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# Franchisee-based brand equity: The role of brand relationship quality and brand citizenship behavior

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ABSTRACT

Despite the evidence that brand management is core to the success of franchising businesses, limited empirical work has focused on branding in such business-to-business (B2B) exchanges. Integrating social exchange theory and the identity-based brand management framework, this study proposes that brand relationship quality is crucial in promoting franchisee brand citizenship behavior that can enhance brand equity attributable to franchisees, thereby advancing a model of '*franchisee-based brand equity*' (FBBE). Survey results from 352 franchisees in franchised B2B exchanges suggest that brand relationship quality promotes brand citizenship behavior, thereby enhancing FBBE. Additionally, moderated mediation analysis indicates that the indirect effect of brand relationship quality on FBBE via brand citizenship behavior is stronger when franchisor competence is high. However, franchisor–franchisee relationship duration has no moderating effects on these relationships. The findings of this study have implications for franchising practitioners that are interested in understanding the role of brand relationship management in promoting franchisee brand citizenship behavior and FBBE.

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## 1. Introduction

Franchising is increasingly becoming an important model for business growth across the globe. In this business arrangement the franchisor sells contractual rights to franchisees to distribute goods or services using the franchise brand name and business practices (Combs, Michael, & Castrogiovanni, 2004). Thus, much of the success of franchise business models is attributed to branding, as firms with high brand equity are able to attain a sustainable point of differentiation and gain more financial leverage than those without (Aaker, 1991). However, despite the importance attributed to the franchise brand, limited empirical research has focused on franchise branding (Zachary, McKenny, Short, et al., 2011) and business-to-business (B2B) branding in general (Leek & Christodoulides, 2012).

Literature indicates that channel members tend to gain competitive advantage through the co-creation of brand equity (Gordon, Calantone, & di Benedetto, 1993). Thus, both franchisors and franchisees share the incentive to promote and sustain franchise brand equity (Pitt, Napoli, & van der Merwe, 2003). Prior research confirms that successful franchise brand management is a reflection of the value addition of both B2B (franchisor–franchisee) and business-to-consumer (B2C) (franchisee–customer) relationships that nurture a shared objective, that is, building the franchise brand (Doherty & Alexander, 2006). While franchisees are expected to contribute to the development of the franchise brand, they may, in the absence of negative impacts on their short-term profits, have little incentive to safeguard brand equity (Dant & Nasr, 1998). Therefore, when compared to other traditional B2B models, brand management within franchise systems poses unique challenges and opportunities. For instance, even though the responsibility of developing and managing the franchise brand rests with all parties, neither franchisors nor franchisees have total control of the brand management process (Pitt et al., 2003). This situation presents unique challenges that require internal franchise branding activities to be well-coordinated and integrated between both parties. However, despite the above-recognized importance of B2B branding and internal branding in enhancing the franchise brand (Doherty & Alexander, 2006; Zachary et al., 2011), limited empirical work has focused on franchise brand management.

Internal branding literature suggests that a strong brand personality is important in brand building (Aaker, 1997). Thus, to be effective brand ambassadors or representatives it is essential for franchisees to align their behavior and identify with the franchise brand. Since the notion that franchisees can form relationships with their franchise brand is central to this study, there is therefore a need to assess the strength and effects of such a relationship on brand equity. This inference is based on the assumption that brands are imbued with human-like features that can lead to the development of self-brand relationships that are similar to the way individuals form personal relationships (Aaker,

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1997; Aggarwal, 2004; Fournier, 1998). However, while the concept of brand relationships has been explored in B2C markets, there is limited research investigating brand relationships in franchised B2B exchanges.

Brand equity is defined as the differential effect of brand knowledge on consumer response to the brand (Keller, 2003). Some B2B scholars have conceptualized brand equity as identity-based brand equity (Burmann, Jost-Benz, & Riley, 2009), retailer-perceived brand equity (Baldauf, Cravens, Diamantopoulos, & Zeugner-Roth, 2009), retailer-based brand equity (Samu, Lyndem, & Litz, 2012), customer-based retailer equity (Pappu & Quester, 2006) and B2B brand equity (Kuhn, Alpert, & Pope, 2008). In particular, the concept of brand equity from the retailer's perspective encapsulates three conceptual ideals, namely; (i) the equity associated with the retailer brand, (ii) the equity associated with the retailer's store brand, and (iii) the retailers' perceptions of the brand they sell (Baldauf et al., 2009, p.2). The current study builds on this research stream by proposing an alternative way of conceptualizing brand equity in franchising. Thus, to capture franchisees' perceptions of the franchise brand with which they are associated with we advance the term *franchisee-based brand equity* (FBBE). Even though various brand equity models exist, extant literature continues to call for the development of additional models that are grounded in empirical research on brand equity in various contexts (Broyles, Schumann, & Leingpibul, 2009). Therefore, drawing on social identity and identity-based brand management theories, our study investigates the potential antecedents of FBBE, and in so doing addresses the following question:

"*What role does brand relationship quality and brand citizenship behavior play in building FBBE in franchisor–franchisee relationships?*"

The remainder of the paper is structured as follows: First, insights from social exchange theory and the identity-based brand management view are integrated to provide a theoretical framework for the study. Then literature on FBBE, brand relationship management (BRM), brand relationship quality (BRQ), brand citizenship behavior (BCB), franchisor competence, and franchisor–franchisee relationship duration is reviewed. The research methodology, data analyses, and empirical findings are then presented. We conclude by discussing theoretical and managerial implications, limitations, and future research directions.

## 2. Theoretical framework, literature review and hypotheses

As Fig. 1 illustrates, our conceptual framework predicts that (i) the manner by which franchisors manage the franchise brand can affect BRQ, (ii) in turn, BRQ influences franchisees' BCB, (iii) BCB is posited to mediate the link between BRQ and FBBE, and (iv) the link between BCB and FBBE can be moderated by franchisor competence and franchisor–franchisee relationship duration. The solid lines specify the effects examined in this study, while the dotted line represents effects that have been established in prior literature, hence not tested in the current study.

### 2.1. Social exchange theory and Identity-based brand management

The decision to adopt and continue a franchising business model can principally be explained using various theoretical frameworks such as resource scarcity theory, agency theory, and search cost theory (Combs et al., 2004). In essence, "…franchising is seen as a reaction to resource constraints or as an efficient system to overcome the principal–agent problem, or is explained as having search cost benefits that increase channel effectiveness" (Hopkinson & Hogarth-Scott, 1999, p. 831). While these theories assist in explaining the motivations for franchising, they fail to fully capture behavioral issues that characterize such relationships (Combs et al., 2004; Hadjikhani & LaPlaca, 2013), as well as how franchisors' behavior can enhance franchisees' identification with the brand. Thus, our study is grounded in social exchange theory (SET) and an identity-based brand management (IBBM) view.

SET explains how behavioral or economic factors affect B2B relationships in franchising (Harmon & Griffiths, 2008), as it indicates how parties in a relationship would behave when they are bestowed with benefits by a business partner. According to SET, the intrinsic value of a relationship extends beyond its extrinsic or economic value, as social capital shapes the expectations and opportunities of B2B exchanges (Davis & Mentzer, 2008). Given that franchise relationships are characterized by self-seeking behavior, as well as cooperation and reciprocity in terms of mutually economic and non-economic benefits, SET provides suitable theoretical grounding to explain how franchise relationships are shaped (Frazier & Rody, 1991). SET has also been applied in franchise business relationships in which reciprocity is a key driver of relationship value (Harmon & Griffiths, 2008).

On the other hand, the IBBM view explains how the SET characteristics of reciprocity, cooperation, trust, mutual benefit are crucial in engendering franchisee BCB that can eventually enhance FBBE. The central premise of the IBBM view is that strong brands are a result of how internal stakeholders rationalize who they are within the organization and what is distinctive or enduring about that organization (Aaker, 1991; Kapferer, 2004). When individuals strongly identify with an organization, they are more likely to be intrinsically motivated and behave congruently with the organization's interests (Hughes & Ahearne, 2010). While the extent to which franchisees identify with the franchise brand they sell has not been well researched, we draw inferences from the brand identification literature stream (Hughes & Ahearne, 2010; Tuškej, Golob, & Podnar, 2013). This research stream suggests that people can be defined by what they consume, possess and associate with, which can lead to the formation of relationships with brands that reinforce their self-concept (Fournier, 1998; Hughes & Ahearne, 2010). Given the interdependent nature of franchisors and franchisees and the likelihood of a double-sided moral hazard (Combs et al., 2004); one of the primary objectives for franchisors should be to align franchisees' identities with the franchise brand values.

Scholars have called for the need to integrate theoretical frameworks so as to provide more appropriate underpinning to explain complex franchise relationships (Dant, Grünhagen, & Windsperger, 2011;

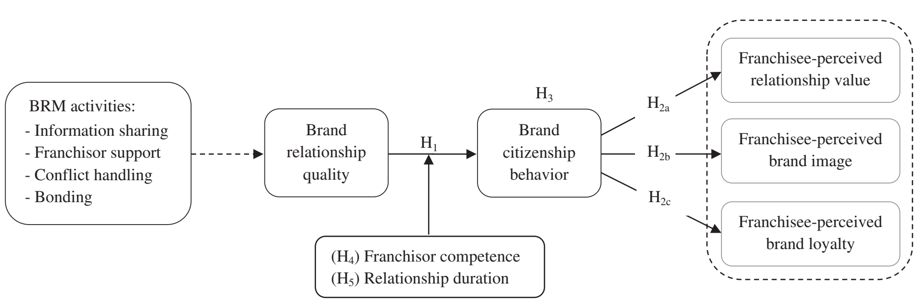


**Fig. 1.** Proposed conceptual model of FBBE.

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