

Franchising Arrangements and Marketing Performance of Textile Industries in South – East Nigeria

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Abstract

This study investigated the relationship between franchising arrangements and marketing performance of textile distributors in South-East, Nigeria. The study was anchored on Transaction Cost Theory (TCT) and Resource Scarcity Theory (RST). Convenient sampling was employed in order to reach the study objectives. The analysis revealed positive and significant relationship between the two variables that was investigated. The findings revealed that franchising arrangement is a factor that motivates entrepreneurs to remain in franchising chain. Franchising has a strong relationship with customers' satisfaction and market share, and protects entrepreneurs against competitor. Conclusively, Franchising Arrangements have positive and significant relationship with marketing performance. It was recommended that textile distributors in South-East Nigeria should fully adopt the practice of franchising arrangements in order to boost their business activities.

Keywords: Franchising; Arrangements; Performance

INTRODUCTION

1.1 Background to the Study

The need to scale up a venture, overcome the challenges associated with beginning a new enterprise and to maintain competitive advantage over rival organizations has created the need to enter into partnership arrangements otherwise known as franchising. This is done in order for both parties to leverage on the capabilities of each other to remain relevance in the business. Franchising is widely accepted as the foremost business model for replicating successful business systems around the world because it sustains new ventures, reduces business failure rate, and enhances capacity through knowledge transfer, (Chiagozie, 2016). It is a concept of marketing used for business expansion where the franchisor licenses its technical marketing know-how, intellectual property, procedures, its model use and the authority of selling its own brand/products or service to the franchisee. This is accomplished through the authority (franchise) with written terms and conditions guiding the franchising arrangements.

1.2 Statement of Problem

Nigerian textile industry, being one of the sectors that sustained Nigeria before crude oil emergence when the fabrics compete favourably with foreign fabrics like Hollandais from

Dutch, Swiss lace from Swizerland, Indian siren, Ghana Kente etc. when the textile industry was operating in its full capacity. The textile industry is declining while Nigerians are getting more interested in sharing business ideas and becoming their own boss. Franchising arrangements is seen flourishing in other sectors of the economy like oil and gas, transportation, restaurants, fast food, tourism and hotel management, hospitals etc. Why the same is not happening in the textile sector is a worrisome. The fact that Nigerian fashion designers are making wave all over the world by their artistic and trendy designs is an advantage to showcase Nigerian fabrics brand.

1.4 Aim and objectives of the study

The purpose of the study is to determine the extent of relationship between franchising arrangements and marketing performance of textile distributors in South-East, Nigeria. While the specific objectives are to:

1. Determine the extent of relationship between master franchising and customer satisfaction of textile distributors in South-east, Nigeria.
2. Examine the extent of relationship between master franchising and market share of textile distributors in South-East, Nigeria.
3. Investigate the extent of relationship between business format franchising and customer satisfaction of textile distributors in South-East, Nigeria.

CONCEPTUAL EXPLICATION

1.1 Concept of franchising

The concept or idea of franchising is a structure of marketing goods and services as well as technology whose workings are spelt out in a written contract endorsed by two parties who are legally, financially and fiscally separate and independent. The giver allows the recipient the right as well as imposing an obligation of running the business in accordance with the franchisor's concept and business model. The word "franchise" comes from French word "Frank"- a free person-free to do something, (Imed, & Sohslb, 2018). It is a liberty given for which a company, individual is permitted to do something that is right, (Alon et al., 2007 cited in Imed, 2018). Franchising is a business packaged beforehand with policies and procedures firmly established with efficient and effective system and involves a form of business cloning where franchisors seek to have franchisees replicate their business in their local community (Branford & Bruton, 2011). This can be achievable when an entire business concept is established, such as trademark, product or service and operation methods (Hoffman & Prebles, 1993 cited in Hamid et al., 2003). The concept is usually applied in a tested and profitable business area that has the potential of further survival; the franchisee conversely leverages on the acceptance of the product to make his on living. It is an avenue for firms to enter foreign markets and expand internationally, (Hoffman et al., 2016). The franchisor provides the franchisees with the knowledge(know-how) to conduct the business, the franchisee pays franchise license as well as fees as agreed with the franchisor, (Sherman, 2011). The entrepreneur who is challenged with the problem of finance, technical know-how, managerial capabilities, competences etc. in setting up his own business in a stiff

environment, has the option to identify and take advantage of existing business to earn his own leaving, (Grzelak & Matejun 2013).

Franchising cannot be said to be a business itself, rather it is an idea of advertising and marketing enterprise and as a concept, it is a progressive technique of dispensing goods and offerings, (Gates, 2000). (Hisrich et al., 2005) summarized that it is a means to go into the business, capable of limiting the risk of private business boundaries.

2.1.2 Dimensions of Franchising Arrangements

Among the franchise options that are used to penetrate into other regions or foreign markets are; master franchising, area development franchising, direct franchising, business format franchising, product distribution franchising multiple unit franchising etc., however in this study we concentrated on master franchising, business format, product distribution and multiple unit franchising, (Preble & Hoffman, 2006).

2.1.3 Concept of marketing performance

Many works in marketing performance assessment shows that dissatisfaction with marketing performance measurement systems among practitioners indicate that many firms have poor marketing control procedures, (Clark, 2002; Amber & Kokkinaki, 2002). (Kotler & Keller 2006). To prevent a situation where companies just measure things for the sole objective of measurement, it is important that companies create insight in the information needed to manage the business. This is especially true for the overall marketing performance, since that contains important information about customer satisfaction, market share, competitiveness, adaptability and other elements that are tightly related to current and future business success

The competitive advantages of a company cannot be established by doing a holistic analysis of the company, but by trying to measure and divide every of the company's activity. Its results then can be evaluated to establish the performance of each activity and the interrelationships between each activity, (Porter, 2008). Marketing performance is defined as "The effectiveness and efficiency of an organization's marketing activities with regard to market-related goals, such as revenues, growth, and market share" (Homburg 2007 as cited in Beukes & Wyk, 2016). In measuring performance, a measurement model that can provide the link between nonfinancial performance and financial performance is needed. There are five proposed construct that can be used to measure marketing performance: market share, customer satisfaction, customer loyalty/retention, brand equity, and innovation form the nonfinancial measures, and their joint impact on financial performance should be examined. For any business, as well as fabrics business to be effective in marketing it has to advertise,

2.1.4 Measures of marketing performance

There are main indicators for performance measurement created for the purpose of measuring and defining its stated goals. In this study, we have decided to use customer satisfaction and market share in measuring marketing performance.

2.2 Theoretical foundation

Theory of franchising: There four theories that talks about franchising; Resource scarcity theory, Transaction cost theory, Agency theory and Search theory but in this work, we drew from two theories; Resource Scarcity (RST) postulated by Oxen Feldt& Kelly, 1969 and Transaction cost theory (TCT) developed by Ronald Coase, 1937 as cited in Chandra, 2017. These theories explained the different facets of firm franchising strategies. The theories

explain conditions specific to firms and location, the time and reasons some organizations franchise and some does not. The theory says that when capital cost is high, the rate of franchise will be high while location specifics says that when the demand for the product/service is high outside the franchisors region, he may choose to franchise the outlets for better coordination, (Mishra, 2017).

3.1 Research Design

In this study, descriptive survey design was used, the justification for adopting survey research design is that it tends to be the mainstay of marketing research in general (Gupta & Gupta, 2011). Since the study was aimed at investigating the relationship between franchising arrangements and marketing performance of textiles distributors in South-east, Nigeria. Nwankwo, (1984) as cited in Nzeribe et al, (2013) stated that research design provides broad knowledge that characterized all group in the population from which the sample was selected; therefore, it is an authentic design as both hypothesis and research questions are used to arrive at results. The survey method becomes an appropriate design because the research requires collection of data that deal with the management, input and output.

3.2 Population of the Study

The population of this study was 500 textile distributors identified in the directories of National Union of Textile, Garment and Tailoring Workers of Nigeria (NUTGTWN, 2015) South-East, Zonal office, Aba. (Please see appendix C at the back page). The states and the markets are: Abia- Ariaria International market, Aba, Anambra- Anambra-Onitsha International market, Onitsha, Ebonyi- Eke-imeoha market, Abakaliki, Enugu- Ogbete market and Imo state- Imo International market Owerri. The South-East states were chosen because they are found to be the beehive of economic activities in South-East, Nigeria and overwhelming majority of the textile distributors are concentrated there.

3.9 Methods of Data Analysis

Pearson Product Moment Correlation Coefficient (PPMCC) was utilized in testing the hypothesis in the study through the application of Statistical Package for Social Sciences (SPSS) version 21. The interpretation of respondents' perceived value of fabrics and rates was used to determined mean value with the 5-point Likert scale.

Table 4.2.2: Summary of findings, significance level and decision

Hypotheses	Correlation	®	Degree of freedom	Significant	Decision
1	.366	0.01	Yes	Reject	
2	.591	0.01	Yes	Reject	
3	.471	0.01	Yes	Reject	

From the questions were based on the extent to which franchising arrangement affects customer's satisfaction and market share.

From the analysis on the sections of the questions from section 1 to 3 shows a positive correlation. For instance section 1 show 0.366, question on section 2 shows 0.591 while the last section on 3 shows 0.471 respectively.

CONCLUSION

The research conducted revealed that individuals or firm choose the franchising type base on what they want. In this regard, the work revealed that multiple unit franchising is one of the major factors that motivate entrepreneurs to remain in franchise chain and it has a very strong relationship with customer satisfaction and market share. The reason for this strong relationship is that it reduces agency cost and promotes system uniformity. The study also revealed that there is a strong and positive relationship between master franchising and customer satisfaction, product distribution and market share. This is because master franchising protects entrepreneurs against competitors and they get good management support. The study equally revealed a moderate relationship between business format franchising and customer satisfaction and market share.

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