

**FACTORS INFLUENCING THAI ENTREPRENEURS  
INTENTION TO BUY THAI FRANCHISED FOOD BUSINESS**



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**FACTORS INFLUENCING THAI ENTREPRENEURS  
INTENTION TO BUY THAI FRANCHISED FOOD BUSINESS**

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THAI FRANCHISED FOOD BUSINESS**

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**ABSTRACT**

The food business is growing in Thailand and create high competition in the market. As a small entrepreneur, thinking about business growth strategy to serve the increasing market demands and firm competitive advantage, franchising is one of the way for business growth strategy. The benefit of franchising are discussed in many literature reviews that franchise owner could overcomes both the financial capital and human capital because money invested and business ownership by franchisees. To expand the franchise business, the important role for franchise owner is to acquire new franchisees into the franchise network. To realize what are the important factors when the franchisees decided to buy a franchise. So far, there were a few study attempted to study the factor influencing franchisees to intention to buy each particular franchise food businesses. Hence, this research is trying to understand what the important factors affecting franchisees' are buying intention in Thai context. The research has been done through qualitative research methodology by in-depth structured interviewing 8 franchisees from 3 franchised restaurants to explore their concern factors toward franchise food business buying intention. And to help Thai franchise owner to realize what should be the most considering factor for them.

**KEY WORDS:** Franchise / Food / Motivation / Intention to buy / Franchising business

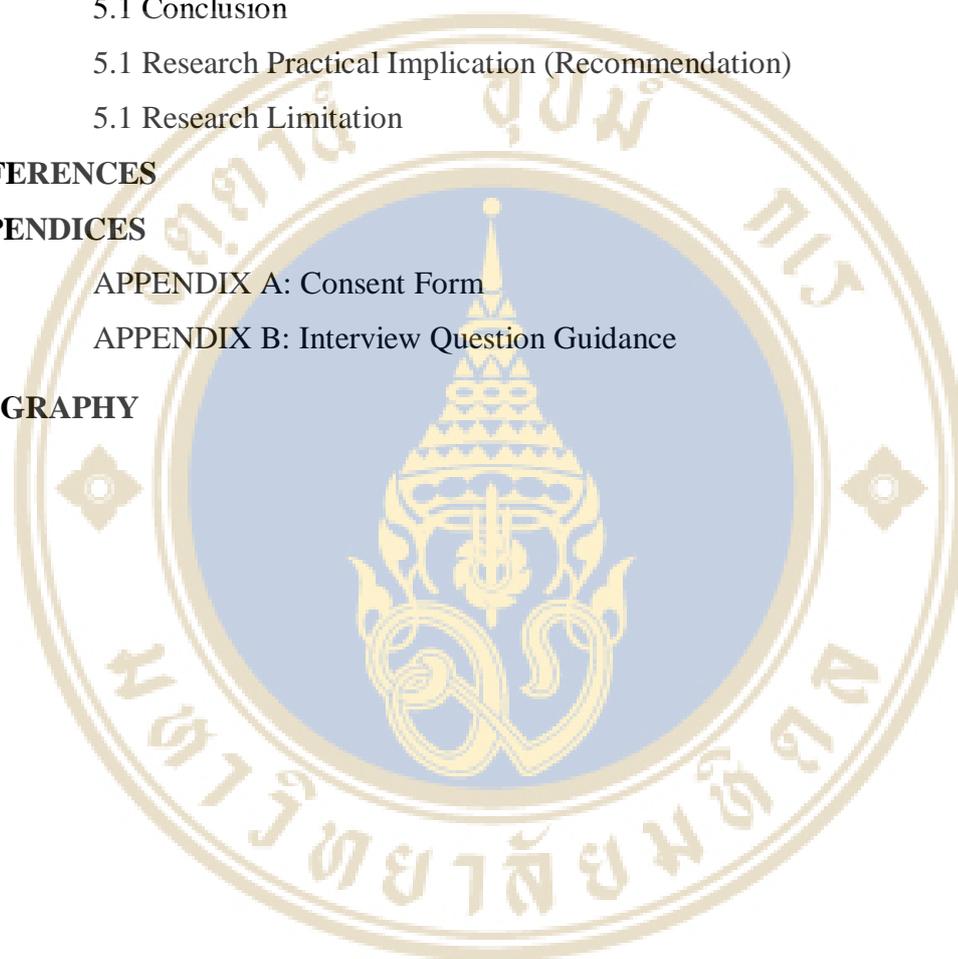
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# CHAPTER I

## INTRODUCTION

### 1.1 Research Motivation

For restaurant business in Thailand, the growth of economic affected on Thai consumer's eating behavior. Fragmented form a Thai extended family, nowadays most people live together as a small family or so called nuclear family especially in Bangkok metropolis. Cooking for a small group of people is time-consuming. Recently Thai's consumer behavior changed to eat outside rather than cooking at home. The number of people who eating outside continuously increase; according to National Statistical Office of Thailand, the market value of foodservice industry in 2011 and in2013 had increased from 10.7% to 19.8% respectively. So there are many restaurants pop up to serve these changing demands leading to many players in the market, firms have to consider competitive strategy to retain their existing customers while gaining more revenue from new customers

Franchising should be identified as the competitive strategy for the company expansion. Firms could expand their restaurant outlets rapidly by the use of franchising, together with various benefits from franchising to overcome the financial and human barrier have been discussed (Kabir C. Sen, 1998). To leverage the organization's competencies, to diversify risks, to strengthen the company's brand name, to achieve economies of scale which have been stated by Dennis Campbell, 2008. Standard of food quality, service and convenient location provided from chained restaurant, fast food restaurant, or casual restaurant makes Thai consumer increasingly rely on chained restaurant. Monthly meal expense for Thai consumer on independent foodservice average was THB 7,481 per person which decreased 3.3% from 2007 to which year or preset meanwhile chained consumer foodservice average was THB 2,431 per person which increased to 28.7% (Euromonitor International, 2012). Also Kasikorn Research Center found that the market value of chained restaurant was increasing. In year 2010, market value was THB 75.62 billion which increased 11% from the previous year. In

year 2011, market value was THB 85.47 billion which increased 13% from the previous year and tend to increase every year.

Buying franchised restaurant is the way of people who have a spirit of entrepreneur, who want to start to do business but do not have much experience in dealing with business because supporting materials and guidelines will be provided to franchisees by franchisor. Despite the rapid adoption of the restaurant franchising in Thailand, a few studies have, so far, attempted to understand what factors motivated franchisees to buy the franchised food businesses.

Thus, qualitative research methodology will be applied to this study. Interviewing Thai entrepreneurs, potential franchisees, and franchisee who bought franchise food business, to realize what critical factors must be considered before buying a franchise restaurant from Thai franchisor.

## **1.2 Research Objectives**

Using franchising as business expansion strategy. To acquire the potential franchisees into the franchise network. This research is trying to help Thai franchisors realize which factors affect Thai entrepreneurs to select franchise restaurant. And what factors should be considered as important factors to help Thai franchisors attract Thai entrepreneurs to join their networks. The recommendation will be supported according to the literature review.

## **CHAPTER II**

### **LITERATURE REVIEW**

This research aim to clarify Thai franchisee buying intention behavior through Thai franchised food businesses. The study proposes factors influence through personal characteristics by providing the reference literature reviews, this part is involved in concise of reference frameworks.

#### **2.1 Using franchise as restaurant growth strategy**

Kabir C. Sen, (1998) claimed two factors contribute to the importance of adding restaurant outlets. First, firm will get the number that could reach to the economy of scale. Sale promotion could be done wisely according to wide size of firm and lead a firm to have a competitive cost structure. Second, restaurant outlets expansion convey brand's message to customers.

Franchising is becoming one of the most popular methods for business growth strategy (Brian Duckett, 2008). Many researches claimed the benefit of using franchise as a restaurant growth strategy: first is financial capital, and second is human capital. Franchisees pay initial investment, franchise fee and royalty fee to a franchise owner. That makes a firm increase a number of outlets without raising firm's capital. Franchisees once they rely on each particular franchise restaurant brand and decided to come along with, comparing to an employee who run a company owned outlet, franchisees tend to contribute to a firm more than salaried employees (Kabir C. Sen, 1998).

Apparently, franchisees have to pay franchisee fee and invest the outlet by themselves. If franchisors use the money from franchisees wisely to strengthen restaurant's operation, brand, and system, franchisors detach financial constraint upon a firm growth because capital will be supplied from franchisees (Eugene Y. Roh Ji-Hwan Yoon, 2009).

Human capital is important to drive a firm go quicker but hiring highly performed agency is costly for a firm as well. Nan Hua Michael C. Dalbor, (2013) argued that we pay fixed wages for firm's employees reflecting to consistency outcome even lesser than firm's expectation but satisfied franchisees tend to generate more outcome and contribute to a firm according to their ownership by providing a proper incentive through profit sharing motivation. Eugene Y. Roh Ji-Hwan Yoon, (2009) claimed that franchising is the way to derive a good form of organization consisting of franchisees who acting similar to company's owner. Managerial and entrepreneurial that a firm could find from franchisees to minimize the cost of hiring agency.

The most usage of franchising is restaurant category in USA (Syed Tariq Anwar, 2015). There is an evidence on a research in the use of franchise in restaurant sector (Kabir C. Sen, 1998). He collected data approximately 109 franchised restaurants from both full line and fast food menu during 1986 to 1990 and found that increasing in the proportion of franchising in each particular firm has a positive effect to the growth of outlets for the small-middle firms. Even though the analysis shown that larger chains have a lower use of franchising as an expansion strategy which support to the franchise life cycle theory. Furthermore, considering on stock price and earning per share, franchised firms have higher value than non-franchised firms (Nan Hua Michael C. Dalbor, 2013). Moreover, the study in restaurant segment has been examined that franchised firms perform better than non-franchised firms (Hsu and Jang, 2009) while maintaining the ratio of firm owned and franchisee owned was suggested by Srinivasan (2006). The result of a study on Thai potential franchisees explored four factors personality (Conscientiousness, Intellect, Extraversion, and Agreeableness), a person who has high score show a positive correlation toward purchase intention (Piyathida, 2009) Franchising empirically help restaurant owner to have high performance people to overcome the business obstacles and lead franchisors to expand restaurant outlets faster than expansion firm itself.

## **2.2 Intention to buy franchised restaurant**

A few researches are trying to find the factor influence the entrepreneurs to buy the franchised food business and specialize in Thailand context. There is an opinion from LLOYD Bank, 2013, mentioned the foundation of success in franchising that are Brand, System, Support, and Agreement. So far, this research is trying to study what exactly factors influence Thai entrepreneurs to buy the franchise license from Thai franchise owners. The literature reviews will be constructed by gathering the franchise attributes appealing to the customer's or the franchisee's perspectives and find out whether those group of attributes will attract the franchisees who bought the franchise license from the franchisor or not.

### **2.2.1 Brand**

Eugene Y. et al, (2009) claimed the top primary reasons to choose or invest in each particular ice cream franchise in South-Korea are brand recognition and franchisor's longevity in the market. In addition, Nerilee Hing, (1996) mentioned the duration of franchise company industry experience, the duration of franchise company franchising experience, and the number of pilot outlets operated, enhance potential franchisee satisfy a firm and lead them to sign contract with brand named firm.

### **2.2.2 Operation**

Effective operation system creates franchisees satisfaction. There was a study on ice cream franchise business shown that franchisees would upset if central purchase unit delivered them a product late, expressed by Eugene Y. et al, 2009 (correlation value 4.03 in likert scale 1-5). To maintain standard of operation and satisfy customers which they always perceived standard of food quality, service, and restaurant physical environment from restaurant (Chow et al. , 2007), Brain Duckett (2008) stated standard operation must be clearly identified through the franchise operation manual using as a training tool and referral document during operating outlets. He also stated putting the manual online would help each franchised outlet easily access to standard of operation through internet. Furthermore, there was a study in maximizing franchisee satisfaction in Australian restaurant sector by Nerilee Hing, (1996), shown that adequate disclosure document enhanced franchisee satisfaction.

### **2.2.3 Support**

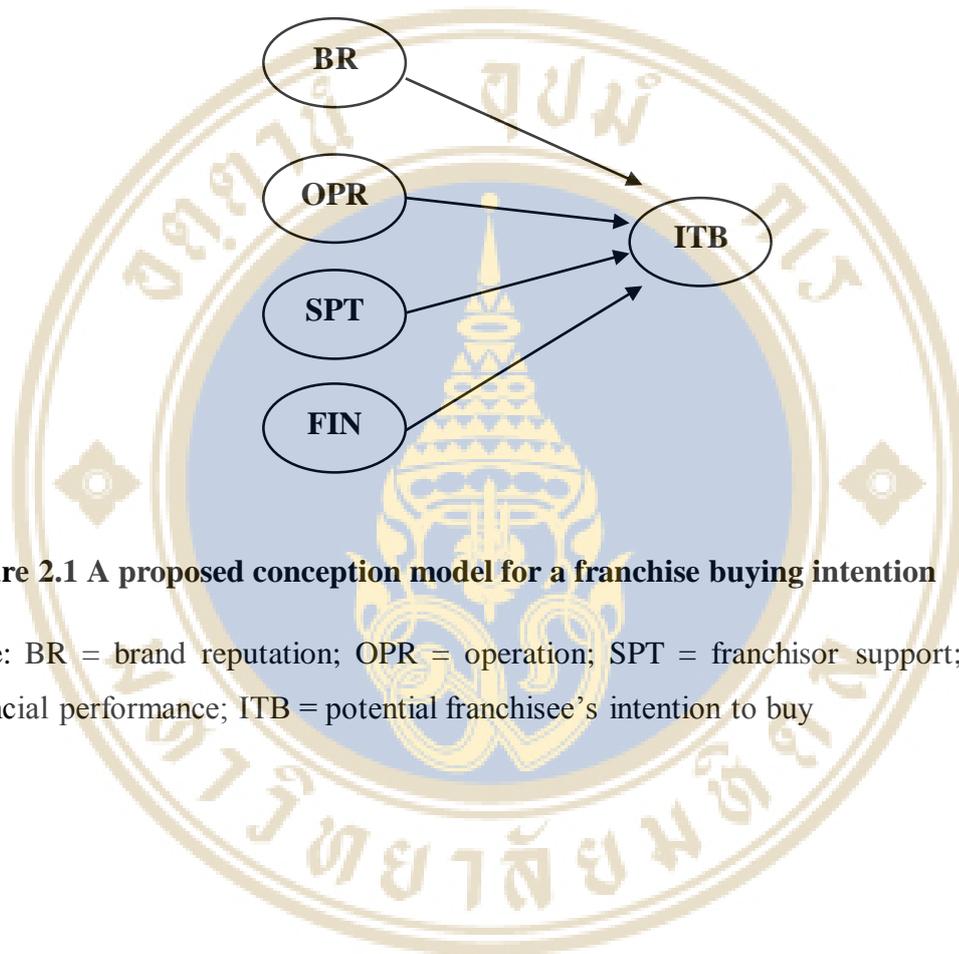
Many research stated that franchisor support enhances franchisee satisfaction (Nerilee Hing, 1996). Ongoing support also plays important role in determining of success franchising (Eugene Y. et al, 2009). Similarity, Guilloux et al. (2004) investigated France's franchisees the importance of selecting franchisers, the advice and assistance before opening franchise business format is the first most important criteria. Furthermore, the study on potential franchisees purchase intention in Thailand from Piyathida, (2009) claimed that franchisees join franchise network rather than starting independent business in order to take advantages of training provided by franchisor, also the existing franchisees tend to contribute to franchisor by generating a positive word of mouth to the environment when they satisfied with a good ongoing support. Eugene Y. et al, (2009) examined franchisee satisfaction in ice cream business in South-Korea, good pre-opening support and ongoing support positively influence franchisee satisfaction and found that strong word of mouth from satisfied franchisees to friends and relatives play a significant role for the potential franchisees to become an ice cream franchisee while franchise recruitment like promoting through TV, newspapers or magazine was useless to influence potential franchisees to enter into ice cream business franchise. On the other hand, McCosker and Frazer (1998) argued that the best way to promote franchise recruitment in Australia was to go through printed media such as newspaper ads, franchise directories, and magazine.

### **2.2.4 Financial**

Nan Hua et al. (2013) tried to compare the financial performance between franchised firms and non-franchised firms, from his examination shown that non-franchised firm's performance was less than franchised firms and concluded that the investors might look a firm using franchising to invest. In term of rate of return on investment was examined in the study by reaching the decision to purchase a franchise in Thailand, the significant value of better profit attributed 5.21 and standard deviation was 1.30 (arbitrary level 1 is strongly disagree: 7 is strongly agree) proved that Thai entrepreneurs were interested in franchise business which provided high profit (Piyathida, 2009). So if a franchisee is considered as the investor in the view of

franchisor, franchisee should focus to invest into a franchised business rather than independent business to gain the benefit from financial performance.

Conclusion, the conceptual framework will be constructed by factors from literature reviews above which are brand reputation, operation, franchisor support, and financial to find relationship between Thai entrepreneur's intention to buy franchised food businesses from Thai franchisors.



**Figure 2.1 A proposed conception model for a franchise buying intention**

Note: BR = brand reputation; OPR = operation; SPT = franchisor support; FIN = financial performance; ITB = potential franchisee's intention to buy

## **CHAPTER III**

### **METHODOLOGY**

#### **3.1 Research Overview**

This research depends on in-depth structured interview qualitative research methodology. To examine the correlation of intention to buy franchised food business from the franchisees who bought franchised food businesses. Using of closed-end questions to interview respondents to ensure which factors influencing interviewees the most to motivate them to buy franchised food businesses. However, in order to explore more in-depth motives, the unstructured open-end questions were used. Meanwhile some specific questions were also addressed to discover more contexts and expanding for further analysis and discussion.

#### **3.2 Defining target population**

The study group which was used as a representative group was, the existing franchisees from three franchised brands representing Thai entrepreneurs who bought franchised food businesses from Thai franchisors. In this case, the author would like to establish the name for each franchised brand to, the restaurant A, the restaurant B, and the restaurant C. Each restaurant characteristic will be explained in next paragraph. The reasons for choosing those franchised brand as a study group were: first, those food businesses were listed on the reliable franchise source in Thailand which is [www.thaifranchisecenter.com](http://www.thaifranchisecenter.com), so those food businesses were established quite long time and trustable. Second, those food businesses were small enterprises running the big network that could be a case study for Thai entrepreneurs who are interested in utilizing franchising their existing food businesses as expansion strategy.

### **3.2.1 The restaurant A**

The overview of sampling group of the restaurant A is a casual restaurant serving healthy hot-pot menus Thai-Japanese style, targeting health conscious customers. Affordable pricing model, buffet menus price range around THB 249 for without seafood and THB 349 per head including seafood menus. There is quite high franchise fee set for the initial that the franchisees need to pay depending on the individual agreement with the franchise owner but there is no royalty charging for any raw material purchasing. Noticeable, the franchisees have to prepare their own raw material purchasing. Restaurant management style is quite freedom because the franchisor allowed the franchisees to do on their own. Currently, established 4 years and there are around 55 branches across Thailand.

### **3.2.2 The restaurant B**

The selected franchised restaurant brand is the restaurant B that is a Hong Kong congee restaurant open 24 hours. Affordable price, THB 50 to THB 60 charged per one bowl. Using traditional restaurant management style. There is a small franchise fee at initial and no royalty fee because it included on the purchased raw material. So far, this restaurant brand has been established for 12 years and there are around 170 branches across Thailand.

### **3.2.3 The restaurant C**

The last restaurant, the restaurant C is a Dim sum restaurant Chinese style serving variety of Dim Sum as a light menu and main menus. The restaurant opens 24 hours and uses this as key competitive strategy. The restaurant located around crowd area like university and community mall. The price range is affordable price, THB 25 to THB 35 for each Dim Sum dish and THB 45 to THB 65 for main dish. Utilizing technology for restaurant operating and managing the restaurant such as Point of Sales (POS). High investment and moderated franchise fee at initial and royalty fee 4 percent from the revenue including marketing fee 2 percent from the revenue. The first restaurant establishes since 1999, recently it reaches 15 years and there are 24 branches across Thailand.

This group study will make us realized, among four factors stated above that are brand reputation, operation, franchisor support, and financial performance, what factors influence their franchisees to decide to buy each particular franchised food businesses.



## **CHAPTER IV**

### **FINDINGS**

This research is a study of “Factors influence Thai entrepreneur intention to buy Thai franchised food business.” This section investigates the research outcome on factors influencing Thai entrepreneurs toward intention to buy franchised food business from the franchisees perspective. The data analysis is based on in-depth interviews totally 8 respondents from well-known three franchise brands. From the research reveals the results below accordingly.

#### **4.1 Demographic data**

In this study, the total number of interviewed franchisee was 8 respondents, they were 4 females and 4 men, average age of the respondents were around 26 to 42 years old. The youngest respondent was 26 years old and the oldest was 42 years old. Almost respondents were graduated with bachelor degree. In additional, almost respondents were business owners but only one respondent was a full-time employee. Most respondents had had experience in running independent business before deciding to buy franchised food business.

#### **4.2 Data Analysis**

Interviewing franchisees from three franchise restaurant brands to find out which factors affected buying intention of franchise food business. According to the respondents, the factors toward intention to buy franchise food business are described below.

**Table 4.1 The franchisees respondent's factors toward buying franchised food business**

No.	Franchised food business	1 <sup>st</sup> Ranking	2 <sup>nd</sup> Ranking	3 <sup>rd</sup> Ranking	4 <sup>th</sup> Ranking
1	The restaurant A	Brand Reputation	Financial	Franchisor supports	Operation
2	The restaurant A	Brand Reputation	Financial	Operation	Franchisor supports
3	The restaurant A	Brand Reputation	Financial	Operation	Franchisor supports
4	The restaurant B	Financial	Operation	Franchisor supports	Brand Reputation
5	The restaurant B	Financial	Franchisor supports	Brand Reputation	Operation
6	The restaurant C	Brand Reputation	Financial	Franchisor supports	Operation
7	The restaurant C	Brand Reputation	Franchisor supports	Financial	Operation
8	The restaurant C	Brand Reputation	Franchisor supports	Financial	Operation

The first ranking factor toward buying intention that respondents significantly referred the most was “Brand reputation”. The second rank was “Financial”. And the rests are “Operation” and Franchisor supports” respectively

#### 4.2.1 Brand Reputation

The “Brand Reputation” was the first priority that respondents concerned the most. Customer’s perception trusts on the reputed brand and perceived the product quality related to the quality of the restaurant brand. One of respondent from the restaurant A emphasized

*“The brand has already well known in the market. It makes customer feel easy to rely and enter the restaurant. We don’t need to persevere much on marketing activities to motivate customer to dine at the restaurant.”*

Moreover, the longer the brand is exposed in the market, the more attractive it could influence the dining decision of the customers as another the restaurant A’s franchisee stated

*“Everybody, especially Bangkokians, knows that our restaurant specializes in the healthy menus. So many customers choose this restaurant for their dinner choice and it leads to the high profit then I could reach to the return on investment easier.”*

In addition, the restaurant C’s franchisee also mentioned aligned with the respondent above that

*“I selected the restaurant C because the restaurant was the first Dim Sum restaurant which opened 24 hours and served more than 100 Dim Sum menus. The restaurant had been recognized more than 5 years and well known in the market at that time.”*

Regarding the respondent’s perceptions, they all agreed that strong brand image could lead to the restaurant achievement. In addition, almost respondents claimed that the famous restaurant could induce high traffic of customers into restaurant leading to high profit outcome which related to the second factor that is “Financial” factor.

#### 4.2.2 Financial Performance

In addition to the restaurant brand reputation, second priority - “Financial” is the most concern for buying franchise food business. Consideration the entrepreneurs as an investor, they all aim a good financial return business which has low investment and high profit returning. In detail there is a significant expected breakeven year regarding to the interview result. One of the respondents who bought franchise from the restaurant A said that

*“The money invested in restaurant business, in my perspective, should be returned within one year.”*

Similarity to the statement of one of the restaurant C’s franchisee who run the restaurant for 13 years.

*“Before I decided to join franchise network, my prospect is that the restaurant should be low investment and reach to break-even within a year. So that if the restaurant was not success, I would not feel depress much when loss that money.”*

As an interview result, respondents agreed that break-even in food business must not exceed a year expectation. Furthermore, when there are no royalty, no franchise fee, and no marketing fee, it will attract more potential franchisees even they realized that the profit of franchise owner will be included in the raw material purchasing instead of. According to one of the restaurant B’s respondent stated

*“I am interested in the no royalty fee and no marketing fee program from the franchisor. This franchise brand included the fee into the purchased raw material. I pay only raw material I use, I do not have to pay every month for something unrelated to sales.”*

Literally, the investor prefer low investment, low risk, but high return. Almost respondents agreed that financial factor attracts them to buy in franchise business. In reality, almost everyone agreed that it is a bit hard to rank whether brand and financial which one is first priority.

### 4.2.3 Franchisor Support

The franchisor support seems to be low priority for the selection but according to the result of examination, the basic requirement that the franchisees expect is well cooperation and good assistance from the franchisor. Adequate information provided from the franchisor strongly influences the potential franchisee to join the franchise network. Especially, the potential franchisee who are comparing the franchise food business whether which brand they will decide to join, they tend to choose the franchise owner who gave adequate information and sincerely treat them like a real customer as one of the restaurant B' franchisee said:

*“I called to another congee franchise and asked them inquiries about open the shop. But they responded to me like I am not their potential customer. In contrast to the restaurant C owner, he answered every question I asked that satisfied me a lot.”*

In additional, the franchisees required just the initial supports but less require the ongoing support from the franchisor. Regarding to the study, one of the restaurant A's franchisee responded:

*“Before deciding to agree with the franchise owner, I did not expect the ongoing assistances from them much because I really know what I have to do to run the restaurant. I just need the franchisor to teach me how to cook the secret recipe at the initial state of running the restaurant.”*

In additional, one of the restaurant C's franchisees also responded similarity to the franchisee from restaurant A:

*“At the initial stage of running the restaurant, there were many problems about quality of congee. The franchisor responded abruptly and helped me to solve problem very well. It made me satisfied with its fast service.”*

Moreover, the franchisors who provide the simple working procedure and standardize the working operation seem to leverage the franchisees working performance and require less support from the franchisor because the franchisees

understand what they have to handle as they have the guideline to refer regarding to the another the restaurant A's r franchisees said:

*“At the stage-up process the restaurant was messy. I had to talk with the franchisor and solve the transaction problem daily. Two weeks after that, the working operation was well and simply enough to make me run the restaurant smoothly and independently. Once we involves in the working operation, a few problem each day occurred.”*

However, good franchise support did not directly affect the franchise to buy but it creates strong positive word of mouth among satisfied franchisees to the potential franchisees. Regarding to the restaurant B's franchisee responded:

*“I heard from my sister who was running this restaurant that it was profitable franchise, the franchisor was so kind, their team was willing to help franchisee to start up the restaurant.”*

Although, the support from the franchisor tends to be the less critical selection criteria among the franchisees' point of view. Besides, the support from franchisor is not the priority to acquire franchise food business but every franchisee expects the supports from the franchisor. For the intention to buy reason, the potential franchisees are looking for the preliminary support like adequate information prior to buying decision. Even though the franchisor support may not be the factor leading to buying decision directly, but it contributes to the franchisee's satisfaction and generates positive referral to the future franchisees.

#### 4.2.4 Operation

Adequate manual and transparent contract made potential franchisee thruts in franchisor and intents to join franchise network. One of the franchisees from the restaurant B admitted that:

*“Doing business requires transparency. I satisfy the way this restaurant’s franchise owner doing a business that he has had a clear contract since we started business together”*

According to the examination, almost respondents tend to have less concern about operation comparing to top priority like brand reputation and financial performance but they all think that the restaurant operation must not be complex to comprehend as well.

Beside those factors that were described above according to the study conceptual framework, there is a factor that also influences the potential franchisees to buy each particular franchise food business which is the **restaurant differentiation**.

#### 4.2.5 Restaurant Differentiation

Not only the good franchise brand, good financial performance, simple work operation, and the support from franchisor, beside those factors, there is a factor that all respondents mentioned for franchise buying decision which is the restaurant differentiation. The respondents all agree that they were seeking and comparing for the restaurants that have unique or differentiation point to attract the end customers before they decide to buy a franchise license. The restaurants providing the outstanding differentiation, that is compatible to the big players in their market, could attract the potential franchisees to decide to get into the franchise network. Both restaurant B and C use an open 24 hours as key differentiation for the customers to perceive that they can visit to the restaurant anytime and the respondents from both restaurant all stated

*“The concept of restaurants which is open 24 hours to serve the market demand is the key differentiation point that could steal the market demand from the big players. It creates another choice for the end customers.”*

The outstanding differentiation of the restaurant attracts both the visitors and the potential franchisees. Almost respondents always mentioned about the key differentiation of their restaurant during the interview. However, the differentiation should be strong enough to attract the customers and compatible with the big players in the market in each segmentation.



## **CHAPTER V**

### **CONCLUSION, RECOMMENDATIONS, AND LIMITATION**

#### **5.1 Conclusion**

According to the conceptual framework mentioned above, all factors apparently affect the buying decision of the potential franchisees to become franchisee in the network.

The first ranking is the brand reputation. The franchisee respondents all agreed that the brand reputation of the restaurant attract visitors to come in and they selected the well-recognized restaurant brand similarity to Eugene Y. et al, (2009) claimed that the top primary reasons to choose to invest in each particular ice cream franchise in South-Korea are brand recognition and franchisor's longevity in the market.

The second ranking is the financial factor. Actually, the respondents all agreed that they hesitated to prioritize whether brand or financial factor is the first ranking. The respondents expected good financial return from the purchased franchised restaurant (Piyathida, 2009). The acceptable breakeven is a year return. Moreover, no royalty, no franchise fee, and no marketing fee attracted some potential franchisees.

The third ranking is the franchisor support. The adequate information provided for the potential franchisees influence them to see through how the franchisor will support them in the future. The franchisee decides to buy the franchise business with well supports rather than the lack supports one. Moreover, the systematic operation helps franchisor reduces the transaction problems in both short term and long term. Despite the fact that the well support did not affect to the buying decision directly, but it generates positive word of mouth from the satisfied franchisees leading to more franchisee in the long-run (Nerilee Hing, 1996).

The forth ranking is the operation. It seems to be the least concern in the franchisee's perspective. But basically, they expected training, work procedure, and restaurant standard format as basic requirement.

Lastly, it is the restaurant differentiation. Surprisingly, this factor was not mentioned in the literature review. Regardless to the fact that the restaurant operates in the same segment, serves a similar menus, and targets the same clients, the investors look for the differentiation that can compete or be compatible with other competitors. As the franchising strategy, networking generates economy of scale and makes each restaurant able to compete with the big player in the market.

In summary, regarding to the research conceptual framework, all factors lead to the franchise food business buying decision. The first priority for selecting franchise is the restaurant brand reputation and financial performance respectively. This is followed by restaurant differentiation, franchisor support and working operation in sequence.

## **5.2 Research Practical Implication (Recommendation)**

As an entrepreneur considering to use franchise as an expansion strategy. Not only to emphasize on the most concerns factors which are restaurant brand reputation and financial to persuade the potential franchisees but also considering to prepare and improve the working operation together with give supports to the potential franchisees.

**Restaurant Brand Reputation:** Consumers usually rely on well-known brands as an indication of quality (Rita N. Schulz, 2012). Showing how long have you been in your expertise field to make your creditable in order to make the end consumers and the potential franchisees trust your restaurant brand.

**Financial:** To target Thai entrepreneurs, franchised food business should concentrate on the small investment and a year break-even. According to the result of the study, they all expect that the break-even for their investment would not over than a year in food business industry unless the business would not attract them to invest. Moreover, the franchisor provides free franchise fee, no royalty, or no marketing fee program would attract more potential to become the franchisees because the investor's perception still doubt what the franchisor do with the money paid by the franchisees. It would be better if the franchisor could include all fees into the raw material or product supplied to the franchisee. In contrast, the franchisor should show the contingency plan

in which the budget is spent for each activity to leverage the franchise network for the fees collected from the franchisees.

**Working Operation:** a small enterprise firm should not concentrate only above factors such as the restaurant brand and financial for selling the franchise license. Lack of systematic working operation could generate problem and complexity while running the restaurant. So simple and systematic working operation help the franchise owner reduce the transaction problems and avoid the franchisee dissatisfaction. In addition, the franchisee expects the simplest working operation but the franchisor expects to maintain standard of operation which customer perceived from the franchised restaurant. These may lead to the conflict of communication between the franchisee and franchisor. So, the franchisor should concentrate on simple working operation and minimize the complexity for the franchisees while keeping closed communication with them.

**Supporting from the franchisor:** the adequate information requesting by the potential franchisees helps them to decide better whether to become the franchisee in the franchise network. As a small enterprise firm, owner should inform the potential franchisee by himself rather than hire someone to do it. It is the first impression in the view of the potential franchisee. In addition, there is a study on how France decides to buy a franchise (Guilloux, 2004). The study proved that it takes 12 months for franchise buying decision. So, during this period, there will be many inquiries with your franchise agreement that the franchisor must take serious care in the relationship with the potential franchisees. Good ongoing support does not directly persuade the potential franchisees to decide but it helps to increase the franchisee satisfaction and positively generate strong word of mouth that predictively increase the number of the future potential franchisee.

Franchising is the way that firms could consider to gain competitive advantage over competitors and standardization prospect from customers. Firms could expand their outlet rapidly by the use of franchising (Kabir C. Sen, 1998) and well expose in the market that benefit to the restaurant brand image that reply on the research determination. However, the basic foundation stated in the study framework must be considered so far on the other related factors like the restaurant differentiation that the examination was explored.

Restaurant Differentiation: Before using franchising as an expansion strategy, the restaurant owner must consider their outstanding differentiation point that could compete with the big players in the market like open 24 hours or health concern menu. Making the outstanding appeal to the end customers and make them perceive the restaurant differentiation point. There will be another choice for the end customer whether they will select the well brand or niche brand. However, satisfied customers lead to the restaurant satisfaction and repeating purchase is expected. In order to leverage the customer satisfaction, the restaurant owner may consider the “Restaurant Service Quality” (Food Quality, Physical environment Quality, and Staff services Quality) that many authors indicated in the examination (Chow et al., 2007, Kisang Ryu Hye-Rin Lee Woo Gon Kim, 2012). In addition, Zeithaml et al, 2006 also stated that promoting the restaurant service quality is the way to differentiate the restaurants and thus gain competitive advantage.

### **5.3 Research Limitation**

Along the research, there were some limitation occurrences. The first limitation concerns the sampling frame. Since the research used only three franchised restaurants in Thailand, this probably missed some variables from the other franchised restaurants in Thailand market. Three selected franchised restaurants may not be represented all franchised restaurant in the market. There are other franchised restaurants which are owned by Thai franchisor that have not been explored the factor toward intention to buy from Thai entrepreneurs. So, for the further research should be conducted including more various brands to examine and gain more the variables from the study.

Moreover, the second limitation concerns the asymmetry information. Three selected franchised restaurants are all small enterprise firms and private companies, not the public corporations that all information could be expressed for any public to access. So, during the interview process, there were some hidden agendas that the interviewees may afraid to express such as detailed franchised agreements which are different among other franchisees regarding the individual deal between franchisor and franchisee or the in depth financial statement which are the secret that the franchisees tends to protect the

information for the franchisor's benefit. The future research may consider onto the franchised restaurant's firms which are in the publicity in Thailand that the precise financial performance could be considered together with the factors toward buying intention to find the relationship in various views.





**APPENDICES**

## Appendix A : Consent Form



### Consent for Participation in Interview Research

I volunteer to participate in a research project conducted by Tanatat Sae-tu from College of Management, Mahidol University. I understand that the project is designed to gather information for academic work namely Thematic Paper. I will be one of approximately 15 people being interviewed for this research.

1. My participation in this project is voluntary. I understand that I will not be paid for my participation. I may withdraw and discontinue participation at any time without penalty.
2. If I feel uncomfortable in any way during the interview session, I have the right to decline to answer any question or to end the interview.
3. Participation involves being interviewed by Tanatat Sae-tu. The interview will last approximately 10-15 minutes. Notes will be written during the interview. An audiotape of the interview and subsequent dialogue will be made. If I don't want to be taped, I will not be able to participate in the study. Also subsequent uses of records and data will be subject to standard data use policies, which protects the anonymity of individuals and institutions.
4. Faculty and administrators from my campus will not be present at the interview, this precaution will prevent my individual comments from having any negative repercussions.
5. I understand that this research study has been reviewed and approved by Dr. Kannika Leelapanyalert, a professor at College of Management, Mahidol University. For research problems or questions regarding subjects, the College of Management, Mahidol University may be contacted through Dr. Kannika Leelapanyalert.
6. I have read and understood the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.

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Signature of the Interviewee

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Signature of the Interviewer

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Date

---

Date

## Appendix B : Interview question guidance



COLLEGE OF MANAGEMENT  
MAHIDOL UNIVERSITY

Document Number \_\_\_\_\_

Franchise's Name \_\_\_\_\_

Respondant's Name \_\_\_\_\_

According to College of Management Mahidol University encourages every Master degree students to prepare thematic paper as a requirement for graduation. So, we would like to ask your cooperation to participate in the interview on the topic of **“What factors influencing Thai entrepreneur intention to buy Thai franchised food business”**. The interview takes approximately 15 minutes. The information derived will be strictly used for thematic paper only and grateful for your

1) Why you chosen to buy franchise food business? (There are many franchise categories for selection, but why it was food category.)

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2) After you decided to start franchise food business. What motivate you proceed in these particular franchise brand?

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3) Please rank statements below, which one is the most important factor?  
(1=Most important factor, 4=Least important factor)

<input type="checkbox"/>	I will invest in this franchise for well recognized brand.
<input type="checkbox"/>	I will invest in this franchise for well operation system. (Simply operation system)
<input type="checkbox"/>	I will invest in this franchise for well collaboration and support from franchise owner.
<input type="checkbox"/>	I will invest in this franchise for good financial performance.

4) What factors made you invest in a franchise restaurant with a well recognition?

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5) What factors made you invest in a franchise restaurant with a well operation system?

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6) What factors made you invest in a franchise restaurant with a well collaboration and support from franchise owner?

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7) What factors made you invest in a franchise restaurant with a good financial performance?

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8) Before you decide to buy a franchise, What do you expect from the franchise business. And then, after operations, the result was what you expected or not?

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**General information Questions**

1. Please indicate your gender.  
 กรุณาระบุเพศของท่าน

Male ชาย	Female หญิง
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2. Please check your age from the following categories  
 กรุณาระบุอายุของท่าน

15-25 years old อายุ 15-25 ปี	26-35 years old อายุ 26-35 ปี	36-45 years old อายุ 36-45 ปี
46-55 years old อายุ 46-55 ปี	55-65 years old อายุ 55-65 ปี	65 or more อายุ 65 ปีขึ้นไป

3. Please check your income per month (after tax, total household, from salary and other sources).  
 กรุณาระบุรายได้ต่อเดือนของท่านก่อนดำเนินกิจการ (หลังหักภาษี)

Less than 15,000 Baht น้อยกว่า 15,000 บาท		35,001 – 50,000 Baht 35,001 – 50,000 บาท
15,001 – 25,000 Baht 15,001 – 25,000 บาท		50,001 – 70,000 Baht 50,001 – 70,000 บาท
25,001 – 35,000 Baht 25,001 – 35,000 บาท		More than 70,000 Baht มากกว่า 70,000 บาท

4. Please indicate your education level  
 กรุณาระบุระดับการศึกษา

Bachelor's Degree ปริญญาตรี		Master's degree and Above ปริญญาโท หรือมากกว่า
Senior High School มัธยมปลาย หรือ ปวช.		Junior High School มัธยมต้น

5. Please indication your Occupation  
 กรุณาระบุอาชีพ

Self Employed, Merchants, ธุรกิจส่วนตัว หรือ ค้าขาย		Students นักเรียน นักศึกษา
Business Owners เจ้าของกิจการบริษัท		Labor ลูกจ้าง
Public Servants ข้าราชการ		Housewife แม่บ้าน
Employee's State enterprise พนักงานรัฐวิสาหกิจ		Unemployed ว่างงาน
Employee พนักงานบริษัท		Retirees เกษียณ

6. Do you have any business background before joining franchise network?

ท่านเคยมีประสบการณ์ในการทำธุรกิจมาก่อนหรือไม่ Yes เคย  
 No ไม่เคย

End of survey. Thank you for your participation  
 จบการสัมภาษณ์ ขอขอบคุณที่ให้ความกรุณา

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