

# WEBSITE QUALITY TO INCREASE FRANCHISE MARKETING PERFORMANCE EXCELLENT

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## ABSTRACT

*According to Indonesia Association of Service Provider (APJII) survey in 2014, the internet user in Indonesia increased up to around 88 million. This number expresses that the use of the internet to seek business franchise information will increase as well. The increase of internet using should be followed by the quality of franchisor's website. The franchisor's website will relate to system quality, information quality and service quality (DeLone and McLean, 2003). This research uses SEM LISREL to see the loading factors of each indicator impact in variables and website quality variables impact to intention to purchase franchise. The result shows that all variables (System quality, Information Quality, and Service Quality) give significant impact to dependent variable Website Quality.*

**Keywords:** franchise, intention to purchase franchise, DeLone and McLean model, website quality

## INTRODUCTION

Problem faces in franchise business is to increase the sales of franchise outlets to get into economic of scale level. Marketing channels used to sell franchise businesses such as advertorial in magazine, advertorial in new papers, sale through exhibition, and sale through website. The cost is quite expensive for both advertorial media and followed by franchise exhibition and on the other hand, the success rate is around 2-6% of visitors for the exhibition according to Indonesia Franchise Association.

Websites have 24 hours online service, low budget, and smartly response to visitor's questions and contain recent update information. There are 88.1 million of internet users in Indonesia according to Indonesian Internet Service Provider Association (APJII, 2015) in 2014, or it is around 34.96 percent of Indonesia population (252.4 million). Around 57.6% of internet users use the internet for trade and sell services. This is a very high potential information to use the internet as marketing online channel. Online marketing can be used 24 hours 7 days per week and easily updated in seconds. Franchise marketing using online system in has not been optimized. Franchisors still looking the detail information needed to provide the investors curiosity. This report is contrary to Halim (2014) that found most Indonesian franchisors do not optimally utilized of online marketing using website to increase their number of branches or new outlet opened by franchisees.

The main objective this research is looking for factors of website quality that increase intention by franchise business through online marketing, and especially to increase marketing performance excellence, this research analyzes the impact of website system quality, website information quality and website service quality to intention purchase franchise based on DeLone and McLean model (2003).

Franchise system has been defined clearly by Indonesia Government. It was stated in Indonesia Government Regulation (Peraturan Pemerintah) 42/ 2007. It is stated that Franchise is a privilege owned by individual or business entity to distribute goods & services which have been successful and can be used and transferred to other parties based on franchise agreements. It is also explained that A franchisor gives his right to profit and use the franchise business to the franchisees. In the other side, the regulation also explains that a franchisee can be an individual or business entity who buy the right to use the franchise business that sold by franchisor. According to Indonesia Ministry of Trade (Government Regulation 42/ 2007), franchise business has some criteria, such as (1) a specific uniqueness business, (2) proved has given profitability, (3) has a written standard of products and services, (4) easily taught and applied, (5) give a sustainable supports and (6) has a registered intellectual property right.

From these criteria, a franchise company who fulfill the requirement asked by the government can propose a Letter of Registered Franchise (Surat Tanda Pendaftaran Waralaba –STPW). This letter issued by Indonesia Ministry of Trade. One very important thing is the criteria (2) proved has given profitability should be followed by 5 (five) years financial information reports. Companies which has some criteria of franchise business but cannot fulfill all criteria is called as Business Opportunities, a company who give the license, give opportunity to the other parties to sell their products, including the business package. Some Business Opportunities companies have a registered Intellectual Property Right but cannot fulfill other criteria as well as the last 5 (five) years financial information reports.

Boulay (2010) acknowledged that information system has a disciplining effect that can be a powerful tool in managing the franchisor-franchisee relationship as long as they are implemented and managed by franchise headquarters. On the other side, Paswan, Audhesh, and Wittman (2009) found that franchise system information is to share information and new knowledge between franchisor to franchisee and conversely and to use this knowledge for strategic advantage for both parties.

Technology solutions can help significantly in reducing operating costs while increasing top franchisee lines and improving profitability for most franchise systems. Hundreds of franchise organizations have already benefited from implementing solutions that have helped eliminate manual processes and streamline operations. Some of the benefits of technology solution in franchise system are (1) automation of royalty reporting collection processes, (2) implementing business intelligence/ performance dashboards, (3) creating an online platform for communication and collaboration, (4) building a legal database, (5) CRM and marketing applications, and (6) eliminating multiple technology platforms across departments.

Furthermore, Pamecha (2008) considered that technology can also help in eliminating manual processes related to the sales process such as entering all incoming leads manually into a database, sending out paper packets and applications forms instead of online electronic forms, sending out franchise disclosure document packages and more.

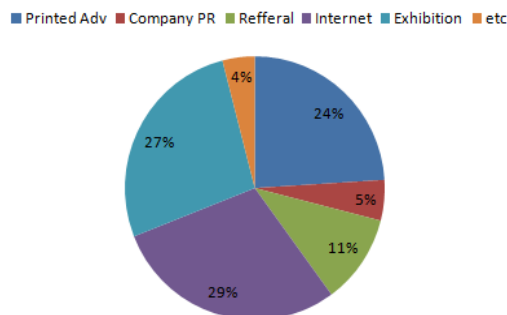


Figure 1 Source of Franchise Information Gathered by Prospective Franchisee

Figure 1 shows research of Halim, Hartono, and Kurniawan (2013) where the information gathered by prospective franchisee that the internet as source of information give 29% portion, followed by information gathered from exhibition (27%) and printed advertising (24%).

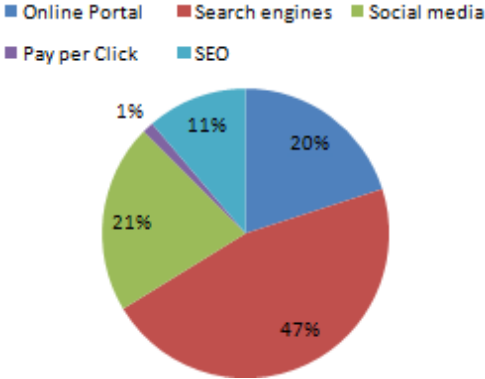


Figure 2 Channel of Franchise Information on Internet used by Prospective Franchisee

Figure 2 shows that the channel of franchise information on the internet is: search engine 47%, followed by social media (21%) and online portal (20%). It means the collaboration of franchisor website using search engines, SEO and portal to refer the website will make the website as power tools online marketing. The usage of social media (facebook, tweeter, etc.) will also give fifth part of channel of franchise information on the internet (Halim, Hartono, & Kurniawan, 2013).

Both figures show us that information gathered by prospective franchisees from the internet as a channel is very important as well as the information channel from the internet. The position of marketing via internet day to day increase in Indonesia. This condition supported by the report of APJII (2015) was related to the use of internet as marketing channel in franchise business.

Table1 Franchise Information Needed

Financial Information	Non-Financial Information
Franchise Fee	Contract Duration
Royalty fee	Years Established
Investment	Years Franchised
Advertisement Fee	Employee Support
Payback Period	Training Duration
Profit	Site Selection Support
Money guarantee	Self-Operator
	Open Same business
	Change Supplies
	Run other Business
	Use Own Building

Table 1, shows the information needed by the prospective franchisee when searching new franchise business opportunity. The items relate to money that franchisee have to pay, franchisor advantages, legal matters, franchisor support and benefit for franchisee.

The information needed by the prospective franchisees and the information provided by franchisor should be matched. The use of internet as marketing information system channel will increase the fulfillment of franchisee information needed. It is very important to explore what the detail of information system needed by prospective franchisees when there are open a website. Marketing excellence in franchise companies should support the needs of prospective franchisees. The more information provided by franchisors, the better franchisees understanding of franchisors companies. Openness and completeness of information should be taken as franchisors strategy.

DeLone and McLean model (2003) has been used widely to examine the website quality and information system quality. The internet usage in franchise business for internationalization is very affective (Lee, 2000). Some research found that the impact of website quality and information system quality to intention to purchase and proofed by Abeka (2012), Bahloul (2010), Lee (2013), Kim, Lee and Kim (2004), Chen *et al.* (2010), Saputra, Warokka and Naruephai (2012), give positive impacts.

According to DeLone and McLean model (2003), there are a specific indicators that should be followed as a successful information system, which is divided into 3 (three) parts: (1) System quality, (2) Information quality and (3) Service quality. The system quality variable has some characteristics such as usefulness, availability, reliability, ability to adopt and respond time. In franchise business, the indicators are related to the information in website provided by the franchisors for future franchises or investors. So, the indicators of system quality can be defined as follows (1) adaptability to users, (2) reliability of system, (3) response time of website and (4) usability of system

On the other hand, the Information Quality is related to the content of information given from franchisors to the franchisees. The content of a website should meet these criteria, can be personalized, the information is relevant, easy to understand and secure. The indicators of information quality relate to franchise business are (1) completeness of information needed by investors, (2) ease of understanding of franchise profile, (3) relevance Information to investors needs and (4) security of information

Service Quality indicates to a comprehensive support given to website visitors figured as certainty, empathy to customers and give respond to customer. In this research his variable indications are (1) assurance of services, (2) empathy to customers and (3) responsiveness of officer to investors.

The intention to purchase franchise variable indicated by the willingness to pay down payment on purchase franchise business, willingness to follow franchise business profile seminar and willingness to sign a franchise contract. Website quality will relate to information provided by franchisor. The better website quality, the higher understanding and more clearly information which will help potential investor to make decision to purchase franchise business, and intention to purchase franchise business.

## METHODS

Bahloul (2010) found a strong positive impact relation between information technology and information systems used for selling with customers decision to purchase. Chen *et al.* (2010) concluded that system quality, information quality and service quality of DeLone and McLean model will give a positive impact to intention to purchase franchise through online marketing. DeLone and McLean (2003) used as assumed that franchise information system will give positive impacts to the intention to purchase franchise. Previous research showed that quality of website will give a positive impact to the intention to purchase franchise.

Table 2 Website Quality Indicators

<b>DIMENSION</b>	<b>INDICATORS</b>	<b>CODE</b>
System Quality	• Adaptability	SQ1
	• Reliability	SQ2
	• Response time	SQ3
	• Usability	SQ4
Information Quality	• Completeness	IQ1
	• Ease of Understanding	IQ2
	• Relevance	IQ3
	• Security	IQ4
Service Quality	• Assurance	SVQ1
	• Empathy	SVQ2
	• Responsiveness	SVQ3

Table 2 shows the indicators and indicators code in this research based on DeLone and McLean model. Research analytic method used in this research is structural equation modeling (SEM) using LISREL application. Each dimension of website quality has indicators.

System quality is supported by the website performance from the side of website system itself. System quality relates to adaptability, reliability, response time, and usability. The website user adopts the new system of the website; the simpler it is, the better. Prospective franchisees as website user have no problem when using the website for information. It should be reliable. A problem in the system will reduce the user trust in using a website. Users who need information will probably leave the website and directly contact franchisors. Response time in as an indicator is different with responsiveness in service quality. The response time in system quality is related to the website or website system respond to the command ask by the website users. Also, usability indicator is related to the function of website system. Is there any information proposed by franchisors in the website menu but still not working or under constructions. Is there still any bug when the user opens the website. These key questions should be answered. It is better to have no information offered than an empty menu.

Second, the information quality relates to completeness, ease of understanding, relevance and security. Lastly, service quality relate to service assurance, empathy, and responsiveness. The higher score of each indicator, the better the respond of potential investors to the website quality and the impact to purchase franchise business.

Unit analysis of this research is potential investors who want to buy franchise business in culinary sector in a franchise exhibition which held in Jakarta, Indonesia, and ever access franchisor's website to find franchise business in culinary sector. Sample was taken in a franchise exhibition on - March 13-15, 2015 in Jakarta. There were 328 of respondent's data taken. Model built is based on DeLone and McLean model for information system.

Hypotheses in the research model are (H<sub>1</sub>) System Quality give impact to Intention to Purchase Franchise Business, (H<sub>2</sub>) Information Quality give impact to Intention to Purchase Franchise Business, and (H<sub>3</sub>) Service Quality give impact to Intention to Purchase Franchise Business.

## RESULTS AND DISCUSSIONS

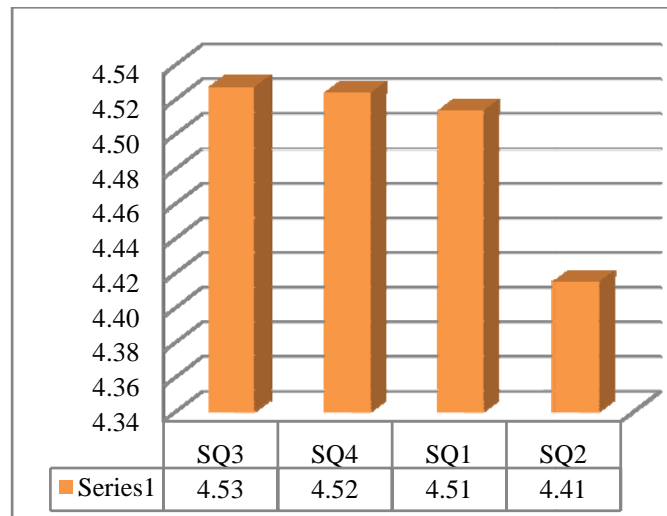


Figure 3 System Quality Indicator Score

All system quality indicators are displayed in Figure 3; it shows that respondents score above average 3.67. The highest is indicator SQ3 with average value of 4.53, and the lowest indicator is SQ2 with average value of 4.41. It means that, in terms of the quality of services desired respondents in a website as marketing online, a business a franchise of majority of respondents is at speed time response a website.

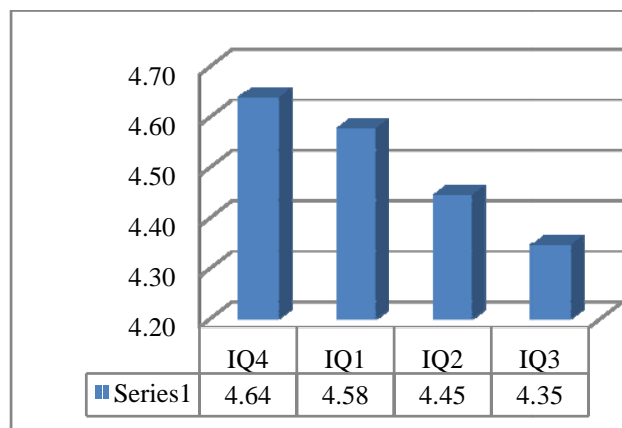


Figure 4 Service Quality Indicator Score

Figure 4 shows the average respondents score is above average 3.67. In the highest order, it is found that indicators IQ4 has the average value of 4.64, while the lowest is indicators IQ3 with the average value of 4.35. It means that qualitatively, information quality desired by respondents is the secure or the truth of information offered in website as online marketing of a good franchise business.

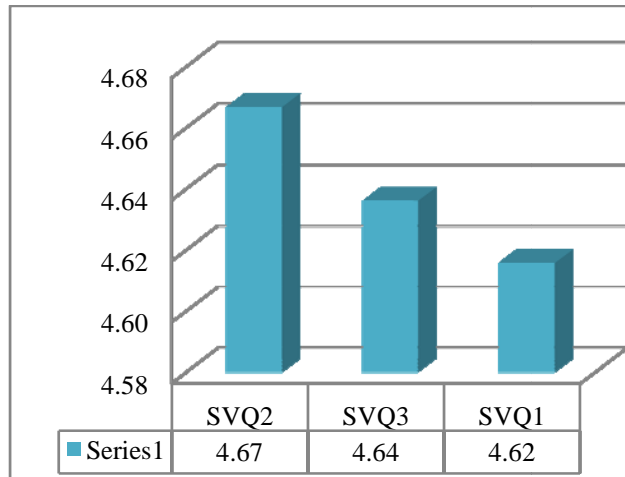


Figure 5 Service Quality Indicator Score

Indicators are displayed in Figure 5 shows that average score of respondents is above average 3.67. In the highest order found that the highest indicator is SVQ2 the average value of 4.67 and the lowest SVQ1 (the value of the average 4.62). It means that information service desired by respondents has got attention from the franchise company when they are looking for information, such as reply to messages, call or other follow-up.

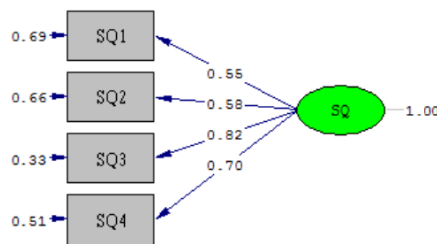


Figure 6 System Quality Loading Factors

Figure 6 shows the loading factors of system quality indicators. All indicators are bigger than 0.50; it means that all indicators give significant impact to the variable System Quality. The biggest loading factor comes from SQ3 (0.82), it means that the respond time is the most expected by respondents.

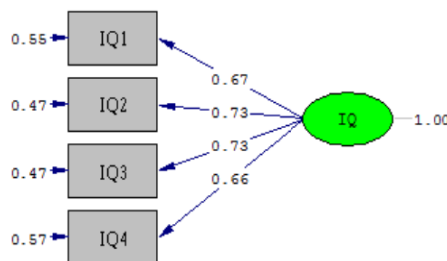


Figure 7 Information Quality Loading Factors

Figure 7 shows the loading factors of quality information indicators. All indicators are bigger than 0.50; it means that all indicators give significant impact to the variable Information Quality. Both two highest loading factors are IQ2 (ease of understanding) and IQ3 (relevance)

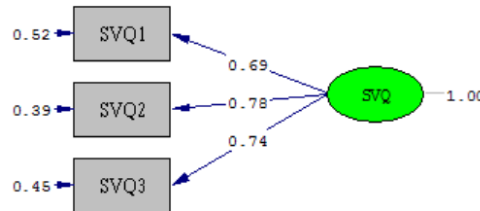


Figure 8 Service Quality Loading Factor

Figure 8 shows the loading factors of quality information indicators. All indicators are bigger than 0.50; it means that all indicators give significant impact to the variable Service Quality. The highest loading factor is SVQ2 (empathy). Empathy as a service response to potential investor is very important.

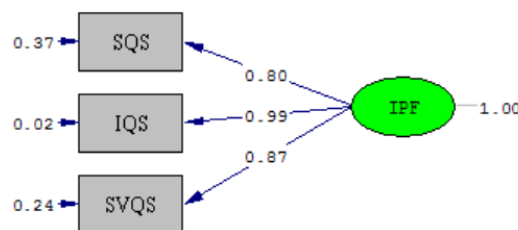


Figure 9 Model Coefficient

The research model is shown in Figure 9. Information Quality gives the biggest impact to intention to purchase franchise, followed by Service Quality and System Quality. The variable is the Information Quality. For all respondents, the information quality and service quality are more important than the system quality. It can be concluded that dimension and all indicators of website quality, according to DeLone and McLean model, affect the intention to purchase franchise. It is shown by the value of loading factors that is higher than 0.5.

Related to marketing performance excellence; franchisors should give attention to their website quality, starting from the information quality. It means that the potential investors are really concerned to the detail of information needed. In franchise business, information such as franchise advantages, subjective norm and behavioral control impact to the intention to purchase the franchise, should be shown clearly and completely on the franchisor's website.

The like or dislike of the information needed by potential investor will be known by franchisor's competitors. It doesn't matter for a good franchise company to give a complete and clear information to the potential investor who will help the potential investor to make a good decision. This website quality model can be used by government (Indonesia Ministry of Trade) to set a standard of information for franchisor business profile. For franchisor, this website quality indicators will help them to give their best franchise website quality to potential investor. And last but not least for the franchise association, this research can help them on sharing knowledge sharing for new franchisor to increase marketing performance excellence.



## CONCLUSIONS

To be concluded, website quality gives positive impact to intention to purchase franchise. Supporting with a good system quality, information quality, and service quality, the intention to purchase franchise will increase the investor's intention to purchase franchise. By fulfilling the franchisor website with a complete prospectus (franchisor's company detail profile) with information needed by potential investor, it is expected to increase the intention to purchase franchise. This condition should be followed by economic scale and increase of company performance. It is found that there is a big gap between information needed by potential investor and information provided by franchisors. Also, it is found that some franchisors websites are not up-to-date compared with marketing program and recent news of the company.

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