ANALYSIS OF GROWTH AND OPERATIONAL PERFORMANCE IN FRANCHISED QUICK SERVICE RESTAURANTS IN KENYA

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DECLARATION

STUDENT'S DECLARATION

I proclaim that the subsequent research project is my unique work and has certainly not been submitted for a degree in any other university or college for examination/academic purposes.

Signature: ……………………………………. Date:…………………………………

PATRICK MURITHI MEME **D61/68413/2013**

SUPERVISOR

This research project has been submitted for examination with my approval as the University Supervisor.

Name…………………………………. Signature…………………..Date……………………

DR. X.N. IRAKI

DEDICATION

I dedicate this project to God the Father who has given me good health and ability to be able to get to this far. I also dedicate the project to my parents, who have always encouraged and supported me in my journey to get this far. I also dedicate this project to my wife Virginia, sons Jake and Davis who have always been there for me and supportive while undertaking this project. May God bless you all abundantly.

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LIST OF ABREVIATIONS

HR: Human Resource

IT: Information of technology

RBT: Resource Based Theory

RCI: Resort Condominiums International

SPSS: Statistical Package for Social Sciences

USA: United States of America

ABSTRACT

Restaurant businesses have expanded internationally using franchising. Faced with current competitive market conditions, the ability to access the customer base and reservations infrastructure of a multinational brand may have considerable appeal to independent operators. The study sought to analyze the growth and operational performance in franchised quick service restaurants in Kenya. The study employed a descriptive research design. The population of interest for this study was consisted of 31 franchised quick service restaurants in Kenya and that have been in operation during the period 2014 to 2018, thus it was a census survey. The research used primary information collected using questionnaires. The collected data was therefore sorted, coded and analytically prearranged in a way that can facilitate the analysis through the use of the Statistical Package for Social Sciences (SPSS). In addition, a multivariate regression model was applied to determine the relative importance of each of the variables with respect to growth and operational performance of franchised quick service restaurants in Kenya. The findings were presented using frequency tables and graphs. The study found that globalization, dependence upon the nation's economy and income levels greatly influenced growth and operational performance of franchised quick service restaurants in Kenya. The study concluded that economic determinants had the greatest effect on growth and operational performance of franchised quick service restaurants in Kenya followed by customer determinants then marketing environment, then operating determinants while technological determinants had the least effect on growth and operational performance of franchised quick service restaurants in Kenya. The study recommends that the management of franchised quick service restaurants in Kenya should initiate rapid supply chain integration efforts with the aim of making the organization highly responsive to changes in the business process. The study further recommends that the franchised quick service restaurants in Kenya needs to strategize on offering small packages at relatively lower prices; while maintaining the expensive products. This serves the needs of customers with different purchasing power. The study recommends that the management of franchised quick service restaurants in Kenya should keep up with the fast pace of technology.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization as a trend emerging towards an interdependent and a single integrated global economy has encouraged several economists into thinking of the world as a single market as well as examining common needs within and across the world (Alon, 2004). One form of business enterprises management as well as expansion into world markets is franchising. It allows the hybrid marketing mix strategy adoption. The mix is the elements standardization and the other country's specific elements localization. Therefore, franchising is the independent business network distribution relationship that not only permits brand identification sharing but also offers distribution and marketing system that is strong. Mutual treaty the franchisor and the franchisee are the basis of franchising. Hence, standard franchising contract doesn't exist (Sashi & Karuppur, 2012). One area where franchising is common is in the restaurant/ hospitality industry.

Globally franchisees seem to be attracted by fast food industry as likened to launching independent outlets of fast food as a result of their relationship with business high viability as well as positive flow of cash that faster arises from franchises than from self-regulating businesses. Lifestyles change has greatly powered this. There has been increased urban populations, demand for Kenyan fast food demand, increased mobility as well increased time spend by people commuting to and from work. In 2007 Nandos withdrew its franchise from Innscor Kenya Limited which then had all its outlets taken over by Galitos (Waithaka, 2007). Steers, with its sister franchise Debonair Pizza, a franchise of Famous Brands Limited of South Africa, entered the Kenyan market in 1998 (Anon, 2008). After trying different locations over the years has closed down more than four of its outlets since late 2013.

Kengeles, a Kenyan brand, entered the market in 2007 initially with great success. However, by the end of 2009 it had closed all except one of the franchised restaurants (Bell, 2009).

1.1.1 Franchised Quick Service Restaurants

Since 1950s, franchising has grown so fast that it is now universal in the economy of the US. In Price Waterhouse-Coopers (2004) study it was projected that in the United States in 2001 there were more than 767,000 business establishments engaged in franchising, directly or indirectly providing more than 18 million jobs, payroll of over $506 billion, and output of over $1.5 trillion. As per the study, particular sectors of the US economy are now dominated by franchising. For instance, more than 56% of the quick service restaurants are franchises. Among the fastest growing US exports are franchising which is now projected in terms of number of units of franchising that will in the future grow 12 to 14% per year (Sigurjón, 2013).

Franchising is today used as a business format and it is the fastest growing method in USA with a turnover of well over 1.5 trillion US dollars (Khan, 2014). Though outlet managers have authority over some operational decisions, strategic and operational decisions are often retained at the parent company level e.g. selection of product mixes, marketing strategy and advertising. This may lead to certain challenges due to market dispersion such as relative differences in local conditions and the wide customer bases that are harder to appeal to all (Gachuru, 2017).

Franchising provides incentive for control over geographical locations, knowledge of local markets, and the monitoring of costs. There are two main categories of franchising; product distribution franchising and business format franchising. Business formant franchising is the most commonly used method than product method as the latter is limited to using trademarks without systems of running the business being provided by the franchiser. Other categories have been documented such as social, classic and stand-alone franchises (Cheserem, 2016).

Franchising can generate high financial returns for relatively little risk, small skills are required to operate the franchise. Financing the business may be easier relationships with suppliers have already been established. However, there are challenges facing franchising and they vary from one category of franchising to another. Some of the challenges commonly registered are keeping the required standard set by the franchisee, encroachment by the franchisor to franchisee's exclusive territory, exaggerated claims of support by franchisee, and franchisee declaration of lower failure rate than reality. Others external environment oriented such as counterfeits, parallel acquisition of franchiser exclusive products, generics, non-registration of patent in certain markets (Gikonyo, Adele & Wadawi, 2014).

Values, beliefs, behaviors, customs as well as attitudes are reflected by a culture. It's key to note that these elements are adaptive as well as changing as a result of franchising outside business forces. Attitudes towards work, investments, laws, consumption as well as responsibility for different categories of people is influenced by religion.

1.1.2 Operational Performance

Operational performance is the backbone of organizational performance. It's the technique of determining the advancement in attaining set objectives, including information on efficient utilization of resources that are converted into products both goods and services. Organizational performance is the capability of an organization to fulfill its mission through governance, excellence and dedication to meeting its goals and objectives. Delivery of products and level of customer satisfaction indicate the quality of the operation. Operational performance on the other hand is the performance of an organization against its set standards such as waste reduction, productivity, cycle time, environmental responsibility and regulatory compliance (O’Brien, 2009).

Operational performance indicators as, amount of goods delivered on time, reduced scrap rate, product quality, and faster response in delivery, reduced costs and capacity utilization. Operational performance therefore takes into consideration the company’s performance in achieving its basic objectives. Improved operational performance is anticipated to promote an organization’s competitive edge, through price/cost, quality, reliability, marketing time, output innovation, customer lead times and inventory levels. The operations of a firm should be efficient and effective. Performance measurement networks are hence developed in order to monitor and maintain operational control. Operational Control is the process that ensures an organization is able to pursue action with the aim of achieving the overall goals and objectives. Achievement of these goals is a manifestation of excellence in organizational performance (Hubbard, 2009).

1.1.3 Franchised Quick Service Restaurants in Kenya

In Kenya recently, the model of business franchising has been slow to take hold since investors have a little knowledge or no knowledge on its rewards potential, industry insiders say; though, American franchises such as KFC, Subway, Cold Stone Creameries and Burger King have begun to set base in Nairobi. There is a likelihood of emergence of investment prospects outside Nairobi in future as a result of the counties formation. In Nakuru, Kisumu, Laikipia as well as Uasin Gishu Counties, KFC has already opened. In addition, in some outside Nairobi counties, chicken Inn has also opened.

There has reported increase in consumer expenditure, on eating, drinking habits as well as shopping particularly among the urban population by Consumer Lifestyle Reports in Kenya since there is growing income that is disposable. Trends of lifestyle evolving in Kenya may be realized in more shopping malls and recreational facilities coming up across Nairobi and other cities leading in Kenyan including: Eldoret, Kisumu, Mombasa, Nyeri, Nakuru as well as Machakos. This is an important focus to the investors who wish to set up shop in several locations in Kenya. Ranking franchises in terms of growth, branch and food demand, the most fruitful franchises are the restaurant and beverages industries. During hours of work Kenyans spend a lot of time and money eating out or ordering particularly and as a result the fast food industry has greatly benefited. Kenya's most common food franchises are Debonairs, Pizza Inn, KFC, Subway, Cold Stone Creameries, Burger King as well as Steers. As a result of services investments which meet basic needs being lucrative, franchising has begun to take hold (Gikonyo, Adele & Wadawi, 2014).

Formalization of transmittal measures for royalties and fees to the franchisor or licensor involves the primary hurdle. Companies Act of 2009 regulates the business legal forms and in addition, laws of immigration and permits for work regulate foreign investors. In addition, there are requirements for licensing that are irregular to certain industries. There exist important assurances against private property expropriation under the Kenyan constitution, that need the due process along with enough and complete reimbursement in case of expropriation. The average investment in money and time for starting up of franchise will rely on the industry nature as in some industries franchising may need more capital for investment as well as time whereas others may need less. The US$100,000 is the average cost of starting up a food/restaurant industry in Kenya (Gachuru, 2017). The new county government system introduction may certainly increase the Kenyan foreign investments need as various counties strive to be sustainable. This will ensure that the county governments subsequently manage efforts by undertaking regulatory reforms that shall improve their in terms of making business environments to be friendly to foreign investments (Malinda, 2013).

In franchising quick service restaurants, increasingly important vehicle for entrepreneurial creation of wealth and accounts for a large and business growing share in the sectors of retail and service are provided by operations management. This governance form is most frequently used by chains that operate in markets that are dispersed. These organizations need to balance standardization as well as centralization needed for efficiency with the success needed adaptation in changed local markets. Particularly, the diverse enticements that company managers as well as entrepreneurs are facing in managing franchises inspire distinct organizational learning patterns. Better chances for an organization to learn via investigation is provided by franchised institutions provide; though, businesses through their company-owned units, find it easy to enforce standards as well as diffusion of this information (Waweru, 2016).

1.2 Research Problem

Restaurant businesses have expanded internationally using franchising. The ability to accessing multinational brand client base and infrastructural reservations faced with current market conditions that are competitive, they can have substantial appeal to independent operators (Sigurjón, 2013). For established brands chains, generation of revenue from the brand is offered by franchising without the significant upfront capital outlay or the level of long term commitment associated with other operating/ownership structures need. In Kenya, there is entrance to the market by local restaurant as well as international franchise systems although after a few years close down or exit operations (Gachuru, 2017).

Most franchised quick service restaurants have not done well. There is particularly no adherence to ethical procurement for food and beverage as a result of agricultural commodities classically relying on labour inputs of low-cost and damaging technology and practices environmentally for high volumes production. The reputation of outlets of food franchising in the short-term is threatened by these negative social and environmental impacts and in the long-term inevitability of capacity of food supply (Gikonyo et al, 2014). The competitive forces configuration such as competition intensity, new competitors, product substitutes and power of supplier and buyer has changed the environment a great deal generating the necessity for businesses to alter their position in the competition. Cost containment is increasing with no franchisors'-imposed quality standards to steadily meet customer hopes and international standards sacrifice (Waweru, 2016). In the wake of the global competition and slowdown that is tight between operators in the hospitality sector in a dwindling market the steep fall in footfall have drastically decreased covers by hospitality across the nation (Cheserem, 2016).

Locally, research has been carried out on franchising such as Maina (2015) conducted a study on incentives of sustainable supply chain management and Kenyan food franchising outlets operational performance and established that SSCM incentives are the most significant in enhancing the operational performance of the food franchise outlets. Mboloi (2007) focused on the Kenyan pharmaceutical industry franchising challenges based on the the case of franchisee. From the results it was clear that the most significant challenges were parallel importation, forgeries, the franchiser appointing a competing franchisee possibility as well as the association between the franchiser and franchisee being mutual. Noorani (2010) looked at the application of franchising as a strategy at CMC Motors Group Limited Kenya. The findings of this study were that CMC Motors Group Ltd adopts various franchising processes for its different units, where CMC identifies a product in terms of; the quality, value for money and the range of products. However, these studies reviewed focused on general franchising outlets, pharmaceutical industry franchising and CMC Motors Group Limited Kenya contexts which have a business culture and operation system in contrary to the hotel industry. Therefore, due to this evident gap, this study sought to analyse the growth of franchised quick service restaurants in Kenya.

1.3 Research Objectives

The objective of the study was to analyze the growth and operational performance in franchised quick service restaurants in Kenya. The study was guided by the following specific objectives to;

i. Evaluate the growth and operational performance of franchised quick service restaurants in Kenya.
ii. Analyze the determinants of the franchised quick service restaurants growth in Kenya.
iii. Determine the effect of franchising on operational performance of quick service restaurants in Kenya.

1.4 Value of the Study

The results of the study would be benefit quick service restaurants management and staff who will get awareness of how their businesses will achieve growth by generating suitable practices. The growth of franchised quick service restaurants understanding provided by the study will enable them to compete effectively with other firms in the emerging economies.

Policy makers, governments and other stakeholders' comprehension on Kenyan franchised quick service restaurants growth will actively stimulate the sustainability and growth of the restaurants in the country and assist policy makers to support, encourage, and promote the establishment of appropriate policies to guide the restaurants capitalization process.

It is hoped that the findings on the growth of franchised quick service restaurants in Kenya will be important to scholars who find significant research gaps that would arouse future research interest. Suggestions will be made on probable future studies' areas.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, theories surrounding the study on the growth of franchised quick service restaurants in Kenya. This chapter presents the theoretical review, growth of franchised quick service restaurants and summary of literature review.

2.2 Theoretical Review

The study is anchored on; resource-based theory, theory of Constraints and various franchising models.

2.2.1 Resource Based Theory (RBT)

The Resource based theory recommends how resources as the basis for advantage in competition of companies may be valuable, rare and incomparable (Barney, 1991). The resource-based view of organisations is introduced by Hart (1995) who highlights the opportunities as well as the sustainability risks and deliberates on how economic activities may socially sustainable and environmentally build affordability for the franchised quick service restaurants growth. Sustainable initiatives like production lines that are environmentally friendly may result to firms long-term sustained competitive advantage (Connelly et al., 2011).

The resources such as assets, competences, skills, procedures and know-how as per perspective of franchised quick service restaurants, are essential in implementation of policies as well as enhancement of firm competitiveness. As postulated by the recent Resource based theory thought, the effective use as well as resources sharing and competences amongst the units, like Priem and Swink (2012), can be seen as a competitive advantage that enhances the implementation of sustainable practices for the growth of franchised quick service restaurants.

2.2.2 Theory of Constraints

The theory of constraints is a philosophy of systems-management advanced in the early 1980s by Eliyahu Goldratt. The theory of constraints fundamental thesis is that the limits of any system performance are established by constraints. A few essential constraints are contained in majority of the organizations. This theory advocates, recommends that directors need to emphasize on capacity and competent management of these constraints effectively if they want to enhance the franchised quick service restaurants growth (Budiman, 2004). Additionally, this theory challenges the directors to reconsider some of their fundamental assumptions on achieving the organizational goals, about their productive actions consideration as well as about the cost management real purpose.

Theory of constraints is a vital part of this expanded toolkit, whereby it provides focus and unique insights into the ongoing challenges of finding the services and products that will capitalize on customer value-addition and growth of franchised quick service restaurants. Every part of the supply chain is a specialist at their process. Though the open-minded chain members understand that unless the customer is satisfied, there is no real value produced (Leary, 2001). The 'added value' underwritten by every constituent in a free market is determined by competitive situations and alternative methods. The environment and the individual component effectiveness/efficiency determines the margin of the profit at any constituent.

2.2.3 Franchising Models

The business models within franchising are of two types and for brand to remain relevant both types need to must to continue being developable and fluid. The first business model type is the model and systems formed for operating the business conducting company service. These systems are the ones that are utilized in training franchisees of company, indicating to them the value of the brand, the customers profile and how service its carried out. Therefore, for the company brand advantage, the franchisees have the freedom to positively exploit this model. In a case where the company resolves to franchising the company business, they are taken into a totally different role of the franchisor. Since the company no longer offer the everyday delivery of service but have a new recruitment role, training as well as development of franchisees invested in the brand of the company there is a need to develop the second business model type (Barber, 2010).

In this case the model of the business determines how the company operates as a franchisor. To ensure that the franchisees of the company are in possession of everything they require for success, company's thinking will have to change from operator to brand leader with a focus on training and programs development, central management functions, fee structures as well as agreement terms of franchisee. The future company brand profitability, growth as well as sustainability is set by the means of franchisor business model development by company. Training experts, marketing, operations, IT, HR and finance are needed to be recruited by the business. Too high royalties setting may discourage franchise investors though too low setting of the royalties may make the firm to miss out on millions of pounds in revenue (Lovelock, 2011). A solid business franchisor model guarantees that the brand proposition of the company is attractive to investors, which results in a consistent stream of revenue, allowing for continuous training, developing as well as supporting the growing network of the company franchise (Burton, 2016).

2.3 Growth Trends of Franchised Quick Service Restaurants

The fastest growing restaurant industry segment is the ownership of the vacation which possibly continues to grow as in the U.S.A the baby boomers enter their 50's and 60's. Timeshares was called as one of the sectors growing faster in industry of travel and tourism by the World Tourism Organization. The brand power to the perception is added by the companies of hospitality with firms such as the Inter-Continental, Walt Disney Company, Marriott Vacation Club International Hilton Hotels, Promus' Embassy Suites, Hyatt Hotels and ever Four Seasons participation in a rapidly grown industry in recent years (Jin-zhao & Jing, 2009).

The largest vacation ownership exchange Resort which is Condominiums International (RCI), allows locational members vacations exchange has in excess of 2.8 million-member families who are in 200 nations. 3700 resorts participating where members are able to exchange vacation intervals for vacations at any resort that is participating. North America with approximately half of all the resorts participating and additional 2 million owners remains to be the global leader. Europe with roughly 22% of global owners and more than 1,000 resorts is the second. Resorts of timeshare are located all over the world in common areas of vacation nearby rivers, beaches, lakes as well as mountains and even in major towns (Jinzhao, 2007).

A few years ago, a trend known as vertical integration began. Companies owning restaurants apprehended that accommodation needs for the guests' were not just at one level but also varied by price as well as by facilities/ amenities. In every market segment almost all the main companies for lodging have properties. The lodging industry future encompasses globalization. Unless firms venture beyond the US they can't advance. Most of unindustrialized nations who wanted premium-name hotel demanded chains of American hospitality as well as their techniques of management (Mania, 2009).

The capacity control complex forces, security as well as safety, movement of capital, and issues of technology will in the future need management cadre with an ability to familiarize with rapidly growing change through all the management traditional functions. The needs of human resources will be shaped by the future customer/employee interaction growing complexity that is driven by age information as well as technology. The armed with a lot of information customers, will anticipate that the frontline as well as the other staff of hospitality will at least be having knowledge about the offerings of the firms as they are themselves. This seems challenging to industries which is described by low-paid personnel, low-skilled employees and a high cultural and behavioral diversity degree among its employees (Jin-zhao & Jing, 2009).

Focusing on the future, hospitality industries to change driving forces considers seven areas that are significant to its future development. Each is assessed to establish the issue scope and complexity as well as the impact timing i.e. health and safety, distribution and capacity management, assets and capital, sustainable development, technology, new management, marketing, social issues (Sziva, 2011).

2.4 Determinants of Growth among Franchised Quick Service Restaurants

Franchising in quick service restaurants represents a high percentage of sales in various countries and regions. However, there are various determinants of growth among franchised quick service restaurants which include; economic determinants, technological determinants, marketing environment, operating determinants, customer factors and culture/ food traditions.

2.4.1 Economic Determinants

In fact, the restaurants sector moves with the state of the economy. When the economy is thriving then restaurants footfall rates are high. But if a recession hits, then the hotels are also the first to suffer. The government of Kenya has taken several steps to create an enabling environment so as to encourage both foreign and domestic investment. This is in agreement with Economic Recovery Strategy paper (2003), which is founded on the twin concepts of democracy and empowerment (Kenya Government, 2009).

There is a general increase in travel business the time when the economy of a country is good. Rates of hospitality patronage as well as rates of rack increase resulting in higher levels of profit. The vice versa is as well true that when the economy slows the travel business slows. Therefore there is a decrease in rates of footfall and rack. Price cuts that are offers to higher spenders yield revenues that are lower which in turn reduces the profit. Restaurants industry ate drastically impacted by globalization since it affects the peoples travel extent both domestically and internationally. Therefore, national economy as well as the individual countries' economies plays a progressively larger role in the restaurants financial success. The globalization trends need to be keenly looked at for firms to compete. In many features of industries processes, including amenities, food, services, staffing policies as well as training, the industry need to focus on global village requirements (Hudson, 2012).

2.4.2 Technological Determinants

It is challenging and expensive to keep up with the technological fast pace. Internet's interactive booking and systems of purchasing can now be used by guests and companies in hospitality sector are often criticized for many required alleged keyboard clicks for one to book online. There is a continuous increase in number of internet-made bookings. US surveys show that currently 20% of the total bookings are internet-made and every year this percentage seems to increase. Therefore, hospitality can't afford not to be connected as a result of high internet made bookings percentage. If the potential guest is not able to make a reservation online, then booking will be done in a web site of the competitors (Wang, 2009).

Managers are allowed by this computerized process to match room rates with the demand of guest (increase in demand means higher rates as a result of reduced discounts; decrease in demand result in higher discounts). To maximise profitability of hospitality, yield management is important. The concepts are practical to each revenue department and across department. The work of the yield manager is to increase the returns per room available through rooms selling to the right customers, at the correct price and time (Jin-zhao & Jing, 2009).

2.4.3 Marketing Environment

Segmentation of the market is growing as chains of restaurant emphasise on a specific guest's niche. In addition, brands overlap. Franchisers potential to expand their brands number to the point that the investors will directly be in competition with themselves if they purchase from the same franchiser are a concern to some industry observers. Again, as the brands number increases, the consumers' ability to distinguish between them reduces (Schaffmeister, 2015).

The services and products types which customers want, facilities, including centre of business, workout and facilities of recreation as well as innovations of guest-room, costs increase have become more sophisticated though if not selected carefully, most of guests being served by a particular property may not be appealed to them. They match the customers to the distribution. Firms' physical distributions are places such as granaries that transport and store the product of the company from the source to the terminus. Agencies of marketing services give services like conducting research marketing, advertisement as well as consultancy (Tranter, 2009).

2.4.4 Operating Determinants

Among the most consistent difficult challenges noted by restaurants are the shortages of labour and its impact on the industry in almost every geographical area. Expansion of hospitality in various communities is limited not by capital, but by human resources. A diminishing labour force is among the challenges that global hospitality industry is facing as per the International Society of Hospitality Consultants, which recently organised to brainstorm issues of the world and ranking them in accordance to significance (Boella & Goss-Turner, 2013).

Franchising is one of several options available to hotel and brand owners to maximise the commercial value of their respective businesses. The ability to accessing multinational brand client base and infrastructural reservations faced with current market conditions that are competitive, they can have substantial appeal to independent operators. For established brands chains, generation of revenue from the brand is offered by franchising without the significant upfront capital outlay or the level of long term commitment associated with other operating/ownership structures need (Aman & Hopkinson, 2010).

With the expansion of franchising as a business concept has come the expansion of rules governing franchising relationships. National and supranational regulation of the franchising industry has mushroomed, with many states introducing specific legislation in the past five years to protect franchisees and promote competition. International franchising exposes the parties involved to more levels of regulation (Raco, 2016).

2.4.5 Customer Factors

As per Parsa *et al*. (2005), the restaurant physical location is a significant factor which affects its failure or success. Parsa *et al*. (2005) in their study, they argued that the restaurants density in a location to a particular extent had an effect on the restaurant success or failure. This is strongly related to competition since a restaurant located in an area that is densely populated would have access to many customers' choices and subsequently the share of the market for every restaurant would reduce ultimately causing a shutdown of some restaurants. The factors related to both convenience and location is restaurants accessibility and visibility. Varying needs of the client and technological improvements and the have underwritten to the use of disposable serving, eating and material packaging. This has amplified customers restaurant products use convenience (Schlosser, 2001).

Despite clients spending little time in an atmosphere of restaurant being significant, it seems to have a little significance when customers make choices of using outlets (Njite, 2005). Nevertheless, the outlet cleanliness as well as the outlet physical appearance, colours, and arrangement of branding will be factors that initially attract restaurant customer. The maintenance of these is done they earning contribution in the customers loyalty that certain capacity. Njite (2005) found that customers were unwilling to admit restaurant environments are poorly maintained. They considered this sub-standard and would go to competition that had a more appealing environment.

2.4.6 Culture/ Food Traditions

Agriculture is a core part of the heritage of humankind in Africa. In this regard food traditions play a central role in society and in business at large. However, in many places, our current food systems have created a disconnection between foods habits and culture. Traditional foods and beverages may be produced as homemade, by restaurants and small manufacturers, and by large food processing plant facilities. The foods that people enjoy, and the traditions that surround them, give them a unique sense of identity this affects introduction and growth among franchised quick service restaurants (Fieldhouse, 2013).

When it comes to manners around the world each culture has adopted their own traditions and etiquette. People living in dissimilar areas take nutrients from different kinds of food; therefore, nutrition is a biological process cultural rather than a simple physiological and biochemical process. When people eat, the process can be influenced by economic, politics, culture, and many other factors affecting growth among franchised quick service restaurants (Griswold, 2012).

2.5 Franchising and Operational Performance of Franchised Business

There are challenges facing franchising and they vary from one category of franchising to another. Some of the challenges commonly registered are keeping the required standard set by the franchisor, encroachment by the franchisor to franchisee exclusive territory, exaggerated claims of support by franchisee, and franchisee declaration of lower failure rate than reality. Others external environment oriented such as counterfeits, parallel acquisition of franchisee exclusive products, generics, non-registration of patent in certain markets (Evanschitzky, Caemmerer & Backhaus, 2016).

Hill and Jones (2001) have documented that franchising lessens the financial burden of swift expansion and so permits rapid growth of the firm. Large restaurants company that are differentiated may reap the large-scale advertising rewards as well as purchasing, management and distribution economies. The restaurant company is also able to chase simultaneously differentiation and cost leadership since franchising allows local control of costs as well as achievement of differentiation through national level marketing (Chen, 1995). As per Porter (1980), there exists quite a lot of explanations why an industry may contain many small companies rather than a few large ones. Large firms don’t have an advantage over smaller enterprises since the a few restaurants businesses offer little scale economies. Large size leads to diseconomies of scale in various industries.

In franchising, a parent firm gives the franchisee the parent name of the firm's use right, status as well as skills in business at a certain area or location (Hill and Jones, 2001). Acting as the manager by franchisee strongly motivates them to closely control the business, and ensure that there is high consistent maintenance of quality and standards in order to always satisfy needs of the customers like motivation is mainly beneficial in a differentiation strategy, for which ability of the company in maintaining its uniqueness is very important. Franchising has been facing many challenges in various industries like the difficulty in controlling the many small retail outlets that must be operated while at the same time retaining their uniqueness. Franchising may inhibit a company's ability to achieve global strategic coordination. The more significant disadvantage is the absence of strict quality control. Franchisees in far off locations may not be as concerned about quality as they should be, and poor quality may lead to low sales in that particular market and a decline in the entire parent company's reputation (Burns, 2010).

There exists contract that is supposed to impose obligations on franchising practice of the franchisor and their franchisee(s). This contract allows the franchisee to agree usually to the scheme of payment as well as several provisions, that include limited dealings, quality standards, as well as contract termination conditions. Similarly, the contract of the franchise specifies the franchisor duties, that include knowledge in transfers, assistance in management, exclusivity of territory as well as expenditures in advertisement and many others. Unavoidably, there may trickery in both parties like by franchised trademark turnover play down the, by denying to disclos strategic knowledge as well as more generally, by unavoidable incompleteness of the contract exploitation. Thus, the framework of an institution assists to diminish the individual transactions related uncertainty that is categorized by some incompleteness degree. The laws are destined for provision of rules and safeguards that cannot be evaded. In this context, the economic agents' behavior might meaningfully be influenced by the laws themselves as well as by the enforcement effectiveness (Shavell, 2004).

Mostly studies have been done in the patent protection case of how rights intellectual property influence strategies of the company. Effect of how patent protection differences affect investment in R & D have been examined by use of several cross-industry or time-series samples. Apprehensions have emphasized on how patent protection national differences are measured via a qualitative index or surveys may explain international trade flows or direct foreign investment as well as choices of location on an international setting (Smarzynska, 2004).

Greater protection of trademark basically may render into a higher rate of franchising. Competition from infringers would decrease as the protection increases, hence to use the trademark the franchisee need to have a willingness to pay higher sums. The risk of opportunism is reduced by better trademark enforcement: for example, missing effective protection of trademark, where a appropriable knowledge is imitated by the franchisee and use in counterfeit product production, However on the other hand, infringement low protection and greater risk would also be favorable to franchising: certainly, instead of franchisor being merely copied with no reimbursement in return, he may franchise his trademark and be paid low franchise fees. The franchisee is secured from the lengthy hassle of legal measures by entering the network legally and this may help him in gaining gain specific know-how access (Cohen, 2011).

On the other hand, limited resources access is another used argument used to describe the franchising use. It is stated by the scholars that when the franchisor faces difficulties in getting the limited funding, he or she will choose to franchise some of his institutions. Obtaining the needed capital needed for company expansion is the distinctive franchising situation. Regularly, there is a provision of investment large proportion required by the franchisees to set up the new firms making the franchisor's effort to be small. Nevertheless, financial capabilities are in line with capital costs in to enhance operational performance of franchising firms. Therefore, it is very key to interrogate why the amount of money required to ensure that the business grows with borrowed capital seem to be getting below the standard regardless of decrease in franchising operations as postulated by Werner and DeSimone (2011).

Through the initial stages of the process, the operator of the company may not be well recognized by the customers therefore they may have various uncertainties and may not have confidence to trust the eligibility of the business and the level of products sold quality. This poses a challenge in collection or gathering of funds to run the business and gain more market share. However, this can be solved through a franchising agent. Moreover, the business owner will gain the benefits at the long term. In addition, the franchisor can retrieve the network and control by buying back the already existing ones in order to access funding (Yunus, 2011).

2.6 Summary of Literature Review

This chapter has reviewed the literature on the growth of franchised quick service restaurants. The study is grounded on; institutional theory, stakeholder theory and resource-based theory. Institutional theory describes how organizational behaviour and decision-making is affected by external influence from the Government, media and public association's and how such pressure gradually creates institutional rules. Stakeholder theory explains how organisations conform to critical institutional rules which stem from coercive, mimetic and normative isomorphic drivers as they seek survival and legitimacy.

Studies have been done on growth of franchised quick service restaurants; Evanschitzky, Caemmerer and Backhaus (2016) who studied the franchise dilemma: entrepreneurial characteristics, relational contracting, and opportunism in hybrid governance. Gonzalez-Diaz and Solis-Rodriguez (2012) who established why do entrepreneurs use franchising as a financial tool? Maina (2015) studied sustainable supply chain management incentives and operational performance of food franchising outlets in Kenya, Mboloi (2007) examined the challenges facing the pharmaceutical industry franchising in Kenya: the case of franchisee, Noorani (2010) application of franchising as a strategy at CMC Motors Group Limited Kenya. Franchising is one of the most successful market entry mode in the hotel industry. These studies have not however been extensive on franchised quick service restaurants. This study therefore seeks to establish the growth of franchised quick service restaurants in Kenya.

2.7 Conceptual Framework

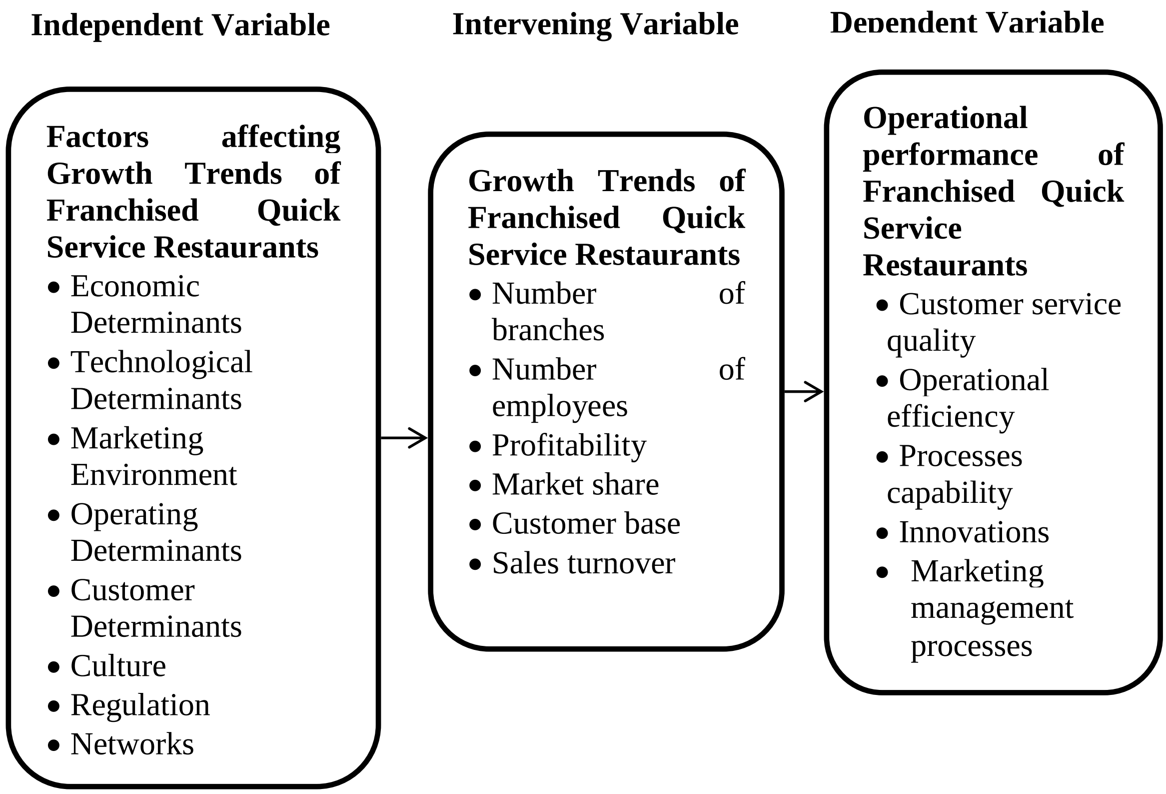

Figure 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter includes the techniques and procedures that were followed by the researcher to complete the study. Specifically, this chapter therefore comprise of the following subsections: design of the research, targeted population, collection and analysis of data as well as presentation.

3.2 Research Design

Descriptive research design was adopted in this study. The choice of the descriptive survey research design was made because it is concerned with how variables relate with each other. This assisted the interested researcher on the statement of already existing affairs in the field and no variable was manipulated. By creating a profile of a group of problems, people, or events, a descriptive study describes or defines a subject. This was done through the data collection and frequencies tabulation on study variables or their interaction (Babbie, 2004). Descriptive research depicts a precise person's profile, situations, or events (Ngechu, 2004). It allowed large amount of data collection in a highly economical way from a sizable population.

3.3 Population and Sample

The study population consisted of 31 Kenyan franchised quick service restaurants (Appendix II). The sample size is a subset that is taken to represent the population as whole. However, because the target population is small, a census study was carried out therefore no sampling was done.

3.4 Data Collection

This section explains how the researcher gathered the required data or information. Primary data was used in this study. Questionnaires and observation schedule were used to collect data. The questionnaire consisted of both closed ended and open-ended questions about issues associated to growth of franchised quick service restaurants. To encourage the respondent to give felt and an in-depth response without feeling held back in illuminating of any information, the study used open-ended questions while to allow the respondent to reply from stated limited options the study used closed ended questions. The administration of questionnaire to the operations manager or their equivalent in every restaurant was done by the researcher personally. A high questionnaires return rate was achieved by the researcher by maintaining a questionnaire register, to record the sent and received questionnaires. The administration of questionnaire to the sampled respondents was done by use of drop and pick later method. In addition, an observation schedule was used detailed with; queues, time of day, clientele, cleanliness and speed of service at franchised quick service restaurants in Kenya.

3.5 Data Analysis

The techniques that were used to test the variables and analyze data collected are discussed in this section. Data preparation was done on the filled questionnaires by coding, editing, cleaning and entering the data. Descriptive statistics were used to analyze quantitative data collected. This included frequency, percentages, mean and standard deviation. Software program SPSS version 24.0 helped in analysis of data. In qualitative data from open ended questions processing, the study used content analysis and results presented in form of a prose.

In order to evaluate the growth trends of franchised quick service restaurants in Kenya, a trend analysis was used. In addition, factor analysis was carried out to assess the relative importance of various factors influencing the growth of franchised quick service restaurants in Kenya. To establish the relationship between of each of the variables with respect to growth of franchised quick service restaurants in Kenya, the regression model was applied. The findings were presented using graphs and frequency tables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter has covers analysis of the data collected on subject under study as well as the discussion of the findings. The researcher made use of frequency, tables, percentages and regression analysis. This rate is so good because the reseacher personally collected the data

4.2 Response Rate

The study targeted 31 respondents to respond to questionnaires. However, data was collected from 31 respondents giving a response rate of 100%. According to Creswell (2005), a response rate of 50 percent or more is acceptable for data analysis.

4.3 Demographic Information

In this study, data was collected from different groups of respondents based on their number of years worked with franchised quick service restaurants and their highest level of education attained.

4.3.1 Respondents Highest Level of Education

Table 4.1 is a summary of the responses on the level of education.

Table 4.1: Respondents Highest Level of Education

	Frequency	**Percent**
Certificate	24	77.4
Diploma	5	16.1
Degree	2	6.5
Total	**31**	**100**

On the respondents' highest level of education, majority of the respondents indicated to have a certificate as illustrated by 77.4%. Other respondents indicated to have a diploma as illustrated by 16.1% while those who had degree were 6.5%. The findings present respondents with a familiarity with the subject under research since all of them had basic education. The low number of degree holders is due to skill level required is low.

4.4 Growth Trends of Franchised Quick Service Restaurants

The trend in the growth indicated by the growth in branches as follows.

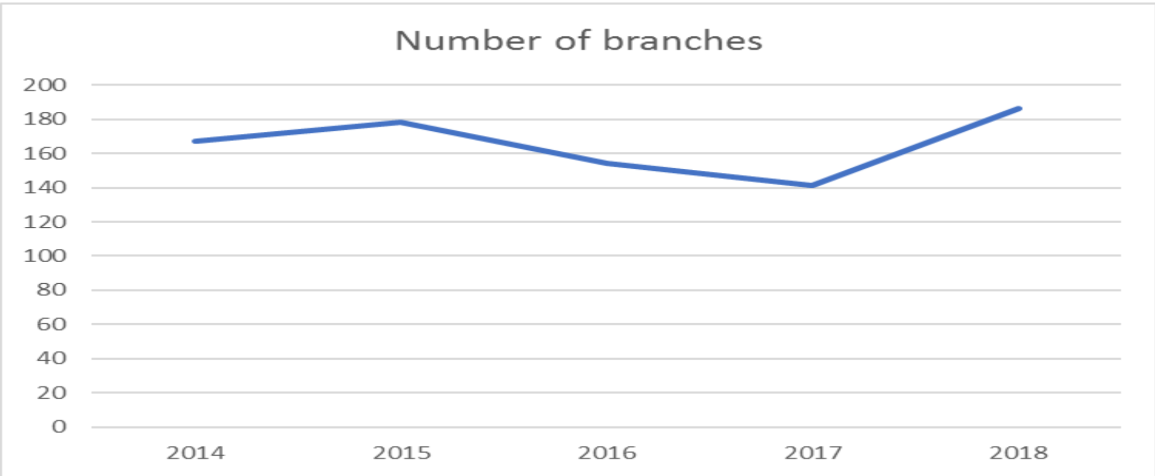

Figure 4. 1: Number of branches

Between 2014 and 2015 there was an increase in number of branches, decrease between 2015 and 2015 but an increase between 2017 and 2018. An increase in number of customers and demand for fast foods have prompted fast food restaurants to open new branches 2014 and 2015 but in fear of post-election violence in 2017 (Daily Nation, 2017) led to most of the fast food restaurants to reduce the number of branches the rate at which they were expanding and opening new branches.

The Figure 4.2 shows the trend of the employees in all the franchised quick service restaurants.

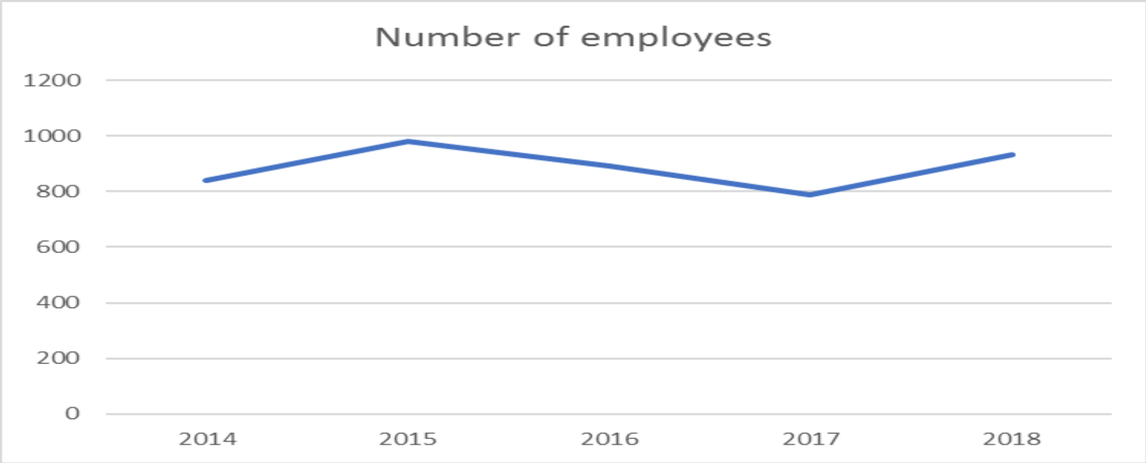

Figure 4. 2: Number of employees

On number of employees, there was an increase between 2014 and 2015, decrease between 2015 and 2015 but an increase between 2017 and 2018. The increase in number of fast food restaurants branches opened 2014 and 2015 led to increase in number employees employed but a decrease in number of branches also led to decrease in number of employees prior to 2017.

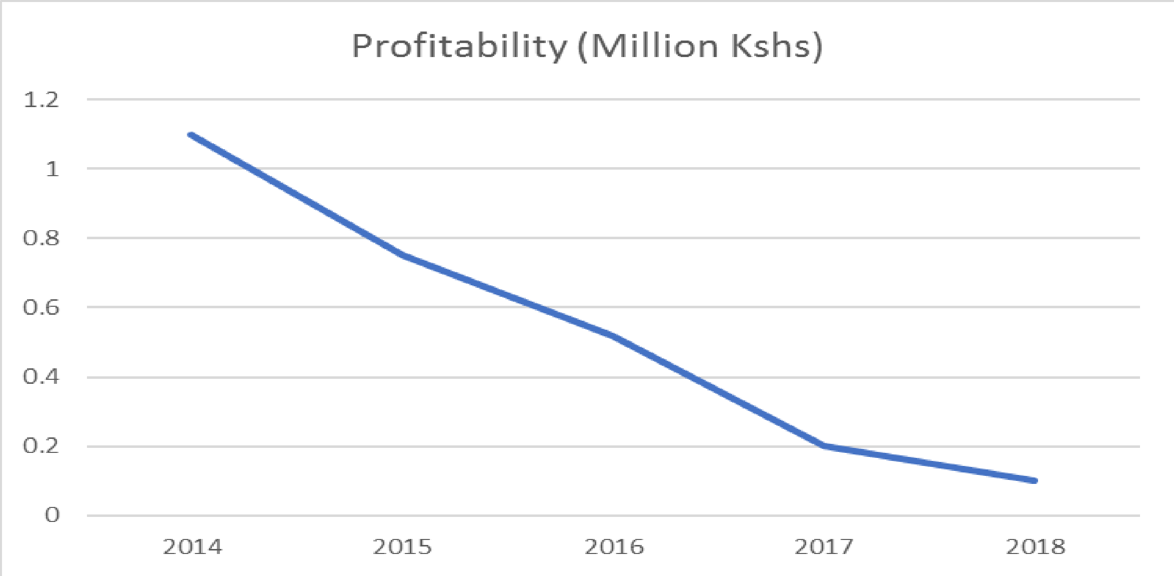

Figure 4. 3: Profitability (Million Kshs)

Further on the profitability, it was clear that it has been decreasing between 2014 and 2018. However, the decrease was gradual. The profitability has been decreasing as a result of increased cost of productions which was as a result of tax increase on commodities as well as increase in transportation and increased competition from the upcoming new restaurants (Kwenah, 2017).

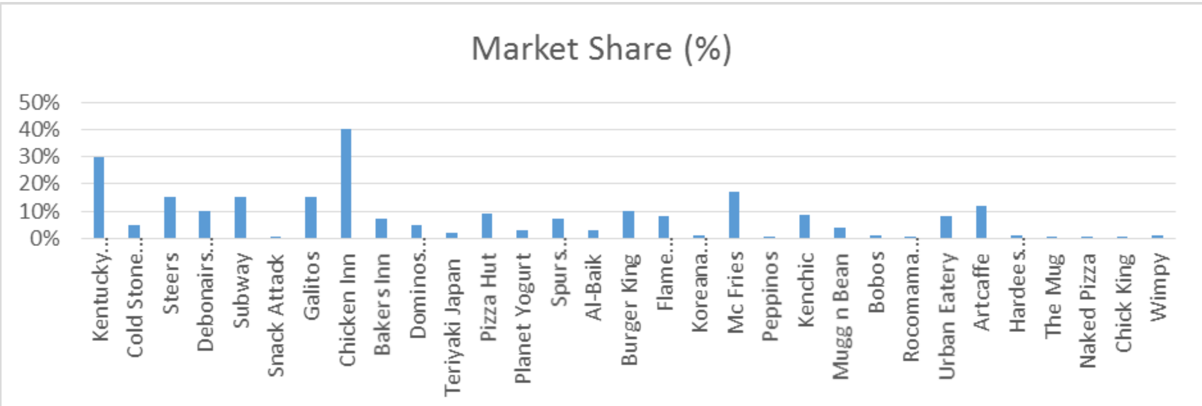

Figure 4. 4: Market share

The findings on Figure 4.4, shows that Chicken Inn had the highest market share followed by KFC then Mc Fries while Peppinos and Naked pizza had the lowest market share This is attributed to the number of branches each have and hence the number customers purchasing their products. Also offering quality services which leads to customer satisfaction have led to restaurants like KFC and Chicken Inn to have a high market share. In addition, based on the fact that Chicken Inn and KFC have been in the market for a longer period and their brand is much more recognized than most of the fast food restaurants, they are expected to have a larger share in the market.

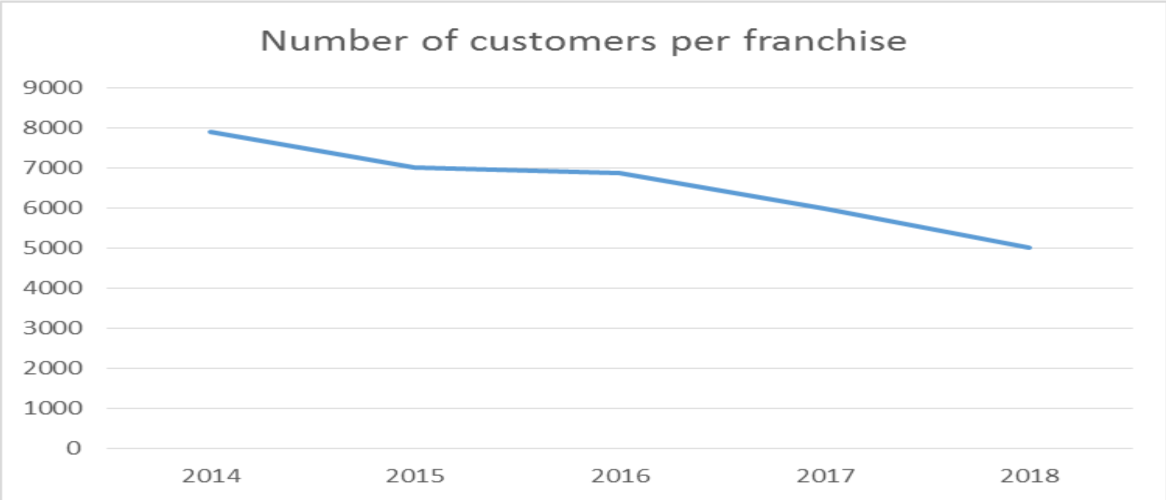

Figure 4. 5: Number of Customers per Franchise

The findings in Figure 4.5 shows that the number of customers has been decreasing since 2014. The increase in number of fast food restaurants which enter market each and every year have increased the competition among them. This as a result have led to distribute the customers among themselves and hence decrease in customers.

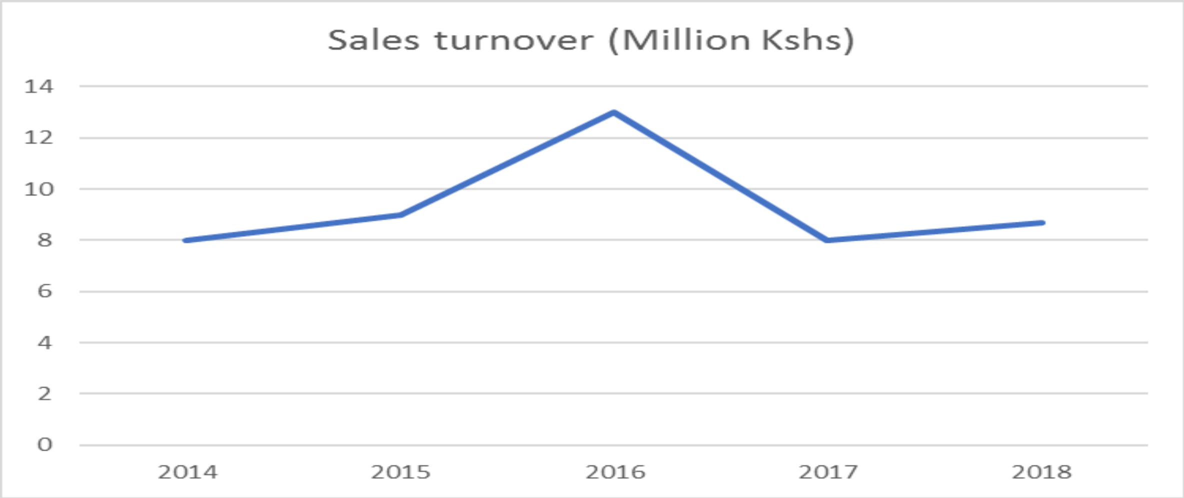

Figure 4. 6: Trend for Sales turnover (Million Kshs)

From the findings in Figure 4.6, the sales turnover has been fluctuating with an increase 2014 and 2016, decreased between 2016 and 2017 and gradually increased in 2018. The turnover increased between 2014 and 2016 as a result of increased new branches opened by the fast food restaurants. The franchising has also impacted the turnover.

On respondents on which is the key trend in franchised quick service restaurants in Kenya, they indicated quality consistency, efficiency and ambience, the growth and introduction of the social media technologies, increase in outlets as well as employee training which is key on service delivery and product awareness. There was also a general feeling that with the election behind us people were willing to start spending hence increasing sales.

4.5 Determinants of Growth among Franchised Quick Service Restaurants

The respondents were also asked to indicate the extent to which various aspects of factors influencing growth and operational performance of franchised quick service restaurants in Kenya. Their replies were as shown in Table 4.3.

Table 4.2: Determinants of Growth among Franchised Quick Service Restaurants

Economic Determinants	**Mean**	**Std. Dev.**
Dependence upon the Nation's Economy	4.125	0.832
Income levels	3.846	0.810
Globalization	4.471	0.574
Composite Mean and standard deviation	**4.147**	**0.739**
Technological Determinants	**Mean**	**Std. Dev.**
Customer service system	4.077	0.867
Restaurant Innovations	3.990	0.887
Information availability	2.548	0.573
Efficiency in sales	4.115	0.816
Composite Mean and standard deviation	**3.683**	**0.786**
Marketing Environment	**Mean**	**Std. Dev.**
Market Segmentation	4.192	0.871
Branding	3.692	0.860
Increased Customer Sophistication	3.817	0.868
Composite Mean and standard deviation	**3.900**	**0.866**
Operating Determinants	**Mean**	**Std. Dev.**
Labour availability	4.000	0.870
Cost control	4.077	0.867
Competition	2.404	0.493
Risk management	4.096	0.819
International expansion	3.731	0.850
Regulation	2.308	0.484
Composite Mean and standard deviation	**3.436**	**0.731**
Customer Determinants	**Mean**	**Std. Dev.**
Convenience	3.856	0.960
Employee Competence	3.929	0.654
Ambience	2.518	1.245
Eating time	3.991	0.811
Type of food	4.399	0.679
Where to eat	3.241	1.050
Health standards	4.339	0.679
Business environment e.g. permits	4.313	0.601
Raw material supply	2.821	0.661
Availability of market	3.330	0.990
Composite Mean and standard deviation	**3.674**	**0.833**

As per the findings, the study revealed that economic determinants greatly affect the growth among franchised quick service restaurants. Among the economic determinants of growth, globalization had the greatest effect. This implies that for the franchised quick service restaurants to improve their growth, they need to globalize their services.

From the findings, the study established that technological determinants affected the growth among franchised quick service restaurants greatly. In this case the study cited the need for the franchised quick service restaurants to utilize technology in customer service and restaurant Innovations in a bid to enhance their growth. The study also established that for franchised quick service restaurants to improve their growth, they must utilize technology to improve the efficiency in their sales.

As per the findings, the study revealed that operating determinants moderately affected the growth among franchised quick service restaurants. The study found that for any franchised quick service restaurants to significantly grow, there is a need for adequate labour, control of production cost and other related costs as well as knowledge on how to manage risks.

Further, the study established that customer determinants greatly affects the growth among franchised quick service restaurants. The study found that for the franchised quick service restaurants to grow effectively, they need to consider and address customer needs by making sure that type of food served is of high quality, health standards of the restaurant are highly maintained as well as business have the required permits to operate for the benefit of the customer.

4.6 Operational Performance as a Franchise and Before Franchising

The respondents were asked to indicate the extent to which operational performance affected before franchise and after franchise. Their replies were as shown in Table 4.5.

Table 4.3: Operational Performance as a Franchise and Before Franchising

	Before Franchise		After franchise		Difference	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Processes quality	4.371	0.771	4.628	0.817	0.257	0.046
Operational readiness & efficiency	4.319	0.679	4.599	0.720	0.280	0.041
Productivity	3.545	1.030	3.758	1.092	0.213	0.062
Processes capability	2.732	1.074	2.896	1.138	0.164	0.064
Wastage in production	4.339	0.679	4.199	0.720	-0.140	0.041
Product and service costs	4.366	0.771	4.628	0.817	0.262	0.046
Operational efficiencies on the floor	3.634	1.004	3.852	1.064	0.218	0.060
Innovations (new ideas, products & services)	3.563	0.966	3.777	1.024	0.214	0.058
Information Technology systems	2.142	0.758	2.271	0.803	0.129	0.045
Cross functional training	3.830	1.012	4.060	1.073	0.230	0.061
Open communication	3.420	1.213	3.625	1.286	0.205	0.073
Customer complaints	3.580	1.152	3.495	1.221	-0.085	0.069
Customer relations management	3.027	0.716	3.209	0.759	0.182	0.043
Service processes	3.446	1.003	3.653	1.063	0.207	0.060
Marketing management processes	4.311	0.871	4.570	0.923	0.259	0.052

As per the findings, the study found that after franchising, there an increase in the restaurant's operational readiness and efficiency, product and service costs and management of marketing processes. The study also revealed that the quality of the processes of production improved as well as an improvement in cross functional training.

The study also established that operational efficiencies on the floor, innovations (new ideas, products & services) and productivity of the franchised quick service restaurants improved after franchising. The study also revealed that service processes, open communication, customer relations management and processes capability improved after franchising. The study found that Information Technology systems also improved after franchising. It was also clear from the findings that customer complaints and wastage in production have reduced after franchising as indicated by negative means

4.7 Multiple Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on project growth and operational performance of franchised quick service restaurants in Kenya.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.834[a]	0.696	0.635	2.134

a. Predictors: (Constant), Economic Determinants, Technological Determinants, Marketing Environment, Operating Determinants, Customer Determinants

The adjusted R^2 was found to be 0.635 inferring that 63.5% variations in growth and operational performance of franchised quick service restaurants in Kenya were explained by economic determinants, technological determinants, marketing environment, operating determinants and customer determinants. Other factors that were not factored in this study accounted for 32% variation in the growth and operational performance of franchised quick service restaurants in Kenya.

Table 4.5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	302.34	5	60.468	11.442	.000[b]
	Residual	132.12	25	5.285		
	Total	**434.46**	**30**			

a. Dependent Variable: Growth and operational performance of franchised quick service restaurants in Kenya

b. Predictors: (Constant), Economic Determinants, Technological Determinants, Marketing Environment, Operating Determinants, Customer Determinants

In predicting the influence of economic determinants, technological determinants, marketing environment, operating determinants and customer determinants on growth and operational performance of franchised quick service restaurants in Kenya, the regression model test was found to be significant since p-value was less than 0.05 and the calculated F (11.442) was larger than the critical value of F= 2.603.

Table 4.6: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.904	0.113		8.000	.000
	Economic Determinants	0.864	0.402	0.766	2.149	.038
	Technological Determinants	0.594	0.216	0.514	2.750	.008
	Marketing Environment	0.716	0.187	0.643	3.829	.004
	Operating Determinants	0.654	0.316	0.531	2.070	.044
	Customer Determinants	0.803	0.275	0.756	2.920	.006

a. Dependent Variable: Growth and operational performance of franchised quick service restaurants in Kenya

The significance of the study was at 95% significance level.

4.8 Discussion of Findings

The study sought to analyze the growth and operational performance in franchised quick service restaurants in Kenya. The findings were therefore linked with those of past studies.

4.8.1 Economic Determinants

The study found that globalization, dependence upon the nation's economy and income levels greatly influence influencing growth and operational performance of franchised quick service restaurants in Kenya. These findings are in line with Hudson (2012) who argues that national economy as well as the individual countries' economies plays a progressively larger role in the restaurants financial success. The globalization trends need to be keenly looked at for firms to compete. In many features of industries processes, including amenities, food, services, staffing policies as well as training, the industry need to focus on global village requirements.

4.8.2 Technological Determinants

The study found that efficiency in sales, customer service system, restaurant innovations have a great effect but information availability had a moderate effect on influence influencing growth and operational performance of franchised quick service restaurants in Kenya. These findings concur with Wang (2009) who argues that managers are allowed by computerized process to match room rates with the demand of guest (increase in demand means higher rates as a result of reduced discounts; decrease in demand result in higher discounts). To maximise profitability of hospitality, yield management is important. The concepts are practical to each revenue department and across department. The work of the yield manager is to increase the returns per room available through rooms selling to the right customers, at the correct price and time.

4.8.3 Marketing Environment

The study found that market segmentation, increased customer sophistication and branding greatly influence influencing growth and operational performance of franchised quick service restaurants in Kenya. These findings agree with Schaffmeister (2015) who argues that segmentation of the market is growing as chains of restaurant emphasise on a specific guest's niche. In addition, brands overlap. Franchisers potential to expand their brands number to the point that the investors will directly be in competition with themselves if they purchase from the same franchiser are a concern to some industry observers. Again, as the brands number increases, the consumers' ability to distinguish between them reduces.

4.8.4 Operating Determinants

The study revealed that risk management, that cost control, that labour availability and that international expansion have a great effect but competition and regulation have low effect on growth and operational performance of franchised quick service restaurants in Kenya. This concurs with Boella and Goss-Turner (2013) who argues that a A diminishing labour force is among the challenges that global hospitality industry is facing as per the International Society of Hospitality Consultants, which recently organised to brainstorm issues of the world and ranking them in accordance to significance. With the expansion of franchising as a business concept has come the expansion of rules governing franchising relationships. National and supranational regulation of the franchising industry has mushroomed, with many states introducing specific legislation in the past five years to protect franchisees and promote competition.

4.8.5 Customer Determinants

The study established that type of food, health standards, business environment e.g. permits, eating time, employee competence and convenience greatly influence growth and operational performance of franchised quick service restaurants in Kenya. The study also revealed that availability of market, where to eat, raw material supply and ambience moderately growth and operational performance of franchised quick service restaurants in Kenya. These findings corelate with Parsa et al. (2005) who noted that the the restaurants density in a location to a particular extent had an effect on the restaurant success or failure. This is strongly related to competition since a restaurant located in an area that is densely populated would have access to many customers' choices and subsequently the share of the market for every restaurant would reduce ultimately causing a shutdown of some restaurants. The factors related to both convenience and location is restaurants accessibility and visibility. Varying needs of the client and technological improvements and the have underwritten to the use of disposable serving, eating and material packaging. The outlet cleanliness as well as the outlet physical appearance, colours, and arrangement of branding will be factors that initially attract restaurant customer. The maintenance of these is done they earning contribution in the customers loyalty that certain capacity (Njite, 2005)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers a summary, conclusion and recommendations of the findings on to analysis of the growth and operational performance in franchised quick service restaurants in Kenya. This chapter presents the summary of the findings, conclusions of the study, recommendations of the study, limitation of the study and suggestions for further studies.

5.2 Summary

Restaurant businesses have expanded internationally using franchising. Faced with current competitive market conditions, the ability to access the customer base and reservations infrastructure of a multinational brand may have considerable appeal to independent operators (Sigurjón, 2013). The study sought to analyze the growth and operational performance in franchised quick service restaurants in Kenya. So as to test the relationship between the variables the inferential tests including the regression analysis was used. The study found that the independent variables contribute to 63.5% variations in growth and operational performance of franchised quick service restaurants in Kenya.

The study sought to evaluate the growth and operational performance of franchised quick service restaurants in Kenya. The study found that number of branches, it is revealed that between 2014 and 2015 there was an increase in number of branches, decrease between 2015 and 2015 but an increase between 2017 and 2018. This was as a result of increased customer base. On number of employees, there was an increase between 2014 and 2015, decrease between 2015 and 2015 but an increase between 2017 and 2018. Further on the profitability, it was clear that it has been decreasing between 2014 and 2018. The market share for

Franchised Quick Service Restaurants has decreasing from 2014 and 2018. That the number of customers has been decreasing since 2014. This is as a result of increased competition from other restaurants. Sales turnover has been fluctuating with an increase 2014 and 2016, decreased between 2016 and 2017 and gradually increased in 2018. This is as a result of franchising.

The study further sought to analyze the determinants of the franchised quick service restaurants growth in Kenya. The study found that efficiency in sales, customer service system, restaurant innovations have a great effect but information availability had a moderate effect on influence influencing growth and operational performance of franchised quick service restaurants in Kenya. The study found that market segmentation, increased customer sophistication and branding greatly influence influencing growth and operational performance of franchised quick service restaurants in Kenya. The study revealed that risk management, that cost control, that labour availability and that international expansion have a great effect but competition and regulation have low effect on growth and operational performance of franchised quick service restaurants in Kenya. The study established that type of food, health standards, business environment e.g. permits, eating time, employee competence and convenience greatly influence growth and operational performance of franchised quick service restaurants in Kenya. The study also revealed that availability of market, where to eat, raw material supply and ambience moderately growth and operational performance of franchised quick service restaurants in Kenya.

The study also sought to determine the effect of franchising on operational performance of quick service restaurants in Kenya. The study found that franchising greatly affects the processes quality, product and service costs, operational readiness & efficiency, marketing management processes and cross functional training. The study also found that franchising has affected the operational efficiencies on the floor which is related to increase in operational performance. The study also found that franchising affected productivity, service processes and open communication which in turn improved operational performance.

5.3 Conclusion

The study concluded that the growth and operational performance of franchised quick service restaurants in Kenya have improved. The study deduced an increase in number of branches, increased customer base and increased number of customers. The study also found that profitability had been decreasing since 2014 because of increased competition from other restaurants. Sales turnover has been fluctuating with an increase 2014 and 2016, decreased between 2016 and 2017 and gradually increased in 2018.

The study further concluded that there were various determinants of the franchised quick service restaurants growth in Kenya. The study found that efficiency in sales, customer service system, restaurant innovations have a great effect but information availability had a moderate effect on influence influencing growth and operational performance of franchised quick service restaurants in Kenya. The study revealed that risk management, that cost control, that labour availability and that international expansion have a great effect but competition and regulation have low effect on growth and operational performance of franchised quick service restaurants in Kenya. The study also revealed that availability of market, where to eat, raw material supply and ambience moderately growth and operational performance of franchised quick service restaurants in Kenya.

The study also concluded that franchising greatly affected operational performance of quick service restaurants in Kenya. The study established that franchising greatly affects the processes quality, product and service costs, operational readiness and efficiency, marketing management processes and cross functional training. The revealed that franchising have affected the operational efficiencies on the floor which is related to increase in operational performance. The study also found that franchising affected productivity, service processes and open communication which in turn improved operational performance.

5.4 Recommendations

The study recommends that the management of franchised quick service restaurants in Kenya should initiate rapid supply chain integration efforts with the aim of making the organization highly responsive to changes in the business process. The study also recommends that the management of franchised quick service restaurants in Kenya should introduce an open-door policy to reduce bureaucracy and also work towards convincing partners on the advantages of supply chain integration.

The study further recommends that the franchised quick service restaurants in Kenya needs to strategize on offering small packages at relatively lower prices; while maintaining the expensive products. This serves the needs of customers with different purchasing power.

The study recommends that the management of franchised quick service restaurants in Kenya should keep up with the fast pace of technology. This will make it possible for the guests and customers to order for food online using the internets' interactive reservation and purchasing systems and increase the customer base.

The study thus recommends that the franchised quick service restaurants in Kenya should come up with marketing strategies that which are supported by an understanding of the restaurant industry structure, the needs of target customer segments, positional advantages being sought, and trends in the environment. This will consequently improve on the firm's market revenue, share and profitability.

The study further recommends that the management of the should maintain the cleanliness of an outlet and the physical appearance of the outlet, colors as well as branding arrangement Maintenance of these will contribute in earning the loyalty of the customers to that particular facility.

5.5 Limitations

It was challenging to get the questionnaires filled by the staff from franchised quick service restaurants in Kenya. The researcher discovered these challenges were that owners claimed their information was proprietary. The researcher had to prove to them that the information was solely sought for academic purpose and not for business competition.

Further, as always familiar with primary data, the researcher had no direct control over the accuracy of the information given by the respondents on analysis of growth and operational performance in franchised quick service restaurants in Kenya. The study used multiple regression analysis due to the nature of the study, yet it possesses assumptions which may not hold often. The study was limited to 31 franchised quick service restaurants in Kenya; the study was limited to five-year period from year 2014 to year 2018.

5.6 Recommendations for Further Research

This study was only limited to franchise quick service restaurants in Kenya. Therefore, another study should be done to cover all the restaurants and analyze their growth and operational performance.

The study also recommends more research on supply chain integration and supply chain performance of fast food chain restaurants in Nairobi City. Future researchers should also look into critical success factors affecting the fast food franchise system entering the Kenyan market.

The study further recommends that future studies can also explore the effects of strategic response on competitive advantage of fast food Restaurants in Nairobi. The future studies can as well establish the challenges facing franchised fast food Restaurants in Nairobi.

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APPENDICES

Appendix I: Research Questionnaire

Please take a few minutes to complete this questionnaire. The company honest answers will be completely anonymous, but the company views, in combination with those of others are extremely important in this research. Kindly answer all questions.

Part A: Demographic Information

(*Please tick one box for each of the questions 1-5)*

1) Number of years worke4d with franchised quick service restaurants __________

2) Please indicate the highest level of education attained?

Doctorate [ ] Masters [ ] Graduate Degree [ ] Diploma [ ]

Certificate [ ] Other (Specify) ________________

Part B: Growth Trends of Franchised Quick Service Restaurants

3) What is the trend of the following in the company business for the last five years?

	2014	**2015**	**2016**	**2017**	**2018**
Number of branches					
Number of employees					
Profitability					
Market share					
Customer base					
Sales turnover					

4) In your view, what is the key trend in franchised quick service restaurants in Kenya? ....

....

Part C: Determinants of Growth among Franchised Quick Service Restaurants

5) In the company opinion, please indicate to what extent do the following aspects of factors influencing growth and operational performance of franchised quick service restaurants in Kenya? On a scale of 1-5, where 1= No extent, 2= Little extent, 3= Moderate extent, 4= Great extent and 5= Very great extent.

	Very great extent	**Great extent**	**Moderate extent**	**Low extent**	**Not at all**
Economic Determinants					
Dependence upon the Nation's Economy					
Income levels					
Globalization					
Technological Determinants					
Customer service system					
Restaurant Innovations					
Information availability					
Efficiency in sales					
Marketing Environment					
Market Segmentation					
Branding					
Increased Customer Sophistication					
Operating Determinants					
Labour availability					

Cost control					
Competition					
Risk management					
International expansion					
Regulation					
Customer Determinants					
Convenience					
Employee Competence					
Ambience					
Culture					
Eating time					
Type of food					
Where to eat					
Regulation					
Health standards					
Business environment e.g. permits					
Networks					
Raw material supply					
Availability of market					

Part D: Operational Performance as a Franchise and Before Franchising

6) To what extent was operational performance affected before franchise and after franchise?

Where: 5- Very Great Extent 4-Great Extent 3-Moderate Extent

2-Low Extent 1- No Extent

	Before Franchise						After franchise				
	1	2	3	4	5		1	2	3	4	4
Processes quality											
Operational readiness & efficiency											
Productivity											
Processes capability											
Wastage in production											
Product and service costs											
Operational efficiencies on the floor											
Innovations (new ideas, products & services)											
Information Technology systems											
Cross functional training											
Open communication											
Customer complaints											
Customer relations management											
Service processes											
Marketing management processes											

7) Share with us any observations on franchised quick service restaurants in Kenya

....

....

....

THANK YOU

Appendix II: Observation Schedule

Parameter	**Yes**	**No**	**Comment**
Is there Queue			
Is Speed of service observed			
Is clientele young, old or both			
Is the outlet clean			
Is the outlet in good state of repair			
Do employee observe personal hygiene			
Are the employee courteous			
Do employees wear uniform/ protective clothing			
Do guests generally look satisfied with service/ no complaints			
Others			

Appendix III: Franchised Quick Service Restaurants in Kenya

1. Kentucky Fried Chicken (KFC)
2. Cold Stone Creamery
3. Steers
4. Debonairs Pizza
5. Subway
6. Snack Attack
7. Galitos
8. Chicken Inn
9. Bakers Inn
10. Dominos Pizza
11. Teriyaki Japan
12. Pizza Hut
13. Planet Yogurt
14. Spurs (Golden Spur Steak Ranch Restaurant)
15. Al-Baik
16. Burger King
17. Flame Flavours
18. Koreana Chicken
19. Mc Fries
20. Peppinos
21. Kenchic

22. Mugg n Bean
23. Bobos
24. Rocomama – Village market
25. Urban Eatery
26. Artcaffe
27. Hardees Kenya
28. The Mug
29. Naked Pizza
30. Chick King
31. Wimpy

Source: www.eatout.co.ke (2017)