IT'S COMPLICATED: ANALYSIS OF THE ECONOMIC DOWNTURN ON AN ESTABLISHED FRANCHISE

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Abstract
This research investigates the effect of the Global Financial Crisis (GFC) on a single franchise system. Faced with declining sales, franchisors and franchisees are under pressure to reduce costs and stimulate consumer interest in their products in order to survive the economic downturn. This paper reports the findings of a single case study which examines how the franchisor and franchisees of a large food retail franchise in Australia have coped during a period of economic instability. By comparing high performing franchisees in the system with those who are struggling or who have recently exited, the research reveals a number of themes that may impact upon franchisee success. Fifteen personal interviews were conducted, comprising five franchising experts, the franchisor and a consultant (contracted by the franchisor to provide strategic advice), three high performing franchisees, three struggling franchisees and two former franchisees who had recently exited the system. By comparing the characteristics and strategies of the high performing franchisees with those who were struggling, several key differences were revealed. Both the franchisor and franchisee play a role in a franchisee’s level of success. Franchisee related factors include those within the franchisees’ control, such as level of debt, and those in the external environment or the personality of the franchisee. Franchisor related factors influencing franchisee success include the franchisor’s commitment to the franchise, quality of communication with franchisees and degree of self interest. These emerging themes provide a tentative explanation of franchisee success which will be explored in further research.

Keywords:
Global Financial Crisis (GFC), franchisee success, survival factors, case study, Australia