# Chapter 12
# Virtual Communities and Social Networking in Franchising

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## ABSTRACT

*Franchising has been a popular approach to growing a business. Its popularity continues to increase, as we witness an emergence of a new business model Netchising or Online-to-Offline, combining the Internet for global demand-and-supply, virtual communities, and social networking processes and the international franchising arrangement for local responsiveness. 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 discuss the process of how to make big data and business analytics meaningful for virtual communities and social networking in franchising. The process consists of business challenges, data foundation, analytics implementation, insights, execution and measurements, distributed knowledge, and innovation.*

## INTRODUCTION

Franchising has been a popular approach to growing a business globally (Justis & Judd, 2002; U.S. Commercial Service, 2018). Its popularity continues to increase, as we witness an emergence of a new business model, Netchising or O2O (online-to-offline), which is the combination of the Internet for global demand-and-supply, virtual communities, and social networking processes and the international franchising arrangement for local responsiveness (Chen, Justis, & Yang, 2004; Chen, Chen, & Wu, 2005, 2007; Chen & Wu, 2007; Chen, Liu, Zeng, & Azevedo, 2012; Qiang & Wang, 2018). 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 virtual communities and social networking (Perrigot, Kacker, Basset, and Cliquet, 2012). Thus, to see how virtual
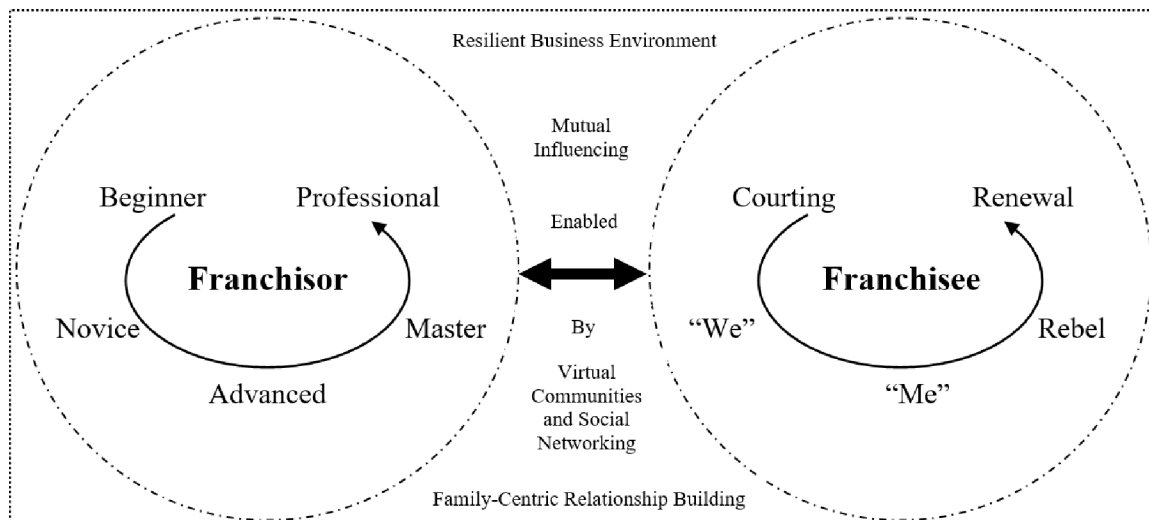
communities and social networking can be "meaningfully" used in franchising, one needs to know how franchising really works.

In this paper, 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 (Laursen & Thorlund, 2010; Isson & Harriott, 2013) to discuss the process of how to make how virtual communities and social networking "meaningful" in franchising: business challenges, data foundation, analytics implementation, insights, execution and measurements, distributed knowledge, and innovation.

## BUSINESS CHALLENGES: MANAGING THE FRANCHISOR-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, it shows that the franchise system is operated in the dynamic business environment of global, national, regional, and local communities. The resilience of the business environment is also getting significant attention nowadays (UNISDR, 2018). The "family" relationship is developed through a mutual influencing process of family-centric relationship building enabled by virtual communities and social networking.

*Figure 1. Understanding how to manage the franchisor/franchisee relationship*

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