

The Effect of Franchise SERVQUAL on the Pre & Post Opening Satisfaction and the Business Performance

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Abstract: This study is designed to examine the effect of franchise SERVQUAL on business satisfaction and business performance, and examined previous studies, herewith designed research model based on it. In order to select a brand before starting a business, business owners who run a franchise restaurant were investigated the factors that were important to them and the satisfaction level after the business proceeds. By analyzing how satisfaction with the business affects business performance, it aims to provide implications for the criteria for efficient brand selection to prospective entrepreneurs who wish to start a business as a franchise in the future. The questionnaire survey was conducted on business owners running chicken franchises in all areas of Seoul. A frequency analysis was conducted to analyze the demographic characteristics of the survey subjects. Factor analysis and reliability analysis were performed to verify the validity and reliability of the measurement tool, and the hypothesis was verified through multiple regression analysis. The detailed research results are as follows. First, franchise SERVQUAL was found to have a significant effect on satisfaction before and after opening. Second, it was found that satisfaction before and after franchise opening had a significant effect on market performance and contract renewal performance. If the franchise outlet operators are satisfied with the SERVQUAL components such as responsiveness, assurance, empathy, convenience, reliability, quality of materials and information system before or after opening, it is possible to predict that sales will increase and opportunities for renewal will increase. This is meaningful in presenting comprehensive business performance improvement plans to prospective entrepreneurs and headquarter business associates who choose a franchise business in the future.

Keywords: Franchise SERVQUAL, Business Satisfaction, Business Performance

1. Introduction

Various types of franchise brands are developed every year, but it is difficult to be sure of which franchise brand to select. In particular, the foodservice industry has a very high proportion of the franchise industry, and as the consumer market is diversifying, consumer demands are also diversifying.

Nevertheless franchise is a very attractive business for startups and short-term business expansion, and it can realize economies of scale through systematic standardization in

terms of technology. The franchise industry occupies a large proportion in Korea's economic and social development.

Although the franchise industry continues to develop and grow, it has various social problems and conflicts. The government also recognizes the importance of the franchise industry, and encourages the franchise headquarters to find opportunities to establish a systematic business strategy and systems through objective evaluation of the franchise headquarters.

Therefore, there is a need for an efficient governance structure between the franchisees and the headquarters. For a certain period of time, franchisees operate restaurants with

the necessary products and services supported by the headquarters. In the case of new startups, the importance of maintaining the rights and long-term orientation of the existing franchisees in relation to the patent fees related to all mutual use of franchisees is evaluated low by the headquarters.

Due to this business structure, moral hazard of the franchise headquarters may occur, and problems related to conflicts and disputes with franchisees were the basis of this study.

2. Method

This study was designed to examine how the SERVQUAL of the franchise headquarters affects business satisfaction and business performance. A questionnaire survey was conducted for the empirical analysis of this study, and the survey subjects were 233 chicken brand franchise operators in overall of 25 districts in Seoul.

The questionnaire survey period was conducted from January 10, 2018 to January 25, 2018. For the collected questionnaire, SPSSWIN ver. 20 statistical program was used, and as analysis tools, frequency analysis for demographic variables, reliability analysis and factor analysis for multi-item scale, and linear regression analysis were performed to verify the hypothesis of this study.

2.1. Literature Review

2.1.1. Franchise SERVQUAL

A franchise business is a business that gives the right to sell services and products in the market or conduct other business by providing one's own brands, brand names, and business method. It means a continuous bond relationship that receives a certain price according to this comprehensive relationship. In other words, a franchise is a form of business where you can buy the same thing or product at the same price in the same stores.

Table 1. 2014 Korea foodservice industry survey report table (KR Won: million).

Franchises	as of 2014 foodservice industry survey report							
	no. of affiliated store	no. of employees	revenue	operating expenses	labor costs	rent	other expenses	annual salary
total	120,730	415,576	24,477,808	21,930,062	3,445,694	1,940,106	16,544,262	2,913,893
Korean food	22,515 (18.6%)	87,040 (20.9%)	5,589,761 (22.86%)	5,042,227	946,214	452,275	3,643,738	806,704
Japanese & Western	2,825 (2.3%)	14,679 (3.5%)	850,660 (3.5%)	782,895	193,438	69,500	519,957	154,421
bakery	8,388 (6.9%)	40,329 (9.7%)	3,393,339 (13.96%)	3,182,010	336,343	192,496	2,653,171	292,497
Pizza/Hamburger	9,144 (7.6%)	43,174 (10.4%)	2,105,612 (8.6%)	1,903,967	396,090	136,040	1,371,837	312,413
chicken	24,329 (20.2%)	57,131 (13.7%)	2,776,748 (11.3%)	2,338,262	224,831	193,432	1,919,999	194,142
snack	8,114 (6.7%)	24,552 (5.9%)	978,857 (4.0%)	812,072	162,283	100,550	549,239	152,137
pub	11,731 (9.7%)	29,584 (7.1%)	1,545,506 (6.3%)	1,307,103	191,769	166,895	948,439	171,956
coffee shop	12,022 (10.0%)	54,616 (13.1%)	2,021,608 (8.3%)	1,811,248	446,109	301,234	1,063,905	396,616
others	21,662 (17.9%)	64,471 (15.5%)	5,215,717 (21.3%)	4,750,278	548,617	327,684	3,873,977	433,007

source: Korea Statistical Office, <http://kostat.go.kr/wsearch/search.jsp>

As for the domestic franchise, 'LIMS Chicken' attempted a restaurant franchise in 1977, and 'Lotteria' in 1979 opened the market for a full-fledged business franchise.

According to data from the Fair Trade Commission, in June 2016, it was announced that there were 99 new franchise registered companies. Among them, 69 restaurants are still strong, and this phenomenon is expected to accelerate further due to the recent economic downturn, so it is more than ever necessary to establish strategies for restaurant franchises to secure a competitive advantage. [10]

[Table 1]'s 2014 food service industry survey report showed that chicken franchise was the largest with 24.329 outlets (20.2%), followed by Korean food (18.6%), other franchises (17.9%), and coffee shops (10.0%), pubs (9.7%), pizza and hamburgers (7.6%), bakery and confectionery (6.9%), snacks and kimbap (6.7%), and Japanese and Western foods (2.3%). In terms of sales, Korean food (22.8%), other franchises (21.3%), bakery and confectionery (13.9%), and chicken franchise (11.3%) appeared in the order of sales. It can be seen that the order is maintained to be boiled down by the number of workers and sales.

With regard to service quality, Bitner [1] found that the role of front line service employees was an important research subject, but new recruitment, education, appropriate support systems, use of technology in the delivery process, and customer loyalty and the relevance of the company are considered to be an important issue for service managers today.

Zeithaml et al., who presented a SERVQUAL model, in a study on customer behavior on service quality, showed that if SERVQUAL is related to customer attraction, customer behavioral response considering that the impact on the customer can be found, a model of the impact of service quality on specific behaviors, whether customers will remain or exit, is presented. [28]

Through many empirical studies, it has been proved that the intention of the customer's behavior is greatly influenced by the SERVQUAL. In addition, this study showed that the related nature of quality and intention differs according to the dimension of intention of action.

A. Parasuraman, A. V. Zeithaml & L. L. Berry [28] have devised a service quality measurement method called

SERVQUAL in order to find the determinants of service quality that are intangible and difficult to confirm and reflect the difference from product quality.

They first conducted interviews with 12 customer groups and then conducted 10 service quality dimensions such as reliability, responsiveness, competence, accessibility, courtesy, communication, credibility, security, customer perception, and tangibles.

Of these, only the competence belongs to the technical dimension, and all others belong to the functional dimension. These ten quality dimensions were analyzed again and presented five new scales consisting of reliability, responsiveness, assurance, empathy, and tangibles.

On the other hand, high-cost services such as banking, insurance and construction want to make decisions faster and simpler. Because it minimizes stress, improves quality of life, and demands a stable relationship. In some cases, he thought that he would pay more. [2].

2.1.2. Pre & Post Startups Satisfaction

Looking at the researchers' definition of consumer satisfaction, it is necessary to recognize a complex concept that combines cognitive aspects and measure both cognitive and emotional responses [13]. Gaski, J. F [7] defined satisfaction as "the overall recognition of the members of the pathway." Satisfaction can be linked to long-term orientation, and it was identified as a key factor in forming partnerships in the exchange model between organizations. When it is discovered that affiliates are involved in an unfair relationship, they become dissatisfied, which leads to suspicion and distrust of the headquarters. In other words, a franchisee who perceives unfairness in a relationship due to a bad outcome becomes dissatisfied, and the headquarters is deemed unreliable and a new search is conducted. In the foodservice franchisee's system, franchise satisfaction is defined as including satisfaction with financial performance arising from the relationship between satisfaction with products and services provided by the franchise headquarters.

The decision-making stage from the preparation of a franchisee to the renewal of the contract is required as 'recognition of the desire to establish a franchise, search for information on the franchise headquarters and comparison of alternatives, evaluation of satisfaction after franchise operation contracts, and whether to renew the contract'. [11]

According to previous studies related to business satisfaction and business performance, it has been empirically proven that the franchise business headquarters with an appropriate system has better entrepreneurship and management ability and higher business outcomes than the franchise business headquarters that does not. Through this process, the group with high satisfaction was found to have a positive effect on business performance. [25]

As the franchisee's business performance affects the franchisee's business satisfaction as well as the franchisee's renewal contract, the franchise headquarters should put great effort into establishing the appropriate franchisee selection

criteria to enhance the franchisee's performance. Assuming that the improvement in satisfaction with the variables discussed as the brand selection factor ultimately leads to business performance, it is necessary to systematically communicate with the franchisees' brand determinants and improve business satisfaction.

Previous studies on the relationship between business satisfaction and management performance show that there are differences in performance depending on the founder's qualities, experiences, and characteristics.

In the study of gender differences, there was no significant difference between the two in terms of education and business motivation, but there are differences in terms of past experience and desire for performance.

The definition of satisfaction evaluated all situations in the practical relationship with the counterparty, and the result was considered to be a positive and emotional state, including economic rewards and corresponding social relationships. [5]

It can be seen that satisfaction is maximized due to the element of satisfaction with the mutual service between the headquarters and the affiliated outlets, and the affiliated outlets and customers. In order for the franchisees to be satisfied with the franchise headquarters, a trust relationship must be formed, and through this trust, the franchisees can improve the business performance of the franchise. [18]

The satisfaction of the franchise business operator affects the service delivered to the customers, and the resulting performance is the management performance and satisfaction between the franchise headquarters and the franchisees, which can be said to act as a decisive success factor in franchise operation. [9]

The level of the pre-startup satisfaction refers to the level of satisfaction, a prospective founder feels about the franchise headquarters and the overall support business before starting the franchise business.

The level of post-startups satisfaction refers to satisfaction level after business commencement regarding service quality management performance, etc. supported by the headquarters after contracting an affiliated outlet and executing the business. In this study, the tools developed in previous studies were modified and used. [23]

Therefore, business satisfaction was measured using quantitative indicators such as sales and qualitative indicators of how satisfied the business owner is with the business.

The success or failure of a franchise depends on the sales of the franchise, the success of the franchise leads to an increase in sales, and the organization's performance is viewed as financial performance such as sales. He mentioned that it should be done around the same financial performance measurement. In addition, Chung [4] demonstrated that the increase in profitability was utilized as a performance measure for the business performance of foreign franchises in Korea.

2.1.3. Business Performance

The specific result achieved by the effort to achieve what

is desirable in the organization was called job performance. It is said that job performance is a concept representing how successfully the job of an organization member has been accomplished, and is generally used as the meaning of productivity that industrial psychologists say. [15]

In general, the approach as a method of researching and analyzing the management performance of the restaurant franchise field is the management performance that aggregates the business status or performance using objective indicators, customer satisfaction, loyalty, and service level. Subjective indicators surveyed as questionnaire measurement items using this psychological scale are used.

Looking at, the first attempt to approach through objective indicators was classified into financial performance and non-financial performance in a study on business sectors of 75 listed companies [27]. In order for a company to achieve financial performance, it is necessary to identify the company's immediate situation, highlight the most competitive key success factors, and apply an approach and method based on performance measurement as a financial or non-financial indicator causally related to this. Problems may be raised because it is not based on official figures, but the indicators of franchise management performance were viewed as results expressed in financial statements based on financial figures. [16]

Repurchase intention is defined as the likelihood that the customer will repeatedly use the company's products and services in the future, and means whether the customer will continue to interact based on positive evaluation of the past purchase experience of a particular store or product. [3]

In Park Sang-ik's [24] research, the research is conducted by dividing management performance into objective indicators and subjective performance indicators consisting of customer psychological survey items. The objective indicator is a measure of financial performance, and sales and profitability are mainly used, while subjective indicator is market share, customer retention rate, and customer satisfaction are mainly used from a customer-oriented perspective.

In the franchise business, the top priority in the range of satisfaction of franchisees through the headquarters' support service can be called financial performance. This is because the various support services of the headquarters can consequently be represented by soundness, sustainability and return on investment.

The business performance of the affiliated outlet operators in the distribution channel were classified into economic satisfaction and social satisfaction, and it was defined as the business performance of the transaction party according to the economic results from the relationship with the counterparty such as sales scale, margin rate, and discount. [8]

When consumers have a positive brand image, satisfaction with the service or product provided increases. [19] Usually in franchise business, brand is a very important core strategy for perceived quality. Consumers' loyalty to a brand with a good image is greater than a brand with a bad image. A brand with a good image induces more interest, contact, and store

visits from potential customers. Such a brand provides better consumer satisfaction and sustains active and positive brand loyalty among consumers. [12]

The most influential factor on renewal or revisit intention is the relationship between customer satisfaction and dissatisfaction. These factors were influenced by perceived price and perceived quality of service by consumers, and were said to have a direct causal relationship with revisiting and renewing contracts. [20]

In a study by In-suk Yang [26], the franchisee's intention to re-contract is the degree to which they want to re-contract for the service and relational characteristics of the headquarters, and the preceding factors that influence the re-contract intention are uncertain market environment, long-term investment, and brand identity, sales performance and mutual satisfaction. [6]

For brand renewal, the relationship between the franchise headquarters and the franchisee is important, and business performance beyond satisfaction is very important as a determinant of the renewal. In this context, it can be seen that the relationship between the franchise headquarters and the franchisees, as well as the satisfaction and business performance of the franchisees, is also a factor influencing the intention to renew the contract. It was considered that the increase in support from the headquarters, such as service provision, opportunity provision, information exchange, and advertisement, which are the characteristics of the headquarters, increases the business performance of the franchisees.

In a study by Kim Jong-hoon [14], the greater the franchisor's management support for the franchisee, the higher the cooperation relationship is, and the more opportunities the franchisor provides to the franchisee to improve performance, the better the franchise performance appears.

2.2. Research Design

2.2.1. Research Model and Variables

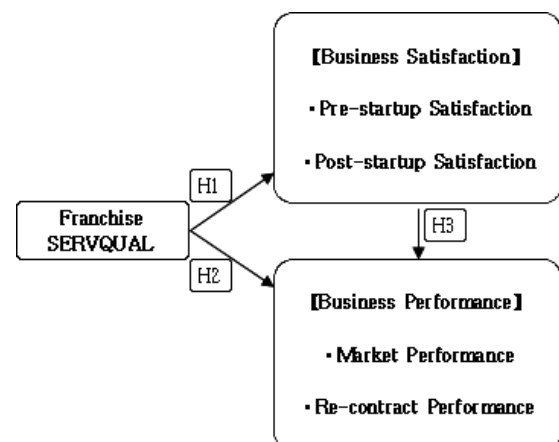


Figure 1. Research model.

Based on the theoretical consideration and empirical analysis through the preceding studies and literature studies presented

above, research variables were derived and research hypotheses were set accordingly, and the established research hypothesis was presented as a research model shown in figure 1.

Due to the nature of the franchise's business, it is important to establish a relationship between the franchise headquarters and franchisees. Based on the theory of Parasuraman, A., A. V. Zeithaml & L. L. Berry (1985), the franchise SERVQUAL was composed of variables that influence business satisfaction and management performance in relation to the franchise servicescapes. In addition, a research hypothesis was established based on the studies of Gaski, JF, Ganesan Shankar, Geyskens, and Jong-Hoon Kim, that the results have a significant effect on business satisfaction and business performance.

2.2.2. Variable Definition and Hypothesis

The main variables of this research model are the relationship between independent and dependent variables on the process that leads to business satisfaction and business performance, and the definition of each variable is as follows.

The independent variable of the hypothesis that will affect the dependent variables is the franchise SERVQUAL, which includes the following.

The dependent variables of the hypothesis that the results will vary depending on the influence of the franchise SERVQUAL, are the business satisfaction and the business performance. And the hypothesis are as follows;

[Hypothesis 1] Franchise SERVQUAL will have a significant influence on business satisfaction.

[Hypothesis 2] Franchise SERVQUAL will have a significant influence on business performance.

[Hypothesis 3] Business satisfaction will have a significant influence on business performance.

3. Results

3.1. Demographic Characteristics of Survey Subjects

Frequency analysis was performed to find out the demographic characteristics of respondents, and the results are as shown in [table 1]. By gender, 147 (63.1%) males and 86 females (36.9%) responded, and the area of new franchise affiliated outlets is 135 (57.9%) for less than 66m², and 73 (31.3%) from 67m² to 99m², followed by 201 (8.6%) from 100m² to 132m², and 5 (2.1%) over 133m².

Table 1. Demographic characteristics of survey respondents (N=233).

items		frequency	%	items		frequency	%
sex	male	147	63.1	Real estate	building owner	2	0.9
	female	86	36.9		lease	231	99.1
	below 66m ²	135	57.9		below 2years	61	26.2
area	67m ² ~99m ²	73	31.3	contract term	2~4years	113	48.5
	100m ² ~132m ²	20	8.6		4~5years	35	15.0
	above 133m ²	5	2.1		above 6 years	24	10.3
	below us \$45,000	27	11.6		1	76	32.6
initial funding	\$45,100~\$70,000	66	28.3	No. of employees	2	90	38.6
	\$71,000~\$90,000	64	27.5		3	41	17.6
	\$91,000~\$135,000	48	20.6		4	13	5.6
	above \$136,000	28	12.0		above 5	13	5.6

Table 2. Results of reliability analysis between survey questions (n= 233).

survey items		overall mean	Cronbach's Alpha	Standardized Cronbach's α
Franchise SERVQUAL (10)		3.132	.913	.915
business satisfaction	pre-opening satisfaction (6)	2.994	.833	.833
	post-opening satisfaction (7)	2.896	.859	.863
business performance	market performance (9)	2.869	.922	.922
	re-contract performance (4)	2.995	.816	.817

As for the condition of restaurant, there were 231 rental restaurant sites (99.1%), much more than 2 self-owned building sites (0.9%). As for the affiliate contract period with the head office, 61 (26.2%) for less than 2 years, 113 (48.5%) for 2 to 4 years, 35 (15.06%) for 4 to 5 years, and 24 for more than 6 years (10.3%). The number of employees is 76 (32.6%) for 1 employee, 90 for 2 employees (38.6%), 41 for 3 employees (17.6%), 13 for 4 employees (5.6%), and 13 for 5 or more employees (5.6%), most of them were single-person or 2-person workplaces.

3.2. Variable Reliability and Validity Analysis

3.2.1. Reliability Analysis

Reliability analysis indicates the accuracy or precision of a

measurement tool and has the same meaning as dependability, stability, predictability, and accuracy. Reliability analysis was performed using Cronbach's α to measure reliability. In general, if the value of the alpha coefficient is more than 0.6, it is reliable, if it is more than 0.7, it is interpreted as very high, if it is more than 0.8. As a result of the reliability analysis using Cronbach Alpha for each item as in Table 2, the reliability coefficient between the items was high, from 0.816 to 0.915.

3.2.2. Factor Analysis

Factor analysis can be specifically used for the following purposes. First, reduce the variables. Second, remove unnecessary variables. Third, understand the characteristics of variables. This is used to analyze whether the concept to

be measured has been accurately and consistently measured by the respondents. As in table 3, in factor analysis by item, the Eigen value is 1 or more, and the cumulative variance by

item is 50% or more, so it can be said that there is a validity in all variables.

Table 3. Factor analysis result for each item by Eigen value.

items	factors	Eigen values	distributed variance (%)	cummulative variance (%)
franchise SERVQUAL	SERVQUAL	5.775	57.749	69.418
	service competitiveness	1.167	11.669	
business satisfaction	pre startup satisfaction	3.280	54.659	54.659
	post startup satisfaction	3.861	55.162	55.162
business performance	market awareness achievement	5.557	61.749	72.891
	performance sales performance	1.003	11.142	64.805
	re-contract performance	2.592	64.805	

3.3. Hypothesis Verification

[Hypothesis 1-1] Franchise SERVQUAL will have a significant influence on pre-startup satisfaction.

Regression analysis was performed to verify hypothesis 1-1, and the results are shown in Table 4. In order to determine the statistical significance of each independent variable, the t-value was calculated for each independent variable. As variables affecting pre-startup satisfaction by the significance

of t-value, both of the two variables, such as headquarters SERVQUAL and headquarters service competitiveness, were proven to be significant variables.

The t-value of the headquarters SERVQUAL was 6.105, and the t-value of the headquarters service competitiveness was 9.601, showing a high absolute value. Both variables were analyzed to have a meaningful effect on pre-startup satisfaction.

Table 4. Regression analysis result of franchise service quality and pre-startup satisfaction.

Analysis variable	B	Beta	t	P
constant	0.002		0.039	.969
1-1-1 headquarters SERVQUAL	.349	.341	6.105	.000***
1-1-2 headquarters service competitiveness	.548	.536	9.601	.000***

R²:.403 adj. R²:.396 df1: 2 df2: 192 F: 64.728 sig. F: .000***

***p<0.001

[Hypothesis 1-2] Franchise SERVQUAL will have a significant influence on post-startup satisfaction.

Regression analysis was performed to verify hypothesis 1-2 in the same way as above, and the analysis results are shown in Table 5. As variables affecting post-startup satisfaction by the significance of t-value, both of the two variables, such as

headquarters SERVQUAL and headquarters service competitiveness, were proven to be significant variables. The t-value of the headquarters SERVQUAL was 5.453, and the t-value of the headquarters service competitiveness was 7.876, showing a high absolute value. Both variables were analyzed to have a meaningful effect on post-startup satisfaction.

Table 5. Regression analysis result of franchise service quality and post-startup satisfaction.

Analysis variable	B	Beta	t	P
constant	-0.001		-.016	.987
1-2-1 headquarters SERVQUAL	.330	.324	5.453	.000***
1-2-2 headquarters service competitiveness	.477	.468	7.876	.000***

R²:.323 adj. R²:.316 df1: 2 df2: 192 F: 45.883 sig. F: .000***

***p<0.001

Table 6. Regression analysis result of franchise SERVQUAL and market performance.

Analysis variable	B	Beta	t	P
constant	-0.024		-.569	.570
2-1-1 headquarters SERVQUAL	.196	.272	4.610	.000***
2-1-2 headquarters service competitiveness	.367	.509	8.630	.000***

R²:.333 adj. R²:.326 df1: 2 df2: 192 F: 47.867 sig. F: .000***

***p<0.001

[Hypothesis 2-1] Franchise SERVQUAL will have a significant influence on market performance.

Regression analysis was performed to verify hypothesis 2-1 in the same way as above, and the analysis results are

shown in Table 6. As variables affecting market performance by the significance of t-value, both of the two variables, such as headquarters SERVQUAL and headquarters service competitiveness, were proven to be significant variables. The

t-value of the headquarters SERVQUAL was 4.610, and the t-value of the headquarters service competitiveness was 8.630, showing a high absolute value. Both variables were analyzed to have a meaningful effect on market performance.

[Hypothesis 2-2] Franchise SERVQUAL will have a significant influence on re-contract performance.

Regression analysis was performed to verify hypothesis 2-2 in the same way as above, and the analysis results are shown in Table 7. As variables affecting re-contract

performance by the significance of t-value, both of the two variables, such as headquarters SERVQUAL and headquarters service competitiveness, were proven to be significant variables, too. The t-value of the headquarters SERVQUAL was 4.427, and the t-value of the headquarters service competitiveness was 5.428, showing a high absolute value. Both variables were analyzed to have a meaningful effect on re-contract performance.

Table 7. Regression analysis result of franchise SERVQUAL and re-contract performance.

Analysis variable	B	Beta	t	P
constant	-0.001		-.018	.986
2-2-1 headquarters SERVQUAL	.283	.285	4.427	.000***
2-2-2 headquarters service competitiveness	.347	.350	5.428	.000***

R²:.204 adj. R²:.195 df1: 2 df2: 192 F: 24.528 sig. F: .000***

***p<0.001, **p<0.01

[Hypothesis 3-1] Pre & post-startup satisfaction will have a significant influence on market performance.

Regression analysis was performed to verify hypothesis 3-1 in the same way as above, and the analysis results are

shown in [Table 8]. The t-value of the pre-startup satisfaction was 4.748, and the t-value of the post-startup satisfaction was 5.428, showing a high absolute value. Both variables were analyzed to have a meaningful effect on market performance.

Table 8. Regression analysis result of pre & post-startup satisfaction and market performance.

Analysis variable	B	Beta	t	P
constant	-.001		-.018	.985
3-1-1 pre-startup satisfaction	.267	.378	4.748	.000***
3-1-2 post-startup satisfaction	.193	.273	3.424	.001**

R²:.373 adj. R²:.367 df1: 2 df2: 229 F: 68.108 sig. F: .000***

***p<0.001, **p<0.01

[Hypothesis 3-2] Pre & post-startup satisfaction will have a significant influence on re-contract performance.

Regression analysis was performed to verify hypothesis 3-2 in the same way as above, and the analysis results are shown in

[Table 9]. The t-value of the pre-startup satisfaction was 2.057, and the t-value of the post-startup satisfaction was 3.485, showing a high absolute value. Both variables were analyzed to have a meaningful effect on re-contract performance.

Table 9. Regression analysis result of pre & post-startup satisfaction and re-contract performance.

Analysis variable	B	Beta	t	P
constant	.007		.122	.903
3-2-1 pre-startup satisfaction	.182	.183	2.057	.041*
3-2-1 post-startup satisfaction	.309	.310	3.485	.001**

R²:.216 adj. R²:.209 df1: 2 df2: 229 F: 31.500 sig. F: .000***

**p<0.01, *p<0.05

Table 10. Synthesis of hypothesis test results by regression analysis.

hypothesis	subclassification hypothesis	adopted
[Hypothesis 1-1] Franchise SERVQUAL & impact relationship of pre-startup satisfaction	[1-1-1] SERVQUAL – pre-startup satisfaction [1-1-2] service competitiveness – pre-startup satisfaction	○ ○
[Hypothesis 1-2] Franchise SERVQUAL & impact relationship of post-startup satisfaction	[1-2-1]SERVQUAL – post-startup satisfaction [1-2-2]service competitiveness – post-startup satisfaction	○ ○
[Hypothesis 2-1] Franchise SERVQUAL & impact relationship of market performance	[2-1-1]SERVQUAL – market performance [2-1-2]service competitiveness – market performance	○ ○
[Hypothesis 2-2] Franchise SERVQUAL & impact relationship of re-contract performance	[2-2-1]SERVQUAL – re-contract performance [2-2-2]service competitiveness – re-contract performance	○ ○
[Hypothesis 3-1] pre, post-startup satisfaction & impact relationship of market performance	[3-1-1]pre-startup satisfaction - market performance [3-1-2]post-startup satisfaction - market performance	○ ○
[Hypothesis 3-2] Pre, post-startup satisfaction & impact relationship of re-contract performance	[3-2-1]pre-startup satisfaction - re-contract performance [3-2-2]post-startup satisfaction - re-contract performance	○ ○

3.4. Synthesis of Hypothesis Test Results

The results of comprehensive analysis of hypotheses through regression analysis on franchise SERVQUAL, business satisfaction (pre-startup satisfaction, post-startup satisfaction), and business performance (market performance, re-contract performance) are shown in [table 10].

4. Discussion

This study was a general and mediocre study that analyzed the SERVQUAL of franchise business satisfaction and business performance, and was intended to contribute to a successful franchise business by providing a standard model of franchise selection to prospective founders.

In order for a restaurant franchise brand to have a competitive advantage, it is necessary to grasp the needs of various customers for customer satisfaction, and managers must set a marketing strategy that meets the needs of differentiated customers. It is necessary to analyze the needs of customers who choose a brand, actively respond to it, and focus on securing the foundation for qualitative as well as quantitative growth of restaurant brands.

We investigated the factors that business owners of foodservice franchises consider important to select a brand before starting a business and the satisfaction level after the business proceeds, and analyzed how satisfaction with the business affects business performance, and hopes to establish a implications for the criteria for efficient brand selection to prospective entrepreneurs.

Preliminary founders who want to prepare for a franchise business in the future will have a positive factor in business performance if they select a brand more carefully by placing a focus on the brand selection process.

5. Conclusion and Recommendations

In this study, in order to analyze the effect of franchise SERVQUAL on business satisfaction and business performance, prior studies were reviewed, and a research model was designed based on this, and the relationship between variables was verified and its meaning was examined.

The detailed research results are as follows. First, franchise SERVQUAL was found to have a significant effect on satisfaction before and after opening. The main components of franchise SERVQUAL are responsiveness, assurance, empathy, convenience, reliability, quality of materials and information system. If these factors are systematically and consistently supported to prospective franchisees, sales will increase and opportunities for renewal will increase as well.

Second, it was found that satisfaction before and after franchise opening had a significant effect on market performance and renewal performance.

In other words, if the franchise outlet operators are satisfied with the SERVQUAL components such as responsiveness, assurance, empathy, convenience,

reliability, quality of materials and information system before or after opening, it is possible to predict that sales will increase and opportunities for renewal will increase too.

This is meaningful in presenting comprehensive business performance improvement plans to prospective entrepreneurs and headquarter business associates who choose a franchise business in the future. Therefore, this study is in the early stages of a study that analyzes business satisfaction and management performance of franchise service quality, but is expected to contribute to a successful franchise business by providing a standard model of franchise selection to prospective entrepreneurs.

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