

# Chapter 41

## Using Business Analytics in Franchise Organizations

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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, combining the internet for global demand-and-supply processes and the international franchising arrangement for local responsiveness. In this chapter, the authors 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, they 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.*

### **INTRODUCTION**

Franchising has been a popular approach to growing a business (Justis & Judd, 2002). Its popularity continues to increase, as we witness an emergence of a new business model, Netchising, which is the combination of the Internet for global demand-and-supply 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).

### **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 big data and business analytics, which is “delivering the right decision support to the right people

DOI: 10.4018/978-1-5225-7362-3.ch041

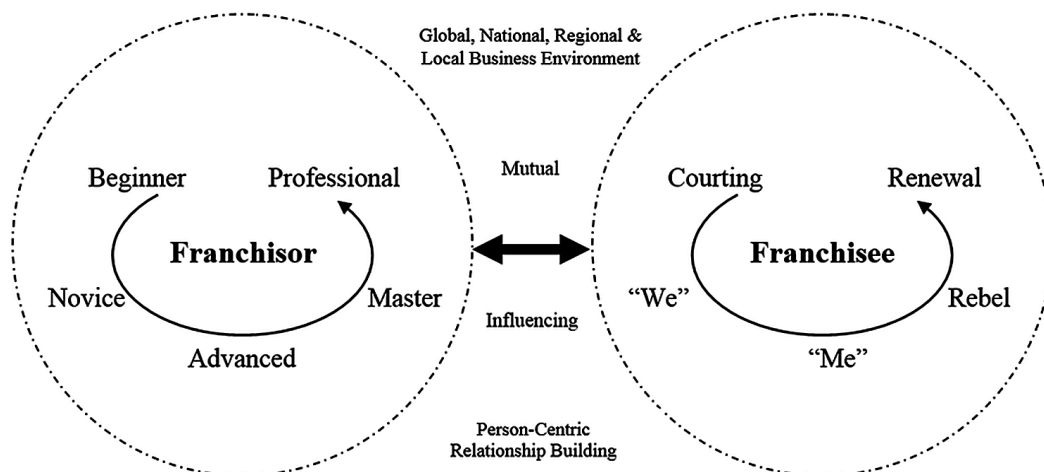
at the right time” (Laursen & Thorlund, 2010, p. xii). Thus, to see how big data and business analytics can be “meaningfully” used in franchise organizations, one needs to know how franchising really works. In this paper, we show that building up a good “family” relationship between the franchisor and 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 (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, it shows that the franchise system is operated in the dynamic business environment of global, national, regional, and local communities. The “family” relationship is developed through a mutual learning process of person-centric relationship building.

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

Figure 1. Understanding how the franchisor/franchisee “family” relationship works



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