
**THE ROLE OF COMMITMENT AND RELATIONSHIP SATISFACTION
ON FRANCHISEE LOYALTY**

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This study aims to examine the influence of commitment and relationship satisfaction on franchisee loyalty through the level of importance of each variable dimension. It gives new perspective of how to reach franchisee loyalty through each dimension of commitment and relationship satisfaction. Dimensions of variable are focused on franchising and from franchisee perspective namely: franchisor attitude, raw material, payment method, franchisor support. Data is collected from questionnaire of 52 respondents and analyzed with multiple linear regression. The results of regression coefficient indicate that commitment has a significant effect by 0,014 which is lower than relationship satisfaction 0,473. The F test shows that commitment and relationship satisfaction jointly influence franchise loyalty while regression coefficient of R Square is 0,883. It indicates that the variable commitment and variable relationship satisfaction together affect the variable franchisee loyalty of 88.3%. This result explains that commitment and relationship satisfaction are two important variables in maintaining franchisee loyalty.

Keywords: Commitment, Relationship Satisfaction, Franchisee Loyalty, Franchise

1. Introduction

Franchise is an accepted strategy for business growth, job creation and economic growth and is believed to be the fastest method of doing business. Franchise has grown rapidly as a business strategy in increasing small and medium enterprise. Franchise is a way to get capital quickly and expand the company (Kirby and Watson, 1999). According to data from International Franchise Association, there are around 780 thousand franchises in the world and the impact is opening up to 8.9 million jobs. In Indonesia, there are 698 franchises with 24.400 outlets consisting of 63% of local franchises and 37% of foreign countries with a turnover of up to Rp 172 trillion (Ministry of Trade of Republic of Indonesia, 2019). Moreover, this franchise is mainly engaged in food industry.

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Local franchise business opportunity drives an increase of the fried chicken franchise business in Makassar. In the past five years, six local franchise businesses with fried chicken products in Makassar have established their outlets, namely Master Fried Chicken, Wing Fried Chicken, Quick Fried Chicken, Hisana Fried Chicken, C'Bezt Fried Chicken and BExpress Fried Chicken. Master Fried Chicken and Wing Fried Chicken which previously had several outlets in Makassar are no longer in operation.

BExpress Fried Chicken is a local franchise that has grown rapidly since operating in 2011. This franchise has 70 outlets during the last two years with the level of demand for franchise purchases reached five to seven times a month. However, this growth is not accompanied by the existence of all outlets that have been opened by franchisees (franchise buyers). There was a significant decrease up to 20% of outlet closure by franchisee. In line with BFC, Quick FC and C'Bezt FC also still survive with several outlets closed but re-opening new outlets in other locations while Hisana is experiencing slightly growth in opening new outlets.

Franchise is a license agreement between a company with a distributor or other company to do business. The person who gives the license is called the franchisor and the one who is given the license is called the franchisee. Franchise itself means management cooperation to run the business of the parent company. The franchise system is an appropriate way to build a class of small and medium entrepreneurs that are resilient and encourage the creation of business links with a strong economic sector. The advantage of a franchise system for franchisors is that they obtain a broad network.

One of the challenges faced in the franchise business is keeping franchisee as loyal consumer. A loyal franchisee will certainly maintain a cooperative contract that has been established with the franchisor. Where loyalty can be measured by looking at the behavior and attitudes of consumers. Behavioral loyalty refers to the frequency of repeat purchases. Attitude loyalty refers to psychological commitments made by consumers in purchasing actions, such as intention to buy and intention to recommend without having to always consider actual repeat buying behavior (Nam et al, 2011).

There is considerable theoretical support for the notion that the franchisor is interested in the franchisee's satisfaction. When the franchisees are satisfied with the franchisor, they are more cooperative and more likely to contribute to the success of the overall franchise system. The franchisee's satisfaction may reduce the franchisor's agency cost by promoting collaboration between two parties (Jambulingam and Nevin, 1999; Roh & Yoon, 2009). Franchisees with high levels of continuance commitment view relationship switching too high to leave their franchisor. Social exchange theory suggests that franchisors who want to grow as well as maintain their current base of franchisees need to examine each dimension of commitment to understand what holds their franchisees to the relationship (Meek, Davis-Sramek, Baucus, & Germain, 2011). For this reason, we add to the franchising literature by observing how commitment and relationship satisfaction influenced to franchisee loyalty.

2. Literature Review

Franchise is a business format which has contractual relationship between franchisor and franchisee. Franchisee is typically small business owner who pay for the use of the franchisor's business format while agreeing to fulfil standards business system (Davies et al, 2011; Croonen and Broekhuizen, 2017). Franchising could be succes if the franchisee as an agent is able to adapt to the local market conditions and capitalize on the benefits of the franchise existance on microsystem level (Evanschitzky et al, 2016) Franchising system shows how franchisor and franchisee build their relationship together. Commitment and trust are the most frequently researched for building relationship. Commitment is a strong desire to maintain valued relationships. Indicators that influence it are normative affections, attitudes, rules and commitments. (Palmatier et al, 2005). Business relationship become fragile and vulnerable without commitment. Commitment is required from both parties which allows the partners to willingly take risks in doing business (Kwon and Suh, 2005).

Franchisee satisfaction is the positive perception of franchisors meeting not only their economic expectation but also psychological from relationship with both parties. Franchises derive satisfaction based on how well franchisors meet their expectation (Davies et al, 2011). Relationship satisfaction is the consumer's emotional feelings towards the relationship, usually evaluated for the overall relationship exchange that has occurred (Palmatier et al, 2005).

Ndubisi (2007) defined customer loyalty as a high commitment to making repeat purchase to a particular product or service in the future despite any marketing efforts from other products or services which cause switching behavior. In this case, franchisees prefer to stay focus on one franchisor and one brand fried chicken franchise.. Henning-Thrau et al (2002) stated that customer loyalty focus on purchasing behaviour and has impact on profit rate of business. In this case, when franchisee has positive attitude throuh franchisor then it will lead to franchisee loyalty and focus on thier business together as franchisor-franchisee relationship goals.

3. Method

This research was conducted from April to May 2019 in Makassar, South Sulawesi. The population in this study is the owner of a local fried chicken franchise that already owns and signs a franchise contract in Makassar. The sampling technique uses the census method in which all franchisee populations are taken and made research respondents. There are 4 targeted franchise brands that are prospective research respondents namely Best Fried Chicken (BFC), Quick Chicken, C'Bezt Fried Chicken and Hisana Fried Chicken.

However, those who were willing and successfully interviewed were 42 BFC franchisees, 7 Quick Chicken franchisees and 3 C'Bezt Fried Chicken franchisees while none of Hisana Fried Chicken franchise were willing to be interviewed because of their franchising policy. The total number of respondents was 52 franchisees. These franchisees were asked several questions using questionnaire of the importance level of the three variables (Commitment, Relationship Satisfaction and

Franchisee Loyalty). Likert scale from 1-5 were used to determinant the importance level of each variable.

The research aims to analyze the relationship between variable dependent; Commitment (X_1) and Relationship Satisfaction (X_2) with variable independent; Franchisee Loyalty (Y). The formula to analyze the effect of Commitment and Relationship Satisfaction to Franchisee Loyalty using multiple regression analysis is:

$$Y = a + b_1X_1 + b_2X_2$$

In the formula above:

Y = Franchisee Loyalty

X_1 = Commitment

X_2 = Relationship Satisfaction

A = Constanta

b_1, b_2 = Regression Coefficient

4. Findings

4.1. Respondent Description

Respondents were asked to fill in a number of questions in the questionnaire that are related with their gender, age, education, occupation, and average number of sales (chickens) per day.

The ratio between the number of male and female franchise owners is slightly different where male 55,77% and female 44,23%. Respondents aged between 31 and 40 occupy the highest position at 73% which shows that the average franchisee is in productive age. In terms of education, 51,92 % respondent have bachelor's degree, 38,46% were high school graduated and 9,62% have post-graduated certificate. Respondents come from diverse range of occupation namely entrepreneur, government officer, banker, housewives and police officer.

Measure	Item	Frequency	%
Gender	Male	29	55,77
	Female	23	44,23
Age	20-30	7	13,46
	31-40	38	73,08
	41-50	6	11,54
	51-60	1	1,92
Education	High School	20	38,46
	University	27	51,92
	Postgraduate	5	9,62
Occupation	Entrepreneurship	18	34,62
	Private employee	15	28,85
	Housewife	11	21,15
	Government employee	8	15,38
Average number of sales (chicken) per day	1-10	25	48,08
	11-20	12	23,08
	21-30	9	17,31
	31 or more	6	11,54

In terms of the length of franchising ownership, the average respondent who has been a franchisee for a period of one to two years were 42.31% while the least 7.69% were in the franchisee group with a length of ownership of between 6 to one year. The highest number of respondents was in the number of sales of one to ten chickens per day while the number of sales of 20 to 30 is still very low. This shows that the level of sales of outlets owned by the franchisee is still in the range of ten chickens. Although almost 50% of franchisees sell chickens under ten chickens, this still provides benefits if each outlet sells at least six chickens per day. As for outlets that sell 30 chickens and above are semi-restaurant outlets like the C'Bezt Fried Chicken and Quick Fried Chicken franchises.

4.2. The Influence of Commitment and Relationship Satisfaction on Franchisee Loyalty

The influence of commitment and relationship satisfaction to franchisee Loyalty was done through multiple linear regression analysis using SPSS 20. They are shown in Table 1 below:

Table 1. Estimates of Franchisee Loyalty

Variable	Regression Coefficient	t _{calculated}	Sig.
Constanta	8,126		
X ₁	-0,014	-0,194	0,847
X ₂	0,473	8,545	0,000
F _{calculated}	185.465		0,000
R Square	0,883		

Table 1 shows results of multiple linear regression analysis of the influence both variable dependent, Commitment (X₁) and Relationship Satisfaction (X₂), to Franchisee Loyalty (Y). Based on regression coefficient, the formula is:

$$Y = 8,126 + 0,014 X_1 + 0,473 X_2$$

This shows that if commitment and relationship satisfaction were 0 or none then franchisee loyalty will be valued = 8,126 which means franchisee loyalty were constant in 8,126 if both variable dependents were low. If commitment were up to one unit then franchisee loyalty was up to 0,014 times as well as if relationship satisfaction were up to one unit then franchisee loyalty was up to 0,473 times. These number show that both of commitment and relationship satisfaction has influenced to franchisee loyalty.

The F test is used to determine whether the variable commitment and the variable relationship satisfaction have an effect simultaneously on the franchisee Loyalty variable. Based on the data above, F calculated (185,465) were higher than F table (3,18); F table formula were calculated based on (k/ n-k) (k = number of independent variables, n = number of respondents (2/52-2) = (2/50) = 3,18 with the

Sig. 0,000 <0,05). These results indicate that the commitment variable (X_1) and the relationship satisfaction (X_2) variable jointly influence franchise loyalty (Y).

Regression coefficient of R Square was 0,883 which indicated the variable commitment and variable relationship satisfaction together affect the variable Franchisee Loyalty of 88.3%. While the remaining 11.7% is influenced by other variables outside the regression equation or not examined.

In examining franchisee commitment in their franchisor, the result showed that the influence of commitment is lower than relationship satisfaction. In this study, franchisee seems unsatisfied with franchisor attitude. Franchisor attitude was one of several dimensions that were asked to the franchisee besides franchisor support, time of payment, payment method and time of material receiving. One particularly said that although franchisor provides us all facilities under the franchise agreement, the franchisor did not consider the franchisee's opinion especially in an effort to develop marketing strategy in order to increase product sale. It also stated in past research that outcomes of the research revealed the manifestation of this relationship needed to be personalized of particular interest, the varying levels of commitment amongst respondents (Wright & Grace, 2011). Franchisee commitment significantly affects the satisfaction of the relationship either directly or indirectly. The franchisor's attitude is the most important in the commitment variable to keep the relationship commitment (Rusman & Ikawati, 2017).

However, relationship satisfaction has strong influence on franchisee loyalty. The quality of raw materials is the dimension most chosen by respondents in maintaining relationship satisfaction. The quality of raw materials is the most important thing to be maintained by the franchisor who also functions as a distributor because good raw materials can increase satisfaction not only with the franchisee but also the consumer who buys directly at the outlets. One of the important raw materials to maintain consistency is the size of the chicken. The size of chickens that are sometimes large and sometimes small, according to the franchisee, often causes negative comments from consumers, making consumers who used to buy often think to look for other products that have large chicken sizes.

The results of this study were supported from the results of McDonnell et al (2011) study which found that franchisees in department store franchises in Taiwan who felt satisfaction not only tended to continue a cooperative relationship with their franchisor but also influenced them to recommend the franchisor to others. This is also in line with the study of Evans and Laskin (1994) stating that satisfaction and loyalty together increase and produce a quality product.

Franchisee stated some problems in maintaining product selling which lead to outlet closure. Some of these problems can certainly be input to the franchisor to pay more attention to the problems faced by the franchisee. Most franchisees think that if the franchisor can intervene to solve this problem, the outlets that were closed could be active again. One way that can be done is to provide an alternative location, market survey and improving marketing strategy. Franchisee hope franchisor not only focus on business to business process between both sides but also pay attention

in increasing the number of consumers. This is consistent with the results of the research of Hennig-Thurau (2002) that the handling of conflicts by companies is one way to improve the quality of relationships between consumers and companies. Expertise in solving problems is one way to improve the quality of relationships that ultimately can increase franchisee loyalty.

5. Conclusion

The conclusion of this research were commitment and relationship satisfaction have an influence on franchisee loyalty. Relationship satisfaction has more impact to franchisee loyalty through maintaining good raw material while commitment seems more personalized by franchisee through franchisor attitude. Unsatisfied attitude effects franchisee commitment value through relationship between franchisors. Although some dimensions of commitment give a good impression such as payment method and time of payment. Franchisees seem aware of payment method and timing which provide convenience and flexibility. Thus, quality of raw material has bold preference as strong value of relationship satisfaction rather than other dimensions namely raw material delivery time, raw material price and daily information about raw material. Franchisee states that the quality of raw material has greater impact in providing a good fried chicken and satisfaction to the customers.

This study has impact to the franchising research particularly in measuring franchisee loyalty through franchisee perspective. Moreover, further research would better investigate more dimensions of commitment, relationship satisfaction and franchisee loyalty. Variety of dimension could be adopted from similar study of fried chicken franchising.

Furthermore, since this study measure less sample than expected, future research would better provide more samples which cover all fried chicken franchise in Makassar. Franchise has grown rapidly every year and sample of population shows diversity from different franchise brand.

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