



Experiences of Small Food Business Franchisees in Pagadian City

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ABSTRACT

Pagadian City has a lot of small food business franchises in the area, therefore knowing franchisee experiences is crucial. Convenience sampling selected individuals who fit the criteria and agreed to be interviewed. The study examined small food business franchisees' experiences in Pagadian City. Researchers investigated the topic using the case study design. The study evaluated why franchisees choose franchising, their pre-launch preparations, their challenges, their strategies, and their advice for potential franchisees. Franchisees choose franchising because of its lesser franchise fee, well-established brand identity, affordable products, and lower financial risks. They conducted a feasibility study, got permits and licenses, built the store, trained personnel, hired a pre-operational manager, and made sure that they have enough supplies of raw materials before opening. However, business challenges have arisen. Raw material delays, increase in business competition, highly assertive individuals, insufficient revenue, and employee behavior management are these issues. Franchisees solved these problems by halting operations, managing inventory, adapting well to the changing business world, laying off workers, consulting experienced co-franchisees and meeting with employees periodically. Existing franchisees advised new franchisees to undertake a feasibility analysis, choose a good location, choose a well-established franchise, and have adequate money before starting. Their findings prompted recommendations from the researchers including investors using the study to analyze risks and earnings, future franchisees using the study for reference and guidance, and future academics building on this study's expertise.

Keywords: Franchisees, Small Franchise Business, Business Owners' Experiences, Challenges, Strategies

Introduction

Franchising is a dynamic business model that has garnered significant traction in the global entrepreneurial environment. It is a unique partnership between an established brand or parent company (the franchisor) and independent entrepreneurs or investors (the franchisees) who want to operate their own business using the franchisor's established brand, products, services, and operational guidelines (Soliman, 2022). A franchise is considered a small business franchise based on several defining characteristics. First and foremost, the size of the franchise operation matters. Small business franchises typically have a relatively modest physical footprint, with one or a few outlets, as opposed to the expansive and numerous locations commonly associated with larger franchise systems. Small business franchises often have lower initial investment requirements, making them more accessible to individual entrepreneurs or small-scale investors. Additionally, franchisees are small business proprietors. Franchisees own and administer their businesses independently, like small business owners.

The researchers seek to analyze this study by utilizing a qualitative research methodology to fill in the absence of in-depth exploration into the experiences and narratives of franchise owners, particularly those operating small food businesses. This research gap is particularly critical given the perishable nature of food products. While existing literature may provide insights into the motivations and challenges of small business franchising in a broad sense, there needs to be more research that delves into the specific experiences of franchise owners in the food industry within this region. Understanding their unique challenges, such as managing inventory, ensuring food safety, and meeting customer demand, is essential to grasp the intricacies of the local franchising landscape.

Review of Literature

Franchising is a dynamic business model that has garnered significant traction in the global entrepreneurial environment. It is a unique partnership between an established brand or parent company (the franchisor) and independent entrepreneurs or investors (the franchisees) who want to operate their own business using the franchisor's established brand, products, services, and operational guidelines (Soliman, 2022). Franchising is a strategy for expanding businesses by allowing others (potential franchisees) to operate under an established brand. It highlights franchising's popularity worldwide, emphasizing its role in economic growth and risk reduction for new business owners. Essentially, franchising offers a structured way for entrepreneurs to start a business with lower risks by leveraging a proven business model (Jumaidilyaeva & Usanova, 2015).

Franchising is characterized by a relationship in which both parties share the business's successes and challenges. As one of the three ways to establish a business, starting a franchise requires aspiring business professionals to thoroughly understand this system, its operation, the advantages and disadvantages of this method of business formation, and which franchises are currently operational on a global scale (Corina, 2017). Franchising is one of the most rapidly expanding business models globally (Varotto & Aureliano-Silva, 2017). Franchises tend to maintain a high level of local autonomy and decision-making authority for individual licensees, making franchising represents a feasible business alternative an individual or an entity may consider (Akshat, 2017).

Franchisees and franchisors benefit from complementing benefits in business format franchising. Franchisees benefit from a proven brand concept and business system, while franchisors benefit from the franchisees' local market understanding (Rosado-Serrano et al., 2018). The quality of the relationship between franchise headquarters and franchisees correlates positively with the perceived relationship value of franchisees, and this connection diminishes the importance of the product and pricing (Feng & Chiu, 2023). Franchising requires high confidence and dedication (Hanafiah, 2023). Creating entrepreneurial value is the foundation of any franchising strategy. Organizational behavior research has identified three primary motivation categories: extrinsic, intrinsic, and prosaically motivated. However, the three types of motivation have yet to be examined in tandem, and even less research has been conducted on which reason is associated with the stakeholders of corporations (Bastons et al., 2016).

Authors stated that even though franchisees can be considered small businesses with some independence and knowledge, compliance with system standardization can be essential to obtaining scale benefits, achieving, and maintaining the desired image during the growth phase of the franchise life cycle. However, the franchisor's standardization requirements require franchisees to make specific investments in the system, making franchisees more vulnerable to the franchisor. To facilitate the relationship between standardization requirements and franchisees' overall gross and service performance in the market, the Franchisee's level of trust in the franchisor becomes essential (Chiou & Droge, 2013).

Franchising necessitates lower capital investment for a distribution system compared to techniques like vertically integrated concepts, joint partnerships, or other forms of shared equity arrangements (Kaushik, 2013). Ensuring the efficiency of the franchise system depends on building an ideal contractual agreement between the franchisor and the franchisee, which can be accomplished through a reasonable franchise fee framework (Bang et al., 2023). Using a trademark gives franchisees trade identification. Compared to starting an individual firm, it offers professional training, marketing assistance, a well-established operational structure, continual system support, and improved selling capabilities (Kaushik, 2013). Franchise business offers new businessmen the opportunity to invest in a future that is more predictable and lucrative. With well-established and verified methods already in place, a franchise business is seen as a suitable foundation for creating a lasting corporate environment (Kristandy & Aldianto, 2015). Moreover, a study explores the importance of affordable value innovations in emerging markets. The study revealed that a firm's ability to develop and launch affordable value innovations is crucial for success in emerging markets (Ernst et al., 2014).

One of the strengths from the SWOT analysis conducted by (Salar et al., 2014) is that franchise somehow has lower risks because and due to its easy setup and other factors. Franchising is also known to have lower risk. Additionally, an adaptable enterprise system (ES) is crucial for an organization's long-term survival. It allows it to operate its business and manage data to achieve specific goals. Organizations that cannot adapt to changes in the business environment are less competitive (Almutairi et al., 2022). A study noted that while franchising increases the likelihood of success, it does not guarantee it. Organizations that fail to adapt to changes in the business environment face a competitive disadvantage (Casabuena et al., 2017). In today's competitive and uncertain organizational landscapes, successful change management requires clear communication of intended changes and the development of frequent feedback channels (Eisenberg, 2014). This strategy helps businesses assess and evaluate the effectiveness of their change plans, identify key personnel, and leverage strategic communication opportunities to enhance organizational performance.

Methodology

This study was developed to explore the experiences of small food business franchisees in Pagadian City. The researchers were able to interview five (5) participants despite the unavailability on some of them and also based on the inclusion criteria for the participants. The participants were interviewed using the validated interview guide. The researchers then asked for the franchisees' permission to be interviewed in their desired place and time in which some of them responded through phone calls. The interview were conducted face-to-face and through a phone call for the participants who were not present physically with their permission. The participants were then asked to answer the questions based on their personal experiences with the topic. The researched aimed to gain deeper insight into their motivations of choosing a small business franchise, the preparations they have done, encountered challenges and employed strategies to overcome the difficulties they have experienced, and insights or advices to the individuals who wants to enter this kind of venture in the future. The participants in the study were the small food business franchisees in Pagadian City. The small food business franchisees, who met designated qualifications, conveyed a varied yet unified depiction of their experiences in starting and managing their own small food business franchises in Pagadian City.

The researchers served as the main instrument, using a validated and accepted interview questions which comprised of five (5) questions to explore and obtain in-depth insights from their experiences as small business franchisees in the city. The interview questionnaire used for gathering participants' responses: What are the motivations of small business franchisees in Pagadian City in choosing franchise as their preferred business model? What are the preparations of small business franchisees in Pagadian City before the start of its business operations? What are the challenges of small business franchisees in Pagadian City in operating their business? What strategies do small business franchisees in Pagadian City employ to overcome the challenges of operating their business? What advice and insights do small business franchisees in Pagadian City have for individuals who aspire to start their franchise businesses? The entire interview process was recorded and transcribed by the researchers to capture participants' insights and experiences.

A thematic analysis was employed to systematically categorize and aggregate data, organizing similar responses to identify patterns and themes in participants' experiences of starting and managing small business franchises in Pagadian City. Data mining, observations, and triangulation were also utilized to validate participants' responses.

Findings and Conclusion

The categories that emerged from the study are *Reasons for choosing small business franchising, Preparations made before operating the business, Challenges encountered while operating the business, Strategies employed to overcome the challenges, and Advice to individuals who aspire to start a franchise business.*

The study revealed several key findings based on the responses of the participants during the interviews. Small business franchisees in Pagadian City choose franchising as their preferred business model due to its lower franchise fees, established brand identity, available support systems, product affordability, and lower risks compared to independent businesses. Before starting their business operations, franchisees undergo several preparations, including conducting a feasibility study, obtaining permits and licenses, constructing the physical structure of the store, training employees, hiring pre-operational personnel, and ensuring a sufficient supply of raw materials. However, franchisees also face significant challenges in operating their businesses, such as delays in the delivery of raw materials, increasing business competition, highly assertive customers, insufficient revenue, and difficulties in managing employees' behavior. To address these challenges, franchisees implement various strategies, including temporarily pausing business operations, when necessary, effective inventory management, adapting to the changing business environment, monitoring and providing feedback to employees, implementing employee layoffs when required, and seeking guidance from experienced co-franchisees. The franchisees shared valuable advice and insights for individuals aspiring to start their own franchise businesses. They emphasized the importance of conducting a feasibility study, selecting a good business location, choosing a well-established franchise, and ensuring sufficient capital before launching their operations.

Small business franchising is already prevalent here in the city. Understanding the experiences of the different franchisees around the city gave an insightful viewpoint of their motivations in choosing franchising as their business model, the preparations they made before their operation, the challenges they encountered, the strategies they implemented to overcome those challenges, and their advice to aspiring franchisees. Choosing small business franchising as a business model has its ups and downs. Although people believe it is easier to handle franchising than any other business because of its well-established name and relatively smaller fee, there are still challenges that need to be faced, just like other businesses. Along with these challenges are also the strategies that could be used and implemented during such issues within the realm of franchising. This study also gave a comprehensive insight into what steps aspiring franchisees would take to have a more prepared process before diving into franchising. Ultimately, this study serves as a foundational reference, contributing to the understanding of the experiences of small business franchisees in Pagadian City and providing a platform for further research in the field.

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