

# Chapter 19

## E-Business and Analytics Strategy in Franchising

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### ABSTRACT

*Franchising as a global growth strategy, especially in emerging markets, is gaining its popularity. For example, the U.S. Commercial Service estimated that China, having over 2,600 brands with 200,000 franchised retail stores in over 80 sectors, is now the largest franchise market in the world. The popularity of franchising continues to increase, as we witness an emergence of a new e-business model, Netchising, which is the combination power of the Internet for global demand-and-supply processes and the international franchising arrangement for local responsiveness. The essence of franchising lies in managing the good relationship between the franchisor and the franchisee. In this paper, we showed how e-business and analytics strategy plays an important role in growing and nurturing such a good relationship. Specifically, we discussed: managing the franchisor/franchisee relationship, harnessing the e-business strategy with aligning the e-business strategy with application service providers, an attention-based framework for franchisee training and how big data and business analytics can be used to implement the attention-based framework.*

DOI: 10.4018/978-1-5225-3909-4.ch019

## INTRODUCTION

Franchising as a global growth strategy is gaining its popularity (Justis & Judd, 2002; Thomas & Seid, 2000; Chen & Justis, 2006). For example, the U.S. Commercial Service estimated that China, having over 2,600 brands with 200,000 franchised retail stores in over 80 sectors, is now the largest franchise market in the world (U.S. Commercial Service, 2008). By 2012, China has over 5,000 brands with the number of franchised stores exceeded 400,000 with an averaging 83 stores for a franchising brand. The total annual sales of CCFA (China chain store & franchise association) members reached nearly US\$300 billion in 2010 and Represented about 13% of total retail sales in China (“China Franchise: At a Glance”). The popularity of franchising continues to increase, as we witness an emergence of a new e-business model, Netchising, which is the combination power of the Internet for global demand-and-supply processes and the international franchising arrangement for local responsiveness (Chen, Justis, & Yang, 2004; Chen, Chen, & Wu, 2006).

Starting a new business is anything but easy, and taking in consideration emerging markets, choosing the franchising method can mitigate several risks, being the simplest and safest way to launch one’s business in environments with volatility, uncertainty, complexity, and ambiguity (VUCA) (Wolf, 2007). Considering the ranking “Ease of Doing Business Index” by the World Bank, which ranks economies their ease of doing business, from 1–189 (World Bank, 2016), the variation is tremendous among countries. Brazil ranks 116 out of 189 countries in the ranking Ease of Doing Business Index by the World Bank. In Brazil, it takes up to 174 days to start a business and around 4 years to close it down mainly due to high levels of bureaucracy. In mainland China takes an average of 84 days. In India, 130 days, while in Russia, 51 days. By contrast, in the US, it takes only 7 days, and New Zealand just one day to open a business. (World Bank, 2016).

It is also known to be a challenge to consider the disparities of human capital development in emerging markets such as in Brazil, Russia, India and China (BRICs). (Ardichvili, Zavyalova & Minina, 2012; Azevedo et al., 2016) The e-business and analytics strategy in franchising offers an alternative to increase the easiness of doing business around the globe. For example, Entrepreneur magazine – well known for its Franchise 500 listing – in 2001 included Tech Businesses into its Franchise Zone that contains Internet Businesses, Tech Training, and Miscellaneous Tech Businesses. From then on, the listed companies have been increasing (“2012 franchise 500,” 2012; “Franchise 500 directory 2014,” 2014; “Franchise 500 ranking,” 2015; “Franchise 500 directory 2013,” 2013).

In his best seller, *Business @ the Speed of Thought*, Bill Gates (1999, p.6) wrote: “Information Technology and business are becoming inextricably interwoven. I don’t think anybody can talk meaningfully about one without talking about the other.” Gates’ point is quite true when one talks about e-business strategy in franchising. Thus, to see how e-business can be “meaningfully” integrated into franchising, one needs to know how franchising really works. The success of networks, such as franchising, strategic alliances, joint ventures and clusters is highly dependent on the capability to create and transfer knowledge within the network (Gorovaia and Windsperger, 2010) and e-business strategy just can work if it combines the business model, business technology and value the network (Lin and Hsia, 2011).

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