AN EXPLORATION OF MARKET GROWTH AND DEVELOPMENT STRATEGIES FOR FRANCHISING A SELECTED FAST FOOD OUTLET

By

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DECLARATION

“I Dion Cedric Snyman hereby declare that:

- The work in this dissertation is my own original work;

- all sources used or referred to have been documented and recognised; and

- this dissertation has not been previously submitted in full or partial fulfillment of the requirements for an equivalent or higher qualification at any other recognised education institution”.

Dion Snyman
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DEDICATION

This dissertation is dedicated to my beloved wife Shamala, my daughter Jacinta Maria and my mother Madge Denice Snyman, for without their sacrifices this study would not have been possible.
SUMMARY

The advent of globalisation and the re-admittance of South Africa into the international market place have presented both opportunities and threats to local fast food outlets and franchises. These food outlets are faced with foreign competition and the need to adapt their strategies in order to cope with the continued onslaught of these highly efficient, foreign, service orientated organisations if they intend to survive.

This research explored the strategies these fast food outlets should utilise to deal with their competition and to facilitate their market growth and organisational development which could lead to them being successfully franchised at a later stage. The study revealed that if any significant growth and organisational development was to be expected, the fast food outlet had to concentrate on customer satisfaction and retention through the innovative use of the 7P’s of the marketing mix in its strategy formulation process. Attention also needed to be given to the competitive forces in the external environment so that competitive strategies were in line with market developments.

The triangulation method was applied in this study. In terms of this method, qualitative and quantitative research techniques are combined in order to improve the reliability and validity of the research findings. This method proved to be an effective research tool as the findings in the quantitative research were verified by the findings in the qualitative research.

Franchising in South Africa, especially the Eastern Cape, where unemployment is highest, is important as it has the potential for job creation and economic empowerment of the disadvantaged communities. It is therefore essential that every endeavour be made to ensure the success of the emerging entrepreneurs through assisting them to develop strategies that will ensure sustainable development and growth.
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CHAPTER 1

PLANNING AND INTRODUCTION OF THE STUDY

1.1 INTRODUCTION

The ever-changing nature of competition and the decline of the South African economy will result in businesses having to adopt an innovative, creative and proactive approach when planning future growth and development strategies. Businesses will have to visualise the form of competition in the future, as well as anticipate organisational and marketing positioning, and then make the necessary proactive changes to their strategies if they want to survive.

According to McKeran (1990: 77) "today's business must survive in a turbulent environment. In today's rapidly changing business world, past results are no guarantees of future successes. The large shakedown of companies, which took place in the recession of the late 1970’s and early 1980’s, has left the remaining companies, for the most part, leaner, fitter and more aggressive. Add to this the pace of developments in new technology, the growth in the number of business start-ups, the threat of foreign competition, and you have a situation where the small companies can no longer be inward looking, but must be aware of its external macro environment situation in order to survive and grow".

Handy (1997: 24) believes that a proactive approach is needed when he mentions that: ‘the way you make sense of the future, in organisations and in societies … is by taking charge of the future. Not by responding to it’.

Prahalad (1997: 67) states that ‘it's not enough to imagine the future - you also have to build it. You need a blue print for building future businesses. … It tells you what you should be doing now, which new competencies you should be building, what
new customer groups you should be trying to understand, which new distribution channels you should be exploring, in order to create a winning position for yourself in a new opportunity arena’.

It is imperative that fast food organisations analyse their growth and development strategies carefully, ensuring they remain synchronised with developments in their general environment and consistent with stakeholder goals and objectives. This will enable management to develop viable solutions for future growth and development, which will become the road map to future success and survival.

To begin the analysis and planning of the fast food outlets growth and development strategies, management often use the organisation’s business plans as a basis for formulating business strategies and making difficult decisions. Van Aardt and Van Aardt (1997: 129) assert that: “the original business plan constitutes a base-line document on which future planning endeavours could be based. A well-formulated business plan could also be a source document for management in understanding the reasoning of the business founders for establishing the business, penetrating the markets the business penetrated and the reasoning for deciding on the products and / or services they decided on”. Once this information is known and understood it is clearer and easier to identify the routes to follow when deciding on future growth and development strategies for fast food outlets. This forms the basis of the main problem statement:

To identify strategic market growth and development strategies that will enable a selected fast food outlet to be converted into a successful franchise operation.
1.2 SUB-PROBLEMS

From the main problem, the following sub-problems were formulated:

i. What market growth and development strategies can a fast food outlet utilise?

ii. What are the requirements of a successful franchise?

iii. How can the results of (i) and (ii) be integrated and utilised to develop an implementation plan for converting an existing operation into a future successful franchise operation?

1.3 DEFINITION OF CONCEPTS

For the purpose of this study, the following interpretations are to be associated with the concepts of this paper.

1.3.1 The environment

The organisation exists in the context of a complex commercial, economic, political, technological, cultural and social world. This environment changes and is more complex for some organisations than for others. The manner, in which this affects the organization, could include an understanding of historical and environmental effects, as well as expected or potential changes in the environmental variables. Many of these variables will give rise to opportunities and others will exert threats on the organisation. A problem which has to be faced is, that the range of variables is likely to be so great that it may not be possible or realistic to identify and analyse each one; and therefore it is useful to distil from this complexity, a view of key environmental impacts on the organisation (Johnson and Scholes 1999: 18).
Hellriegel, Jackson and Slocum (1999: 81) view the environment as consisting of the general environment and the task environment, which they define as follows: “The general environment, sometimes called the macro environment, includes the external factors that usually affect all or most organisations. It includes the type of economic system and economic conditions, type of political system, condition of the ecosystem, demographics and cultural background. Whereas the general environment indirectly influences all organisations in an economic system, the task environment also referred to as the micro environment includes only those factors in the general environment that directly influence an organisation’s growth, success and survival. It usually includes an organisation’s customers or clients, competitors, suppliers, shareholders, government regulators, pressure groups, employees and labour groups”.

Every firm has to examine its macro and micro environment to understand the key developments that may shape opportunities and pose threats. In general, a business has to monitor the key macro environmental forces and significant micro environment factors that affect its ability to earn profits (Kotler 2000: 76).

1.3.2 Organisational growth

According to Wickham (1998: 223) organisational growth means more than just an increase in size. Growth is a dynamic process. It involves development and change within the organisation, and changes in the way in which the organisation interacts with its environment. Though an organisation grows as a coherent whole, organisational growth itself is best understood in a multi-faceted way. Given the multi-faceted nature of organisations, entrepreneurs must constantly view the growth and development of their venture from a number of different perspectives. Four perspectives in particular are important: the financial, the strategic, the structural and the organisational.

Financial growth relates to the development of the business as a commercial entity. It is concerned with the increase in turnover, the cost and investment needed to achieve that turnover, and the resulting profits. It is also concerned with the increase in what
the business owns: Related to this is the increase in the value of the business, that is, what a potential buyer might be willing to pay for it. Because financial growth measures the additional value the organisation is creating which is available to be distributed to its stakeholders, it is an important measure of the success of the venture.

“Strategic growth relates to changes that take place in the way the organisation interacts with its environment as a coherent, strategic, whole. Primarily, this is concerned with the way the business develops its capabilities to exploit a presence in the marketplace. It is the profile of opportunities, which the venture exploits, and the assets it acquires to create sustainable competitive advantages” Wickham (1998: 223).

Structural growth concerns the changes that take place in the way the business organises its internal systems, in particular, managerial roles and responsibilities, reporting relationships, communication links and resource control systems while organisational growth concerns the changes that take place in the organisation's processes, culture and attitudes as it grows and develops. It is also concerned with the changes that must take place in the entrepreneur's role and leadership style as the business moves from being a small to a large firm.

1.3.3 Competitive advantage

Competitive advantage is the use of the organisation's resources to differentiate its products and services from its competitors thereby attracting the customer to purchase its products, and not those of the competitors. In order to put itself in a good position in the marketplace, the business should have, or develop, a competitive advantage - some skill, capacity or activity the business is uniquely good at, which differentiates it from competition. The skill must be in an area the customer cares about: it must reflect some key buying criteria and it must be able to be communicated to the customer (the customer must be aware of it or be able to be made aware of it). The competitive advantage must be robust: it must be sustainable in the face of competition (McKeran 1990: 89).
Keyter (1997: 73) defines competitive advantage as a characteristic unique to a product or service which is clearly identified by clients and which makes this product or service stand out above those of competitors. A competitive advantage is essential to the success of the business because clients buy the product or service as a result of this exceptional characteristic.

1.3.4 Franchising

Franchising according to Hill (1999: 437) is a specialised form of licensing in which the franchiser sells intangible property to the franchisee (usually a trademark), and also insists that the franchisee agrees to abide by strict rules as to the operating of the business.

Franchising can be described as a system of distribution whereby one party (the franchiser) grants to a second party (the franchisee) the right to distribute products, or services, and to operate a business in accordance with an established marketing system. The franchiser provides the franchisee with expertise, trademarks, the corporate image, and both initial and ongoing support, in return for which the franchisee pays the franchiser certain fees (Hall and Dixon 1991: 1).

Terblanche’s (1997: 96) view of a useful definition of franchising is the one adopted by the British Franchise Association, which states that franchising is:

A contractual license granted by one party (the franchiser) to another (the franchisee) which:

(a) Permits or requires the franchisee to carry on, during the period of the franchise, a particular business under or using a specific name belonging to or associated with the franchiser; and

(b) Entitles the franchiser to exercise continuing control during the period of the franchise over the manner in which the franchisee carries on the business which is the subject of the franchise; and
(c) Obliges the franchiser to provide the franchisee with assistance in carrying on the business which is the subject of the franchise (in relation to the organisation of the franchisee's business, the training of staff, merchandising management or otherwise); and

(d) Requires the franchisee periodically during the period of the franchise, to pay the franchiser sums of money in consideration for the franchise, or for goods or services provided by the franchiser to the franchisee.

The International Franchise Association as quoted by Franchise Direct http://www.franchisedirect.com/centre/definitions.htm (2002) present the following as their definition of a franchise:

"A contractual relationship between the franchiser and the franchisee in which the franchiser offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as know-how and training; wherein the franchisee operates under a common trade name, format or procedure owned by or controlled by the franchiser, and in which the franchisee has made or will make a substantial capital investment in his business from his own resources".

1.3.5 Fast Food

A fast food outlet refers to a food establishment that provides prepared home cooked meals - for immediate consumption on the premises or away from the premises - within a short period of time and with a minimal service provided. Food orders are normally paid for upfront, take between 10 and 15 minutes to prepare and are served in disposable containers. Whilst some establishments may provide food at the counter to the patron, others may have limited seating arrangements for the patron to utilise while consuming the product.
1.3.6 **Marketing Mix**

Marketers use numerous tools to elicit desired responses from their target markets. According to Kotler (2000: 15) these tools constitute a marketing mix, which he defines as “the set of marketing tools that a firm uses to pursue its marketing objectives in the target market”. These tools are classified into four broad groups called the four Ps of marketing: product, price, place and promotion. Martins, Loubser and van Wyk (1996: 3) mention that marketing manager’s essential task is to combine the marketing mix so effectively that all the elements complement each other and strengthen the product’s chances of competing successfully in the market place.

1.4 **DELIMITATION OF THE RESEARCH**

In order to ensure that the research project is manageable, it is necessary to clarify and demarcate the research to the business and area listed below.

1.4.1 **Demarcation of organisations to be researched**

The scope of this research was limited to determining a competitive growth and development framework for a selected fast food outlet located in East London. To further delimit the research, the study was restricted to the fast food franchising industry and all data collected in the empirical study reflects the views and perceptions of organisations and employees in this industry during the time of the study.
1.4.2 Geographical delimitation

The proposed study was limited to franchise operations located in the East London area.

1.5 SIGNIFICANCE OF THE RESEARCH

In order to remain competitive, franchise organisations need to constantly stay abreast and remain aware of the latest developments in the market place. They have to constantly change and adapt their strategies to the environment in which they operate if they are to survive the continued onslaught of competitors and substitute products. Traditionally, in order to remain competitive managers focused their attention on increasing production inefficiencies, cost reduction, flatter organisational structures, total quality management (TQM), design process reengineering and adding value to products. However, once management have achieved their objectives in the above areas in the organisation, there is very little that can be done to reduce cost further or improve efficiencies. It is at this stage that management needs to become innovative by focusing their attention on strategising for future development, growth and survival.

Porter (1997: 49) presents the following view on staying ahead:

"Companies have to find ways of growing and building advantages rather than just eliminating disadvantages. Organisations everywhere have been rushing to implement all the latest ideas on management, sometimes to the point of over use. And they've been struggling to fit all the pieces together: TQM, time-based competition, benchmarking etc. Most of these ideas are about doing things better, about improving operational effectiveness. These improvements are necessary just to stay in the game, however staying in the game is not sufficient. If everybody is competing on the same set of variables, then the standard gets higher but no company gets ahead. And getting ahead - then staying ahead - is the basis of strategy: creating a competitive advantage. Strategy is about setting yourself apart
from competition. Its not just a matter of being better at what you do - it’s a matter of being different at what you do”.

This research, to determine the success of fast food franchise outlets is important, as it explored strategies that can provide fast food outlets with a strategic road map of long and short-term goals and objectives for future growth and development, which will in turn lead to the food outlet gaining a competitive edge. It also provided emerging organisations that are considering franchising their business with a generic implementation plan for converting their existing operations into a successful franchise, by highlighting the development and growth strategies required to develop and operate a successful franchise. By ensuring the success of these entrepreneurial ventures, government’s New Partnership for Africa’s Development (NEPAD) may be achieved through economic empowerment of individuals thereby contributing to further employment and economic growth.

1.6 OBJECTIVES OF THE STUDY

The objectives of this study was to:

- Ascertain which market growth and development strategies can be utilised in the conversion of an existing business into a franchise operation;

- Determine the requirements of a successful franchise operation;

- Provide a generic implementation plan for the conversion of a selected fast food outlet into a franchise operation.

1.7 RESEARCH METHODOLOGY

The following procedure was followed to complete this study:

i) A literature study was undertaken to identify any previous studies undertaken on the growth and development strategies of fast food outlets and franchises. The
main library of the Port Elizabeth Technikon was approached to execute a computer search of all related topics. This search identified research by Sanghavi (1991) titled “Retail franchising as a growth strategy for the 1990’s”, “Performance of fast-food franchises in Britain” by Price (1993), “International franchising in the context of competitive strategy and theory of the firm” by Huszagh, Huszagh and McIntyre (1992), “Competitive advantage through Specialty franchising” by Preble and Hoffman (1994) and “Improving the quality and efficiency of fast food operations” by Yasin and Yavas (1992). Although focused on franchising and fast food outlets, the aforementioned studies did not specifically focus on the growth and developments strategies utilised in the fast food establishments.

ii) Data required for this study was acquired by means of a literature study as well as a survey, which constituted the empirical part of the study. The literature survey included extensive consultation of textbooks, newspaper articles, journals and the Internet.

iii) A qualitative (in depth) interview of the marketing approach of three franchise organisations and one independent fast food outlet in the East London area, namely Debonairs Pizza, (Debonairs) Nandos, Guidos and Chilli Bites, was investigated with specific focus on their market growth and development strategies. The respondents were interviewed by means of a structured open-ended questionnaire.

iv) A quantitative study was undertaken using the non-probability quota sampling method. Eighty respondents were interviewed by means of a structured questionnaire. Respondents qualified through purchasing from a franchise outlet within the six-month period preceding the date of the interview. The purpose of these interviews was to identify possible similarities between the franchisers’ and the patrons’ criteria for growth and development of fast food franchise organisations.
Although researchers do not agree about how to address the traditional topics of validity and reliability, they do express some general consensus regarding how credibility of one's findings might be ensured. “Triangulation, used in all types of qualitative traditions, refers to the process of using multiple data collection methods, data sources, analysts, or theories to check the validity of the findings” (Leedy 1997: 169).

The questionnaire was constructed according to the guidelines identified in the literature study. The design considerations of the empirical survey are discussed in more detail in Chapter four. The results of this empirical survey were analysed and integrated with the theoretical findings.

1.8 OUTLINE OF THE STRUCTURE OF THE STUDY

The study is divided into the following chapters:

Chapter 1: Planning and Introduction of the study: This chapter introduces the study, and identifies the main problems, sub-problems and key concepts. The area that was researched is delimited, the importance of the research highlighted as well as outlining the structure of the research methodology.

Chapter 2: Market growth and organisational development strategies: In this chapter a literature review of generic market growth and development strategies was conducted.

Chapter 3: The requirements of a successful franchise: A literature review of franchise growth strategies was conducted in order to determine the requirements for a successful franchise operation.

Chapter 4: Research design methodology and findings: The aim of this chapter was to present the theoretical design aspects used in the construction
and distribution of the empirical survey and to present the findings of
the empirical review of growth and development strategies of the
selected franchise operations with a view to determining the reasons
for their success.

Chapter 5: Conclusions and recommendations: This ultimate chapter provides
conclusions and recommendations to the questions posed by the
main and sub problems through the integration of the theoretical and
empirical aspects of the study. Recommendations for further research
are also presented.
2.1 INTRODUCTION

In order for fast food outlets to achieve and sustain market growth, they need to implement well-planned market growth and organisational development strategies that will provide them with a competitive edge in the environment in which they operate. This can be achieved by adapting their resources and capabilities to their ever-changing market environment with the intention of capturing a significant share of that market. This process is formalised by means of a business development plan, which McKeran (1990: 137) believes is of crucial importance if the management of developing companies are to ensure that their growth occurs within a systematic planning framework, which allows management control. He asserts that if planning for growth is the key to successful business development then the business development planning process (figure 2.1) is the practical vehicle by which this discipline can be introduced into the business.

Marketing strategy is about where, how and when to compete. In dynamic markets these questions have to be considered and reconsidered on a regular basis, and decisions have to be taken as to the future directions to be followed. The need is to develop a coherent set of decisions that can be implemented for the future. These must help an organisation attract and retain customers by offering them something of value when compared to alternative offerings aimed at satisfying the same needs, wants, desires and expectations (Adcock, 2000: 318).
**Figure 2.1 Development Planning Process**

**COMPANY GOALS**
- Vision
- Medium-term objective

**INTERNAL ANALYSIS**
- Examine market
- Examine competitors

**EXTERNAL ANALYSIS**
- Examine market
- Examine competitors

**DEVELOPMENT ANALYSIS**
- Identify key success factors
- Identify strengths and weaknesses

**INTERNAL ANALYSIS**
- Evaluate existing strategy
- Examine alternative strategies
- Most appropriate strategic direction

**IMPLEMENTATION**
- Prepare action plan
- Set targets and task
- Break task into functional areas
- Control

**Source:** McKeran (1990: 138)

Fogg (1983: 315) maintained: “gaining market share is a key factor in reaching a leadership or number one position in any industry. It is particularly important to the achievement of a high volume of profits that can be used to expand a firm’s business and pay dividends to stockholders, and to the attainment of a leadership profit performance as measured by return on sales and return on investment.” It is well documented that the higher a firm’s market share, the larger its cumulative production of a product, the lower its cost, and the higher its profitability. Gaining significant shares therefore requires careful planning, thoughtful, well-executed market strategies, and specific account-by-account tactical plans. It requires a comprehensive, well-thought-out and well-planned program.

To Wickham (1998: 223) organisational growth, however, means more than just an increase in size. “Growth is a dynamic process. It involves development and change
within the organisation, and changes in the way in which the organisation interacts with its environment. … Four perspectives in particular are important: the financial, the strategic, the structural and the organisational”.

McKeran (1990: 77) suggests that the small company can no longer be inward looking, but must be aware of its external environment in order to survive and grow. Developing a competitive advantage requires a business to maximise those capabilities, which differentiate it from its competitors. It follows from this that analysis of competitors in the fast foods industry is a key factor in the company's external environment. Understanding your competitors will allow you to act to avoid threats they may impose or, alternatively, to take advantage of opportunities which their weaknesses may present. Furthermore one should consider existing competition as well as potential competition, which bring the threat of alternative products (McKeran, 1990: 79).

Day (1990: 9) views the essence of competitive advantage as a positioning theme that sets a business apart from its rivals in ways that are meaningful to the target customers. The most successful themes are built on some combination of three thrusts: better (through superior quality and service), faster (by being able to sense and satisfy shifting customer requirements faster than competitors), and closer (with the creation of durable relationships). This is confirmed by Taco Palace http://www.tacoplace.com/Company.htm (1999), a Mexican food outlet, which believes that their commitment to excellent food quality, value and service is what brings their customers back again and again. This commitment is also reinforced through their “Pledge of Quality” which is visible in all their stores.

In a fast food outlet, the primary goal is to make a profit and to achieve this the outlet needs to set marketing objectives to obtain high customer retention, repeat purchase, satisfaction and loyalty using various marketing initiatives and techniques as outlined above. If a significant match can be achieved between the marketing initiatives of the fast food outlet - through its offerings - and the customer’s needs and expectations then significant growth can be expected.
It is evident therefore that planning for growth in a fast food outlet is the key to successful business growth and development and for maintaining a position of competitive advantage. In order to deal with the marketing environment during this strategic planning process, many considerations need to be taken into account. This chapter will explore the different market growth strategies and models that fast food outlets and entrepreneurs in this field can use so that they can gain a better understanding of the factors that need to be considered and utilised when planning for sustainable growth, organisational development and competitive advantage.

2.2 MARKET GROWTH AND DEVELOPMENT STRATEGIES

2.2.1 Market Growth Strategies

Expanding the business means expanding the amount of trade it undertakes. This can be achieved by increasing core market share, by launching new products or by entering new markets. Strategic growth is viewed by Wickham (1998: 223), as the changes that take place in the way the organisation interacts with its environment as a coherent strategic, whole. It is primarily concerned with the way the business develops its capabilities to exploit a presence in the marketplace. It is the profile of opportunities that the venture exploits and the assets it acquires to create sustainable competitive advantages.

Kotler (2000: 64) agrees that market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organisations objectives, skill and resources and its changing market opportunities. The aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth.

Johnson and Scholes (1999: 310) mention that many strategic developments within firms are concerned with developing the organisation from where they currently are. The options are built around both the current products and competences of the organisation and how they can be stretched to improve the competitive position of the
organisation in its current markets. These options are depicted in Figure 2.2, which represents a broad type of development options in terms of markets, competences and products, which organisations may consider, and use for future development.

Kotler (2000: 74) confirms Johnson and Scholes view when he mentions that corporate management’s first course of action should be a review of whether any opportunities exist for improving its existing businesses’ performance. He presented Ansoff’s product-market expansion grid (Figure 2.3), which proposed a useful framework for detecting intensive growth opportunities. It is evident on careful examination that Ansoff’s grid is identical to the strategies as proposed by Johnson and Scholes Direction for Strategy Development.

With Ansoff’s grid the fast food outlet first considers whether it could gain more market share with its current products in its current market (market penetration strategy). Next it considers whether it can develop new markets for its current products (market-development strategy). Then it considers whether it can develop new products of potential interest to its current markets (product development strategy). Later it will also review opportunities to develop new products for new markets - diversification strategy.

Baghai, Coley and White’s (1999: 51) model of the Seven Degrees of Freedom for Growth (figure 2.4) supports the models of Johnson and Scholes and Kotler. According to Baghai et al (1999: 51) the seven degrees of freedom are based on the variables that describe the directions in which growth can be pursued. These are the customers served; the products and services provided; the system of delivering them to customers; the geography in which the business takes place; and the current industry structure. These directions are distinct from vehicles such as acquisition, which could be used to pursue several of them.
**Figure 2.2** DIRECTIONS FOR STRATEGY DEVELOPMENT.

**Figure 2.3** THREE INTENSIVE GROWTH STRATEGIES: ANSOFF’S PRODUCT-MARKET EXPANSION GRID

*Source: Johnson and Scholes (1999: 308)*
The first degree of freedom concerns the existing business: managers consider how the company can grow by selling more of what it already makes to current customers. The second degree looks beyond current customers to find opportunities to sell existing products or services to new customers or segments. As constraints are relaxed one by one in this way, new degrees of freedom open up. The process ends with the opportunity to step outside the industry and begin business in a new arena. This is important to a fast food outlet as exposure to new customers or segments can generate higher brand and store awareness and interest. This is typical of the strategies utilised by Nando’s to gain access to customers who are not aware of their products. Nandos has its own brand of sauces and spices, which it promotes through supermarkets such as Pick ‘n Pay. Customers who buy and enjoy these sauces are then tempted to try the products served at the fast food outlet. This diversification strategy also helps to spread the risk by tapping into new markets.

Magrath (1995: 24) identified three key vectors of successful new product growth strategies. The first product growth strategy involves the creation of entirely new categories of products not seen before. The second is product customisation - in effect, growing new products one customer or market segment at a time and the third is creating portfolios of products that span the entire price/value spectrum.

In a fast food outlet a product or service has greater consumer appeal if it is perceived as new. Regular customer communication and feedback mechanisms are therefore essential as they provide valuable information on what customers need and what remains unfulfilled in the market. These informal market intelligence systems can
therefore form the basis for new product development in a fast food outlet. Newness to already existing products and services can also be added by simply changing the packaging and presentation or by offering the products in combination with other products.

Market segmentation according to Gerson (1994: 254) is a process that begins with the identification of the target market and specifies characteristics for that market. "One small group of potential customers is considered at a time, which allows you to target your efforts to a specific portion of the chosen market segment. This leads to the development of more effective marketing strategies and tactics, directed at the best potential purchasers of your products and services".

Cafferky (1996: 113) believes that introducing new products and services into the market can mean the difference between mediocre existence and exciting growth. In most businesses, new-product development is the life-blood of staying close to the market. It is the way you stay ahead of the competition. Creating new products helps you spread your risk, attracts new clients, build your capital reserves, increase your efficiency with your current marketing relationships and expand your ability to serve others. This product development strategy is exemplified in the Pizza Hut Franchise system. Pizza Hut http://www.pizzahut.com/more.asp (2002) mentions that when it comes to leadership, their proactive approach to product development and marketing provides ample evidence of their abilities. Beginning with the original thin crust pizza first served in 1958, Pizza Hut has made continuing efforts to refine their products, and to develop new products to suit consumer’s tastes. Today, their five core pizzas, Pan Pizza, Thin ’N Crispy, Hand-Tossed Style, Stuffed Crust and The Big New Yorker, are loved by millions around the world and have become the standard by which all others are judged.
New competitive arenas

New industry structure

New geographies

New delivery approaches

New product and services

New customers

Existing products to existing customers

Source: Baghai, Coley and White (1999: 52)

Magrath (1995: 24) states that: “creating new products is one of the most exciting and potentially productive strategies for achieving profitable growth. … New products lift the morale of the sales force, pre-empt premium shelf space in distribution channels, excite customers, and often steal the advertising spotlight from older products. New products tend to take centre stage in advertising because, being first to market, they avoid competitive comparisons and are less likely to get lost amid general noise and promotional clutter of the market place”.
Adcock’s (2000: 265) view is that new products are developed either to support an established position occupied by an existing offering, or alternatively, to facilitate growth into a new product/market area.

Financial growth relates to the development of the business as a commercial entity. Wickham (1998: 223) believes that: “financial growth is concerned with the increase in turnover, the cost and investment needed to achieve that turnover, and resulting profits. It is also concerned with the increase in what the business owns. Related to this is the increase in the value of the business, that is, what a potential buyer might be willing to pay for it. Because financial growth measures the additional value, the organisation is creating which is available to be distributed to its stakeholders, it is an important measure of the success of the venture”. In a fast food outlet the expected return on investment according to Saddles, Jean Lamprecht, http://www.btimes.co.za/97/0907/survey/survey3.htm (1997) is about 20% after tax depending on the level of gearing.

Hellriegel, Jackson and Slocum (1999: 243) propose the generic strategies model (figure 2.5), which comprises a framework of three basic business - level strategies that can be applied to a variety of organisations in diverse industries. These generic strategies include differentiation, cost leadership and focus strategies, which they describe as follows:

"The differentiation strategy emphasises competing with all other firms in the industry by offering a product that customers perceive to be unique. The cost leadership strategy emphasises competing in the industry by providing a product at a price as low as or lower than competitors. The focus strategy emphasises competing in a specific industry niche by serving the unique needs of certain customers or a specific geographic market".

Adcock (2000: 127) disagrees with Hellriegel et al's view of cost leadership as a marketing strategy. "Cost leadership is not a marketing strategy as internal cost and efficiencies are about supply and have nothing to do with prices charged, competitive value or customer satisfaction. A cost leader does, however, have more choices in
deciding how to utilise its cost-base advantage while still delivering an acceptable profit from its operations". “Differentiation is the opposite of cost leadership because differentiation adds cost in order to add value and distinction for which customers are prepared to pay higher prices” (Terblanche 1997: 56).

Kotler (2000: 437) believes that customers view a service as fairly homogeneous, and that they care less about the provider than the price and that the alternative to price competition is to develop a differentiated offer, delivery or image. The offer can include innovative features. What the customer expects is called the primary service package, and to this can be added secondary service features. The major challenge is that most service innovations are easily copied. Still the company that regularly introduces innovations will gain a succession of temporary advantage over competitors. Through earning the reputation for innovation, it may retain customers who want the best. A service company can hire and train better people to deliver its service. It can develop a more attractive physical environment in which to deliver the service. Kara, Kaynak & Kucukemiroglu (1997: 319) agree that increased customer service is an important factor in the fast-food restaurants' offerings. For instance McDonald’s Corporation makes service its primary focus. Domino’s Pizza is testing customer satisfaction guarantee as a replacement for its 30-minute delivery guarantee and Burger King Corporation has added modified table service and advertises a toll-free number for consumer complaints and suggestions.

Studies by Jon Udel as quoted by Taylor and Wills (1969: 318) reveal that nearly all sellers are forced to be either completely competitive or almost collusive in their pricing. Because there may be little or no freedom for a company to deviate from the market price, heavy reliance must be placed on product differentiation and sales effort. The relatively well-to-do consumers of today are interested in more than price. They are interested in product quality, distinctiveness, style, and many other factors that lead to both physical and psychological satisfaction. Consumers are concerned with more than just price; they want differentiation and sales promotion as well. From this they receive a great deal of psychological satisfaction and utility.
Adcock (2000: 129) mention that differentiation usually derives from the augmented elements of the total product but, by itself, differentiation does not automatically lead to competitive advantage. This is only achieved if customers value the features, which give rise to the differentiation. Such features have been described as energisers to identify them as the type of feature that actually stimulates customers to purchase. Only those energising features that offer real benefits will enhance value. A fast food outlet could apply this principle of differentiation by building closer relationships with its customers. This can be achieved through getting to know the customers by gathering as much information about them.

Fast food outlets can incorporate customers’ likes and dislikes into the way it does business by finding out what customers like and do not like, their needs and motivations, their perceptions and attitudes. Fast food outlets can also try to identify the things that make life difficult for the person making the buying decision and then do everything to remove those obstacles. By doing this managers of fast food outlets will constantly be aware of the customers changing needs and expectations and will be in a position to adapt its product and service so that it provides enhanced value and benefits to the customer. The customer in return will perceive the service as a customised offering and in return the fast food outlet may benefit by increasing its stock of customer goodwill. This principal of customer relationship marketing and its application in fast food franchises is discussed further in chapter three.

Although Day (1990: 163) concurs that the most generic routes used to achieve market leadership are through differentiation (through superior quality and service, closer relationships with customers, or faster responsiveness) and low-cost leadership, he maintains, that regardless of which of these routes are emphasised, the effort will fail unless significant customer value is created. He suggests that significant product value be created through the use of focus strategies to exploit the difference between a segment and the rest of the market. This is done by achieving a close identity with the customers, thereby avoiding the extraneous cost of serving other segments. He also proposes that segmentation focused strategies can be pursued through niche specialisation, product specialisation or market specialisation strategies.
“Marketing power is in specialisation. The power is not in being all things to all people. As time goes by, things divide. And if you don't specialise - if you try to offer a full line - you're going to be in trouble (Reis & Trout 1997: 191”).

**Figure 2.5  Generic Strategies**

<table>
<thead>
<tr>
<th>Broad</th>
<th>Narrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation Strategy</td>
<td>Focus strategy</td>
</tr>
<tr>
<td>Cost Leadership Strategy</td>
<td></td>
</tr>
</tbody>
</table>

Uniqueness             Low cost (price)

**Source of Advantage**

*Source:* Hellriegel, Jackson and Slocum (1999: 244)

Johnson and Scholes (1999: 298) choices of strategies to achieve competitive advantage include:

- A ‘no frills” strategy combining low price and low perceived added value
- A low price strategy providing lower price than competitors at a similar added value of product or service to competitors
- A differentiation strategy which seeks to provide products or services which are unique or different from competitors
- A hybrid strategy which seeks simultaneously to achieve differentiation and prices lower than competitors
- A focused differentiation strategy that seeks to provide high-perceived value justifying a substantial price premium.
2.2.2 Organisational Development Strategies

Chester I. Barnard’s classic definition of an organisation as quoted by Kreitner, Kinicki & Beulens (1999: 535) “is a system of consciously coordinated activities or forces of two or more person”. Embodied in the conscious coordination aspect of this definition are four common denominators of all organisations: coordination of effort, a common goal, division of labour and a hierarchy of authority.

Organisational growth relates to the changes that take place in the organisation’s processes, culture and attitudes as it grows and develops. It is also concerned with the changes that must take place in the entrepreneur’s role as leadership style as the business moves from being a “small” to a “large” firm (Wickham 1998: 223). These changes also affect the managerial roles and responsibilities, reporting relationships, communication links and resource control systems.

According to Cook and Conidaris (2001: 3) a successful business needs the right people at the right time, doing the right work to meet the overall business objectives. The moment you take on staff, the management of people becomes a critical factor in the success of your business, as your success lies at least partially in the hands of other people. The wrong people can kill a business, and even the best people managed badly can cost you millions in lost opportunities. For instance, in the fast food industry the proper management and training of people is an essential ingredient for good service and business success. Study after study shows that the hospitality trade in South Africa suffers from poor service levels and inadequate training. Kevin Hedderwick, joint managing director of the franchise division of Kings Consolidated http://www.btimes.co.za/97/0907/survey/survey3.htm (1997) says that dependence on casual labour and inadequate training in the fast food industry is a major contributor to the poor service levels and it is for this reason that the group recently formed the King Academy to offer training in bar tending, waitering and other aspects of the restaurant trade. Apart from staff skills, he also maintains that successful food franchises need strong administrative backup and head office management.
“To win the race to the future organisations should recognise that the existing hierarchy in most organisations is a hierarchy of experience and not a hierarchy of imagination. … If you want to create a point of view about the future, if you want to craft a meaningful strategy, you have to create in your company a hierarchy of imagination. And this means giving a disproportionate share of voice to the people whom up to now have been disenfranchised from the strategy-making process. It means giving a disproportionate share of voice to the young people. … That to me is leadership (Hamel 1997: 91)”.

In the fast food industry it is imperative for decision-making authorities to be attuned to their customers so that the customer’s needs are adequately served and that management response times to changes in the environment can be addressed in the shortest possible time. An environment of entrepreneurship amongst the employees can be created by delegating authority to the front-line staff and involving them in the decision-making process. This releases their imagination and empowers them to offer their customers an above average flexible service. For instance, Adiedo (2001: 5) asserts that customers often demand services that may not match management’s preconception consequently impacting on ‘prefabricated’ workplace strategies. Failure to meet such customer’s demand would be costly to the franchise that depends on these customers for their survival. Meanwhile, it becomes the workers’ prerogative to accommodate such demands from customers and to balance them against management’s intentions and stipulations. Situations like these, where customers defy workplace relations, demand that workers adopt suitable approaches. This requires workers to make judgments, which depends on their ability to exercise discretion. For example, if required by the customer, front line staff can alter standard menu items to satisfy the different customer needs without having to contact management for their approval. This will greatly enhance the ultimate service provided by fast food outlets by removing the rigidity provided by a standard product or service.

Few companies rely exclusively on either top-down, command-oriented or a bottom up, incremental approach to managing growth. Instead they try to combine them to get the best features of each. This means that one is embedded within the other.
“When growth comes from the bottom up, a lot of possibilities are generated - largely in response to events in the market. Directions for choosing among them, and channelling the organisation, have to come from the top, without stifling either the initiative of the lower levels, or their openness to new opportunities they put forward as champions” (Day 1990: 302).

Cook and Conidaris (2001: 3) mention that one of your tasks, as the leader is to continuously watch and build the energy among your people. “If you can see your staff as partners in your mission, highly gifted people whose talents are just waiting for an opportunity to be expressed, you will find that the true wealth of your business does in fact lie in your people.” In order to create climate of change, the fast food outlet needs to examine its internal structures and configurations. This may be achieved by creating an environment of continual learning and an atmosphere of entrepreneurship.

Johnson and Scholes (1999: 498) suggest that to achieve this, management’s aim should be to encourage processes that unlock the knowledge of individuals, and encourage the sharing of information and knowledge. In this way each individual becomes sensitive to changes occurring around them and contribute to the identification of opportunities and required changes. Day (1990: 369) remarks that leadership is essential in motivating staff to achieve for the benefit of the organisation.

Organisational theorist, Kreitner, et al (1999: 543) concurs that post-modern organisations should be flexible and responsive, and should be characterised by decentralised decision-making, computer-linked units with less emphasis on hierarchy and more emphasis on empowerment and teamwork.

In sum, to ensure growth, Johnson and Scholes (1999: 484) maintain that the various elements of the organisational design (devolution, configuration and management control) need to work together to suit the circumstances in which the organisation is operating.
2.3 CONCLUSION

The growing fast food industry faces many problems, which have to be tackled to ensure continued profitable development. Before the company embarks on any growth and development strategy, it needs a framework within which it can address these problems and such a framework is provided by the business development planning process. If a fast food outlet has no goals, has not examined its strengths and weaknesses and little knowledge of its market and competitors, then attempted growth may put the company into an extremely weak position. According to McKeran (1990: 65), a business must have future goals and a strategy in place directing the path towards the attainment of these goals. This is based on detailed knowledge of the business and its environment. (McKeran, 1990: 65). This environmental scanning involves examining the firm’s macro and microenvironment to understand the key developments that may shape opportunities and pose threats, thereby helping to uncover emerging trends and changes that can potentially affect the needs of customers, the competition and the firms markets.

It is evident from this study that to prepare an effective marketing strategy, a fast food outlet must study its competitors as well as its actual and potential customers. Companies need to identify competitors' strategies, objectives, strengths, weaknesses, and reaction patterns. They also need to know how to design an effective competitive intelligence system - which competitors to attack and which to avoid (Kotler 2000: 249).

The unique challenge of the present is achieving sustainable quality growth without the benefit of price increases, amidst enormously tough market conditions where customers are increasingly demanding, markets are maturing, and competitors are unrelenting (Magrath, 1995: 16). For the fast food business in general, overall cost leadership is unlikely to be feasible, so differentiating the product and exploiting a niche is advised.
A further consideration is "New product development” which can be examined on two levels. Firstly, the effort required to support an existing product or service to ensure that these are always relevant and competitive in the context of constant market changes. Secondly, the need of many organisations to develop, which can be achieved by identifying, then satisfying, gaps, in both existing and new markets (Adcock, 2000: 279).

Market driven strategies serve winners by giving focus and direction to the skills and resources they have required. There is a single-minded emphasis on creating and recreating positional advantages in both cost and customer value. “Superior customer value is achieved with some combination of superior quality and service, faster responsiveness, and closer relationships with channels and customers” (Day, 1990: 375). The achievement of superior customer value in fast food outlets can result in greater customer satisfaction, retention and loyalty. A decrease in advertising and promotion cost can also be achieved as a result of positive word of mouth advertising from satisfied customers. The rewards for the fast food outlet could mean market share dominance, superior profitability and optimistic growth prospects.

The ability to change is what enables a company to survive over a long period. “If continuity is of value in society then change is a prerequisite: if you don’t change you die. Competing for the future means maintaining continuity by ensuring that the company is constantly creating new sources of profit. This requires the commitment to creating new business and new products” (Prahalad 1997: 63).

Synergies between the organisational structures and configurations and the strategies and prevailing competitive circumstances should be achieved to facilitate organisational change and development. This entails the examination of leadership styles, devolution of authority and power, the value of people and the utilisation of their knowledge. If this can be accomplished, the organisation can create a competitive advantage that is difficult to imitate.

This chapter has explored the various growth strategies as presented by the different authors. The options available to new and existing organisations range from market
and product strategies to internal organisational development of its structures, control systems, leadership styles and culture. From this study it is evident that the Johnson and Scholes model, “directions for strategy development” represented the most comprehensive strategic directions an organisation can explore in terms of market growth. Despite this, its weakness is its inability to explore other avenues such as financial, structural and organisational growth aspects. In chapter three the different strategies existing franchise organisations are utilising to penetrate their markets and to develop their organisation into a competitive force will be explored to determine which strategies are the most effective.
CHAPTER 3

THE REQUIREMENTS OF A SUCCESSFUL FRANCHISE

3.1. INTRODUCTION

Franchising is a form of marketing and distribution in which the franchiser grants to an individual or company (the franchisee) the right to run a business, sell a product or provide a service under the franchiser’s business format and identified by the franchiser’s trademark or brand. A modern franchise includes a format for the conduct of the business, a management system for operating the business and a shared trade identity. An article by Franchise Direct http://www.franchisedirect.com/centre/definitions.htm (2002) describes franchising as: “a pooling of resources and capabilities; the franchiser contributes the initial capital investment, know-how and experience; the franchisee contributes the supplementary capital investment, motivated effort and operating experience in a variety of markets. Franchising is a comprehensive business relationship, not just a buyer-seller relationship. There is considerable interdependence between the franchiser and the franchisee”.

Starting your own business is a vision held by many South Africans (SA). More often than not these people are unfamiliar with the process of getting the business underway and the daily activities of running the business. For them the solution is to buy into a franchise organisation that will guide them through the operational process. Other prospective business people might already have an outlet or may be considering buying one, which they would want to develop into a franchise organisation.

During the recent economic recession in SA many people have been made redundant, only to discover that they are unable to find further employment. Many of these people have therefore turned to self-employment, possibly using their redundancy
payment as capital for their new venture. With this in mind, franchising can therefore be seen as providing an excellent route into self-employment, which is particularly important in view of the current unemployment figures and the value placed on self-employment and entrepreneurship in the prevailing social and economic environment.

Executive Director of the Franchise Association of South Africa (FASA) Nic Louw told the Eastern Cape Entrepreneurial Expo that franchising was a tremendously powerful method of encouraging economic empowerment and job creation. He said that in the United States the average franchisee created and maintained jobs for 33 people, 13 being directly employed and the other 20 working in downstream industries and service providers. As there were over 600 000 franchisees in the USA, he said, this meant that the sector employed in excess of eight million people directly and 12 million indirectly. Louw said franchising was especially suitable for the South African situation because it harnessed the entrepreneurial spirit while still ensuring job creation and skills transferral. This was because franchisers had a vested interest in providing essential training and support for franchisees. Louw said in South Africa there were about 300 franchisers and over 14 000 franchisees who together turn over about R28 billion per annum. He estimated that about 35% of economic activity took place in the small, micro and medium enterprises (SMMEs) in SA, compared with 53% in this sector in the USA. Franchises are a vital part of the SMME sector, he said. Louw said that 70 industries in over 100 countries worldwide had taken to franchising. However, in SA, the statistics showed that only between 35 and 40 industries were franchised meaning there was room for growth in this sector http://www.dispatch.co.za/1998/04/07/business/franchis.htm (1998). The contribution of franchising to employment and the economic benefits it offers can therefore form the basis for future research.

The increased value that society currently places on self-employment has encouraged the growth of franchising. Entrepreneurialism is viewed in a very favourable light and a high level of self-esteem and social acknowledgement can be gained through self-employment. As a result, an increasing number of people are experiencing the desire to escape the bureaucratic environment of the large organisations and to ‘go it alone’ by starting their own business. Many studies have shown that there is indeed a
widespread desire amongst ordinary workers to run their own business. Unfortunately, most of these would-be entrepreneurs lack either the necessary skills or confidence to set up a totally independent business (Hall & Dixon, 1991: 8).

Marrs (2001: 16) confirms that: “one in every 18 SA adults can be considered an entrepreneur, but only a small proportion of them are a force for job creation and economic growth. … Contrary to conventional wisdom that entrepreneurship is a panacea for South Africa’s unemployment problem, researchers have found that 38% of start-ups do not expect to create any new jobs over the next five years and only 5% expect to create more than 20 jobs. … The researchers conclude that entrepreneurship is not widely understood in SA, and starting a business is much more difficult than most people realise”.

In South Africa, the African market offers vast and exciting opportunities for the development of franchise operations. Certain stumbling blocks that make it difficult for black people to join the mainstream of the economy can be offset by the advantages offered by franchise arrangements (Terblanche 1997: 114).

According to a survey conducted by the Business Times http://www.btimes.co.za/97/0907/survey/survey3.htm (1997) statistics show that more than 50% of new business start-ups fail within the first year but the figure for franchised businesses is just 6%. While non-franchised businesses seldom have a blueprint, franchising is a formula business. Every aspect of the business, from store layout to accounting procedures, stock management, staff uniforms, menus and decor has already been tried and tested. This is only part of the reason for the difference in success rates. The aim of this chapter is therefore to identify further strategies that have contributed to the growth and success of franchise outlets so that prospective franchisees and entrepreneurs can be provided with the criteria required for franchising an outlet, which can also be used as a generic strategy implementation model.

In chapter two, different marketing strategies were examined to gain an in depth understanding as to the internal and external factors that management need to
consider when developing their marketing strategies. In this chapter a literature review of how franchise organisations embrace the different marketing strategies will be conducted.

3.2 FRANCHISE STRATEGIES.

According to Kotler (2000: 15) marketers use numerous tools to elicit desired responses from their target markets. These tools constitute a marketing mix, which he defines as the set of marketing tools that a firm uses to pursue its marketing objectives in the target market. These tools are classified into four broad groups called the four Ps of marketing: product, price, place and promotion as discussed in Chapters two and three. The particular marketing variables under each P are shown in figure 3.1.

By adapting the variables in the marketing mix to the various conditions in the market place, organisations are able to gain a competitive advantage over their rivals. The marketing mix can therefore form the basis for competing in a competitive environment.
Vignali (2001: 97) agrees that the marketing mix has been used as the principal foundation on which a marketing plan is based. However, with particular attention being paid to services marketing in recent years, theorist have identified additional variables which could be added to the four Ps:

- Process – blue printing, automation, control procedures.
- People – quantity, quality, training, promotion.
- Physical – cleanliness, décor, ambience of service.
Blem (1998: 7) however, suggests that a further ‘P’, Provision of customer service, can extend the marketing mix. It is these 8Ps that will be used to analyse the factors contributing to the success of fast food franchises.

3.2.1 Product strategy

According to Adcock (2000: 135) the value delivered can be seen to have a number of different levels. The most basic is the expected value, which should correspond to the expected product benefits. Above this is the desired level of value, which is an ideal level that a particular customer would like to receive. This is not necessarily the same as that delivered by the augmented product, as the desired value reflects customer’s desires, while the augmented product is based on the specifications that a supplier decides to offer. If there is a close match here then there is a greater chance of fully satisfying the customers. For example fast food outlets attempt to achieve this match by structuring their menu in a manner that offers their customers a choice of standardised offerings (augmented product) to which additional items may be added to satisfy the customers desires (desired product). Over and above the desired level is the unanticipated value, which exceeds customer expectations.

Hall and Dixon (1991: 93) mention that high value added content is always a desirable feature in a franchise. A high value added should not only result in greater gross margins on sales, but also, as a general rule, the higher the value added, the easier it is for a franchisee to differentiate the products that he sells from those of the competitors.

No matter what growth and innovate strategies a business pursues, it will not be assured of success unless it delivers superior customer value. Competitive superiority is revealed in the market as some combination of superior customer value and lowest delivered cost (figure 3.2). These positional advantages are derived from relative superiority in the skills and resources the business can deploy. A business is differentiated when it is perceived as superior on attributes that are important to customers. (Day, 1990: 290)
### 3.2.2 Standardisation and customisation of the offering

The global debate in marketing is about how to respond, in particular how to adapt offerings to each of the national markets in which a company chooses to operate. Organisations can use either a pure standardised strategy at one extreme, or a customised one at the other. Many possibilities for modification exist between these two extremes (Adcock, 2000: 103).

Vignali (2001: 97) mentions that one of the aims of McDonald's is to create a standardised set of items that taste the same whether in Singapore, Spain or South Africa. "McDonald's learned that, although there are substantial cost savings through standardisation, being able to adapt to an environment ensures success. … McDonalds adapted the original menu to meet customers needs/wants in different countries".

**Figure 3.2 The Elements of Competitive Advantage**

- **Key success factors** = high leverage
- **Objectives for growth and profit**
- **Positions of advantage**
  - Superior customer value
  - Lower relative cost
- **Sources of advantage**
  - Superior skills
  - Superior resources
  - Superior controls
- **Performance outcomes**
  - Satisfaction
  - Loyalty
  - Market share
  - Profitability

*Source: Day (1990: 30)*

Adcock (2000: 102) acknowledges that customised standardisation often results in increased satisfaction, which comes from the presence of optional extras available to
buyers, especially if those extras help to create an offering that is better matched to individual customer needs. While the marketing concept is focused on customer needs, the operation of supplier organisations does benefit from some level of standardisation. Marketing strategist need to find the best compromise between a customised offering and one that is more standardised within a given area of trading. Most organisations will adapt their offerings, even if it is only slightly to meet local preferences.

Ries and Trout's (1997: 191) view is that: “marketing power is in specialisation. The power is not in being all things to all people. As time goes on, things divide. And if you don't specialise - if you try to offer the full line -you're going to be in trouble”. Magrath (1995: 42) suggests that smart customisation strategies can often greatly increase a firms’ market share and growth.

3.2.3 Pricing strategy

According to Vignali (2001: 99) McDonald’s has realised that despite the cost saving inherent in standardisation, success can often be attributed to the ability to adapt to a specific environment. This is indeed the case with its implementation of its pricing strategy, which is one of localisation rather than globalisation. McDonald’s had to come up with different pricing strategies for different countries. More importantly, rather than having a different pricing policy in different countries, McDonald’s has had to select the right price for the right market. Being in touch with the pricing of their competitors allowed them to price their products correctly, balancing quality and value. This was indeed the case in New Delhi, India, where McDonald’s was looking at market penetration and set the price through looking at Nirula’s, a local food chain. They used this local example as a guideline to what the Indian would perceive as an acceptable price and hence what they should charge.

According to King Pie http://www.kingpie.co.za/enter.htm (2002) fast food has become prohibitively expensive, with most brands only catering to the top end of the market and few of them offering take-out items for under R5-00 or even R10-00. King Pie’s pricing strategy is therefore to provide a quality product at low prices.
This low price strategy is facilitated through process standardisation and the benefits of economies of scale achieved through their central production facility. Mike's Kitchen has also adopted a similar pricing policy, which has remained true to its founding philosophy of offering quality family meals at an affordable price in an informal setting.

3.2.4 Managing Brands

“Branding has become a buzzword of the nineties and the SA business community is waking up to the pivotal role of branding in business success” (Business Times 1998). Research by Reis and Trout (1997: 188) on 20 product categories found that the lead brands back in 1923 are essentially the same lead brands as they are today, with the exception of five. They believe that lead brands own the 'top of the mountain' position as it blocks competitive moves. For example, MacDonald’s established in 1955 was the world's fourth most valuable brand ($19.939 billion) in 1997 according to a survey in the Business Times (1998). Shivell and Banning (1993: 46) concur that the trademark and logo are, in essence, a franchiser’s most important and effective marketing tools because they, in turn, create the expectation by the customer that the product and service will be consistently good regardless of location.

Hanan (1979: 91) suggest that unless a business is branded, preferably at its inception, it will not be able to command a premium unit price. Its price will be cost-based, not value-based. It will, inevitably, be a slow growth or no growth commodity business. It is for this reason that products should be positioned as brands and not commodities. Hanan (1979: 93) asserts further that the essence of branding is to add superior value to your product's users, not just to your product.

Shivell and Banning (1993: 80) supports Hanan’s view when they mention that the creation of an image of a high quality product and good service is a basic reason why franchising exists today. The successful franchisers jealously guard their reputations and constantly work to improve their image because the image created by a logo or trademark is the most important kind of sales tool. Customers expect consistency
from a franchise. They want to feel safe in the belief that they will get the same product and quality wherever they see that sign and logo. The sign and logo will get them through the front door the first time, but only the service they receive from the company and the employees will get them back again and again. And, in every franchise, the key to success is repeat business.

According to King Pie http://www.kingpie.co.za/enter.htm (2002) their brand is constantly on the increase and is reinforced with a specialised operations team and innovative marketing, coupled with a top quality product. Both national and regional promotions dominate the advertising calendar; with advertising spent both on radio, television and below-the-line or in-store campaigns. This, together with ongoing competitions, local advertising by franchisees and the sponsorship of national events, ensures that King Pie's name is kept flying high. Milky Lane http://milkylane.co.za/promotions/promoframe.html (2002) believe that their top quality product range and consistent product innovation remains a vital ingredient to their brand's success formula. As brands represent the marketing asset that exist in customers’ minds and influence their spending behaviour, it is essential that companies value their brands.

A survey conducted in the Business Times http://www.btimes.co.za/99/1010/survey/survey18.htm (1999) showed that of the hundreds of individual fast-food outlets operating in South Africa, only eight chains have managed to establish themselves on a countrywide basis. Kentucky Fried Chicken (KFC) are ahead of other brands in this sector due to the high level of trust and confidence that the franchise enjoys and its high number of outlets widely distributed in both South Africa’s metro and rural areas, it's unlikely that any competitive brands would catch up in the foreseeable future. As the only fast-food brand among the 60 top advertisers in South Africa, KFC ensures that its brand name remains tops with consumers. South African brands, Steers and Nando's are also doing well against big international brand names - both scoring high in the confidence stakes. Though McDonald's performance in reaching sixth spot after a relatively short presence in South Africa is impressive, it cannot be too pleased with its relatively poor showing when it comes to trust and confidence - the true measure
of customer loyalty. McDonald's results in metro areas are virtually the same as those in the overall results, with the exception of a stronger showing by Steers to beat Chicken Licken into third place. KFC's lead is also particularly evident in metro areas, being mentioned by seven out of 10 respondents. McDonald's, having blanketed metro areas with outlets over the past few years, has become a major player there (mentioned by 36% of respondents against Chicken Licken's 39%), while its penetration of the rural market is much lower (7%). In non-metro areas, two chains are predominant - KFC and Chicken Licken. However, in some areas Wimpy, Steers and Nando's also feature, whereas McDonald's, Pizza Hut and Bimbo's are known to just a few.

### 3.2.5 Place Strategy

Kotler (2000: 529) asserts that retailers are accustomed to saying that the three keys to success are "location, location, and location". It is for this reason that several different types of location decisions need to be considered before selecting the specific area for a new enterprise. These decisions will vary depending on whether the business is a service or a manufacturing venture. Schmidt and Oldfield (1998: 119) suggest that the key criteria for selecting new sites should include:

- Population density and characteristics;
- Traffic flows;
- Proximity of other outlets.

“Location can make or break your business. Put your retail store in the middle of nowhere and chances are you'll hear birds chirping more than the ringing of your cash register” Isidro (2000).
The FASA (1995: 42) mentions that while the “location” statement holds true of fast food outlets and other operations with a strong retail orientation, location would be of little consequence for the success of most service-oriented franchises.

In SA the trend is to locate the franchise outlets close to shopping malls where high volumes of traffic flow are encountered. This is evident in East London, where KFC, MacDonalds, Something Fishy, Nandos and Steers are all located in the same street which boarders the Vincent Park Shopping Mall. Some franchise outlets are also
located inside the malls – this trend is evident in the Greenacres and Walmer Park malls in Port Elizabeth.

3.2.6 Process and channel development strategies

“Process management involves the procedures, task schedules, mechanisms, activities and routines necessary to deliver the product or service to the customer” (Blem 1998: 8). Magrath (1995: 98) maintains that: “Channel control clearly is important to success in growth by share acquisition. Selecting the best channel to your customer is also the key. … A company can increase market share by finding new pathways to customers previously not available to it. An example is Taco Bell, which was the first fast food franchise to put outlets in previously untapped channels such as airports, sports stadiums and even convenience stores. By doing so, it increased market share by 37%. The company is even experimenting with street carts and vending machines”.

Research by Young, Hoggatt and Paswan (2001: 218) conclude that food service franchises once considered a saturated market in the United States of America (USA) are growing again due to co-branding and multiple branding partnerships, which are achieved by opening units in non-traditional locations such as discount stores, convenience and gasoline stores, and hotels. Fast food chains are finding that they can generate incremental sales without cannibalising their regular (stand-alone) restaurants. For example McDonald’s are going into Wal-Marts and Subway Sandwich Shops are going into convenient stores. Food service franchises are also partnering with each other. Retail sites that were previously passed over because they were too large for a single brand are now feasible with multiple brand offering. A case in point is the Tricon Global Restaurants tri-branded concept of Kentucky Fried Chicken (KFC), Taco Bell, and Pizza Hut. While the multiple brand offering will reach a broader market, the depth of variety within each brand will be reduced. Only the most popular items from each of the three brands will be available.

Preble and Hoffman (1994: 8) offer a different view on reaching the target market. They maintain that by adding a mobility element to a packaged franchising approach,
franchisers are able to bring their business directly to the customer providing them with an advantage over stationary competitors. Mobile franchising is based around a product and/or service that can be brought directly to consumers, by bypassing conventional sales routes and often adding value to an otherwise low-profit-margin service. A typical example is Pizza Hut who states that: “Through our highly successful delivery operations, we’ve made it more convenient for consumers to enjoy many of our delicious products, no matter where they are” http://www.pizzahut.com/more.asp (2002). This mobile strategy has also been adopted by local franchisers King Pie with their street carts and Debonairs Pizza with their door-to-door deliveries.

The changing competitive environment is pushing firms to reassess the channels used to reach their target markets. No longer can channels be managed passively, with an eye to reducing cost and avoiding conflicts. Now they are at the front line of the battle for competitive advantage. The challenge is to find the combination of channels that best supports the business strategy by balancing customer responsiveness (to enhance differentiation advantages), with total cost incurred, while retaining adequate control to ensure cooperation among all links in the channel network (Day, 1990: 219) The identification of process management as a separate activity, is therefore a prerequisite for quality improvement and can form the basis of future research.

Strategic alliances between companies in the supply chain can be very powerful vehicles for growth. According to Magrath (1995: 165) alliances as a growth vehicle offer tremendous variety in scope from limited-function collaborations on promotions or selling to very complex alliances involving entire new-generation product development or marketing. McDonald’s Corporation http://www.mcdonalds.com/corporate/franchise/index.html (2001) confirms that success for them flows from the success of its business partners. “Our franchising system is built on the premise that the Corporation can be successful only if our franchisees are successful first. We believe in a partnering relationship with our owner/operators, suppliers and employees”.

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The challenge in SA would be to get franchise establishments to work in collaboration with each other. Franchise outlets will therefore not view each other as competitors but as partners in their quest to reaching customers and for providing customer convenience. In SA, Saddles and Bimbos fast-food takeaways have taken the initiative by extending their channels through forming alliances with City Lodge and Engen respectively. Saddles restaurants are located alongside City Lodge Hotels while Bimbos are sited in Engen Quick Shops.

3.2.7 Promotion strategies

Very few goods or services can survive in the market place without effective promotion. Blem (1998: 10) asserts that once the company and its products are positioned in the marketplace, it is the function of promotion to convince the target customer that the company’s goods provide a differential advantage over the competition. Rarely will a single communication resource be the most effective means of accomplishing a firm’s promotional objectives. Instead a blend of various factors must be used to reach the target market. This combination is called the promotional mix, which is made up of four tools – advertising, sales promotion, publicity and personal selling.

Nando’s promotional tool is to use their successful advertising campaign to surprise, titillate, amuse, and stir up controversy to generate free publicity. According to chief executive Robert Brozin as quoted by Mallet (1998) Nando’s has achieved its success by basing it’s advertising on an eccentric but always topical mix of puns and jokes. “A vital part of the low-cost marketing strategy is to be flexible and topical, and grab chances as soon as they arise to get "leverage" out of the publicity. In Nando's home market in SA, the leading conversational topics of sex, sport and crime are essential ingredients in the advertising devised for the company. With its "bonking chickens" (how is Nando's chicken made?), burning cars (the chilli's so hot), and rugby jokes, Nando's has become a by-word for cheeky marketing. In one campaign during the cricket season, batsmen in televised matches who returned to the pavilion without scoring a run were accompanied by the Nando's taunt: "Why go out for a duck when you can go out for a chicken?" And a radio spot that made fun of South Africa's
insecure prisons involved two jailed right-wing white extremists and a black serial killer nipping out to collect a takeaway order when they heard it would take 20 minutes to deliver”.

Chicken Licken (CL) also uses a strong marketing mix to get their message to the market. According to CL http://www.chickenlicken.co.za/information.htm (2002) their campaign consists of media, radio and television which features popular personalities promoting Chicken Licken, popular music as background, showing that they are in touch with their customers and exciting competitions which can only be entered if one first buys CL. Their promotions are also run on radio, television and magazines, giving them extensive and focused reach. In store support in the form of appetising food shots featuring happy customers also create Points of Sale that makes their outlets unique.

Research by Kara et al (1997: 320) discovered that frequent fast-food buyers in the United States (US) perceived that delivery service, variety, speed of service, quality, cleanliness and friendly staff are the most important influencing factors of their fast-food restaurant preference. Less frequent fast food buyers are seeking price deals and promotions before visiting a fast-food restaurant as well as responding to their children's request. This finding offers important managerial implications in terms of fast-food marketers' targeting their strategies to frequent and/or non-frequent buyers.

3.2.8 Positioning Strategy

According to Kotler, (2000: 298) positioning was popularised by two advertising executives Al Ries and Jack Trout. They see positioning as a creative exercise done with an existing product:

“Positioning starts with a product. A piece of merchandise, a service, a company, an institution, or even a person. …But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect”.
Kotler (2000: 298) defines positioning as the act of designing the company's offering and image to occupy a distinctive place in the target markets mind. Gerson (1994: 258) maintains that the ultimate purpose of market positioning is to create a perception in the minds of the customers that they must purchase your products, programs or services to satisfy their needs and desires. He mentions further that small business owners may position their businesses according to the four P's of the marketing mix: Product, Price, Place and Promotion.

Family dining is taking on a new meaning with more and more fast food outlets positioning themselves as family restaurants. Local fast food outlets St Elmo’s, KFC, Spur, Panarotti’s and Guidos illustrated this by introducing a kids play area in their restaurants to position themselves as family restaurants. Mike’s Kitchen has also remained true to its founding philosophy by offering quality family meals at an affordable price in an informal setting. Da Vinci’s on the other hand have introduced pristine newsprint as table clothes and each table has a jar of wax crayons for children to apply their artistic talents while waiting for their orders.

Adcock (2000: 128) believes that the position chosen will start with the question "which competitive position is best for our organisation?" A company, which chooses a defender position will utilise a different strategy, requires a different range of capabilities and shows a different orientation from one that is attempting to achieve one of the other company positions. There are four distinct aspects of positioning:

- Market positioning
- Company positioning
- Product positioning
- Positioning as perceived by customers.

Research conducted by Kara, et al (1997: 318) mentions that customers usually form perceptions of fast food outlets. These perceptions may be formed by word-of-mouth communication, exposure to promotion from fast-food restaurants, past experience and other sources. It is for this reason that marketing strategies should have a sound
understanding of consumers’ perceptions of and preferences for fast-food outlets and how they differ across cultures and countries. This understanding can be helpful in targeting countries/cultures to promote fast food and improving or amending their perceptions of restaurants that customer demand can be increased.

3.2.9 Customer relationship marketing

In the 19th century companies were product-driven, with great emphasis on what they sold - take it or leave it. During the 1950s companies became sales-driven, with their focus on advertising and distribution. In the 1980s the emphasis was on database marketing, with innovative direct marketing, sales and distribution services. Over the past few years all successful companies have focused on their customers requirements. One of the most powerful concepts being implemented by business today to satisfy customer demand is “Customer Relationship Management” or CRM (Koen, 2001: 3).

Blem (1998: 7) confirms that traditionally, much of the emphasis of marketing has been directed towards “obtaining” customers rather than “maintaining” them and that relationship marketing aims to close this loop by its dual focus of obtaining and maintaining the customer. Customer service is therefore concerned with establishing bonds with customers and other markets or groups to ensure long term relationships of mutual advantage. In markets where repeat business is required it is hoped that solid relationships will lead to further exchanges in the future.

This innovative relationship marketing strategy is the basis on which Debonairs Pizza was founded and has become one of the corner stones of the franchises' success. “We pride ourselves in our focused direct marketing strategy aimed at building long term relationships with our valued customers. This strategy has been supported by innovative and creative advertising campaigns (Steers Holdings, www.steers.co.za)”.

The aim of relationship marketing is to make every chosen customer feel unique and special. St Elmo’s http://www.stelmos.co.za/ourstory.html (2002) state that they achieve their special relationship through being committed to building enduring relationships with their guests and franchisees through absolute adherence to the
values of Legendary Service, Quality, Innovation, Teamwork and Partnership. It is for this reason that Magrath (1995: 126) maintains that if a company can surround its sales with enhanced services before, during and after the transaction, it will outgrow competitors who do not.

Kotler (2000: 36) concurs that many franchises are aiming for high customer satisfaction because customers who are just satisfied still find it easy to switch when a better offer comes along. Those who are highly satisfied are much less ready to switch. High satisfaction or delight creates an emotional bond with the brand, not just a rational preference. The impact of relationship marketing on the franchise organisation is that it builds greater customer satisfaction, loyalty, retention and customer purchasing frequency through the type of experience it generates. Losing profitable customers can dramatically affect a franchiser’s profits as the cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy. The key to retaining customers is relationship marketing.

Koen (2001: 3) states that the people aspect to CRM forms the most important part of a successful CRM implementation. The people are the real interface with customers and can never be replaced with technology. The passion and commitment of the people in your company is called "emotional capital" and successful companies today see it as their biggest competitive advantage and differentiator. It is therefore critical to:

- Create a culture within the whole organisation that is totally focused on the customer.
- Develop all staff’s knowledge and passion for your products and offerings.
- Train your staff in good customer relations and manners.
- Empower your staff with the required business intelligence and enabling technologies.
3.2.10 Common Culture

Johnson and Scholes (1999: 73) cultural web is a representation of the taken-for-granted assumptions, or paradigm, of an organisation and the physical manifestations of organisational culture (see figure 3.4). All organisations must develop a degree of coherence in their culture for them to be able to function effectively. A cultural system in which the various parts of the organisation are all working to a common end can provide advantage. It can be the very basis of competitive advantage in markets because it may prove so difficult to imitate.

Corporate culture according to Kotter (1997: 166) has to do with group norms or traditional ways of behaving that sets of people have developed over time. These group norms are not just the recurring behaviour patterns that one sees in a group, but are those actions that are unconsciously reinforced by everybody. At a deeper level, corporate culture is about the implicit shared values among a group of people - about what is important, what is good and what is right. Usually, these values are consistent with the group norms. Creating an adaptive culture, if it does not exist, is never easy. But the alternative is to be pulverised by the increasingly turbulent business environment (Kotter, 1997: 177).

Slater and Narvar (1995) as quoted by Adcock (2000: 328) suggest that a market-orientated culture can achieve maximum effectiveness only if it is complemented by a spirit of entrepreneurship and an appropriate organisational climate, such as, structures, processes and incentives for operationalising cultural values. Empirical research findings according to Kreitner et al (1999: 78) have also uncovered a significant relationship between an organisation’s culture and its long-term financial performance. Thus, the critical challenge for any business is to create the combination of culture and climate that maximises organisational learning to create superior customer value in dynamic and turbulent markets, because the ability to learn faster than competitors may be the only source of sustainable competitive advantage.
Pizza Hut http://www.pizzahut.com/more.asp (2002) asserts that one of the most important values within the Pizza Hut culture is integrity. Our people are committed to providing uncompromising product quality, to offering consumers the highest quality for their money, and to providing service that is personal and concerned. In fact, our people strive each day to provide what we call "customer mania," the kind of service that will make customers tell stories to their family and friends about their experience with Pizza Hut…Our commitment to integrity is exemplified by how we treat our employees as well. We invest heavily in our people through skills training and management development to help them reach their full potential. We encourage them to think unconventionally, to take prudent risks to achieve results. And we provide an informal environment with open communications to give them the freedom to make contributions on their own initiative. This is a part of our culture we value highly. We call it "ownership" the feeling that comes from knowing you can affect the company’s direction through your expertise, innovative ideas and hard work. And because we give our employees a stake in the company’s success, they take on the kinds of challenges people in other businesses only dream of.

Source: Johnson and Scholes (1999: 73)
Day (1990: 357) maintains that at the heart of a market-driven organisation is a deep and enduring commitment to a philosophy that the customer comes first. Thus market-driven organisations must meet a dual standard: keep close to the customer, and ahead of the competition. Organisations also need to make appropriate moves along the four interlocking dimensions of shared beliefs and values, organisational structures and systems, strategy development processes, and supporting programs (Figure 3.5). He asserts that this is arguably the most sustainable of all competitive advantages, because it takes a long time to put in place and so difficult to imitate.

Source: Day (1990)
3.2.11. **Learning organization**

To promote a marketing orientation concept throughout the organisation Adcock (2000: 327) proposed that:

- The customer is central to all activities.
- The business thrives by satisfying customers.
- Conditions must extend beyond customers to consider the activities of competitors.
- Internal activities must be prepared in the light of uncontrollable external events.

To achieve the CRM Culture the organisation should create a climate where organisational learning is at the forefront. Traditionally, organisations have been seen as hierarchies and bureaucracies set up to achieve order and maintain control: as structures built for stability rather than change. Arguably this conception of the organisation is not suited to the dynamic conditions and often-global forces for change of the late twentieth century. The organisation needs to be seen not as a stable hierarchy, but as an adaptive, continually changing learning organisation, capable of benefiting from the variety of knowledge, experience and skills of individuals through a culture, which encourages mutual questioning and challenge around a shared purpose or vision. In certain contexts the aim of management should be to encourage processes, which unlock the knowledge of individuals, and encourage the sharing of information and knowledge, so that each individual becomes sensitive to changes occurring around them and contribute to the identification of opportunities and required changes. Such an organisation, it is argued, will be creative and continually changing, and be able to cope with the ambiguity and contradictions it faces. These will be seen not as threats, but opportunities (Johnson and Scholes, 1999: 498).

Kreitner et al (1999: 600) maintains that learning capabilities represent the set of core competencies, which are defined as the special knowledge, skills, and technological
know-how that differentiates an organisation from its competitors, and processes that enable an organisation to adapt to its environment. The general idea is that learning capabilities are the fuel for organisational success.

In the fast food industry the creation of a learning organisations can be considered as the first step to the introduction of a Total Quality Management (TQM) system as it sets the tone for continuous improvement and innovation through the sharing of knowledge, experience, ideas and special skills. This also encourages open communications between workers and management in their quest for providing a quality product and service. "Franchising today, in SA, is quickly going from a 'them and us mentality' to one of a true partnership. This partnership is achieved by bridging the gap between entrepreneurialism and professional management through uniting the ideas and creativity of the employee with the checks and balances inherent in competent professional management” (Business Times 25 October 1998).

3.2.12 Pilot operation

Pratt, G. (1995: 76) recommends that every potential franchiser should start with a pilot outlet and retain this platform indefinitely. For a franchiser to retain the respect and commitment of his franchisees, he must lead from the front and demonstrate over and over again that his ideas work in practice. Justis and Judd (1989: 321) believe that "a prototype store is where customer reactions to products or services are first tested. Because product development is integral to surviving in today's sophisticated, segmented markets, the prototype must properly display and effectively market the products that will be offered to the public. New products should be tested for quality, consistency and customer appeal in the prototype operation. The prototype is thus used as the test-market location and as a centre for product development for the franchise system”.

The Franchise Association of Southern Africa (FASA), (1995: 19) propose the following compelling reasons for continued operation of at least one company-owned outlet:
The outlet, especially if located close to the franchise office, is usually very profitable, thus providing useful income. The reason for this is that the owner and his key people will frequently visit this outlet; it will therefore operate at peak efficiency.

Testing of new products, systems and procedures can be carried out prior to national rollout. This way, the franchiser knows that his new idea really works and he can convince franchisees of its merits by presenting them with test results. At the same time the franchiser ensures that he remains one step ahead of his franchisees, which is precisely where he ought to be.

- New franchisees can receive hands-on training in the pilots.
- The pilot enables the franchiser to keep in contact with his market.

### 3.3 CONCLUSION

Franchising is a form of marketing and distribution in which the franchiser grants to an individual or company (the franchisee) the right to run a business selling a product or providing a service under the franchiser’s business format and identified by the franchiser’s trademark or brand. This chapter has examined the strategies being implemented by the different franchise organisations to determine the reason for their success. From the study, it is evident that for a franchise to be successful in its chosen market place it has to know how to compete effectively. Because competitive offerings will be considered against one another, the specific criteria on which a customer makes such a comparison must be understood in order to develop the most appropriate combination of products and services (Adcock 2000: 138). In order to develop the product and service effectively, the marketing mix and its four P’s have been identified as a basis for strategy development in successful franchise organisations. Tactical decisions regarding Product, Price, Place and Promotion can be made taking into consideration the present market conditions, the target market segment and competitive environment. Additional P’s such as Process, People, Physical factors and Provision of customer service have also been identified as factors that need to be taken into consideration during this strategic planning process, as these P’s can also be used to gain a competitive advantage in the market place.
This literature study revealed that that a franchise’s individual offering should include the differentiation of that total product offering from competitors in order to achieve a possible competitive advantage as a high value added content is always a desirable feature in a franchise. The higher the value added, the easier it is for a franchiser to differentiate the products that he sells from those of the competitors. It is therefore imperative to differentiate and to establish an image for the product in the introduction stage of the product's life cycle. In the growth phase of the life cycle this can be elaborated to enhance the value of the benefits offered and as the product reaches maturity, the focus can change so as to redefine the established position to current customers while still accommodating the relevance of all the previous claims that have been made.

By positioning the product as a brand and not as a commodity, the franchiser is therefore able to price their goods as a premium item thus avoiding the need for competition based upon price, which often results in lower margins. In order to be price competitive it is normal for franchisers to scan the environment to ascertain the pricing and promotion tactics of their rivals so that they can price their products correctly, balancing quality and value for their selected market.

The most important aspect of a franchise business is the client. In its pursuit of market growth and development, a franchise should regard the present customer base as its priority and avoid concentrating on gaining new customers only. This can be achieved through relationship building, which benefits a customer-oriented service system by focusing the franchisers employees’ attention towards the customer. The employees, part-time marketers, who have to meet customers daily will perform better if they have a good understanding of the customers requirements. The levels of service will be enhanced or impeded by the system in force, in particular the empowerment given to the front-line staff, part-time marketers, to take actions that are of value to customers. Essentially, quality and customer service are key links in the franchiser and customer relationship. The challenge to the franchise organisation is to bring these three critical areas into better alignment. In the past they were often treated as separate and unrelated. As a result of this lack of alignment, the relationship-marketing concept in the fast food business is emerging as the new focal
point, integrating customer service and quality with a market orientation. Relationship marketing therefore has a dual focus of obtaining and maintaining customers. By recognising the contribution of people to obtaining and maintaining customers within the marketing mix, the franchise’s competitive performance can be substantially enhanced.

As with most types of retailing, the key to successful franchising is the availability of suitable locations. Franchise outlets need to be established in central locations where there are high volumes of passing trade to sustain the business. Most franchise outlets in SA are located in or close to large shopping malls. Their strategy is to operate a small retail outlet in these malls that are supported by a central production facility. This greatly assists in reducing the cost of operating the retail outlet. To overcome the issue of location and low volumes franchise outlets are adopting a mobile strategy to bring their product to the customer. Unconventional sites are also being used to channel the goods to the customers. These sites include supermarkets, airports, petrol stations and even school canteens. Other franchisers are forming strategic alliances by co-branding and multiple branding their products by establishing their outlets under the same roof thereby creating a convenient one stop-shopping destination for obtaining a variety of fast food. While location is still an important factor in the franchise outlet it will have little consequence without quality of product and service, which is the ingredient for attracting and maintaining the customers. Each work activity is a process and actively managing these different processes in the franchise organisation can greatly ensure that outstanding quality standards are maintained.

It is evident from the research that the organisational culture and climate are critical in how well the franchise organisation will deal with growth. Timmons, Smollen and Dingee (1977: 517) agree that a number of studies in large business organisations that use the concept of organisational climate have led to two general conclusions. First, the climate of an organisation can have a significant impact on performance. Further, the climate is created both by the expectations people bring to the organisation and the practices and attitudes of key managers. Thus there is a significant relationship between an organisation’s culture and its long-term financial performance. The
critical challenge for franchise organisations is to create the combination of culture and climate that maximises organisational learning to create superior customer value in dynamic and turbulent markets which can be achieved by creating support structures and control systems that promotes a culture of continual learning an innovation.

Another important key to developing a successful franchise system is to use the operational prototype effectively. A pilot operation will enable the franchiser to investigate whether his ideas and methods work in practice and will allow him to make adjustments and experiment with alternatives. The duration and number of pilot operations necessary will depend on how long it will take the business concept to be tested under all circumstances that can influence the business. “The time, money, and management skill required to develop this pilot unit can be the most important factors in ensuring a profitable franchise system” (Justis and Judd 1989: 331). The prototype therefore serves as the model unit where techniques and procedures factors for system expansion are developed for implementation. This can include store layout, accounting procedures, stock management, staff uniforms, menus and décor. While non-franchised businesses seldom have a blueprint, franchising is a formula business in which every aspect of the business has been tested in order to contribute to its success.

The future of franchising in South Africa looks bright. Not only are there enough room for new products and more outlets, but franchising also has the advantage of job creation for people with limited business skills.

This literature review of strategies utilised by franchise outlets will form the basis of the empirical research design, which will be discussed in chapter four.
CHAPTER 4

EMPIRICAL RESEARCH FINDINGS

4.1 INTRODUCTION

The marketing manager’s essential task as discussed in chapters two and three is to combine the marketing mix – product, price, place and promotion - so effectively that all the elements complement each other and strengthen the product’s chances of competing successfully in the market place. This task would be much simpler if the manager could control all the elements that could affect consumer satisfaction and if consumer reaction to contemplated change could be predicted. Martins, Loubser and Van Wyk (1996: 4) confirm that usually a number of factors, which affect the marketing effort, are beyond the marketing manager’s control, and the behaviour of individual consumers is largely unpredictable. It is logical therefore that market research forms the basic link for formal communication with the external environment. It is the means by which the firm generates, transmits and interprets information from the environment about or relating to the success of the firms marketing plans.

Many authors have attempted to frame a definition of market research. Hornby (1995: 718) presents his definition as “the study of what people buy and why, usually conducted by a company before it develops a new product, opens a new shop etc”.

Leedy’s (1997: 3) version is defined as “the systematic process of collecting and analysing information (data) in order to increase our understanding of the phenomenon with which we are concerned or interested”. This definition is supported by Kotler (2000: 103), who defines marketing research as the systematic design collection, analysis and reporting of data and findings, which are relevant to a specific marketing situation facing the company.
Churchill (1995: 23) concludes that marketing research can therefore be defined as the marketing tool that links the consumer, customer, and public to the marketer through information for the purpose to:

i. Identify and define marketing opportunities and problems;

ii. Generate, refine, and evaluate marketing actions;

iii. Monitor marketing performance; and

iv. Improve understanding of marketing as a process.

This is achieved by formulating the problem, determining the research design, designing the data collection methods and forms, designing the sample and collecting methods and then communicating the findings and implications.

Marketing research, whether basic or applied, is designed to solve or highlight problems or potential problems. Three questions posed in chapter one remain unanswered:

i. What market growth and development strategies can a fast food outlet utilise?

ii. What are the requirements of a successful franchise?

iii. How can the results of (a) and (b) be integrated and utilised to develop an implementation plan for converting an existing operation into a future successful franchise operation?

The above questions form an integral part of the research methodology in the evaluation of the requirements for a successful franchise. In chapters two and three a literature review is conducted in an attempt to address these questions. In chapter two, the generic growth and development strategies that a fast food outlet can utilise is examined while in chapter three the strategies that are used to achieve market growth and organisational development for various franchise organisations are explored to determine the requirements of a successful franchise. In this chapter, possible answers to the above questions will be presented, based on the results of an empirical survey.
of the strategies and practices of various franchises. Furthermore, the methodology used in the empirical survey will be explained, the data collection methodology used for gathering the empirical data needed for analysis and interpretation will be discussed and finally the survey data will be presented and the research findings discussed.

4.2 EMPIRICAL METHODOLOGY

The research design is simply the framework or plan for a study, used as a guide in collecting and analysing data. It is the blueprint that is followed in completing a study. Although there are many research design frameworks research designs can be classified into some basic types as well. Churchill’s (1995: 144) basic classification of research design is in terms of the fundamental objective of the research, which is exploratory, descriptive or causal. These objectives are explained below:

i. **Exploratory research:** The major emphasis in exploratory research is to gain ideas and insights to problems affecting the decision-making process. The exploratory study is particularly helpful in breaking broad, vague problem statements into smaller, more precise sub-problem statements hopefully in the form of a hypothesis that specifies how two or more variables are related.

A good hypothesis carries clear implications for testing stated relationships. Because knowledge is lacking when an inquiry is begun, exploratory studies are characterised by flexibility with respect to methods used for gaining insight and developing hypothesis. This is also the reason why formal design is conspicuous by its absence in exploratory studies. Researchers frequently change the research procedure as the vaguely defined initial problem is transformed into one with a more precise meaning. Exploratory research can also be used to establish priorities in studying competing explanations. Some of the most popular and productive methods of conducting exploratory research are through the use of literature surveys, experience surveys, focus groups, and the analysis of selected cases.
Churchill’s (1995: 149) summation of the exploratory study suggests that it could be used for any or all of the following purposes:

- Formulating a problem for more precise investigation or for developing hypothesis;
- Establishing priorities for further research;
- Gathering information about the practical problems of carrying out research on particular conjectural statements;
- Increasing the analyst’s familiarity with the problem;
- Clarifying concepts.

ii. **Descriptive research:** The descriptive research study is concerned with describing market characteristics, the frequency with which something occurs or the relationship between two variables that are measured or portrayed during a particular period of time.

Unlike the flexibility characterised by the exploratory study a descriptive study design is very different as conjectural statements guide the research in specific directions. A good descriptive study presupposes much prior knowledge about the phenomenon studied. It therefore rests on one or more specific hypothesis. The two basic types of descriptive studies are longitudinal and cross-sectional studies, which rely on panel data and surveys respectively.

iii. **Causal research:** A causal research design is concerned with determining cause-and-effect relationships. These studies take the form of laboratory experiments or field experiments that are conducted in a controlled environment. According to Bearden, Ingram and Laforge (1995: 160) during the experiment the researcher manipulates and controls the independent variables and then observes or measures the response of the dependant variable or variable of interest. The object is not to prove that one variable determines the value of the other variables but to infer that a relationship exists. Nel, Radel
and Loubser (1988: 525) mentions that although causal techniques rest on the assumption that the variable to be forecast (the dependent variable) is casually related to one or more independent variables it is not sufficient merely to establish that a relationship exists because it could be a purely coincidental one. A logical explanation for the relationship must exist. It is therefore essential that the research question and hypothesis are specific.

Despite causal design’s growing use, descriptive designs are still the dominant form of marketing research investigations. This is partly due to tradition, but it also reflects the cost, time, and control problems associated with experimental research.

Apart from the different levels of research, research can also be classified as qualitative or quantitative.

**Qualitative techniques**, as the name implies, rely mainly on judgement and subjective evaluations (therefore often called subjective methods). According to Nel et al (1988: 518) the aim of these techniques is to combine all available information and judgement relating to the variable being forecast for instant sales. Glesne and Peshkin (1992) as quoted by Leedy (1997: 107) mention that instead of sampling a large number of people with the intent to make generalisations, qualitative researchers tend to select participants purposefully to learn about the range of behaviour related to the research focus in order to gain understanding of the complex phenomenon in question. The data collection methods for these research techniques include depth interviews, focus group interviews and projective techniques.

**Quantitative research** generally involves the collection of primary data from large numbers of individuals, frequently with the intention of projecting the results to a wider population. The aim is to generalise about a specific population, based on the results of a representative sample of that population. With qualitative research the aim is not to generalise about any population, but rather to obtain greater clarity on a vague research problem (Martins et al 1996: 125). Leedy (1997: 105) mentions that quantitative research usually start with a preformed hypothesis to be tested and ends
with confirmation or disconfirmation of the hypothesis. In contrast qualitative research starts with general questions, collection of an extensive amount of data from a number of participants, and presentation of the findings with words/descriptions that are intended to accurately reflect the situation under study. The basic methods to collect primary data in quantitative research include surveys (verbal communication or written communication) observation and experimentation.

To gain ideas and insights to the problem of this study the author chose the exploratory research design method for addressing the research problem and for data collection and analysis. This process involved the use of literature reviews, interviews and surveys that also formed the basis for establishing priorities for further research.

In this study both qualitative and quantitative techniques were applied to collect and analyse the research data and as stated in Chapter one this represents triangulation. Triangulation is used in all types of qualitative traditions and refers to the process of using multiple data collection methods, data sources, analysts, or theories to check validity of the research findings. Triangulation in any research is therefore an essential ingredient to improve the reliability and validity of the study and it is for this reason that both methods were chosen for data collection. With this method, the element of research bias is also greatly reduced thereby lending more credibility to the research findings. The qualitative method was that of a personal interview as it enabled the author to obtain maximum information from the respondent and because the answers could be validated through observation and continual probing. The quantitative method, which took the form of a customer survey, was selected in order to compare and verify whether the findings of the qualitative research was synchronised with the customers expectations. The purpose of the qualitative research was to identify market growth and organisational development strategies utilised by fast food franchised outlets whilst the quantitative research was to identify any further strategies that could be used by the outlets to attract customers by determining what attracted the customers to the outlet in the first instance and what kept them going back.
4.3 QUANTITATIVE RESEARCH UNDERTAKEN WITH PATRONS OF FAST FOOD FRANCHISES

In this study the input stimuli influence of the buyer’s criteria for selecting a fast food outlet was examined in order to determine whether there was a significant correlation between the marketing strategies of franchise organisations and the expectations of the buyer and to assist in identifying customers’ needs which will thereby enable fast food outlets to better identify and target their market. The results of the survey were evaluated and tabulated as percentages.

i. Sample method

For this study a non-probability quota sample method was used to identify the buying criteria of frequent and non-frequent users of fast food outlets. To reduce non-response problems as much as possible, the respondents were interviewed outside shopping malls and at fast food outlets while they were waiting to receive their orders. Knocking on doors, and qualifying the inhabitants by enquiring whether they utilised fast food outlets at least once a month selected other respondents. The rate of incidence for this method was not as high as the interviews conducted at the malls and fast food outlets. The latter method proved to be extremely effective, as the respondent believed that they were making a personal contribution to the improvement of the service standards of franchise outlets and were therefore prepared to carefully answer all questions and volunteer valuable additional information.

ii. Findings

The pilot study findings are based on 80 completed questionnaires, 20 completed by each population group.

The findings per question relevant to the study were as follows:
Question 1:

Do you frequent fast food outlets at least once a month?

The purpose of this question was to determine whether the respondents were qualified to answer the questions in the survey. Out of the 80 respondents only one respondent did not utilise fast food outlets at least once a month. This represents 1.25% of the total respondents surveyed. The reason motivated for not using fast food outlets was the high prices of food at these outlets.

Question 2:

How often do you utilise fast food outlets?

### TABLE 4.1 Evaluation of the respondent’s differences in frequency of fast food usage in Question 1.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Once a week</th>
<th>Twice a week</th>
<th>Three times a week</th>
<th>Twice a month</th>
<th>Once a month</th>
<th>Less than once a month</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>26.9%</td>
<td>26.9%</td>
<td>15.4%</td>
<td>26.9%</td>
<td>3.85%</td>
<td>0%</td>
</tr>
<tr>
<td>Black</td>
<td>25%</td>
<td>18.75%</td>
<td>18.75%</td>
<td>18.75%</td>
<td>12.5%</td>
<td>6.25%</td>
</tr>
<tr>
<td>Coloured</td>
<td>0%</td>
<td>14.3%</td>
<td>33.3%</td>
<td>28.6%</td>
<td>14.3%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Indian</td>
<td>17%</td>
<td>11%</td>
<td>39%</td>
<td>17%</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Average usage</td>
<td><strong>17.23%</strong> (14 no)</td>
<td><strong>17.73%</strong> (14 no)</td>
<td><strong>26.61%</strong> (21 no)</td>
<td><strong>22.81%</strong> (18 no)</td>
<td><strong>8.91%</strong> (7 no)</td>
<td><strong>6.69%</strong> (5 no)</td>
</tr>
</tbody>
</table>
Question 3 (a):

How important were each of the following to you in deciding on your choice of fast food outlet?

TABLE 4.2 Evaluation of the buyers purchasing decision criteria in Question 3 (a).

<table>
<thead>
<tr>
<th>Buyers purchasing decision criteria</th>
<th>Percentage = degree of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not at all important</td>
</tr>
<tr>
<td>Convenience of location</td>
<td>5.26%</td>
</tr>
<tr>
<td>Availability of a delivery service</td>
<td>31.6%</td>
</tr>
<tr>
<td>Price of meals offered</td>
<td>6.58%</td>
</tr>
<tr>
<td>Promotion deals</td>
<td>21.3%</td>
</tr>
<tr>
<td>Type of food available on the menu</td>
<td>2.7%</td>
</tr>
<tr>
<td>Variety in the number of value meal combinations</td>
<td>5.33%</td>
</tr>
<tr>
<td>Reputation of fast-food outlet</td>
<td>5.33%</td>
</tr>
<tr>
<td>Recommendations from friends / family</td>
<td>6.58%</td>
</tr>
<tr>
<td>Advertising campaigns</td>
<td>19.4%</td>
</tr>
<tr>
<td>The availability of specials</td>
<td>4.0%</td>
</tr>
<tr>
<td>Novelties for children</td>
<td>38.2%</td>
</tr>
<tr>
<td>Cleanliness of the outlet</td>
<td>0.0%</td>
</tr>
<tr>
<td>Facilities for children (menus, play areas)</td>
<td>34.2%</td>
</tr>
<tr>
<td>Availability of seating and table facilities</td>
<td>11.8%</td>
</tr>
<tr>
<td>Customised standardisation (ability to alter products to suit personal preferences)</td>
<td>2.7%</td>
</tr>
<tr>
<td>The speed of service</td>
<td>0.0%</td>
</tr>
<tr>
<td>Quality of service received</td>
<td>0.0%</td>
</tr>
<tr>
<td>Quality of food</td>
<td>0.0%</td>
</tr>
<tr>
<td>Friendliness of personnel</td>
<td>0.0%</td>
</tr>
<tr>
<td>Product brand familiarity</td>
<td>14.9%</td>
</tr>
<tr>
<td>The fact that it is a national outlet</td>
<td>29.2%</td>
</tr>
</tbody>
</table>
Question 3 (b):

Please list any other factors that affect your choice of fast food outlet.

To this question 67.5% of the respondents did not reply, as they believed that the answer to this question was adequately covered in question 3 (a). This response rate did not constitute a major issue, as the purpose of this question was merely to obtain additional information, which may not have been addressed by the author in question 3 (a) and for cross reference purposes. The factors that affected the choice of fast food of the 32.5% of respondents who did reply are summarised in table 4.2.

**TABLE 4.3 Summary of factors that affected the respondent’s choice of fast food outlet in Question 3 (b).**

<table>
<thead>
<tr>
<th>Other factors affecting choice of outlet</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff knowledge and professionalism</td>
<td>37%</td>
</tr>
<tr>
<td>Freshness of product</td>
<td>23%</td>
</tr>
<tr>
<td>It must be a fun place to go to</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Taste of food</strong></td>
<td><strong>7%</strong></td>
</tr>
<tr>
<td>Quantity of portions received</td>
<td>7%</td>
</tr>
<tr>
<td>Presentation of food</td>
<td>7%</td>
</tr>
<tr>
<td>Product familiarity</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Religion</strong></td>
<td><strong>4%</strong></td>
</tr>
<tr>
<td>Trading hours</td>
<td>4%</td>
</tr>
</tbody>
</table>
Question 4:

For which meal do you most often frequent a fast food outlet?

TABLE 4.4 An evaluation of the respondent’s choice of meal in Question 4.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Supper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whites</td>
<td>9%</td>
<td>45.5%</td>
<td>45.5%</td>
</tr>
<tr>
<td>Blacks</td>
<td>6.25%</td>
<td>68.75%</td>
<td>25%</td>
</tr>
<tr>
<td>Coloureds</td>
<td>11.5%</td>
<td>34.6%</td>
<td>53.8%</td>
</tr>
<tr>
<td>Indians</td>
<td>0%</td>
<td>33.33%</td>
<td>66.66%</td>
</tr>
<tr>
<td>Average percentage</td>
<td>6.69%</td>
<td>45.55%</td>
<td>47.74%</td>
</tr>
</tbody>
</table>

The findings suggest that all respondents preferred having take away meals at lunchtime or suppertime. This could be attributed to the tradition of having the first meal for the day, breakfast, at home and to the fact that most respondents were employed, which made it difficult for them to have lunch at home. The majority of the respondents (53.57%) were also unmarried and this supported the high percentage of meals purchased at suppertime. This high percentage of unmarried respondents can open up further opportunities for fast food outlets, which will be discussed in chapter five.
Question 5:

Where did you obtain most of your information about the franchise or fast food outlet?

TABLE 4.5 Summary of the respondent’s differences in source of information in Question 5.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Black</th>
<th>White</th>
<th>Coloured</th>
<th>Indian</th>
<th>Average Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>29%</td>
<td>16.7%</td>
<td>36.7%</td>
<td>19.6%</td>
<td>25.5%</td>
</tr>
<tr>
<td></td>
<td>(5.8 no)</td>
<td>(3.34 no)</td>
<td>(7.34 no)</td>
<td>(3.92 no)</td>
<td>(20.4 no)</td>
</tr>
<tr>
<td>Friends</td>
<td>25.8%</td>
<td>22.9%</td>
<td>30%</td>
<td>21.7%</td>
<td>25.1%</td>
</tr>
<tr>
<td></td>
<td>(5.16 no)</td>
<td>(4.58 no)</td>
<td>(6 no)</td>
<td>(4.34 no)</td>
<td>(20.08 no)</td>
</tr>
<tr>
<td>Past Experience</td>
<td>9.7%</td>
<td>18.8%</td>
<td>3.3%</td>
<td>13%</td>
<td>11.2%</td>
</tr>
<tr>
<td></td>
<td>(1.94 no)</td>
<td>(3.76 no)</td>
<td>(0.66 no)</td>
<td>(2.6 no)</td>
<td>(8.96 no)</td>
</tr>
<tr>
<td>Radio</td>
<td>6.5%</td>
<td>8.3%</td>
<td>13.3%</td>
<td>10.9%</td>
<td>9.75%</td>
</tr>
<tr>
<td></td>
<td>(1.3 no)</td>
<td>(1.66 no)</td>
<td>(2.66 no)</td>
<td>(2.18 no)</td>
<td>(7.8 no)</td>
</tr>
<tr>
<td>Co-workers</td>
<td>9.7%</td>
<td>10.4%</td>
<td>3.3%</td>
<td>15.2%</td>
<td>9.65%</td>
</tr>
<tr>
<td></td>
<td>(1.94 no)</td>
<td>(2.08 no)</td>
<td>(0.66 no)</td>
<td>(3.04 no)</td>
<td>(7.72 no)</td>
</tr>
<tr>
<td>Newspapers</td>
<td>6.5%</td>
<td>10.4%</td>
<td>13.3%</td>
<td>6.5%</td>
<td>9.18%</td>
</tr>
<tr>
<td></td>
<td>(1.3 no)</td>
<td>(2.08 no)</td>
<td>(2.66 no)</td>
<td>(1.3 no)</td>
<td>(7.34 no)</td>
</tr>
<tr>
<td>Magazines</td>
<td>9.7%</td>
<td>8.3%</td>
<td>0%</td>
<td>6.5%</td>
<td>6.125%</td>
</tr>
<tr>
<td></td>
<td>(1.94 no)</td>
<td>(1.66 no)</td>
<td>(0 no)</td>
<td>(1.3 no)</td>
<td>(4.9 no)</td>
</tr>
<tr>
<td>Other</td>
<td>3.2%</td>
<td>4.2%</td>
<td>0%</td>
<td>6.5%</td>
<td>3.47%</td>
</tr>
<tr>
<td></td>
<td>(.64 no)</td>
<td>(.84 no)</td>
<td>(0 no)</td>
<td>(1.3 no)</td>
<td>(2.76 no)</td>
</tr>
</tbody>
</table>

The results indicate that there are many similarities and also limited differences between the various groups. It is evident that the strategic use of television and strategies to generate word of mouth advertising generated the most interests amongst
all population groupings. Past experience played an important role in the decisions of the Blacks, Whites and Indians whilst newspapers and the radio was important medium for the Coloured population. The result from this response is important as it provides information regarding strategies for targeting the various market segments and population groups and may form the basis for future research. For this study however, an in-depth analysis for segment targeting is not important and will not be investigated. Specific strategies for targeting the various market segments will however be elaborated on in chapter five.

Question 6:

What type of food do you most regularly order?

Table 4.6 Evaluation of respondent’s differences in choice of food in Question 6.

<table>
<thead>
<tr>
<th>Question 6</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Average percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food choice</strong></td>
<td><strong>Whites</strong></td>
<td><strong>Blacks</strong></td>
<td><strong>Coloureds</strong></td>
<td><strong>Indians</strong></td>
<td><strong>Average percentage</strong></td>
</tr>
<tr>
<td>Burgers</td>
<td>24%</td>
<td>27.3%</td>
<td>23.7%</td>
<td>26.9%</td>
<td>25%</td>
</tr>
<tr>
<td>Chicken</td>
<td>14%</td>
<td>27.3%</td>
<td>15.8%</td>
<td>23.1%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Chips</td>
<td>8%</td>
<td>18.2%</td>
<td>10.5%</td>
<td>7.7%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Pizza</td>
<td>14%</td>
<td>0%</td>
<td>7.9%</td>
<td>15.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Mixed grills</td>
<td>10%</td>
<td>9.1%</td>
<td>10.5%</td>
<td>0%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Indian food</td>
<td>6%</td>
<td>4.5%</td>
<td>10.5%</td>
<td>3.8%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Fish</td>
<td>4%</td>
<td>9.1%</td>
<td>2.6%</td>
<td>11.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Pies</td>
<td>10%</td>
<td>0%</td>
<td>5.3%</td>
<td>0%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Pasta</td>
<td>4%</td>
<td>4.5%</td>
<td>5.3%</td>
<td>0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Toasted sand</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
<td>3.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Health food</td>
<td>0%</td>
<td>0%</td>
<td>7.9%</td>
<td>7.7%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>
The findings indicate that the black respondents ranked pies and pizzas very low in their choice of fast food. This could be attributed to the fact that these consumers are moving away from purchasing low cost budget products to products of higher quality and value. These findings provided vital information to fast food outlets regarding the pie and pizza market and its inclusion in the product mix and will therefore be elaborated further in chapter five.

**Question 7:**

What single factor most affects your choice of food?

**TABLE 4.7 Evaluation of factors that affect the respondent’s choice of food in Question 7.**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of food</td>
<td>Average 13 (13.33)</td>
<td>16.67%</td>
</tr>
<tr>
<td>Taste of food</td>
<td>Average 9 (9.78)</td>
<td>12.22%</td>
</tr>
<tr>
<td>Cleanliness of outlet</td>
<td>Average 9 (9.78)</td>
<td>12.22%</td>
</tr>
<tr>
<td>Price</td>
<td>Average 5 (5.33)</td>
<td>6.67%</td>
</tr>
<tr>
<td>Quality of service</td>
<td>Average 5 (5.33)</td>
<td>6.67%</td>
</tr>
<tr>
<td>Staff friendliness</td>
<td>Average 4 (4.45)</td>
<td>5.56%</td>
</tr>
<tr>
<td>Personal cravings</td>
<td>Average 4 (4.45)</td>
<td>5.56%</td>
</tr>
<tr>
<td>Physical appearance</td>
<td>Average 4 (3.55)</td>
<td>4.44%</td>
</tr>
<tr>
<td>Family</td>
<td>Average 4 (3.55)</td>
<td>4.44%</td>
</tr>
<tr>
<td>Past experience</td>
<td>Average 4 (3.55)</td>
<td>4.44%</td>
</tr>
<tr>
<td>Quantity of portions</td>
<td>Average 4 (3.55)</td>
<td>4.44%</td>
</tr>
<tr>
<td>Speed of service</td>
<td>Average 3 (2.66)</td>
<td>3.33%</td>
</tr>
<tr>
<td>Preparation</td>
<td>Average 3 (2.66)</td>
<td>3.33%</td>
</tr>
<tr>
<td>Health considerations</td>
<td>Average 3 (2.66)</td>
<td>3.33%</td>
</tr>
<tr>
<td>Delivery service</td>
<td>Average 2 (1.76)</td>
<td>2.22%</td>
</tr>
<tr>
<td>Trading hours</td>
<td>Average 2 (1.76)</td>
<td>2.22%</td>
</tr>
<tr>
<td>Location</td>
<td>Average 1 (0.88)</td>
<td>1.11%</td>
</tr>
<tr>
<td>Religion</td>
<td>Average 1 (0.88)</td>
<td>1.11%</td>
</tr>
</tbody>
</table>

From the results it is evident that the quality and taste of the food took precedence over the product price. The respondents were prepared to pay a premium price for a quality product. This could be attributed to the fact that the respondents interviewed
at the shopping malls were mostly representative of the middle to upper income groups.

An element of surprise from the above responses is the low percentage allocated to location (place) in the marketing mix. In the service industry it is generally presumed by most marketers that location is placed a lot higher in the marketing mix. This result indicated that the respondents preferred a quality product and were prepared to forgo the convenience of location and price to obtain it.

**Question 8:**

How do you think a fast food outlet could attract more of your business?

**TABLE 4.8 Summary of results to how a fast food outlet could attract more of the respondents business in Question 8.**

<table>
<thead>
<tr>
<th>Customer criteria</th>
<th>Percent</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality service</td>
<td>15.84%</td>
<td>Average 12 (12.67)</td>
</tr>
<tr>
<td>Daily specials</td>
<td>12.87%</td>
<td>Average 10 (10.3)</td>
</tr>
<tr>
<td>Friendly staff</td>
<td>10.89%</td>
<td>Average 8 (8.72)</td>
</tr>
<tr>
<td>Good prices</td>
<td>9.90%</td>
<td>Average 7 (7.92)</td>
</tr>
<tr>
<td>Menu variety</td>
<td>9.90%</td>
<td>Average 7 (7.92)</td>
</tr>
<tr>
<td>Advertising and promotions</td>
<td>9.90%</td>
<td>Average 7 (7.92)</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>6.93%</td>
<td>Average 5 (5.54)</td>
</tr>
<tr>
<td>Good food</td>
<td>6.93%</td>
<td>Average 5 (5.54)</td>
</tr>
<tr>
<td>Value for money</td>
<td>3.96%</td>
<td>Average 3 (3.17)</td>
</tr>
<tr>
<td>Menu flexibility</td>
<td>3.96%</td>
<td>Average 3 (3.17)</td>
</tr>
<tr>
<td>Speed of service</td>
<td>2.97%</td>
<td>Average 2 (2.38)</td>
</tr>
<tr>
<td>Availability of delivery service</td>
<td>1.98%</td>
<td>Average 2 (1.58)</td>
</tr>
</tbody>
</table>

**Reputation**  
1.98% Average 2 (1.58)

Location | 0.99% Average 1 (0.79)
Longer trading hours | 0.99% Average 1 (0.79)

The results from this question indicated that the respondents placed more emphasis on the importance of product price than in question seven. This was mainly attributed to the lower to middle income respondents who worked in the vicinity and frequented the fast food outlets on a daily basis during their lunch breaks. This response also
attributed to the high response for daily specials (12.87%) as a means to overcome the high prices. From the findings it is evident that respondents that travelled a substantial distance to obtain the product were attracted by the quality and preference for the product whereas the local passing trade were attracted to the outlet initially because of price discounts. These findings provide useful information to fast food outlets for targeting the different market segments.

**Question 9:**

Was the service that you received from your most recent visit to a fast food outlet satisfactory? Please explain.

**TABLE 4.9 Evaluation of the respondent’s satisfaction to a recent visit to a fast food outlet in Question 9.**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Percentage satisfied</th>
<th>Percentage dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whites</td>
<td>92.3%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Blacks</td>
<td>87.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Coloureds</td>
<td>85.7%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Indians</td>
<td>83.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Average response</td>
<td>87.2%</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

Of the respondents interview 87.2% were satisfied while 12.8% were dissatisfied. The satisfied respondents attributed their satisfaction, in order of importance to the following:
• Friendly staff
• Fast processing of orders
• Good service.
• Quality food.
• Clean premise
• Tasty food

The dissatisfied respondents attributed their dissatisfaction to the following:

• High prices compared to the portions served.
• Inattentive staff
• Unfriendly staff
• Incorrect orders received
• Hot meals being served cold.
• Dirty premises

The respondent satisfaction or dissatisfaction was directly linked to the pleasantness of the shopping experience they received at the various fast food outlets. This experience ranged from the friendly and efficient service of staff members, quality of food to the physical appearance of the outlet. The rapport between the respondent and staff also significantly contributed to the respondent’s satisfaction and this will be further elaborated on in chapter five.
Question 10:

TABLE 4.10 Summary of personal particulars of respondents.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Home Language</th>
<th>Sex</th>
<th>Marital status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Xhosa</td>
<td>Other</td>
<td>English</td>
</tr>
<tr>
<td>White:</td>
<td>0%</td>
<td>0%</td>
<td>80%</td>
</tr>
<tr>
<td>Blacks:</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Coloured:</td>
<td>0%</td>
<td>0%</td>
<td>76%</td>
</tr>
<tr>
<td>Asian:</td>
<td>0%</td>
<td>10.5%</td>
<td>89.5%</td>
</tr>
</tbody>
</table>

Age Group

<table>
<thead>
<tr>
<th>Respondents</th>
<th>16 – 25 years</th>
<th>26 – 35 years</th>
<th>36 – 45 years</th>
<th>46 and older</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>Whites</td>
<td>34.6%</td>
<td>34.6%</td>
<td>23.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Blacks</td>
<td>18.75%</td>
<td>56.25%</td>
<td>18.75%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Coloureds</td>
<td>19%</td>
<td>38.1%</td>
<td>28.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Asians</td>
<td>33.33%</td>
<td>55.55%</td>
<td>0%</td>
<td>11.11%</td>
</tr>
<tr>
<td>Average percent</td>
<td>26.42%</td>
<td>46.13%</td>
<td>17.61%</td>
<td>8.80%</td>
</tr>
</tbody>
</table>
iii. **Interpretation**

From the results, it is evident that the respondents regarded the cleanliness of the food outlet and staff, the quality of service and food, the friendliness of the staff and the location of the outlet as extremely important in their choice of fast food outlet. Product taste, quantity of portions received, product familiarity, and religion, trading hours and staff professionalism formed their secondary reasons for choice of food outlet. The majority of the respondents chose lunch and supper as the meal most frequently purchased while information about the fast food outlet was gained through television, friends and past experience. The respondents also chose burgers, chicken, chips and pizza as the food they most regularly ordered. Respondents quoted friendly staff, satisfactory speed of processing orders, good service and product taste as reason for their satisfaction to a recent visit of a fast food outlet. High prices, unfriendly staff and dirty premises were motivated as reasons for their dissatisfaction with the fast food outlet.

From the findings it is evident that the product price and daily specials played a significant role in initially attracting the respondents to the food outlet. However once the products had been consumed and enjoyed by the respondent’s, price played a lesser role than product value and quality in determining their choice of fast food outlet. These findings are important and can be used by fast food outlets to stimulate market growth and development.

The evidence suggests that to achieve significant market growth and success, fast food outlets and franchisers need to concentrate on the development of an effective customer relationship marketing strategy, which should be reinforced through the innovative use of the marketing mix. This includes the use of quality products, realistic prices and discounts, clean and fun filled eating environments, friendly and knowledgeable customer focused staff and catchy television promotions as a basis for their strategy formulation process.
The level of non-respondents encountered was of no significance, as the non-probability quota sample method was utilised. Two marketing students from Damelin were used to assist in conducting the research and all interviewers observed a willingness of all respondents to participate. Any possible bias generated by non-response was eliminated due to the full quota being obtained for all population groups.

4.4 QUALITATIVE RESEARCH UNDERTAKEN WITH FAST FOOD FRANCHISERS IN THE EAST LONDON REGION

i. Sample

Due to the geographical limitations of this study and the financial constraints, it was decided to develop a convenience sample of fast food outlets on which to conduct the research.

An in-depth interview in the form of a discussion was undertaken with Jason Stone, manager of Debonairs Pizza, Nolan Naidoo, operations manager of Nandos, Aubrey Fortune, owner/manager of Guidos Pizza and Poovaneswari Rajah, owner/manageress of Chilli Bites, an independent fast food outlet in East London, with the purpose of identifying specific strategies that contributed to the success of their franchises. The methodology used was that of a semi-structured checklist (Annexure 1) to guide the questioning process. The majority of the questions asked were open ended to maintain a high degree of flexibility and to encourage a higher level of participation. The checklist merely served as a guide and was not strictly adhered to, as all the respondents showed a keen interest and willingness to participate and were eager to provide additional information. However, not all information was given due to the sensitivity and confidentiality of the information requested.
ii. Findings

The findings were as follows:

**Question 1**

How are market growth and development strategies determined in the organisation?

The study revealed that national market growth and development strategies were determined at head office while the management team of the individual outlets determined their own local growth strategies, as they were closer to their market. The local strategy determination process involved extensive analysis of the external and internal environments to identify the outlets strengths, weaknesses, opportunities and threats (SWOT Analysis). The results from the SWOT Analysis were then utilised to determine the daily and monthly marketing objectives for growth and development. The national strategies were often linked to national events such as the Big Brother television production and local strategies linked to local community events.

**Question 2**

What do you see as your companies’ formula for successful growth and development?

All respondents agreed that their exceptional growth rate and success was due to the image they projected in the market and to the development of their brand identity and brand integrity. All products were marketed as brands and not as mere products. This marketing involved the innovative use of the 7P’s to create brand awareness and identity. Nandos and Chilli Bites attributed their success to the development of a unique tasting product (differentiation strategy) that delighted the customer and exceeded their expectations. This strategy was complimenting by a customised standardisation strategy, which further enhanced the product attributes. Nandos and Guidos believed that their exceptional product quality, service, physical attributes
such as store layout and cleanliness, customer relationship marketing together with the owner’s personal involvement in the daily operation of the outlet was their primary reasons for their successful growth and development.

Question 3

How is the marketing mix used to achieve growth, development and a competitive advantage?

From the responses it is evident that pricing strategy – determined at head office - in the form of product discounts and in store promotions were used to initially attract customers to the outlet. Once these customers had participated in the eating experienced of the individual stores, the competition changed from pricing strategy to product and service quality and to the personal relationships formed between customers and the staff and management. Aubrey Fortune maintains that once the customer had experienced their hospitality and high quality products and service, price became of little concern to the customer as they changed from first time users to regular users of his service. This view was confirmed by Nolan Naidoo of Nandos who suggested that the pricing of their products were often not as competitive as their competition but that the unique product taste and service ensured that customers frequently returned to their store to enjoy the eating experience. Nolan Naidoo also suggested that the physical appearance of the store had a significant impact on the purchasing behaviour of the customers. He maintains that often the food outlets become tired in its appearance and that a change in the décor created an atmosphere of excitement and rejuvenation, which often stimulates the customers to enter the store to purchase goods. Cleanliness of the store and catchy national television promotions and centralised buying also played a significant role in the growth of his outlet.

Aubrey Fortune maintains that his leadership style played a role in the organisational growth and development of his outlet through encouraging a culture of entrepreneurship and learning. The staff was encouraged to view the business as their
own and were empowered to make decisions that would mutually benefit the customer and business alike.

From the study it became evident that the main objectives of the marketing mix is to achieve the following:

- Maintain brand identity
- Ensure brand integrity
- Increase frequency of purchases
- Increase visibility within the market place
- Stimulate trial amongst new customers and existing customers
- Build community and customer relations

These objectives were promoted through the sponsorship of local community events and charities, in-store daily special offers, frequent purchase discounts offers, “knocking and dropping” of pamphlets and flyers which offer discount of up to 50% upon presentation at the store when making a purchase. These flyers were also used as means to increase brand and store visibility in the market. Other strategies include the sponsorship of individual runners at events such as the Comrades Marathon.

**Question 4**

What is your company’s unique marketing position?

The respondents indicated that customers perceived them as food outlets providing a unique quality product and service that is consistently good at any location nationally where the physical layout and setting of the store, price and menu is standardised nationally to create a sense of familiarity to the customer. Nandos and Guidos position is to bridge the gap between fast food outlets and restaurants by providing a service that takes care of the customer who prefers to be waited on at a table and those that want to take food away. Guidos also attempts to project an image of a family restaurant by providing children’s play facilities at their outlet.
Question 5

What is your company’s unique selling position?

Debonairs unique selling position is the ability to deliver their product within 40 minutes to the customer’s doorstep while Chilli Bites, Nandos and Guidos unique selling position is in the authentic and unique taste of its products and service.

4.5 CONCLUSIONS

Marketing research, whether basic or applied, is designed to solve and identify problems. The researcher must therefore find techniques to quantify the phenomena confronted in the market place. This chapter began with a discussion of research methodologies to place things in perspective, followed by the application of the selected techniques.

As research methods are not fallible, the researcher opted to use both quantitative and qualitative research techniques, as referred to by Leedy (1997: 169) as triangulation to improve the reliability and validity of the study. The researcher is of the opinion that there is no supreme methodology and this study therefore includes both techniques.

The quantitative research undertaken with the patrons of fast food franchises focused on the sources of input stimuli of the buyer’s criteria for selecting a fast food outlet in order to determine whether there was a significant correlation between the marketing strategies of franchise organisations and the expectations of the buyer. This study reveals that there is a significant relationship between the marketing strategies of the fast food outlet and the expectations of the patrons. This is evident in the marketer’s attempts to exceed the customer’s expectation through providing an augmented product and service and closer relations.
The individual interviews undertaken with the representatives of the various franchise organisations were found to be highly informative and effective, as the findings indicate. The respondents were found to be spontaneous with their replies often volunteering additional information. The purpose of these interviews was to allow the researcher to identify strategies that led to successful market growth and organisational development of fast food franchise outlets as discussed in Chapters two and three.

Finally, the researcher’s interpretation, conclusions and recommendations about these findings are given in Chapter five.
CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSIONS
AND RECOMMENDATIONS

5.1 INTRODUCTION

In recent years Africa’s importance in the global economy was in sharp decline, with the continents share of the world Gross Domestic Product (GDP) dropping by more than 30% in the fifty years up to 2000 while exports declined by more than 60% during the same period. The success of South Africa’s (SA’s) resurgence as being of economic importance depend heavily on the private sector and more importantly on the entrepreneurial spirit the country can harness and develop. SA must therefore develop entrepreneurs if they wish to break the shackles of poverty. Executive director of the Franchise Association of South Africa, Nic Louw, believes that franchising is a proven business concept worldwide and a successful way for small countries to develop small enterprise strategies. (Franchising Africa June/July 2002: 3)

An Article in the Business Times http://www.btimes.co.za/98/1025/survey/survey09.htm (1998) mentions that the runaway success of franchising globally has opened up business opportunities never before imagined - with franchises recognised as symbols of value, quality and consistency in a rapidly growing business sector, which now spans about 70 industries. Franchising is no longer the domain of the United States as it is becoming more indigenous. Homegrown franchisers are becoming the norm with SA experiencing a spurt of new low-cost entry franchise systems and concepts. The African Development Bank believes that there is a need to encourage homegrown concepts that could be duplicated through the franchise method (Franchising Africa, June 2002: 48).
Franchising, often regarded as simply the duplication of convenience stores and fast-food outlets, could hold the key to SA's unemployment problem, and contribute substantially to the acceleration of economic growth. An article by Justin Palmer, (Business Times, 20 June 1999) mentions that it is estimated that for every franchise opened, 15 people are directly employed. However, in the US research has shown that true job-creation benefits lie outside the franchise itself. For every new franchise, 32 jobs are created and maintained, not by the franchise but because of it. The entry of McDonald's in SA illustrates this. Since opening, the company has employed about 4 500 people. It has also created jobs for companies involved in building the restaurants and supplying signage, packaging, printing, furniture and ingredients. Franchising also enables skills transfer at a time when a skills shortage remains one of the main stumbling blocks to job-creation. Franchising currently accounts for 9% of GDP. In Australia this figure is 25% and industry experts hope that SA can reach a similar figure within the next five years. Because of these benefits, the government is working closely with SA's franchising watchdog, the Franchising Association of South Africa, to promote franchising and align it with SA's Growth, Employment and Redistribution Policy (Gear).

At present, an impediment to potential entrepreneurs is the availability of money to finance the franchises. Steps are however being taken to counter this. The first step is a trend away from franchises that require high start-up capital, to low-cost franchises requiring less than R100 000 to start. Banks are also often accepting a lower deposit for a franchise, with a significant portion of the remaining cost then being financed. The Department of Trade and Industry (DTI), through its investment arm, Khula Finance, is also looking at creative ways to assist previously disadvantaged entrepreneurs, referred to by the department as "emerging entrepreneurs". One way is by introducing franchise support consultants in each province to help people draw up business plans. Khula Enterprise finance managing Director Sizwe Tati (Franchise Africa, June/July 2002: 40) reiterates that they strongly endorse the role of franchising as a means of overcoming the skills gap as it provides an appropriate incubation environment, particularly for those people new to entrepreneurship – it minimises the risk of business failure by providing a package of support services. The DTI is also hoping to set up an Emerging Entrepreneur Franchise Fund to which
emerging entrepreneurs will have access. The fund will be a joint venture between government and the private sector.

In essence, franchising can be regarded as an important catalyst to generate employment, contribute to a more equitable income distribution, activate competition, exploit niche markets, and enhance productivity and technical change - and through all of this, to stimulate economic development. It also fulfils the quest for independence and the desire to accept responsibility for one's own well being. Government has also shown an interest in franchising as it can help stimulate the economy through job creation and skills transfer, which all ties in with the government's policy of promoting economic growth and productivity. This research has therefore focused on determining the growth and development strategies utilised by successful franchise organisations so that these strategies could be used as a strategic implementation guide by emerging entrepreneurs in the fast food industry.

5.2 INTERPRETATION OF FINDINGS

5.2.1 An interpretation of the customer’s survey

An analysis of the customer’s perceptions and preferences in the quantitative research of fast food franchise outlets indicated that customers expected a high quality product and service that satisfied their individual needs in taste, physical setting and customer/staff interaction.

The findings in the questionnaire indicated that a large percentage of the patrons surveyed at the fast food outlets were unmarried males and married females between the ages of 26 and 35 years who frequented fast food outlets for lunch and supper. Patrons between these ages normally have active social lives, which presents opportunities for late night trading. This could take the form of coffee bars where the patrons could meet make new acquaintances and friends and are encouraged to linger and socialise in an informal secure environment. The findings also indicate that a large percentage of females are entering the economic sector resulting in them
spending less time preparing meals at home and more time obtaining food from fast food establishments. Hence, opportunities for market exploitation and segmentation targeting which could take the form of niche specialisation where affordable products in the form of television dinners and daily lunch boxes could be designed to cater for the unmarried patrons needs. Alternatively strategies could be designed for instance, to attract married and dual career couples and families by providing discounted value meals in the form of family packages that catered for families of four, six or eight members. The physical setting could also be structured to cater for unmarried patrons and families by making it a fun place to go to. Further strategies could be designed to encourage patrons to utilise the breakfast facilities, which was discovered to be hugely under utilised.

The findings also indicate that the respondents obtained most of the information about the fast food franchises through television promotions, friends and from past experience. These findings were uniform for all population groups surveyed and should be regarded by fast food outlets as an important medium of communication between them and their customers.

Another effective informal medium of communication is the use of the grapevine through friends and past experience. Fast food outlets should encourage this grapevine type of communication by providing an augmented, differentiated product and service that generates excitement and communication amongst its patrons. In this way the integrity of the outlet could be established thereby promoting brand loyalty and preference. This strategy should be used by smaller operations as a means of communicating and obtaining market growth.

For market targeting purposes the findings indicated that the coloured population groups obtained additional information about fast food outlets from newspaper and radio advertisements while the Black population groups obtained their information from magazines. Past experience and magazine promotions was of little significance to the Coloureds while the White and Indian population groups preferred recommendations from friends, family and colleagues and therefore rated
newspapers, magazines and radio advertisements much lower than the Coloured and Black population groups.

From the results of the survey it is evident that for fast food outlets and franchises to obtain rapid market penetration and growth in sales, they should utilise television as the ultimate medium to convey their message. Throughout the life cycle of the fast food outlets, television promotions should be used as the medium to build the brand and generate brand awareness and interest. It is for this reason that obtaining national television exposure is important and that fast food outlets should belong to a franchise group that has the financial capability to conduct national campaigns.

The majority of the respondents regarded burgers, chicken and chips as the food of choice. This provided important information to fast food outlets as to the type of products that should be kept as part of the product range to attract a wider market. This information also indicates that further opportunities exist for exploitation of the burger and chicken market. Another significant finding is the low percentages allocated to pizzas and pies as an alternate choice of fast food by the black respondents. This finding can be attributed to the high cost of pies and pizzas in the shopping malls where high rentals played and important role in the final product cost.

A shortcoming of this research is the fact that the survey was done in shopping malls and high-density middle to up market food areas. Should this survey have covered the central business districts the results for pizzas and pies may have been different. This information indicates that the market for pizzas and pies in the up market areas are becoming saturated due to the price and that these products should be used to widen the product range and not as a main product line. This finding therefore supports the need for a low cost budget product at the shopping malls, which ultimately creates an opportunity for the development of a new product that can be investigated further.

A surprising result from this research was the low percentage of respondents who regarded location as an important factor in their choice of fast food outlet. These findings were attributed largely to factors such as quality of food, taste, physical cleanliness of the outlet and the quality of service they received. It would appear that customers were prepared to forgo the convenience of location in order to get a quality
product that would satisfy their personal taste and where the physical setting was conducive to the consumption of the product. The findings also revealed that patrons who frequented fast food outlets derived maximum satisfaction from the outlets when the staff was friendly, professional and knowledgeable about the products and services on offer and where they were recognised as frequent users of the service. The respondents enjoyed being addressed by name and given the preferential treatment expected of frequent users. This information is valuable to fast food franchises as it could be used to improve customer relationship marketing strategies, which could contribute to repeat purchase and loyalty thereby locking in customers to the service. These relationship-marketing strategies could take the form of customer loyalty cards, which offer patrons a discount after a certain amount of purchases have been made at the store. A major cause for dissatisfaction amongst the patrons was the high prices of products in relation to the quantity of portions received and unfriendly staff. To address the issues of high prices the findings indicated that this could be overcome by the introduction of daily specials. Despite this the findings also indicated that a significant amount of respondent were prepared to pay a premium price for a premium product.

5.2.2 An interpretation of the interview with fast food outlet managers

From the findings it is evident that a great deal of time is spent by fast food outlets on strategising to maximise market growth. To grow and remain competitive, fast food outlets have to continuously market their offering to achieve maximum awareness and visibility. They also needed to be aware of developments in their environment in order to stay ahead of the competition. To maintain growth and a position of leadership, according to Jason Stone, Debonairs have developed a Locality Marketing Kit (LMK), which it utilises to penetrate its market, increase sales and build its brand name. This LMK involves marketing by objectives, which could be daily, weekly, monthly or annual objectives, which are determined by the local management team. With this LMK the internal and external environment is scanned for opportunities that may present itself and contribute to growth.
Christo Calitz, (2002: 44), chief executive officer of Pleasure Foods maintains that the decentralised approach to strategy determination has resulted in success for Wimpy as under a centralised management Wimpy’s growth was minimal, but picked up as soon as it had its own dedicated team to look after the interest of its brand and maintain its singular character.

The interviews with Nandos revealed that the success of the franchised outlets was largely dependent on the image projected and the well-entrenched brand identity and brand integrity. Jean Lambrechts, joint managing director of King's franchise division and founder of the Saddles chain, believes that: “Customer impressions are made within the first 20 seconds of entering the restaurant. Is the manager there to greet the guests and escort them to their table? Are the staff well turned out and friendly? Are staff skills sufficient to create a professional image? These are the basics of the restaurant trade but they are frequently overlooked” http://www.btimes.co.za/97/0907/survey/survey3.htm (1997). These findings were consistent with those of the respondents in the customer survey. It is therefore essential that franchise strategies be formulated so that these issues are addressed.

While location is still an important factor, the findings indicate that it is no longer as important as the quality of the product and service provided. A recent survey by King Consolidated http://www.btimes.co.za/97/0907/survey/survey3.htm (1997) into what factors influenced customers’ choice of restaurant revealed that security was placed at the top of the list followed by the availability of secure parking, price, menu content and the availability of a children's menu. The factors that influenced customers' decision to return to the same restaurant were staff skills, staff appearance and music.

Jason Stone believes that co-branding their outlets has also contributed to the success of the Debonairs franchise as they attract more customers by offering them a greater variety of choice at a single destination. This view is confirmed by Alberts (2002: 4) who suggest “a centre with one lone brand is perceived by customers as a dead centre that must be avoided”.

civ
From the findings obtained through the interviews with the various role players in the fast food industry it is evident that the strategies utilised by the fast food outlets are in synch with the expectations of the patrons to these outlets. The managers of the outlets all agreed that customer satisfaction was an essential ingredient to their success and was integral to their strategy formulation. Success was also achieve through maintaining a product and service that customers perceived to be unique and of high value, through exceptional customer service, through relationship marketing and providing a unique eating experience by creating an exciting and fun environment where families and singles could enjoy themselves. To sustain this success management needed to continuously scan the environment to ensure that they were abreast of developments in the market place and in tune with their customer’s needs, which were addressed through adapting the marketing mix to various stimuli in the market place.

The major objective of this research was to determine the strategies that resulted in the successful growth and development of fast food franchise outlets. In order for fast food organisations to develop these strategies they need to firstly understand their target market by determining its demographics, socio-economic conditions, attitudes, culture, what motivates them to purchase and what they regard as achieving maximum utility from the products and services on offer. Once these factors are known then only can specific strategies be designed for market growth and development.

5.3 **SUCCINCT OVERVIEW OF CHAPTERS**

5.3.1 **Chapter 1**

In the first chapter, the significance of franchising success in the South African economy is discussed with particular emphasis on the business survival and growth and the contribution it can make to economic empowerment and employment. The main research problem and sub-problems were defined, the research methodology discussed, and the significance of the research was comprehensively outlined.
5.3.2 Chapter 2

In Chapter two the focus centred on the generic market growth and organisational development strategies that fast food organisations could utilise to achieve significant growth in their market. From this study the Johnson and Scholes model, “Directions for strategy development” was found to be the most comprehensive model for strategic directions an organisation could explore in terms of market growth.

5.3.3 Chapter 3

Chapter three examined specific growth strategies utilised by the different fast food franchise outlets. It was apparent that a huge amount of emphasis was placed on the 4 P’s in achieving market growth and development. Additional P’s such as People, Process and Physical was also identified as a major contributor to the success and growth of the fast food outlets.

5.3.4 Chapter 4

Chapter four, the penultimate chapter, contained a detailed analysis of the research design and methodology. Qualitative and quantitative research techniques were defined and their relevance to the study was discussed. The concept of triangulation was expanded as a method of improving the reliability and validity of the study. The application of the research methodologies was shown, the employment of the surveys explained, and the results presented.

5.3.5 Chapter 5

The last chapter, Chapter five answers the key questions posed in Chapter one. This chapter also contains a summary of the various chapters of this study, the research
findings and conclusions, and a number of recommendations that emanated from the study.

5.4 CONCLUSIONS

The recent transformation in South Africa coupled with economic empowerment, high unemployment and retrenchments has presented many opportunities for emerging entrepreneurs with novel ethnic ideas that could be developed into successful franchise operations.

The verisimilitude of the above-mentioned statement motivated the direction of this study. The main problem of this study was: “To identify strategic market growth and development strategies that will enable a selected fast food outlet to be converted into a successful franchise operation”.

Although no single strategy could be attributed to the growth and development of a fast food franchise outlet, the author suggest that:

- for a fast food outlet to grow and sustain a competitive advantage, it needed to address the concerns of the customers and the criteria that they regard as essential in attracting them to the outlet, as indicated in the customer survey (quantitative research) in Chapter four. From this survey, significant value was placed by the respondent on the quality of the product and service and the relationship between the staff and customer during and after the transactions.
- innovative use of the marketing mix to develop the product as a brand in order to achieve brand identity and integrity, development of an organisational culture of learning and entrepreneurship and adapting the organisational structures to facilitate the new culture.
- the creation of an exciting and fun filled environment that is fresh in appearance, coupled with a differentiated and novel eating experience. These
aspects were addressed in the personal interviews (qualitative research) with the managers of the various fast food outlets in Chapter four.

- develop a product and service that is distinctive and noticeable from its competitors that can be branded at inception, and thoroughly tested under various market conditions, preferably at a pilot outlet. A high degree of standardisation should also be developed in the product/service, the way the product/service is sold, and in the overall image and appearance of the outlet as highlighted in the literature review (chapter three) and qualitative research (chapter four).

- development of a locality marketing kit as discussed in the qualitative research, that can be utilise as a strategic tool in the local planning process of the marketing strategies for penetrating the market and increasing sales.

From the main problem, the following sub-problems were formulated:

i. What market growth and development strategies can a fast food outlet utilise?
ii. What are the requirements of a successful franchise?
iii. How can the results of (i) and (ii) be integrated and utilised to develop an implementation plan for converting an existing operation into a future successful franchise operation?

These problems were addressed in Chapters two and three and verified by the results of the research undertaken in Chapter four as stipulated in the conclusions reached in the above statements and the recommendations for fast food franchisers.

To incorporate the results of the two questions posed in sub problem (i) and (ii) the author compiled the information in the research to develop the Strategic Organisational Growth and Development Model (Figure 5.1) which is based upon developing brand awareness and identity through establishing a customer focused marketing culture. With this model, strategies are formulated by continuously analysing the competitive forces in the external and internal environment to determine the organisations strengths, weaknesses, opportunities and threats. Based on the outcomes of the SWOT analyses decisions are made to develop new
competencies or to build on existing competencies in order to penetrate the market. These decisions are then implemented by innovatively utilising the marketing mix so that it could contribute to growth and a sustained competitive advantage by penetrating the market externally and developing the business internally.

The researcher acknowledges that the rapid transformation currently taking place in the South African market and the use of the electronic media as a means of conducting transactions could impose consequential deviations, which could affect the findings of this study within the medium term (five years).

5.5 RECOMMENDATIONS

The recommendations that flow from this research can be divided into two sections, viz. guidelines for potential franchisers in the fast food industry, and recommendations for future research.

5.5.1 Guidelines for potential fast food franchisers

i. Given the significance attached to the product quality and service by the respondents, fast food outlets and franchisers should strive to maintain continuous quality excellence in an augmented product and service that exceeds the customer’s expectations.

ii. Due to the significance attached to the price of the product, specific strategies that integrate customer loyalty and frequency of purchase should be developed and these should incorporate affordable options in the form of specials, discounts and vouchers to initially attract customers to the outlet.

iii. Fast food outlets need to pay specific attention to television and word of mouth communication in order to meet the high value attached to television, friends and past experience as a stimulus input.

v. Entrepreneurs should make substantial investments in personal commitment in time and effort to ensure the well being of the fast food outlet because as highlighted in the interviews with the various managers, this gave the patrons a favourable impression of the food outlet in terms of its commitments to service.

5.5.2 Recommendations for future research

Based on the outcomes of this research, the following recommendations are put forward for consideration regarding future research into the fast food franchise market:

i. An in-depth study of the design and development of an effective customer service and relationship oriented organisational structure and culture for sustaining competitive advantage and growth in a fast food outlet.

ii. An in-depth study of the design and development of an effective competitive intelligence and consumer information system for the fast food industry.
REFERENCES


Pretoria: Franchise Association of Southern Africa.


ANNEXURE 1

EXECUTIVE INTERVIEW – CHECKLIST

1. What factors contributed to the growth of the franchise?

2. How are the 4P’s, Product Price Place and Promotion of the marketing mix used to achieve a competitive advantage?

3. How often are new products introduced and what effect does new product introduction have on the growth of the business and staff morale?

4. Is your menu standardised for different geographical area? If no, then what considerations are taken into account during menu design for the different geographical location?

5. What criteria are taken into consideration in the formulation of product prices? (e.g. competitor prices, market penetration, profit maximisation)

6. How is customer loyalty and repeat purchases promoted and sustained?

7. How is advertising and promotion used to gain brand identity, recognition and market penetration?

8. What is your company’s view in respect of strategic alliances and co-branding methods with other fast food outlets as a growth strategy?
9 Does the location of your outlet have any significant impact on the growth of the business? Please explain.

10 What criteria are used in locating the position of the store?

11 Does the location of the production facilities have any impact on the growth of the business? Please explain.

12 What physical attributes would you consider as important in attracting customers to the outlet?

13 What type of organisational culture is promoted in the organisation and does this culture contribute to the growth and development of the organisation?

14 What type of leadership style is prevalent in the organisation and does it impact on the business growth?

15 Is frontline staff empowered to deal with daily problems that may arise? Please explain.

16 What would you regard as your company’s unique marketing position? (The position you hold in your customer’s minds and how your customers perceive you).
17 What would you regard as your company's unique selling proposition (USP)? (What makes you unique and differentiates you from your competition or why do people use or purchase your products or services).

18 What organisational strategies would you regard as most important for the continued growth and development of a fast food franchise?

19 What do you see as your company's formula for success?

20 How do you believe competitive advantage can be sustained in your business or a franchise outlet in general?
ANNEXURE 2

TO BE COMPLETED BY THE PATRONS OF FAST FOOD OUTLETS.

1. Do you frequent fast food outlets at least once a month?
   - Yes - go to question 2
   - No - answer the rest of question 1

   If No, where do you most frequently eat?

   - At home?
   - Take food from home.
   - Mobile vending carts
   - Other

   Please specify: ..........................................................

   Why do you not utilise fast food outlets?
   ..........................................................................................

2. How often do you utilise fast food outlets?

<table>
<thead>
<tr>
<th>Three times a weeks?</th>
<th>Twice a week?</th>
<th>Once a week?</th>
<th>Twice a month</th>
<th>Once a month</th>
<th>Less than once a month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3 (a) How important were each of the following to you in deciding on your choice of fast food outlet?

<table>
<thead>
<tr>
<th>Purchasing decision criteria</th>
<th>Not at all important</th>
<th>Somewhat important</th>
<th>Very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience of location</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of a delivery service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price of meals offered</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion deals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of food available on the menu</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variety in the number of value meal combinations (menu variety)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputation of fast-food outlet</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recommendations from friends / family</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising campaigns</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The availability of specials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Novelties for children</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness of the outlet</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities for children (menus, play areas)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of seating and table facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customised standardisation (ability to alter products to suit personal preferences)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The speed of service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of service received</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of food</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friendliness of personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Product brand familiarity</td>
<td></td>
<td></td>
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<tr>
<td>The fact that it is a national outlet (e.g. Spur, Kentucky, McDonalds)</td>
<td></td>
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</tr>
</tbody>
</table>
3 (b) Please list any other factors that affect your choice of fast food outlet.

........................................................................................................................................................

4  For which meal do you most often frequent a fast food outlet?

☐  Supper
☐  Lunch
☐  Breakfast

5  Where did you obtain most of your information about the franchise or fast food outlet?

<table>
<thead>
<tr>
<th>Television</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td></td>
</tr>
<tr>
<td>Magazines</td>
<td></td>
</tr>
<tr>
<td>Newspapers</td>
<td></td>
</tr>
<tr>
<td>Past experience</td>
<td></td>
</tr>
<tr>
<td>Co-workers</td>
<td></td>
</tr>
<tr>
<td>Friends</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

6  What type of food do you most regularly order?

........................................................................................................................................................

7  What single factor most affects your choice of food?

........................................................................................................................................................

8  How do you think a fast food outlet could attract more of your business?

........................................................................................................................................................
9. Was the service that you received from your most recent visit to a fast food outlet satisfactory?

☐ Yes
☐ No

Please explain your answer

........................................................................................................................................................................

10. Personal Particulars

Home language: ☐ Afrikaans ☐ Xhosa ☐ English ☐ Other ………
(Specify)……………………

Sex: ☐ Female ☐ Male

Age

<table>
<thead>
<tr>
<th>16 – 25</th>
<th>26 - 35</th>
<th>36 - 45</th>
<th>46 and older</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Marital status: ☐ Married ☐ Unmarried

Number of children ………………..Ages …………………

Area of Residence …………………

THANK YOU FOR YOUR TIME AND EFFORT, IT IS GREATLY APPRECIATED

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