

Building Repurchase Intention Through Franchisor's Brand Image and Satisfaction**Erlinda^{1*}, Sulfitra¹, Suryani Murad¹, Irma Lisdianti¹**¹Universitas Muhammadiyah Aceh

Jl. Muhammadiyah No. 91, Bathoh, Lueng Bata, Banda Aceh, Aceh, Indonesia

*Email: erlinda@unmuha.ac.id**ABSTRACT**

Franchisee's playing important role in the franchising, because most franchise outlets managed and operated by franchisees. Therefore this study aims to examine how franchisor's brand image and franchisee satisfaction can build franchisee repurchase intention. This study is conducted in Aceh province, Indonesia . Using causality-explanatory approach, with primary data in the form of perception, opinion and attitude of 95 franchisees as individual research object. The method of data collection is survey. Regarding time dimension is one shot study. Partial least square analysis is used to analyze the data. The result shows, both of variables, franchisor brand image and satisfaction, have significant influence to franchisee repurchase intention.

Keywords: Franchisor's brand image, franchisee satisfaction, repurchase intention.

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

INTRODUCTION

One of many retail business format and become popular is franchising. Some researcher have found that franchising gives positive effect in economic in many countries including Indonesia. Based on Indonesian Franchise Association (AFI) data, franchise growth in many aspects in Indonesia, such as number of system, number of outlet, people employed and economic impact on the economy. Although, during pandemic Covid-19, franchise business has declined, and fortunately, nowadays become raising again. The number of Indonesian franchise system in 2022 the local franchise run into 566 number of systems, whith 116.960 outlets (AFI, 2022).

Nevertheless, local franchisee growth have not followed by their endurance, but through emergences of new franchises with the demised of old franchises. Unfortunately 90 percent of local franchises are still in *business-opportunity* (BO) categories. BO is characterized by some drawbacks such as the weakness of brand image, small-medium enterprises with the weakness of capital and management. Therefore it is allegedly influencing their endurance and franchisee intention to repurchase the system.

Establishing and sustaining franchisee repurchase intention is one of the central challenges in franchising. The success of franchising if and only if franchisee has an intention to repurchase, in other words, continuous the contract.

Franchisee repurchase intention could be caused of franchisee satisfaction. (Kotler and Keller 2016:153) said that satisfaction is reflection of individual justification of perceived product performance connecting expectation. If performance smaller than expectation, then consumer will disappointed. If performance exceed than their expectation, then consumer will be satisfied. Furthermore (Ghantous, Jaolis, and Forbin 2013), stated that franchisor's brand is one of the two basic constituents of the franchise package that the franchisees buy into, and one of the major resources that franchisees seek when engaging in a franchise agreement. (Al-motairi, Al-meshal, and Arabia 2013), “*a franchising system as a form of business that deals with brands should be concerned about brand image.*” Previous research by Zeynalzalde (2012), shows that brand image influencing current and future purchase. Franchising is the agreement governing the transactions between franchisee to give the right to sell goods and services from franchisor. Franchise contract agreement usually conducted every five years. Therefore if brand image of their franchisors is superior, then the franchisees will be interested to renew the contract, in other words franchisee has repurchase intention, maintain and directly or indirectly raising their outlets. Many research related to brand image, nevertheless lack of research toward brand image in order to build franchisee repurchase intention.

The relationship between franchisor and franchisee is a bussines to business (b2b) context, as a part of distribution chain of good and services before handed to the end user (customer). Therefore this study aims to examine the influence of franchisor's brand image to franchisee satisfaction and the impact to franchisee repurchase intention. Take a survey in Aceh province. Preliminary survey has found that the main reason of franchisee buying franchising, is influenced by brand image beside other factors. Untill 2022, there are 36 franchise system (brands) have been operated in Aceh. And empirical phenomena revealed in the last three years, 33,3% franchisee outlets failed in other words did not survive.

Based on the above mentioned description, this research is conducted in order to build franchisee repurchase intention trough franchisor's brand image and franchisee satisfaction.

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

METHOD

This study is causal (verification) research because intends to examine the relationship between research variables (exogenous variables that is franchisor's brand image and endogenous variable that are franchisee satisfaction and franchisee repurchase intention).

To empirically test the proposed research hypothesis, collected primary data in 2022, through 95 franchisees as respondents from 22 brands in Aceh province. The population in this research is all franchisees that minimal four years existing outlets in Aceh province. Because this study also applies explanatory-causality, therefore conducted interview with franchisees to get more information of opinion, attitude, justification and perception about research variables.

Sampling technique is stratified random sampling, using proportional allocation. Sample size is determined according to minimum sample iterative formula (Sitepu, Nirwana 1994) , as follows:

First iteration:

$$U\rho = \frac{1}{2} \ln \left(\frac{1+\rho}{1-\rho} \right)$$

Where:

$Z_{1-\alpha}$ = constant from normal distribution table

$Z_{1-\rho}$ = constant from normal table distribution

α = error type 1

β = error type 2

ρ = minimal correlation

The second iteration and so on:

$$n = \frac{(Z_{1-\alpha} + Z_{1-\beta})^2}{(Up)^2}$$

By estimating the smallest coefficient $\rho=0.35$ with $\alpha=0.05$ and $\beta=0.05$, obtaining minimum sample size in this study is 83 franchisees. The author spread 100 questionnaire to ensure completeness of data and to avoid the missing data. Finally all 95 completed questionnaires were returned. All items of questionnaire are measured using five point Likert scales from 1= strongly disagree to 5=strongly agree. Item for measuring franchisor's brand image are adopted brand image dimension from (Mourad, Ennew, and Kortam 2011). To measure franchisee satisfaction, were adopted from (Edvardsson et al. 2000) and to measure franchisee repurchase intention, adopted from (Hellier et al. 2003). For data analysis using Partial Least Square with Smart PLS software.

Based on the description above, then the hypothesis can be stated as follows:

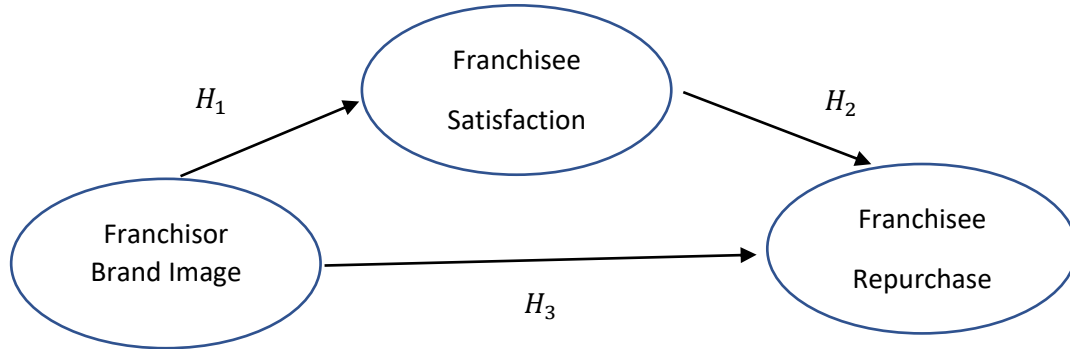
H1 : Franchisor's brand image have a significant effect on franchisee satisfaction.

H2 : Franchisor's brand image have a significant effect on franchisee repurchase intention.

H3 : Franchisee satisfaction have a significant effect on franchisee repurchase intention.

H4 : Franchisor’s brand image have a significant effect on franchisee repurchase intention through franchisee satisfaction.

From hypothesis, the conceptual framework discribed as follow:



Hypothesis Formulation of Building Repurchase Intention Through Franchisor’s Brand Image and Satisfaction

RESULT AND DISCUSSION

From three latent variables, there are: *first*, franchisor’s brand image with three manifest variables and 10 indicators. *Second*, franchisee satisfaction with three manifest variables and eight indicators, *third*, franchisee repurchase intention with two manifest variable and four indicators. From measurement as shown in figure 1, the loading factors of second order and first order of full model can described as follows:

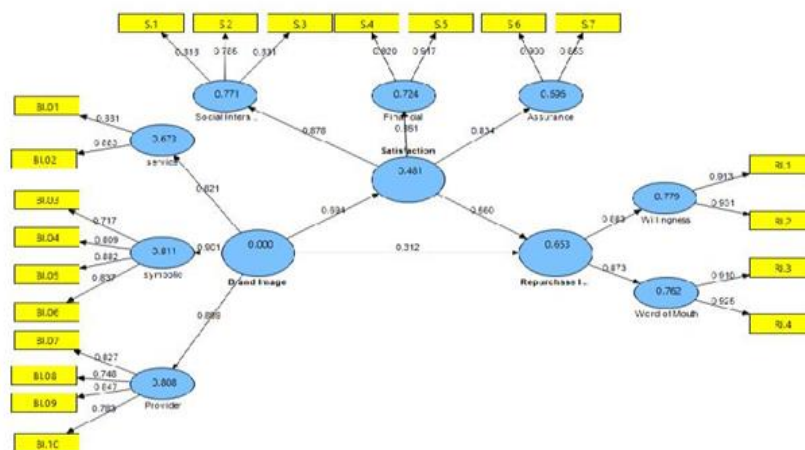


Figure 1. Full model digram

Through loading factors as available in figure 1, validity and reliability test could be done. According the rule of thumb from (E.Anderson 2010), loading factor ± 0,50 or greater

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

are considered practically significant. Then composite reliability considered satisfactory is greater than 0,70. The result shows that all indicators of franchisor’s brand image, franchisee satisfaction and franchisee repurchase intention are appropriate construct for those variable with loading factor more than 0,50 and composite reliability more than 0,70. For more detail through first and second order testing summary can be assessed the condition of each indicators for every variables.

Table 1.
Model criterion: convergent validity and reliability analysis

Variabel	Latent variable	Indicators	Loadings	Indicator reliability	AVE	Composite reliability	T -value
Brand Image	Service	BI.01	0.881	0.777	0,527	0,917	31.505
		BI.02	0.883	0.780			27.272
	Symbolic	BI.03	0.717	0.513			10.857
		BI.04	0.809	0.654			29.071
		BI.05	0.882	0.777			37.818
		BI.06	0.837	0.701			23.141
	Provider	BI.07	0.827	0.685			15.779
		BI.08	0.748	0.559			15.356
		BI.09	0.847	0.717			22.982
		BI.10	0.783	0.614			17.407
Satisfaction	Social Interaction	S.1	0.818	0.669	0,543	0,892	17.578
		S.2	0.785	0.617			22.712
		S.3	0.831	0.690			36.019
	Financial	S.4	0.920	0.846			48.809
		S.5	0.917	0.842			44.404
	Assurance	S.6	0.900	0.810			54.436
		S.7	0.853	0.728			22.498

Source : Data processing results

Based on the result from first order confirmatory factor analysis as shown at table 2, it can be seen, the loading factor value of each indicator greater than 0,50. It’s mean that all indicators are valid measurement for measure each dimension. The composite reliability (CR) value of each dimension are greater than 0,70. It’s indicates that indicators have consistency in measuring each dimension. And the value of average variance extracted (AVE) of all dimension are greater than 0,50, indicates that on average more than 50% of information wich is attached to each indicator can be represented through dimensions.

Likewise in the second order measurement model, every dimension have loading factor value greater than 0,50. It’s mean that all dimension are valid in measuring of latent variables. The value of composite reliability (CR) also greater than 0,70, indicates all dimension have consistency in measuring the latent variable. And the value of average variance extracted (AVE) for all dimension are greater than 0,50, indicates that on average, more than 50% of the information contained in each dimension can be represented by every latent variable.

Furthermore the structural model is used in order to testing hypothesis. The result can be displayed as follows:

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

Table 2. Result of hypothesis testing

No	Relation	Coefficient	Standard error	t-statistic	Decision	Direct Influence	R ²
1	<i>Brand Image -> Satisfaction</i>	0.694	0.068	10.198	Approved	0.481	0,481
2	<i>Brand Image -> Repurchase Intention</i>	0.312	0.081	3.834	Approved	0.097	0,653
3	<i>Satisfaction -> Repurchase Intention</i>	0.560	0.093	6.046	Approved	0.313	

Source: Data processing results

Based on table 2, the hypothesis testing can be testable:

H₁ : Franchisor's brand image have a significant effect on franchisee satisfaction

The value of $t_{\text{statistic}} = 10,198$ is greater than $t_{\text{table}} = 1,96$, with error rate 5%, thus H₁ is approved. Its mean that franchisor's brand image have a significant influence on franchisee satisfaction. $R^2 = 0,481$ means variants of franchisee satisfaction can be explained by franchisor's brand image as much as 48,1%. The direct effect of franchisor's brand image on franchisee satisfaction is $(0,694)^2 = 0,482$. This result describing the strong influence of franchisor's brand image on franchisee satisfaction.

H₂: Franchisor's brand image have a significant effect on franchisee repurchase intention

As result on table 2, the value of $t_{\text{statistic}} = 3,834$ is greater than $t_{\text{table}} = 1,96$, with error rate 5%, thus H₂ is approved. Its mean that franchisor's brand image have a significant influence on franchisee repurchase intention. The direct effect of franchisor's brand image on franchisee repurchase intention is $(0,312)^2 = 0,097$. This result describing the weak influence of franchisor's brand image on franchisee repurchase intention. H₃ : Franchisee satisfaction have a significant effect on franchisee repurchase intention.

As result on table 2, the value of $t_{\text{statistic}} = 6,046$ is greater than $t_{\text{table}} = 1,96$, with error rate 5%, thus H₃ is approved. Its mean that franchisee satisfaction have a significant influence on franchisee repurchase intention. The direct effect of franchisee satisfaction on franchisee repurchase intention is $(0,560)^2 = 0,314$. This result describing the moderate influence of franchisee repurchase intention.

H₄: Franchisor's brand image through franchisee satisfaction have a significant effect on franchisee repurchase intention.

As result through Sobel test statistic = 5,186 is greater than $t_{\text{statistic}} = 1,98$, thus franchisor's brand image through franchisee satisfaction have a significant influence on franchisee repurchase intention. Indirect effect $0,694 * 0,560 = 0,389$. This result indicates, through franchisee satisfaction, the franchisor's brand image give moderate influence on franchisee repurchase intention.

DISCUSSION

From hypothesis testing as shown on table 2, actually in franchise business system, brand image have strong influence to franchisee satisfaction and furthermore give influencing to franchisee repurchase intention. It's mean franchisor's brand image give strong seffect to franchisee to continues the franchise contract. Generally in franchise

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

business system, franchise contract agreement is valid for five year, and re-contract every five year. Therefor franchisor's brand image playing important role in franchise business system. Based on data, 33,3% franchisee did not continued their franchise contract. Some of them switch to continues the same business but they operate with their new brand. Also some of franchisee switch to another business format, because of dissatisfactin. Therefore, franchisee satisfaction is one of franchisee reason for survive in franchise system.

IMPLICATIONS

Franchisor as the owner of franchise business have to maintain good relationships and make satisfaction to their franchisee as the buyer of franchise business format, in order to build franchisee interested for extending their franchise contract. Franchisor need to make efforts to stregthen their brand image. Also build contract format attractiveness.

CONCLUSION

Building franchisee repurchase intention performed by reputable brand image as the concept of brand image (Erlinda et al. 2016) as a percepception about brand in consumer memory based on product attributes, price attributes, service attributes, symbolic attributes, and provider attributes, this study proof that all indicators of brand image have significant influence to build franchisor's brand image. Furthermore, through franchisee satisfaction, brand image give significant influence to build franchisee intention to repurchase the business system (renewable franchise contract).

ACKNOWLEDGEMENT

Thank you for economic faculty, Universitas Muhammadiyah Aceh for support this research.

REFERENCES

- Al-motairi, Mohammad a, Soad a Al-meshal, and Riyadh Saudi Arabia. 2013. “The Mediating Effect of Customer Involvement and Brand Image on E-CRM Implementation and Brand Adaption : An Empirical Study in Franchising System.” *The Journal of American Business Review Cambridge* 2(6): 315–25.
- E.Anderson, Joseph F. Hair;William C. Black; Barry J. Babin; Rolph. 2010. *Multivariate Data Analysis: A Global Perspective*.
- Edvardsson, Bo, Michael D. Johnson, Anders Gustafsson, and Tore Strandvik. 2000. “The Effects of Satisfaction and Loyalty on Profits and Growth: Products versus Services.” *Total Quality Management* 11(7).
- Erlinda, Erlinda, Yuyus Suryana, Faisal Afiff, and Arief Helmi. 2016. “The Influence Of Franchisor's Brand Image On Franchisee Trust And Its Impact On Franchisee Intention To Remain In Franchise System.” *International Journal of Scientific & Technology Research* 05(02): 164–68. <https://www.ijstr.org>.
- Ghantous, Nabil, Ferry Jaolis, and Claude Forbin. 2013. “Conceptualizing Franchisee-Based Brand Equity A Framework of the Sources and Outcomes of the Brand ' s Added.” 6(2): 112–26.

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

Hellier, Phillip, Gus Geursen, Rodney Carr, and John Rickard. 2003. “Customer Repurchase Intention: A General Structural Equation Model.” *European Journal of Marketing* 37(11/12): 1762–1800.

Kotler, Philip, and Kevin Lane Keller. 2016. *Marketing Management*. 15e Global. New York: Pearson.

Mourad, Maha, Christine Ennew, and Wael Kortam. 2011. “Brand Equity in Higher Education.” *Marketing Intelligence & Planning* 29(4): 403–20.

Sitepu, Nirwana, SK. 1994. *Analisis Jalur (Path Analysis)*. ed. Jurusan Statistika FMIPA. Bandung: Universitas Padjadjaran.

{Bibliography