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An Application of Integration Theory to Foodservice Franchising Determinants

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Abstract: The purpose of this study is to advance a franchising theory: 1) in order to identify which determinants are influential to explain foodservice franchising by testing the potential determinants from the perspectives of resource scarcity, agency, transaction costs, and signaling, and 2) to evaluate which perspective is appropriate to support each of these influential determinants of foodservice franchising. This study utilized ordinary least-square regression to develop econometric research. So, this study finds key influential determinants in terms of their magnitude and indicates no existence of dominant perspective. In addition, this study employed an integration theory contributes to the theoretical underpinnings of foodservice franchising by presenting new insights that can help foodservice franchising firms to capitalize their franchising investment when they consider their franchise systems.

Key words: foodservice, franchising, determinant, integration theory, resource scarcity, agency, transaction costs, signaling

I. INTRODUCTION

Franchising is a business relationship based on a licensing agreement between independent parties. There are two primary forms of franchising: product trade-name (e.g., soft-drink bottles, automobiles and truck dealerships, and gasoline service stations) and business formats (e.g., restaurants and hotels). In product trade-name franchising, the franchisees are expected to act like authorized dealers with territorial exclusivity whereas in business format franchising, franchisees are expected to follow a full set of services supplied or approved by the franchisor [1]. Business format franchising is more appropriate for foodservice because it typically occurs in circumstances where there is a notable service component that must be performed in front of customers or where customer participation is required for a service procedure.

Most business format franchising (hereafter franchising) studies have been grounded in two major perspectives: resource scarcity and agency. The resource scarcity perspective considers franchising as a vehicle to provide resources that are necessary for firm growth. On the other hand, the agency perspective considers franchising as a vehicle to improve the alliance between a firm and unit-level incentives [2]. Other supporting perspectives in the understanding of franchising include transaction costs and signaling. The transaction costs perspective focuses on minimizing the costs of writing, monitoring, and enforcing franchise contracts [3], while the signaling perspective focuses on the externalities of market imperfections and knowledge asymmetries [4]. The field of franchising studies benefits from having work done using these different perspectives in order to explain the variety of determinants of franchising. By employing the lenses of a particular perspective, each hospitality study has contributed to our understanding of the phenomenon of franchising.

Since these different perspectives alone do not capture the full complexity of the process, a review of the reasons for franchising from diverse theoretical perspectives is instructive [1], [2]. However, this diversity of perspective can result in contradictory explanations. For example, firm age is expected to be negatively related to the use of franchising according to the resource scarcity perspective because it assumes that old firms possess substantial scale advantages. In this view, young firms are more likely to grow through franchising. In contrast, the signaling perspective views firm age as expected to be positively related to the use of franchising because it assumes that firms have a proven successful business model and signals this information by means of opening company-owned units and a high royalty rate in the initial stage. Therefore, gradually, firms are more likely to have franchised units that can afford a high royalty rate.

In this context, integration theory could be an effective vehicle to resolve the differences between the various perspectives. In many areas such as politics, governance, medicine, business, education, there are not only some conflicts in each approach, but also many points of congruence in their theories. So, an integration theory could suggest some persuasive alternatives to overcome split and fragmentization through seeking syntheses in their results [5], [6]. Therefore, it can be argued that franchising industry containing diverse theoretical perspectives is suitable to apply an integration theory.

To advance a franchising theory, this study, for the first time, attempts to find which determinants best explain foodservice franchising by testing the potential determinants from the four main perspectives: resource scarcity, agency, transaction costs, and signaling. In addition, an attempt is made to see which perspective is appropriate to support each of these influential determinants of foodservice franchising: a singular perspective (only one perspective is appropriate to support the influential determinant), plural perspectives (more than two perspectives are appropriate to support the influential determinant), or ameliorated perspective (a perspective needs to be ameliorated to be appropriate to support the influential determinant). To advance a franchising theory by establishing these goals, this study selected Korean foodservice franchising which has undergone steady growth, contributed to the national economy, and has begun to be globalized..

II. LITERATURE REVIEW

A. Resource Scarcity Perspective

The resource scarcity perspective of franchising suggests that firms will use franchising as a mechanism designed to provide firms with resources essential to reach minimum efficient scale. Therefore, young,

small, growing firms will use franchising until they reach the critical mass essential to achieve economies of scale and will be reluctant to further expand when economies of scale are obtained [7]. Empirical studies can be divided into three areas based on the various perspectives of resources scarcities. The first is assessment of general resources scarcities employing firm age and size. The second is assessment of capital scarcity. The final area is particular motives of start-up costs and franchisee fees.

Regarding the general resources scarcities approach, it has been found that firm age is negatively related to the use of franchising [8], [9]. In addition to age, it has been found that firm size is negatively related to the use of franchising [9], [10], [11]. In the case of capital scarcity, franchised units will increase in response to capital scarcity, a specific type of resource scarcity, and firms can alleviate existing capital scarcity through franchising [7]. Capital scarcities were associated with the use of restaurant firm franchising as indicated in [12]. By the same token, restaurant firm franchising increased as capital became short and vice versa as indicated in [13].

Finally, there are some particular motives for franchisors to prefer franchising to a company-owned strategy. In fact, these motives are the factors that initiate franchising. The typical factors in a firms' decision on franchising are start-up costs and franchise fees. The higher the start-up costs, the higher the probability firms would choose franchising since firms expecting expansion had limited resources as is suggested in [9]. In addition, the greater the resource constraints confronting a firm, the smaller the proportion of company-owned units since the franchise fee was the major critical source in which a firm could raise capital for operations, promotion, and expansion as is suggested in [14].

B. Agency Perspective

Agency relationships exist in any joint effort in which one party delegates authority to a second. In the hospitality industry where franchising is an important vehicle for expansion, franchisors are principals and delegate authority to unit level agents, either employee managers or franchisees [15]. From the agency perspective, the antecedent variables that affect franchising can be divided into monitoring costs and opportunism risks [16].

The costs of monitoring increase as a firm wishes to enter geographic markets that are far remote from its headquarters due to the increased distance in monitoring personnel, related travel expenses, and other costs [17]. In addition, since franchisees usually make critical investments for their units, they are likely to have a greater incentive than employee managers to maximize the performance of their units. Consequently, such an incentive could reduce the need for direct monitoring [18]. Based on monitoring costs, it was found that geographic dispersion is positively related to the use of franchising [8], [10], [11], [13], [19].

Despite franchising contracts designed to reduce the potential for opportunism risk, situational factors may encourage risk, making the use of franchising unattractive [20]. First, start-up costs, which are also one of the key variables in the resource scarcity perspective, are related to franchisees' perceived opportunism risk since their initial investment is mainly firm or brand specific, and their specific investment cannot be redeployed if firms are not be able to keep the contracts [21]. As the agency perspective predicts, start-up costs were negatively related to the use of franchising as is found in [11]. Secondly, the franchise fee, which is also a key variable from a resource scarcity perspective, is a huge one-time charge. In addition, it is a

highly firm or brand specific investment in which the returns depend on a firm's promised efforts [22]. As the agency perspective predicts, a significant negative relationship between franchise fees and the use of franchising as is found in [10].

Thirdly, a royalty is different from a franchise fee since it is a variable charge where firms collect a percentage of franchisee revenues. Therefore, both franchisors and franchisees may not consider royalty as an opportunism risk. Franchisors directly benefit and franchisees accept the royalty representing their performance as long as the royalty rate is not too high [22], [23]. From the viewpoint of an agency perspective, it can be suggested that the royalty rate is positively related to the use of franchising. There was a significant positive relationship between the royalty rate and the use of franchising as is found in [19].

Finally, valuable franchisor inputs strengthen franchisors by improving the product and service, increasing quality, and promoting the brand are related to franchisors' perceived opportunism risk since the potential costs of franchise free-riding can increase [24]. Therefore, an agency perspective can suggest that valuable franchisor inputs are negatively related to the use of franchising. Franchising reduced quality as is shown in [25]. In addition, there was a negative relationship between brand name reputation and the use of franchising in the context of an agency perspective as is found in [26]. Both studies indicated that franchisors prefer a company-owned strategy to a franchising strategy in order to protect their valuable inputs.

C. Transaction Costs Perspective and Signaling Perspective

In the context of franchising, transaction costs are searching for information, bargaining and negotiating contracts, and monitoring and contract enforcing [27]. Although transaction costs have become a dominant and powerful concept to understand the ownership structure mix such as company-owned and franchised units, its application to franchising has been limited to certain types of transaction costs such as transaction-specific investment, environmental uncertainty, and behavior uncertainty.

Referring to transaction-specific investment, which can be considered as a start-up cost in the resource scarcity perspective and the agency perspective, if a franchisee requires a substantial amount of investment for specialized and non-redeployable assets, the franchisee is likely to expose the transaction in question to opportunism or threats [27] by eliminating competitive pressure and creating a small-numbers bargaining situation against franchisors since they are uniquely qualified to perform the function of operating a particular franchised units [28]. It was found that the greater the potential transaction investments required of franchisees, the larger the proportion of a firm's company-owned units [29], [30].

Company-owned units are controlled directly by the franchisors. Therefore, company-owned units are likely to make speedy resolutions of problems resulting from changing, complex, or turbulent environments [27]. However, there is no relationship between the environmental uncertainty (e.g. inverse of contract length) perceived by firms and the proportion of a firms' company-owned units, suggesting that environment may not be a critical concern in the ownership structure mix [29]. Finally, as a type of transaction cost, behavior uncertainty refers to the difficulty in evaluating franchisees' performance as written in agreement [27]. This behavior uncertainty has a relationship with age of franchising, which is also one of the key variables in the resource scarcity perspective. For example, younger firms tend to prefer company-owned units since behavior uncertainty is greater. Therefore, behavior uncertainty may have a negative effect on the use of franchising. The greater the behavior uncertainty (e.g. inverse of years

franchising) perceived by firms, the larger the proportion of a firms' company-owned units as is found in [29].

The mix of company-owned and franchised units in the franchising structure can be explained by the signaling perspective. As in [4] (p.64), it is indicated that "unlike unit-level arguments where ownership decisions turn on the comparison of monitoring costs for particular outlets, the signaling argument suggests system level strategic decisions." According to the signaling perspective, the initial stage of a company-owned strategy is used to get over the credibility hurdle of a franchise system until the franchisee system can grow with the preferred franchised units who can pay higher royalties.

Age and size of franchising, which are also key variables in the resource scarcity perspective, can also be considered in the signaling perspective according to the following arguments: 1) the older the franchisors, the more likely that there is a strategic tendency toward franchised units and 2) the larger the franchisors, the more likely the strategic tendency toward franchised units. Firm age and size were positively related to the proportion of franchised units, suggesting that firms had the propensity to franchise their units as they signaled better service and product quality to potential franchisees as is found in [31].

III. METHODOLOGY

A. Sample

The sample for this study came from a uniform franchise offering circular published by the Korea Fair Trade Commission. Since the government has mandated information in a uniform franchise offering circular from 2009, misrepresentation is subject to legal penalty. Therefore, the data is likely to be reliable and objective. There were 1,537 foodservice franchisors in uniform franchise offering a circular 2014-2016 listing. However, 535 were excluded because of irrelevant data, with 1,002 remaining available for the sample. There were two reasons for the data irregularities. First, a total of 387 franchisors had closed down mainly due to excessive competition. Second, 148 franchisors had not operated since they failed to recruit franchisees despite being registered.

B. Determinants and Measurements

Based on the literature review, nine determinants were selected as important: firm age [9], [27], [31]; firm size [31]; capital scarcity [12], [13]; start-up costs [9], [11], [29]; Franchise fee [10], [14]; monitoring costs [11], [19]; royalties [19]; brand name [24], [26]; and contract length [27].

The determinants that could be measured by the relevant proxy variables in a uniform franchise offering circular were selected, but unfortunately, the two determinants, franchise fee and contract length were excluded due to the non-availability of the relevant proxy variables in data. Consequently, from the literature review and uniform franchising offering circular, the seven determinants were measured as follows. Firm age was measured as two proxy variables. One was measured as the years of a franchising business [32]. The other was measured as the years of business [10]. Firm size was measured as total sales [16]. Capital scarcity was measured as the ratio of total debt to total assets [16]. Start-up costs were measured as the initial investment including the franchise fee [10]. Monitoring costs were measured as the number of major cities franchised units operate in [8]. Royalty was measured as sales of a franchised unit [23]. Finally,

brand name was measured as advertising expenditures [9]. In addition, the ratio of franchised units to total units was measured as the dependent variable.

Table 1
Descriptive statistics for the proxy variables

Determinant	*Variable*	*Mean*	*SD*
Firm age	YFB	6.8	4.7
	YB	10.1	6.1
Firm size	TS	24,718,738	167,947,855
Capital scarcity	RDA	0.5	24.1
Start-up costs	IIF	90,978	146,124
Monitoring costs	NMC	6.8	4.7
Royalty	SF	354,364	1,869,300
Brand name	AE	467,759	5,345,883
Ratio of Franchised units	RFT	0.9	0.6

Note: YFB = years of franchising business; YB = years of business; TS = total sales; RDA = ratio of total debt to total asset; IIF = initial investment including franchise fee; NMC = number of major cities franchised unit operates; SF = sales of a franchised unit; AE = advertising expenditure; RFT = ratio of franchised units to total units.

Source: Korea Fair Trade Commission's website. *https://franchise.ftc.go.kr/franchise/statistics.jsp.*

Table 1 shows descriptive statistics. In order to investigate the correlations among these proxy variables, a correlation matrix was calculated. In a common classification of certain *r* values, very high for more than 0.90, high for between 0.70 and 0.89, and medium for between 0.30 and 0,69, and low for less than 0.30 [33]. Most *r* values were less than 0.30, so they were appropriate for this study as shown in Table 2.

Table 2
Correlation Matrix

	YFB	*YB*	*TS*	*RDA*	*IIF*	*NMC*	*SF*	*AE*	*RFT*
YFB	1.000								
YB	0.472	1.000							
TS	0.093	0.515	1.000						
RDA	-0.015	-0.020	-0.049	1.000					
IIF	-0.004	0.056	0.092	-0.016	1.000				
NMC	0.314	0.133	0.121	-0.079	-0.060	1.000			
SF	-0.055	-0.020	0.002	0.002	0.510	-0.074	1.000		
AE	0.120	0.269	0.488	-0.028	0.035	0.072	0.003	1.000	
RFT	0.062	-0.275	-0.263	0.059	-0.200	0.191	-0.012	-0.241	1.000

Note: YFB = years of franchising business; YB = years of business; TS = total sales; RDA = ratio of total debt to total asset; IIF = initial investment including franchise fee; NMC = number of major cities franchised unit operates; SF = sales of a franchised unit; AE = advertising expenditure; RFT = ratio of franchised units to total units.

C. Proposition Development

Since the various perspectives of resource scarcity, agency, transaction costs, and signaling have their own unique views on a firm's propensity to franchise, neutral propositions were developed based on the various perspectives. Table 3 shows the expected relationships between the propositions and the perspectives. The propositions were tested via ordinary least squares estimates in a multiple regression model.

Table 3
Relation between proposition and perspective

Proposition	*Determinant*	*Measurement*	*Perspective*			
			Resource scarcity	*Agency*	*Transaction costs*	*Signaling*
1. Firm age is related to the use of franchising.	Firm age	YFB	-	0	+	+
2. Firm age is related to the use of franchising.	Firm age	YB	-	0	+	+
3. Firm size is related to the use of franchising.	Firm size	TS	-	0	0	+
4. Capital scarcity is related to the use of franchising.	Capital scarcity	RDA	+			
5. Start-up costs is related to the use of franchising.	Start-up costs	IIF	+0	-	-	0
6. Monitoring costs is related to the use of franchising.	Monitoring costs	NMC		+0	0	0
7. Royalty is related to the use of franchising.	Royalty	SF	0	+		0
8. Brand name is related to the use of franchising.	Brand name	AE	0	-	0	0

Note: YFB = years of franchising business; YB = years of business; TS = total sales; RDA = ratio of total debt to total asset; IIF = initial investment including franchise fee; NMC = number of major cities franchised unit operates; SF = sales of a franchised unit; AE = advertising expenditure.

IV. DISCUSSION AND IMPLICATIONS

The empirical results are reported in Table 4. The result of the ordinary least squares regression suggested that 42% of the variation in the dependent variable could be explained by the proposed variables (R^2=0.420). The result is compatible with the previous study of [13] which identified restaurant franchise determinants. In their study, the value of total R^2 was 0.405. In addition, the variance inflation factors (VIF) approach was employed to check for multicollinearity problems. If the VIF are above 10, then there is a multicollinearity issue [34]. Since the VIF ranged from 1.009 to 1.794, it can be concluded that no serious multicollinearity issue was revealed as the largest VIF was only 1.794.

Regarding the first proposition, the age (measured as the years of franchising business) had a statistically significant positive relationship with the use of franchising, and its influence was third as shown in Table 4. Therefore, the finding for age confirms to the perspectives of the signaling and the transaction costs but contradicts the resource scarcity perspective. Regarding the third proposition, firm size (measured as total sales) had a statistically significant positive relationship with the use of franchising, and its influence was the fifth as shown in Table 4. Therefore, the finding for firm size confirms to the signaling perspective and contradicts the resource scarcity perspective.

Table 4
Results of the regression analysis

Measurement	*Unstandardized coefficient*		*Standardized coefficient*	*Tolerance*	*Variance Inflation (VIF)*	*t-value*	*p-value*
	β	*S.E*	*β*				
(Constant)	-125.466	17.823	0	.	0	-7.04	<.0001
YFB	12.841	1.839	0.273	0.678	1.476	6.98	<.0001***
YB	-3.305	1.401	-0.102	0.557	1.794	-2.36	0.0187*
TS	0.000	0.000	0.092	0.576	1.735	2.18	0.0299*
RDA	-0.014	0.039	-0.012	0.991	1.009	-0.37	0.7106
IIF	0.000	0.000	-0.009	0.731	1.368	-0.24	0.8095
NMC	19.092	1.587	0.410	0.892	1.122	12.03	<.0001***
SF	0.000	0.000	0.025	0.738	1.354	0.68	0.4995
AE	0.000	0.000	0.283	0.756	1.323	7.65	<.0001***

R^2=0.420, adjusted R^2=0.412, F=50.79***

Note: YFB = years of franchising business; YB = years of business; TS = total sales; RDA = ratio of total debt to total asset; IIF = initial investment including franchise fee; NMC = number of major cities franchised unit operates; SF = sales of a franchised unit; AE = advertising expenditure.

*:p<.05, **:p<.01 ***:p<.001

It is interesting to note that the two propositions (the first and the third) were more justified by the logic of the signaling explanation of franchising than the logic of the resource scarcity explanation. A dynamic phenomenon of franchise system evolution of under the signaling perspective begins with chains opening company-owned units in a new location before franchisee-owned units until firms have created credible marketplace signals for a high quality of business concepts to potential franchisees. As firms become older (longevity) or grow (size), which are indirect indicants of a high quality of business concepts, the strategic direction of firms should tend toward franchising and move away from company-owned units [35]. The results of this study suggest that prospective foodservice franchisees were more likely to trust the value of the business concepts of larger and older systems and rely less on the signals implicit in the number of company-owned units compared with other industry franchisees.

In addition, related to the first proposition from the viewpoint of the transaction costs perspective, it was found that a positive age effect indicated that firms learned how to manage the behavior uncertainty of franchisees effectively and then exploited the skills by increasingly leaning on the use of franchising over time. It can be suggested that firms incrementally developed firm-specific and valuable skills at assessing franchisee performance (for example, free-ride on the reputation of the franchise trademark), which could be a competitive advantage of firms in this study, as indicated in [29].

Regarding the second proposition, the age (measured as the years of business) had a statistically significant negative relationship with the use of franchising, and its influence was the fourth as shown in Table 4. Although the two propositions (the first and the third) were not justified by the logic of resource scarcity, the second proposition was supported. It can be argued that if time is a key to why firms prefer the

use of franchising [19], the time zone of age can be considered. Since the years of business were longer than the years of a franchising business, it may be argued that firms might prefer the use of franchising in the early time zone. However, firms might not expect to rely on the use of franchising as firms become matured since source scarcities presumably diminished as indicated in [11]. In this study, it could be argued that the foodservice industry should have been using slack resources to build company-owned units or buy back franchises resulting in a negative relationship between age and the use of franchising as indicated in [8] and [9].

Regarding, the fourth proposition, the capital scarcity (measured as the ratio of total debt to total assets) did not have a statistically significant positive relationship with the use of franchising as shown in Table 4. Therefore, the fourth proposition was not supported by the resource scarcity perspective. Considering the relatively lower average ratio of total debt to total assets and the high proportion of the use of franchising in this study as indicated in Table 1, one possible explanation is that it could be argued that while capital scarcity may help firms initiate franchising, many firms continue franchising well past the necessity of capital requirements in this study, as indicated in [14]. In addition, since firms may lack not only capital resources but also human resources, firms may consider the best choice of acquiring capital and human resources to be by bundling them together in a franchise system, as indicated in [36].

Regarding the fifth proposition, the start-up costs (measured as the initial investment including the franchise fee) did not have a statistically significant either positive or negative relationship with the use of franchising as shown in Table 4. Therefore, the fifth proposition was not supported by the resource scarcity perspective, the agency perspective, and the transaction costs perspective. It can be argued that relatively lower initial investment may cause a non- relationship between start-up costs and the use of franchising. In this study, firms who sought potential franchisees were likely to find ways to lower the start-up costs to make firms more attractive to potential franchisees since the pool of potential franchisees who could afford more start-up costs was becoming smaller as indicated in [11].

Regarding the sixth proposition, the monitoring costs (measured as the number of major cities franchised units operate in) had a statistically significant positive relationship with the use of franchising, and its influence was the greatest as shown in Table 4. Therefore, the sixth proposition was supported by the agency perspective. One of the most salient findings from an agency perspective is that firms are inclined to rely more on franchising as monitoring costs increase since franchisees are self-motivated by their claims on residual unit profits [17]. Since firms that operate over a greater geographical area have difficulty in monitoring their units and controlling their operations, firms prefer to franchise rather than own units in their franchise systems. In other words, the franchised units can be monitored more efficiently than company-owned units without direct, local supervision when units are dispersed over a wide area, which is the case in this study.

Regarding the seventh proposition, the royalty (measured as the sales of a franchised unit) did not have a statistically significant positive relationship with the use of franchising as shown in Table 4. Therefore, the seventh proposition was not supported by the agency perspective. It can be argued that if the royalty can be considered as the present value of an intangible resource, the proportion of franchised units was higher as the royalty increased since franchisees could benefit from the value of intangible resources in terms of increased sales and vice versa. In this study, one of the possible explanations for the non-relationship between royalties and the use of franchising might be that franchisees consider a royalty as a start-up cost rather than the present value of the intangible resources [9], [10].

Regarding the eighth proposition, brand name (measured as advertising expenditures) did not have a statistically significant negative relationship with the use of franchising, as shown in Table 4. The eighth proposition was not supported by an agency perspective. In fact, brand name had a statistically significant positive relationship with the use of franchising, which is the opposite of the proposition, and its influence was second. The use of company-owned units can reduce the likelihood of free-riding and brand name degradation [25], [26]. However, the result suggests that the concerns of brand name degradation as a strategic asset may not affect the decision of the use of franchising. In this study, it can be inferred that it was not that the foodservice industry was unconcerned with brand names; it was that the protection of brand names by means of the company-owned option was not more urgent than the spread of brand names by means of the franchising option. In this study, the use of franchising helped firms spread their brand names more quickly in a competitive market as indicated in [12].

V. CONCLUSION

Most empirical studies have focused on a resource perspective and/or agency perspective to investigate what factors lead firms to franchise their units. However, this study attempted to employ more diverse perspectives to investigate why firms initiate the use of franchising. In fact, the answer to questions of the use of franchising could be found by engaging the question from diverse perspectives rather than standing in defense of a single perspective. In doing so, this study enhanced the ability to explain the use of franchising for the foodservice industry.

The four determinants of monitoring costs, brand name, firm age, and firm size in terms of magnitude of influence were found to affect the use of franchising for the foodservice industry. Monitoring costs (the first influencer) was supported by a singular perspective. Brand name (the second influencer) was supported by the ameliorated perspective. Firm age in terms of years of franchising business (the third influencer), firm age in terms of years of business (the fourth influencer), and firm size (the fifth influencer) were supported by plural perspectives.

Therefore, integration theory applied in this study is suitable for the better explanation of the foodservice franchising industry. This integration theory provides the ideas that could be used across situations where the determinants should be considered. In terms of firm age and firm size (plural perspectives), firms may need to expand through company-owned units before being able to franchise successfully since in the early stage, firms are less likely to be successful in attracting potential franchisees. In addition, in terms of monitoring costs (a singular perspective), a greater scope of operation can reduce the monitoring costs, leading firms to prefer the use of franchising to align the incentives of self-motivated franchisees with firms. Finally, in terms of brand name (ameliorated perspective), firms may choose a brand name spread strategy with a greater geographical scope of operation, instead of a brand name protection strategy.

While this study uncovers some of the determinants of the use of franchising for the foodservice industry, the findings are constrained by the nature of the secondary data. It should be noted that the only available data for the foodservice industry has been accumulated since 2009, and the determinants are limited (franchise fee and contract length were excluded). Therefore, the data period of three years is relatively short and the determinants used in this study might not fully explain the use of franchising. In

addition, since the results of this study were from the data of Korea, it may be difficult to generalize the results of this study.

Despite this limitation, this study has potential implications for the foodservice industry. Since a specific and clear pattern of determinants in foodservice franchising is shown, the specific and clear pattern of determinants can be emphasized (e.g., franchisors could emphasize their history and volume to recruit potential franchisees) or evaluated (e.g., franchisors could evaluate their advertising expenditures collected from franchisees to find the optimal level). These implications may help franchisors to expand or stabilize their systems in the competitive foodservice market.

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