

Can Service Quality Be Standardized in a Franchise Network? The Case of McDonald's in Egypt

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Abstract This study investigates service quality variation among McDonald's fast food franchise chain outlets. Findings from the data collected from 162 customers indicate that McDonald's fast food chain restaurant is able to ensure service quality standardization across its franchised outlets located in Egypt, while it fails to ensure this standardization across franchised units in Egypt on the one hand and franchised units abroad on the other hand. The study concludes that, although standardization is expected from the franchised outlets, some outlets are not able to follow the same standards, especially, when they are functioning in different conditions.

Keywords Egypt • Franchise network • McDonald's • Service quality

1 Introduction

Franchising is an organizational form chosen in order to compete in the retail and service sectors that require highly decentralized operations at a chain with multiple sites (Michael 2000). The essence of franchising is capitalizing on both the economies of scale associated with large systems and the benefits derived from small, localized operations. The franchisor, as the creator, builder, and guardian of a unique business format, is responsible for efficiently managing a complex system of independent business owners (Kaufmann and Eroglu 1998). The very strength of a

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franchise system resides in its ability to standardize its operations across heterogeneous locations. The success of some American concepts abroad was partly due to their ability to export American culture and introduce cultural change. The diffusion of U.S.-based franchises abroad is often related to the foreign society desire to assimilate the American way of life (Grünhagen et al. 2010). However, franchising business is expected to provide standardization in terms of service quality.

Most of the previous research on the franchising business focused on the motivation, relationship between franchisor and franchisee (Grace et al. 2009) or standardization in franchising system from the operational point of view (Kaufmann and Eroglu 1998). But a very limited number of studies have examined the issue of service quality variation within franchise networks from the perspective of the customers (Streed and Cliquet 2008). Customers' perceptions play a significant role in determining the level of quality for the service provided. Customers' perceptions are affected by several factors that the service provider has no control over such as: culture, educational level, sex and experience. One should not neglect the dominant role of these perceptions when evaluating service quality (Parasuraman 1998).

Although standardization is expected from franchisee outlets, some outlets are not able to follow the same standards for products or services in the franchised system (Baucus et al. 1996; Abd Rahman and Si 2011). This is possibly due to the existing variations in the different environments where the system is operating (e.g. cultural, social, economic, etc.) that affect the customers' expectations. These variations may also be a result of the desire to adapt the product or service to meet these expectations. The concepts of uniformity and standardization in franchise system consequently are therefore challenged. This question is tackled in an emerging market—such as Egypt—where stakes are of great interest for the development of these countries.

Franchising in Egypt began in 1973 with President Anwar Elsadat's "open door" policy. This followed a period of strict social and economic control during which the market had been stagnated and distanced from the rest of the world. Wimpy was the first brand to take advantage of the new openness, by signing an Egyptian franchise contract, and opening its first restaurant in Cairo. The franchise was so successful that, initially, it couldn't cope with the endless lines of customers. Hamburgers quickly became fashionable, and Wimpy expanded throughout Egypt. Following the triumph of the Wimpy experiment, the word spread and franchising began to take off with other international chains rushing to follow this example.

Focusing on fast food franchise systems in Egypt, this study investigates service quality variation—from the customers' view point—among the McDonald's chain located in Egypt, on the one hand, and the variation among these outlets located in Egypt and others located abroad, on the other hand. In this study, the following research questions will be answered:

1. Does the customer perceive variation in terms of service quality among fast food franchise outlets in Egypt?
2. Does the customer perceive variation in terms of service quality between fast food franchise outlets in Egypt and fast food franchise outlets abroad?

3. If variation in terms of service quality between fast food franchise outlets in Egypt and fast food franchise outlets abroad exists, is this variation appreciated from the customers' view point?

The attempt to answer these questions will enrich the franchising literature regarding standardization and adaptation, on one hand, and the service management literature regarding the crucial role of the customers in the service context, on the other hand. The second section of this paper deals with standardization and service quality problems. In the third section, the methodology and the research context are discussed, before presenting the results. Finally, research limitations and future perspectives are developed.

2 Standardization and Service Quality

2.1 *Drivers of Standardization in Business Format Franchising*

Franchising refers to a form of “business cloning” (Hoffman and Preble 1993). It is a business format where franchisors seek to have franchisees to replicate their business in local community based on the entire business concept, including product or service, trade name and methods of operation. This kind of franchise system is usually found in many service sectors and among specifically fast-food service restaurants such as KFC, Pizza Hut and McDonald's (Bradach 1998).

One of the primary motives for standardizing across markets is the desire to reduce cost (Samiee and Roth 1992). These cost savings result from economies of scale due to purchasing (Douglas and Wind 1987), marketing (Levitt 1983), research and development (Buzzel 1968), as well as savings due to easier implementation and management of programs (Samiee and Roth 1992). As international expansion, cost minimization is also an important rationale for standardization across domestic markets (Kaufmann and Eroglu 1998).

But cost reduction is not the only objective of a standardization policy. In franchise networks, it contributes to the concept uniformity which is one of the four main challenges a chain should meet according to Bradach (1997) (see also Cliquet and Pénard 2012): (1) adding new units; (2) maintaining the uniformity of the concept; (3) responding local; (4) adapting globally the system. The key point is that maintaining the uniformity of the concept helps to diffuse and protect the image and hence the brand which is the essential asset of a franchisor. Actually, concept uniformity reinforces the brand image (Kaufmann and Eroglu 1998) which is more important in service networks because maintaining the quality of services in every unit (store, restaurant, hotel...) of the chain wherever it is located is a daily challenge (Caves and Murphy 1976). Franchisors strive to implement several methods to maintain the uniformity of their concept.

Hence, the second Bradach's challenge (1997) concerning uniformity poses the key question: adaptation vs. standardization (Kaufmann and Eroglu 1998) in

franchise chains. This dilemma is very closely related to the following international marketing issue: localization vs. globalization. Globalization was defined by Levitt (1983) whereas other researchers questioned this approach by talking about the myth of globalization (Douglas and Wind 1987) and even favouring localization (Rigby and Vishwanath 2006). Douglas and Wind (1987) are not opponents to the globalization process: they just assert that it is not possible to really globalize everything and, depending on local conditions, some elements of the marketing can be globalized to some extent.

Maintaining the uniformity of the concept cannot be realized through central control. Standardization can only be implemented by persuading franchisees and persuasion appears to be the key word in managing a franchise network (Cliquet 2000). In any case, some legal considerations, about for instance pricing, and hence promotions, prevent franchisors to impose their power because prices cannot be officially standardized without breaking anti-trust laws (Lafontaine 1999). It seems that plural form networks have a better chance to meet these Bradach's challenges (1998) and hence to survive (Botti et al. 2009; Perrigot 2008; Perrigot et al. 2009).

Kaufmann and Eroglu (1998) ask the question to which degree standardization or adaptation should be realized on a continuum (if such a continuum between "wholly standardized" and "wholly adapted" could really exist). They make a distinction between core elements of the concept (product/service deliverables, benefit communicators and system identifiers) which should stay invariant throughout the chain and peripheral elements of the concept which may be adapted to local specificities. The problem is then to adapt the concept not only on a spatial basis but also on a temporal basis because every chain should adapt its concept along time. This is the fourth and last Bradach's challenge (1998): system wide adaptation. Once this adaptation has been decided, the updated concept should then be implemented in every unit and we are back to a problem of dissemination. This updating process is not so easy to develop and once again plural form networks appear to be in a better position to succeed in such a project (Bradach 1998; Cliquet 2000). Sorensen and Sorensen (2001) oppose in franchise chains the exploitation process to the exploration process. The exploitation is implemented to develop organizational routines and company-owned units are more appropriate for that purpose whereas the exploration process which can lead to new ideas for the concept is better managed by franchisees. Franchisees are in a better position to both envisage new ideas and implement these new ideas adapted to their local context (Wang and Altinay 2008). This dual organization is then of a great help in developing franchise networks.

Adaptation and standardization will remain very pregnant management concepts in franchising future. One of the most predictable developments for franchising concern emerging markets and more specifically Based-Of-the-Pyramid (BOP) markets (Kistruck et al. 2011). Adaptation is then a key problem for international companies because the environment is most of the time far from being what it is in the country where the concept has been perfected and the chain was first expanded (Jensen 2007; Matusitz J 2010).

One important area where the standardization of the format is effective in reducing cost relates to monitoring. A central concern of the operations function

in franchise systems is quality control. At the most basic level, this refers to managing the overall system for optimal performance. Management of the overall system, however, implies the ability of a franchisor to identify poor performance on the part of individual franchisee. Standardization not only makes comparison of executioner ability possible, but also at the minimum cost possible (Kaufmann and Eroglu 1998). Standardization reduces the cost associated with quality control monitoring by giving the franchisor the ability to quantify an otherwise subjective property, such as quality. Hence, it provides the operations division with the ability to efficiently and objectively monitor the performance of franchisees. Cost savings through standardization are also realized in the area of standardized inputs, an issue related to both product/service deliverables and format facilitators. Franchisees gain competitive advantage over similar independent businesses via access to needed inputs at low cost.

Standardization also permits image continuity and stability across markets (Jain 1989). A franchise system's image represents the total expected reinforcement that a consumer associates with patronizing any of its outlets (Kunkel and Berry 1968). As such, all format components are, either directly or indirectly, instrumental in creating and maintaining the desired image. Franchisors strive continuously to create and maintain an image of their concept that is both desirable and uniform.

2.2 Drivers of Standardization in Business Format Franchising

Several authors have discussed the unique importance of quality of service firms (Norman 1984; Shaw 1978) and have demonstrated its positive relationship with profits, increased market share, return on investment, customer satisfaction, and future purchase intentions (Anderson et al. 1994; Boulding et al. 1993; Rust and Oliver 1994). "Service quality" is now a very important topic in marketing. A definition of service quality is given by Lewis and Booms (1983: p. 26):

Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis.

Parasuraman (1998) prefers to define service quality as "... a global judgment or attitude relating to the overall excellence or superiority of the service", introducing then the notion of optimization ("excellence") and competition ("superiority") applying then the Oliver's conception (1980, 1993) and his disconfirmation model. The optimization is based on a comparison between service quality perception by the customer and customer's expectations: service quality is then measured by the gap between these two above notions.

Several streams of research have emerged according to their interpretation of the meaning of service quality. The problem stands in the definition of customer satisfaction. Following Cardozo's initial definition (1965), various definitions have been proposed (Hempel 1977; Churchill and Surprenant 1982). Parasuraman et al.

(1988) posited and operationalized service quality as a difference between customer expectations of “what they want” and their perceptions of “what they get”. Based on their conceptualization and operationalization, they proposed the service quality measurement scale ServQual and they identified a set of 22 variables/items tapping five different dimensions of service quality construct, namely: tangibles, reliability, responsiveness, assurance, and empathy.

However a consensus seemed to appear with the disconfirmation approach of service quality (Parasuraman et al. 1988) which led to the elaboration of the ServQual scale. But Carman (1990) criticized it reproaching its lack of stability entailing researchers to adapt it according to the service category. One serious problem with the ServQual scale is that it entails a gigantic data collection task. When employing a lengthy questionnaire, one is required to collect data about consumers’ expectations as well as perceptions of a firm’s performance on each of the 22 service quality scale attributes. Other objections against the scale relate to the predictive power of the instrument and validity of the five-dimension structure (Babakus and Boller 1992; Cronin and Taylor 1992; Dabholkar et al. 2000; Teas 1993).

It is because of these criticisms, that some researchers stressed the need for developing a methodologically more precise scale (Babakus and Boller 1992; Bolton and Drew 1991; Brown et al. 1993; Carman 1990). The ServPerf scale (Cronin and Taylor 1992) is one of the important variants of ServQual. Since it is based on the perception component alone, it has been conceptually and methodologically posited as a better scale than the ServQual scale. Methodologically, the ServPerf scale represents marked improvement over the ServQual scale (Cronin and Taylor 1994). Not only is the scale more efficient in reducing the number of items to be measured by 50 %, it has also been empirically found superior to the ServQual scale for being able to explain greater variance in the overall service quality measured through the use of single item scale (Jain and Gupta 2004).

Service quality in food-industry has been recognized as individualized, intangible and subjective in nature (Johns and Howards 1998). In order to retain customers and to attain survival and growth in an increasingly competitive environment, many marketers realize that they must ensure a high quality of service that go beyond customers’ expectations (Dabholkar et al. 2000).

Service marketing differs fundamentally from goods marketing in terms of intangibility. This feature makes it difficult to determine how consumers perceive service quality (Brogowicz et al. 1990; Behara and Gundersen 2001). Other service marketing characteristics—heterogeneity, perishability and the inseparability of production and consumption—further compound the issues of defining and measuring service quality. Beyond these distinguishing characteristics are differences between the measurement of service quality and tangible product quality. Service quality refers specifically to subjective, perceived quality, with the purpose of reflecting customer attitudes toward services and capturing customer perceptions regarding the service provider’s excellence and superiority (Parasuraman et al. 1985, 1988). Parasuraman et al. (1988) identified five dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy.

2.3 *Standardization in Business Format Franchising and Service Quality*

Customers are supposed to have high expectations on standardized product and service at every location with such uniform image and identity (Falbe and Dandridge 1992). Therefore, in order to attract and retain customers, system standardization and consistency are very important. Michael (2000) defines quality in fast food chain not just as product quality itself, but also the franchisor's operating instructions in order to convey a standardized product. Bradach (1997) suggests that under the chain builder strategy, franchisee of the franchised chain try to create and maintain a superior brand reputation by providing and delivering the same high quality of service in all locations. Based on these arguments, the following hypotheses are proposed:

Hypothesis 1 (H1) Fast food chain restaurant under the same franchise system will have similar level of service quality in the same country.

Hypothesis 2 (H2) Fast food chain restaurant under the same franchise system will have similar level of service quality across countries.

3 Empirical Analysis

3.1 *Data and Methodology*

In this study, McDonald's Egypt is selected in the investigation of service quality variation. A questionnaire survey was given to 259 Egyptian students, all English speaking, from the faculty of commerce, Alexandria University to examine the service quality provided by McDonald's fast food chain restaurant in Egypt and abroad. A convenience sampling which is also known as non-probabilistic sample was used in selecting the respondents. Those students were able to understand and answer the English questionnaire without translation. This way, the translation and back translation procedures were avoided (Brislin 1970). The students' age varied from 18 to 21 years and 78 % of them had experienced McDonald's out of Egypt. Respondents were asked to recall their dining experience from three separate McDonald's, the first two are located in Egypt and the third is located abroad.

The questionnaire solicits information on their perception of the quality of the service provided by McDonald's. The study uses a 7-point Likert scale to solicit the respondent's degree of agreement or disagreement with each of the statements in the questionnaire.

Consensus generally exists that service quality is a distinct construct, but there are discrepancies regarding service quality measurement. The ServQual instrument proposed by Parasuraman et al. (1988) focuses on computed disconfirmation,

in which the difference between customer expectation and the actual performance (both measured after the service is performed) is calculated. The alternative approach, ServPerf, is concerned only with customer perceptions of service performance (Cronin and Taylor 1992; Gronroos 1990). The increasing body of research in this area overwhelmingly supports the “perception only” approach to measure service quality (Gronroos 1990; Zeithaml et al. 1996). Accordingly the “perception only” or ServPerf approach is adopted in this study.

At the end of the data collection period, a total of 161 questionnaires for two McDonald’s located in Egypt, and 143 questionnaires for McDonald’s abroad, were used for data analysis.

3.2 *Franchising in Egypt*

Franchising is one of the most important tools to develop a country and generate decent jobs to face the growing increase in population. Egypt’s population currently stands at nearly 80 million people with more than 50 % under the age of 20, and Egypt is expected to reach 100 million in 8 years (CAPMAS 2009). Franchise has dramatically increased over the last 10 years from approximately 25–310 franchise systems. It directly employs more than 45,000 employees and generates more than 9 billion EGP of annual sales. More than 500,000 jobs were created through franchise supply chains. Franchise direct investments exceeded 40 billion EGP. In addition, a range of feeding industries have developed to service the sector. Retail sector represents 48.9 % of the total systems conducted as it covers: clothing and fashion, supermarkets, home products, etc. Other categories represent 51.1 %, distributed among 20 categories (including 23 % for food outlets) Egyptian Franchise Development Association (EFDA 2009).

Since 2000, franchising in Egypt has been supported by a growing number of organizations and initiatives. In 2001 the Egyptian Franchise Development Association (EFDA) was established. Two years later, EFDA was accepted as a full member of the World Franchise Council (WFC). Egypt is the second country in Africa—following South Africa—and the first in the Middle East to qualify. A law for intellectual Property rights No.82 of 2002 was passed on June 2002. This law applied the rules of the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPS Agreement) and makes protection of intellectual profits under a franchise agreement more secure. Being a member of the World Intellectual Property Organization (WIPO), Egypt is a signatory to a number of major international agreements such as Madrid international convention protecting trade and industrial marks.

In 2004, McDonald’s opened its first two restaurants simultaneously in Cairo. Today, over 40,000 customers are served under the Golden Arches at over 59 outlets throughout the country every day. Standardization for McDonald’s is a key ingredient for success. This chain seeks to serve its customers with the same quality

product and experience, whether that restaurant is located in Moscow, Idaho, or Moscow, Russia (Manrodt and Vitasek 2004).

4 Results and Discussion

4.1 Data Analysis and Findings

The consistent reliability of items for each variable in this study is measured by the value of Cronbach's alpha coefficient. The items used in each variable are reliable as the coefficient value is greater than 0.6 (between 0.69 and 0.82) as recommended by Malhotra (2010). Paired sample *t*-test is used in this research to test all hypotheses. The perception of the respondents on the service quality of McDonald's restaurants was measured on three substances: two different McDonald's restaurants located in Egypt, and one McDonald's located abroad. Tables 1, 2 and 3 summarize the results of the analysis.

Pair sample test for service quality in Table 1 showed that there is no significant difference between the service quality delivered by the two McDonald's located in Egypt ($t = 2.557, p = 0.011$). Respondents see that McDonald's delivers a somehow standardized quality in Egypt. No significant difference can be perceived in the core service delivered by McDonald's across the two McDonald's restaurants while, pair sample test in Tables 2 and 3 showed that there is a significant difference between the service quality delivered by McDonald's Egypt and McDonald's located outside Egypt ($t = 10.738, p = 0.000$) ($t = 5.826, p = 0.000$). Significant difference can be perceived in the core service delivered by McDonald's located inside and outside Egypt.

Thus this study confirms H1, which states that fast food chain restaurant under the same franchise system will have similar level of service quality in the same country, and fails to accept H2, which states that fast food chain restaurant under the same franchise system, will have similar level of service quality across countries.

4.2 Discussion

The findings of the study imply that although operating under franchising system, McDonald's fail to demonstrate the same level of standard in terms of service quality across the different countries. The concepts of uniformity and standardization of the franchising concept across different countries is shown to be less relevant in the context of Middle Eastern countries (Egypt). The Egyptian consumers perceive that a fast-food franchise network offers a standardized service quality when comparing different outlets of the same chain located in Egypt, but a different service quality compared to outlets of the same chain located outside Egypt.

Table 1 Paired samples statistics for service quality (inside Egypt)

Variable	Mean	Std. deviation	<i>t</i>	df	Sig. (2-tailed)
Service quality (restaurant 1)	5.8261	1.6108	2.557	160	0.011
Service quality (restaurant 2)	5.4783	1.1185			

Table 2 Paired samples statistics for service quality (inside and outside Egypt)

Variable	Mean	Std. deviation	<i>t</i>	df	Sig. (2-tailed)
Service quality (restaurant 1)	5.4543	1.1304	10.738	142	0.000
Service quality (restaurant 3)	6.6154	0.6271			

Table 3 Paired samples statistics for service quality (inside and outside Egypt)

Variable	Mean	Std. deviation	<i>t</i>	df	Sig. (2-tailed)
Service quality (restaurant 2)	5.7762	1.6420	5.826	142	0.000
Service quality (restaurant 3)	6.6154	0.6271			

This study provides empirical evidence that non standardized service quality is not always appreciated. Eckhardt and Mahi (2004) found only a rejection reaction to McDonald's fast-food menu in the specific context of India. In contrast, Egypt, as an Islamic country, has no prohibitions against meat consumption other than pork (Grünhagen et al. 2010). It is interesting to note that the average score for McDonald's Egypt service quality is lower than the average score for McDonald's abroad service quality. Respondents perceived foreign outlets providing better service quality than Egyptian ones. This could be due to variations in terms of management team, experience, and attitude of employees (Abd Rahman and Si 2011), or due to adaptations' effort. This result is supported by Cox and Mason (2007) and Abd Rahman and Si (2011) who found that there is no standardization among fast food restaurants. Franchisees may find themselves deviating from the standard franchise format due to cultural and geographical differentiated nature of markets and resource availability. Kaufmann and Eroglu (1998) and Sorensen and Sorensen (2001) claimed that there is deviation from standardization in franchise chain due to local adaptation. Local adaptation may not always be appreciated by the customers. In this paper, it was found that the respondents perceive the level of service quality offered by McDonald's Egypt as lower than the service quality offered by McDonald's abroad. Findings on variation in terms of service quality between fast food chain restaurants under the franchise system can provide guidelines to franchisees and franchisors in understanding the customer perception towards service quality. Franchisors should take initiative actions to ensure standardization across all outlets if customer satisfaction is to be enhanced.

Stringent control and monitoring across all chain outlets should be constantly emphasized in order to secure customer's trust and loyalty to the brand.

The findings suggest several marketing strategy implications for Egypt and other Arabic countries. Western-style fast-food restaurants appear as a service that is increasingly compatible with young population (Grünhagen et al. 2010). Almost 95 % of the respondents have experienced McDonald's services. The rapidly expanding youth segment of the Egyptian population is an opportunity for fast-food restaurant franchisors. In addition, this study stresses the importance of standardization and uniformity of the franchised outlets across different countries. Young Egyptians want to experience and assimilate American way of life by buying a standard offering.

4.3 Limitations and Future Research

Though convenience sample is easy to access, it suffers from a number of biases. It can lead to the under-representation or over-representation of a particular group. The sample is also unlikely to be representative of the population being studied. These biases undermine our ability to make generalizations from the sample to the population we are studying. In this study, students from the Faculty of Commerce, Alexandria University who responded to answering the questionnaire, were relied on. Also, college students by definition are quite educated relative to a 28 % estimated illiteracy rate in all Egypt (World Bank statistics 2010). Thus, perceptions among those students may deviate from the remainder of the Egyptian nation (Grünhagen et al. 2010). In future studies on this topic, research needs to include other age and educational categories of the respondents.

McDonald's as an example of a well-known fast-food franchised chain, was shown here to offer a non standardized service quality across its outlets. An important question remains and this is whether other service franchised networks offer a standardized service quality or not. Differences may exist in order to adapt the offering to the local environment. Is this adaptation always appreciated from the customers' point of view, or should one stick to the standards? Finally, emerging countries in general and Arabic Middle Eastern countries in particular are understudied. The franchise context seems to be promising for investigations into such cultures.

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