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journal homepage: [www.elsevier.com/locate/jretconser](http://www.elsevier.com/locate/jretconser)Retailer use of a professional social media network: Insights from franchising<sup>☆</sup>Manish Kacker<sup>a,\*</sup>, Rozenn Perrigot<sup>b</sup><sup>a</sup> DeGroote School of Business, McMaster University, 1280 Main St. W. Hamilton, ON, Canada L8S-4M4<sup>b</sup> Graduate School of Management (IGR-IAE), University of Rennes 1, Center for Research in Economics and Management (CREM UMR CNRS 6211), 11 rue Jean Macé-CS70803, 35708 Rennes Cedex 7, France

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## ABSTRACT

The adoption and use of a professional social media network by franchise chains is the focus of this paper. We draw on resource-based theory, institutional economic theories of incentives and externalities and multidisciplinary literatures on franchising, innovation adoption and interorganizational communication to link (i) franchisor characteristics and partnering strategies to the adoption and use of a professional social media network and (ii) the extent of use of this network by a franchisor to the number of followers of its network page. Hypotheses are empirically assessed using data on 500 US franchise chains from Entrepreneur's Annual Franchise 500 for 2011, content analysis of *LinkedIn* pages for 317 franchise chains in 2011 and number of followers in 2015. One key finding is that franchisor adoption of *LinkedIn* is positively influenced by franchise chain size, franchising fees and franchisor marketing communications and negatively affected by franchise concept complexity. A second important finding is that, among franchisors who adopt *LinkedIn*, the extent of use of *LinkedIn* is positively impacted by franchise chain size, franchising fees and negatively affected by franchise chain age. A third notable finding is that the number of followers of a franchisor's *LinkedIn* page in the short term is positively impacted by the extent of information about franchise chain and recruitment. A fourth key finding is that the number of followers in the longer term (2015) is positively impacted by whether the franchisor had a presence on *LinkedIn* in 2011 and, for these franchisors, by the number of followers in 2011.

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## 1. Introduction

Many retailers used partner firms to operate stores in their chains. In particular, retailers have frequently used franchising to develop their businesses (Watson et al., 2005). Franchising can be defined as “a contractual arrangement between two independent firms, whereby the franchisee pays the franchisor for the right to sell the franchisor's product and/or the right to use his trademark at a given place and for a certain period of time [...]. [T]he relationship between franchisor and franchisees “includes not only the product, service, and trademark, but the entire business format itself – a marketing strategy and plan, operating manuals and standards, quality control, and continuing two-way communication [...]”

(Lafontaine, 1992). For franchise chains, business growth often requires the addition of new units to the chain. Therefore, it is important that a franchisor selects high quality franchisees for new franchised units (Clarkin and Swavelly, 2006) as well as managers and employees for new company-owned units. The challenges in doing so are exacerbated by competition from other franchisors who are also trying to attract these prospective franchisees, managers and employees. Thus, it is not surprising that “[a] key constraint facing chain operators as they sought to grow was finding interested and qualified franchisees” (Bradach, 1998).

Franchisors increasingly use a wide range of communication strategies and media (including social media networks) to reach prospective franchisees (Perrigot et al., 2011), managers and employees. Franchising practitioners recognize the promise and challenges associated with using social media networks for this purpose – e.g., Betzendahl (2014) asks “how can social media promote franchise development? There isn't an easy answer. Perceptions and goals for social media vary from business to business”.

Social media networks have had a transformative impact on organizations and there is a rapidly growing body of research on

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social media networks and business (Aral et al., 2013). However, much of this research has focused on consumer-oriented networks (like Facebook and Twitter) and consumer marketing applications (for example, understanding what drives consumer engagement, brand sentiment and virality) rather than professional social media networks (like LinkedIn) and how firms use them to attract and retain employees and business partners. Moreover, while many firms have developed a presence on social media networks, there is considerable variation in when and how firms adopt and use these networks for marketing communications and other social enterprise development activities (Michaelidou et al., 2011; Perrigot et al., 2012). This variation, when coupled with the importance of social media networks, has led to calls for research that investigate how and why firms differ in their adoption and extent of use of interactive media and in the outcomes of their actions (Aral et al., 2013; Liang and Turban, 2011).

In this paper, we address the above-mentioned gaps in the literature on variations in adoption and use of social media (and, particularly, the adoption and use of professional social media networks for business marketing and enterprise management). The aim of our paper is to examine the use of a professional social media network (LinkedIn) by US franchisors<sup>1</sup> to attract prospective franchisees, managers and employees as well as reinforce their brand image. Specifically, the following research questions are addressed:

(i) What are the organizational characteristics and partnering strategies that determine if a franchisor will adopt a presence on LinkedIn?

(ii) Among franchise chains that use LinkedIn, what organizational characteristics and partnering strategies determine the extent of information provided on their LinkedIn pages?

(iii) Among franchise chains that adopt LinkedIn, what dimensions of the extent of information provided by the franchisor on its LinkedIn page explain its success in attracting followers in the short term? Does the adoption of LinkedIn by a franchise chain (and the number of followers) have an impact on the number of followers for the chain in the longer term?

By answering the three above-mentioned research questions, our research makes contributions to existing literatures on retailing, franchising, social media and organizational adoption of innovations. It also provides franchise professionals with useful insights on practices to be adopted.

The paper is organized as follows. In the next section, the literature is reviewed and the hypotheses are developed (based on the resource-based view and economic theories of externalities and incentives) for our three research questions. In the third section, data and measures are described. The findings of our empirical analyses are presented in the fourth section. In the fifth section, the theoretical contributions, managerial implications and limitations of our work are discussed and suggestions on topics for future research are provided.

## 2. Literature review and research hypotheses development

Given the transformative impact of social media networks on organizations, a franchisor's decision to invest in creating and maintaining a corporate presence on a professional social media

network in the relatively early or intermediate stages of the platform's life cycle is a form of organizational innovation adoption (Perrigot et al., 2012).

According to the resource-based view (Barney, 1991), a firm's resources include all assets, capabilities, organizational processes and knowledge that enable it to conceive and implement strategies that improve efficiency and effectiveness, create barriers to entry and result in a competitive advantage (Peteraf, 1993) – one such set of strategies revolves around the adoption and use of innovations (e.g., professional social media networks) by the firm.

A resource has to be valuable, rare, inimitable and non-substitutable in order for it to deliver a sustainable competitive advantage to the firm (Barney, 1991). Consequently, the resource-based view is particularly relevant for analysing franchisors' strategies because intangible assets (brand name, reputation, franchise concept, business processes, know-how and training) play a key role in franchising and the design of franchisor strategies. Several chain characteristics and partnering strategies – chain size, chain age, franchising fees, the percentage of company-owned stores within the chain, franchise concept complexity, franchisee qualification requirements and franchisor marketing communications – reflect franchisor resources and capabilities. Institutional economics theories of externalities and incentives have been previously used to study franchising (e.g., Barthélemy, 2011; Blair and Lafontaine, 2005; Lafontaine, 1992) and they offer additional insights on how some of the above-mentioned franchisor characteristics and partnering strategies influence franchisor adoption and use of professional social media networks.

### 2.1. Organizational adoption and extent of use of a professional social media network

A positive association between organizational resources and organizational innovation adoption can be attributed to direct effects such as the availability of human, financial, business and technology resources (Wang and Cheung, 2004) for adopting the innovation. There may also be an indirect connection, since greater resource endowments may lead to capabilities and orientations that enable fuller realization of the advantages of being an adopter of the innovation. For example, an abundance of resources allows a firm to take on risks and treat the investment in adopting innovations as a 'real option' (Fichman, 2004).

Among firms that adopt an innovation, there is a positive association between organizational resources and the extent or the intensity with which the innovation is used by the firm (e.g., Bordonaba-Juste et al., 2012a; Hsu et al., 2006; Thong, 1999; Wang and Cheung, 2004; Wu et al., 2003). *Prima facie*, it may be possible for a franchisor to create a professional social media network presence with minimal resources. However, if it wants to effectively maintain and use its professional social media network page for the various social media marketing and enterprise management activities outlined by Liang and Turban (2011), it needs to make a relatively larger commitment of financial and human resources.

We posit a direct link between a franchisor's resources and professional social media network adoption and use. In this regard, it is relevant to note Michaelidou et al.'s (2011) finding that 23 per cent of their sampled firms did not use a social networking site (SNS) because doing so would "require a big investment in terms of time," while 32 per cent and 15 per cent of the sample respectively declined to use such sites because "staff is not familiar with SNS" and "staff does not have the technical skills to use SNS." We also posit an indirect link between a franchisor's resources and professional social media network adoption and use. Resource-rich franchisors are more likely to adopt and extensively use a professional social media network because they also possess greater

<sup>1</sup> We focus on franchisor communication and not franchisee communication on professional social media networks. Our work is at the chain level, and not at the unit level, because we are interested in the use of a professional social media networks to attract franchisees, managers and employees. The franchisee perspective could be of considerable interest and relevance with regard to issues of chain uniformity and brand image maintenance. This is, however, outside the scope of our current study.

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