

# THE INFLUENCE OF RELATIONSHIP MARKETING AMONG FRANCHISEE AND FRANCHISOR IN FRIED CHICKEN LOCAL FRANCHISE

Rusni Fitri Y. Rusman  
Animal Science Study Program  
STIPER YAPIM Maros  
[rusni.fitri@gmail.com](mailto:rusni.fitri@gmail.com)

Ikawati Karim  
Agribusiness Study Program  
Western Sulawesi University  
[ikawati@unsulbar.ac.id](mailto:ikawati@unsulbar.ac.id)

**Abstract:** *The increase of chicken production and consumption has a positive impact on the growth of chicken meat business as main product namely fried chicken local franchise. To maintain this domestic business, relationship among franchisee and franchisor should bond each other. This kind of relationship are explained on relationship marketing theory which has several mediators such as commitment, trust, relationship satisfaction and relationship quality. Therefore, this study aims to examine the influence of these four relationship marketing mediators among franchisee and franchisor in one of fried chicken local franchise in South Sulawesi. Data were collected through observations and questionnaires from 38 franchisees and analyzed with path analysis. The results of path's standard coefficient value indicated that trust had a significant effect to commitment by 0,79 while trust together with commitment also had significant effects to relationship satisfaction by 0,37 and 0,50. Thus, commitment and relationship satisfaction also had significant effect to relationship quality. However, trust had low effect to relationship quality with just 0,247. These results show that trust, commitment, relationship satisfaction are strong keys to develop the relationship between franchisee and franchisor in order to support local franchise while relationship quality still need some improve from trust side between franchisee and franchisor.*

## INTRODUCTION

Chicken production has increased over the last 10 years by 1.1 million tons in 2009 and has continued to rise to 1.7 million tons in 2016. As chicken meat production increases, the level of public consumption increases either. The average consumption of chicken meat is 3.5 kg / capita / year from 2009 to 2013 or experiencing an average growth of 4.6% (Central Bureau of Statistic, 2017). Increased production and consumption of chicken meat has a positive impact on the growth of chicken meat business. Processed chicken products are easier to serve. This is seen by the increasing number of fast food restaurants with processed chicken meat. Fast food restaurants are growing and widely known by people like KFC (Kentucky Fried Chicken), CFC (California Fried Chicken), Mc Donald and others. This fast-food restaurant is an international franchise business and it costs a lot to join in this venture. For example, to become a CFC franchisee must prepare a fund of Rp 675,000,000. The investment value does not include the

lease of business premises (Franchise News, 2013). The investment value is included with the franchise fee of Rp 125 million, kitchen equipment, marketing support from the center, SOP, uniforms and employee training amounting to Rp 550 million.

A considerable amount of investment for an international franchise is one of the drivers of the growth of national and local franchise businesses. Over the past 10 years 750 local franchises have grown in Indonesia and absorb 819,000 workers with a turnover of 135.4 trillion (Malik, 2011). For a national franchise the investment needs ranges from 50 to 100 million and for a local franchise ranging from 10 to 20 million.

Local franchise business opportunities are encouraging the increase of local franchise-based businesses particularly in fried chicken product in South Sulawesi. BExpress Fried Chicken is a fried chicken franchise that experienced rapid growth, especially in South Sulawesi area. The franchise already has 70 outlet units over the past two years with a franchise purchase rate of five to seven times a month. In a day, the distribution of raw materials that has been given special spices BExpress Fried Chicken (BFC) can reach 300 pieces. However, this growth is not in line by the existence of all outlets that have been opened by the franchisee. There are 20 outlets out of 70 units that are no longer active in sales activities. Building relationships between franchisor and franchisee as business-to-business marketing is closely related to relational marketing. Morgan and Hunt (1994) defined relational marketing as the overall marketing activity directed toward the establishment, development and success of the exchange of relationships. Relational marketing is an effort done to build stronger relationships with consumers that can increase the performance of sellers including increased sales, stocks and profits.

The core of relational marketing practice is that relationships with consumers are much heavier than finding new customers. Raval et al. in Leverin and Liljander (2006) stated that relational marketing is believed to work more effectively when consumers are actively involved in products and services, there is an element of interaction between individuals and consumers willing to be bound in activities that build relationships between the two. In explaining relational marketing there are several mediators in use. As in the research of Morgan and Hunt (1994) that use commitment and trust as mediator to see relational marketing success rate while Evan and Laskin (1994) said that the process of relational marketing will produce some positive results of customer satisfaction, customer loyalty, quality products and increased profits.

Mediators in relational marketing can be seen through strong relationship ties. Some studies show mediators that build relationships that are trust, commitment, relationship

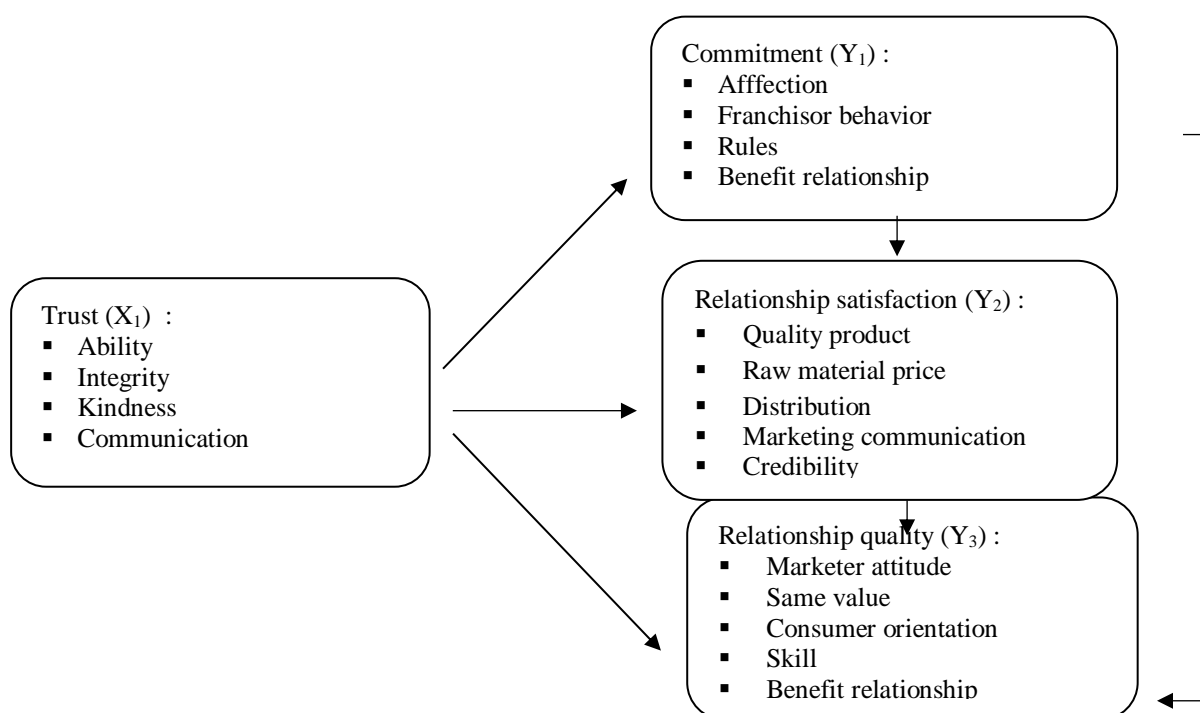
satisfaction and relationship quality. Commitment and trust are the most frequently researched for building relationships. Another intermediary relationship is the satisfaction of the relationship (affection or emotional consumers of the relationship). Where relationship satisfaction is different from customer satisfaction. The quality of the relationship is also an intermediary who sees an assessment of the strength of the relationship. (Palmatier et al., 2005).

In looking at the effect of relational marketing on the relationship between the franchisee and the franchisor, four relational marketing mediators are commitment, trust, relationship quality, and relationship satisfaction. Some research on relational marketing focused on service and manufacturing company so that in this research will try to see the influence of relational marketing to non-service company especially agribusiness product. On that basis, the research proposal is made with the title the influence of relationship marketing among franchisee and franchisor on fried chicken local franchise.

### **Research Hypothesis**

Based on the theoretical background above, and considering the objective of this research mentioned before, we propose a conceptual model that will be tested by empirical data. In this study we attempt to test the links between trust, commitment, relationship satisfaction and relationship quality. Thus, the following hypotheses can be proposed:

- H1 : franchisee trust ( $X_1$ ) has significant effect to franchisee commitment ( $Y_1$ )
- H2 : franchisee trust ( $X_1$ ) dan franchisee commitment ( $Y_1$ ) has significant effect to relationship satisfaction between franchisor dan franchisee ( $Y_2$ )
- H3 : franchisee trust ( $X_1$ ), franchisee commitment ( $Y_1$ ) and relationship satisfaction ( $Y_2$ ) has significant effect to relationship quality between franchisor and franchisee ( $Y_3$ )



## **METHODOLOGY**

### ***Research Design***

According to research aim, this research is explanatory research. The research aims to analyze the relationship between one variable with other variables or how a variable affects other variables. This research used quantitative method which is supported by qualitative descriptive analysis.

### **Place and Time**

This research was conducted in Makassar city. The study was conducted from April to May 2015.

### **Population and Sample**

The population in this study is the owner of a franchise that has owned and signed a BFC franchise contract amounting to 38 people. The sampling technique uses a census method where all franchise populations are taken either active or inactive.

### **Collecting Data Method**

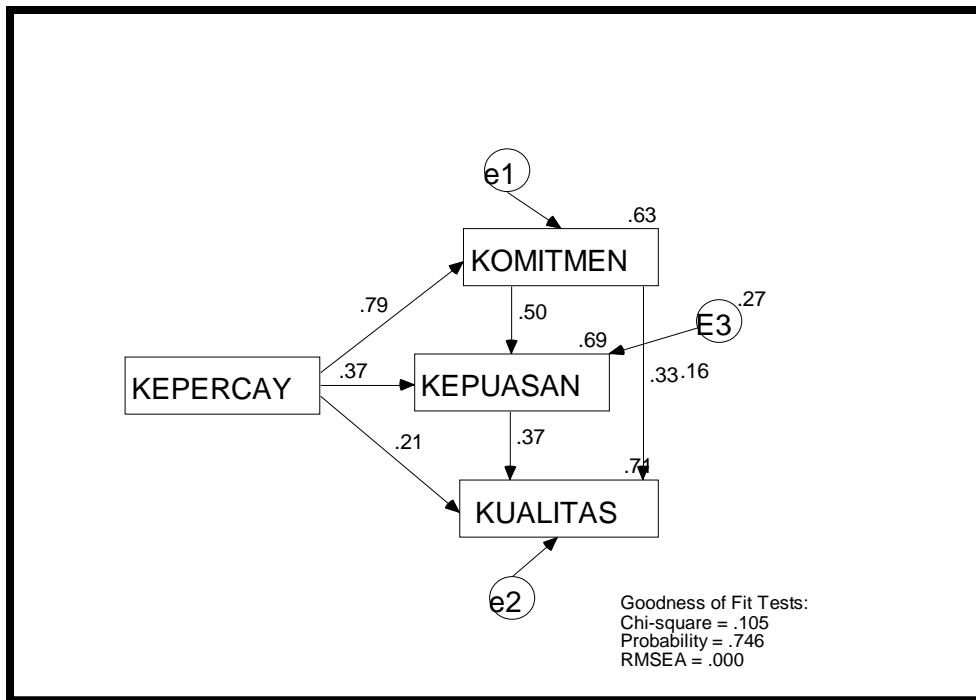
Data collection methods used in this study are: Questionnaires and Interviews, in this study conducted a structured interview using a list of questions that have been prepared previously. The same question is addressed to all respondents with a sentence and a uniform order. This interview covers all indicators of the dimensions of research variables.

### **Data Analysis**

Path Analysis which aims to examine the complex relationship simultaneously between several exogenous variables with some endogenous variables and the direct and indirect relationship between exogenous and endogenous variables. Hypothesis testing is done by using path analysis and data processing by using Amos 4.0 program.

### **Result Findings**

The result of path analysis done by using Amos 4.0 program presented graphically as follows:



The relationship between variables in the diagram above can be stated by standard value of path coefficient is as follows:

$$\text{Commitment} = 0,79\text{Trust} + e_1 \quad (1)$$

$$\text{Relationship Satisfaction} = 0,37\text{Trust} + 0,50\text{Commitment} + e_4 \quad (2)$$

$$\text{Relationship Quality} = 0,21\text{Trust} + 0,50\text{Commitment} + 0,37\text{Relationship Satisfaction} + e_2 \quad (3)$$

### 1. The Influence of Trust (X1) on Commitment (Y1)

Based on the picture above the total influence of trust to commitment amounted to 79.3% which means trust has significant effect to commitment. Trust is a basic foundation in building relationships even for a business relationship because the good relationship between franchisor and franchisee is based on mutual trust between the two parties. This is in accordance with the opinion of Morgan and Hunt (1994) that trust is a major factor in building commitment in a relationship. The magnitude of the influence of trust in commitment to the franchise business is supported by the results of Caceres and Paparoidamis (2007) research on advertising agency partners who found that trust has a positive, significant and strong influence on commitment.

In conducting marketing activities involving both parties, the franchisee believes to the franchisor to perform his obligations as a raw material dealer in fulfilling the order in accordance with the wishes of the franchisee. Instead, the franchisor believes that the franchisee

is capable of performing its obligations to sell franchise products in accordance with established rules and pay for orders already delivered.

In order to improve mutual trust between the two parties, communication is a dimension in the variable of trust that becomes very important according to the franchisee. All of 38 respondents chose each dimension and sorted it according to which dimension is more important to respondents. Communication is the dimension of trust builder that has the highest value among the four other indicators that is as many as 17 people or 44.7% of 38 respondents. In Morgan and Hunt's research (1994), communication is also a confidence-building factor that has a fairly high direct influence on the value of loading of path analysis factor. These results are also supported by the results of Ndubisi (2007) research on bank consumers in Malaysia that effective communication in the form of providing honest information about the problems faced by the bank on a regular basis will make loyal customers with the bank is accompanied by building confidence in its service.

Communication made between the franchisor and franchisee in the BFC franchise is done either through telephone communication tools, short messages or BBM (BlackBerry Messenger). This communication is well established when the franchisee makes an order and when the franchisor through his sales force to ask the sales progress on the franchisee's booth so that there is a two-way communication between the two sides. Not only through communication tools, meetings are also applied directly by visiting BFC fried chicken sales outlets. At least once a month the franchisor visits each store. It aims to see and listen directly to the sales conditions of BFC outlets.

## **2. The Influence of Trust (X1) and Commitment (Y1) on Relationship Satisfaction (Y2)**

Based on the picture above is known that the direct influence of trust on the satisfaction of the relationship is worth 0.372, which means that the variable of trust significantly affects the relationship satisfaction. This means that trust has a strong enough influence in achieving the satisfaction of the relationship between the franchisee and the franchisor. Where in the belief dimension there is kindness and integrity which is one of the factors in seeing the satisfaction of relationship. This is in accordance with the opinion of Abdul-Muhmin (2005) that in viewing the relationship satisfaction there are interpersonal factors that become assessments. These interpersonal factors include kindness and credibility.

Based on the picture above is known that the commitment has an influence on the relationship satisfaction that is equal to 0,503 which means that the commitment variable has a

significant effect on relationship satisfaction. This could be because trust is the underlying factor of a relationship so that with mutual trust the relationship between the two sides has been strong enough. But commitment also has a significant effect on relationship satisfaction because of commitment based on attitudes and affections that exist between both parties.

According to some respondents, a good attitude shown by the company through its marketers can foster good relationships. Where attitudes and affections as part of the dimension of commitment can form emotional feelings, which is one form of relationship satisfaction. This is in accordance with the opinion Palmatier et al (2005) that relationship satisfaction is an emotional feeling towards a relationship.

Marketers who deal directly with consumers are representative of the company so that if the marketers show a good attitude it will give a positive value to the company. This attitude can be shown if marketers visit the outlet franchisee or at the time of communication by phone. This is also supported by Evans and Laskin (1994) research results on hospital equipment consumers that marketers do their job to solve problems so as to meet consumer expectations and show that the company does a good job of serving its customers.

### **3. The Influence of Trust (X1), Commitment (Y1) and Relationship Satisfaction (Y2) To Quality Relationship (Y3)**

Based on the picture above is known that the direct influence of trust on the quality of relationships of 0.214, which means the variable of trust have no significant effect on quality. Commitment and relationship satisfaction can mediate the trust built by the franchisor against the franchisee. The results of this study differ from the results of research Ashnai et al. (2009) that trust is a contributing factor after profits in improving the quality of relationships in business-to-business in four countries, Iran, China, Russia and the UK.

The direct influence of commitment to the quality of the relationship has a value of 0.327 which means that the commitment variable has a significant effect on the quality of the relationship. The magnitude of the effect of commitment on relationship quality because of commitment is a powerful dimension in building relationship quality. This is in accordance with the opinion of Caceceres and Papparoidamis (2007) that in some previous studies the relationship commitment has been incorporated in the dimensions of quality relationship building where commitment is a desire to continue the relationship with the dealer.

The direct influence of relationship satisfaction on relationship quality of 0.369 which means that the relationship satisfaction variable significantly influences the quality of the

relationship so that the influence of total relationship satisfaction on the quality of relationship amounted to 36.9%. This result is supported by the results of Hennig-Thurau (2002) study that relationship satisfaction together with commitment and trust as part of the quality dimension of relationships strongly influences the quality of relationships that are the result of relational marketing.

## **CONCLUSION**

1. The franchisee's trust affects the franchisee's commitment significantly either directly or indirectly. The communication dimension is the most important in the trust variable to be maintained in the relationship between the franchisor and the franchisee
2. Trust franchisee and franchisee commitment affects significantly the satisfaction of the relationship either directly or indirectly. The franchisor's attitude is the most important in the commitment variable to keep the relationship commitment
3. The franchisee's belief does not directly influence the quality of relationships indirectly influence the trust that passes the commitment and satisfaction of relationships have a high influence. Commitment significantly affects the quality of the relationship either directly or indirectly. Similarly, relationship satisfaction significantly affects the quality of relationships. The dimension of raw material quality is the most important in improving relationship satisfaction.

## **ACKNOWLEDGEMENT**

The author would like to thank to BFC franchise company and all the franchisee who became our respondents. The authors also like to thank to our lecturers in Agribusiness Study Program, Hasanuddin University who had contributed in this research.

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