

Full Length Research Paper

Franchisee perceived relationship value and loyalty in a franchising context: assessing the mediating role of franchisee satisfaction and the moderating role of franchisee characteristics

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This article examined franchisee satisfaction as mediator and franchisee characteristics as moderators of the relationship between franchisee perceived relationship value and loyalty. Using the data from 218 franchisees in 5 Chinese convenience store franchise companies, the findings revealed a partially mediating role for franchisee satisfaction in the relationship between perceived relationship value and loyalty. Furthermore, results showed that the relationship was stronger for franchisees with older and higher education, but it was weaker for those franchisees with shorter relationship length.

Key words: Relationship value, loyalty, mediator, moderators, franchising, China.

INTRODUCTION

Customer loyalty, a buyer's overall attachment or deep commitment to a product, service, brand or organization (Oliver and Rust, 1997; Oliver, 1999) is an important strategic objective of managers around the world (Cool et al. 2007). Franchising as a key strategy in the growth of global business activity depends on relationships between franchisor and franchisee (Kidwell et al., 2007). Although, in theory franchisees sign formal contracts to acquire desirable behavior from their franchise partners (Bracker and Pearson, 1986), formal contractual agreements and good intentions do not guarantee satisfying and efficacious relations (Gassenheimer et al., 1996). For the franchisor, it is critical to establish franchisees' loyalty in the system (Chiou et al., 2004).

Recently, researchers have suggested that an important determinant of loyalty is relationship value (Ulaga and

Eggert, 2006). Relationship value has usually defined as the trade-off between the benefits ("what you get") and the sacrifices ("what you give") in a market exchange (Zeithaml, 1988). Harmon and Griffiths (2008) hypothesized that the franchisee perceived relationship value is positively related to franchisee loyalty. To date, however, no research has examined empirically the relationship between relationship value and loyalty in the franchising context. This study was thus designed to determine how franchisee perceived relationship value relates to franchisee loyalty.

The vast majority of models developed to explain the link between relationship value and loyalty are grounded in Fishbein and Ajzen's (1975) reasoned action theory. Fishbein and Ajzen's basic proposition is that cognitive beliefs (such as relationship value) combine to influence affective responses (such as satisfaction), which in turn influence behavioral intent or behavior (such as loyalty). Many empirical studies have provided support for cognitive-affective-behavior links in business-to-consumer (B2C) contexts (Omar et al., 2007; Yang and Peterson, 2004) and in B2B buyer-seller relationship contexts (Irene et al., 2009; Callarisa et al., 2009; Barry

Abbreviations: CFA, confirmatory factor analysis; GFI, goodness-of-fit index; AVE, average variance extracted; AGFI, average goodness-of-fit index; CFI, comparative fit index; IFI, incremental fit index; RMSEA, root mean square error of approximation

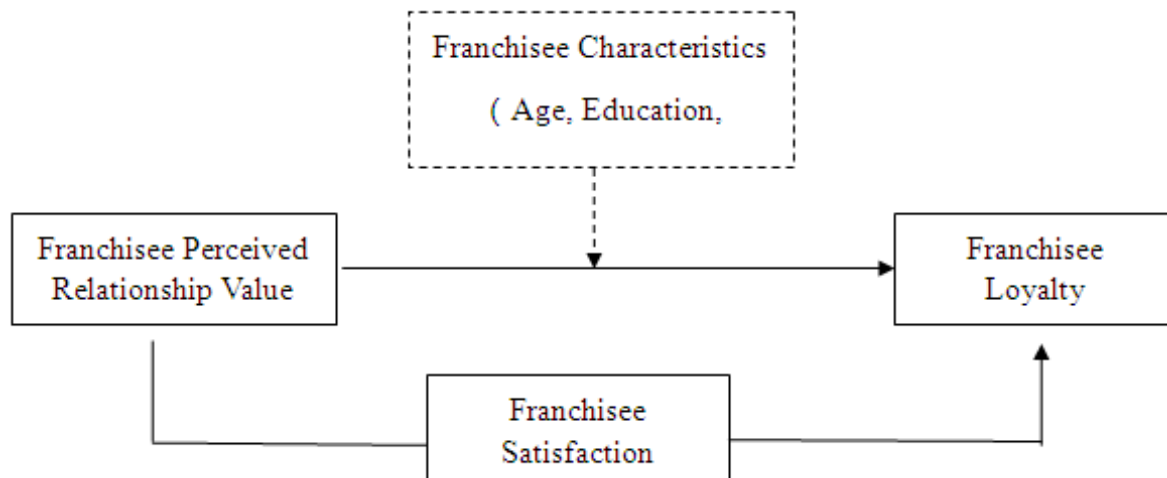


Figure 1. The model and hypotheses.

and Terry, 2008; Ulaga and Eggert, 2006). In keeping with this previous research, the first object of this study is to evaluate the mediation of the franchisee satisfaction variable in explaining how the franchisee perceived relationship value and loyalty are related.

In addition, prior research has found that individual characteristics (for example age, education) moderate the relationships between cognitive, affective and behavior (Evanschitzky and Wunderlich, 2006). In terms of relationship value and loyalty link, however, there is a paucity of research on the issue of moderator variables (Yang and Peterson, 2004; Chen and Tsai, 2008). In particular, no research exists that examines the effect of individual characteristics on the link between relationship value and loyalty. To fill this gap, the second object of this study is the examination of the extent to which franchisee characteristics moderate how the franchisee perceived relationship value relate to franchisee loyalty.

THEORY AND HYPOTHESES

Figure 1 shows the model of the relationships expected between franchisee perceived relationship value and franchisee loyalty. According to the model, which is based on the reasoned action theory and information processing theory (Moskovitch, 1982), franchisee satisfaction mediates the relationship between franchisee perceived relationship value and franchisee loyalty. Three franchisee characteristics (age, education and length of relationship) also moderate this relationship. In the following sections, the study first discusses the link between franchisee perceived relationship value, satisfaction and loyalty. The study then offer predictions about how the franchisee characteristics moderate the relationship between franchisee perceived relationship value and franchisee loyalty.

Mediating influence of franchisee satisfaction

Satisfaction in this context is defined as a cumulative, global evaluation stemming from an aggregation of transaction experiences (Parasuraman et al., 1994). Prior research suggests that satisfaction is an affective variable (Oliver, 1999). As the study explained briefly at this article's outset, affective variables can mediate the relationship between cognitive and behavior variables. Franchisee perceived relationship value reflects franchisee's rational trade-off between the costs and benefits to be derived over the lifetime of the franchisor-franchisee relationship and is regarded as a cognition variable (Harmon and Griffiths, 2008), whereas franchisee loyalty concerns behavior or a disposition to behave positively toward a franchisor. Thus, the study predicts that franchisee satisfaction mediates the effect of franchisee perceived relationship value on franchisee loyalty. However, Vakratsas and Ambler (1999) suggested that cognition about a product may affect purchase behavior directly for some product categories such as paper towels and life insurance.

Gross (1997) also argued that in business markets, purchasing managers' decision making is mainly guided by cognitive factors. Prior empirical research have reported that relationship value has a positive direct effect on loyalty (Eggert and Ulaga, 2002; Sirdeshmukh et al., 2002; Barry and Terry, 2008). Therefore, for all the above reasons, the study expects the mediation to be partial.

H₁: Franchisee satisfaction partially mediates the relationship between franchisee perceived relationship value and franchisee loyalty.

Moderating influence of franchisee characteristics

As mentioned above, the moderating role of individual

characteristics on relationship value and loyalty link have been ignored in the existing literature. This article fills this gap by analyzing the moderating effects of three franchisee characteristics, including age, education and length of relationship. Specifically, the study proposed that the association among the franchisee characteristics, franchisee perceived relationship value and franchisee loyalty can be explored by viewing the franchisee as an information processor and loyalty as the output of an information-processing system. According to the information processing theory, franchisees have limited ability to process information and therefore use heuristics or schema-based forms of processing to make their decisions. For example, franchisees may reduce their search efforts by narrowing the choice set or relying on some important key information cues, such as their past behavior (Walsh et al., 2008). An information-processing perspective on franchisee loyalty suggests that the loyalty decision is made on different bases according to differences in franchisee characteristics (Walsh et al., 2008; Cooil et al., 2007; Levin et al., 2006; Evanschitzky and Wunderlich, 2006; Homburg and Giering, 2001). Thus, the study expected that the extent to which franchisee perceived relationship value affects franchisee loyalty may vary depending upon franchisee characteristics. A brief discussion of each of the three potential moderators follows.

Age

Prior research has found that, information-processing capabilities decline with age (Gilly and Zeithaml, 1985). Given the restricted information-processing capabilities of older franchisees, the study expected these franchisees to be more likely to rely on fewer decision criteria, such as perceived relationship value, when they develop loyalty to their franchisor whereas younger franchisees seek alternative information that might also influence their loyalty. Thus, the loyalty of older franchisees is likely to be more positively by perceived relationship value than that of younger franchisees. Accordingly, the study hypothesized:

H₂: Franchisee's age moderates the relationship between franchisee satisfaction and franchisee loyalty in such a way that the relationship is stronger for the older than for the younger.

Education

Individuals with higher levels of education engage more in information processing prior to decision making, whereas lower levels of educated individuals rely more on fewer information cues (Capon and Burke, 1980). Thus, because lower educated franchisees lack other variance-explaining information cues, whereas higher

educated franchisors search for additional information cues, apart from their current perceived relationship value, variations in perceived relationship value of lower educated franchisees likely results in a greater change loyalty than it would for higher educated franchisors. Accordingly, the study hypothesized:

H₃: Franchisee's education moderates the relationship between franchisee satisfaction and franchisee loyalty in such a way that the relationship is stronger for those with lower, rather than higher education.

Length of relationship

Length of relationship is defined as the number of years that a franchisee has worked with his/her current franchisor. Prior research suggests that customers with positive experiences over time are less likely to defect and are more forgiving (Anderson and Sullivan, 1993). In particular, researchers have observed that customers' judgments of recent exchange outcomes are influenced by the cumulative effect of long-term experiences with the supplier (Kalwani and Narayandas, 1995). Thus, in the case of franchise relationships, because long-term franchisees tend to use the cumulative experience to evaluate the relationship exchange outcomes, they will be more immune to variations in their current perceived relationship value. Accordingly, the study expected that, the loyalty of long-term franchisees is likely to be less positively affected by their perceived relationship value than that of newer franchisees.

H₄: Length of relationship moderates the relationship between franchisee satisfaction and franchisee loyalty in such a way that the relationship is stronger for those with shorter, rather than longer relationship.

MATERIALS AND METHODS

Sample and procedures

Convenience store franchise systems in China rural areas were selected as the object for this study. In the past ten years, China has the most franchises in the world (Wang et al., 2008). In particular, franchising has also been a prevalent mode of entry into the Chinese rural retailing market. Small independent stores are being rapidly displaced by chains of convenience stores in the countryside. According to statistics released by China's Ministry of Commerce, over 300,000 chain convenience stores in China rural areas were opened as of the end of 2009. Furthermore, convenience store franchising also typifies business format franchising and was chosen as the target of prior academic franchise studies (Chiou et al., 2004). Thus, the selected population provided a rich and suitable context for this study.

Franchisees were drawn from 5 convenience store franchise companies from Hubei, Shandong and Guangxi, three provinces of China. Because mail and telephone surveys were likely to have a poor response rate, the study conducted personal interviews to gather the data for this study. Interviewees were restricted to the

single-unit franchise owners. The study minimized the chance of interviewer bias by using a structured and standardized interview process and Likert-type scales for responses whenever possible. Prior to the survey, a focus group interview was conducted to pre-test and improve the questionnaire design. A gift worth about 1 US dollar was provided to each respondent before the survey started. Franchisees were given the option of having the survey read to them and filled out by the trained student interviewers or completing it themselves. The survey team interviewed a total sample of 256 franchisees during the period May to August, 2009. Questionnaires with incomplete information were removed, resulting in 218 usable questionnaires.

Measures

Dependent variable

Franchisee loyalty was measured using four items, three originally developed by Chiou et al. (2004) and one developed by Bordonaba-Juste and Polo-Redondo (2008) to measure franchisees' intention to remain in the franchise system. Respondents indicated, on a seven-point Likert scale (1 = "strongly disagree," 7 = "strongly agree"), whether (1) "It is my pleasure to introduce this franchise system to others," (2) "I am willing to collaborate with this franchisor in the future," (3) "I believe that over the long run the relationship with the franchisor will be profitable," and (4) "Although, I can look for other franchise systems, I still consider the current franchise system as my first priority." The coefficient alpha for this measure was 0.82.

Independent variable

The franchisee perceived relationship value was measured with four items adapted from Ulaga and Eggert (2006). The four items were (1) "Compared to alternative franchise systems, the franchisor adds more value to the relationships as a whole," (2) "Compared to alternative franchise systems, I gain more in our relationship with the franchisor," (3) "Compared to alternative franchise systems, the relationship with the franchisor is more valuable," and (4) "Compared to alternative franchise systems, the franchisor creates more value for us when I compare all the costs and benefits of the relationship." The coefficient alpha for this measure was 0.79.

Mediator

The study measured franchisee *satisfaction* using a scale consisting of three items obtained from a study by Chiou et al. (2004). In our study, respondents indicated on seven-point Likert scale whether (1) "I am happy about my decision to choose this franchise system," (2) "I believe that I did the right thing when I chose this franchise system," and (3) "Overall, I am satisfied with this franchise relationship." The coefficient alpha for this measure was 0.82.

Moderators

Age, education and length of relationship were self-reported by respondents. Age had eight categories: 1 = "20 or under", 2 = "21-25", 3 = "26-30", 4 = "31-35", 5 = "36-40", 6 = "41-45", 7 = "46-50" and 8 = "over 50." Education had six categories: 1 = "primary school and below," 2 = "middle school," 3 = "high school," 4 = "vocational school", 5 = "college" and 6 = "university and above". Consistent with Dant and Nasr (1998), franchisees were asked to indicate the year in which they joined the network as a franchisee,

from which the study measured the length of relationship.

Control variables

To eliminate potential confounds, the study included two store-level variables as controls in testing the hypotheses. The study controlled for store size because size may affect franchisees' attitude toward business, which has been linked to franchisee's loyalty (Jambulingam and Nevin, 1999). Size was measured as the operating area of each convenience store in square meters. The study controlled for store region because the region is regarded as one of the franchisee selection criteria (Olm et al., 1988) and thus might relate to franchise relationship. Franchisees provided self-report data on store region: "Village" was coded 1, and "township" was coded 0.

RESULTS

Confirmatory factor analysis

To assess the validity of the measures, the study conducted a confirmatory factor analysis (CFA). Parameter estimation based on the maximum likelihood method was made with the Amos 6.0 computer package. The adequacy of the CFA models was evaluated using the criteria of overall fit with the data, convergent validity and discriminant validity. The CFA model and the standardized loadings along with t-value are presented in Table 1.

The results indicate reasonable overall fits between the model and the observed data. The overall fit of measurement model was $\chi^2_{(41)} = 68.26$ $P=0.005$. The goodness-of-fit index (GFI) was 0.95, the adjusted goodness-of-fit index (AGFI) was 0.92, the comparative fit index (CFI) was 0.97, the incremental fit index (IFI) was 0.97, and the root mean square error of approximation (RMSEA) was 0.06.

Convergent validity is observed when the path coefficients from latent constructs to their corresponding manifest indicators are statistically significant (that is, $t > 2.0$; Anderson and Gerbing, 1988). As shown in the Table 1, all items loaded significantly on their corresponding latent construct, with the lowest t-value being 7.28, thereby providing evidence of convergent validity.

To further assess the discriminant validity of our measures, the study followed the procedures outline by Fornell and Larcker (1981), which requires that the average variance extracted (AVE) for each construct should be higher than the squared correlation between that construct and any other construct. In the present study, in no case was there a squared correlation between two constructs higher than either of the construct's AVEs (Table 2).

Descriptive analyses

Table 2 present descriptive statistics and correlations for

Table 1. Results of confirmatory factor analysis for the measures of variables studied^a.

Construct	Item-construct loading		Composite reliability	Average variance extracted
	Standardized	t-value		
Franchisee loyalty				
1. It is my pleasure to introduce this franchise system to others	0.74	Fixed		
2. I am willing to collaborate with this franchisor in the future	0.79	11.08		
3. I believe that over the long run the relationship with the franchisor will be profitable	0.84	12.00	0.84	0.57
4. Although I can look for other franchise systems, I still consider the current franchise system as my first priority	0.58	8.09		
Franchisee satisfaction				
1. I am happy about my decision to choose this franchise system	0.84	Fixed		
2. I believe that I did the right thing when I chose this franchise system	0.82	12.42	0.83	0.63
3. Overall, I am satisfied with this franchise relationship	0.71	10.82		
Franchisee perceived value				
1. Compared to alternative franchise systems, the franchisor adds more value to the relationships as a whole	0.64	Fixed		
2. Compared to alternative franchise systems, I gain more in our relationship with the franchisor	0.80	8.86	0.80	0.50
3. Compared to alternative franchise systems, the relationship with the franchisor is more valuable	0.78	8.78		
4. Compared to alternative franchise systems, the franchisor creates more value for us when I compare all the costs and benefits of the relationship	0.60	7.28		

^a n=218. $\chi^2_{(41)} = 68.26$, GFI =0.95, AGFI =0.92, CFI =0.97, IFI =0.97 RMSEA confidence interval (0.03, 0.08).

Table 2. Means, standard deviations and correlations among variables^a.

Variable	Mean	SD	1	2	3	4	5	6	7
Franchisee loyalty	5.80	0.77	(0.75)						
Franchisee satisfaction	5.96	0.76	0.57**	(0.79)					
Franchisee perceived relationship value	6.11	0.68	0.45**	0.45	(0.71)				
Age	4.19	1.62	-0.09	-0.13	-0.16*				
Education	2.88	1.00	-0.07	-0.11	-0.08	0.29**			
Length of relationship	3.52	0.83	0.12	0.09	0.04	-0.09	0.14**		
Store size	96.93	137.27	-0.01	-0.12	-0.10	0.4	0.18**	0.52**	
Store region	0.73	0.44	0.04	0.11	0.16*	-0.12	-0.35**	-0.26**	-0.39**

^an=218. For multiple-item constructs, figures on the diagonal in parentheses represent the square root of the average variance extracted. SD, standard deviation; *P<0.01; **P>0.05 two tailed tests.

Test of hypothesis 1: Analyses of franchisee satisfaction as a mediator

Hypothesis 1 predicts that franchisee satisfaction will partially mediate the relationship between franchisee perceived relationship value and franchisee loyalty. Hypothesized mediation effect was assessed in accordance with standards outlined by Baron and Kenny (1986). Baron and Kenny specified three conditions that must be satisfied in order to infer mediation: (1) The

independent variable (here, franchisee perceived relationship value) must be significantly related to the dependent variable (franchisee loyalty) in the absence of the mediator (franchisee satisfaction), (2) the independent variable must be significantly related to the mediator, and (3) when both the independent variable and the mediator are considered simultaneously, the direct relationship between the independent variable and the dependent variable should either decrease significantly (for partial mediation) or become non-significant (for full

Table 3. Results of regression analysis for mediation by franchisee satisfaction^a.

Variable	Model 1	Model 2	Model 3
	Dependent variable, Loyalty	Dependent variable, Satisfaction	Dependent variable, Loyalty
Controls			
Store size	0.03	-0.07	0.06
Store region	-0.02	0.01	-0.03
Independent			
Perceived Relationship Value	0.46***	0.44***	0.25***
Mediator			
Satisfaction			0.47***
R ²	0.20	0.20	0.38
Adjusted R ²	0.19	0.19	0.37
F	18.18***	18.20***	32.23***

^an = 218, standardized regression coefficients are displayed in the table.***P<0.001.

mediation). Table 3 summarizes the results.

As shown in Table 3, consistent with Baron and Kenny's first requirement for mediation, franchisee perceived relationship value was significantly associated with franchisee loyalty in the absence of mediator variable ($\beta=0.46$, $P<0.05$). In accordance with Baron and Kenny's second requirement, franchisee perceived relationship value was significantly associated with franchisee satisfaction ($\beta=0.44$, $P<0.001$). Finally, franchisee perceived relationship value affected franchisee loyalty, although still a significant predictor ($\beta=0.25$, $P<0.001$), had less effect than when the mediator was not in the regression equation. Taken together, the findings provide support for Hypothesis 1.

Tests of hypotheses 2, 3 and 4: Analyses of franchisee characteristics as moderators

The four hypotheses were tested via hierarchical regression analysis. The variables were entered into the regression equation in three steps. The control variables were entered in the first step, the independent variable and moderate variable were added in the second step and the interactions term was added in the third step. In keeping with Aiken and West (1991), the study mean-centered the independent variable and the moderator variables and used them to create the interaction terms obtained by multiplying the moderator variables by the independent variable. Table 4 summarizes the results. Hypothesis 2, which predicts that the older a franchisee, the stronger will be the positive relationship between franchisee perceived relationship value and franchisee loyalty, was marginally supported. The interaction between age and perceived relationship value was significant at

the .10 level and explained a marginally significant amount of variance ($\beta=0.12$, $P<0.10$). To further probe these results, the study plotted the interaction effect using Aiken and West's (1991) procedure. Separate plots were drawn for individuals whose scores on the moderator were one standard deviation below the mean, at the mean, and one standard deviation above the mean. Figure 2 presents these results. Simple slope results indicated that the relationship between franchisee perceived relationship value and franchisee loyalty was larger for the older group ($\beta=0.49$, $P<0.001$) and smaller for the younger group ($\beta=0.30$, $P<0.01$); the medium group fell in between ($\beta=0.40$, $P<0.001$).

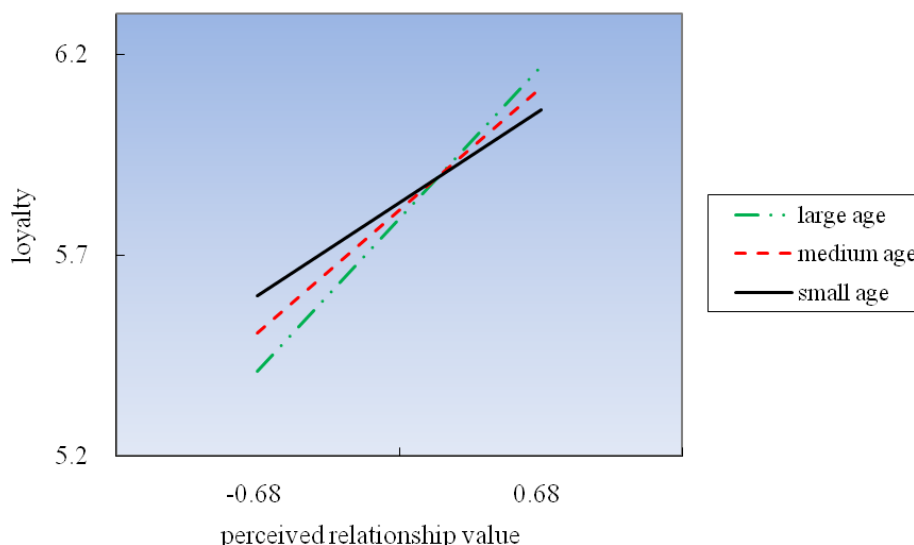
Hypothesis 3 predicts that the positive relationship between franchisee perceived value and franchisee loyalty will be stronger for the lower level of education. Contrary to Hypothesis 3, findings show that the interaction between education and perceived relationship value was positive and significant ($\beta=0.20$, $P<0.01$). The simple slope results indicated that the relationship between franchisee perceived relationship value and franchisee loyalty was larger for the higher education group ($\beta=0.54$, $P<0.05$) and smaller for the lower education group ($\beta=0.22$, $P<0.05$); the medium group fell in between ($\beta=0.38$, $P<0.001$). Figure 3 presents a graph of typical significant interaction effect for franchisee education. As a whole these results fail to support Hypothesis 3.

Hypothesis 4, which predicts that the positive relationship between franchisee perceived value and franchisee loyalty will be stronger for the shorter term relationship, was supported. The interaction between length of relationship and perceived relationship value was significant at the 0.10 level and explained a marginally significant amount of variance ($\beta= -0.13$, $P<0.05$). The simple slope results indicated that the relationship

Table 4. Results of hierarchical regression analysis for moderation by franchisee characteristics^a.

Variable	Moderator: Age			Moderator: Education		Moderator: Relationship length	
	Step 1	Step 2	Step 3	Step 2	Step 3	Step 2	Step 3
Control							
Store size	0.01	0.03	0.03	0.03	0.04	-0.02	-0.5
Store region	0.05	-0.02	-0.03	-0.04	-0.04	-0.01	-0.03
Main effect							
PRC ^b		0.45***	0.40***	0.45***	0.38***	0.44***	0.41***
Age		-0.02	-0.03				
Education				-0.05	-0.02		
Relationship length						0.11	0.15*
Interaction							
PRC × age			0.12 [†]				
PRC × education					0.20**		
PRC × relationship length							-0.13*
R ²	0.00	0.20	0.21	0.21	0.24	0.21	0.23
Adjusted R ²	0.00	0.19	0.20	0.19	0.22	0.20	0.21
F	0.20	13.60***	11.56***	13.74***	13.30***	14.28***	12.35***
ΔR ²		0.20***	0.01 [†]	0.20***	0.03***	0.20***	0.01 [†]

^an = 218, standardized regression coefficients are displayed in the table; ^bPRC represents perceived relationship value variable. ***P<0.001; *P<0.01; P<0.05; [†]P<0.1.

**Figure 2.** Interaction of perceived relationship value and age on loyalty.

THEORETICAL IMPLICATIONS

This study extends previous research on relationship value-loyalty link in several ways. First, the mediating effect of franchisee satisfaction on the relationship between franchisee perceived relationship value and

franchisee loyalty is consistent with Fishbein and Ajzen's (1975) reasoned action theory. The finding extends to the previous research conducted in the B2C context (Omar et al., 2007; Yang and Robin, 2004) and B2B buyer-seller relationship context (Irene et al., 2009; Callarisa et al., 2009; Barry and Terry, 2008; Ulaga and Eggert, 2006)

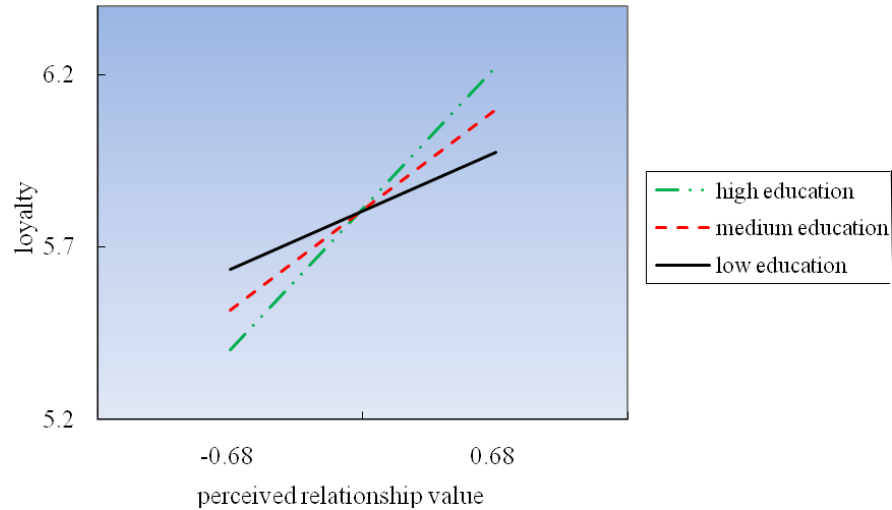


Figure 3. Interaction of perceived relationship value and education on loyalty.

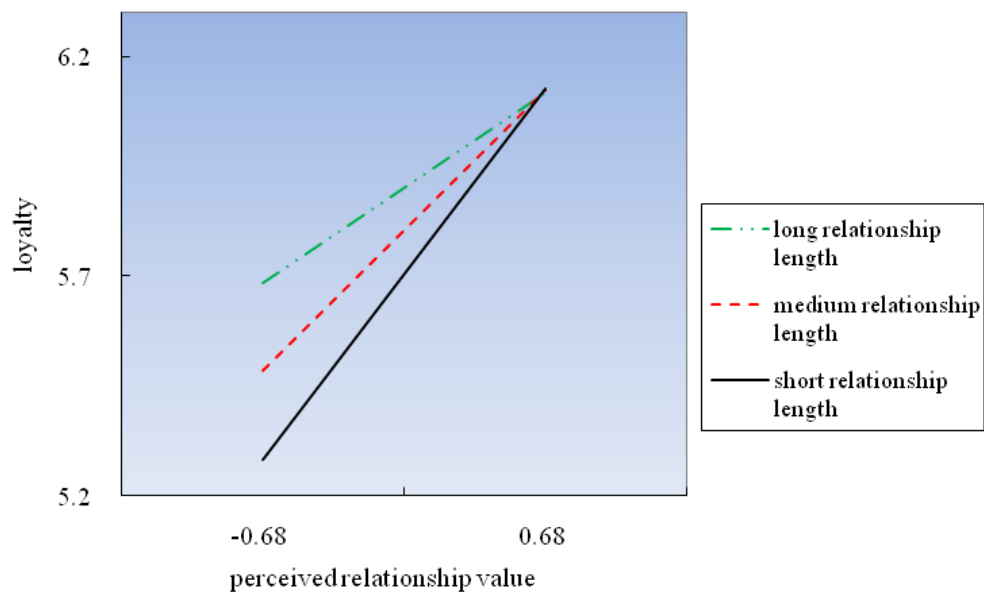


Figure 4. Interaction of perceived relationship value and length of relationship on loyalty.

on mediators of relationship value effects and supports the efficacy of the reasoned action theory in the franchising context.

Secondly, prior findings on the direct effect of relationship value on loyalty have been inconsistent. For instance, Barry and Terry (2008) reported that relationship value has a positive, direct effect on loyalty. However, Lam et al. (2004) found that relationship value has no significant direct effect on customer loyalty (customer patronage). The result of this study suggests that, in a franchising context, perceived relationship value is related directly to loyalty. Thus, franchisee perceived relationship value not

only have an indirect effect on franchisee loyalty through franchisee satisfaction, but it also have direct effect on franchisee loyalty. This study demonstrated that the franchisee perceived relationship value is a key driver of franchisees' loyalty toward the franchise system.

Thirdly, this study extends the relationship value–loyalty link literature, which has generally ignored the issue of moderator effects. The findings confirm the moderating influence of franchisee characteristics (age, education and length of relationship) on the relationship between franchisee perceived relationship value and franchisee loyalty. In particular, consistent with information processing

processing theory (for example Moskovich, 1982), the effect of franchisee perceived relationship value was positively moderated by franchisee's age and was negatively moderated by franchisee's length of relationship.

Finally, the information processing theory was less effective for explaining the moderating role of franchisee's education. More specifically, the strength of relationship between franchisee perceived relationship value and loyalty appeared to become stronger for franchisees with higher levels of education than those with lower levels of education.

MANAGERIAL IMPLICATIONS

The results of this study have two managerial implications. First, as franchisee loyalty becomes an increasing important concern for franchisors, understanding the factors that influence franchisee loyalty is increasingly important. The findings clearly suggest that franchisee loyalty can be generated through improving the relationship value perceived by franchisee and enhancing franchisee satisfaction.

Secondly, the findings suggest that, given finite resources for the franchisor, taking franchisee characteristics such as age, education and length of relationship into account is important in designing franchisee loyalty programs. The resources should appropriately be allocated to those franchisees that exhibit a strong relationship value - loyalty link. Further, the results suggest that the franchisor might find it beneficial to focus on the relationship value of those franchisees with older, higher education and shorter relationship length.

LIMITATIONS AND FUTURE RESEARCH

The current study has some limitations that should be addressed in future research. First, obtaining data from a single convenience store system limits the generalizability of the results to other franchise systems. To enhance external validity, future research should obtain data from different categories of franchise systems.

Secondly, another limitation is the use of single-item measures of relationship value. However, relationship value has often been treated as a multidimensional construct (Ulaga and Eggert, 2003; Ulaga and Eggert, 2006; Baxter, 2009). Ulaga and Eggert (2006) noted that, "researchers may choose between a multidimensional scale with multiple items and its unidimensional counterpart with only few items, depending on their research objectives. Relying on the multidimensional scale is key for research investigating the value-creating dimensions of a business relationship." Future research should include multi-item measures of this constructs and investigate the effect of specific dimensions of relationship value on loyalty.

Thirdly, an interesting question that arises from the findings of this study is whether other variables mediate the relationship between franchisee perceived relationship value and franchisee loyalty. For example, Ulaga and Eggert (2006) and Irene et al. (2009) suggested the mediating effect of trust and commitment on the association of customer perceived value and loyalty in the B2B buyer-seller relationship contexts. It would be informative to investigate how variables such as trust and commitment mediate franchisee perceived relationship value-loyalty link.

Finally, a related question is to whether other variables moderate the relationship between franchisee perceived relationship value and franchisee loyalty. This study focuses on selected characteristics of the franchisee as moderating factors. A host of other franchisee characteristics (for example, gender, financial capability, experience) may have a moderating influence on franchisee perceived relationship value - loyalty link. Further, situational characteristics (for example, switching cost, dependence) may also affect this relationship. Yang and Peterson (2004) reported that the moderating effect of switching cost on the association of customer perceived value and loyalty in the setting of electronic commerce. Thus, future research should consider the influence of other possible moderators of franchiseeperceived relationship value-loyalty link.

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