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Franchisee-based brand equity and performance

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This study focuses on the perceptions of franchisees and analyzes the influence of brand equity on franchisee performance. The factors that constitute brand equity are also assessed. Factor analysis was used to generate valid and reliable scales based on a sample of 205 Portuguese franchisee firms, and structural equation modeling methodology was then employed in the analysis. The results show franchisee-based brand equity (FBBE) to be a multivariate factor with strong influence on performance. This study contributes significantly to the literature by showing the perspective of franchisees toward franchising. It also has implications on the adequacy of corporate strategy in achieving performance.

Keywords: franchising; brand equity; brand awareness; brand image

1. Introduction

In many economic sectors, franchising has become integral for the development of businesses (Ghantous & Jaolis, 2013). The franchise brand is a factor of differentiation, a source of competitive advantage and one of the most important resources in shaping the perception and behavior of the franchisee (Guilloux, Gauzente, Kalika, & Dubost, 2004; Zachary, McKenny, Short, Davis, & Wu, 2011). It is a symbol of trust, reliability and quality, whereby consumers are often willing to pay a premium for this assurance (D.A. Aaker, 2003). The added value of the brand results from the customers' perception and the characteristics they associate with the brand (Keller, 1993). Franchisee-based brand equity (FBBE) refers to 'a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a franchisee' (Nyadzayo, Matanda, & Ewing, 2011, p. 1104). Brand equity may be viewed as an important mechanism for creating value for both companies and customers. A distinction should therefore be made between the creation of value for the customers – customer-based brand equity – and the value creation for the firm – firm-based brand equity (Capon, Berthon, Hulbert, & Pitt, 2001; Christodoulides & Chernatony, 2010).

Much of the existing theory about franchising focuses on franchisors, although an interest in analyzing the perspective of the franchisee has been raised in the literature (Grünhagen & Dorsch, 2003; Peterson & Dant, 1990). Furthermore, there is a need to

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produce knowledge about the perceptions of the franchisee (Bürkle & Posselt, 2008; Harmon & Griffiths, 2008).

To support our study, we considered the resource-based view (RBV; Barney, 1991; Mitsuhashi, Shane, & Sine, 2008). According to the RBV, the sources of value creation for performance, from both the franchisor and franchisee perspectives, are intangible resources and capabilities – in this case know-how and brand equity, which are unique and inimitable resources.

This study is centered on franchisees, and aims to identify the components developed in previous studies used to measure FBBE and its relationship with performance. The objectives of the study are to evaluate the importance of each factor in FBBE and its effect on the performance of the franchisee firms, as well as to understand the moderating effect of different variables in the research model. This article makes a significant contribution to the literature by focusing on the franchisee and showing that the factors that identify FBBE are multivariate and complex, encompassing the perceptions of the brand and its intrinsic characteristics. The study also contributes to the body of knowledge on the subject by confirming the strong effect of FBBE in the performance of franchisees. Additionally, this study reveals that the level of education of the top manager, the franchise nationality (domestic or foreign), the size of the national network and whether the franchisee is a family firm or not are factors with weak moderating effects on the performance of franchisees. This finding suggests a need to carry additional studies to enable better adaptation of franchisor strategies and achieve stronger performance.

The remainder of the article is structured as follows. The second section provides the theoretical background and hypotheses. This is followed by sections describing the research model, methods, analysis and results, and discussion. Finally, conclusions and contributions, followed by limitations and future research, are presented.

2. Theoretical background and hypotheses

2.1. *FBBE*

Franchising reflects a strategy that has become a staple form of doing business in many industries around the world (Gillis & Castrogiovanni, 2012; Sorenson & Sørensen, 2001). The competition between franchisors to attract new franchisees and retain existing ones is growing (Zachary et al., 2011). The attraction and retention of franchisees ensures the survival and expansion of a franchise network and increases brand awareness and market share (Lafontaine & Kaufmann, 1994; Perrigot, Basset, & Cliquet, 2011).

FBBE can be defined as 'the value added by the brand to the franchise package, for the franchisee, and that drives the franchisee's responses to the marketing of the franchise package by the franchisor' (Ghantous & Jaolis, 2013, p. 114). These authors note that the customer-based brand equity perceived by the franchisee acts as a precursor to FBBE. Customer-based brand equity, defined by Keller (1993, p. 2) is 'the differential effect of brand knowledge on consumer response to the marketing of the brand'. The value added (subtracted) to consumers by the brand should have a positive (negative) impact on the reaction of consumers in relation to the supply of the brand and should therefore add (subtract) value for the firm (Feldwick, 1996; Wood, 2000). Thus, customer-based brand equity emerges as the source of firm-based brand equity (Czellar & Denis, 2002).

An important research thread takes the brand as the central topic for studies into franchising, concentrating the research on franchisee perceptual equity (Leslie & McNeill, 2010), and franchisee–brand relationships (Nyadzayo et al., 2011). The distinctive feature of the franchising format is that the franchisor must provide franchisees with all the elements necessary to operate the business (Sorenson & Sørensen, 2001; Watson, Stanworth, Healeas, Purdyb, & Stanwortch, 2005). The franchisees do not just sell products or services of the franchisor with the franchisor's trademark but also ensure the business adheres to a system established by the franchisor. The literature on franchising tends to focus on the motivations and governance structures of franchising systems (Dant & Kaufmann, 2003).

The RBV has a particular focus on critical resources that control firms (Mitsuhashi et al., 2008). According to Barney (1991), these resources refer to assets, capabilities, organizational processes, firm attributes, information and knowledge, among others. In franchising, the brand name and its reputation are the most important strategic assets (Fladmoe-Lindquist & Jacque, 1995). The RBV predicts, supported by empirical evidence, that companies that develop strategic assets achieve better performance (Barney & Arikan, 2001).

Brand equity is an important intangible asset that can significantly contribute to firm performance (Ailawadi, Donald, & Scott, 2003; Keller, 2003). It is a multivariate concept that authors have explored in recent times. Boo, Busser, and Baloglu (2009) have studied brand equity as a concept comprising brand awareness, brand experience, brand quality, brand value and brand loyalty. Blackston (1995) associated brand image and brand personality to brand equity. Yoo and Donthu (2001) developed a multidimensional consumer-based brand equity (CBBE) scale, built on the conceptualization of D.A. Aaker (1996) and Keller (1993) and applied to the following components: brand loyalty, brand awareness, perceived quality and brand associations. These components have been widely accepted and applied by many scholars (e.g. Buil, de Chernatony, & Martinez, 2008; Pappu, Quester, & Cooksey, 2006).

Brand awareness

Brand awareness refers to the consumers' ability to recall a brand name when it is mentioned. It refers to the degree of recollection and recognition of a brand, which allows customers to identify the associated products and services. The concept of brand awareness is also the result of consumers' exposure to a brand (Alba & Hutchinson, 1987). It is a critical dimension of brand equity when customers choose the brand for the first time. There are several levels of brand awareness, depending on the ease with which a consumer can recall the brand. Consumers exposed to advertising, word of mouth and other such forms of promoting a brand recall the brand even when those consumers exhibit low brand awareness or recognition. D.A. Aaker (1991), and Kim and Kim (2004) have postulated that the perception of a brand is a multidimensional concept of the consciousness. A greater awareness of the brand is the main driving force behind brand equity. Brand awareness, in this study, is focused on the franchisee and thus the hypothesis can be formulated as follows:

Hypothesis 1a: FBBE is reflected in brand awareness.

Perceived brand image

D.A. Aaker (1991, p. 147) defines brand image as 'anything that is linked in memory to a brand'. This implies not only the impression of the individual brand, but also the image of the company providing the product or service. Brand image also contains the concept of value that customers assign to the brand and brand personality. This is a set of associations of the brand which are stored in the memory of the consumer. In addition, there are three important aspects of a brand's image that determine the different consumption responses for different products. The dimensions are: favorability, strength and uniqueness of brand associations. Brand image, in this study, is perceived by the franchisee. Hence, the hypothesis is formulated as follows:

Hypothesis 1b: FBBE is reflected in the perceived brand image.

Brand personality

Brand personality is defined as 'the set of human characteristics associated with the brand' (J.L. Aaker, 1997, p. 347). This may include, in addition to personality traits, demographic characteristics such as gender and age. Perceptions about brand personality can be formed and influenced by the direct and indirect contact of the consumer with the brand (Plummer, 1985). According to J.L. Aaker (1997), brand personality consists of five dimensions, each with a specific set of facets. These dimensions (and corresponding facets) are: sincerity (identified by a brand's being genuine, honest, domestic and cheerful); excitement (daring, spirited, imaginative, up-to-date); competence (reliable, responsible, dependable, efficient); sophistication (glamorous, pretentious, charming, romantic); and ruggedness (tough, strong, outdoorsy, rugged). Brand personality, in this case, is perceived by the franchisee. The hypothesis is therefore formulated as follows:

Hypothesis 1c: FBBE is reflected in the perceived brand personality.

Brand loyalty

Brand loyalty is the main component of brand equity (D.A. Aaker, 1991; Kim & Kim, 2004). It refers to the strong commitment to reacquire and support a product or service in the future by consistently repeatedly purchasing the same brand or making the same type of purchase despite influences and marketing efforts to change attitudes or behavior.

Zeithaml and Bitner (2002, p. 49) described the factors affecting brand loyalty by indicating that 'the degree to which consumers are committed to particular brands of goods or services relies upon the four factors – switching cost, the availability of substitute, the perceived risk associated with the purchase, and the previous satisfaction level'. Odin, Odin, and Valette-Florence (2001) have claimed that buying behavior repeated under conditions of strong sensitivity is considered as brand loyalty. The consumer tends to repurchase the same brand, attaching great importance to the brand, thus demonstrating his or her loyalty to the brand. Brand loyalty, in this case, is perceived by the franchisee, and the hypothesis is thus formulated as follows:

Hypothesis 1d: FBBE is reflected in brand loyalty.

Perceived brand quality

Perceived quality refers to 'the consumer's judgment about a product's overall excellence or superiority' (Zeithaml, 1988, p. 3) in providing value to the consumer (D.A. Aaker, 1991). Perceived quality is also important when conceptualizing CBBE to mark the distinction between the product and the brand. The objective is not to establish the quality of the product, but to understand the subjective evaluations of consumers depending on their perceptions of its quality. The range of products and high quality services improves reputation and customer retention, attracts new customers through word of mouth and increases financial performance and profitability (Julian & Ramaseshan, 1994). Perceived quality is based on functional associations in the mind of the consumer. The perceived brand quality, in this study, is perceived by the franchisee. The hypothesis is therefore formulated as follows:

Hypothesis 1e: FBBE is reflected in the perceived brand quality.

Perceived brand application

Brand application is composed of three elements: value, prestige and affect. Chaudhuri and Holbrook (2001) developed a scale named 'affective response to brand', which measures the degree of positive affection a consumer has toward a brand. The 'prestige' construct is measured using a scale called 'prestigiousness' developed by Kirmani, Sood, and Bridges (1999). The 'perceived value' construct is measured through a scale developed by Sweeney and Soutar (2001) and seeks to evaluate the utility derived from the perceived economic value of a particular brand. Perceived brand application, in this case, is perceived by the franchisee. We therefore formulate the hypothesis as follows:

Hypothesis 1f: FBBE is reflected in the perceived brand application.

2.2. *FBBE, performance and moderating variables*

D.A. Aaker (1991) stated that brand equity creates value for the company as well as for the client. This view is well supported in the literature (e.g. Keller, 1993; Lane & Jacobson, 1995). Brand equity is positively associated with profits and return on investment (Aaker & Jacobson, 2001). Numerous authors (e.g. Chaudhuri & Holbrook, 2001; Rego, Billet, & Morgan, 2009) have linked brand equity to financial benefits and investor risk. Brand equity generates loyalty and creates barriers to entry with a positive effect on sales growth (Scherer & Ross, 1990). Ailawadi et al. (2003) used revenues to measure performance for brand equity. Other scholars have claimed that better brand reputation results in better market share and financial performance, a key performance indicator in franchising (e.g. Carmeli & Tishler, 2004).

The opportunity for franchisees to create value is due to the strong relationship between customer and brand, the ability to charge a premium and the advantages of differentiation from competitors (Lynch & de Chernatony, 2004). According to Combs, Michael, and Castrogiovanni (2004), in many cases, the franchisee has better knowledge of local characteristics and about how to interact with customers, which can contribute to the success of the franchise. The country of origin influences consumers' brand perception and so, in general, is assumed to be a moderating factor (Norjaya, Mohd, & Osman, 2007). Pappu, Quester, and Cooksey (2007) have asserted that certain parts of the brand image reflect the feelings and mindset in the brand's country of origin and that consumers from the country of origin show greater loyalty to brands from the same country. Pappu et al. (2006) found that each of the three consumer-based equity dimensions of the brand (i.e. brand associations, perceived quality and brand loyalty) vary significantly depending on the country of origin. Yasin, Noor, and Mohamad (2007) also examined the effects of the image of the country of origin on developing brand equity. We consider some additional moderating variables, which are: the family firm, education of the top manager and size of the national network. The corresponding hypotheses can be formulated as follows:

Hypothesis 2: *FBBE positively influences* performance.

Hypothesis 3: Family firms, education of the top manager, size of the national network and the franchise nationality influence *FBBE and its relationship with performance*.

3. Research model

The research model sets out to identify relationships between FBBE (Brand Equity) and performance (Performance). FBBE is composed of brand awareness (Awareness), brand image (Image), brand personality (Personality), brand loyalty (Loyalty), brand quality (Quality), and brand application (Application). Performance is indicated by franchise satisfaction (Satisfaction), financial performance (Financial) and brand value-added (Value_Added). We considered the effect of the dummy variables family firm, education of the top manager, size of the national network and the franchise nationality (Figure 1).

3.1. *Variables and measures*

Brand awareness (Awareness) is explained by the variables *customer experience*, *marketing communications effect*, *word of mouth*, *recollection* and *recognition*.

Brand image (Image) or perceived brand image is explained by the variables *customer number growth*, *growth of the brand in various geographic locations*, *brand image reputation supporting the increase in the number franchisees of the network* and *improved relationships between franchisees and franchisors* (Keller, 1993; Nyadzayo et al., 2011).

Brand personality (Personality) is explained by five variables, each one calculated as the average score of the values yielded by the questionnaire. The variables are *sincerity*, identified by precision in the description of the brand and services, preservation of the environment, joviality and joy; *excitement*, identified by boldness, challenge, spiritedness, adventurousness and imagination; *sophistication*, identified by well-being, status and charm; ruggedness, identified by external risks and resilience; and *competence*, identified by innovation, modernity, trustworthiness, competence and precision (J.L. Aaker, 1997).

Brand loyalty (Loyalty) is explained by the variables, *tendency toward choosing the brand*, *previous satisfaction*, *importance of acquiring the brand*, *change brand*, *brand reacquisition*, *commitment to the brand* and *involvement*.

Brand quality (Quality) or perceived brand quality is explained by the following variables: *the brand exhibits the highest quality of the product or services* and *distinguishing the brand of the franchise from competitors*.

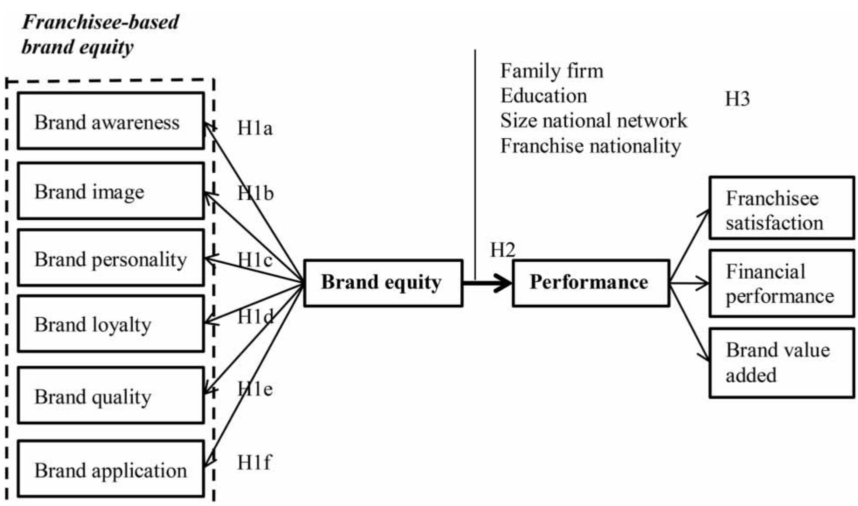

Figure 1. Research model and hypotheses.

Brand application (Application) or perceived brand application is explained by the variables, *value added by the brand to products and services*, *higher prestige of products and services* and *greater affection toward products and services*.

Franchisee satisfaction (Satisfaction) is explained by the variables, *relationship with franchisor*, *contract conditions*, *intention to re-invest in the franchise*, *trust in the brand* and *meeting investment expectations*.

Financial performance (Financial) is explained by the variables, *higher profitability*, *reduction of investment risk*, *reduction of barriers to entry* and *outperforming the competitors*.

Brand value added (Value_Added) by the brand is explained by the variables, *added value for customers* and *added value for firm*.

For all variables, we used a Likert scale ranging from 1 (*totally disagree*) to 7 (*totally agree*).

4. Methods

4.1. *Statistical instruments*

The study used the confirmatory analysis method based on structural equation modeling (SEM), which is suitable for a sample of this size. Nevertheless, to confirm the results, we performed complimentary analysis (not reported here), reducing the number of variables by removing those with lower explanatory weights.

The comprehensive approach was employed to test the structural models with hypotheses about relations between observed and latent variables. The study used the analysis of moment structures (AMOS) program to estimate the measurement model and structural model path coefficients that determine the relationships between the variables in the model.

The structural equation model examines the relationship between the latent variables, based on the model of Jöreskog and Sörbom (1993), with three matrix equations. The first equation is,

$$\eta = \beta\eta + \Gamma\xi + \zeta, \tag{1}$$

where η is the vector of the endogenous latent constructs, β and Γ are matrices of structural coefficients, ξ is the vector of exogenous constructs and ζ is the vector of errors of the conceptual model. The second equation is,

$$y = \lambda_y\eta + \varepsilon, \tag{2}$$

where y is the vector of the endogenous observed variables, λ_y is the matrix of structural coefficients for y, ϵ is the vector of errors of the measurement model and the covariance matrix of these errors is θ_ε. The third equation is,

$$x = \lambda_x\xi + \delta, \tag{3}$$

where x is the vector of the observed exogenous variables, λ_x is a matrix of structural coefficients for x, ξ is the vector of exogenous latent constructs, δ is the vector of measurement errors of the model.

4.2. *Data collection*

The data represent the franchisees' perceptions of the brand value and strength in the market and, more specifically, for consumers (Nyadzayo et al., 2011). After identifying the franchises operating in Portugal, we obtained contact details for 1981 franchisees. We then sent out an electronic questionnaire to these franchisees. The franchisees were contacted in the first half of 2013, by e-mail, asking them to provide responses via an Internet web link. We received complete answers from 205 franchisees.

5. Analysis and results

5.1. *Descriptive analysis*

The majority of the variables followed a normal distribution (considering the skewness and kurtosis statistics). From the 205 franchisees in the sample, 73.7% were established after the year 2007, 75.6% have only one franchising contract, 55.1% are integrated in networks with fewer than 50 partners, 64.4% are franchisees of Portuguese brands and 61.5% are family businesses. A total of 72.7% of respondents are managing partners. In terms of education, 68.8% of those who signed the franchising contract have a bachelor's degree or higher education and 45.4% have a background in economics or management.

5.2. *Exploratory analysis*

The first stage of data analysis consisted of a normality test of the variables, which was not rejected. This was then followed by a descriptive analysis and the calculation of correlations between variables to analyze the intensity of relationships and examine how the variables were grouped. Subsequently, factor analysis was performed with all variables to assess the factors and constructs involved in explaining brand equity. Taking into account the existence of latent variables, we used SEM, first preparing the measurement model and then the structural model of confirmation.

We observed a lack of adequate results because some latent variables did not meet the assumptions of internal validity. We therefore attempted to explain the endogenous variables based on the factors considered. This was followed by exploratory factor analysis to regroup some of the factors into new latent variables to subsequently apply the SEM methodology. The results were then shown to be more substantial and suitable, and we proceeded with the confirmatory analysis of the new model.

The structural model was defined with direct causal relationships from the latent variables of first order to the performance variables. We checked to see whether there was a strong correlation between the variables. This revealed the existence of multicollinearity, which led to the cancellation of the relationship of various factors among the endogenous variables.

Given the strong correlation between the first order latent variables, a second order latent variable was defined, *Brand Equity*, which is reflected in the first order latent variables.

A structural model with internal consistency, reliability validity and unidimensional validity was determined (Hair, Anderson, Tatham, & Black, 1998) (Table 1). The SEM model yielded the following goodness of fit results: $\chi^2 = 1060.65$, $\chi^2/\mathrm{df} = 1.747$, CFI $= 0.932$, NFI $= 0.855$ and RMSEA $= 0.061$.

The face validity of the latent variables was verified, consistent with the concepts and definitions in the literature, and the convergent validity was also verified because all

Table 1. Correlation between latent variables and internal consistency.

	Cronbach's alpha		1	2	3	4	5	6	7	8	9	10
BrandEquity (2nd lv)	0.953	1										
Performance (2nd lv)	0.962	2	0.83									
Personality	0.878	3	0.79	0.65								
Loyalty	0.861	4	0.88	0.73	0.69							
Application	0.93	5	0.89	0.74	0.70	0.78						
Quality	0.805	6	0.96	0.79	0.76	0.84	0.86					
Awareness	0.792	7	0.86	0.71	0.68	0.76	0.77	0.83				
Image	0.854	8	0.73	0.60	0.57	0.64	0.65	0.70	0.83			
Value_Added	0.908	9	0.77	0.94	0.61	0.68	0.69	0.74	0.67	0.56		
Satisfaction	0.95	10	0.78	0.94	0.61	0.68	0.69	0.74	0.67	0.56	0.88	
Financial	0.898	11	0.80	0.97	0.63	0.70	0.71	0.76	0.69	0.58	0.91	0.91

loadings of latent variables are higher than 0.5 (p-value < 0.01) (Anderson, Gerbing, & Hunter, 1987).

The values for the internal consistency of the latent variables, measured by Cronbach's alpha, are very good ($\alpha > 0.80$), with the exception of Awareness ($\alpha = 0.79$) which is very close to the accepted threshold (DeVellis, 1991).

Figure 2 shows the model obtained with the second order variable Brand Equity. The model has a good degree of explanatory power, measured by the strength of the relationship between the latent variables Brand Equity and Performance ($\beta = 0.83$; $R^2 = 0.68$). The reflective model that constitutes the second order latent variable Brand Equity integrates the first order latent variables Image ($\beta = 0.73$; $R^2 = 0.53$), Awareness ($\beta = 0.86$; $R^2 = 0.74$), Personality ($\beta = 0.83$; $R^2 = 0.68$), Loyalty ($\beta = 0.88$; $R^2 = 0.77$), Application ($\beta = 0.89$; $R^2 = 0.79$) and Quality ($\beta = 0.96$; $R^2 = 0.92$) all with high weights, with beta coefficients greater than 0.73. Performance, as a second order latent variable, is formed by the first order latent variable Satisfaction ($\beta = 0.94$; $R^2 = 0.88$), Finance ($\beta = 0.97$; $R^2 = 0.93$) and Value_Added ($\beta = 0.94$; $R^2 = 0.88$), all of which have high weights and beta coefficients greater than 0.94.

We studied the effect of the dichotomous moderating variables, *family firms*, *higher education*, *size of the national network* and *franchise nationality*. In the case of business networks (Size of national network) with 10 partners or fewer, the performance variables exhibited a greater degree of variation, but in the general model hardly any differences could be observed. Performance is better explained by Brand Equity ($R^2 = 0.68 \rightarrow > R^2 = 0.79$) for respondents with a bachelor's degree or higher education compared to the general model.

6. Discussion

This research is based on the perceptions of franchisees and aims at identifying factors that reflect FBBE, as well as assessing the effect of brand equity on the performance of franchisees.

This research confirms that brand awareness, perceived brand image, brand personality, brand loyalty, perceived brand quality and perceived brand application reflect FBBE. The results show that the factors that are associated with the brand equity effect are multivariate, confirming hypothesis 1 (H1a, H1b, H1c, H1d, H1e and H1f). The literature

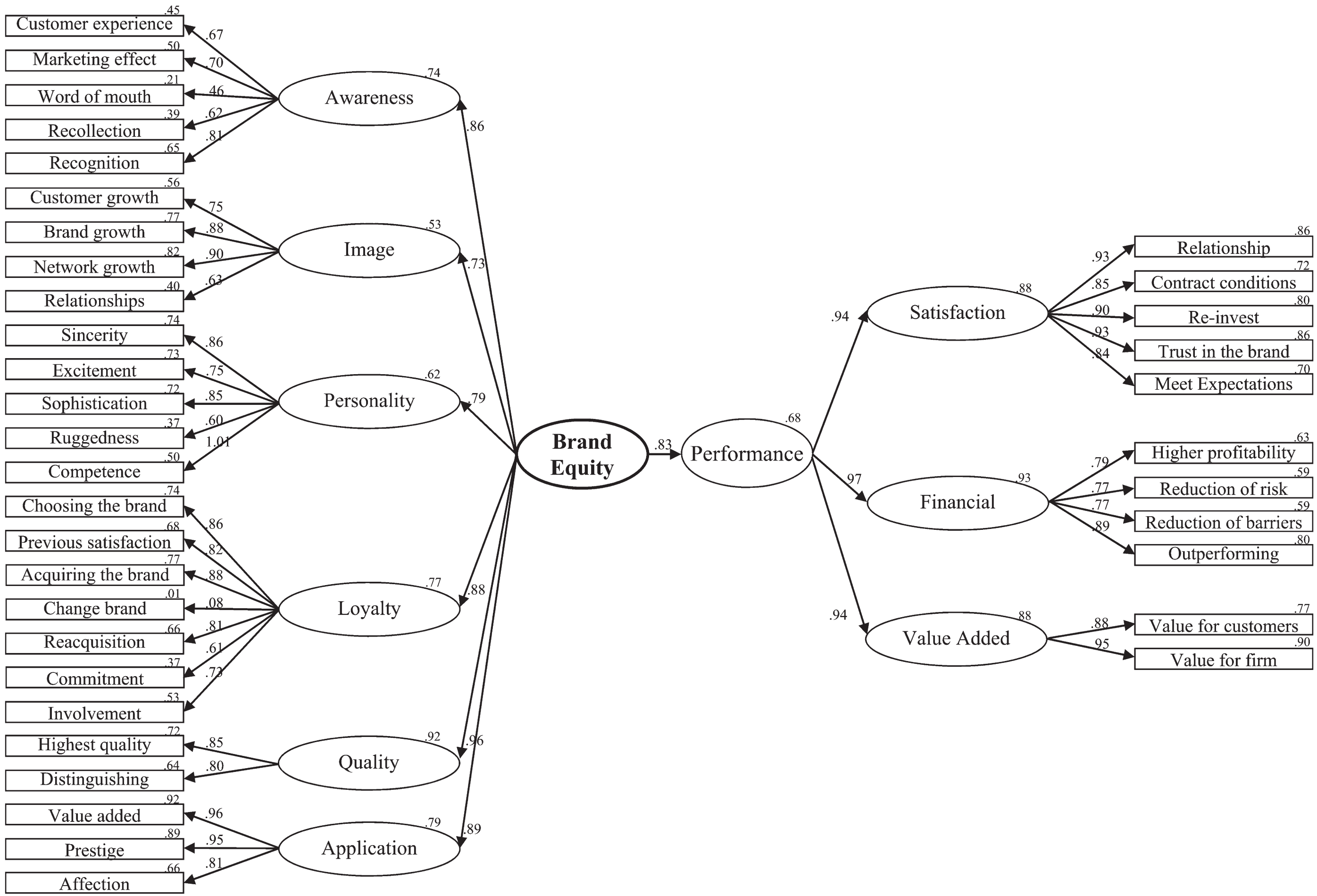

Figure 2. Structural SEM model.

corroborates these findings by citing brand equity as a concept composed of several factors. D.A. Aaker (1991) based his study of brand equity on perception and behavioral factors, identifying four components that form this concept. Keller (1993) focused on two components of brand equity that are associated with brand knowledge. Other authors have extended the number of components in terms of symbolic dimensions and other additional components (e.g. Boo et al., 2009). There are several components that reflect the effect of brand equity. The majority of the literature adopts the components presented by D.A. Aaker (1996). However, authors have recently broadened the concept of brand equity, branching out to other components and considering increasing degrees of complexity (e.g. Boo et al., 2009). There is support in the literature for our decision to consider the factors of brand personality (J.L. Aaker, 1997; Keller, 2003) and perceived brand application in this research.

In this study, franchisee satisfaction, financial performance and value added by the brand are the measures that represent the performance of franchisee firms. There is a very strong effect of FBBE on performance, which implies the importance of brand equity in achieving financial results and the satisfaction of franchisees. This finding supports both the choice of franchising as a business strategy and the choice to create franchising networks. The same results also support hypothesis 2 (H2). This finding is in line with the literature (e.g. Aaker & Jacobson, 2001; Keller, 1993).

The outcomes of this study imply that franchising contracts should be seen in holistic terms. For example, a heightened perception of the effect of communication or another such stimulus, brand awareness and brand reputation or loyalty, reflects positively on the degree of satisfaction of franchisees, their financial results and the value-added by the brand. This view is shared by Scherer and Ross (1990), among others, who demonstrated a link between loyalty and performance (measured by increased sales), along with Ailawadi et al. (2003), and Carmeli and Tishler (2004), who showed a positive relationship between brand equity and performance. Therefore, these are circumstances that enable franchisors to obtain more franchising contracts and develop a network of business partnerships, with the obvious advantages this entails. This perception and positive brand awareness leads the franchisees to engage more intensely in the business, which, in turn, leads to advantages for the franchise. Combs et al. (2004) have stressed the importance of the franchisee possessing better knowledge of the context and how to interact with customers to achieve success with the franchise.

The dummy variables, family firm, education of the top manager, size of the national network and franchise nationality, were selected as moderators to verify their effect on the relationship between brand equity and performance of the franchisee enterprises. We found that these variables do not have significant effects in the model, which goes against published findings, particularly in relation to franchise nationality. Hypothesis 3 (H3) was not confirmed, which also contradicts the literature. Norjaya et al. (2007) observed the effects of the mindset in the country of origin on brand awareness in the market. Furthermore, Pappu et al. (2007) showed a positive association between country of origin and brand loyalty. This means that family background and education are separate from the initiative to undertake and manage the franchising business subject to the contract specific conditions. On the other hand, the size of the national network depends on the strategy and business conditions of the franchisor. In this study, these factors are like franchise nationality in that they show no influence because franchising, by its very nature, is an international business.

7. Conclusions and contributions

This study examines the relationship between brand equity and franchisee performance, as well as the factors that reflect FBBE. We also study the effect of moderating variables in the research model. The main findings of the study are that the performance of franchisee firms – understood in terms of franchisee satisfaction, financial results and added brand value for customers and the company – is positively and strongly influenced by FBBE. Franchisees consider brand equity to be the pivotal reason for investment in the franchise contract. They demonstrate a high degree of satisfaction regarding the relationship established with the franchisor, the conditions of the franchise contract, the financial results and their ability to overcome competitors, and recognize that the brand adds value both for customers and for the franchisee company.

The most recent research evaluates various factors that reflect FBBE. This research confirms FBBE as a multivariate and complex factor that combines the franchisees' perceptions of the brand and the intrinsic characteristics associated with the brand. According to our results, the FBBE factors have high, albeit differing, weights. The most important factors are perceived brand quality, perceived brand application, brand loyalty and brand awareness.

The results of this study fail to verify the influence of the variables family firm, education of the top manager, size of the national network and franchise nationality on the relationship between FBBE and performance. Thus, it seems that franchising contracts and franchisee performance are not sensitive to differences in context (such as the size of the national network and the nationality of the franchise) and are indifferent to the level of education of franchisees and the business model (family business or non-family business model).

The main contribution of the study stems from its focus on the perceptions of franchisees (as franchisors' clients), which enables a more appropriate interpretation of the factors that lead to a competitive advantage. The study also provides a better understanding of the effect of brand equity on the performance of franchisee companies.

7.1. *Limitations and future research*

This study's findings suggest the importance of continuing this line of research into FBBE, to better understand the role of the multivariate franchisee perspective and its performance implications. Also, it would be of great interest to study the role of FBBE in franchisee relationships with franchisors. A future study could verify the effect on franchisee business performance when the means of assessing some of the factors of FBBE is adjusted. In turn, the role of context in relation to the FBBE performance of franchising companies should be examined in more detail. Finally, it would also be interesting to distinguish between different franchising sectors.

The fact that these results do not offer support for H3 also suggests a need for additional work. It may be the case that some specific characteristics of the Portuguese sample should be addressed. This could be confirmed by testing the same research model in a different context.

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