Food Cart: The Importance of Brand Recognition, Support, and Retention to Franchise Business

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The purpose of this study is to collect data from the owners of food cart businesses. This study benefits the franchisors in a way of learning the importance of the support, brand recognition, and retention of a franchise business. This may also convince young or future entrepreneurs to consider that franchising is a starting business amidst pandemic. Descriptive research is used in the study. The main instrument used of gathering data was questionnaire. In this study, the Pearson’s correlation shows that the dependent and independent variables are highly correlated in which the brand recognition and perceived franchise support have an effect to the intention of retaining the franchise system positively and significantly. Furthermore, franchisor considers the opinion of the franchisee that they care about the general satisfaction and does not take advantage of the franchisee. The brand recognition is strong, as well as respected and considered it as an asset of the franchise business. The study also shows that the franchisee has the intention of retaining the franchise system and consider of introducing the franchise system to others as they consider it as their first priority.

Keywords: food cart, franchise, franchisor, franchisee

Introduction

Businesses in any form are said to be a big help to the country’s economy as it provides the goods and services as well as the jobs. One of the most renowned forms of businesses in today’s era is franchise businesses and best example of that is food cart business. Franchise is a contract in which the owner of the brand and business model grants one the right to use the same brand and business model (with all brands, products, services, etc.) in return for money. Throughout the franchise system, the owner is the franchisor and you are the franchisor. This is often how the franchise came to be: An entrepreneur begins an independent small business and, over time, refines it into a profitable and prosperous business model. Within that end, the success of the franchisor depends on the success of the franchisees. If the franchisees succeed, the franchisor will boost its brand and consumers reach because the franchisor does all the work.

As of today, the franchising industry continues to grow worldwide and locally. In an article published in Winmark (2018), franchising delivered a great impact in the National Economy of United States as franchise businesses produced goods and services amounting to the $868.1 billion in the United States in 2016 which accounted to 3.4% of the private sector Gross Domestic Product (GDP) according to an International Franchise Association report. Similarly, franchise industry in the Philippines alone was seen to grow in about...
15-20% after breaching the P1 trillion revenue marks in 2018 securing the country a dub of “franchise hub of Asia”. During the same year, there are about 2,000 local and international franchise brands in the country. Meanwhile there are 50 Filipino brands dominating the global arena of the industry as well (Lim, 2018). Thus, it cannot be denied that franchising is a continuously growing industry. Franchises represent big businesses in smaller units.

According to the research of Sible et al. (2015), franchising is one of the Philippines’ rising trends in the business industry. It is not a business itself, but basically a marketing concept, a creative way of selling goods and services and a progressive approach. The growth and sustainability of franchising, as a multifaceted form of entrepreneurship, is indeed very distant from entrepreneurship as a rapidly growing form of business in many countries worldwide. Although franchising industry continues to grow, let us know how franchise support and brand recognition relate to intention of retention to franchise system of food cart franchisee. Franchise support system is designed to strengthen the business of both the franchisee and the franchisor. But more than anything, it’s planned to guarantee franchisees that they are not working on their own, but have the franchisor’s support to back them up. The term brand recognition refers to the capacity of customers to distinguish a particular brand by its properties over another one.

Food cart has made its popularity in both franchisees and consumers in the Philippines and has a massive contribution in hospitality industry. It is in fact being patronized by many people because of the low consumable budget. A food cart is a mobile kitchen set up on the street to facilitate the selling and advertising of street food to local shoppers. Food carts are frequently seen in major cities around the world and can be seen offering food of just about any kind. Many food carts are connected to restaurants. Some of the food served in the cart is the same as the food in the restaurant. The food cart boom ignited the hunger of hungry consumers, and sparked brilliant entrepreneurs with a creative concept that would carry the mobile food industry to a whole new phase (De Asis et al., 2017).

Franchising was described by Tan et al. (2015) as being in business for you, but not fully for you. Moreover, he also stated that this is a way to development where there is a franchisor and franchisee engaging into a franchising agreement, although both partners have mutual agreement, one that strengthens and sustains the profitability of the franchise. It provides businesses a distinct opportunity to develop and grow strong. This is precisely what the franchisor is concerned with, because the profits and returns are depend on them. Since the franchising is the fastest growing way of doing business. It has become a trend all over the world. As a matter of fact, there are many scattered and growing rapidly food cart businesses, especially to those area that is near in schools, malls, stations, and even sidewalk.

Furthermore, almost all of the people who do not have business background decided to engage into franchising in the Philippines, mostly because it offers independence and ability to spend capital without much effort of researching of target market of the business. A lot of entrepreneurs are moving into the food cart industry today, considering the potential challenge they might face, first because it’s cheaper than some other form of business, and second, it’s easier to set up than restaurants. In reality, even major fast-food franchises use food carts for their celebrations or promotions. Based on the target market and marketing strategies, a food cart mobile or permanent food cart is a great factor in a business. And it is undeniable that food cart franchising business in the Philippines is one of the most popular businesses today. It is perceptible that many entrepreneurs invest in franchise instead of making their own businesses because franchising is inexpensive and they benefit in terms of brand recognition and franchise system.
However, this franchise system and brand recognition involves money to become a franchisee of one company. The system of franchising enables the franchisee to pay the company or the franchisor to have the right of using the franchise system of the franchisor and its trademark.

A lot of entrepreneurs nowadays are in a food cart business despite all the possible problems they might experience. First, it’s far inexpensive to evaluate to the alternative kind of commercial enterprise, and second, it’s far less complicated to construct than the restaurant. In fact, even big fast-food chains are using food carts for the events and promotions. Another cause is depending on the target market and marketing strategy. We can see that there are a lot of food cart businesses today.

This research focuses on the function of franchisor and franchisee. The franchisor lends his trademark or a trading name and a business system. On the other hand, it is the franchisee that can pay a royalty and initial fee for the right to do the business. More particularly, we want to examine what are the issues they usually encounter in a food cart franchising business and the reason why a lot of entrepreneurs are growing despite the risk in franchising.

**Statement of the Problem**

The general problem of the study is: How do franchise support and brand recognition relate to franchisee’s intention of retention to food cart franchise system?

Specifically, this study sought answers on the following:

1. How is the support of franchisor to franchisee of food cart business assessed?
2. How is brand recognition of food cart franchise assessed?
3. How is the intention of retention to franchise system of the franchisee assessed?
4. Is there a significant relationship between franchise support and intention of retention to franchise system?
5. Is there a significant relationship between brand recognition and intention of retention to franchise system?

**Relevant Literature**

The social exchange theory has something to do with maximizing benefits and minimizing costs. According to George Homans—the sociologist who developed the theory, when the risks outweigh the rewards, people will terminate or abandon the relationship. In franchise business, if the franchisor failed to give reasonable benefits that is supposed to be part of the franchise system, possible that franchise would failed and would not be patronized. The benefits that the franchisee will gain may see as the positive attributes while the costs may see as negative attributes when it outweighs the benefits provided by the franchisor. The relationship between the franchisor and franchisee should establish give-and-take, but it does not mean that they are always equal. It can be analyzed depending on effort that both parties are putting into the relationship.

The concept of intention to remain in franchise system (ITR), first was presented by Morrison (1997), using four dimensions of ITR which are: thought of quitting, intention to search, evaluation of alternative intention to quit, and subsequent turnover. The work of Morrison (1997) studies the relationship between franchisee satisfaction and performance measured in terms of economic results, organizational commitment, relationships with the franchisor, and intention to remain in the system. Surprisingly, the results show a very weak (and moreover, negative) relationship between the franchisee-franchisor relationship and economic performance, although the methodology used does not allow causality to be established.
**Conceptual Framework**

The Figure 1 shows the conceptual framework to determine the interrelationship among the variables. The independent variables have two boxes which in Box 1 shows the franchise support, and which in Box 2 shows the brand recognition. On the other hand, the dependent variables have one box which shows the intention of retention in franchise system.

**Materials and Methods**

**Research Design**

The design used in the study is quantitative research. According to Hopkins (2000), quantitative research is to determine the relationship between independent variable and another dependent or outcome variable in a group of individual person. Quantitative research designs are either descriptive subjects usually measured once or experimental subjects measured before and after a treatment. A descriptive study establishes only associations between variables. An experiment establishes causality. For an accurate estimate of the relationship between variables, a descriptive study usually needs a sample of hundreds or even thousands of subjects experiment, especially a crossover, which may need only tens of subjects. The estimate of the relationship is less likely to be biased if you have a high participation rate in a sample selected randomly from a population. In experiments, bias is also less likely if subjects are randomly assigned to treatments, and if subjects and researchers are blind to the identity of the treatments. In all studies, subject characteristics can affect the relationship you are investigating. Limit their effect either by using a less heterogeneous sample of subjects or preferably by measuring the characteristics and including them in the analysis. In an experiment, try to measure variables that might explain the mechanism of the treatment. In an unblended experiment, such variables can help define the magnitude of any placebo effect. The descriptive method of this research was used in this study to assess the food cart franchise support, brand recognition, and retention to franchise system intention as it is involves gathering of data from the respondents.

This part should contain sufficient detail to reproduce reported data. It can be divided into subsections if several methods are described. Methods already published should be indicated by a reference; only relevant modifications should be described. This section should be written concisely in detail by maintaining continuity of the texts.

**Sampling Techniques**

According to the Almeida et al. (2016), purposive sampling procedure is a non-probability sampling in
which the elements are selected from the target population on the basis of their fit with the purposes of the study and specific inclusion and exclusion criteria.

According to Philippine Companies’ website as of 2021, there are 290 business enterprises in the City of Malolos, Bulacan.

For the reason that there is an only limited classification, finding the respondents is based solely on small scale franchise companies, and the criteria stated are food cart stall located in the area and the one operating amidst of pandemic.

**Data Analysis**

Multiple Linear Regression (MLR) as the researcher thinks that it is more appropriate for the study. Multiple Linear Regression, also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The goal of Multiple Linear Regression is to model the linear relationship between the explanatory (independent) variables and response (dependent) variable.

In essence, multiple regression is the extension of Ordinary Least-Squares (OLS) regression that involves more than one explanatory variable.

Formula and calculation of Multiple Linear Regression:

\[
IRFS = \alpha + \beta_1 PFS + \beta_2 YFS + \varepsilon
\]

\[
IRFS = \alpha_1 + \beta_11 BR + \beta_21 YFS + \varepsilon
\]

IRFS = Intention to Retain in Franchise System,
PFS = Perceived Franchise Support,
BR = Brand Recognition,
YFS = Years in Franchise System.

**Statistical Treatment**

A Likert scale is a form of rating scale that tests how individuals feel about something that in many different cases could be useful. The most often used psychometric tool is a Likert scale, named after its inventor, the American social scientist Rensis Likert, to ask the respondent about their opinion or emotions in survey research, typically using a selection of five or seven response choices. A negative, neutral, or positive response to a question may be given by the respondent. A Likert scale tries to claim that an attitude’s strength/intensity is linear, that is, firmly agrees to disagree on a curve, and makes the statement that attitudes can be measured.

In order to evaluate the answers to the respondents, the researchers used Likert scale, which is 5 as the highest, that actually demonstrates that they strongly agreed while the lowest of interpretation is 1 that means they strongly disagreed.

<table>
<thead>
<tr>
<th>Point</th>
<th>Scale</th>
<th>Verbal interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4.50-5.00</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>4</td>
<td>3.50-4.49</td>
<td>Agree</td>
</tr>
<tr>
<td>3</td>
<td>2.50-3.49</td>
<td>Neutral</td>
</tr>
<tr>
<td>2</td>
<td>1.50-2.49</td>
<td>Disagree</td>
</tr>
<tr>
<td>1</td>
<td>1.00-1.49</td>
<td>Strongly disagree</td>
</tr>
</tbody>
</table>
Results and Discussion

This area discusses the data analysis and interpretation based from the question formulated in this study.

Table 2
Descriptive Statistics and Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. deviation</th>
<th>IRFS</th>
<th>PFS</th>
<th>BR</th>
<th>YFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRFS</td>
<td>4.43</td>
<td>0.70</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFS</td>
<td>4.32</td>
<td>0.63</td>
<td>0.76**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BR</td>
<td>4.45</td>
<td>0.77</td>
<td>0.86</td>
<td>0.72**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>YFS</td>
<td>0.72</td>
<td>0.46</td>
<td>-0.12</td>
<td>-0.15</td>
<td>-0.11</td>
<td>1.00</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 shows the Pearson’s correlation of the study. Though the PFS and BR are independent variables in relation to IRFS, it is examined if there is multicollinearity issue between them. The table shows that these two variables (PFS and BR) are highly correlated with a value of 0.72. We also run separate regressions for both independent variables in relation to IRFS.

There are two types of variables, the independent and dependent variable. Independent variables are brand recognition with a mean of 4.45 and perceived franchise support with a mean of 4.32. The dependent variable is the intention to retain of franchise support with a mean of 4.43. Therefore the results showed the overall interpretation of the data.

Table 3
Assessment of the Support of Franchisor to Franchisee of Food Cart Business

<table>
<thead>
<tr>
<th>Question</th>
<th>Average</th>
<th>Verbal interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  (1) The franchisor strongly considers my goals and values.</td>
<td>4.31</td>
<td>Agree</td>
</tr>
<tr>
<td>(2) The franchisor cares about my general satisfaction at my franchise.</td>
<td>4.38</td>
<td>Agree</td>
</tr>
<tr>
<td>(3) If given the opportunity the franchisor would not take advantage of me.</td>
<td>4.5</td>
<td>Agree</td>
</tr>
<tr>
<td>(4) The franchisor shows concern for me.</td>
<td>4.63</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>(5) The franchisor cares about my opinions.</td>
<td>4.34</td>
<td>Agree</td>
</tr>
<tr>
<td>(6) The franchisor takes pride in my accomplishments at my franchise locations.</td>
<td>4.25</td>
<td>Agree</td>
</tr>
<tr>
<td>(7) The franchisor tries to make my job as easy as possible.</td>
<td>4.38</td>
<td>Agree</td>
</tr>
</tbody>
</table>

2

<table>
<thead>
<tr>
<th>Question</th>
<th>Average</th>
<th>Verbal interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  (1) Our brand name recognition is strong.</td>
<td>4.47</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>(2) Your franchise (chain) has a good reputation for quality and service.</td>
<td>4.78</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>(3) Your franchise (chain) is well respected.</td>
<td>4.69</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>(4) Your brand name is one of your most precious assets.</td>
<td>4.38</td>
<td>Agree</td>
</tr>
</tbody>
</table>

3

<table>
<thead>
<tr>
<th>Question</th>
<th>Average</th>
<th>Verbal interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  (1) It is my pleasure to introduce this franchise system to others.</td>
<td>4.69</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>(2) I am willing to collaborate with this franchisor in the future (for example open new stores under this franchise system).</td>
<td>4.31</td>
<td>Agree</td>
</tr>
<tr>
<td>(3) Although I can look for other franchise systems, I still consider the current franchise system as my first priority.</td>
<td>4.59</td>
<td>Strongly agree</td>
</tr>
</tbody>
</table>

Table 3.1 shows that the one with the highest average answer was the Question (4), which earned a total average of 4.63, where the franchisees responded that their franchisors shows concern to them. Second to get the highest average are Questions (2) and (7) with a total average of 4.38, explaining that franchisors show concern for their franchisees general satisfaction for their franchise and that they also consider making the
franchisees’ job easier. The next one Question (5) got a total average of 4.34; it turned out that the franchisor cared about their franchisees opinion. Question (1) got a total average of 4.31, which explains that franchisors consider the goals and values of their franchisees. Question (6), which earned a total average of 4.25, explains where most franchisees respond that their franchisors are proud of the good things that have happened to their franchise. The one with the lowest score is Question (3) achieving a total average of 4.5, explains that they are not taken advantage of by their franchisors.

Table 3.2 shows that the one that got a highest average answer was the Question (2) that earned total average of 4.78 simply; it shows that their quality and service was doing great. Second to get the highest average was Question (3) with the total average of 4.69, explaining that their franchise (chain) was well respected. The next one that got a total average of 4.47 is Question (1) which states that their brand reputation or name is strong and it is also one of the good factors for their business. And lastly the question that got the lowest average of 4.38 is Question 4 which states that their brand reputation or name is not so strong compared from their other assets and to sum up everything has been stated above this question got the lowest rate.

Table 3.3 shows that the one that got a highest average answer was the Question (1) that earned total average of 4.69; this actually demonstrates that their willingness to introduce their current franchise system to a new possible franchisor was shown. Second to get the highest average was Question (3) that earned total average of 4.59, showing that even though they can find another franchisor they will still choose and consider their current franchise system now because for them that’s their first priority. And lastly the question that got the lowest average was Question (2) a total average of 4.39; this actually demonstrates that if they have given a chance to work or collaborate with the same franchisor they will, so it also proves that franchisee was satisfied with the team up of their franchisor with them.

Table 4

Regression Results of Intention to Retain in Franchise System and Perceived Franchise Support

<table>
<thead>
<tr>
<th></th>
<th>IRFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFS</td>
<td>0.84 (6.16)***</td>
</tr>
<tr>
<td>YFS</td>
<td>-0.01 (-0.06)</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.80 (1.26)</td>
</tr>
<tr>
<td>F</td>
<td>19.41</td>
</tr>
<tr>
<td>R</td>
<td>0.76</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.54</td>
</tr>
</tbody>
</table>

The Table 4 shows the regression results of intention to retain in franchise system and perceived franchise support. As shown in this table, Hypothesis 1 is significant. Perceived franchise support appeared to have a positive and significant effect to intention of retention to franchise system (PFS = 0.84; p < 0.01). Most of the franchisees response, franchisor support is being properly assessed by providing fair relationship quality and the franchisor’s support to the franchisee matters in terms of retention in franchise system.

This is supported by the study of J. E. Lee and S. S. Lee’s study (2020) that fairness on relationship quality and re-contract intention have an effect in food service franchise industry. Distributive fairness and informational fairness increase the relationship quality, which franchisees perceive under the franchise system.
The Table 5 shows the regression results of intention to retain in franchise system and brand recognition. H2 appeared to have positive and significant effect to intention of retention to franchise system (BR = 0.78; p < 0.01). Most of the response of franchisee agreed that brand recognition in terms of quality and service is one of the important factors in franchising. On the other hand brand recognition refers to the ability of consumers to identify a specific brand by its attributes over another one. This was supported by Erlinda, Afiff, and Helmi (2016); franchise support was designed to ensure the franchisee’s intention to stay in the franchise system because the franchise is selling the brand; otherwise there would be a conflict of interests between the franchisor as the owner of the brand and the franchisee as the consumer of the franchisor’s brand to manage the retail outlet and to be bound by the futures contract. This is also supported by Song, Chan, and Wu’s paper (2019), the interaction impact of placement features and emotional experiences on the recognition of placed brands by consumers. Brand recognition is a fundamental step in the decision-making path of the customer. The authors developed a research model that combines placement features, emotional experiences, and brand awareness based on emotional process theory and cognitive ability theory.

Overall, the results showed that H1 and H2 are accepted where the brand recognition and perceived franchise support have an effect to intention of retention in franchise system positively and significantly.

**Conclusion**

Based on the findings of the study, the following conclusions were drawn:

The franchisor considers the values, goals, and opinion of the franchisee; they also care about the general satisfaction and do not take advantage to the franchisee. The brand recognition is strong, well respected, and considered as an asset of the franchise. The franchisee has the intention of retention to franchise system and consider of introducing the franchise system to others as they consider it as their first priority.

Significant relationship exists in franchise support to intention of retention to franchise system where the franchisors show concern to the franchisee. Significant relationship exists in brand recognition to intention of retention to franchise system where the quality and service of the franchise itself is great and has a good reputation in franchise system industry.

**Recommendation**

Based on the findings and conclusion of the study, the following recommendations are proposed:
The future franchisee and entrepreneurs should have the knowledge about what kind of franchise business is worthy to invest with and should know how the franchise business works and should thoroughly understand the advantages and disadvantages when starting a franchise business.

Franchisee and future franchisee should keep in mind the importance of franchisor’s support to the franchisees in the franchise system. Franchisor should be able to keep in mind the importance of the support to the franchisee and to the franchise business, brand recognition, and retention of a franchise business. Franchisor and franchisee may consider trust, support, and satisfaction to strengthen the relationship between them to be able to keep the franchise business stay in the franchise system.

Customers should consider the importance of brand recognition, and retention to the business industry of a food cart franchise business and may consider patronizing the small businesses that will help the owners to grow.

The selection of the respondents was limited since this study was conducted during the pandemic and there was a place that was prohibited to visit. For future researcher may consider getting more respondents of food cart franchise businesses to be able to gather more relevant information about the study to strengthen the validity of the results.

Also, this is open for adaptation of future researchers as well as a supportive research in their study.

References


