Business Analytics in Franchising

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INTRODUCTION

Franchising has been a popular approach given the high rate of business failures (Justis & Judd, 2002). Its popularity continues to increase, as we witness an emergence of a new business model, Netchising, which is the combination power of the Inter*net* for global demand-and-supply processes and the international fran*chising* arrangement for local responsiveness (Chen, Justis, & Yang, 2004). Netchising is an effective global e-business growth strategy (Chen, Chen, & Wu, 2005, 2007; Chen & Wu, 2007; Chen, Liu, Zeng, & Azevedo, 2012).

BACKGROUND

In his best seller, *Business @ the Speed of Thought*, Bill Gates (1999) wrote: "Information Technology and business are becoming inextricably interwoven. I don't think anybody can talk meaningfully about one without talking about the other." (p. 6) Gates' point is quite true when one talks about franchise's use of business analytics, which is "delivering the right decision support to the right people at the right time" (Laursen & Thorlund, 2010, p. xii). Thus, to see how business analytics can be "meaningfully" used in franchise organizations, one needs to know how franchising really works. In this article, we show that building up a good "family" relationship between the franchisor and the franchisee is the real essence of franchising, and proven working knowledge is the foundation of the "family" relationship. Specifically, we use the following seven pillars of business analytics (Isson & Harriott, 2013)

to discuss the process of how to make business analytics "meaningful" in franchising: business challenges, data foundation, analytics implementation, insights, execution and measurements, distributed knowledge, and innovation.

BUSINESS CHALLENGES: MANAGING THE FRANCHISOR AND FRANCHISEE RELATIONSHIP

Franchising is "a business opportunity by which the owner … grants exclusive rights to an individual for the local distribution... The individual or business granting the business rights is called the *franchisor*, and the individual or business granted the right to operate … is called the *franchisee*." (Justis & Judd, 2002, pp. 1-3) Developing a good "family" relationship between the franchisor and the franchisee is the key business challenge of a successful franchise (Justis & Judd, 2002). Figure 1 describes how such a "family" relationship is built in the franchise business community. In the figure, the franchisor's learning process is incrementally developed through five stages (Justis & Judd, 2002): Beginner – learning how to do it; Novice – practicing doing it; Advanced – doing it; Master – teaching others to do it; and Professional – becoming the best that you can be. Once attaining the advanced stages of development, most preceding struggles have been overcome. However, further convoluted and challenging enquiries will arise as the franchise continues expansion. This is especially true once the system reaches the "Professional" stage, where various unpredicted and intricate problems could arise. To capture the learning

Figure 1. Understanding how the franchisor/franchisee "family" relationship works
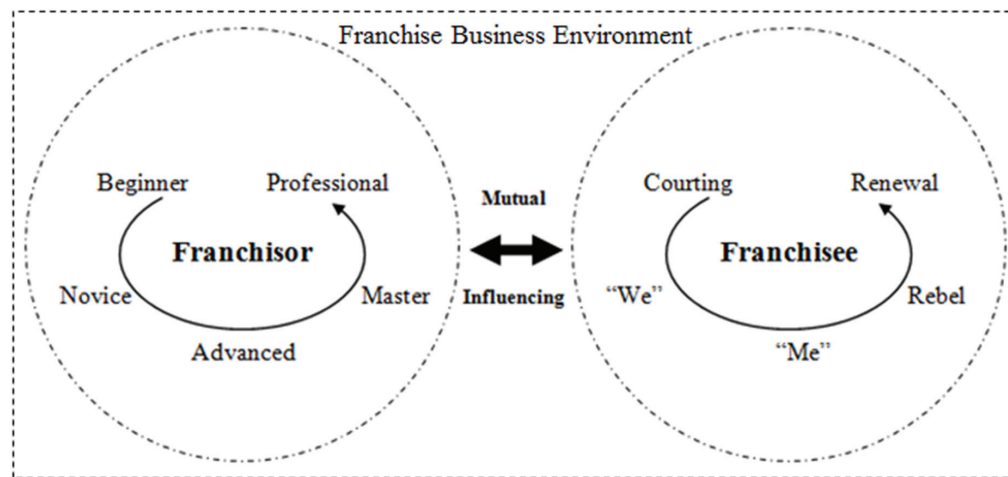
process, a counter-clockwise round arrow surrounding the franchisor is used to depict the increasing intensity of learning as the franchisor continues to grow.

To understand how the "family" relationship is developed, one needs to know the five phases of franchisee life cycle (Schreuder, Krige, & Parker, 2000): Courting: both the franchisee and the franchisor are eager with the relationship; "We": the relationship starts to deteriorate, but the franchisee still values the relationship; "Me": the franchisee starts to question the reasons for payments related issues with the attitude that the success so far is purely of his/her own work; Rebel: the franchisee starts to challenge the restrictions being placed upon; and Renewal: the franchisee realizes the "win-win" solution is to continue teaming up with the franchisor to grow the system. Similar to the franchisor, a counter-clockwise round arrow surrounding the franchisee is used in Figure 1 to depict the increasing intensity of franchisee life cycle as the franchisee continues learning and growing. As the franchisee progresses through the life cycle, the "family" relationship gradually develops a mutually influencing process (Justis & Vincent, 2001) as depicted in Figure 1 with a bi-directional arrow: working knowledge, proven abilities of expanding the franchise system profitably; positive attitude, constructive ways of presenting and sharing the working knowledge; good motivation, providing incentives for learning or teaching the working knowledge; positive individual behavior, understanding and leveraging the strengths of the participants to learn and enhance the working knowledge; and collaborative

group behavior, having the team spirit to find the best way to collect, dissimilate, and manage the hard-earned working knowledge. By going through the processes of learning and influencing, both the franchisor and the franchisee gain the progressive working knowledge in the franchise business community. The franchisor, the franchisee, and the franchise business community in Figure 1 are surrounded with dashed lines, indicating that there is no limit to the learning process.

DATA FOUNDATION: MANGING FRANCHISE ORGANIZATIONAL DATA

There are many "touchpoints" within the franchise business community where the franchisor and the franchisee can influence each other. Based on the Customer Service Life Cycle (CSLC) model, Chen, Chong, & Justis (2002) proposed a framework (Table 1) to harness the Internet to serve the customers for the franchising industry. The eleven sub-stages in Table 1 are based on two well-known franchising books by Justis & Judd (2002). The model in Table 1 may be used as a comprehensive guide for a franchise to develop its web site for digital analytics (Chaffey & Patron, 2012), especially at the stages of Requirements and Acquisition.

Table 1 also is a comprehensive framework for a franchise to model the data foundation needed to serve its customers, i.e., franchisees and their customers.

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