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FRANCHISNG IN A VOLATILE BUSINESS ENVIRONMENT: A CASE OF THE FAST FOOD INDUSTRY IN HARARE, ZIMBABWE.

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ABSTRACT

This study investigated the challenges and success factors of fast food industry players operating in Zimbabwe's volatile business environment. The study focussed on franchising entrepreneurs. Using a qualitative approach the study identified the critical success factors, obstacles towards successful franchising and the reasons for the growth of local franchised brands against international franchised brands in Zimbabwe's volatile business environment. Ten interviews were successfully conducted with franchisees and franchisors in Harare using face to face semi structured interviews as data collection methods and thematic coding was used to analyse the collected data. The study is important as franchising can be used as a tool for economic growth and the study breaks a new ground as the researcher did not find any similar studies carried out on franchising in a volatile business environment. Zimbabwe's volatile business environment hinders the growth of franchising in the fast food industry especially, the majority of local franchised brands. The results of the study revealed that some entrepreneurs have taken considerable measures to control their operating costs, motivate employees and retain their loyal customers hence they have managed to survive in the present volatile business environment. There has been a considerable growth of international franchise brands in the fast food industry with the notable ones being Mugg and Bean, News Cafe, KFC and Ocean Basket. The results of the study indicate that franchise entrepreneurs face difficulties in obtaining operating licences from the Harare's City Municipal Authorities and registering their businesses. Electricity power cuts severely affect the operations of fast food businesses. The majority (80%, n=8) of the entrepreneurs do not have adequate capital to expand and grow their businesses and they fail to meet lending requirements from the financial institutions, top most among them being the provision of collateral security accompanied by rigid application procedures for funding. However, the empirical findings of the study indicate that some franchise entrepreneurs do not face difficulties in raising capital for their growth and expansion ambitions, incur lower rental charges and easily find convenient places to locate their businesses. This is largely due to the fact that they operate internationally well managed and invested franchise brands which are earning more profits. Recommendations made include that the government should play an active role in promoting franchising by setting up a vibrant franchise board, speed up the business registration process and ensure easy access to financial assistance to franchise entrepreneurs.

Key words: Fast food, Franchising, Volatile business environment.

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DECLARATION

I, Knowledge Shumba student number 11605757; hereby declare that this dissertation for a Masters of Commerce in Business Management degree at the University of Venda, submitted by me, has not been submitted previously for any degree at this or any other University, and it is my own work and execution, all reference material contained therein has been duly acknowledged.

Signature..... Date..23-05-2016.....

Shumba Knowledge

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May the Almighty God bless you all.

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DEDICATION

I dedicate this thesis to my parents (Gladys Ncube and Kenneth Shumba) for challenging me to undertake Masters studies, their morale support and for their love for education they instilled in me.

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ABBREVIATIONS

BOP:	Balance of Payment
CBD:	Central Business District
FASA:	Franchise Association of South Africa
GDP:	Gross Domestic Product
ILO:	International Labour Organisation
KFC:	Kentucky Fried Chicken
QSR:	Quick Service Restaurant
SEDCO:	Small Enterprise Development Enterprise
SMES:	Small Medium Enterprises
UNIDROIT:	International Institute for the Unification of Private Law
USA:	United States of America
ZIMASSET:	Zimbabwe Agenda for Sustainable Socio-Economic Transformation

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 Introduction

Franchising is a business model which revolves around a mutual agreement whereby the franchisor allows or gives the franchisee the right to conduct business as an individual business owner but is required to operate according to certain methods and terms specified by the franchisor (Nieman and Nieuwenhuizen, 2009). The franchisor is the firm or the person that owns the business concept and the franchisee is the person who buys a franchise from the franchisor and who will in most cases operate the business (Beshel, 2010). An entrepreneur is a person who sees an opportunity in the market, gathers resources and creates and grows a business venture to satisfy the needs (Nieman and Pretorius, 2004).

Franchising plays an important role in the growth of entrepreneurship world-wide and has a prominent position in the fast food industry. Franchising as a business model is used by entrepreneurs in the fast food industry to start their own businesses by joining well established business names and also expanding their business ventures. Franchising is fully established in the United States of America (USA), where it is found in a number of industry sub-sectors such as food, non-food, financial and other service businesses (Sanghavi, 1998). According to Abur Bakar, Mohd Hassan, Rosit and Norhamiah (2003), and Louw, Ndanga, Chikazunga and Jagwe (2008) the growth rate for franchising outside the USA is also very impressive. Growth rates of 17% per year since 1994 for franchising has been witnessed in South Africa and it has emerged as an effective method of local empowerment whilst the growth rates of franchising in Zimbabwe is accounted for (Louw *et al.,* 2008). All over the world, franchising has gained much economic importance due to its mutual benefits for all parties of the franchising relation and the knowledge it creates and transfers with expansion at multiple levels (Bassem, 2013). The vital roles that franchising and entrepreneurship play in stimulating economic activity, creating jobs, alleviating poverty and uplifting living standards needs to be recognised in Zimbabwe's volatile business environment as it has been recognised internationally (Bassem, 2013).

Abur Bakar *et al.,* (2003), and Louw *et al.,* (2008), concurred that franchising is widely seen as a successful method for business owners to expand their business or start their business because it is a proven business practice with a low risk of failure. Franchising is an easier way for the inexperienced entrepreneurs to enter the business world. According to Whitlock (2010), instead of entrepreneurs re-inventing the wheel, a business concept with a reputable identity is offered that has been proven over a period of time which increases the chances of making money

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although it is not guaranteed (Whitlock, 2010). However, operating a business in Zimbabwe is not very easy in the fast food industry for franchise operators as they operate in a volatile business environment characterised by economic instability and unsupportive government policies. In a tough volatile business environment such as Zimbabwe franchise entrepreneurs should be in a position to completely understand the external environment factors such as the economic, socio-cultural, political and legal aspects, and the opportunities their businesses have to address.

The analysis of franchising in Zimbabwe's fast food industry is discussed below.

1.2 Analysis of franchising in Zimbabwe

According to Sanghavi (1998), it has been proven that the development of franchising depends on the overall economic and political circumstances of the country and that its growth can be significantly impacted by the performance of the economy as a whole. This section explore franchising during the hyperinflation era, franchising during the Government of National Unity and franchising after the 2013 National Elections.

1.2.1 Franchising during the hyperinflation era

Hyperinflation refers to the continuous price increases that are out of control (Mohr and Fourie 2004). The hyperinflation experienced from 1998 to 2008 made it difficult for businesses to operate normally. The inflation rate rose to a world record of 231 million percent in 2008 and the growth rate of the economy was -12.8% (Berger, 2008). Franchising operators just like any other businesses were greatly affected during the decade of hyperinflation and some of them were forced to close their businesses. For Zimbabwean fast food franchise operators, the period was characterised by phases of stock outs and failure to operate their business normally.

The fast food industry shrunk dramatically during the period of hyperinflation. Many well-known local and international franchised fast food retail outlets closed down some of their branches during this period. Kentucky Fried Chicken (KFC), an international franchise brand closed its branches in Harare and Bulawayo at the height of the country's economic crisis in 2007 (Ndlovu, 2014). However, Steers an International franchise brand and Chicken Inn a local franchise brands operating under the Innscor Group maintained their number of branches at the peak of the hyperinflation. The in-store bakeries for Innscor Group were hugely affected with 19 stores closing at the peak of the hyperinflation period between the year 2007 and 2008 (Innscor, 2007, 2008). Pizza Inn closed two branches in 2007, added a new one in 2008 (Innscor, 2007, 2008). Whereas some of the franchised retail outlets were struggling and closing some branches, Chicken Inn became far resilient as compared to other fast food franchise brands in its operations by opening

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more branches and maintaining the number of branches that were in operation (Innscor, 2007, 2008, and 2009). Table 1.1 indicates the number of franchised fast food outlets that belonged to Innscor group from selected years during the period of hyperinflation and the period after the hyperinflation era.

Table 1.1: Number of franchised fast food outlets that belonged to Innscor Group

Year	2005	2007	2008	2009	2010	2011	2012	2013
In-store Bakeries	47	48	29	29	30	15	15	13
Bakers Inn and Mr Baker	40	40	39	29	38	35	41	43
Chicken Inn	23	27	27	29	28	36	41	45
Creamy Inn	22	21	19	22	22	30	30	33
Nando's	19	16	14	13	14	15	14	13
Pizza Inn	18	16	17	18	18	23	24	28
Fish Inn	-	-	-	-	-	-	-	2
Steers	10	8	8	8	8	8	6	7
Haefelis	2	2	3	5	3	3	2	2
Inn Express	-	-	-	6	7	6	6	4

Adopted from: (Innscor, 2015; 2007-2013).

1.2.2 Franchising during the Government of National Unity

After the formation of the Government of National Unity and the dollarisation of the Zimbabwean economy, the fast food industry began to improve due to the economic stability. It is during this period that new players such as Chicken Slice and TN Grill entered the market by opening many branches. However, TN Grill has closed some of its branches, an indication that it is facing challenges in the fast food industry over the recent years (Mpofu, 2013). Chicken Slice has opened more branches since it entered the fast food industry. It currently operates six branches and it has plans to open more branches in Gweru, and Victoria falls (Shumba and Kazunga, 2014). According to Innscor (2011, 2012 and 2012), Nando's an international brand operating under Innscor closed one branch each year from 2011 up to the year 2013. Innscor (2009, 2010,

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2011, 2012 and 2013), reports indicate that the in-store bakeries continued to shut down despite the improved economic conditions from the year 2009 to 2013 before the 2013 National Elections and these bakeries have continued to shut-down more outlets. Chesa Nyama and Mugg and Bean, which are South African brands, entered the market in 2013 and had plans to open more branches in 2013 but these plans are still yet to be fulfilled (Abote, 2013).

1.2.3 Franchising after the 2013 National Elections

Zimbabwe's economy which had recovered noticeably from a decade-long meltdown during the country's coalition government seems to be hurtling towards a mega recession last witnessed in 2008 after the Presidential Elections (Majaka, 2014). After the 2013 National Elections, Zimbabwe's local and international investors withdrew from the economy which has seen some firms reducing their production capacity, and some closing and thousands of people losing their jobs. The World Bank projected that Zimbabwe could be headed for negative growth by 2016 if no measures are taken to halt the decline of the economy (Nyoka, 2014). In its latest Global Economic Prospects Report for 2014, the global lender revised downwards the country's growth to 2% and predicted that 2015 will see a further slump to 1% (Nyoka, 2014). Zimbabwe is in the throes of deflation caused by a decrease in the demand for consumer goods and falling prices. Retail businesses, especially those offering non-essential products are reporting slump in demand.

Some businesses continue to close down operations notably Greatermans which closed its doors in June 2014 after operating for more than 40 years in Zimbabwe. Greatermans survived a civil war of the 70's and the more recent hyperinflation era, but not the current operating business environment (Nyoka, 2014). Wimpy, which had managed to survive during the hyperinflation closed its franchised branch in First-street in Harare in February 2014. This is an indication that franchise businesses in the fast food industry are falling down due to the prevailing economic conditions. Many investors are holding on to their funds due to the economic and political uncertainty and this has resulted in the delay of international franchised brands such as McDonalds and King Burger in opening their respective branches. McDonalds and King Burger are reported to have set sights in the country's fast food market in 2010 and had planned to enter the market but they are still yet to enter the market due to uncertainty in the growth prospects of the economy (Ndlela, 2010). McDonalds had initially set sights to the fast food market of Zimbabwe at the turn of the millennium (year 2000) but failed to enter the market because of the volatile economic and political situation. Kentucky Fried Chicken which recently opened a new branch at Belgravia in Harare in July 2014 was initially supposed to return to the market in 2012.

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The franchise reopened after the owners settled a row over chicken imports with authorities which insisted that only locally produced chickens could be served (Ndlovu, 2014).

1.3 Problem Statement

The macro environment has a great influence on business activities. Zimbabwe's volatile macro environment characterised by political and economic instability is making it difficult for franchise entrepreneurs to operate their fast food outlets. Chimhangwa (2014:10), states that "the economy is characterised by an acute liquidity crunch, high unemployment and the attendant low disposable income and difficulties encountered by businesses in accessing funding". Franchise entrepreneurs in Zimbabwe's fast food industry are operating in a macro environment of forces and trends that shape opportunities and threats. Some of the franchise entrepreneurs businesses are flourishing as indicated by the opening of more outlets. For example, Chicken Inn is opening more branches country wide. However, business is not easy under the present volatile macro environment characterised by economic and political instability.

Franchising has a significant economic impact in Zimbabwe but little research has been conducted on how the franchising operators have been operating their businesses. Due to the prevailing volatile macro environment characterised by political and economic instability it is very difficult for some franchise operators to operate their fast food outlets normally in Zimbabwe. It is against this background that this study investigate the success factors and challenges of franchising in the fast food industry.

1.4 Aim of the study

To expose the success factors and challenges of franchising in a volatile business environment in Zimbabwe's fast food industry.

1.5 Research objectives

- To identify the critical success factors of franchising in a volatile business environment in the fast food industry in Harare.
- To determine the obstacles towards successful franchising in a volatile business environment in the fast food industry in Harare.
- To identify the reasons or motives for the growth of local franchised brands against international brands in a volatile business environment in the fast food industry in Harare.
- To suggest viable recommendations that will enhance franchising in a volatile business environment in the fast food industry.

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1.6 Research Questions

- What are the critical success factors for franchising in the fast food industry in a business environment?
- What are the contributing factors related to the growth of local franchised fast food brands against international fast food brands in Zimbabwe's volatile business environment?
- What are the challenges faced by franchising entrepreneurs in the fast food market under Zimbabwe's volatile business environment?

1.7 Justification of the study

Franchising is an important entrepreneurial avenue contributing to social and economic progress through employment creation, alleviating poverty and uplifting the standards of living (Alon, 2004). It is therefore, important to pay attention by promoting franchising as it can be used as a vehicle for Zimbabwe's economic growth. An environment that encourages growth of franchising in Zimbabwe should be established to stimulate economic growth and reduce the high levels of unemployment.

There has been limited academic research on franchising in the developing countries especially in Zimbabwe. Research on fast growing spots and international franchising companies such as KFC, McDonalds, Wimpy and Debonairs Pizza in developed countries has been conducted but a little done in developing countries. This leads to an information gap prompting research in developing countries such as Zimbabwe. Therefore, the study is important to all potential entrepreneurs who wish to enter or operate in the fast food industry in a country with a volatile macro environment such as franchisees.

Franchising in the fast food industry is becoming increasingly important and therefore, more studies should be conducted to identify the critical success factors and challenges of operating franchising fast food outlets under volatile business environments. The study is expected to contribute to the body of knowledge about the critical success factors and challenges faced by franchise entrepreneurs in the fast food industry.

1.8 Delimitation (Scope) of the research

The study was conducted in Harare which is the capital city of Zimbabwe. It houses the country's major administrative offices and it also conveniently connects with other big cities of the country. The high level of economic activity and diversity of industries make Harare a preferred location for most studies in business (Mboko and Hunter, 2006). According to Parliament of Zimbabwe (2011), the city is situated in the high veld and high-rainfall region of the country. The province

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which is urban, is relatively better developed than all other provinces of the country, housing heavy industrial area, has the highest number of people of approximately 3 million, relatively good road network and other facilities such as schools, hospitals, tourism and agriculture (Parliament of Zimbabwe, 2011).

1.9 Structure of the study

Chapter 1

The chapter identifies the problem in the fast food industry that needed to be researched. A background of the study of franchising in Zimbabwe was discussed. It exposes the problem and explains the significance of conducting a research of this nature. The chapter further outlines the main aim of the study, research objectives, research questions and the limitations of the study. This chapter specifies the study area where the research was conducted.

Chapter 2

This chapter provides a review of the literature, with emphasis on selected aspects of the franchising phenomenon relevant to the study. Specific emphasis was given on definitions of franchising, franchising agreements, theories of franchising and the entrepreneurial perspective. The chapter also examines Zimbabwe's business environment through analysing the micro, market and the macro environment. The chapter discusses the overview of the fast food industry in Zimbabwe and the profile of the major fast food outlets operating in Zimbabwe's fast food industry.

Chapter 3

The chapter details the different research methods employed in fulfilling the research objectives and answering research questions.

Chapter 4

This chapter provides an analysis of the empirical results of the study and an interpretation of the findings. Thematic analysis was used to analyse the collected data.

Chapter 5

This chapter presents the summary of the major research findings through the conclusion. It also provides the recommendations that will improve the business of franchise entrepreneurs. Finally

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the chapter highlights the areas for future research in relation to franchising and limitations of the study.

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CHAPTER 2: REVIEW OF LITERATURE

2.1 Introduction

There is no universal definition for franchising but all the definitions by academic scholars highlights that the franchising business model exists because of the relationship between the franchisor and the franchisee. This therefore, leads to the discussion of the generic terms of the franchising definition. There are so many and other investments available to business owners that make it possible for them to enter into different types of franchise arrangements. These arrangements are, the Single Unit (Direct Unit), Multi Unit and the Master franchise. These types of franchising are discussed in Section 2.3 of this chapter.

The term franchising describes a variety of business activities but the Business format franchise system is the most common used in the franchise industry and particularly in the fast food franchise industry. The Business format franchise system is used in many industries as opposed to the Product distribution franchise. The Business format and the Product distribution franchise system are the only two forms of franchising listed by the International Franchise Association (IFA), (Beshel, 2010). The franchise business concept is believed to have evolved from the years of the middle age. Franchising first grew in the United States of America after the creation and expansion of the auto mobile and the oil industry and has expanded gradually into many other industries world-wide in the twentieth century (Terry, 1997). The brief history of the franchising concept is discussed in Section 2.5. There is consensus that franchisors' activities are entrepreneurial whilst there have been some debates regarding whether franchisees' activities can regarded to be entrepreneurial or not. For the purpose of this research the researcher takes the stance that franchisees' activities are entrepreneurial as they possess the entrepreneurial characteristics of being able to recognise opportunities, exploiting opportunities, being risk takers and innovative.

Many questions have been raised in the traditional literature on the ground of the emergence of franchising and the reasons underlying the choice of keeping company units and franchised units. The Resource Scarcity and the Agency theories which are deeply rooted in economies explain why companies decide to franchise (Bernardo, 2012). The Plural Organisational theory seeks to explain the prevalence of the franchise system on the basis of the organisational characteristics that differentiate it from other forms of ownership. The Resource Scarcity, Agency and the Plural organisation theories have made remarkable progress in the past decades on the understanding of the existence of the franchising concept. These three theories are reviewed and discussed in this chapter to explain the existence of the franchising phenomenon.

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The present Zimbabwean business environment is volatile. The franchising business owners are operating in an environment that is difficult to understand and predict. The continuous change in government legislations on the operations of businesses and the ever changing customer needs make the business environment to be volatile (Zindiye, 2008). Section 2.8 of this chapter discusses the volatile business environment through analysing the challenges and the success factors of the micro, market and the macro environment. An overview of Zimbabwe's fast food industry is discussed in Section 2.9 followed by a brief background discussion of the Zimbabwe's local and international franchise brand operating in the fast food franchise industry. The chapter also discusses the role of franchising in Zimbabwe and international franchising.

2.2 Definitions of franchising

The table 2.1 below provides the definitions of franchising as discussed by literature.

Table 2.1: Definitions of franchising

Definition	References	Description
A	Franchise Association of South Africa (FASA) (2002).	A franchise is a grant by the franchisor to the franchisee entitling the latter to the use of a complete business package containing all the elements necessary to establish a previously untrained person in the franchise business, to enable him or her to run it on an ongoing basis, according to the guidelines supplied, efficiently and profitably.
B	Longenecker, Moore and Petty (2003).	Franchising is defined as a marketing system revolving around a two-party legal agreement whereby the franchisee is granted the privilege to sell a product or service and conduct business as an individual owner, but is required to operate according to the methods and terms of the franchisor
C	Franchise Council of Australia (FCA) (2002).	Franchising is a business relationship in which the franchisor assigns to the franchisee the right to market and distribute the franchisors goods and services, and to use the business name for a period of time.
D	Grunhagen, DiPietro, Stassen and Frazer (2008).	Franchising is a contract between two legal firms in which one party (franchisee) receives the right to use the trademark or the entire business format of another party (franchisor), by paying an entry fee and royalties

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E	Khan (1999).	Franchising can be described as a contractually based business arrangement between the franchisor who develops a product or service and the franchisee who buys the right to use the franchisor's trade name and sell that product or service

From the above table, it can be seen that in an attempt to define franchising for it to be understood, all the definitions include the franchisee and the franchisor. This is because franchising is an agreement between two parties; the franchisor and the franchisee. The next section therefore, attempts to expose these generic terms from the franchising definitions.

2.2.1 The franchisor

The person or company that grants the franchisee the right to do business under their trademark or trade name (Beshel, 2010). The franchisor must have been existence for some time and be operating a few stores of its own before franchising as this allows the franchisor to sort out any problem areas before other people can invest in their business concept (Nieman and Nieuwenhuizen, 2014). Innscor Group through Chicken Inn, Pizza Inn and Fish Inn franchise brands is an example of a franchisor in the fast food industry in Zimbabwe.

2.2.2 The franchisee

Beshel (2010), defined the franchisee as the person or company that gets the right from the franchisor to do business under the franchisor's trademark or trade name. According to Nieman and Nieuwenhuizen (2014), a franchisee is the entrepreneur who buys a franchise from the franchisor and who will in most cases operate the business. Franchisees put their money at risk by investing in the franchise business concept and therefore, it is of utmost importance that they gather adequate information about the franchise system before making decision about whether to invest or not to invest.

The franchisee and the franchisor have obligations that they must fulfil or perform as part of honouring the franchise agreement. These obligations are summarised by figure 2.1 below.

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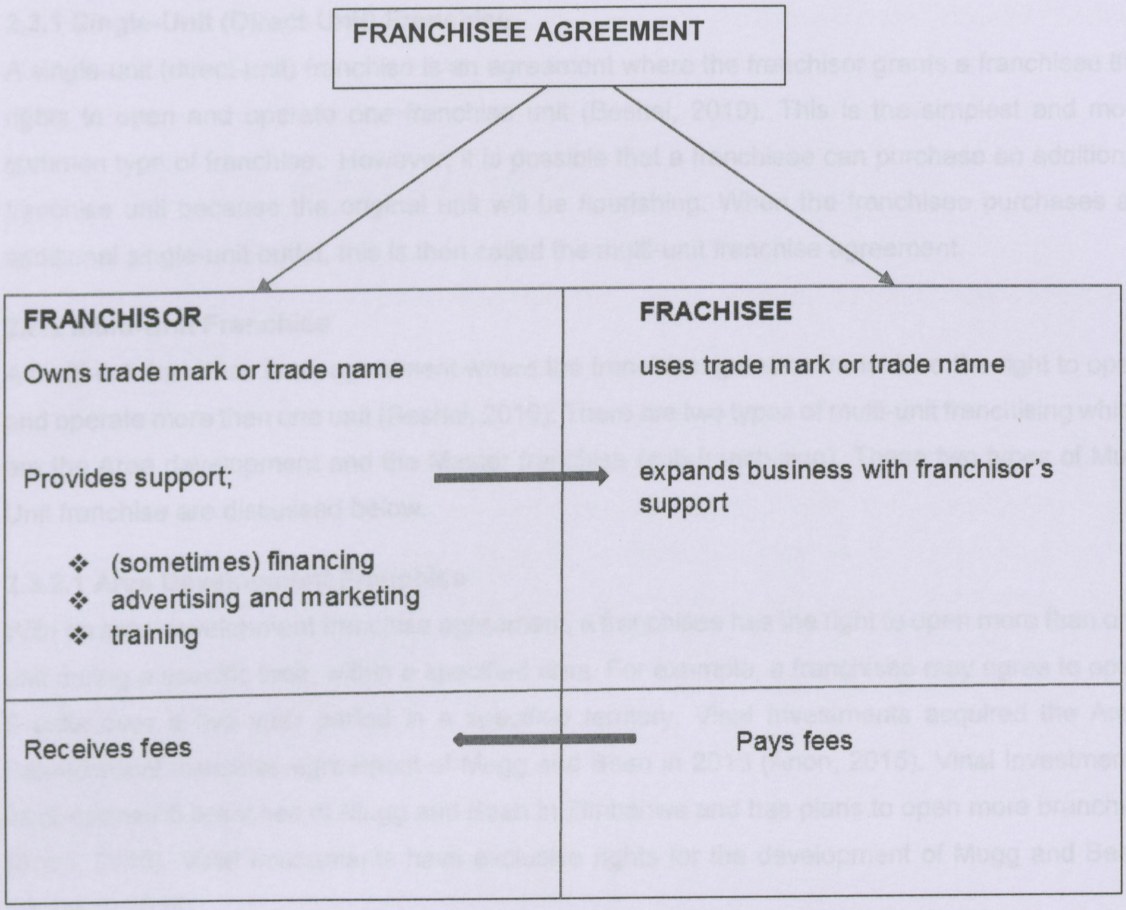


Figure 2.1: Obligations in the franchising agreement: Adopted from: (Beshel, 2010)

As mentioned early that franchising is an agreement between the franchisor and the franchisees there are various types of agreements that can be entered between these two parties. The next section discusses these types of franchising agreements.

2.3 Types of franchising agreements

The definitions of franchising supplied in figure 2.1 above, clearly point out that franchising is a business arrangement between the franchisor and the franchisee that is formalised through a legal binding contract. There are a number of different types of franchising arrangements that have been identified, that can legally bind the franchisor and the franchisee. Beshel (2010), posits that there are many different types of franchising arrangements available because of so many franchisors, industries and range of investments that are possible. These types of binding contracts are discussed below.

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2.3.1 Single-Unit (Direct-Unit) Franchise

A single-unit (direct-unit) franchise is an agreement where the franchisor grants a franchisee the rights to open and operate one franchise unit (Beshel, 2010). This is the simplest and most common type of franchise. However, it is possible that a franchisee can purchase an additional franchise unit because the original unit will be flourishing. When the franchisee purchases an additional single-unit outlet, this is then called the multi-unit franchise agreement.

2.3.2 Multi-Unit Franchise

A multi-unit franchise is an agreement where the franchisor grants a franchisee the right to open and operate more than one unit (Beshel, 2010). There are two types of multi-unit franchising which are the Area development and the Master franchise (sub-franchising). These two types of Multi Unit franchise are discussed below.

2.3.2.1 Area Development Franchise

With an area development franchise agreement, a franchisee has the right to open more than one unit during a specific time, within a specified area. For example, a franchisee may agree to open 5 units over a five year period in a specified territory. Vinal Investments acquired the Area Development franchise agreement of Mugg and Bean in 2013 (Anon, 2015). Vinal Investments have opened 5 branches of Mugg and Bean in Zimbabwe and has plans to open more branches (Anon, 2015). Vinal Investments have exclusive rights for the development of Mugg and Bean (Mutandi, 2015).

2.3.2.2 Master Franchise

A master franchise agreement gives the franchisee more rights than an area development agreement (Beshel 2010). The franchisee that is given more rights is known as the sub franchisor (International Institute for the Unification of Private Law (UNIDROIT), 2007). The domestic franchisee that enters into a franchising agreement with the sub franchisor is known as the sub franchisee. In addition to having the right and obligation to open and operate a certain number of units in a defined area, the master franchisee also has the right to sell franchises to other people within the territory (Beshel, 2010). This therefore, means that the sub franchisor acts as the franchisor in the foreign country. Therefore, the master franchisee or the sub franchisor takes over many of the tasks, duties and benefits of the franchisor, such as providing support and training, as well as receiving fees and royalties. There are two franchise agreements involved in the master franchise arrangements. With the Master Franchise there is an international agreement between the franchisor and the sub franchisor and a domestic agreement signed

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between the sub franchisor and the sub franchisee. Innscor Group operates as a master franchise for Nando's and Steers. Vinal investments recently acquired Master franchise licence holders for Mugg and Bean, Ocean Basket, News Cafe and Smooch in Zimbabwe (Mutandi, 2015).

The next section discusses the forms of franchising.

2.4 Forms of franchising

According to Beshel (2010), there are two main forms of franchising; the product distribution and the business format.

2.4.1 Product distribution franchising

Product distribution franchises sell the franchisor's products and are supplier-dealer relationships (Beshel, 2008). According to Nieman and Nieuwenhuizen (2009), the manufacturers use franchises to distribute their product lines. In essence, they act as the middlemen for the manufacturers and may sometimes be required to meet quotas laid down by the manufacturers. These middlemen also benefit from the advertising, service and management support provided by the manufacturer. In product distribution franchising, the franchisor licenses its trademark and logo to the franchisees but typically does not provide them with an entire system for running their business (Beshel, 2008). The industries where you most often find this type of franchising are soft drink distributors, automobile dealers and gas stations.

2.4.2 Business format franchising

Business format franchising is the process of licensing the rights and obligations to copy a unique retail positioning that profitably serves a need for a viable customer segment (Kaufmann and Eroglu, 1998). It is the most common type of franchising as it offers a name, image and method of doing business such as McDonalds, KFC, Nando's, Steers, Chicken Inn, Mugg and Bean, Ocean Basket and Pizza Inn. Fast food business entrepreneurs in Zimbabwe use the business format franchising. It may contain products and or service and may or may not be location-specific. According to Abu Bakar *et al.,* (2003), this form of franchise system is commonly found among fast-food service restaurants such as KFC, and McDonald's; among oil companies and their petrol retailers and has expanded rapidly all over the world. It is also used in selling cars, pharmaceuticals, specific products or services and educational services. One of the key characteristics of business format franchising that help to differentiate it from other types of franchising is that its existing franchises are legally permitted to sell on their contract if they wish to do so (Boyle, 2002).

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Business format franchising is perceived to be a form of business cloning (Hoffmann and Preble, 1993). Abur Bakar *et al.,* (2003), observed that business format franchisers seek to have franchisees replicate in their local community an entire business concept, including product or services, trade name and methods of operations. Thus they are provided with all the trade secrets of the business and all the details of the business that enables a previously untrained person to run a business effectively and efficiently by the franchisor. According to Boyle (2002), the franchisor also provides support and advice to the franchisee. The franchisor's control activities may extend over products sold, price, hours of operation, conditions of plant, inventory, insurance, personnel and accounting. Boyle (2002:2), states that, "the franchisor also normally provides the franchisee with the information system, thorough training programs and a detailed operation manual so that each franchise operate within the franchisor's corporate image, offering customers consistency in product and or service". The franchisor also normally conducts routine checks on each franchised unit. According to Abu Bakar *et al.,* (2003), business format franchising includes the support systems to implement and operate it. The format typically also involves access to sources of supply, as well as specified equipment and detailed operating instructions. Overall, the business format is comprised of various elements that manifest four distinct components: product or service deliverables, benefit communications, system identifiers, and format facilitators (Abu Bakar *et al.,* 2003).

Product or service deliverables are those elements sometimes referred to collectively as the concept, and reflect the unique features of the format franchise for example, a key product or service deliverables for a particular franchise may be the quick preparation of consumers' income taxes (Abur Bakar *et al.,* 2003). The product or service deliverables also include differentiating features, such as a unique menu and the quality of the food in a restaurant franchise. Abu Bakar *et al.,* (2003), points out that the product or service deliverables are the collection of features that comprise the franchise format and define its unique competitive niche. Abur Bakar *et al.*, (2003), further notes that benefit communicators are those elements referred to as quality, durability, and elegance, which are other examples of attributes that are not readily observable or measurable by consumers. It also should be noted that the benefits implied and the form of such implications vary across format types (Abu Bakar *et al.,* 2003). For instance, clean uniforms in a fast-food outlet suggest cleanliness in the preparation and handling of the food, whereas clean uniforms in an automotive service centre imply care and professionalism (Abu Bakar *et al.,* 2003).

Section 2.4 above explained the forms of franchising that can be used by entrepreneurs when operating a business through the franchise business system. The most common form of

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franchising is the business format franchising. It is the one that is used by businesses in the fast food industry as it offers a name, image and method of doing business as highlighted in section 2.4.2.

2.5 History of franchising

Some historians believe that the word, "Franchising" comes from the old French meaning privilege of freedom from servitude (Roquet, n.d.). According to Sharp (2014), the boom in franchising did not take place until after World War II. However, this method only gained acceptance as a viable type of business at the beginning of the twentieth century. The automobile industry and the soft drink industry were the first to adopt the so-called product franchising and trademark franchising. Nevertheless, the rudiments of modern franchising can be traced back to the Middle Ages when the Roman Catholic Church made franchise-like agreements with tax collectors, who retained a percentage of the money they collected and turned the rest over to the church and the practice ended around 1562 but spread to other endeavours (Bassem, 2013). For example, in the 17th century England, franchisees were granted the right to sponsor markets and fairs or operate ferries (Bassem, 2013).

The wide spread of the franchising concept is believed to have started in USA around 1850 when Singer Sewing Machines located in England decided to market its products throughout USA although the operation failed (Bassem, 2013). It is believed that even Colonel Sanders the founder of the KFC, did not initially succeed with his franchising businesses. Ironically, according to Alon (2004), franchising itself is not an American idea, it traces back to fifteenth-century in Spain when Queen Isabella granted Columbus a travel-and trade franchise, and to the nineteenth-century in England when British brewers sought commercial distribution avenues. The real franchise boom started to occur only in the beginning of the 1950s, with the appearance of business format franchising (Vitor and Margarida, 1994). According to Bassem (2013), major fast foods chains such as Burger King, McDonalds, Dunkin Donuts and KFC also started to appear in the 1950s. Bassem (2013), indicated that from the 1960s going onwards, these and other American fast food chains began their expansion into the international market and these types of franchising consisted of the right to use the brand name of the store and selling the products.

Given the history of franchising in the USA and European countries particularly developed countries, franchising culture in Zimbabwe seems to be very young and only the business format franchising has the potential to develop given the increase in the number of fast food outlets in recent years. According to Sharp (2014), franchises are active and successful in a wide-range of

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categories. They exist in lawn, garden, and agricultural supplies and services, maid and personal services, security services, tools and hardware, weight control, and many types of food products, including baked goods, donuts and pastry, popcorn, ice cream, yogurt, and fast foods (French fries, chicken, beef, pork and fish). In Zimbabwe franchising is mainly visible in the fast food industry hence the study at hand focuses on the fast food industry. As the economy and consumers' preferences continue to change, technology advances, and new products are being introduced, existing franchises are likely to continue growing, changing, and being innovative as a response.

The above discussion highlights how franchising has evolved over the past centuries as a form of entrepreneurship by enabling the growth of businesses regionally and globally especially in the fast food industry. Franchising helps business to be recognised globally as it facilitates businesses to maintain the same brand identity through uniformity.

2.6 Theories of Franchising

In this section three theories of franchising are explained and these theories are: the Resource Scarcity Theory, the Agency Theory, and the Plural Form Theory. The identified theories explain why firms initiate franchising instead of growing their businesses through company owned units.

2.6.1 Resource Scarcity Theory

The Resource Scarcity Theory developed by Oxenfeldt and Kelly (1969), explain that the reason for the franchisor to use the franchising system originates in having access to a resource possessed by the franchisee and basic for the growth of any business, that is, the financial resource. Combs, Michael and Custrogiovanni (2004), proposed that firms chose to franchise in order to have access to scarce resources, particularly financial and managerial (local decision-making and market knowledge) resources, in order to expand rapidly. Franchising is a cheap and fast way to grow because the franchisee supplies the franchisor with one of the basic resources to develop a business.

With the Resource Scarcity model proposed by Oxenfeldt and Kelly (1969), firms turn to franchising when the need to achieve economies of scale pressures them to expand at a rate beyond what is possible using only internally generated resources. Once such economies of scale have been achieved, rapid expansion is no longer necessary and the franchisors focus shifts toward maximising returns (Combs, Michael and Custrogiovanni, 2004). Because firm ownership is presumably more profitable, the franchisor will repurchase its most profitable franchised outlets. The ownership redirection hypothesis predicts that in the long run, most of the franchising chains

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will evolve to 100% company-owned chains, leaving only a few marginal outlets in franchisees' hands due to geographic remoteness or poor performance (Combs, Michael and Custrogiovanni, 2004). Subsequent studies, however, show that there is no empirical evidence of such ownership redirection (Bernardo, 2012). The evidence in many analysed industries is that franchising chains remain this way even when they have full access to capital. According to Bernardo (2012), the evidence further shows that franchising chains are adopting dual structures of having company owned and franchised structures at the same time

According to Bernardo (2012), in revising the Resource Scarcity theory Lafontaine and Kaufmann (1994), emphasised that, added to the argument that the franchisee brings together money and management, franchising has another advantage over selling company shares, therefore, enabling the franchisor to keep control of his business venture. Selling company shares to external investors implies losing strategic control because usually the investors will be partners of the company with the right to influence the company's strategic decisions. Alternatively, using franchising implies that the partners are individual franchisees who are financing the growth, but do not hold shares in the company hence the franchisor keeps full strategic control of his company (Bernardo, 2012).

2.6.2 Agency Theory

Brickley, Dark and Weinbach (1991) cited by Bernardo (2012), developed the idea that the franchising system is an effective response to the classic principal-agent problem studied in the Agency Theory. The Agency Theory explains that when there is a separation between the property (the principal) and the manager (the agent), there is an agency problem. The agency problem arises as the principal is always uncertain about the behaviour of his or her agent (Bernardo, 2012). There is lack of trust by the principal on whether the agent is putting all his or her effort into achieving the goals defined by the principal, and if the agent is behaving in the interest of the principal, or in the agent's own interest (Bernardo, 2012). The principal incurs costs of monitoring the agent's efforts due to the uncertainty and imperfect information regarding the agent, for example, agent costs. Therefore, the only way to reduce these costs will be to give the agent the residual rights that are aligned to his personal and the principal interests, and that is exactly what the franchise contract offers. According to Hartle (2007), the Agency Theory explains that the franchising system reduces the principal-agent problem because the franchising contract aligns the interests of both the franchisor and the franchisee and sets a common goal that both share. Franchising also serves the principal-agent problem because franchise ownership is an incentive to work hard (Hartle, 2007).

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There is no principal-agent duality in the franchising contracts because there is no separation of property and management. With franchising, the franchisees are not employees (agents) of the franchisor, but the owners of their own business, and so it is in the franchisee's best interest to put all his or her efforts into making a higher profit from the business (Bernardo, 2012). Thus, franchising is a powerful motivator for the franchisee and reduces the monitoring problem that the franchisor would face if the franchisee was substituted by a company-hired manager.

2.6.3 Plural Organisation Theory

The empirical evidence reported supports the notion that neither the Resource Scarcity Theory nor the Agency Theory is able to explain the whole franchising decision (Bernardo, 2012). Despite the controversy between the two theories, both theories are more complementary than contradictory. Resource Scarcity explains one part of the problem and the Agency Theory explains another part of the problem. The Resource Scarcity Theory predicts an evolution of fully owned company chains whilst the Agency Theory predicts an evolution to fully franchised chains. But however, these predictions have not been fulfilled. The reality is that globally, most of the franchising chains in the fast food industry chains maintain a mix of company-owned and franchising structures. Facing the fact that the prevalence in the industry is mixed structures, Bradach (1997) formulated his Plural Organisation Theory. The Plural Organisation Theory explains that the mix of company owned and franchised properties under the same brand namely, the Plural Form, is what gives the organisation a competitive advantage over systems that are fully franchised or fully company owned (Bernardo, 2012). In his study of restaurant franchising Bradach (1997), found out that most of the franchising chains have a mix of company-owned and franchised establishments and one of the reasons he gave for this is that some establishments are more suited to one form of ownership than others. He also mentioned that the other reason is that the existence of one kind of outlet has positive impact on the other kind of outlets, and vice versa.

Under the Plural Organisation Theory, the reason to franchise is to have simultaneous access to the most important advantages of the company-owned structure through uniformity and adaptation (Bernardo, 2012). According to Bernardo (2012), uniformity and adaptation are two key goals that any kind of business must achieve to survive. Uniformity means that the customer must find a common image, design, and service experience in any outlet under the same brand namely, the brand image, which has to be consistent all over the brand's properties whether they are franchised or company owned. Franchised outlets in Zimbabwe that belong to the same brand share uniformity for example Chicken Inn, Nando's and Pizza Inn. Adaptation means almost the

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opposite, the chain must adapt to changing markets to take advantage of new threats and opportunities and to adapt to the local markets where it is competing (Bernardo, 2012). To do that, the chain needs constant innovation and a deep knowledge of the local markets.

Franchising businesses in the fast food industry in Zimbabwe use the Plural organisation as it allows them to achieve two goals simultaneously. The company owned units in Zimbabwe are managed through bureaucratic systems for example Innscor Group is responsible for controlling of Nando's and Steers franchised brand in Zimbabwe. The Group is also responsible for ensuring that service quality meets the standards defined by the chains. Competition has also seen most franchising fast food outlets significantly slashing prices, as well as introducing new menus and promotions. In an unexpected move, Chicken Inn introduced sadza on their menu, a development which people in the food industry interpreted as a desperate measure to capture customers that were served by small food outlets (Tagwirei, 2013). The Plural Form Theory views that chain organisations are more than the sum of their parts. By having both company and franchise arrangements together, a chain can leverage some of the strengths and overcome some of the weaknesses associated with each arrangement of the Resource Scarcity Theory and the Agency Theory propositions (Bradach, 1997).

2.7 The Entrepreneurial Perspective

This section is focused on the debate that links franchising and entrepreneurship in-order to address the question of whether a franchisee is an entrepreneur or not. There has been consensus on that franchisor's activities are considered to be entrepreneurial but a consensus is yet to be reached on whether franchisees activities may be considered to be entrepreneurial. This section will discuss franchising in a franchisee entrepreneurship perspective. For the purpose of this study the entrepreneurial characteristics of being risk takers, identify opportunities and innovation that are inherent in franchisees are discussed below. These characteristics qualify franchisees to be recognised as entrepreneurs in this study.

2.7.1 Entrepreneurs are risk takers

Entrepreneurs have a risk orientation. Risk taking orientation refers to the willingness to commit resources in strategies and projects with unknown and uncertain outcomes (Li, Huang and Tsai, 2009). Risk can also be described as the variability of returns from an investment. Few if any entrepreneurs have escaped failure and apart from risking money, they also risk their reputation. Franchisees risks their capital and personal time by investing in the franchise business system. The franchisees also carry the risk of franchisors through investing into new markets. Therefore,

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franchisees are risk takers as they take calculated risk of investing their resources in a business with an unknown outcome although the risk is very low as compared to totally starting a new business venture. Willingness to take calculated risks is one of the defining characteristics of an entrepreneur. Successful entrepreneurs only take calculated risks and are therefore, not gamblers who will risk everything for the possibility of success (Zindiye, 2008). Franchisees are willing to take risks, but calculate the risk carefully and thoroughly, and will conduct a research on the viability of the franchising brand before they invest their capital and personal time.

According to Van Aardt, Van Aardt and Bezuiedenhout (2002) the critical risk areas for entrepreneurs include:

- financial risks,;
- career risks;
- family and social risk; and
- emotional risks.

Entrepreneurs risk resources in the form of capital, land and human resources. Risk takers are greatly rewarded or compensated. Franchisees in the fast food industry risk their family. They spent less time with their friends and relatives due to the nature of their businesses. Fast food businesses open very early in the morning and close late thereby limiting the time that the franchisee spent with their families and friends. Financial risk means that the franchisee may lose all his or her money and personal assets should the business venture fail. Failure can also mean that the entrepreneur loses his status in society, especially if the venture goes bankrupt and the personal estate of the entrepreneur is sequestrated. Socially the franchisee will suffer in that he or she may be excluded in the community due to the myth of entrepreneurship. In the event of failure an entrepreneur's career will be at risk. Franchisees in Zimbabwe also suffer emotional risks as they are operating in a turbulent business environment which is full of uncertainties that relate to the economic and the political environment (Nieman and Bennett, 2002). Franchisees do everything possible to ensure that they do not lose their franchised business but do everything possible to ensure that their business succeed.

2.7.2 Business opportunity and innovation

Entrepreneurial opportunities are the requisite and central aspects of entrepreneurship (Shane and Venkataraman, 2000). An entrepreneurial opportunity is a situation in which an entrepreneur can create a new means-ends framework for recombining resources that he or she believe will yield a profit (Shane, 2003). Entrepreneurial opportunity, consists of a set of ideas, beliefs and

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actions that enable the creation of future goods and services in the absence of current markets for them (Venkataraman, 1997). These entrepreneurial opportunities can be divided into two categories. Other opportunities may arise as a result of the innovative activity of the potential entrepreneur, making the innovator the only one who is in a position to observe the existence of the opportunity (Ehsan, Hossein and Staffan, 2013). Some opportunities arise because individuals see that the market offers an entrepreneurial opportunity, perhaps as simple as buying something cheaply in one location and selling for more elsewhere, or perhaps as complex as buying inputs, combining them in a new manufacturing process, and selling a new product for a profit (Holcombe, 2003). First types of opportunities are called Schumpeterian opportunities and second types are called Kirznerian opportunities. Schumpeterian opportunities are innovative and break away from existing knowledge, whilst Kirznerian opportunities are not very innovative and replicate existing organisational forms (Shane, 2003). Therefore, Kirznerian opportunities reinforce established ways of doing things, whereas Schumpeterian opportunities disrupt the existing system (Shane, 2003).

Nature of opportunity in franchised outlets is closer to Kirznerian view than Schumpeterian view. Source of opportunities in franchised outlets are not so clear, like the introduction of a new restaurant offering new meals that have never existed before (Shane, 2003). However, franchisees see the opportunity to make big money through joining an established system of doing business. The system features multiple locations, a recognised brand, and uniform products, services, or business methods (Shane, 2003). Franchisees identify unexploited market areas by the franchisors and set up franchised branches with the help of the franchisors. Franchisees establish their business with an already established business concept of the franchisor. An entrepreneur must be able to identify opportunities in the business environment. Business opportunities are created by the unlimited needs of people and trends that appear in the environment (Zindiye, 2008). A successful entrepreneur is one who has the ability to recognise business opportunities. Franchisees are business people who exploit their recognised business opportunities with the help of the franchisor, commit their resources to exploit opportunities for personal gain effectively and timeously.

2.7.3 Innovation

According to Shane (2003), Innovation, is a source of considerable new value creation that creates a new dimension of performance for a product, process or service. The new value creation which must be different from existing products must bring change which in turn increase the customer's value or producer's value. Schumpeter identifies the following five types of innovations

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that define the entrepreneurial actions (Schumpeter, 1934 cited by Ehsan, Hossein and Staffan, 2013):

- The introduction of a new product. The new product is one with which consumers are not yet familiar or of a new quality of a good;
- The introduction of a new method of production that is one not yet tested by experience in the branch of manufacture;
- The opening of a new market, which is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before;
- The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it is the first to be created; and
- The carrying out of the new organisation of any industry, like the creation of a monopoly position or the breaking up of a monopoly position.

Franchisees help franchisors to expand their business nationally and internationally through opening franchised branches in markets where the business has never existed before or opened a branch. For example Vinal Investments opened Mugg and Beans franchised branches in the Zimbabwean market for the first time. Franchisees have a better knowledge and understanding of their local markets, which enable them to develop meals that specifically tailor for their local customer preferences. For example the street wise pap of KFC is well known to cater and to satisfy the needs of customers whose staple food is sadza in countries such as South Africa and Zimbabwe. Although franchisees are not allowed to deviate from the franchisor's standards but as far as the franchisee is more familiar with the local market, making a balance between these two strategies, economies of scale and local operation is very important in franchising (Cox and Mason, 2007; Dada, Watson and Kirby, 2010 and Kaufmann and Eroglu, 1998). Diverse customer preferences in the local market causes franchisees and franchisors to develop localised menu in the local markets (Dada, Watson and Kirby, 2010).

According to different types of innovation in Schumpeter's view, franchisees' operation involves product-market innovativeness which include market research, product design, and innovations in advertising and promotion (Ehsan, Hossein and Staffan, 2013). The experience, knowledge and skills acquired within the franchise system and from their previous jobs prior to joining the franchise business help franchisees to find solutions to the problems of the franchise system through developing new offerings, modifying existing ones, and finding solutions to franchise

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system problems which drive changes in maturing system (Kaufmann and Eroglu, 1998). In this view, franchisees act as entrepreneurs like, owning the business ventures for profit, making innovation to create new local organisations, and seeking growth in financial performance through the additional franchise units (Kaufmann and Dant, 1999).

Franchisees do almost every function performed by entrepreneurs except that they do not develop ideas in the initial set up and running of the franchised business. However, the activities of the franchisor and the franchisee are intertwined once entering a franchise agreement and they both perform activities of entrepreneurship in the franchise business system. Franchising is a business marriage between two parties (franchisor and franchisee) who are at the same time independent and interdependent on each other (Hartle, 2007). There are independent as they independently own their businesses. However, although they independently own their business one side or each part cannot succeed without the other. The two are in alliance as the success of one is related to the other. Their wealth creation succession is largely dependent on their responsiveness to the business environment.

The following section discusses the ever changing Zimbabwean volatile business environment.

2.8 Zimbabwe's business environment

The environment is a major force that influences how entrepreneurs operate. Zimbabwe's volatile business is a threat to franchised fast foods owners due to the intense competition, and harsh overwhelming business climates. Zimbabwean franchise fast food entrepreneurs are facing a very turbulent environment which is not very easy for them to operate their businesses. The Zimbabwe's business environment is very hard to predict due to the ever changing government's legislation pertaining to how business should operate and its influence on the economy through the monetary and fiscal policies.

De Beer (2008), defines the business environment as the sum total of all the factors and variables which influence the establishment, growth and continued existence of the business positively and or negatively, thereby promoting or hindering the achievement of the business's objectives. Franchise entrepreneurs and the business environment they operate in Zimbabwe are not closed systems and therefore, they influence each other. According to Ehlers and Lazenby (2010), organisations cannot be successful if they are not in step with their operating environments. Franchise operators in the fast food industry in Zimbabwe interact with their environment which means that franchising entrepreneurs act as an open system and will both affect and be affected by the environment. Therefore, franchise entrepreneurs draw inputs, such as human, physical,

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financial and information resources from the environment and distribute their products and services back to the environment (Ehlers and Lazenby, 2010).

De Beer (2008), argues that the business environment is divided into three components, namely the micro, market (task) and the macro sub-environments with each sub-environment having several variables that influence the business positively or negatively. The micro environment variables and factors occur internally and are influenced in a direct or indirectly way by the decisions of management and the management has complete control over them (De Beer, 2008). The key variables in the micro environment include the business mission, goals, various management functions and business resources (Nani, 2011). These factors have a great influence on the establishment, growth and the continued existence of the businesses. The market (task) environment is encountered immediately outside the business. The key variables in the market environment are customers, workers, suppliers, intermediaries, professional bodies and entrepreneurs. All these variables create challenges and success factors for businesses. The third sub-environment is the macro environment. The macro environment consists of the following distinct sub-environments: the political, economic, sociocultural, technological, legal, ecological and the international sub-environments. The market (task) and macro-environments constitute the business' external environment over which management has no control over. The macro environment is therefore, made up of the variables that create challenges and success factors for the business to operate.

2.8.1 Micro environment

Table 2.2: Challenges faced in the micro environment.

Type of challenge	Nature of challenge
Managerial	Poor management. Lack of managerial experience, knowledge and training. Lack of adequate planning, organizing, leadership and control skills.
Financial	Lack of financial skills. Inadequate start-up and growth capital. Poor credit and inventory control. Over investments in fixed assets.
Marketing	Inadequate marketing skills.

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	Lack of knowledge of the marketing mix and extension of the marketing mix that includes people, process and physical evidence.

Adopted from: (Nani, 2011).

2.8.1.1 Managerial challenges

Badenhorst, Cant, Cronje, Toit, Erasmus, Grobler, Kruger, Machado, Marais, Marx, Strydom and Mpofu (2003), submit that one of the commonest challenges faced by businesses, especially Small to Medium Enterprises (SMEs), is poor management. Management is very vital to any business because the management is responsible for directing the business towards achieving its goals. It is the responsibility of the management to combine and direct human, financial, physical and information resources in a business setup and this helps to achieve the goals of the business. Managers and entrepreneurs who manage to integrate firm management skills have the ability to solve difficult problems, turn their business around and therefore, are able to achieve excellent results (Brevis, 2008). Franchisors enjoy the advantage that franchisees are dedicated owners of their businesses and therefore, are less likely to face or suffer from poor management because most of the branches are managed by the franchisees. Franchisees are more committed to the long term success of the business than could be expected from salaried branch managers because they invest their own money (Nieman and Nieuwenhuizen, 2009).

Recruitment, selection and training of unit managers accounts for sizeable costs of labour and capital which increase costs for the business. Therefore, the hybrid quality of franchising allows firms to overcome both the constraints of a lack of managerial resources and capital constraints. According to Nieman and Nieuwenhuizen (2009), this in turn, tends to lead to increased customer satisfaction and accelerated growth of the individual outlets percentage of firms' growth costs. The franchising system also enhances feedback regarding market trends and competitor activity at the local level, which further improves the entire network's chances for accelerated growth.

However, some entrepreneurs lack the abilities to manage their businesses successfully. Lack of experience, knowledge and training are closely linked with inadequate management skills (Shejavali, 2007). The above often lead to entrepreneurs making wrong uninformed and poor decisions which lead to the failure of their business ventures. This is one of the challenges faced by franchisee entrepreneurs. The franchisees suffer from the bad decisions that are sometimes made by the franchisor. These decisions may include mistakes in reading the market trends and this could result in serious consequences for franchisees in the franchise network (Nieman and

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Nieuwenhuizen, 2009). This is the reason why it is imperative to investigate the track record of a franchise before deciding to operate an outlet.

The other managerial challenges faced by entrepreneurs relate to poor or inadequate planning lack of strategic planning, lack of a business plan and unplanned expansion and choice of a wrong location (Badenhorst *et al.,* 2003; Ehlers and Lazenby, 2004; Rwigema and Venter, 2004). Entrepreneurs' most key weaknesses is lack of planning, a factor which is correlated with business success (Schmidt and Parker, 2003). In a similar manner, lack of organising skills, lack of leadership skills and lack of effective control can often lead to the demise of the business (Badenhorst *et al.*, 2003). The franchising system set up display skills of being organised and effective leadership. The franchisor takes every new franchise under his or her wing and provides him or her with initial training, assist with site selection, fitting up and stocking up the store, help with staff selection and training and also help with pre-opening and opening publicly (Nieman and Nieuwenhuizen, 2009). With franchising there is no need for the entrepreneur to re-invent the wheel as the system has already been invented by the franchisor.

2.8.1.2 Financial challenges

Financial challenges also plunge into the category of generic micro challenges. These micro challenges include lack of financial management skills, inadequate start-up and growth capital, poor credit control, over investment in fixed assets and poor inventory control. Proper management of finance is what most entrepreneurs lack and this incompetence has contributed to the collapse of many businesses. Franchise entrepreneurs have high chances of obtaining finance to start and expand their business as compared to other forms of entrepreneurs. According to Nieman and Nieuwenhuizen (2009), banks and other financial institutions are now aware that the odds for business success are far more favourable for franchised operations than for independent counterparts. This is enhanced by the fact that franchising has been widely seen as a successful track for entrepreneurs who start and expand their business owners worldwide because it is a proven practice with a low risk failure (Abu Bakar *et al.,* 2003 and Louw *et al.,* 2008). This makes it easier for one to obtain a loan because the financial institutions take this into account when considering a loan application. However, franchisees are burdened with high set up cost by the franchisors. Established franchisors will insist that certain minimum standards of furnishings, fittings and equipment be maintained. This may increase the costs of setting up the franchised outlet. However, one may argue that this initial investment aids the franchising in establishing the business more quickly and shortens the period until the breakeven point is reached (Nieman and Nieuwenhuizen, 2009). Conducting business through franchising gives an

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opportunity to entrepreneurs to expand their businesses rapidly. With franchisees providing the start-up capital and assuming responsibilities for day to day operations, franchisors can grow their businesses much faster via the franchise route than if they had to set up a network of branches (Nieman and Nieuwenhuizen, 2009).

2.8.1.3 Marketing challenges

Marketing challenges that entrepreneurs encounter include inadequate marketing skills and lack of knowledge of the marketing mix (Rwigema and Venter, 2004). The marketing mix is made up of price, place, promotion and the product components that some entrepreneurs may lack knowledge about. Entrepreneurs may also lack knowledge of an extension of the marketing mix that consists of people, processes and physical evidence and failure to creatively develop a marketing mix suitable for the target market which may be detrimental to the business (Nani, 2011). In a franchising business setup franchisees rely on franchisors that normally operate an effective marketing program from which all franchisees benefit. Moreover, local advertising undertaken by franchisees will often be developed centrally resulting in increased effectiveness and substantial cost savings (Nieman and Nieuwenhuizen, 2009). The two further state that, the same also applies to joint purchasing schemes, thus the franchisor either supplies goods to members of the network or negotiates favourable terms on their behalf. Franchisees also benefit from international advertising developed by the franchisor. However, the franchise systems follow rigid business systems and therefore, sometimes the marketing mix used by the franchisors will be less viable to the franchisees. This is because the success of the franchised business network depends on replication of the proven formula and therefore, it does not give room for individuals who thrive for experimentation and innovation hence this may be a bitter pill to swallow for them (Nieman and Nieuwenhuizen, 2009).

2.8.2 Market environment

It is the link between the micro business and the macro business environment in which the business functions (De Beer, 2008). The market environment surrounds the micro environment and is surrounded by the macro environment. According to De Beer (2008), business entrepreneurs and the managers have little or no influence on the market environment. Many challenges are encountered by entrepreneurs in the market (task) environment. These challenges include failure to understand consumer behaviour, the threat of competitors, adapting and adjusting to changing actions of intermediaries and the bargaining power of suppliers (Nani, 2011).

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Table 2.3: Challenges of the market environment.

Type of challenge	Nature of challenge
Consumers	Understanding consumer behaviour.
Competitors	The threat of new entrants. The threat of substitute products. Rivalry within businesses. Competition from international businesses.
Intermediaries	Continuously changing behaviour of intermediaries.
Suppliers	Bargaining power of suppliers

Adopted from: (Nani, 2011).

2.8.2.1 Understanding consumer behaviour

Consumers' tastes and preferences are constantly changing especially in the fast food market were new menus are being developed on a daily basis. This is as a result of advances in communications and transportation technologies, the liberalisation of world trade, the formation of regional trade agreements and the increased mobility in labour and capital (Alon, Toncar and Lu Le, 2002). Therefore, there is need for entrepreneurs to study the behaviour of consumers so as to be able to establish the determinants of consumer behaviour (Badenhorst *et al.,* 2003: Co, Groenewald, Mitchell, Nayager, Van Zyl, and Visser, 2007). According to Ehlers and Lazenby (2004), businesses are confronted with the challenge of consumers who are educated and informed. Badenhorst *et al.,* (2003), concur that educated consumers resist such things as misleading advertisements, unsafe products, profiteering and other objectionable trade policies and press for consumers' rights. These consumers' rights include the right to safety, the right to be informed, the right to freedom of choice and the right to be heard. Entrepreneurs are faced with a challenge of consumerism that protects the consumer by exerting legal, moral, economic and political pressure on businesses (Nani, 2014). Therefore, entrepreneurs must comply with any legislation pertaining to consumer rights.

2.8.2.2 The threat of competitors

Entrepreneurs have to deal with competition from other businesses offering the same products and services and competing for the patronage of the same consumers (Nani, 2011). The competition among the entrepreneurs take place in many forms including price competition,

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product development, product differentiation, advertising and campaigns, and service improvements (Stonehouse and Campbell, 2004). Therefore, competitors are one of the most important and potentially more threatening forces that a business confronts in the task environment. Chicken Inn, Nando's and Chicken Slice are examples of direct competition in the fast food industry in Zimbabwe. These brands are in direct competition for fried chicken. Ehlers and Lazenby (2010), explained that competition among organisations has never been greater than it is today because many firms offer both quality products and outstanding services at competitive prices. In Zimbabwe's fast food industry many fast food operators have reduced their menu prices as well as introducing new menus and promotions (Tagwirei, 2013). The cost of high competition may generally results in low returns for franchise fast food operators in a Zimbabwean volatile business environment. Companies are interdependent as the competitive actions or moves of one company directly affect the market share and consequently the profitability of rivals (Hill and Jones, 2004). A major threat in such industries is rivalry between existing competitors and the possibility of price wars.

2.8.2.3 Threat of new entrants

Entrepreneurs should be able to identify new entrants in their markets as they threaten the market share of the existing competitors by bringing additional production capacity to the market. This force of new entrants into the market has the ability to reduce the profitability of existing organisations. Competition from new entrances such as KFC and Mugg and Bean led to a 2% decrease for customer counts and lowered fast food earnings of Innscor Group's for the year 2014 (Chimhangwa, 2014). New entrants into the market will make the competition to be stiff, which results in less revenue and lower returns for competing firms unless the demand for a product or a service is increasing (Ehlers and Lazenby, 2010). Therefore, entrepreneurs are faced with the challenges of constantly scanning the market environment in order to be aware of their competitor's strategies with regards to the products, services they are offering, pricing policies and promotional strategies.

2.8.2.3 Threat by suppliers

According to Ehlers and Lazenby (2010), suppliers are the individuals and companies that provide an organisation with the input resources that the organisation need to produce goods and services. According to Badenhorst *et al.*, (2003), every business, whether manufacturing, trading or contracting, depends on regular supplies of materials. Some businesses, especially SMEs, have challenges of unreliable suppliers who will fail to deliver quality raw materials at the right time, at the right price, at the right place and in the right quantities. The fast food business requires

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the daily supply of fresh products such as onions, tomatoes, lettuce and carrots. Failure by suppliers to deliver on time will disrupts the operations and affect the quality of their meals. This in turn will have negative impacts on the profits, market share, franchise brand and competitive advantage of the business. Entrepreneurs have a challenge of the bargaining power of suppliers. The challenges arise when suppliers' bargaining position becomes so strong that the supplier can raise the prices of supplies to the business at any time they want. This action by suppliers will increase the costs of production per meal for the business, impacting negatively on the business profits.

2.8.3 Macro Environment

Franchise entrepreneurs in the fast food industry in Zimbabwe operate in a macro environment of forces and trends that shape opportunities and pose threats. Some of these opportunities have turned to be success factors for the franchise entrepreneurs in achieving their business objectives. However, the threats to their operations hinder the achievement of the business objectives and therefore, these threats are the challenges to the franchise operators operating in the fast food industry in Zimbabwe.

The experience and research of organisations suggest that the growth and profitability of firms is affected by what is happening in the external environment (Ehlers and Lazenby, 2010). The political and economic environment uncertainty is greatly affecting the growth and profitability of franchised fast food retail outlets in Zimbabwe. The external environment's influence on businesses is beyond the control of one single franchise entrepreneur and it presents opportunities and threats for fast food franchised business owners. Franchise entrepreneurs in Zimbabwe have little control over the political, economic, social and technological environment. A thorough analysis of Zimbabwe's macro-environment enables some franchise entrepreneurs to formulate strategies to take advantage of the opportunities and reduce the impact of threats.

2.8.3.1 Economic environment challenges

All businesses are affected by its local and global economic factors. The generic challenges faced by entrepreneurs in the economic environment include recession, inflation, and compliance with government monetary and fiscal policies. The climate of the economy dictates how consumers, suppliers and other organisational stakeholders such as suppliers and creditors behave within the society (Liutu, 2010). When the economy is in the phase of recession, economic activity reaches a low point, productivity is reduced, the disposable income of consumers is less and consumers buy less (Bates, Botha, Botha, Goodman, Ladzani, Vries and Vries, 2005). When consumers buy

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fewer products, the growth of businesses is slowed down, halted or reversed. The majority of the Zimbabwean workers live on a low disposable income. A low disposable income in a country with a slow economic growth results in workers cutting down their expenses in their everyday lives and therefore, they reduce or cut down on fast food visits (Liutu, 2010). However, it can be an advantage to other franchise entrepreneurs as customers may reduce visits or spending on expensive fast food outlets and give an opportunity to less expensive and affordable franchised entrepreneurs to sell more. According to Liutu (2010), people do not want to renounce totally to go out for lunch or dinner and therefore, they might choose more affordable fast food retail outlets.

The economic growth rate of 2% for Zimbabwe is lower than the population growth rate of 4.3% which has increased the standard cost of living (Nyoka, 2014; Mudariki, 2013). An increase in the cost of living has resulted in a decrease in the purchasing power of consumers which in turn has hugely affected their spending behaviour as well as change on the type of products and or services they purchase. The majority of Zimbabweans live below the cost of living which is USA $567, 03 and this is due to the fact that most civil servants and private workers in the private sector earn less than USA $567 per month (Mudariki, 2013). Karombo (2013:4), states that, "economic analysts said the consumer goods profitability is disposable income sensitive, driven by macro-economic factors such as GDP movement, inflation trends and employment trends which determine disposable income locally and globally". Thousands of workers in the private and public sector have lost their jobs and this trend is likely to continue due to the Supreme Court ruling in July 2015 that allows arbitrary termination of employment contracts. Close to 18 000 workers are reported to have lost their jobs three weeks after the land mark ruling which also allows employers to terminate workers contracts without retrenchment benefits (Manayiti, Nyoni and Dube, 2015). The current job losses follow a wave of massive job losses witnessed in the year 2014 due to closure of more than 4 610 companies that resulted in more than 55 443 people losing their jobs in the year 2014 (Manayiti, Nyoni and Dube, 2015).

Badenhorst *et al.,* (2003), further point out that the monetary and fiscal policies adopted by governments create challenges for entrepreneurs. The monetary policy affects the money supply, interest rates and the strength of the currency. High interest rates result in the high cost of credit and a subsequent decline in consumer spending and fixed investment (Badenhorst *et al.,* 2003). In the 2015 midterm monetary policy, the Reserve Bank of Zimbabwe lowered the interest rate to stimulate the comatose economy with low risk creditors and the productive sector getting loans at concessionary rates of between 6% and 10% (Shoko, 2015). These lower interests are a relief to the public and the corporates who were finding it difficult to access loans. The downward review

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in bank charges and interest rates have been envisaged to achieve the key objectives of stimulating aggregate demand, promote the resuscitation of industry, improve the cost of doing business and support sustained economic growth and development and thereby going beyond stabilisation (Shoko, 2015).

Zimbabwe has managed to maintain a single digit inflation since 2009 when it adopted the multi-currency system. The year on year inflation rate receded to -1, 28% in January 2015 after shedding 0, 48% points on December 2014's – 0, 80% (ZimSitRep, 2015). The deflation has haunted the Zimbabwean economy as it has resulted in massive job losses rather than ensuring job security as predicted by the International Monetary Fund (IMF) (Mtomba, 2014). According to Mtomba (2014), the Bretton Woods institution had mentioned that the, deflation would hurt producers and reduce the country's capacity to produce as it leads to widespread company downsizing and closures due to downward wage rigidity. An estimated number of 3 881 formally employed workers were retrenched and nearly 150 companies were placed under curatorship and judicial management in the year 2014 (Mataranyika, 2014).

2.8.3.2 Socio-Cultural environment challenges

All businesses are challenged by threats arising from social forces that affect the attitudes, interests and opinions. The forces in the socio- cultural environment have an influence in shaping what the society is, the way it behaves and ultimately what it purchases. Despite the economic challenges being faced by Zimbabwe characterised by high rates of unemployment, low disposable income and lack of access to funds by business organisations, the fast food industry is growing.

According to Masawu (2014), many people in Zimbabwe are spending a lot of money on fast foods and Zimbabweans have abandoned the culture of carrying lunch boxes which has contributed to the growth of fast foods outlets. As hundreds of industries shutdown across Zimbabwe, there has been an increase in the number of new fast foods that have been opened. Moyo (2014:8), notes: "A National Social Security Harare regional Employer Closures and Registration Report for 2011 to July 2013 revealed that 711 companies in Harare closed down during the period, rendering 8336 individuals jobless. However, statistics released by the Indigenous Food Processors Association, an independent organisation, show that 70 food shops, either supermarket or retail outlets stores are opening monthly nationwide". Masawu (2014:10), notes that, "many people in Zimbabwe are spending quite a lot of money on fast foods and this has been attributed to the mushrooming of new food outlets and some "greasy" backyard

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restaurants which have sprouted in urban areas". This is a clear indication that the fast food industry is growing and some entrepreneurs are cashing in the fast food industry despite the challenges being faced in the economy.

2.8.3.3 Legal challenges

According to Badenhorst *et al.,* (2003), the government affects the business in a regulating capacity. Some of these laws are mostly restrictive and these laws tend to reduce the potential profits of businesses. Bates *et al.,* (2005), agree that laws and regulations are often not in favour of small businesses. These challenges include obtaining a business license, the fees for doing business, the payment of direct and indirect tax, protecting the employees as well as securing and protecting the assets of the business. Nieman and Nieuwenhuizen (2009) and Co *et al.,* (2007), also point out that entrepreneurs face the challenge of compliance with environmental laws which require them to limit any harmful effects on the community.

Starting and conducting business in Zimbabwe is not very easy for investors. In his 2015 mid-term budget, the Minister of Finance Patrick Chinamasa mentioned that, the main areas frustrating potential investors and compromising the country's competitiveness relate to licensing processes, multiplicity of levies authorities and delays in utility connections (NewsdzeZimbabwe, 2015). These relate to plan approvals, investment registration, permit and license issuance, connection of utilities, such as water and power. For example formalities for setting up a typical formal housing delivery project in Zimbabwe, takes a minimum of 53 months (4,5 years), primarily reflecting bureaucracy and inefficiencies in national institutions and local authorities in Zimbabwe (NewsdzeZimbabwe, 2015). The World Bank's doing business indicators report for the year 2015 indicates that the average number of procedures for starting a business in Zimbabwe is nine against 7.8 in sub Saharan Africa and 4.8 for developed countries (World Bank Group, 2015). The report further mentions that, "the average time and cost for establishing a business in neighbouring countries such as South Africa is 19 days, and 0.3% of income per capital and Mauritius, six days and 3.6%, respectively. This is against Zimbabwe's average period of 90 days and 141.2 per cent of income per capital. This is a clear indication that the Zimbabwean business environment is not very attractive to investors as compared to other neighbouring countries.

The Zimbabwe Industry has called for the revisiting of the Indigenisation Act passed in 2008 as it is currently hampering Foreign Direct Investments that is desperately needed by Zimbabwe for economic growth and infrastructural development (Musarurwa, 2014). According to Nani (2011), many investors are finding it difficult that they become junior partners whey they would have

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contributed their money, hence there is need for the government to create a sound and user-friendly investor relations that are necessary components in ensuring growth for Zimbabwe. The deals presented at the table for investors are less attractive. In accordance with the Act a foreign investor can only have 49% ownership of their investments (Mzumara, 2014). The policy requires foreign investors to surrender their controlling interests. Therefore, foreign investors cannot acquire more than 50% ownership.

2.8.3.4 Political environment challenges

Business organisation operate in a political environment with parameters within which businesses and interest groups compete for attention, resources, and a voice overseeing the body of laws and regulations that guide the interactions between organisations and the environment (Ehlers and Lazenby, 2010). Verwey (2007:3090), posits that "the political environment of a country acts like a cushion of air within which businesses and other institutions float and breathe. Whereas a stable political environment provides a coat of protection to businesses allowing them to swim, breathe and grow, an unstable political environment batters business, shaking the life out of them and suffocating most of them to death". Ehlers and Lazenby (2010), concur that the political decisions by governments have a tremendous influence on the operations of businesses in a country.

It is generally accepted that a strong relationship exists between political and legal systems of a country (Louw and Venter, 2013). The political instability of Zimbabwe is characterised by the Indigenisation policies, excessive direct and indirect taxation and unreliable energy power supplies. There are also high levels of corruption in Zimbabwe (Laiton, 2014). There has been a lot of accusations being levelled against top officials for being corrupt (Laiton, 2014). According to ZimSitRep (2014), Zimbabwean government's intention to deepen its involvement in business as proposed in the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset) policy document, also appear likely to increase the running costs of existing business. This will further add to the reluctance of new investors to invest in the country's economy.

The following section gives an overview of the fast food industry in Zimbabwe's volatile business environment.

2.9 Overview of the fast food industry in Zimbabwe

Özceilik (2007), defines fast food as ready to eat dishes sold by commercial establishments that may not have on site dinning accommodation. Fast food retail outlets in Zimbabwe are sit-ins and take away providers whereas some are take away providers only. With the sit-ins, the customers

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buy food and eat the food within the shop premises. Generally these outlets have a sitting area in which the customers can sit down and eat their food on the premises of the service provider whereas with takeaways the customers do not eat inside the premises of the service provider. Zimbabwe's commercial fast foods include sadza and beef or chicken, French fries, roasted chicken, pizza, hamburgers, pies, doughnuts and ice creams.

International franchise outlets such as Steers and Nando's (operating under Innscor), KFC, Mugg and Bean, Chesa Nyama, and Wimpy operate in the fast food industry in Zimbabwe. There are thirteen Nando's branches and seven Steers branches operating in Zimbabwe (Innscor, 2013). Mugg and Bean, a South African fast food outlet, entered the Zimbabwean fast food market in 2013 and the franchised branch is located in Borrowdale (Harare). Mugg and Bean has 5 branches in Zimbabwe and has plans to open more branches (Anon, 2015).

Innscor has been the dominant player in the fast food industry for many years before the coming on board of Chicken Slice, TN Grill, Soul Food, African Fried Chicken, Chesa Nyama and Chicken Spot in Zimbabwe. The entrance of these new competitors has increased competition in the fast food market. Competition among fast foods retail outlets means that consumers are spoilt for choice and in a bid to outplay each other, some companies have embarked on massive promotions (Masawu, 2014). Competition has also seen most food outlets significantly slashing prices, as well as introducing new menus and promotions. In an unexpected move, Chicken Inn introduced sadza on their menu, a development which people in the food industry interpreted as a desperate measure to capture customers that were served by small food outlets (Tagwirei, 2013). The sadza, which is served with tomato and onion soup, costs USA $2 with one chicken piece and USA $3,50 with two chicken pieces (Tagwirei, 2013). According to Tagwirei (2013), Chicken Inn launched the dollar meal promotion which has seen pieces of chicken or a standard size of chips going for USA $1 from the previous USA $2.

Zimbabwe's fast food industry is made up of a mixture of local franchising and international brands. Profiles of the major fast food franchised outlets operating in Zimbabwe's fast food industry are discussed in section 2.10 below.

2.10 Profile of fast foods in Zimbabwe

The fast food industry of Zimbabwe is made up of local and international retail outlets.

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2.10.1 Innscor Group

Innscor is a Zimbabwean based company that is listed on the Zimbabwe's stock exchange. The company operates in various industries which range from appliances, supermarkets, food retail agencies, tourism farming and meat processing. In the fast food market, Innscor has expanded through franchising in Zimbabwe and other regional countries such as Nigeria, Zambia and Democratic Republic of Congo (Innscor, 2014). The food franchises for Innscor cover a full spectrum of offerings that include the following concepts:

- Pizza Inn (a pizza concept);
- Chicken Inn (fried chicken concept);
- Creamy Inn (ice cream concept);
- Fish Inn (fried fish concept);
- In-store Bakeries and Bakers Inn (bakery concept);
- Inn Express; and
- Vasilis (bakery and coffee concept)

The majority of Innscor Group stores are operated within a food court environment which allows the firm to reach consistently high numbers of consumers and the company has also created a strategic partnership with petroleum site operators, offering exceptional convenience. According to Innscor (2013), the group yielded an improved customer count of 31% and 13% respectively over the previous year.

2.10.1.1 Chicken inn

Chicken Inn opened its first outlet in 1987 in Harare. With now 27 years of operation Chicken Inn is the leading quick service restaurant in Zimbabwe, Kenya, Zambia and Ghana. In 1987, the first Chicken Inn outlet was opened in Speke Avenue, Harare, Zimbabwe. Twenty five years on, Chicken Inn is the leading quick service restaurant (QSR) fried chicken brand in Zimbabwe, Kenya, Zambia and Ghana (Anon, 2014). Chicken Inn is famous for fried chicken, and renowned for serving tasty fried chicken pieces and a wide range of other menu items including hand-cut chips made fresh daily, fried chicken burgers, slow roasted rotisserie chicken, beef burgers and other menu favourites including Spicy Wings, Chicken Bites, and Zimbabwe's favourite, the 2-Piece meal (Anon, 2014). Its broad menu allows it to offer value for money, catering for the individuals as well as the whole family.

Chicken Inn prides itself on using only the best A-grade chicken and premium spices to create the unique fried chicken on the bone they are famous for. The design and layout of Chicken Inn

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outlets is inviting and colourful, appealing to the whole family. This proudly Zimbabwean franchise is Innscor International's flagship brand and boasts 67 outlets across Africa, including Zimbabwe, Kenya, Zambia, Ghana, Malawi and Nigeria (Innscor, 2014).

2.10.1.2 Creamy Inn

Creamy Inn a perfect partner with Chicken Inn and Pizza Inn has 29 outlets and is still growing. It is well known for its delicious cream ice creams which has continued to surprise and delight its customers (Innscor, 2014). The flexible footprint of Creamy Inn helps to accommodate a range of outlet types, from a stand-alone outlet in a shopping mall complex, to a kiosk serving delicious product on the high street. Creamy Inn has a selection of delectable ice-cream cones, ice-cream cups, sundaes, milkshakes and waffles which leaves customers' tongue melting (Innscor, 2014).

2.10.1.3 Pizza Inn

The first Pizza Inn outlet was opened in Harare in 1994. Pizza Inn has continued to be leading brand in Zimbabwe by delivering the best using only the freshest ingredients (Anon, 2014). The pizza dough is made fresh daily in store. It is also the first choice in pizza outlets in Kenya, Ghana, Zambia, Nigeria and Malawi. Pizza Inn has 25 outlets in Zimbabwe and 47 throughout Africa. The brand is expanding with a number of new outlets planned this year. It has a great range of choices that customers can choose from that include legendary Meat Deluxe, Hawaiian, Chicken Bacon BBQ, Four Seasons and BBQ Steak, that satisfies any hunger (Anon, 2014).

2.10.1.4 Fish Inn

Zimbabwe's first ever Fish Inn outlet opened on the 17th of April 2013 at the Fife Avenue shops in Harare (Innscor, 2013). For Innscor this marked the beginning of a quantum innovation in the fast food industry as a first of its kind on the Zimbabwean market. It was birthed out of Innscor's desire to provide its customers with an affordable, healthy and tasty fast food option that is unique on the market (Anon, 2014). Fish Inn is a perfect fit for the rising culture of on-the-go snacking (Innscor, 2014). Fish Inn is ideal for kids, for families, for groups and individuals looking for a snack on the run and for those who want to sit-down and enjoy their anytime fish meal (Anon, 2014). The outlet expansion of Fish Inn has seen the opening of more outlets in the Central Business District of Harare particularly at 46 Julius Nyerere and along Mbuya Nehanda Street and on an outlet in Chegutu which is outside Harare (Innscor, 2014). The design and layout of Fish Inn outlets is inviting and colourful, taking on elements of the sea and fish itself in beautiful hues of blue and yellow.

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2.10.1.5 Steers

Steers Zimbabwe which is operates as an Innscor franchise, is Zimbabwe's leading burger brand that has been serving Zimbabweans its legendary flame-grilled burgers and hand-made chips for many years. The Steers seed was sown in USA in 1960 by George Halamandaris, the founder of the group whilst on holiday there (Boucher, n.d.). He decided to bring the then prevalent concept of fast food restaurants to South Africa in 1962. This resulted in the first true steakhouse in South Africa and the birth of a chain that was dedicated to serving great food in immaculate surroundings (Boucher, n.d). Today Steers is now an international franchise brand with many fast food outlets throughout Africa (Boucher, n.d.).

Steers is well known for its warm, friendly atmosphere, great service and top quality food, Steers Zimbabwe operates in Harare and Bulawayo, leveraging on a brand equity that has been built for more than 40 years (Anon, 2014). Steers operates with the commitments to meet the customers changing needs with the promise to offer value for every penny spent. The Steers' burger range consists of the 90% beef burgers (made from 100% beef patties) and 10% chicken burgers, all prepared in Steers' inimitable flame grilled style. Its menu consists mainly of chicken and burgers, chips, soda, ice cream and salads (Boucher, n.d.).

2.10.2 KFC (Kentucky Fried Chicken)

Kentucky Fried Chicken was created by Harland Sanders an entrepreneur who developed his secret recipe of 11 herbs and spices and the basic cooking technique which is still being used by the franchising brand all over the world today (Sodaro, n.d.). According to Sodaro (n.d), the first KFC retail outlet was opened in 1952. Kentucky Fried Chicken popularised chicken in the fast food industry, diversifying the market by challenging the established dominance of the hamburger. By branding himself as "Colonel Sanders," Harland became a prominent figure of American cultural history, and his image remains widely used in KFC advertising (Sodaro, n.d.).

Kentucky Fried Chicken stretches worldwide with more than 13,000 restaurants in more than 80 countries and territories around the world serving up the Colonel's Original Recipe. It is a $13 billion brand and is the leading Quick Service Restaurant (QSR) around the world (Sodaro, n.d). Kentucky Fried Chicken, a global fast food chain, re-entered Zimbabwe's fast food industry in July 2014 after seven years of absence in the market. The KFC branches in Bulawayo and Harare were forced to close their operations due to the country's economic slump in 2007 (Ndlovu, 2014).

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Despite operating in a volatile business environment franchised businesses in the fast food industry play significant roles in Zimbabwe. These significant roles are discussed in Section 2.11 below.

2.11 The role of Franchising in Zimbabwe

Franchising plays a pivotal role in the economy of Zimbabwe through job creation, widening the tax base for the government, economic modernisation, Balance of Payment (BOP) adjustment and developing the SMEs. A discussion of the above mentioned roles played by franchising follow below.

2.11.1 Output and job creation

Franchising contributes to the Gross Domestic Product (GDP) of Zimbabwe and creates employment. Domestic output is often increased through direct sales and their multiplier effects (Alon, 2004). According to Alon (2004), the multipliers of franchising provide a sense of how much influence a given investment will have throughout the economy, although ultimate effects vary by industry and corporate strategy. Franchising provides income and employment for their employees at each retail fast food outlet. This in-turn stimulates demand for a variety of goods and helps to improve the standard of living through income earned by the employees. The direct employment impact of franchising can also be calculated by multiplying the number of franchise outlets by the number of people working in each franchised outlet and adding it to the number of jobs created by the head office of the franchisor (Alon, 2004). For example, in 2011 Innscor had 3861 employees in the fast food market in Zimbabwe whereas 2602 were employed in regional markets (Innscor, 2011).

Franchising creates, jobs and contributes to the national output indirectly because they source their supplies locally which magnify positive economic impact for Zimbabwe. Alon (2004), states that, "by one estimate, every franchise unit creates and maintains an average of thirty three jobs, of those jobs thirteen are direct and twenty or more are indirect through other economic exchange". Irvines Chickens is the sole supplier of chickens to the recently opened KFC (Ndlovu, 2014). Given these evidences of job creation and output creation, franchising should not be overlooked in Zimbabwe, a country which has high rates of unemployment and is on a slow economic recovery path.

2.11.2 Tax revenue

Franchised businesses pay tax to the tax authority of Zimbabwe and therefore, it widens the tax base for the government. Franchisors diversify and indirectly raise the tax base through their

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involvement and through their franchisees and small business networks (Alon, 2004). An increase in the tax revenue for the government helps it to develop physical and institutional infrastructure.

2.11.3 Balance of Payment (BOP)

The impact of franchising on the BOP in Zimbabwe is more subtle (Alon, 2004). International franchising by Zimbabwe's franchisors to other countries contributes to reducing the county's negative BOP. The Innscor Group Company has made some direct foreign investment in other countries such as Zambia (which contributed 13% of Innscor total revenue), Kenya, Ghana, Senegal and Nigeria (Innscor, 2011). The reports suggest that the group earned a total revenue of US$ 38, 56 million for the year ended 2011 and a profit before tax of US$ 2,62 million (Innscor, 2011). This also benefits the country as all international companies usually repatriate all their profits to their parent country.

2.11.4 Economic Modernisation

Economic modernisation is closely linked to economic development and economic globalisation (Alon, 2004). When franchisors open retail outlets they invest heavily in the local markets to bring their products and services to company standards. Franchising companies have invested heavily in infrastructure in Zimbabwe. In 2010 and 2011 Innscor opened a number of complexes, each carrying a selection of the group's home grown fast food brands (Innscor, 2011). According to Innscor (2011), these new complexes were opened in the outlying areas of Masvingo which was opened in July 2010, Chinhoyi (October 2010), Beitbridge (December 2010), Kwekwe (January 2011) and in Harare new counters were opened in Mbuya Nehanda street (July 1010) and Julius Nyerere Way (December 2010). Innscor (2010:14) further state that, "there was refurbishment of existing sites which saw the Speke Avenue complex reopening in December 2010, Mutare Down Town and Jason Moyo Avenue (March 2011), Construction House (April 2011) and Pomona (June 2011)". The group's Nando's franchised counters were also subjected to upgrades during the period with an outlet in each of Harare, Mutare converting to the latest specification during 2011 (Innscor, 2011).

2.11.5 Local SMEs and Entrepreneurial Development

Franchising has the ability to develop a host market's Small and Medium-sized Enterprises (SMEs) and bolster local entrepreneurship (Alon, 2004). In many developing countries, entrepreneurs and their SMEs have only recently become recognised for providing employment and economic development, increasing productivity, and bridging the gap between research and the commercialisation of innovation (Alon, 2004). Franchised fast food retail outlets source their

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supplies from the local SMEs and this boosts the production of the SMEs. Franchising helps local SMEs to become innovative in producing products and services through the dissemination of technology which brings in new business model to Zimbabwe and therefore, contributes to productivity growth, and generates external economies (Alon, 2004).

2.12 Globalisation and Franchising

Alon (2004), defines globalisation as the trend toward a single, integrated, and interdependent global economy propelled by increases in international capital flows, international travel, the cross-border exchange of information and ideas, and trade in goods and services. It has prompted franchisors to think of the world as one market and to examine common needs within and across societies (Alon, 2004). The new global landscape has been shaped by organisational and strategic factors, industry structure, and environmental (economic, political, technological, and so on) and nationalistic differences (Alon, 2004).

According to Alon (2004), international franchising occurs when service organisations transfer their systems via a contract in exchange for fees and royalties and these franchisors often provide their foreign affiliates with tangible and intangible assets, a modest investment in franchising infrastructure, a knowledge base, trademarks, and other intellectual property. Alon (2004:2), states that, "the globalisation debate encompasses more than issues related to international business or franchising. International franchising, however, involves critical dimensions of globalisation, particularly in terms of its associated cross-national movements of goods or services, financial capital, and ideas (such as knowledge, innovations, business formats, skills, and capabilities)". It is important to realise that international franchising is differentiated from other forms of market entry and distribution, such as licensing, exporting, and foreign direct investment, and thus has differential impact on the environments in which it operates (Alon, 2004). Shane (1996 cited by Alon 2004), views that, the use of franchise contracts appears to be an important long-term strategic choice in its own right for international service firms. The economic and social impacts of franchising should be considered given its importance as a method of expansion and its influence in various markets globally.

2.13 Summary

The purpose of this chapter was to review literature that relate to franchising and the volatile business environment. There are various franchising arrangements that legally bind the franchisor and the franchisee. They are two forms of franchising although the Business format franchising is the most common type of franchising in many industries and it the one used in the fast food

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industry as compared to the Product distribution franchising. This chapter has revealed that there are three converging theories that are used to explain the existence of the franchising business concept.

With the Resource Scarcity theory franchising is seen as a means of obtaining scarce capital as franchisees are generally required to make substantial investments in the business (Welsh, Alon and Fable, 2006). The Agency theory revealed that franchisees share risks with their franchisors and therefore, they help to eliminate the principal agent problem with regards to monitoring of managers through franchising. On the other hand the Plural Organisation theory revealed that organisations that have a mixture of company owned branches and franchised outlets enjoy the competitive advantage over systems that are fully franchised. The Plural Organisation theory allows franchise companies to expand to international markets and with particularly reference to Zimbabwe's fast food industry which is dominated by the International franchised brands.

Zimbabwe's volatile business environment include various phenomena that can be controlled and are out of control of the franchise business owners. These variables stumble the growth of the franchise businesses and leads to the instability of these businesses. Franchising plays an important role through output and job creation, tax revenue, BOP, economic modernisation and local SMEs and entrepreneurial development in Zimbabwe.

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CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The aim of this chapter is to give a detailed explanation of the research methodology employed in this study. It discusses the research approach that was used by the researcher to carry out this study and justifies the reasons of using such research approach in the realisation of the research objectives. This chapter is mainly concerned with the issues like what data was collected, where and how it was collected and why it was collected.

3.2 Research Design

A research design is a plan to be followed to realise the research objectives or hypothesis. It also represents the master plan that specifies the methods and procedures for collecting and analysing the required information (Tustin, Lithelm, Martins and Van Wyk, 2010). There are three methods or research designs which are explorative, causal and descriptive (Wild and Diggins, 2013). An explorative design was employed in this study.

According to Wild and Diggines (2013), exploratory research is intended to explore a relatively unknown area. Franchising research in Zimbabwe is still relatively new and therefore, this research sought to scrutinize franchising in the fast food industry in Zimbabwe's volatile business environment through an explorative approach. An exploratory research was justifiable for this research study as more information was required about the problems and opportunities of operating business through franchising in Zimbabwe's volatile business environment and this allowed the researcher an opportunity to collect data that was more meaningful to the research questions. A qualitative research method was used in this study.

3.2.1 Qualitative Research Method

A qualitative research method was used in this study. Qualitative research involves a process of building a holistic image of the phenomenon being studied in a natural setup. It is generally less structured than quantitative research, due to the details of data collected such that it often uses smaller sample sizes (Wild and Diggines, 2013). The researcher used the qualitative method in order to gain an in depth understanding of operating business in the fast food industry through franchising in a volatile business environment. The context of the study was franchising in the fast food industry in Zimbabwe's volatile business environment. The qualitative research method used in the study also helped to explain the reasons why things happen like they do, enabled an understanding of meanings, experiences of people and excavated down deep into franchise

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entrepreneurs hidden interpretations and understandings of fast food franchising in Zimbabwe's volatile business environment.

3.3 Population

Wild and Diggines (2013), defined population as the total group of people or entities from whom information is needed. In this study the population of interest was franchise entrepreneurs (franchisors and the franchisees) in the fast food industry of Harare, Zimbabwe.

3.4 Census

No sample size was drawn in this study because a census approach was used to collect data from the respondents. A census is a survey whereby data is obtained from or about every member of the population of interest (Wild and Diggines, 2013). In this research study a census of ten interviewees was conducted with the franchisees and franchisors in the fast food industry in Harare. These franchisees and franchisors are multi owners of franchise fast food outlets in Harare. For example Vinal Investments owns the 5 Mugg and Beans, 2 Ocean Basket and 2 News Cafe's and Smooch outlets in Harare whilst all the 13 Nando's and 8 Steers outlets are owned by Innscor Group and the 3 KFC branches are owned by Country Bird Holdings (McCrea and Pinchuck, 2000; Mbanje, 2014; Innscor 2013, 2014). This therefore, made it possible to conduct a census. The aim of the researcher was to obtain franchisees' and franchisor's opinions and attitudes about Zimbabwe's volatile business environment and its impact on their operations. This helped to build a complete picture of franchising in Zimbabwe's fast food industry under the prevailing economic conditions. Franchise fast foods outlets in Zimbabwe can easily be identified and noticed as most of them are located in the Central Business District (CBD) and selected shopping areas outside the CBD and suburbs. This therefore, made it easier for the researcher to interview all the franchisors and franchisees in Harare.

3.5 Data collection methods

This section outlines the data collection method used to collect data from the respondents. For the purpose of this research study the researcher used the interview data collection method. An interview, which is a two-way conversation between two people in which the interviewer (researcher) asks a set of particular questions with the intention of acquiring qualitative information from the respondents was used to gather data (Collis and Hussey, 2003). The intention of researcher was to learn about the ideas, beliefs, opinions and behaviors of the franchise entrepreneurs in the fast food industry in Zimbabwe's volatile business environment.

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According to Blumberg, Cooper and Schindler (2008), interviews can be structured, semi structured or unstructured.

The researcher used semi-structured face to face interviews to collect data from franchisees and managers (who act as agents of franchisors). The semi-structured interviews, questions were structured to suit the situation and comments of the respondents who were being interviewed (Blumberg, Cooper and Schindler, 2008). These semi-structured face to face interviews were conducted by following an interview guide which was guided by the research questions, personal knowledge and reviewed literature related to the study (Blumberg, Cooper and Schindler, 2008). The interviews allowed the respondents the freedom to express their views in their own way. During the interviews a tape recorder was used as an assistive device in order to capture all the content. Field editing was conducted on the interviews to rectify the errors and omissions whilst the interviews were in progress.

3.6 Data Analysis

The purpose of data analysis is to interpret and draw conclusions from the mass of collected data. According to Braun and Clark (2006), qualitative data analysis refers to the non-numerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships. Qualitative collected data is brought together in an orderly manner, to be structured and interpreted by the researcher. According to Lofland and Lofland (1995); Marshall and Rossman (1999), qualitative data analysis is best done by way of discovering patterns as one goes about the research process. A thematic analysis research method was used to analyse the transcribed interviews from the respondents. The thematic analysis research method enabled the researcher to gather in-depth information from the responses given. A summary of the thematic analysis process followed in this research study is given in table 3.1 below:

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Table 3.1: Summary of the six phase thematic analysis process

Phase	Process
1. Becoming familiar with the data	The researcher immersed himself with the collected data in-order to ensure that he was familiar with the depth and breadth of the collected data. The researcher repeatedly read the data searching for meanings and patterns. The voice recorded data was transcribed into written formats to enable the researcher to conduct a thematic analysis.
2. Generating initial codes	Initial codes from the data were generated. The coding was done manually. The researcher worked systematically through the entire data set, giving full attention to each data item and identifying interesting aspects in the data items that formed the basis of repeated patterns across the data set. Highlighters were used to indicate potential patterns. Codes were initially identified and then matched up with data extracts that demonstrated the codes.
3. Searching for themes	The researcher sort the different codes into potential themes, and arranged all the relevant coded data extracts within the identified patterns.
4. Reviewing themes	Having devised a set of candidate themes, the researcher refined those themes. This was as a result that some candidate themes were not exact themes because they collapsed into each other. For example two apparently themes formed one theme.
5. Defining and naming themes	At this phase the researcher defined and further refined the themes that were presented for analysis. Each theme was also identified in-order to determine its meaning. The researcher revisited the assembled data extracts for each theme, and organised them into coherent and internally consistent account with the accompanying narrative.
6. Producing the report	The final analysis was conducted and a report was written. The researcher used data extracts with the aim of providing a concise, coherent, logical non-repetitive and interesting account of the story the collected data tell about within and across themes.

Adopted from: (Braun and Clarke, 2006)

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3.7 Enhancing Trustworthiness of Qualitative Research

Trustworthiness is used to measure the quality of qualitative research. It is the extent to which data is believable and reliable. According to Sinkovic, Penz and Ghauri (2008), trustworthiness for qualitative research includes credibility, transferability, dependability and conformability.

3.7.1 Credibility

Credibility as described by McMillan and Schumacher (2010), is the extent to which the results approximate reality and are judged to be accurate and reasonable. To ensure credibility of the results the interpretations were cross checked against raw data that had been collected. To improve the credibility of qualitative thematic analysis, researchers not only need to design data collection strategies that are able to adequately solicit the representations, but also to design transparent processes for coding and drawing conclusions from the raw data (Zhang and Wildemuth, n.d.).

3.7.2 Transferability

Transferability is concerned with transmitting or generalising the results of a study to other contexts (Gay and Airasian, 2003). Shenton (2004), posits that since the findings of a qualitative project are specific to a small number of particular environments and individuals, it is difficult to demonstrate that the findings and conclusions are applicable to other situations and populations. Transferability was achieved when the researcher provided sufficient information about the self (the researcher as instrument) and the research context, processes, participants, and researcher-participant relationships to enable the reader to decide how the findings may be transferred (Morrow, 2005).

3.7.3 Dependability

According to Gay and Airasian (2003), dependability refers to how carefully the researcher has selected data collection instruments and research sites to suit the research questions and the objectives of the study. Dependability also has to do with the fact that if the study would be repeated in the same context with the same methods and with the same participants similar results would be obtained (Shenton, 2004). The researcher used the qualitative research method carefully, applied the research instrument which was an interview guide to suit all the research objectives and questions of the study. The researcher kept records of all that happened during the data collection. Thus the researcher observed all the behaviours of the participants and voice recorded some of the interviews with the consent of participants.

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3.7.4 Conformability

Conformability is referred by Merriam (2009), as ensuring that the data findings truly represent the views of the respondents, perspectives or meanings rather than the views and understanding of the researcher. Maxwell (2005), explained that, this is the single most important way of ruling out the possibility of misinterpreting the meaning of what participants say and do and the perspective they have on what is going on as well as an important way of identifying your own biases and misunderstandings of what you observed as a researcher. The concept of conformability in qualitative research is a way of ensuring that the study findings are the result of the experiences and ideas of the respondents rather than the characteristics and preferences of the researcher. Throughout the data gathering process the researcher enabled every participant to listen to the audio-taped text in order for them to be able to make comments and cross-check the accuracy of their captured views.

3.8 Ethical Considerations

Diggins and Wild (2013), defines ethics as the core aspirational notions embedded in the standards of right, good and fair human conduct. For example, the value of honesty generates the principle (and obligation) of honesty, which is a standard of good (ethical) conduct. Researchers should strictly observe the ethical codes that guide research (Nani, 2011). When conducting research, engaging in ethical practices is not a matter of choice; it is a necessity (Wild and Diggins, 2013). In this study, the researcher observed all the research ethics that needed to be observed. The ethical principles guided and provided a framework of how the researcher conducted the study on franchising in the fast food market in Zimbabwe.

The researcher obtained an Ethical Clearance letter from the University's Higher Degrees Committee that he gave to the participants to inform them that the researcher is a Masters student undertaking a research study on franchising in the fast food market in Zimbabwe purely for academic purposes. The researcher obtained the respondents permission to conduct the study. The respondents were provided with sufficient information to make informed decisions on whether they wanted to participant in the study or not. The respondents to the study were informed that the findings of the research were going to be reported fairly and accurately. The findings will be made available for academic purposes. The participants of the study will also have access to the findings of the study in order to clear any misconceptions that may arise.

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3.9 Summary

This chapter explained the research methodology used in investigating the challenges and the success factors of franchising in Zimbabwe's volatile business environment. It highlighted and motivated the use of the methods and tools of data generation, collection, the data analysis approach, presentation and enhancing trustworthiness of qualitative research. The chapter also looked and discussed the ethical considerations that were observed in undertaking the research. Chapter 4, that follows presents and interprets the data collected in the field.

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CHAPTER 4 DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents, interpret, discusses and analyses the research findings from the in-depth interviews that were conducted. An overview of the significant findings in-terms of the research data that stood out during the data collection stage. The aim of the research was to expose the challenges and success factors of franchising in a volatile business environment in Zimbabwe's fast food industry. The specific goals of this research study were:

- To identify the critical success factors of franchising in a volatile business environment in the fast food industry in Harare;
- To determine the obstacles towards successful franchising in a volatile business environment in the fast food industry in Harare;
- To identify the reasons or motives for growth of local franchised brands against international brands in a volatile business environment in the fast food industry in Harare; and
- To suggest viable recommendations that will enhance franchising in a volatile business environment in the fast food industry.

Data was sourced from 10 respondents whom the majority (90%, n=9) of them are multi owners of franchise fast food outlets in Harare which enabled the researcher to conduct a census of franchise fast food entrepreneurs. Data was collected through semi structured in-depth interviews which were conducted from the 16th of September 2015 to the 27th of November 2015. The table below shows the demographical information of the respondents who were interviewed during the data collection process.

Table 4.1: Showing the information of the research participants.

Respondent	Sex	Position	Local franchise brand or international
A	Male	Operation manager for a franchisor	Local
B	Female	Operations manager for the franchisor	International
C	Male	Franchisor	Local
D	Male	Franchisee	International

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E	Male	Franchisee	Local
F	Female	Franchisee	Local
G	Male	Brach manager for a franchisee	International
H	Male	Franchisee	International
I	Male	Branch manager for franchisee	International
J	Male	Franchisee (Master Franchisee)	International

4.2 Findings and Analysis

4.2.1 Challenges faced when opening the business

One of the goals of this research study was to identify the challenges faced by franchise entrepreneurs in Zimbabwe. The researcher sought to find the challenges faced by franchise entrepreneurs when they opened their business. All (100%, n=10) of the respondents expressed that they encountered regulatory challenges when they opened their businesses. The following extracts indicates the responses given by the franchise entrepreneurs in relation to this question;

> *"I opened my business in 2012, there were no clear guidelines of registering a company in Zimbabwe and the process involved. I had difficulties in acquiring the Municipal Licences such as the Restaurant and Take away licences".*

Similarly another respondent indicated that:

> *"There are a lot of delays from the Municipality and the government. The government is very slow with regards to the registration of companies. It took me longer than I had expected to obtain Municipal trade Licences. I had to use my own resources such as my motor vehicle to carry the Inspecting personnel of the city council to come and inspect my premises in-order to obtain the trading licences".*

From the responses given by the franchise entrepreneurs it is clear that regulatory constraints pose a threat to franchise operators in Zimbabwe. These regulatory constraints pertain to the registration of their business, regulatory requirements and obtaining operating licences. Prospective fast food business entrepreneurs in Zimbabwe are required to obtain the Take away

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licence and or the Restaurant licence before they resume to operate their businesses by the Municipal Authorities. Most of the fast food business entrepreneurs require both the Restaurant and the Take away licences for their entrepreneurial ventures. The Take away licence only allows the fast food providers to sell their meals to customers but the customers are not allowed to eat or enjoy the meals within the fast food provider's premises. This therefore, means that the fast food provider with only a Take away licence is prohibited from allowing the customers to sit in and enjoy their food within his or her premises. With the Restaurant licence the fast food business entrepreneurs sell their meals to customers who must eat their meals or enjoy their meals within their premises. This therefore, means that Restaurant Licence prohibits the fast food restaurants to sell their meals as take aways.

Franchise entrepreneurs prefer to offer both the sit-ins service and take away services. This therefore, means that fast food businesses must obtain both the Take away licences and the Restaurant operating licences to allow their customers to enjoy their meals within their business premises and also to buy meals as take aways. However, the issuing of these operating licences by the Harare Municipality to the entrepreneurs take a long time which causes delays in them opening their fast food outlets. The findings of the study are in line with Mandizha's (2015) explanation that the delays in issuing of the licences by the Harare City Council Authorities accounts to the half of the burden of starting business in Zimbabwe as measured by the World Bank in doing business in Zimbabwe. The Harare City Council accounts to 4 out of the 9 processes involved in setting up a business and these processes sum up to 54 (60%) days of the 90 days that business entrepreneurs take to complete a business registration in Zimbabwe (World Bank, 2015). Therefore, the Harare's City Council hinders the growth of franchising businesses in Zimbabwe's volatile business environment.

4.2.2 Prices for obtaining operating licences

Majority (70%, n=7) of the respondents expressed that the prices charged for acquiring licences are very expensive for them and they do not reflect the state of the Zimbabwean economy. The following remarks were captured in support of the above

> *"Operating licences are very high, they need to be revised downwards to reflect the state of the Zimbabwean economy. The prices have not been revised downward ever since the dollarisation of the economy".*

Contrary to the above another respondent indicated that:

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"The prices of the licences are very affordable but they become expensive as you have to use your own extra resources to ensure that they are renewed such as transport costs for the inspectors".

The above shows that operating licences are less affordable to the majority (70%, n=7) of franchise fast food operators in Zimbabwe. The second extract clearly shows that even though the operating licences may be affordable on their own to some fast food entrepreneurs, the extra costs incurred for these licences to be renewed such as transport costs for inspectors eventually make these licences to be very expensive. This is against a background that majority of the fast food businesses are finding it difficult to operate due to the lower disposable income, it therefore, becomes expensive for business to pay for operating licences as they are recording lower sales revenues and profits under Zimbabwe's volatile business environment. A further analysis of the total costs involved in a business set up in Harare also show that the municipal licences costs 60% (564) of the USA $940 cost incurred to set up a new enterprise in Zimbabwe (Mandizha, 2015). This evidence clearly shows that the municipal licences process and their costs greatly hinder the progress of business setup in Zimbabwe as the Harare City's Municipal licence procedures contribute to the bulk of Zimbabwe's regulatory burden as reported by Doing Business 2015 (Mandizha, 2015). This therefore, makes the business environment of Zimbabwe to be less viable for investment and hampers the establishment of more franchised fast food outlets. Sanderson (2014), confirmed that the business operators in Harare owe the city council more than USA $200 million as they are failing to pay for their shop licences and rates in time.

4.2.3 Reasons for joining a franchise or starting a franchise business system

The researcher sought to find the reasons behind starting a franchise business or joining a franchise business by franchise entrepreneurs operating in the fast food industry in Zimbabwe. Some participants expressed the following:

"It is a proven system with a guaranteed success and it was the best option for investing my money given the economic background of Zimbabwe over the past 20 years".

"A well proven system with guaranteed success. It is the best method of expanding business in the fast food industry all over the world".

"I choose to franchise mainly to avoid the unnecessary trial and error period in starting and operating a business which is entirely new to the market".

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The above extracts enormously proved that the franchise business method is a proven system with low risk failures. Oxenfeldt and Kelly (1969), theorised that smaller firms would use franchising as a means to expand rapidly and thereby overcome the three scarce resources of managerial skills, local market knowledge, and financial capital. Unlike a truly independent entrepreneur, a franchisee need not prove the viability of the business concept. This has been done for him or her by the franchisor who have already tested the concept in his own stores (Nieman and Niewenhuizen, 2009). The franchisor has a valuable strategic asset that includes its brand name and operating system which are necessary for the profitable operation of the business. Its successful, proven track record and low risk of failure, particularly in the fast food industry makes it easier for the inexperienced entrepreneurs to start their own business ventures through franchising. Franchising businesses have better chances of surviving in a volatile business environment as the risks of failure are very low as compared to other business systems. Volatile business environments are survived by businesses that have a strong customer base who are well aware of their customer needs. This was confirmed by some of the respondents on the question of how the franchising business system has helped their businesses to grow.

> *"I have opened a second branch because I joined a business system with established customers. The franchisor helped by training me on how best to manage my business and always helps the brand name to be well known through centralised advertising".*

In light of the above it can be concluded that the franchise network business system gives an opportunity for entrepreneurs to develop skills of effectively managing their businesses and expanding them. The above extract also substantiates the benefits of franchising to the franchisees indicated by (Nieman and Niewenhuizen, 2014) that franchisors provide franchisees with ongoing assistance in all aspects of operations. This improves the all-round performance of the franchisee in maintaining the quality of the group and improving the business performance according to the group's norms.

The trade name of the business also sells itself to the customers. A good brand image helps to attract more customers as customers become advocators of the business and also loyal to the brand. A franchise entrepreneur explained:

> *"When I first opened the first branch at Borrowdale we did not advertise the restaurants. It was just when the sign went up that a Mugg and Bean has been opened we put up an advert and up to the current day, it has clocked*

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2 years with our only advertising being on social media such as Facebook and twitter. We have never gone to the press or any other media. We had to close early at 4pm after opening at 11am on the first day because we could not manage the higher number of customers that were coming in the shop"

The above clearly highlights the advantage of joining a well-managed and invested franchise business network as it helps to save money on advertising. The above precepts confirm the literature in section 2.8.1 (p. 28) that franchise entrepreneurs often benefit from the local and international marketing and advertising campaign developed by franchisees and the franchisors. These campaigns reduce the operating costs of their business and help save money for other activities such as expanding the number of branches they own. Vinal investment owns 2 Mugg and Beans, 2 News Cafes, 1 Ocean Basket and Smooch in Harare as a result of this saving cost strategy.

4.2.4 Government interest on business entrepreneurs

Government has a crucial role in promoting the activities of the business entrepreneurs. The researcher sought to find out the Zimbabwean government's role in representing the interest of the entrepreneur with particular reference to the franchise entrepreneurs. The participants were asked if they thought their interest as business entrepreneurs were represented by the government and motivate their responses. The majority of the respondents (90%, n=9) viewed that the government does not have a positive interest in their business activities and also indicated that their businesses have never benefitted from any government policies. These business interests relate to ensuring a conducive environment that is favourable to their business investments which also makes it easier for them to operate their businesses normally. Some of the respondents mentioned that:

"No. I personally feel that the laws that protect the interest of the business people are very few and are not being fully implemented. For example not enough has been done to help reduce the long processes in the issuing of business licences, Municipal Licences and fight corruption. The government has also failed to help promote the growth of franchising".

In addition to the above excerpt another franchise entrepreneur corroborate that:

"No. the government needs to consider revising their duty policies as some of the machinery and equipment are not available in Zimbabwe but they still charge high duties".

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From the above excerpts from franchise entrepreneurs it can be deduced that the business environment that franchise entrepreneurs are operating is very volatile characterised by high levels of corruption in the issuing of business licences and Municipal licences. The respondents felt that the failure by the government to stop high levels of corruption in the issuing of the above licences is an indicator that the government has less concern on their business activities. The study confirms the predictions made by (Conrad, 2015) that the high levels of corruption in Zimbabwe are destroying the economy. Entrepreneurs are finding it difficult to operate in the prevailing volatile business environment that seems now to have developed a culture of corruption, bureaucracy and unfriendly regulations. The second excerpt from the above is a clear testimony that the duty policies should be revised through a thorough consultation with the business sector people. Charging high import tariff duties for machines and equipment that are not currently produced in Zimbabwe and not readily available on the Zimbabwean market increase the costs for fast food franchise business entrepreneurs. It also makes the purchase of the equipment, machines and other materials to be a preserve for well-established and rich businesses, thereby inhibiting the growth of new businesses and less financially stable businesses.

Contrary to the above only (10%, n=1) of the respondents claimed that their interests are represented by the government. The respondent indicated that:

> *"Yes. The government has tried by all means to promote Black Empowerment and recently it has introduced the ZIMASSET strategy".*

The same respondent has benefited from the government policies through:

> *"The recent ban on import chickens from countries such as South Africa and Brazil. My businesses are supplied by chickens from my farms together with other branches in Harare. Before the ban it was difficult to compete with others who were importing the chickens as they could afford to charge lower prices for their meals. I greatly benefited from the Black Empowerment Policy. I managed to establish my business through some of their funds that were made available to SMEs".*

The above is a testimony that the effects of a ban on import chickens by the government of Zimbabwe had a positive influence on local franchise fast food entrepreneurs. In the fast food industry in Zimbabwe, the ban gave an opportunity to some fast food entrepreneurs to fairly compete with other fast food entrepreneurs who were buying these chickens as they could afford

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to charge lower prices for their meals whilst still earning profits. However, others were hugely affected by this development as they had to look for supplies from within Zimbabwe. The development also resulted in delays in the opening of some franchise brands and the expansion of some brands through opening more retail outlets who were relying on chicken imports. The re-opening of KFC was delayed by one year due the government of Zimbabwe insistence that the importation of chickens that was being intended by KFC was going to be in direct violation of the import bans on chicken (Ndlovu, 2014). As a result of the government defiance to allow KFC, to import chickens, KFC ended up choosing Irvines as the supplier for their chickens.

4.2.5 Government support towards franchising in Zimbabwe

The researcher sought to find out what type of support should be provided by the government to the franchise entrepreneurs to promote franchising. All the respondents interviewed expressed that there is a need for the government to help in launching of a vibrant franchising board in Zimbabwe. All the respondents (100%, n=10) expressed that:

> *"The government must provide support by setting up a franchising board whose voice should be heard by the government and other relevant authorities. Government should come up with grants and loans that will support franchising growth, offer tax incentives for franchising businesses to encourage the growth of our businesses".*

Another respondent also shared the same sentiment by expressing the following view:

> *"It must establish a franchise board, offer tax incentives for franchising businesses to encourage their growth and also make funds available informs of loans or grants for prospecting franchising entrepreneurs".*

As highlighted by the excerpts above it is clear that there is an absence of a franchising board that must represent the interest of the franchise entrepreneurs in Zimbabwe. In other countries with particular reference to South Africa, the franchising board plays a pivotal role in promoting the growth and business activities of franchising. This can be attributed to the fact that franchising entrepreneurship promote the growth of SMEs and contribute significantly to the National Domestic Product (NDP). All over the world franchising boards help franchise entrepreneurs to network with other franchise entrepreneurs and help link the local franchise with other global franchise entrepreneurs. This therefore, stands out as the reason why franchise entrepreneurs in Zimbabwe need the government to help them launch a franchise board that is very vibrant and effective with an unforeseeable life span. This is mainly because the franchise board that had

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been re-launched in 2012 after the collapse of previous one in the hyperinflation is no-longer operational.

All the respondents indicated that the government must offer tax incentives to encourage the growth of franchising in Zimbabwe's volatile business environment. This is a clear indication that paying tax for franchising entrepreneurs and other businesses in Zimbabwe is a huge burden given the prevailing volatile business environment, hence the government should lower tax charges for franchise operators. The findings are contrary to Swart's (2010), view that franchising is a new growth phenomenon for SMEs world-wide and many governments world-wide have adopted it as a tool for economic growth by offering tax incentives to encourage its growth. Franchising is still at infancy in Zimbabwe and to encourage its growth in the prevailing volatile business environment the government should develop attractive incentives such as lowering taxes. Franchising has become a major tool for economic growth in the second millennium world-wide in developing countries such as South Africa, hence all the necessary support and tools must be in place to increase its growth in Zimbabwe's volatile business environment.

4.2.6 Decision making in franchising

On the question of the type decision making that is used in their business setups, all the franchise operators indicated that decision making in their businesses is centralised. They expressed that most of the decisions are made by the head office which is operated by the franchisor but only through thorough consultations with franchisees. One of the respondents indicated that:

> *"Centralised. This makes our franchise business to be uniform countrywide, incur the same expenses in the cost of production per every meal prepared and therefore, we gain the same profit margins per meal with all the entrepreneurs in our franchise system".*

The above is a testimony that centralisation in a franchise set up helps the franchisors and the franchisee to market the business in a collective system. This corroborates Mphumela's (2015), explanation that a centralised operating system in franchising fully drives the business to success as franchisees in the same franchise network are not competitors but are allies in the business. Therefore, the use of a centralised system by franchise operators of the same system makes it possible for them to collectively market their fast food outlets.

4.2.7 Nature of employees employed

All the franchise operators in the fast food industry employ a mixture of permanent and contract employees because of the volatile business environment. Many businesses in Zimbabwe are

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understood to be failing to meet their payrolls in time because of constrained sales revenue and cash flows. As a result fast food entrepreneur employ a mixture of permanent and contract employees in-order to reduce their wage bills which in turn reduce their operating costs. The contract employees only report to work during peak hours and days of the month in-order to meet the higher levels of demand. This is evidenced by the responses from the respondents:

> *"It's mixed. The branch managers are employed permanently and some of the sales assistants but we also employ part-time employees whose services are requested during the festive season, weekends and month ends".*

In support of the above responses another responded mentioned that;

> *"Its 50-50. I mainly employ my executive workers together with branch managers, cookers and a few sales assistants as permanent workers whilst I employ general workers such as cleaners and few sales assistants on contract due to the unpredictable economic environment in our country".*

Similarly another respondent indicated that:

> *"We have a mixture but most of our employees start as contract workers for 3 months and we employ them as permanent workers after 3 months of probation and after evaluating their performance in the given 3 months".*

The above excerpts is a testimony that employing a mixture of permanent, contract and part time workers is a strategy that is used by franchise operators to reduce their wage bills and reduce their operating costs. The findings are in agreement with Kokemuller (2015), assertion that one of the benefits of employing part time employees is that it leads to lowering the costs for the business hence franchise entrepreneurs in Zimbabwe's volatile business environment have adopted this cost strategy. Part time workers are paid hourly wages according to the number of hours they would have worked for the business and they usually do not receive additional benefits as compared to permanent employees. Therefore, franchise businesses are saving a lot of money by employing part time members as compared to employing full time employees who are entitled to receive full compensation benefits. This helps their businesses to survive in the prevailing volatile business environment.

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4.2.8 Effects of high unemployment on sales revenue, quality of employees and morale of employees

The respondents were asked to express their views on the effect of Zimbabwe's high unemployment on their sales revenue, quality of employees they are hiring and the morale of employees. The respondents (70%, n=7) expressed different views regarding the effect of high unemployment rates on their sales revenue. The respondents indicated that:

> *"Business is not as easy as it was when I opened my branch in 2010. The sales revenue have slightly dropped as compared to other years".*
>
> *"We are experiencing a reduction in my business sales revenue since some of our customers have lost their jobs this year whilst some have had their salaries reduced".*
>
> *"The economic situation in Zimbabwe is very bad, there is no growth in the economy, some industries have been closed leading to many people being unemployed and in poverty".*

The above responses indicate the effects of high unemployment on the sales revenue for the franchise fast food entrepreneurs. High levels of unemployment reduce consumer spending towards fast food meals as more and more people depend on the income of one individual person. The prevailing economic conditions in Zimbabwe forces the majority of the Zimbabwean population to spend less on fast food outlets meals. Consumers can only afford to buy basic needs hence reducing their spending towards fast food meals as they perceive these to be luxurious activities. This is in line with Moyo's (2014), explanation that the majority of the government workers (civil servants) cannot afford anything except basic food staff in Zimbabwe. Franchise operators in Zimbabwe are faced with a challenging trading business environment compounded by lower disposable incomes. The findings corroborates with Chimhangwa (2012), who indicated that, Innscor a dominant player in the fast food industry in Zimbabwe had to close some of its branches which were recording losses as a result of the continuous reduction in the disposable income of workers. This is also confirmed by Mangudhla (2012), who indicated that Innscor had to lower their prices in order to stimulate sales revenues against a back drop of low disposable incomes for the Zimbabwean workers for them to survive in the prevailing volatile business environment.

Most of the Zimbabwean workers continue to lose their jobs on a daily basis as companies find it difficult to pay their wages. Furthermore, many employees lost their jobs after a Supreme Court

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ruling as indicated in Section 2.8.3.1. (p. 32) that allowed arbitrary termination of employment contracts. Welsh, Alon and Fable (2006), recognised rising disposable income, growing urbanisation, and expanding consumer markets as factors that are favourable to the growth of franchising. However, the growth of franchising in the fast food industry in Zimbabwe's volatile business environment is impeded by the decreasing income levels.

Contrary to above sentiments other respondents (30%, n=3) expressed that their businesses have not been affected by the high levels of unemployment by expressing that;

> *"I have not felt the effect my sales figures have been increasing over the years which may be due to the increase in the number of informal business setups in the central Business district".*

Another respondent indicated that:

> *"Our sales revenues have been increasing ever since we opened our branches despite the prevailing economic conditions and our clientele continuous to grow".*

The above helps to highlight that an increase in the number of informal businesses is offsetting the effects of high unemployment which has resulted in decreased level of disposable incomes. Despite the high level of unemployment there has been an increase in the number of informal business that can directly be observed in Harare's CBD on roads side and pavement and designated places by the Harare City council. These increased informal businesses generate income for their livelihoods and are contributing significantly on consumer spending towards fast foods. The nature of these informal businesses demand owner operators to leave their homes early and close their businesses late. Therefore, the owners do not have enough time to prepare their own meals at their homes and therefore, they are forced to buy meals from fast food outlets.

The above statements indicate that despite the prevailing economic conditions consumers are still spending heavily on fast food meals. A further analysis shows that these branches are international branches located in the lower density suburbs where the rich and high income earners live. The majority of this population are whites who have a strong culture of spending more on fast foods.

On the effects of high unemployment on the quality of employees on franchising business all of the respondents expressed that:

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> *"There is a wide pool to select from given the high levels of unemployment we always receive high volumes of applications and most of these are desperate for employment and are over qualified for most of our positions. For example for our shop assistants posts we only require 5 O' levels but we end up employing graduates as they are desperate for jobs".*

The above is a testimony of the present situation pertaining to the high level of unemployment in Zimbabwe. The findings corroborate Masekesa and Chibaya (2015), who indicated that it is estimated that the unemployment rate of Zimbabwe is over 80% although the government of Zimbabwe puts it at only 11%. It also estimated that universities in Zimbabwe churn out more than 10 000 graduates per year with thousands also coming from polytechnics and other institutions of higher learning (Share, 2015). Zimbabwe has a huge number of unemployed skilled people hence the supply of labour is higher than the demand from the employers. Employers have a wide pool of unemployed skilled workers to select from whenever they need to hire or fill any vacancies. For example hundreds of people gathered at KFC offices at Eastlea in Harare after a rumour that KFC had vacancies that needed to be filled for their new Joina City branch (Nyamayaro, 2015). This is a testimony of how the unemployed are desperate to get jobs and that employers receive many applications for their advertised vacancies in the prevailing volatile business environment in Zimbabwe.

All (100%, n=10) of the respondents interviewed expressed that the high levels of unemployment in Zimbabwe does not have an effect on the morale of their employees, mainly due to the fact that they offer incentives per sales made to their employees (mainly referring to the shop floor workers). The following remarks were captured during the interviews:

> *"Our workers are motivated by the incentives we offer them per sales revenues made on a given branch monthly especially the shop-floor workers (sales assistants, cookers and cleaners)".*

Another respondent with a similar perspective indicated that:

> *"We have incentive schemes given to our workers when they achieve their overall budgets. These targets are made on a weekly basis which our workers with their branch managers feel that are realistic at most of the times".*

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The above clearly shows employees in the fast food industry are highly motivated as franchise entrepreneurs pay them using the incentive method of commission on sales made. The employees in the fast food industry receive their salaries based on their skills and the amount of work they do. This amount of work in the fast food industry is reflected by the sales revenue they make per given period for example the amount of sales revenue earned by the restaurants at the end of each week. For the employees in the fast food industry it means that they must work hard to ensure that they prepare high quality delicious meals accompanied by excellent services in communicating with their customers to ensure that they create a good environment for consumers to enjoy their meals. The sales commission method used by franchise operators to reward their employees as salaries and wages helps in motivating the employees to work above their minimum requirements knowing that their efforts will result in a higher pay (Scilly, 2015).

The findings are in agreement with Kokemuller's (2015), explanation that paying employees using the commission based incentives plan works to the benefit of franchise operators as employees work knowing that putting extra efforts on their work to improve their sales means more pay as compared to regular salaried employees who take their payments for granted. Paying commission based salaries does not only help the franchise operators with high motivated employees but it also serves as a cost reduction strategy in Zimbabwe's volatile business environment. This therefore, eliminates the burden of paying employees for work that does not result in the sale of meals for franchise entrepreneurs in Zimbabwe's fast food industry. The commission based payment methods improve the cash flows for franchise operators because they pay their employees from funds coming from sales transactions made by the employees (Kokemuller, 2015).

4.2.9 Franchise brand perceptions

All (100%, n=10) franchise operators expressed that their customers are generally satisfied with their brands. This therefore, implies that their customers are satisfied with the quality of services (quality of meals) being provided by the different franchise operators operating in the fast food industry. The following remarks were captured about how franchising operators think their customers perceive their brands:

> *"I think our customers and Zimbabweans generally are well satisfied with our meals and services that accompany our meals as evidenced by the high turn out by customers during lunch hours, weekends and month ends".*

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The above remarks are an indication that Zimbabwean consumers are generally satisfied with the meals and services that are offered by the franchise operators in Zimbabwe. This can be attributed to the high quality of meals that the franchise operators are offering to consumers which influence them to continue craving for fast meals. This is testified by the following remarks captured regarding to what influences consumers to have the above perceptions regarding to the brands of franchise entrepreneurs.

> *"The appearance of our shops on their own are very attractive, we have comfortable sitting areas which make our customers feel at home when enjoying their meals furnished with the state of art chairs and tables accompanied by good customer care and high quality delicious meals".*

The above findings confirm that products include more than just tangible goods (Kotler and Armstrong, 2010). Complete products include physical objects, services, events, persons, places organisations, ideas or a mixture of these entities. Although the main centre of attraction of the fast foods are the prepared meals however, the broadly defined meals of the fast food outlets include the tables and chairs were customers can sit in, enjoy their meals and also wait to receive their meals. Despite the unfavourable economic conditions which continue to strain consumers' disposable income and therefore, reducing their spending on luxurious fast food meals the designs, layouts and quality of meals play an important role in luring customers to spend their income on their fast food meals in Zimbabwe's volatile business environment.

4.2.10 Marketing strategies in the volatile business environment

Given the continuous changes and an unpredictable economic future the researcher sought to find out the key marketing strategies of operating in a Zimbabwean environment. All the respondents concurred that charging justifiable prices is one of the key strategies that makes their business to survive. As referred in section 2.8.3.1 (p. 32) the majority of Zimbabweans earn lower disposable incomes and are left with less to spend on luxurious food given the backdrop of too many people being dependable on the income of one individual. This therefore, causes the consumers to spend their income very wisely by being price sensitive. Consumers take a lot of consideration before deciding to spend their income and charging lower prices lures them to spend more of their income on fast food meals. Hence the amount charged per meals by fast food entrepreneurs plays a pivotal role as it forms an attractive tool for consumers when deciding how they should spend their hard earned incomes. The interviews confirmed that:

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"Given this difficult economic situation you have to charge your meals at lower prices so that they become very justifiable to customers".

The above is a clear testimony that consumers in Zimbabwe are price sensitive, hence charging lower prices for fast food meals in the fast food industry in Zimbabwe's volatile business environment helps to lure more customers to spend more of their incomes on fast food meals.

4.2.11 Localisation of meals

All of the respondents (100%, n=10) expressed that they localised some of their meals in-order to accommodate the Zimbabwean population. The localisation of meals helps to attract a wide range of customers and give them a wide variety choice of meals to choose from when purchasing their meals. It also makes the customers to develop a feeling that the fast food entrepreneurs are committed to fulfilling their unlimited wants. The following remarks were made:

"Yes we have localised our meals in-order to cater for the majority of the Zimbabwean population".

The respondents indicated that they have the following meals that have been localised:

"We have the Chesa Nyama and sadza at News Cafe every Saturday something you will not find in Chesa Nyamas in South Africa".

"We have the street wise pap a meal that you will not find in European countries".

"Our sadza meals have an option of getting the green fried vegetables an option that is only available in Zimbabwe".

As it can be seen from the above remarks, franchise operators in Zimbabwe have localised some of their menus in-order to accommodate the Zimbabwean population staple food. Sadza, meat and vegetables are the most preferred meals by Zimbabweans hence the franchise operators realised that they had to include them as part of their Menu in their outlets.

The findings concur with Cox and Mason (2007); Dada, Watson and Kirby (2010), assertion that in making their products uniform throughout the whole nation and even with regional countries franchisee operators are allowed to make a balance to ensure that their products meet the needs of the markets they operate as they are familiar with these markets by localising some of their meals. This strategy ensures that the diverse needs of a market are satisfied without compromising the standardisation of the brand of the franchise system. For example chicken Inn

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introduced sadza in their meals as it forms the staple diet of the Zimbabwean population. This strategy led to the attraction of more customers who used to buy sadza meals from small sadza serving fast food outlets.

4.2.12 Fast food customers

The franchise operators indicated that their major customers are the working class and tertiary students and young couples. 80% (n=8) of the respondents explained that:

> *"Our major customers are black married young couples, working class secondary going students and tertiary students".*

The above can be attributed to the fact that most of the franchise fast food outlets are located in the CBD, shopping malls and shopping complexes that are closely located to office sites, industrial sites, and tertiary institutions. They usually buy meals during lunch time especially with reference to the working class whom the researcher directly observed rushing to buy their meals during the lunch time. Most of these workers have abandoned the culture of carrying lunch boxes to work places hence opting to buy lunch during lunch. Contrary to the above 10% (n=1) of the respondents indicated that:

> *"My major customers are, young, middle and old aged female whites and these contribute about 70%-80% of my customers".*

The above can be attributed to the fact that the respondent runs a Master franchises mainly located where the majority of the white people live in Zimbabwe and the meals are generally targeted for the rich and high income earners. Generally upper class people enjoy buying meals from restaurants as they do not prefer to cook meals at home. They enjoy chatting with friends and relatives whilst eating in restaurants.

10% (n=1) of the respondents also indicated that their major customers are not as indicated above by mentioning that:

> *"Our major customers are corporate businesses and schools".*

As indicated from the above it can clearly be seen that the major customers differ from one franchise operator to another. The response can be attributed to the fact that the franchise operator has opted to differentiate his business from the other franchise operators. A further analysis of the respondent's response revealed that the business usually offers catering services to corporate business functions, schools and weddings hence having corporate businesses and schools as their clientele base.

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4.2.13 How franchise entrepreneurs satisfy their customers

On the question of how the franchise operators satisfy the needs of their customers the following remarks were made:

> *"We always strive to meet their expectation by offering them high quality meals at affordable prices, offer them a wide range of appealing meals to choose from and offer platforms for them to give us their feedback on the range of the meals we offer them, service experienced through face to face conversations with branch manager, emails and hotlines".*

The above statement shows that quality plays a pivotal role in satisfying the needs of the customers in the fast food market as the food does not only become delicious but becomes enjoyable to eat. This assertion is corroborated by Mboweni-de Clerk (2008), who explained that quality is one of the diverse ranges of drivers, motives, reasons and factors for determining the popularity of the fast food outlet. This in turn results in repeated purchases from the customers with some even becoming advocates for the business. When a customer in the fast food industry enjoys a meal he or she is willing to spread the word to friends and relatives about the good meal enjoyed and wishes his or her friends and relatives to taste the meals and have the same experience with them. Offering a wide range of meals encourages customers to buy more from the same shop as they do not become bored of buying the same meal at all times. Communication is a very important tool that should be used by businesses with particular reference to franchise operators as it helps them to keep in touch with its customers. The importance of feedback was further emphasised by one of the respondents who indicated that:

> *"I am personally related to my clientele. I am often in my branches not necessarily supervising my staff but really trying to figure out what are my clients' experiences about all the services rendered to them in the restaurants".*

The above clearly shows how customer feedback is important in the fast food industry. It is through feedback that unsatisfied needs of customers are identified. Maintaining good communication with customers enables businesses to retain their customers and leads to customer loyalty. The findings concur with Quek (2010), assertion that the key method to find out what customers like or dislike is to directly ask them for feedback and suggestions and incorporating them into future products or service enhancements. The ability to listen to your

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customers and then take actions to meet their evolving needs is the key differentiator for a winning business in Zimbabwe's volatile business environment.

4.2.14 New entrants in the fast food market

The entrance of new organisations in an industry enhances competition among the firms thereby reducing the industry's attractiveness (Du Plessis, Jooste and Strydom, 2005). The entrance of new franchise operators in the fast food industry in Zimbabwe enhances competition and this causes the franchise operators to strategically position themselves based on their competitor's weaknesses and strengths. However, some traditional industry leaders often tend to exhibit some complacency and arrogance in the face of new competitors paying only particular attention to competition from existing well established fast food outlets (Du Plessis, Jooste and Strydom, 2005). This is confirmed by the following remarks captured:

> *"The entrance of some of the renowned fast food outlets did not worry us but rather we took it as a positive move as it gave us time to improve our meals, consult the market about their new needs and we knew that although some of these new outlets were copying our meals they would never match the quality of meals".*

The above is a testimony that the traditional franchise operators in the fast food market in Zimbabwe are not threatened by the entrance of new fast food firms. Economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels and cost advantages independent of scale are barriers which can deter new entrants into an industry (Thompson and Martin 2005). The traditional franchises who have been operating as franchise operators in Zimbabwe's volatile business environment expressed that they shun off competition from new entrants through:

> *"We enjoy economies of scale and we have built a strong brand identity amongst Zimbabwean customers which enables them to differentiate our meals from other fast food operators".*

Another respondent indicated that:

> *"I have not identified any direct competition for my businesses as we save a unique niche market in the fast food industry in Zimbabwe".*

The above findings clearly show that franchise fast foods brands operating in Zimbabwe are distinctive from each other. This allows them to enjoy economies of scale in the niche markets

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they serve. These franchise operators have large customer counts which enable them to produce in large volumes enjoying low unit costs per meal produced as they can spread their fixed costs over more meals. Their purchasing is also centralised which also allows them to buy in large quantities from their suppliers whom they have favourable business terms.

A prerequisite to be a successful fast food entrepreneur world-wide is to be conveniently located especially in the shopping malls and complexes where most of the customers have access to the outlet and feel that it is a safe place to enjoy their meals. This is confirmed by Mboweni-de Klerk (2008), explanation that convenience location of a restaurant is one of the diverse ranges of drives, motives, reasons and factors that determine the popularity of fast food outlets. Most of these areas in Harare have already been occupied by the traditional well established franchise operators. They have also already occupied strategic positions in some of the shopping malls that are still in construction hence making it difficult for new entrants to fully establish themselves through locating at areas that lure more customers. One of the respondents revealed the following:

> *"I get a whole stampede of property owners, developers and shopping mall owners who wants me to open any of the franchised brand names under my name at their places. Some of these places are Arundel were we are going to open a Mugg and Bean and News Cafe at Fife Avenue".*

The above is an indication that property owners in Zimbabwe give preferences to renowned and established franchised brands mainly the international brands as they have better chances of surviving and attracting customers to these malls. This therefore, make it difficult for local franchised brands who are still yet developing, establishing themselves and are not yet full known in Zimbabwe's volatile business environment to find places suitable places to locate their restaurants. The findings confirms Porter (2006), assertion that the demand side economies of scale arise with customer loyalty to long established companies as well as the drawing of more customers and other service providers such as property developers and shopping mall landlords for organisations with an already well established customer base.

4.2.15 Opportunities to expand

The respondents shared the same perceptions on the question of whether there are any new opportunities to expand their market share in the fast food industry. The majority (90%, n=9) of the respondents expressed that the fast food industry is still yet to be fully exploited in Zimbabwe. The following remark was captured:

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> *"There is a need to increase our retail outlets countrywide and offer a wide range of meals that are appealing to every Zimbabwean. The business has not fully grown and we have not yet gained popularity in some of the cities such as Gweru and Kwekwe".*

The excerpt above confirms that there are still ample opportunities that exist in the franchise fast food market as some of the franchise brands are still yet to open more branches country wide. The above responses also prove that franchise entrepreneurs have an opportunity to grow their businesses by opening more branches to ensure that their meals are reachable country wide. This is in line with the recent article by Chirara (2015), which indicated that Country Bird Holdings (operating 3 branches in Harare) owners of the KFC are convinced that the initial demand and support for their stores in Harare is encouraging despite economic challenges still experienced in the country and are betting on setting up 25 other outlets in Zimbabwe. Chirara (2015), further indicated that the owners of Vinal Investment are very optimistic about the growth and success of their business as they believe that people always have to meet and eat, and going into the future people would eat more. Therefore, the Zimbabwean fast food industry has a large enough unsatisfied needs that must be satisfied by fast food entrepreneurs. To enormously prove that opportunities exists in the fast food industry, a respondent made the following remarks:

> *"We still have a market for our restaurants as we are going to open 4 new branches in the next 10 coming days at once. Two restaurant shops which are the Simple Asia and the Ocean Basket at Avondale, News Cafe and Simple Asia at Fife Avenue Shopping complex. We are also transforming a corner place to open a new restaurant at Arundel shopping mall which is an Old Hurst that used to be a Chinese place".*

The above is a testimony that they are ample opportunities for quality and good dining international and local franchising restaurants to open more branches in the prevailing volatile business environment in Zimbabwe. International franchising restaurants have greatly been received by Zimbabwean customers as they get the opportunity to enjoy the meals they crave for and buy when they usually travel across the borders especially when they travel to South Africa.

Contrary to the above sentiments 10% (n=1) of the respondents expressed that the Zimbabwean fast food market is saturated because of the present prevailing harsh economic conditions which are inhibiting their growth:

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"Because of the shrink in the local market we have aimed at opening more branches international to increase the growth of our brands".

The above statement shows that some of the local franchise brands are expanding into regional markets because of the unfavourable business environment in Zimbabwe. This is confirmed by Thompson Reuters (2015), who indicated that Innscor plans to open 55 new fast food outlets in the rest of Africa, which would become an important part of its future growth strategy.

4.2.16 Promotions

All the respondents indicated that they conduct sales promotions for their meals and these promotions help to increase their sales revenue. The following remarks were captured:

"We currently have the spring deal costing USA $4 which most of our customers are buying and we have the USA $1 deals for chips and chickens".

"We have the Nyamalicous meal which is a family meal which is currently selling at USA $15 and we give a free coke for a meal that includes a blade purchased by a customer".

"A customer who buys one of our meals stands a chance to win a USA $50 voucher by completing the KFC survey online".

"We offer our customers unlimited free Wi-Fi at all our branches".

"We have the terrific Tuesday promotion. A customer that buys a medium or Large pizza on Tuesday get another one for free".

The above responses proves that franchise entrepreneurs use different kind of promotions to lure customers to buy their meals a move which help to attract more customers and help to increase their sales revenues. These moves also help to fight competition from competitors by retaining their customers and attracting new customers for their meals. As a result of increased customers, their market share also increases. The following remarks were made in support of the above:

"The promotions we run have helped us in attracting more customers and having an increase in our market share in the fast food industry".

The above excerpt is clear testimony that promotions especially sales promotions play a pivotal role in increasing sales as customers are enticed to make repeated purchases as they are

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continually attracted by lower prices which force them to continually purchase the same meals as they feel that will be getting bargaining deals offered through sales promotions.

4.2.17 Rent expenses

The majority (70%, n=7) of the respondents indicated that they rent the premises their fast food outlets operate on. The researcher sought to find out how costly the rental charges are for franchise operators that do not own their own premises. The majority of these respondents indicated that the rent charges are unreasonable.

> *"The rent charges are not reasonable considering the current economic situation, the landlords are milking our profits. We have been paying the same rate since the beginning of the dollarisation of the Zimbabwean economy whilst other landlords have reduced their rates as the charges at the beginning were too high. We too had to revise our prices downwards as an indication of appreciating the power of the USA dollar".*

The study has established that some franchise entrepreneurs are paying higher rent expenses because of the failure by their landlords to appreciate the value of the USA dollar. As indicated by the above excerpt some landlords revised their rents downwards after some months of dollarisation as a result of appreciating the power of the USA dollar. However, some landlords have not reduced their rent charges and some continue to increase their rent charges. These become expensive for franchise entrepreneurs in the fast food market against the backdrop of reduced disposable incomes and lower sales revenues as a result of franchising entrepreneur revising their prices downwards.

Another respondent indicated that;

> *"For this year alone the landlord has increased the rent we pay two times and we are now failing to pay the rent at the end of each month".*

The above is an indication that rent charges are continually being increased by some landlords. This therefore, makes it difficult for some entrepreneurs to operate normally in the prevailing business environment as their operating costs particularly rent charges consume a larger portion of the profits.

In contradiction to the above, 30% (n=3) of the respondents expressed that the rent charges they are incurring in their business are fair. The following remarks were captured:

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> *"We pay reasonable rents charges for most of restaurants mainly due to the fact that many property developers and landlords are asking us to locate our restaurants within their shopping malls. For example Old Mutual has approached us and indicated that they will build whatever we want and other property owners have indicated we must come and locate at their premises at negotiable rent charges".*

From the above sentiments it can be concluded that the above franchise operators have bargaining powers over their land lords and property developers which enable their business to incur lower rental expenses. This enables them to enter into favourable lease property agreements with the property developers and landlords. This therefore affords an opportunity to incur lower operating costs.

Only 20% (n=2) of the respondents indicated that they build their own premises where they operate from and therefore, they only pay rent charges to the City Council. They perceive these charges paid to the city council as very fair. Operating from your own premises help to significantly reduce the operating costs for the businesses as compared to businesses paying rental charges to the landlords. The respondent indicated that;

> *"Some of our restaurants are located in the buildings that we have personally built as the business and this has greatly reduced our rent expenses".*

The above proves that buying your own business premises saves the company a lot of money. Furthermore it gives the franchise operators the freedom to use and alter the premises according to their designs and shop layouts. In most cases franchise operators have to ask landlords for permission before they tailor the building according to their franchise brands standards designs and shop layouts. Owning the businesses premises from which the business operate from provides a certainty of that the business will operate from the same premises for a longer time. This is endorsed by Smith's (2015), article which emphasised that the same cannot be true for franchise operators who are renting the premises they operate on as they need cash reserves to potentially fund the cost of relocating to new premises and their businesses are exposed to rental escalations which affect their cash flow.

4.2.18 Quality management systems

On the question of the quality management systems used by their businesses, all the respondents were reluctant to disclose specific quality management system they use to ensure that their products are of high quality but they indicated that:

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"We have inspectors who go around inspecting the quality of meals amongst all of our branches at any given time without notifying us. We also have quality checks and accuracy checks along our production lines before the food is delivered to the customers".

From the above it can be noted that franchisors protect the identity of their brands by ensuring that all their branches maintain and meet the standard quality prescribed in their franchise network system by having monitoring quality inspectors. The findings confirm Bernardo's (2012), explanation in section 2.6.3 (p. 19) that uniformity is one of the key goals that must be achieved to survive in volatile business environment by franchised businesses. Therefore, customers must find a common image, design and service experience in any outlet under the same brand namely, the brand image, which must be consistent all over the brand's properties when they are operating as a franchised business system. This ensures that all the outlets in the same franchise network produce and maintain the same level of quality which helps the consumers to distinguish meals from one franchise operators to another who do not belong to the same franchise network. The quality management systems used in the production lines of the restaurants in the fast food industry in Zimbabwe help to make sure that the meals prepared meet the quality expectations of the franchise brand. The accuracy checks are very vital as they ensure that the customers receive every item of the meals they would have ordered for example salads dressing, bread and sides.

4.2.19 Effect of electricity power supplies

The majority (80%, n=8) of the franchise entrepreneurs interviewed expressed that their businesses are hugely affected by the electricity power cuts. They expressed that the power cuts have been severely affecting their businesses as they have to spend more on fuel for their generators in-order to continue operating when there is load shedding. The following remarks were captured during the interviews:

"We are currently relying on our generators as the power cuts are very frequent this year as compared to other years".

The above is a testimony of the prevailing situation in Zimbabwe regarding to the electricity supplies in Zimbabwe. The findings are in agreement with Mhlanga (2015a), explanation that Zimbabwe has been experiencing crippling power shortages, with national demand at peak periods estimated at 2 200MW, against available generation of about 1 000MW. This therefore, leads to massive load shedding being experienced with most of the residents including the formal businesses going for up to 18 hours without electricity (Zuze, 2015). With this prevailing load

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shedding franchise businesses in Zimbabwe's volatile business environment have been forced to have back-up plans in forms of electricity power generators to ensure that they continue operating normal when they experience the massive load shedding.

Contrary to the above 20% (n=2) of the respondents expressed that their business are not being severely affected by the electricity power cuts. They pointed that they strategically positioned their business in the CBD in areas that do not experience electricity power cuts or load shedding. They expressed that:

> *"We do not experience electricity power shortages as we share the same electricity with the Parliament of Zimbabwe. We only experience them once or twice per month for a period less than 1 hour".*

Another respondent indicated that:

> *"This area only experiences electricity shortages during the early hours of the day between 4 am and 8 am and most of the times the load shedding do not last for more than 2 hours".*

The above shows that the electricity power shortages are not uniform throughout the country. Some areas experience these load shedding for longer hours per day whilst others do not experience them and some are only affected for a few hours. Some of the franchise entrepreneurs businesses are not affected by the load shedding as they only take place after their operating business hours hence they are not incurring extra operating costs on repairing, maintenance and fuel cost relating to the running of the generators. The study confirms that businesses in Zimbabwe need to be strategically situated in areas that do not experience frequent electricity load shedding.

All (100%, n=10) of the respondents indicated that they are severely affected and experience power cuts indicated that they have generators which they use as back up to generate electricity during periods of load shedding. The respondents expressed that:

> *"All of our branches have generators that automatically switch on as soon as there is load shedding to ensure that our operations are not disrupted. We do not want to turn away customers because of electricity power cuts".*

In support of the above another respondent expressed that:

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> *"We sell pizzas and their nature demand constant supply of electricity power supply hence our generators automatically start when there are electricity power cuts. Our ovens need not to lose power for more than a minute whilst preparing pizzas. If this happens we have to throw away the pizzas as they would be of poor quality".*

The above is a confirmation that franchise businesses uses generators when there is load shedding as they do not want to lose their customers to other fast food outlets. Failure to have standby generators also lead to incurring of losses as the meals that will be in the process of being prepared have to be thrown away as they either become sub-standard, deformed or of such low quality. Some of the load shedding in some areas last for longer periods hence if they were to close their shops they risk losing customers to other competitors. Most of the materials that are used in preparing meals in the fast food industry easily get rotten especially if they are not refrigerated hence most of the fast food entrepreneurs use back-up generators to ensure that their ingredients such as meat, and vegetables do not get bad as this will result in losses hence electricity power shortages are having a negative effect on the operations of franchised businesses in Zimbabwe.

4.2.20 Water supply

The majority (60%, n=6) of the respondents indicated that their businesses are not affected by water shortages. The following remarks were captured.

> *"We do not experience water shortages at all within our business premises".*

The above proves that water shortages are not affecting the majority of the franchise entrepreneurs in the fast food industry. A further analysis of the above revealed that these businesses do not experience water shortages because there are located within the CBD of Harare and in shopping malls that have good back up plans for water such as boreholes which pumps water to entire the water system. This proves that although water shortages are being experienced in Zimbabwe, the CBD is spared from the water cuts. However, 40% (n=4) of the franchise entrepreneurs indicated that their businesses are greatly affected by the water supplies. The following remarks were captured:

> *"Water cuts are very frequent in this area especially in the morning between 7am and 10am. Despite the frequent water cuts we still receive expensive water bills as if we are receiving normal water supplies".*

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All (100%, n=10) the respondents indicated that they have backup plans for water cuts to ensure that their business operations are not affected by the water cuts. The following remarks were made by the respondents:

> *"We have water tanks that are connected to all the water pipes of the store that supply water in case of water cuts".*
>
> *"There are boreholes that were drilled that supply the whole of this shopping complex in cases of water cuts".*
>
> *"We have water reservoirs in all of our branches that supply water to all water pipes when we experience water shortages and we refill them by hiring trucks from companies that have water motor vehicle tanks if water cuts happen for longer periods"*

The above excerpts shows that the persistent problems of water supplies are affecting the franchise entrepreneurs hence they had to have back up water supplies to ensure that their businesses continue to operate normally. Water is very important for fast food operators as it enables franchise operators to keep their places clean and hygiene. Water is a vital resource as it is needed to continuously clean the shops when they are dirty as fast food businesses continuously receive large number of customers coming in and going out every minute. Continuous water supplies ensure that hygiene is maintained in the toilets as water is needed when cleaning the toilets and its mixture with cleaning materials helps to prevent the bad smelling of the toilets. In Harare, the water distribution system was built long before independence in 1980, and has gone without proper maintenance for many years, and its pumps, that have an expected lifespan of between 15 and 20 years have not been replaced since they were installed (Mangizvo and Kapungu, 2010). This means that the water systems are dilapidated and will continuously breakdown; this translates into water shortages. As a result, residents and businesses in the city go without water for more than twelve hours, daily (Mhlanga, 2015b). Therefore, franchise businesses operating in Zimbabwe are severely affected by water shortages.

4.2.21 Monitoring and Controlling of franchisees to ensure that they maintain the same standards

This question was directed to the franchisors only with the purpose of extracting information on how they monitor and control their franchisees to ensure that they maintain their standards. The franchisors expressed similar sentiments on how they monitor and control their franchisees to

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ensure that all the franchised branches maintain the same standards. The following remarks were captured:

> *"We properly train our franchisees', staff to ensure that they know all the processes of running a franchised retail outlet under our brand name. We hold monthly meetings with our franchisees together with their branch managers. All our franchisees and their branch managers report to our operations manager who visit each branch within our franchise network weekly".*

In support of the above another respondent indicated that:

> *"We have a standard quality requirement which our franchisees and their manager know; we hold meetings regularly with the franchisees and their branch managers. We also do assessment checks at any time unexpectedly on every branch".*

In light of the above responses it can be deduced that training, holdings meetings with franchisees and their managers and conducting quality inspections plays a pivotal role in maintaining and controlling franchise restaurants to ensure that all the branches maintain the systems standards. The findings are in agreement with Khan's (2014), explanation that nothing can beat the impact of face to face meetings with the franchisor and the franchisee as it affords an opportunity to the franchisor to get first-hand information on how the franchised business are operating. Training franchisees and their employees ensures that they gain enough knowledge on how to run the restaurants according to the franchise brand system standards and it also provide them with a better understanding of the systems philosophy. Holding meetings with the franchisees and their branch managers help in updating every franchisee to be aware of what is happening in the franchise business system. It is through these meetings that the franchisees operating in Zimbabwe's fast food industry get an opportunity to share their ideas and assist each other to ensure that their businesses maintain their system standards.

4.2.22 Managing higher volumes of customers

On the question of how franchise operators manage high levels of demand at their branches, all (100%, n=10) the respondents expressed that their staff and the nature of their equipment allow them to contain high volumes of customers. The following remarks were captured:

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"We have state of the art equipment that enables us to produce high volumes of meals per given time and we usually have more staff working, both part time and permanent during peak hours and peaks days".

In support of the above another respondent indicated that;

"We increase staff during pick hours and days to the higher levels of demand. The staff is also highly skilled to serve large volumes of customers for and during the festive season we always have more workers working to ensure that our customers are served on time and we also make sure that our grillers and stoves are repaired and maintained to ensure they operate at full capacity".

The above indicates that franchise operators have enough knowledge about their sales volume counts and the consumer buying behaviour. This enables them to correctly estimate their sales volume on a given day which enables them to increase their personnel, stock levels and production of standard meals in anticipation of increased customer volumes in their branches.

4.2.23 Minimum standards time spend by customer receiving their meals

The respondents indicated that they always strive to ensure that customers receive their meals within a short period of time as possible but mainly the times are dependent on the type of the meals ordered. The following remarks were made:

"Majority of our meals take less than 3 minutes from the point where customers order to the point of receiving, we always have ready cooked pieces of chicken and our chips take 2 minutes to be prepared as we cook them when customers place their orders as we prefer customers to receive them when they are crisp fresh. Meals such as burgers and wraps take a duration of less than 5 minutes to be prepared and to be given to customers".

"We specialise on pizzas and as you can observe we take less than 10 minutes to prepare them and we give customers track timers that indicate time left for them to receive their pizzas. The timers are set for 10 minutes and if the order surpasses the 10 minutes indicated on their time trackers they will get refunds on their order and get the pizza for free".

"Orders that include grilled meats take for a standard time of 7 minutes to be received by the customers from the point they order and chips only take less

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than 2 minutes as they are kept precooked and are finished when orders are placed".

"Most of our meals take less than 2 minutes for our customers to receive them and eat after ordering as we serve standard dishes such as sadza rice or and beef stew, chicken stew, roasted stew grilled beef and fish. Meals that include chips usually take at least 3 minutes during off peak hours and less than 2 minutes during peak hours such as during lunch time and between 5pm and 6pm as we cook them in advance in anticipation of higher levels of demand".

The above highlight that franchise entrepreneurs have set their own delivery times on their meals to ensure that customers do not wait for a long time for their meals to be delivered to them. This helps them to speed up their services and in the process ensures that customers do not become bored of waiting for the meal orders.

4.2.24 Performance of the business during the 2014 festive season and the influence of disposable income on sales revenue

On the question of how the franchised fast food businesses performed during the 2014 festive season, majority of the respondents (80%, n=8) indicated that their sales revenue were lower as compared to prior years. The respondents expressed that:

"Business was different as compared to other festive seasons, our sales revenue were very low as compared to other festive revenues maybe mainly to low disposable income for our customers as most of them did not receive their bonuses on time and some did not receive them at all".

Another respondent with the same sentiment expresses that:

"The sales records for the festive season were lower as compared to other festive seasons. I think customers were being sensitive in buying hence they spent their incomes on cheaper meals such as Two piercer meals and chips and other meals that cost less than USA $4".

From the above excerpts it can be deduced that the majority of the fast food business recorded lower sales volume during the 2014 festive season as compared to other years. This can be attributed to the fact that most of the civil servants did not receive their bonuses in time whilst the majority of those employed in the private sector did not receive their bonuses at all. This argument

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is endorsed by Matabvu's (2015), article which explained that the majority of these civil servants received their bonuses in January, 2015 and February, 2015, hence they spent less of their incomes on fast food visits during the festive season as they were still not certain if they were going to get their bonuses.

The respondents also pointed out that the level of disposable income being earned by the majority of the Zimbabwean workers is negatively affecting their sales revenue. The respondents gave the following remarks:

> *"The sales revenue is not consistent but from my own observation the customers are now price sensitive and are spending their money very wisely. Most of the customers are preferring to save their income especially those in the working class in fear of losing their jobs in the near future".*
>
> *"Our sales decrease in months when primary and secondary schools opens".*

The above utterances by some franchise entrepreneurs suggests that consumers in Zimbabwe reduced their spending towards fast food meals in the year 2014 and 2015 as a result of their meagre incomes. This has negatively affected the sales revenue for the fast food business owners. This can be attributed to the fact that most of the consumers in Zimbabwe are very price sensitive and have reduced their spending towards fast food meals as they are living on shoestring budgets.

Contrary to the above 20% (n=2) of the respondents indicated that their businesses performed very well during the festive season and are still performing very well currently.

> *"We performed very well, we recorded an increase in our sales revenue during the festive season".*
>
> *"The businesses performed very well during the festive season we recorded high sales volume. During the festive season most of the Zimbabwean love to spend their money on fast food meals".*

From the above statements it can be deduced that despite the majority of the Zimbabwean population having not yet received their bonuses in the festive period in 2014 they were some fast food business that recorded higher revenues in the 2014 festive season. The above excerpts proves that some consumers could not resist spending their incomes on fast food meals regardless of them having little money to spend on luxurious activities. A further analysis reveals that the above excerpts were from International franchise brands that had opened new branches

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in September, 2014 and November, 2014. These are brands that the Zimbabwean fast food lovers had long waited for them to open hence they could not resist spending their incomes as they are mouth-watering meals.

4.2.25 Capital for growth

Majority of the respondents (80%, n=8) shared the common perception that their businesses do not have adequate capital for growth. They all indicated that they want to expand their businesses but their growth ambitions are hampered by lack of adequate capital. The respondents shared these common views:

> *"We do not have adequate capital for growth. We would like to open more branches for our businesses in Harare but we do not have sufficient capital funds to invest or start up or set up a new branch".*

> *"We are trying to set up a new branch in Harare but lack of sufficient funds is hampering the opening of the new branch".*

The above shows that franchise operators are limited in expanding their businesses by opening new branches because of lack of adequate capital. The above confirm the findings of Gangata and Matavire (2013), and Reserve Bank of Zimbabwe (RBZ) (2006), that lack of adequate capital is one of the major constraints and continues to be a significant impediment to the creation, survival and growth of many businesses in Zimbabwe. They face challenges in obtaining funds to finance the growth of their businesses. The above findings are in contradiction with Nieman and Nieuwenhuizen (2009), assertion that banks and other financial institutions are now aware that the odds for business success are far more favourable for franchised operations than for independent counterparts. Given the current prevailing economic conditions in Zimbabwe, franchise fast food entrepreneurs do not have adequate internal funds for growth hence they are in need of external funds. In an effort to access the external funds and other resources, franchise operators face many challenges to finance the growth of their businesses.

Even though the Reserve Bank of Zimbabwe lowered the interest rate, franchise fast food owners are still facing many challenges with obtaining funds to finance their business growth ambitions. This therefore, confirms Daniels and Ngwira (1993)'s opinion that financial challenges handicap the operations of business entrepreneurs. The following remarks were made regarding the availability of external funds to the franchise entrepreneurs:

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"The application procedures are very long and these financial institutions are always demanding collateral security which I do not have".

"After a very long and tiresome application process I was told that I did not have adequate collateral security for the amount that I wanted to borrow that was going to enable me to open my second branch".

"The application process is very long which is boring and personally I do not have adequate collateral security they want me to provide and their interest rates are very high".

The above is clear indication that the majority (80%, n=8) of franchise fast food owners are facing challenges in their attempts to secure external funds for their growth from financial institutions. The above shows that the majority of the franchise operators fail to provide collateral security to financial institutions for them to be granted funds to expand their businesses. The above extracts also revealed that the application process for loans in Zimbabwe follow rigid procedures which discourage entrepreneurs to apply for loans as they perceive this to be boring. The franchise entrepreneurs still perceive the current interest to be very high hence they still cannot obtain loans from financial institutions despite the fact that they were recently revised downwards. The findings are endorsed by Gombarume and Mavhundutse (2012), on challenges faced by SMEs in Zimbabwe which highlighted that the cost of borrowing funds, terms and conditions of borrowing coupled with a cumbersome process to be followed in applying for financial assistance is one of the reasons why businesses fail to get funding from financial institutions.

Contrary to the above 20% (n=2) of the respondents indicated that their business had enough capital to grow by mentioning that:

"The franchise brands that I operate make enough money for themselves to finance the opening of other branches. For example when I opened the second branch of Mugg and Bean in Borrowdale, 80% was from the proceeds of the Mugg and Bean Borrowdale first branch. I have been approached by many financial institutions that are willing to roll out franchising vision for franchising in Zimbabwe. I got approached by News Cafe, Ocean Basket, and Simple Asia to open their branches in Zimbabwe hence I do not worry about where I get money for my business".

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The above statement shows that some franchise operators are not facing challenges in raising and accessing funds to expand their businesses in the prevailing volatile business environment. Their businesses make enough money for themselves that they use their retained earnings to finance the growth of their businesses. From this it can be concluded that well managed and performing businesses attract investors and as such they do not struggle to have access to capital funds as their brand image of the businesses sell itself hence in the process attracting investors to invest in the business.

4.2.26 Effect of the Fluctuating Rand exchange rate on profit

All of the respondents shared that the fluctuating exchange rate of the rand is not having an impact on their businesses. They made the following remarks:

> *"Nowadays it is very favourable as the Rand has lost its value against the USA dollar. It has become more affordable to purchase materials from South Africa".*

Another respondent indicated that:

> *"We are not affected by the fluctuating exchange rates".*
>
> *"We are not being affected by the fluctuating South African rand exchange rate as the majority of our customers pay their bills in USA dollar currency such that we may have one or two customers who pay in the South African Rand per week and our prices are marked in USA dollar currency".*

From the above it can be seen that the franchise operators are not affected by the current fluctuating exchange rates. This may be attributed to the fact that all the restaurants prices are marked using the USA dollar currency. The USA dollar has been very stable and has over the past months gained more value over other currencies especially against the South African Rand. This therefore, makes it cheaper to import some goods from South Africa for fast food franchise entrepreneurs. The USA dollar is the most dominating currency in Zimbabwe with all franchise restaurants setting their prices in the USA dollars. The restaurants use the prevailing international currency exchange rate for customers who buy in other currencies with special reference to the South African Rand. The above is a clear testimony that the most used currency in Zimbabwe is the USA dollar hence transactions in restaurants are settled through using the US dollar, hence franchise restaurants profits are not affected by the fluctuating exchange rates. The above findings endorses Ndlovu's (2015), view that businesses in Zimbabwe's volatile business

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environment have a similar position to those in the United States of America with regards to the depreciation of the South African rand. According to Ndlovu, (2015) Zimbabweans are having a bonanza whenever they happen to convert their USA dollar assets or cash into the South African rand. For example in November 2015, one would have converted USA $1 million and got R12 million, after 2 weeks the same business man could convert the same USA $1 million and got R14 million. From the example given it can be clearly seen that there has been a real exchange rate of R2 million for the entrepreneur.

4.2.27 Costs of labour on profitability

There seemed to be general consensus that the costs of labour in Zimbabwe are very high at the moment for the majority (80%, n=8) of the franchise entrepreneurs. The costs of labour contribute a greater percentage of the total production costs incurred by franchise operators in Zimbabwe. The following remarks were captured with regards to the labour costs:

> *"Our labour costs are not indicative of the prevailing economic conditions. They are very expensive which leave us with less profit as we try to charge lower prices for our meals".*

Taking into consideration the above responses it can be concluded that the labour costs are very high to the majority of the franchise fast food owners, hence there should be a downward revision of the Zimbabwe's labour cost structure. A respondent indicated that the reason for the higher labour costs structure may be attributed to:

> *"When we migrated from the Zimbabwean dollar to the multi-currency most Zimbabweans remained with the mind-set of a hyperinflation era such that many people viewed the United States dollar as equivalent to the hyper inflated Zimbabwean dollar".*

As evidenced by the above statement the general feeling among franchise fast food owners is that workers in the fast food business are overpaid under the present volatile business environment. This is supported by Makichi (2014), who concluded that there is no correlation whatsoever between production and remunerations in Zimbabwe and this has resulted in most companies bleeding. The Zimbabwean labour costs are very high because their cost structures are centred on the poverty datum line of USA $500, the highest in the region which cannot match the current operation of major companies in Zimbabwe (Makichi, 2014). With the labour costs being centred on the poverty datum line in Zimbabwe their costs have eroded a greater percentage of the franchise fast food owner profits.

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Contrary to the above 30% (n=3) of the respondents felt that the labour costs they incur in their franchised brands are very affordable to their business. The interviews revealed the following:

> *"When I opened my first franchise I assembled the best trained young Zimbabweans whom some of them I had trained from 2003 to 2010 when I was still working in the hospitality industry and some who had gone for further training in best catering and hospitality schools in South Africa, Switzerland, France United Kingdom and Australia. These young people were based across the globe and I had to convince them to come and join my franchise ventures".*

The above is clear testimony that well performing franchise restaurants who hire highly qualified and experienced employees are well rewarded by the input of these highly skilled and experienced workers. These make them to have a competitive edge over their rivals. This is also a clear indication that a good team made of best high qualified, skilled and experienced workers in the fast food industry helps to build a good brand that market itself hence in the process recovering all the expenses incurred by the business including the salaries and wages of workers. The findings are in agreement with Kanchana, Divya and Beegon (2013)'s explanation that a strong team with high skills and experience is a necessity for building a successful business and it is also the duty of entrepreneurs to make sure that their teams see the same future with them. The assembled team must believe in possibilities and passionate about making that possibility a reality.

4.3 Summary

The chapter presented empirical findings on the study of the challenges and success factors of franchise entrepreneurs in the fast food industry in Zimbabwe's volatile business environment. The results of the study indicated that regulatory constraints related to registration of businesses and obtaining operating licences from the Municipal Council pose a serious threat to franchise entrepreneur businesses. The government is not doing enough to promote the growth of franchising in Zimbabwe. Franchise entrepreneurs pay high rental charges and the majority of them especially the local franchise find it difficult to secure suitable places to locate their businesses. Electricity power shortages are severely affecting the operations of fast food franchise businesses. The non-payment of bonuses to the majority of the workers in the 2014 festive season negatively affected the sales revenue of the majority of franchise operators. Franchise entrepreneurs do not have adequate capital to finance their growth and expansion ambitions and face challenges in trying to access external funding from financial institutions.

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Joining a well-managed and invested international franchise brand proved to be a success factor to some franchise entrepreneurs. Empirical findings of this study revealed that employing a mixture of permanent and part time workers and paying their salaries and wages through the incentive payment method helps to reduce costs for the business against the background that cost of labour are very high in Zimbabwe as revealed by the study. International franchised brands franchise operators have ample opportunities to expand their businesses as they can easily secure premises to locate their businesses and funds to finance their growth ambitions. Franchise entrepreneurs in Zimbabwe's fast food industry use sales promotion as a tool to attract more customers to their branches. Conducting trainings for franchisees and their employees, holding meetings with franchisees and conducting quality inspections help to ensure that all branches that belong to the same franchise business system maintain the same quality at all times.

The next chapter will focus on the conclusions and recommendations derived from the collected data and will suggest areas for future research.

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CHAPTER 5: CONCLUSIONS, RECOMMENDATIONS AND AREAS FOR FUTURE STUDY

5.1 Introduction

The main purpose of this study was to explore the challenges and success factors of franchising entrepreneurs in a volatile business environment in Zimbabwe's fast food industry. Therefore, this chapter is a presentation of the study's conclusions and recommendations made from the findings of the study.

5.2 Conclusions of the study

- **To identify the critical success factors of franchising in a volatile business environment in the fast food industry in Harare.**

The study discovered that joining a well-managed and invested franchise brand help to serve money on advertising in a volatile business environment. There is no need for franchisee entrepreneurs to advertise their business as the franchise brand name sells itself to customers hence attracting more customers to the business.

Employing a mixture of permanent and part time employees in the fast food industry help businesses to reduce operating costs. The results of the study showed that all the franchise entrepreneurs employ a mixture of permanent and part time workers. The part-time workers only report to work when they are required to do so especially on weekends, peak hours and peak days. These part-time worker's wages and salaries are determined by the number of hours they would have worked per given period. This therefore, helps to reduce the operating costs for franchise restaurant owners as they only pay for work done.

The incentive payment method used by franchise entrepreneurs helps to keep workers motivated at all times. This improves the quality of the meals and the overall services that are rendered to fast food customers. A motivated staff is always productive and efficient which improves the performance of franchised restaurant business.

The study findings proved that to survive franchise entrepreneurs do not need to focus on the quality of meals alone. They believe that the appearance of the restaurant which includes the design, layout and arrangements of chairs and tables play a pivotal role in attracting customers to spend their hard earned incomes on their restaurants. Therefore, the study concludes that customers do not consider the quality of meals when deciding where to buy meals but consider the overall services offered by the restaurant. The study also shows that fast food customers are very price sensitive and therefore, charging lower prices help to lure more customers.

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Localisations of fast food meals by local and international franchise brands help to attract more customers as it offers customers a wide variety of meals to choose from when they are purchasing. Communicating with customers also stood out as one of the success factors for franchise entrepreneurs. It is through interaction that the fast food owners learn about customer experiences pertaining to their meals and other services that accompany these meals.

The study findings also discovered that fast food franchise brands operating in Zimbabwe are uniquely distinctive from each other. Each brand has its own niche market hence they face less direct competition.

The study has shown that, consistent with literature franchise businesses need to maintain a uniform standard of quality in their franchise network system. The ability to maintain the same higher standards of quality at all branches helps the business to have a sustainable competitive advantage over its rivals. This leads to customer loyalty which enhance profitability in the long run.

Having a better knowledge of the customer buying patterns at a branch is important for managing higher levels of customers at a given time and a day. This enables the fast food owner to estimate the amount of stock and workforce required to satisfy customers. The findings of the study further revealed that an effective and efficient delivering time for meals to customers is an important success factor. This ensures that customers receive their meals within the promised time.

Franchise operators who operate from their own premises save a lot of money, they only pay rates to the Harare City's Municipality. This plays a significant role in reducing their operating expenses as compared to businesses that are renting from others.

Franchise entrepreneurs who operate international franchised brands do not face financial challenges. The results of the study revealed that financial institutions and investors in Zimbabwe prefer and are more than willing to invest in international franchised that have a proven success record which are well managed and have the potential to grow and earn huge profits in Zimbabwe's volatile business environment.

Franchise operators who run international and well managed franchise brands have bargain power over their landlords and property owners and therefore, they negotiate favourable rental charges with their landlords. The results show that some of these entrepreneurs are approached by the property owners requesting them to set up their business in their premises hence giving them power to negotiate for favourable rent charges

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Setting their prices in the USA dollar proved to be a success factor for franchise entrepreneurs. All of the respondents highlighted that using the USA dollar currency has been very favourable to their business. The USA dollar value has been appreciating hence making it a favourable currency for franchise entrepreneurs to use in Zimbabwe's volatile business environment.

- **To determine the obstacles towards successful franchising in a volatile business environment in the fast food industry in Harare**.

Franchise fast food owners faced a problem of "red tape", that is strict business registration process and regulation requirements, a system that is slowing down the processes of starting up a business. These regulatory constraints pertain to the registration of businesses and obtaining operating licences from the Harare Municipality. The study has shown that the Harare City's Municipality accounts to more than half of the causes in delays of starting a business accounting to 54 days out of the 90 days taken to open a business. The study also further shows that the operating licences obtained from the Municipal authorities are very expensive for franchise entrepreneurs. These costs account to 60% (USA $564) of the USA $940 total costs incurred in registering and starting up a business in Zimbabwe.

The government of Zimbabwe is not providing adequate support to encourage the growth of franchising. This is a result that all the respondents concurred that the government should offer tax incentives, help set up a franchising board that will represent the interests of franchise entrepreneurs to encourage the growth of franchising.

Franchise entrepreneurs from less renowned franchise brands face difficulties in securing convenient places to locate their businesses. The findings of the study show that landlords and property owners prefer to give business space to well renowned franchise brands which are well managed and well invested as they have the potential to pay their rental charges. The findings of the study further show that franchise entrepreneurs perceive rental charges from landlords to be very expensive. The findings of the study revealed that 70% (n=7) of the respondents are failing to pay their rental expenses under the prevailing volatile business environment in Zimbabwe.

Electricity power cuts are threatening the operation of the majority of franchised business. Power cuts interruptions have been increasing over the past years in Zimbabwe, with the majority (80%, n=8) of the respondents indicating that they use generators in case of power cuts. The study further shows that, fuel costs and maintaining costs of generators is very expensive and franchise entrepreneurs are finding it difficult to operate their business under the prevailing conditions.

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Severe water shortages are threatening the operations of franchise entrepreneurs in the fast-food industry. The results of the study showed that 40% (n=4) of the respondents are affected by water shortages. This forced them to spend their incomes towards acquiring water reserve tanks due to Harare City's Municipality failure to provide adequate water as a result of the aged water pumps and motors.

The government's failure to pay the civil servants their bonuses on time and the failure by the majority of private companies to pay bonuses to its workers for the 2014 festive season had a negative effect on the sales revenue of the majority of franchise entrepreneurs. The results of the study show that the sales revenue recorded by the majority of the local franchised entrepreneurs in the 2014 festive season were lower as compared the other previous years. This left the majority of the Zimbabweans with a shoe string budget during the 2014 festive season hence they reduced their spending towards fast food businesses.

Franchise entrepreneurs face financial challenges even though the government reduced the interest rates on loans. The study shows that 80% (n=8) of the franchising entrepreneurs are facing financial challenges to fulfil their growth ambitions. The major obstacle for them to obtain loans from financial institutions is that they lack collateral security required by financial lending institutions.

- **To identify the reasons or motives for growth of local franchised brands against international brands in a volatile business environment in the fast food industry in Harare.**

The empirical results of the study revealed that international franchised brands are growing faster than the local franchised brands. The findings of the study showed that there are many international franchised restaurants that opened branches in 2014 and 2015. This can be as a result that the majority of the Zimbabweans are very fond of international franchised meals with good brand images and therefore, they cannot resist spending their incomes on these franchised brands. The brand images of these international franchised brands help the owners to secure convenient places to locate their businesses to property developers, owners and also attracting investors to invest in their businesses. This therefore, becomes less problematic for international franchised brands entrepreneurs to survive in the prevailing Zimbabwe's volatile business environment. This can be directly observed by the growth of franchised international brands branches in Harare such as the Mugg and Bean, News Cafe, KFC, Ocean Basket and Smooch.

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5.3 Recommendations

The government should play an active role in reducing the total costs incurred when starting up a business and the number of days taken to start up a business. Zimbabwe currently stands at 180 in the ranking of 189 economies on the ease of doing business. The procedures for registering a new business need to be reduced from the current 90 days. A reduction in the above will help to attract more investors into the country.

The government should ensure that shopping complexes and malls do not receive any power cuts to ensure that franchise restaurants do not incur huge expenses associated with fuel costs, maintenance and repairing of generators. Load shedding must only be limited to households whilst business complexes, shopping malls and garages where some of the restaurants are located must be spared from load shedding.

The government should set aside specific funds that should be given to franchise entrepreneurs as loans at lower interest rates to develop and fulfil their growth ambitions. These funds must be easily accessed by franchise entrepreneurs at lower interest rates as compared to those offered by banks and the government should monitor the operational activities of these franchised businesses.

The government should try to attract new investors through incentives such as taxes on franchising businesses. These tax incentives schemes may include exempting new franchised businesses from paying taxes for a certain period for example for the first 5 years. The government should be clear on its position with the Indigenisation policy in order to boost more investors. Many investors are unaware on whether the policy still requires foreign investors to surrender their 51% majority ownership to the locals or not. The government needs to promote a good investment climate by eliminating bureaucracy, unfriendly business regulations and fight corruption to encourage the growth of franchising phenomenon.

The government should adopt the franchising business model as a tool for economic development. This therefore, means that to enable this to happen the government should play an important role in the establishment of a vibrant franchising board in Zimbabwe. The establishment of a vibrant franchising board will lead to the passing of franchising laws, developing of supporting programs such as conferences and exhibitions for franchise entrepreneurs to enhance their growth. This will also ensure that the contribution of franchising to Zimbabwe's GDP is well measured, calculated and documented, as currently the contribution of franchising businesses to the country's GDP is unknown.

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Franchising entrepreneurs in Zimbabwe must be well informed of the available supporting institutions and their roles in the development of their businesses. The majority of franchising businesses may be classified as SMEs and therefore, they should be given support by organisations such as the Small Enterprise Development Corporation (SEDCO) and International Labour Organisation (ILO) which support the growth of SMEs in Zimbabwe.

The government of Zimbabwe need to benchmark with other countries such as South Africa on how there are promoting the growth of franchising business model in their countries to ensure that it effectively use franchising business model as a tool for economic development.

Franchise entrepreneurs should search for other alternative sources of finance which are less expensive and do not follow rigid procedures to finance their growth ambitions. These alternative sources of finance include borrowing from family members, selling their personal assets, family servings and also form partnerships with other franchisees and franchisors to raise funds to open new branches.

Franchise entrepreneurs need to effectively and efficiently manage their franchised businesses to ensure that they are more profitable and that investors can clearly see that they have growth potentials. This will help their businesses to attract more investors and property developers such as the Old Mutual and MBCA bank.

The Harare City's Municipality should speed up the process of issuing operating licences to business. The Harare City's Municipality slow and long processes cause delays in opening of many businesses. Therefore, the City authorities should eliminate its bureaucratic procedures make more resources available for inspectors to use when there are inspecting business premises that need to be granted operating licences.

The Harare Municipal authorities should revise down operating business licences to make them more affordable to business entrepreneurs.

5.4 Areas for future research

The study has provided an insight into franchising in Zimbabwe's volatile business environment focusing on the fast food industry. The following areas are recommended for further research.

The study only focused on franchising in the fast food industry. Franchising in other industries were therefore, excluded from this study hence there is need to conduct a study focusing on franchising in other industries. It would be of academic interest to find out what are the challenges and success factors of operating franchise businesses in other sectors of franchising under the

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prevailing volatile business environment in Zimbabwe. For example a study of this nature may be conducted in the real estate industry.

The study only focused on franchised fast food restaurants and excluded fast food business that are not franchise owned. It would be of academic interest to find out the challenges and success factors of operating in a volatile business environment for fast food outlets that are not franchised owned.

5.5 Limitations of the study

- There is limited information about franchising in Zimbabwe, for example the franchising growth rates and the contributions made by franchising to the GDP (Gross Domestic Product) of Zimbabwe.
- Some of the respondents refused to take part in the study because they were not comfortable with sharing information about Zimbabwe's volatile business environment.
- Some of the respondents who took part in the study were very reluctant to share in-depth information about some of the challenges they are facing in operating in Zimbabwe's volatile business environment as they felt that they were politically related questions.

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APPENDICES

Appendix A: Letter of Data Collection

SCHOOL OF MANAGEMENT SCIENCES
OFFICE OF THE DEAN

09 September 2015

TO WHOM IT MAY CONCERN

I hereby confirm that Shumba Knowledge (11605757) is a Masters student in the Department of Business Management at the University of Venda. His field of study is franchising in a volatile business environment. A case of the fast food industry in Harare, Zimbabwe. The objectives of his study are;

- To identify the critical success factors of franchising in a volatile business environment in the fast food industry in Harare.
- To determine the obstacles towards successful franchising in a volatile business environment in the fast food industry in Harare.
- To identify the reasons or motives for growth of local franchised brands against international brands in a volatile business environment in the fast food industry in Harare.
- To suggest viable recommendations that will enhance franchising in a volatile business environment in the fast food industry.

As part of his study he needs to obtain information about franchising entrepreneurship specifically related to the Zimbabwean business environment. Therefore the required information is purely for academic purposes.

It would be much appreciated if you could assist him.

Mr. S. Zindiye

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SCHOOL OF MANAGEMENT SCIENCES
16 SEP 2015
UNIVERSITY OF VENDA

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Appendix B: Interview Schedule



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Introduction

In the face of the volatile business environment in Zimbabwe it is not easy to conduct business in the fast food industry. I am conducting a study on franchising in the fast food industry. I am inviting you to participate in this study because I believe your extensive experience will provide rich insight, understanding, explanation and depth regarding operating business through franchising in Zimbabwe. With your consent this discussion will be recorded and I will also make a few notes for myself during the interview which will enable me to accurately capture everything that we discuss. Your participation in this research is voluntary and you may choose to withdraw at any time or not to answer particular questions.

Confidentiality Clause: The questions in this research do not suggest the collection of any personal information about you and your business. They are formulated in such a way as to establish the challenges and success factors of franchising in Zimbabwe's volatile business environment. To help protect your confidentiality the survey does not contain information that will personally identify you. All data collected and conclusions made will be solely be used for academic purposes. If you have any questions about the research please feel free to ask. If you have understood the above information and you agree to participate in this interview please sign below:

Respondent .....

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General Management

1. When did you open up your business?
2. What were the legal problems you faced when you registered your business? Examples are Government regulations, Municipal bylaws.
3. What were the other challenges you faced when you opened your business?
4. Do you think the Zimbabwean government represent the interest of the business people?
5. If yes how do you think they are doing so?
6. If no why do you think your interest as a business entrepreneur are not represented by the government?
7. Do you think the government is playing its part to promote the growth of franchising in Zimbabwe?
8. What type of support do you think the government should provide to promote franchising?
9. From which government policies has your business benefited for example the Black Empowerment and Loans from the Ministry of Small to Medium Enterprises?
10. To what extent are government decisions affecting the profitability of fast foods in Zimbabwe?
11. Do you employ permanent or contract employees? Motivate….
12. What are the effects of Zimbabwe's high unemployment rate in relation to:
    Sales revenue?
    Quality of Employees you hire?
    Morale of your employees?
    Recruitment strategy?

Marketing

1. In your own opinion what do you think Zimbabweans think about your brand(s)?
2. What has influenced them to have such a perception?
3. What are your key strategies to adjusting to the continuous changes in the marketing environment?
4. Who are your major customers?
5. How do you ensure they are always satisfied?
6. Considering the Zimbabwean economy which customers do you think franchising fast foods business should mainly focus on in order to improve profitability?
7. What is the effect of new entrants in the fast food market on your business?
8. How are the intermediaries affecting your business activities?
9. Are there new opportunities to expand your market share in the fast food industry?

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10. Do you sometimes run promotions for your products?
11. If yes give examples?
12. Have these promotions helped in attracting more customers and fight competition

Operations

1. Do you rent or you own the premises that you operate from?
2. If you are paying rent, are the charges reasonable?
3. If not renting, to what extent has this helped the business to reduce its costs?
4. What strategies are you using to reduce your costs of production?
5. Explain in your view how effective it is to the success of the business?
6. How do you ensure that that you always have enough stock of raw material at the right time, price, quality and quantity?
7. Do you have bargain power over your suppliers?
8. How has the electricity power cuts and shortages affected your business over the past years and presently?
9. How frequently are the power cuts?
10. What plans have you put in place to ensure that the business is not affected by power shortages?
11. If using generators are all the branches having the generators?
12. How are water supply interruptions affecting your business activities?
13. What strategies have or plans have you put in place to make sure that that the business is not affected by water shortages?
14. How do you monitor and control your franchisees to ensure that all of them maintain your standards?
15. How do you manage high levels of demand of customers at your branches?
16. What is your minimum standard time for customers to receive their meals after ordering them or to be served in general?
17. Do you think this has helped to attract customers?

Financial

1. How did your business perform during the festive season as compared to other years given that most of the civil servants had not received their bonuses?
2. How has the level of disposable income of the Zimbabwean population affected your sales income?
3. Are the prices charged for acquiring some of the required licences affordable?

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4. Are they easily renewable?
5. Does the business have adequate capital for growth?
6. What are the challenges you are facing to get adequate capital for growth?
7. Do you have access to these long-term financial funds?
8. What are the effects of the fluctuating exchange rates on your profits?
9. How are the exchange rates affecting your business in relation to the costs of raw materials and trying to maintain the prices you charge to customers?
10. What has been the effect of the inflation rate on your business activities overrally?
11. What can you say about the current tax regimes being employed by the government?
12. How has the previous interest rates prior to the new ones introduced by the Reserve bank affected your business?
13. What can you say about the present reduction of the interest rates by the Reserve bank in relation to obtaining loans and the costs of doing business in Zimbabwe?
14. Do you think the labour costs in Zimbabwe are very high? Motivate your answer.
15. If labour costs are very high what are you doing to reduce them?

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Appendix C: Editorial Letter

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Editorial Letter

This serves to confirm that I, Mr Aaron Khosa, attached to the University of Venda, Foundation Section, School of Management Sciences have proofread a thesis document, titled **"Franchising in a volatile business environment: A case of the fast food industry in Harare, Zimbabwe"** by Knowledge Shumba, student number 11605757 University of Venda. The thesis is coherent and captures the essence of the research undertaking. However, a few technical errors relating grammar, expression, word order and formulation of ideas were identified for the student to correct.

Mr A. Khosa

..... Date 18/02/2016

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