, Nov/Dec. Vol. 33 issue 6:30-33, 4p.

Patton, M.Q. (1990). *Qualitative Evaluation and Research Methods*. London: Sage Publication Limited.

Preble, J.F. (1992). Global Expansion: The case of U.S Fast Food Franchisors. *Journal of Global Marketing*, 6(½) 188.

Proctor, T. (2003). *Essentials of Marketing Research*. 3rd ed. Harlow, United Kingdom: Pearson Education Ltd.

Riley, M., and Wood, C.R. (2002). *Researching and writing Dissertations in Business and Management*. London: Thomson learning.

Risner, M. E. (2001) Successful Fast-Food Franchising in Brazil and the role Culture: Four cases. A *Thesis* presented to the Graduate School, University of Florida, Dec.

Saunders, M., Lewis, P. and Thornhill, A. (1997). *Research Methods for Business Students*. 1st ed., London, Great Britain: Pearson Professional Limited.

Saunders, M., Lewis, P. and Thornhill, A. (2003). *Research Methods for Business Students*. 3rd ed., London, Great Britain: Pearson Professional Limited.

Saunders, M., Lewis, P. and Thornhill, A. (2006). *Research Methods for Business Students*. 4th ed. London, Great Britain: Pearson Professional Limited.

Scarborough, N.M. and Zimmerer, T.W. (2003). *Effective Small Business Management: An Entrepreneurial Approach*. 7th ed. New Jersey: Pearson Education Ltd.

Silverman, D (2004) Eds. *Qualitative Research. Theory, Method and Practice*. London, Great Britain: Sage Publications limited.

Teegen, H. (2000). Examining Strategic and Economic Development implications of Globalizing through Franchising. *International Business Review*, 9(4), 497-521.

Vaughn, C.L. (1979). *Franchising: Scope, Advantages, and Development*. 2nd ed. Canada: D.C. Health & Company.

Welsh, D.H.B. and Alon, I, A. (2001). *International Franchising in Emerging Markets: Central and Eastern Europe and Latin America*. Chicago, USA: CCH Incorporated.

Windsperger, J. and Dant, R.P. (2006). Contractibility and Ownership Redirection in Franchising: A Property Rights View. *Journal of Retailing*, 82(3), 259-273.

Wolf Thesis, L. (2005). *Franchising: Part 1*. *International Financial Law Review*, Euro money Institutional Investor PLC, London, 1-2.

Yin, R. (1994). *Case study research: Design and methods* (2nd ed.). Beverly Hills, CA: Sage Publishing.

Yin, R.K (2003), *Case Study Research* Newbury Park, California

Zimmerer, T.W. and Scarborough, N.M. (2002). *Essentials of Entrepreneurship and Small Business Management*. 3rd ed. New Jersey: Pearson Education, Inc.

**Appendix 1:**

**INTERVIEW GUIDE- Spring 2012**

The purpose of the interview is to facilitate the researcher, who is a Master of Science student at the University i Nordland, (Bodø Graduate Business School), Norway, carry-out his thesis on the topic:

**ADVANTAGES AND DISADVATAGES OF FRANCHISING TO THE FRANCHISEE IN NIGERIA**

All data's provided at this stage is strictly confidential

Name of business unit/organization: .....

Name of resource person: Mr./Mrs./Dr./Miss: .....

Job position in the organization: .....

The name of your franchisor and country of location .....

This interview is divided into two parts. The first part deals with the advantages of franchising to the Nigeria franchisee and the second part looks at the disadvantages of franchising to the Nigerian franchisee.

a) Describe your franchising business.

## 1. Advantages of franchising to franchisee

i. In your *perspective* as a *franchisee*, what are the *advantages* that your branch *manager* benefits from the franchise contract?

i. What are the advantages you have been benefiting from the franchise contract as a franchisee? Describe them in more details.

## 2. Disadvantages of franchising to franchisee

i, Still from your own opinion, what disadvantages does the *manager* encounter in this franchised business?

ii. What are the disadvantages you have been suffering from the franchise contract as a franchisee? Expatiate in details.

## **THE BASIC ADVANTAGES AND *DISADVANTAGES* OF FRANCHISING TO THE FRANCHISEE**

### **Advantages of Franchising to the Franchisee**

a) *Brand-Name Appeal*

b) *National Advertising*

c) *Standardized Quality of Goods and Services*

d) *Centralized Buying power*

e) *Site Selection and Territorial Protection*

f) *Greater Chance for Success*

g) *Economies of scale*

h) *Attractive location*

i) *Non- threatening help and advice*



*j) Management Training and Support*

*k) Proven Products and Business Format*

*l) Financial Assistanse*

### **Disadvantages of Franchising to the Franchisee**

*1. Market Saturation*

*2. Buying into franchise can be expensive/ Restriction on Purchasing*

*3. Goodwill you build up dependent upon continuing franchise agreement*

*4. Franchisor may damage brand*

*5. Not really your own idea and creation*

*6. How is/are dispute(s) settled between you as a franchisee and your franchisor? give details.*

*8. Franchise Fees and Profit Sharing*

*9. Limited Product Line*

*10. Less Freedom*

*11. Strict Adherence to Standardized operations*

*12. Unsatisfactory Training Programs*

## **INTERVIEW GUIDE- (BRANCH -MANAGER)**

### **ADVANTAGES**

1. What kind of advantages do *employees* benefit in this franchised organization?
2. What are the advantages you have been benefiting from the franchise contract as a *manager*? Expatiate with more details.
3. In your *own perspective* as a manager, what are the *advantages* that the *franchisee* benefits from the franchise agreement?

### **DISADVANTAGES**

1. Describe the *disadvantages* your staffs experience in this franchised organization.
2. From your own perspective as a franchisee's branch manager of a franchised business, what disadvantages do you encounter in this business?
3. Still from your own opinion, what disadvantages does the franchisee encounter in this franchised business?

## Appendix 2

### FRANCHISEES WORKING HOURS IN BUSINESS

Nigeria Franchisee	Working Hours
Tantalizer	900am- 2100pm: 12hrs
Kentucky Fried Chicken (KFC)	0800am- 2000pm:12hrs
Tastee Fried Chicken (TFC)	0900am- 2200pm: 13hrs
Sweet Sensation	0900am- 2200pm: 13hrs
Pizza Inn	0900am- 2000hrs: 11hrs
Shoprite	0800am- 2000pm:12hrs
Total	73
Average	12.2

Figures collected from the data given from franchisees' business branch managers in Nigeria perspective.