

# REACHING THE DECISION TO PURCHASE A FRANCHISE IN THAILAND

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## Abstract

*This study used Fishbein and Ajzen's Theory of Reasoned Action (TRA) as its framework for explaining prospective franchisees' purchase intention. Furthermore, the correlations between attitude toward purchasing a franchise based on perceived advantages of franchising from the franchisees' perspectives, subjective norms with respect to purchase, personality traits (the Big Five model of personality dimensions), demographics and prospective franchisees' purchase intention were also explored. Participants in this study were potential franchisees in Thailand who were considering a possible purchase. Data were collected at the national franchise exposition in Bangkok during 23-26 June, 2005. Questionnaires were given to 520 potential franchisees; however, the number of valid questionnaires was 390. A descriptive correlational design was employed. Data were analyzed using T-tests, ANOVA, and correlation analyses.*

## INTRODUCTION

The trend toward franchising has been evident throughout the world in the last decade (Preble 2003; Shea 2005). Moreover, franchising is expected to be the leading method of doing business in the new century (Preble 2003). This enormous trend towards franchising stimulated the Thai government to promote this kind of business throughout Thailand. Numerous activities exist to promote franchising in the country and the government has recently launched training courses for potential franchisees. The franchise industry in Thailand is expected to continue to grow by an average of 30 percent over the next few years (The Franchise and Thai SMEs Business Association (FSA) 2005). Future growth in franchising in Thailand is expected because the Thai government has started to promote SME development through franchising, and Thailand has evidenced significant improvements in the economy's overall health and robust economic growth (Tyler 2003, 2004). Franchised businesses are still rapidly growing in Thailand (FSA 2005). Moreover, the U.S. Commercial Service has identified it to be one of the best Thai sectors for U.S. trade expansion (Tyler 2003). The growth in franchising is a result not only of the increasing number of homegrown systems, but also of the influx of foreign franchise systems.

Much attention has been devoted to research with interest in consumer behavior such as why they buy a particular product, who buys such a product, etc. (Bemmaor 1995). It is useful for Thai franchisers, government policy makers and academia to better understand why franchisees make a particular purchase of a franchise, and their characteristics. Research into the area of Thailand's franchisee behavior underlying the creation of a franchise relationship is necessary in order to manage the early relationship between franchisers and future franchisees in order to succeed in developing and sustaining franchisee-franchiser relationships and add value to franchising knowledge. In fact, a limited number of researchers have adopted the viewpoint of franchisees (Hing 1995; Stanworth 1995; Stanworth and Kaufmann 1996; Micheal 2003, Dubost 2004). Therefore, the study of franchisee behavior is quite timely and useful to both practitioners and academics. This is of particular importance since Thai franchisees' behavior has never been examined in previous literature.

Moreover, this is particularly relevant since many people assume that franchisers are selling a formula for success due to their access to a proven way of operating the business developed over the years by franchisers (Zafiris 1998). Nevertheless, recent research suggests that franchise survival rates and

profitability are not as favorable as previously thought when compared to independent small businesses (Stanworth et al. 2001; Shane and Spell 1998; Zafiris 1998; Bates 1995).

To understand more fully the franchisees' purchase behavior, the Fishbein and Ajzen theory of reasoned behavior (TRA) was adopted to explore the important variables of Thailand's potential franchisees. Moreover, the relationship between attitude toward purchasing a franchise based on perceived advantages of franchising, subjective norms with respect to purchase, personality traits (the Big Five model of personality dimensions), demographics and prospective franchisees' purchase intention were also explored. This research then addressed the questions: Why do Thai people choose a franchise rather than other forms of business? What are the relationships between perceived advantages of franchising, subjective norms, personality traits, demographics and intention to become a franchisee?

## LITERATURE REVIEW

To understand the motivation of potential franchisees it is necessary to consider the plethora of theories that underpin marketing decisions- both from the viewpoint of the consumer (in this case the potential franchisee) and that of the vendor (the franchiser). Why would a consumer purchase a franchise?

In purchasing, the most heavily researched variable in the field of consumer behavior is the attitude concept (Lutz 1981). Multiple theories have been proposed to explain attitude and consumer behavior. Among them, the most widely adopted has been the Fishbein and Ajzen theory of reasoned action (Robertson, Zielinski and Ward 1984; Engel, Blackwell, and Miniard 1986; Green and Lee 1991; Bagozzi, Baumgartner and Yi 1992; Taylor and Todd 1995). The Fishbein and Ajzen theory of reasoned action (TRA) has gained attention from a number of researchers due to its simplicity, its straightforward operationalization, and its general applicability (Ajzen, 1991). The Fishbein and Ajzen (1975; 1980) model was explicitly constructed to explain consumer behavior. For an application of TRA for explanation of franchisees' behavioral intention (how a franchisee leads to a certain buying behavior), in addition to the four major constructs (attitudes, subjective norms,

intention, and behavior) of the theory of reasoned action, personality traits and demographics are included in the study's model.

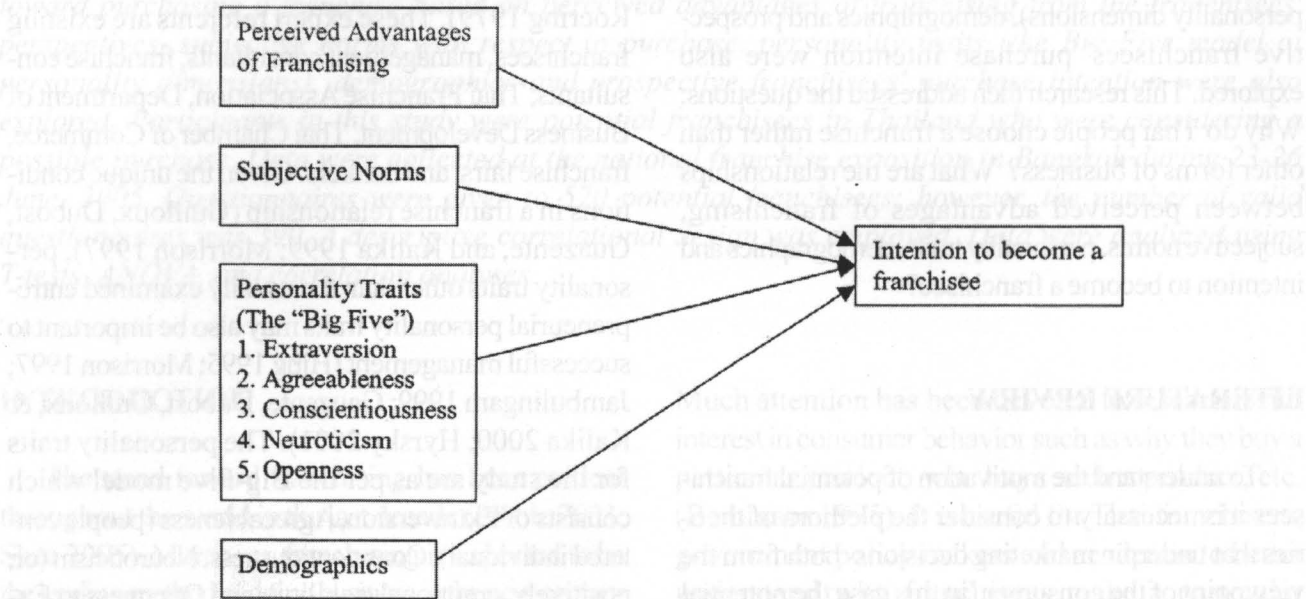
Attitude toward franchising is measured indirectly (Ajzen 1991) by perceived advantages of franchising from the franchisee perspective. Subjective norms in this case are expert referents. For potential franchisees in Thailand, these significant others, who tend to have more (franchise) product knowledge, may have an influence on their purchase decision. The fact that these referent others influence purchase decisions has been demonstrated in a number of studies (Block and Roering 1979). These expert referents are existing franchisees, management consultants, franchise consultants, Thai Franchise Association, Department of Business Development, Thai Chamber of Commerce, franchise fairs, and bankers. Given the unique conditions in a franchise relationship (Guilloux, Dubost, Guazente, and Kalika 1999; Morrison 1997), personality traits other than the usually examined entrepreneurial personality traits may also be important to successful management (Hing 1995; Morrison 1997; Jambulingam 1999; Guazente, Dubost, Guilloux, & Kalika 2000; Hyrsky 2001). The personality traits for the study are as per the Big-Five model which consists of Extraversion, Agreeableness (people centered individual), Conscientiousness, Neuroticism (or, positively, emotional stability), and Openness to Experience (intellect) (Kinicki 2004). Researchers have noted that demographics have an influence on consumer behavior and contribute to the overall demand for various products and services (Hawkins, Best, and Coney 1998). There are also different ways of looking at the same individual consumer, because our identification will be relevant to different products at different times (Satt 1997). Therefore demographic variables including age, gender, education, occupation, a history of self-employment, are included as research parameters.

## Conceptual Framework

Based on the Fishbein and Ajzen (1975, 1980) theory of reasoned action, this study proposed that attitude toward franchising and perception of social pressure placed on a potential franchisee regarding his/her purchasing a franchise, referenced as subjective norm, are the two most important determinants of intention to become a franchisee (potential franchisees' intention to buy a franchise). In addition, poten-

tial franchisees' personality traits and demographics were also proposed as having influence on their purchase intention towards a franchise. It should be noted that samples in this study were potential franchisees so this study only focused on behavior intention. Therefore, based on TRA model and personality theory, the conceptual model of the research is presented as below:

**Figure 1: The conceptual model: A model of franchisee buying behavior**



The relationships between attitude toward franchising, subjective norms, personality traits, and demographics regarded as independent variables and potential franchisees' behavioral intention (intention to become a franchisee) regarded as dependent variable were examined using Fishbein-Ajzen's Theory of Reasoned Action.

**Research Hypotheses**

The following hypotheses were tested in the study:

- H1: There is no relationship between perceived advantages of franchising and intention to become a franchisee.
- H2: There is no relationship between subjective norms and intention to become a franchisee.
- H3: There is no relationship between overall personality factors and intention to become a franchisee.
- H4: There is no difference between gender and intention to become a franchisee.

- H5: There is no difference between prior-self employment experience and intention to become a franchisee.
- H6: There is no difference between age and intention to become a franchisee.
- H7: There is no difference between educational level and intention to become a franchisee.
- H8: There is no difference between occupation and intention to become a franchisee.

**Research Design**

The cross-sectional survey method was used to collect information from respondents. A total of 520 questionnaires were administered to potential franchisees at the "THAILAND FRANCHISE & BUSINESS OPPORTUNITIES 2005" exposition during 23-26 June, 2005.

Different parts of the questionnaire were linked to the TRA and conceptual model (figure 1). The questionnaire comprises 5 sections. The first section includes the items dealing with intention to become a franchisee or potential franchisees' purchase intention. The second one assesses franchisees' perceived advantages of franchising. The third section covers subjective norms. The fourth part covers the items geared towards potential franchisees' personalities. The final part covers demographic variables. The questions were asked in prearranged order and the respondent was the one who filled in the information asked.



One hundred and thirty incomplete questionnaires were excluded. Thus the number of valid questionnaires was 390, which is slightly more than the recommended number of sample size (377). Two kinds of data analysis techniques were used: descriptive analysis and correlation analysis.

Descriptive statistics (frequencies, means, standard deviations, and distributions) were calculated to describe the demographic characteristics of the participants and to answer the first research question, "Why do Thai people choose a franchise rather than other forms of business?" Inferential statistics (F-Test ANOVA and T-Test) were used to determine the relationship between independent variables and dependent variables. In order to answer the second

research question, "What are the relationships between demographics and intention to become a franchisee?" T-Test and ANOVA were consequently used to test the differences between or among means of two or more independent samples.

The Pearson correlation coefficient was used to identify correlations between perceived advantages, subjective norms, personality traits and behavioral intention. Pearson correlations were also calculated to answer the second research question, "What are the relationships between perceived advantages of franchising, subjective norm, personality, and intention to become a franchisee?"

## Results

**Table 1: Demographic Characteristics of Thailand's Potential Franchisees**

		Frequency	Percent
Gender	Male	179	46.1%
	Female	209	53.9%
<b>Total</b>		<b>388</b>	<b>100%</b>
Age	26-30 years	99	26.5%
	31-35 years	72	19.3%
	36-40 years	68	18.2%
	20-25 years	50	13.4%
	41-45 years	44	11.8%
	46-50 years	24	6.4%
	51 and above	16	4.3%
<b>Total</b>		<b>373</b>	<b>100%</b>
Education	Bachelor's degree	219	56.3%
	Master's degree and above	96	24.7%
	Diploma	42	10.8%
	Senior High School and Junior High School	32	8.2%
<b>Total</b>		<b>389</b>	<b>100.0%</b>
Occupation	Self-employed, merchants, business, owners	172	44.7%
	Mid-level occupations	111	28.8%
	Management, professionals	39	10.1%
	Not employed	25	6.5%
	Employees	17	4.4%
	Retirees	9	2.3%
	Labor	6	1.6%
	Housewife	6	1.6%
<b>Total</b>		<b>385</b>	<b>100.0%</b>
Self-employment history	Yes	207	53.9%
	No	177	46.1%
<b>Total</b>		<b>384</b>	<b>100.0%</b>

**Table 2: The Arbitrary Level used in rating respondents' agreement**

<b>Arbitrary Level</b>	<b>Descriptive Rating</b>
6.16 - 7.00	Strongly Agree (SA)
5.30 - 6.15	Moderately Agree (MA)
4.44 - 5.29	Agree (A)
3.58 - 4.43	Neutral / Undecided (UND)
2.72 - 3.57	Disagree (D)
1.86 - 2.71	Moderately Disagree (MD)
1.00 - 1.85	Strongly Disagree (DA)

**Table 3: Summary of Mean and Standard Deviation**

<b>Variables</b>	<b>Mean</b>	<b>SD</b>
Franchisees' purchase Intention	4.54	1.00
Perceived Advantages of Franchising	5.37	.80
Subjective Norms	4.24	.39
Intellect	4.50	.72
Conscientiousness	4.94	.84
Extraversion	4.76	.93
Agreeableness	4.86	.79
Neuroticism	4.61	.78

**Table 4: Perceived Advantages of Franchising**

<b>Fourteen items of Perceived Advantages of Franchising</b>	<b>Mean</b>	<b>SD</b>	<b>Rating</b>
Training provided by the franchisor	5.65	1.16	MA
Well known name	5.64	1.16	MA
Start-up support	5.56	1.16	MA
Ongoing support	5.56	1.08	MA
Job satisfaction	5.51	1.20	MA
Rapid retraining (unemployment)	5.44	1.16	MA
Opportunities for rapid growth	5.43	1.12	MA
Franchisor's advertising	5.42	1.23	MA
Security of the franchise concept	5.41	1.22	MA
Limited risks	5.27	1.26	A
Better profitability	5.21	1.30	A
Being independent as well as supported	5.12	1.18	A
Opportunity to work with the family	5.02	1.40	A
Small investment	4.92	1.34	A
Perceived Advantages of Franchising	5.37	.80	MA

**Table 5: Franchisees' Subjective Norms**

	Mean	SD	Rating
Franchise Consultant	4.39	0.87	UND
Franchise Fair	4.36	0.82	UND
Existing Franchisees	4.36	0.85	UND
Thai Franchise Association	4.28	0.75	UND
Department of Business Development	4.19	0.63	UND
Chamber of Commerce	4.12	0.48	UND
Management Consultant	4.09	0.49	UND
Banker	4.08	0.37	UND
Subjective Norms	4.24	0.39	UND

**Table 6: Summary of Hypotheses Test Results**

Hypothesis	Result
Ho1: There is no relationship between perceived advantages of franchising and intention to become a franchisee.	Reject Ho
Ho2: There is no relationship between subjective norms and intention to become a franchisee.	Reject Ho
Ho3: There is no relationship between overall personality factors and intention to become a franchisee.	Reject Ho
Ho4: There is no difference between gender and intention to become a franchisee.	Failed to reject Ho
Ho5: There is no difference between prior-self employment experience and intention to become a franchisee.	Failed to reject Ho
Ho6: There is no difference between age and intention to become a franchisee.	Reject Ho
Ho7: There is no difference between educational level and intention to become a franchisee.	Failed to reject Ho
Ho8: There is no difference between occupation and intention to become a franchisee.	Reject Ho

Pearson Correlation with the level of significance of 0.05

### Conclusion

In conclusion, the Fishbein and Ajzen theory of reasoned action was effective in explaining intention to become a franchisee in Thailand. Despite the rapid adoption of the franchising concept, little research on franchising in Thailand has been done so far. The main factors motivating potential franchisees in Thailand to join a franchise system instead of independent small business ownership were identified, demographic characteristics of potential franchisees were examined, and the relationships between perceived advantages of franchising, subjective norms, personality traits,

demographics and intention to become a franchisee, were explored. The results of this study thus provide better insights into Thailand's potential franchisees' purchase intention. They have some implications for practice. The study revealed that many respondents choose to join franchises over starting independent businesses in order to take advantage of the training provided by the franchiser, well known name, and start-up and on-going support system. Enticing packages comprised of these elements, offered by established franchisers, should be instrumental in expanding franchises and promoting franchise operations.

For recommendations as to the recruitment of franchisees, a positive intention to become a franchisee is associated with personality factors of Conscientiousness, Intellect, Extraversion, and Agreeableness. These four items that make up intention to purchase a franchise show positive correlations, thus prospective franchisees who score higher in these four dimensions may be more inclined to become franchisees than individuals scoring lower in these four dimensions. Existing franchisees were found to be one of the most influential expert referents of potential franchisees' purchase intention. Franchisers should pay attention to increase existing franchisees' recommendations by word of mouth to others. Franchisers can benefit from identifying and understanding reference groups of the potential franchisee and incorporating appeals to the identified groups in advertisements.

The results suggest another practice that may enhance franchising in Thailand. An intervention for motivating franchising in Thailand should take age and occupation into account. Potential franchisees with the age range of 51 years and older had a significantly higher intention to become a franchisee than other age groups. In addition, retirees had a significantly higher intention to become franchisees than other occupational groups. Better target markets for franchising would be applicants with the age of 50 years and older, and retirees.

These also have some implications for policy makers. The findings of this study suggested ways to enhance franchising in Thailand. Attitude toward franchising was found to be significant correlated to franchisees' purchase intention. The attitude toward franchising was measured based on respondents' beliefs about the advantages of franchising. Therefore, Franchisee education focusing on those advantages of franchising could contribute to increasing potential franchisee's favorable attitudes toward franchising, which in turn, increases franchising intent.

The study revealed that potential franchisees had high educational levels. In order to expand franchises and promote franchise operations, numerous resources offering insights into franchising should be available, from local franchise and business opportunity exhibitions to useful Web sites and publications, and from franchising organizations such as the Thai Department of Business Development. Research into franchising should be encouraged, especially in universities, in order to provide useful sources of information.

The findings of this study suggested that subjective norms had influence on respondent's purchase intention. Encouraging government units to provide more informational support and services regarding franchising is necessary, because the more that prospective franchisees have professional advice from expert referents and perceive their advice in favor of purchasing or investing, the more they may be likely to become franchisees.

Job satisfaction was perceived as a great advantage of franchising, therefore governmental and private sectors who market franchising should provide informational support for potential franchisees and disclosure in order to reduce the differences between franchisees' pre-purchase expectations and perceptions, which result in franchise failure.

### Future Research

The following recommendations for future research are suggested. Future research should focus on tracking the respondents as they actually make their decisions and confront the outcomes. In so doing, longitudinal franchise studies would offer interesting research perspectives. Further research should also focus on the ability of prospective determinants to predict franchisees' purchase intention or behavior in order to have deeper insights into franchisees' purchase decision. Replication of this study also includes testing the theory of reasoned action with a cross-cultural study design. Future research should validate the findings of this study using data collected from franchisees in different cultural environment. A cross-cultural comparison study between Western and non-Western cultures in this area would be very useful in developing culturally-based franchising interventions. Future research should explore subgroups of population such as potential franchisees who attend training programs for prospective franchisees organized by Thai Department of Business Development. This is because people in this group show a strong purchase intent.

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