

**The Effects of E-commerce on Franchising:
An Exploratory Australian-based Study**

Zhanna Kremez
PhD candidate
Griffith Business School, Marketing Department
Asia-Pacific Centre for Franchising Excellence
Griffith University
Brisbane, Queensland, Australia
Telephone: +61 7 5552 8713
Fax: +61 7 5552 8085
Email : z.kremez@griffith.edu.au

Presented at the 29th Annual
International Society of Franchising Conference
Historical Building
University of Oviedo
Oviedo, SPAIN
June 18-20, 2015

The Effects of E-commerce on Franchising: An Exploratory Australian-based Study

Abstract

Since its inception in the mid-1990s, business-to-consumer electronic commerce (B2C e-commerce or e-commerce) has come to play an important transactional role in goods and service provision throughout the world (Schneider, 2011). Over this time, many businesses have adopted online strategies, with some businesses operating purely online (Floriani & Lindsey, 2002). While it appears relatively easy for traditional retailers to venture into the online transactional space, it has been more difficult for franchises to participate due to a number of complicating factors pertaining to potential encroachment and franchisee acceptance (Emerson, 2010). Nevertheless, some franchise organisations have embraced the use of B2C e-commerce activities, and have experienced varied levels of success (Knack & Bloodhart, 2001). While some were successful (e.g. Aussie Farmers Direct or Domino's Pizza Enterprises), others have encountered drawn-out periods of conflict and litigation with franchisees (e.g. Dymocks Bookstores and Drug Emporium Inc.), primarily due to perceived encroachment by the franchisor into existing franchisees' territories (*Dymocks Holdings Pty Ltd v Top Ryde Booksellers Pty Ltd*, 2000; Knack & Bloodhart, 2001). Nonetheless, there has been a renewed interest towards e-commerce among franchised organisations. Thus, it appears that a better understanding of the factors influencing the successful implementation and operation of online strategies in the unique business setting of franchising is needed in order to minimize the potential for conflict arising from such approaches. In the Australian setting, the long-term viability of the business format franchising is vital for the nation's economy as it accounts for 460,000 employees and a total of \$65 billion in annual sales turnover (Frazer, Weaven, & Grace, 2014).

Therefore, this research investigates and identifies strategies to assist franchise networks to successfully implement and maintain viable e-commerce strategies. While a few exploratory articles have been published in the last decade (Cedrola & Memmo, 2009; Rao & Frazer, 2010), a review of the extant literature suggests that a gap in the knowledge exists in the crossover between e-commerce and franchising (Dixon & Quinn, 2004; Watson, Kirby, & Egan, 2002). Taking into account the growth of e-commerce and the considerations that make its implementation more complex for franchised companies, this study adopted a qualitative methodological approach, where franchisors were interviewed (Cedrola & Memmo, 2009; Wright & McAuley, 2012) so as to analyse their e-commerce strategies. Taking such an approach is believed to further develop this area of research and provide useful outcomes for academics and franchising professionals alike.

This paper is organised as follows. Firstly, the nexus between franchising and e-commerce is discussed together with the issues arising from combining these business strategies, thus providing a research justification. Secondly, the literature is examined pertaining to the research area, in particular, opportunities and treats that e-commerce poses to franchising are outlined. Thirdly, I describe the method of selecting the study participants, gathering the empirical materials and of interpreting these materials. Then, findings are discussed through the lens of different depth of analyses, where the theme of franchisee participation is scrutinized and presents learnings for franchisors as to the implementation of strategic change that affects not only marketing but also franchisee operations directly. A preliminary model is therefore proposed that describes how communication and franchisee engagement can facilitate a change process. Finally, conclusions are made; limitations and further research are discussed, followed by practical implications.

Key words: e-commerce, franchising relationships, franchisee engagement, encroachment, franchisee acceptance