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Brand resonance in franchising relationships: A franchisee-based perspective

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ABSTRACT

The formation of brand-centric relationships between franchisors and franchisees is of utmost importance to the success of franchising endeavors. Brand resonance refers to the nature of heightened brand-centric relationships and is characterized by intense psychological attachment with a brand as well as active, volitional behavior directed toward the brand's benefit. This study offers a parsimonious framework of the antecedents of brand resonance in franchising relationships and test hypothesized relationships from the franchisee's perspective using data collected from business format franchisees in South Korea. Results demonstrate that franchisor's knowledge specificity, franchisor's trade equity, and franchisee's trust in franchisors are instrumental in the formation of brand resonance. Implications for researchers and practitioners as well as directions for future research are offered.

1. Introduction

Marketers attempt to cultivate and leverage brand-centric relationships with key stakeholders in order to enhance the equity of their respective brands (e.g., Fournier, 1998; Keller, 2013). Brand resonance refers to the nature of heightened brand-centric relationships that transcend mere product or service dimensions to include deep psychological attachments and active supportive behaviors directed toward the focal brand (Fournier, 1998; Keller, 2013; Thomson, MacInnis, & Park, 2005). Keller (2013, p.92, italics in original) describes brand resonance "in terms of *intensity*, or the depth of psychological bond that customers have with the brand, as well as the level of *activity* engendered by this loyalty." The cultivation of brand resonance, therefore, has the potential to enhance the success of marketing programs in both business-to-consumer and business-to-business contexts.

In franchising relationships, where alliances between franchisors and franchisees are formed using brands as the foundation, brand resonance among franchisees holds tremendous importance for the equity of the franchised brand. Both franchisors and franchisees share the responsibility for promoting and sustaining the equity of the franchised brand (Nyadzayo, Matanda, & Ewing, 2011) and, although neither party has complete control over the brand management process, they are mutually dependent on one another to safeguard the identity and image of the franchised brand (Pitt, Napoli, & Van Der Merwe, 2003). For instance, franchisors are responsible for building the equity of their brand within the franchising network as well as among end-consumers (Davis & Mentzer, 2008). On the other hand, franchisees are key brand contacts for consumers and bear responsibility for reflecting the franchised brand's meaning consistently as well as influencing consumer attitudes and behaviors toward the brand (Gould, 2005; Leiser, 2012). When franchisees develop strong relationships with the franchised brand, they are more likely to surpass contractually specified behaviors and volitionally engage in actions that enhance the brand's value (Nyadzayo et al., 2011). However, although prior research has focused extensively on brand relationships in consumer and business contexts (e.g., Fournier, 1998; Keller, 2013; Kotler & Pfoertsch, 2007), very little is known about the cultivation of brand-centric relationships among franchisees and, specifically, the drivers of brand resonance in franchising networks (Nyadzayo et al., 2011).

The purpose of this study is to offer a parsimonious framework of the antecedents of brand resonance in franchising relationships and test hypothesized relationships from the franchisee's perspective using data collected from business format franchisees in South Korea. In doing so, the study responds to three specific chasms highlighted in calls for further research in the franchising literature. First, although franchising essentially involves agreements to manage brands in specific markets, very few studies have explored brand-centric relationships between franchisees and the brands they manage (Nyadzayo et al., 2011; Pitt et al., 2003). As franchisees are the most important brand touchpoints to consumers, understanding the nature and drivers of their relationships with franchised brands would shed further light on

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how franchisors can manage the equity of their brands. Second, studies on franchisor-franchisee relationships have overwhelmingly been from the franchisor's perspective and relatively fewer studies have focused on the franchisee's perceptions of the drivers and outcomes of such relationships (Altinay, Brookes, Madanoglu, & Aktas, 2014; Croonen & Brand, 2015; Meek, Davis-Sramek, Baucus, & Germain, 2011). Understanding the franchisee's perspective would enable franchisors to make informed decisions regarding policies, procedures, relationship building activities, and brand management strategies (Dant, Grünhagen, & Windsperger, 2011). Third, whereas most of the extant studies have explored franchising in the United States, very little attention has been afforded to franchising issues in global markets (Dant et al., 2011). Yet, franchising is a now a global phenomenon with growth rates stagnating in mature markets like the United States and the United Kingdom while accelerating in markets like China, India, Russia, and South Korea (Dant et al., 2011; Hoffman & Preble, 2004). An examination of franchising relationships in international contexts would greatly enhance knowledge of the applicability of current theoretical frameworks on franchising relationships (Dant, 2008).

In the following section, the research framework and hypotheses are presented. Next, data collection, measure validation, analytical procedures, and results are discussed. Finally, the discussion, the implications, limitations, and future research directions are summarized.

2. Background

2.1. Franchising

Franchising is a business format wherein a firm (i.e., the franchisee) enters a long-term contractual agreement with another firm (i.e., the franchisor) in order to market products or services under brand names and business practices idiosyncratic to the franchisor in return for a share of revenue, royalties, and/or fees (Combs, Michael, & Castrogiovanni, 2004). In product trade-name franchising (e.g., automobile dealerships), franchisees function as authorized dealers of branded merchandise with specific territorial assignments and monetary obligations to franchisors based on gross margins (Dant et al., 2011). In contrast, in business format franchising (e.g., fast-food restaurants), franchisees perform business functions in strict adherence with operating instructions stipulated by franchisors and pay various royalties and fees in return (Dant et al., 2011). Since the advent of its modern form in the United States in the 1850s, franchising has developed into a significant form of business in the global retail landscape (Dant et al., 2011). In 2015, the franchising sector is expected to contribute approximately $521 billion or about 3% of the United States Gross Domestic Product (GDP) in nominal dollars (IFA, 2015a) and represents one of the fastest growing forms of retailing worldwide (Dant, 2008).

Despite the economic importance of franchising, there is a dearth of research on franchisees' relationships with the franchised brand, which franchisors develop to attract franchisees, differentiate their opportunity, compete better, and facilitate growth (Nyadzayo et al., 2011; Zachary, McKenny, Short, Davis, & Wu, 2011). In addition to developing their corporate brand targeted at a broad audience (e.g., customers, investors, and other stakeholders), franchisors develop their franchising brand specifically targeted at current and potential franchisees (Zachary et al., 2011). Therefore, to recruit franchisees and compete better with other opportunities, franchisors need to develop strong franchising brands that are perceived as unique and attractive by their intended target market (Zachary et al., 2011). Although the responsibility for managing a franchisor's brand rests with both franchisors and franchisees (Pitt et al., 2003), the successful orchestration and implementation of branding activities depends considerably on the extent to which the franchised brand develops resonance among franchisees (Zachary et al., 2011).

2.2. Brand resonance

Brands not only form the basis of franchising relationships, but also hold tremendous value in terms of sales volume, pre-established demand, higher margins, better inventory turnover, image enhancement, and relationship commitment (Webster, 2000). Franchisors offer their brand a 'pledge of support' (Webster, 2000) and attempt to develop strong brand attachment among franchisees in order to motivate them to perform appropriate brand citizenship behaviors (Nyadzayo et al., 2011). Ultimately, strong and reliable brand-centric relationships between franchisors and franchisees facilitate the delivery of consistent product offerings and stable brand image to end consumers (Davis & Mentzer, 2008; Nyadzayo et al., 2011).

The brand resonance model (Keller, 2013) offers helpful insights for franchisors to cultivate intense and active brand-centric relationships among franchisees. According to the brand resonance model, significant brand equity arises only upon the execution of six steps or "brand building blocks": 1) *brand salience*, or how easily or often a brand is evoked, 2) *brand performance*, or how well a brand meets functional needs, 3) *brand imagery*, or how a brand meets psychological or social needs, 4) *brand judgments*, or brand-related opinions and evaluations, 5) *brand feelings*, or brand-related emotional responses and reactions, and 6) *brand resonance*, or the nature of relationship with the brand (Keller, 2013). Brand resonance, is at \the pinnacle of the brand building process and represents intense and deep psychological attachment that customers forge with a brand along with concomitant loyal behaviors. It is further conceptualized in terms of four distinct dimensions: 1) *behavioral loyalty*, or continued intentions to transact with the brand, 2) *attitudinal attachment*, or viewing the brand as special in a broader context, 3) *sense of community*, or feeling kinship with others associated with the brand, and 4) *active engagement*, or willingness to invest resources in the brand beyond what is expected to acquire or consume the brand (Keller, 2013).

Although the construct of brand resonance was conceptualized to examine relationships between consumers and a focal brand, the inherent dimensions are transferable to franchisees' relationships with a franchised brand. This extrapolation mirrors the export of other brand-related constructs – such as brand equity and brand identification – from the consumer setting to B2B (including franchising) settings. For instance, customer-based brand equity was developed for understanding consumers' evaluation of brands. But, the construct was leveraged to the franchising setting as "franchisee-perceived brand equity" – defined as "a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a franchisee' (Nyadzayo et al., 2011, p. 1104).

Behavioral loyalty, or continued intentions to remain a member in the franchise system, is an important indicator of strong partnerships between franchisors and franchisees (Chiou, Hsieh, & Yang, 2004). Given that franchisors invest significant resources in selecting and training franchisees, developing behavioral brand loyalty reduces the likelihood that franchisees will terminate the relationship in the near future (Meek et al., 2011). Complementing behavioral loyalty, brand attachment refers to an emotion-laden bond with a brand that prompts the maintenance of proximity and preservation of the brand relationship (Thomson et al., 2005). Enhancing brand attachment among franchisees has been suggested to result in positive brand evaluations and brand citizenship behaviors (Nyadzayo et al., 2011).

As with consumers, a sense of brand community among franchisees has the potential to positively influence franchisor performance (Samu, Krishnan Lyndem, & Litz, 2012). A brand community refers to "a specialized, non-geographically bound community that is based on a structured set of social relations among admirers of a brand" (Muniz & O'Guinn, 2001, p. 412). Membership in brand communities engenders greater interaction among franchisees, solidarity with the franchised brand, opposition to competing brands (Muniz & O'Guinn, 2001). Therefore, cultivating and supporting brand communities among franchisees could enable franchisors to engage better, develop deeper affective bonds, and strengthen relationships with franchisees (Samu et al., 2012). Finally, brand engagement refers to a highly motivational state of interactions and connections with a brand that manifests in behavioral consequences, which transcend mere transactions to include cognitive, emotional, and behavioral investments in the brand (Hollebeek, 2011; Keller, 2013). For example, Hollebeek (2011, p. 790) defines customer-brand engagement as "the level of a customer's motivational, brand-related and context-dependent state of mind characterized by specific levels of cognitive, emotional, and behavioral activity in brand interactions." Franchisee engagement, which engenders a sense of responsibility to success of the franchised brand, support for the franchisor's mission, and participation in the franchisor's programs and activities (Hackel, 2010), was identified as a key to successful franchising relationships during the 2014 International Franchise Association's Annual Convention (Pearce, 2014).

Brand resonance, as captured in the four dimensions discussed above, can be utilized to characterize the nature of franchisees' relationship with the franchised brand. Brand attachment and sense of community capture the intensity of the relationship, whereas loyalty and volitional engagement symbolize the activities stemming from the relationship. Together the four dimensions of brand resonance signify the extent to which franchisees connect and feel synchronous with the franchised brand (Keller, 2012) and, consequently, engage in brand citizenship behaviors (Nyadzayo et al., 2011).

3. Framework and hypotheses

3.1. Proposed framework

Theoretical models that integrate drivers from different perspectives on inter-organizational relationships provide a more holistic understanding of relationship efficacy (Mumdziev & Windsperger, 2013; Palmatier, Dant, & Grewal, 2007). Accordingly, the framework (Fig. 1) of brand resonance developed and tested in this study builds on the reasoning that transaction-specific factors and relationship-specific factors are complementary in the context of exchange relationships (Zaheer & Venkatraman, 1995). The following sections discuss the hypothesized relationships.

3.2. Transaction-specific factors

Transaction cost analysis proposes that exchange partners' specific investments and opportunistic behaviors influence the governance structure and performance of a relational exchange (Williamson, 1985). Both franchisors and franchisees make ongoing investments to preserve the stability of their exchange relationship and exploit new opportunities (Kacker & Wu, 2013). Accordingly, two transaction specific factors, franchisor's knowledge specificity and franchisee's asset specificity, are considered in the framework. Knowledge specificity refers to relationship-specific knowledge investments that are tailored to and effective within a specific exchange relationship, and fulfill the purpose of serving an exchange partner better (Chiou & Droge, 2006; Zhao & Wang, 2011). Franchising relationships are highly dependent on the extent to which franchisors develop, customize, and transmit knowledge within franchise systems (Gorovaia & Windsperger, 2010). Franchisees depend on franchisors for system-specific knowledge as well as training, operational and business analysis support from franchisors (Altinay et al., 2014). Franchisors' transaction-specific knowledge investments span from knowledge about operating a franchising unit in an efficient and effective manner to assistance with tactical and strategic business problems (Paswan, D'Souza, & Rajamma, 2014). Accordingly, such knowledge investments influence franchisees' understanding of their business model, adherence to policies and protocols, and successful conduct of operations through systematic business analyses (Paswan et al., 2014).

Following studies that report that specific investments made by an exchange partner to be an antecedent of a firm's specific investments (Kacker & Wu, 2013; Stump & Joshi, 1998), it is hypothesized that a franchisor's knowledge investments will positively influence a franchisee's asset investments. Asset specificity refers to relationship-specific investments in assets that are idiosyncratic and beneficial to a specific exchange relationship, with the condition that redeployment of such investments would entail considerable switching costs (Chiou & Droge, 2006; Zhou and Wang, 2011). A franchisee's transaction-specific asset investments include site, physical assets, monetary assets, skills and knowledge, and procedural assets, among others that are essential, sunk, and un-redeployable; as a result such investments increase dependence and reduce opportunistic behavior (Chiou & Droge, 2006). As transaction-specific asset investments by franchisees are both indicative of a willingness to maintain a long-term relationship and likely to trigger reciprocal relationship-enhancing actions by the franchisor, they are likely to foster brand resonance with the franchised brand. For instance, Chiou and Droge (2006) find that transaction-specific asset investments engender both behavioral and attitudinal loyalty. Similarly, transaction-specific asset investments are likely to prompt franchisees to seek out similar others and become embedded in franchisor created communities and/or independent franchisee created associations. As Lawrence and Kaufmann (2011, p.297) note, "true communal relationships can exist within franchise systems and that these communities can form around strong attachments to a brand, a founder, or fellow franchisees. Therefore:

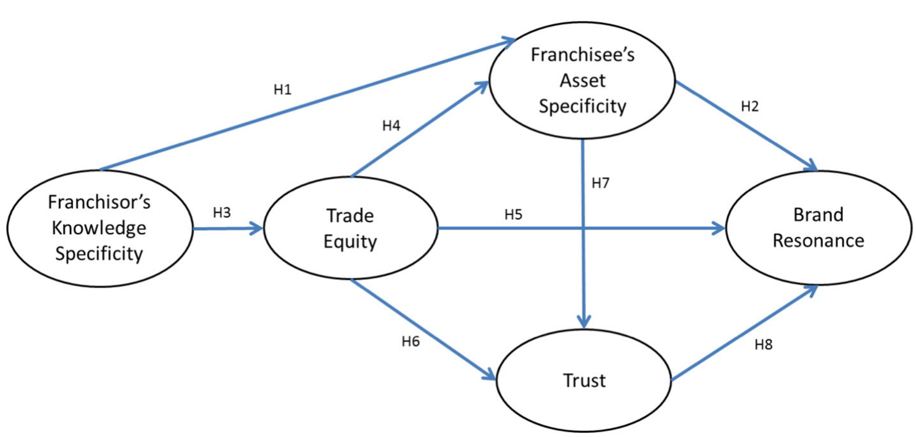

Fig. 1. Research model.

H1. Franchisor's knowledge specificity is positively related to a franchisee's asset specificity.

H2. Franchisee's asset specificity is positively related to brand resonance with the franchised brand.

3.3. Relationship-specific factors

Relationship marketing emphasizes the importance of building mutually beneficial relationships between a firm and its stakeholders (Palmatier, Dant, Grewal, & Evans, 2006). Although a number of variables have been used to represent inter-firm relationships, two relationship-specific factors are included in the framework: franchisor's trade equity and franchisee's trust in franchisor. Trade equity refers to "the value that accrues to a firm from being known in a trading network as a trustworthy trading partner" (Davis & Mentzer, 2008, p. 436). In the franchising context, trade equity represents a relational resource that franchisors accumulate over time within their franchising network and is not idiosyncratic to a particular relationship. Franchisors with high trade equity enjoy the reputation among other franchisees as being honest, trustworthy, and concerned about their franchisees (Davis & Mentzer, 2008). Franchisees have the opportunity to evaluate the motives and behaviors of a franchisor both through direct interaction as well as from trade sources. An established reputation regarding reliability and performance stands as a pledge of supportive behavior in the future and, thus, is likely to make franchisors attractive targets for committed relationships (Davis & Mentzer, 2008; Webster, 2000). In other words, high trade equity signifies the franchisor's vailability and potential value as a relationship partner (Davis & Mentzer, 2008).

Franchisors' trade equity accumulates over time and is bolstered by the extent to which the franchisor invests in the betterment of franchisees and mutual performance. Therefore, franchisors that provide valuable knowledge resources and go beyond formalized, legally binding agreements are more likely to enjoy high trade equity within their network. In addition, when franchisors are perceived to hold a positive reputation within their trading network, franchisees are more likely to commit transaction specific asset investments to maintain their ongoing relationship with the franchisor. In addition, when franchisors enjoy favorable trade equity, it attracts new franchisees and reinforces relationships with existing partners (Nyadzayo et al., 2011). The development and management of trade equity through actions such as consistent support, information sharing, and bonding efforts contribute toward enhancing franchisee's attachment with the franchised brand, positive evaluations and attitudes, and engagement with fellow franchisee, and brand-directed citizenship behaviors (McAlexander, Schouten, & Koenig, 2002; Nyadzayo et al., 2011). Therefore,

H3. Franchisor's knowledge specificity is positively related to perceived trade equity of franchisor.

H4. Perceived trade equity of franchisor is positively related to franchisee's asset specificity.

H5. Perceived trade equity of franchisor is positively related to brand resonance with the franchised brand.

Trust is defined as "the belief that an exchange partner would not act in self-interest at another's expense" (Uzzi, 1997, p.43). In franchising, both formal mechanisms such as contracts and agreements as well as informal mechanisms such as trust are critical for the success of the franchise system (Croonen & Brand, 2015; Griessmair, Hussain, & Windsperger, 2014). As Davies et al. (2011, p. 324) note, "As a system characterized by mutual interdependence but asymmetrical control, the success of franchising is heavily contingent upon significant manifestations of trust between the franchisor and franchisee." When franchisees trust franchisors, they become more confident about the franchisors' competence and integrity, which in turn leads to cooperative and supportive behaviors (Altinay et al., 2014; Davies et al., 2011). Therefore, trust becomes the glue that holds franchising relationships together (Kaufmann & Dant, 1992).

When a franchisee estimates that a franchisor enjoys a positive reputation among other franchisees in the network, it enhances the credibility of the franchisor and alleviates concerns that the franchisor might exploit franchisees' vulnerabilities or act in an untrustworthy manner. Therefore, a franchisor's trade equity is likely to positively influence franchisees' trust in the franchisor. Trust in franchisors is also intensified by a franchisee's asset-specific investments toward the franchising relationship. The more tangible and intangible assets that a franchisee invests, the greater will be their dependence on the franchisor and higher will be costs of exiting the relationship or finding an alternative (Berthon, Pitt, Ewing, & Bakkeland, 2003). This high level of dependence brings about more extensive interactions and better information exchange, both of which are precursors of trust formation (Gao, Sirgy, & Bird, 2005). Therefore,

H6. Perceived trade equity of franchisor is positively related to trust in franchisor.

H7. Franchisee's asset specificity is positively related to trust in franchisor.

Eventually, trust in franchisors is likely to engender the dimensions of brand resonance with the franchised brand. Building and maintaining trust are fundamental to the formation of brand-centric relationships and brand loyalty (Delgado-Ballester & Luis Munuera-Alemán, 2005; He, Li, & Harris, 2012). When a franchisor enjoys high levels of trust, franchisees value their relationship with the franchisor and develop favorable behavioral, attitudinal, and emotional dispositions toward the franchisor's brand (Delgado-Ballester & Luis Munuera-Alemán, 2005). In addition, trust in a franchisor also propagates a sense of oneness with the franchisor's brand and the brand's community (Bhattacharya & Sen, 2003; Muniz & O'Guinn, 2001). When trust is formed, franchisees are likely to hold the franchisor in high regard and take pride in identifying with the franchisor's brand (Bergami & Bagozzi, 2000). Consequently, franchisees who self-categorize themselves based on the franchisor brand are more probable to seek out other franchisees who share their passion for the franchised brand. A sense of community is not just a function of the brand and other members of the brand's community, but also driven by evaluations of the company – the franchisor, in this case – itself (McAlexander et al., 2002). Therefore, a franchisee's trust in franchisors influences the development of psychological ties with the franchisor's brand and integration within the brand community populated by other like-minded franchisees who share their enthusiasm for the franchisor's brand.

Ultimately, identification with the franchisor brand and membership in the brand's community result in active engagement with the franchisor brand (Algesheimer, Dholakia, & Herrmann, 2005). This implies that franchisees engage in activities such as helping other franchisees, participating in communal activities, social and physical brand advocacy, and other volitional undertakings that enhance the value of the franchisor brand (Algesheimer et al., 2005; Becerra & Badrinarayanan, 2013; Bhattacharya & Sen, 2003). In summary, trust in franchisees is likely to positively influence all four dimensions (behavioral loyalty, attitudinal attachment, sense of community, and active engagement) of brand resonance. Therefore,

H8. Trust in franchisor is positively related to brand resonance with the franchised brand.

4. Method

4.1. Data collection and measures

Data collection was conducted in South Korea. Fueled by customer affluence and reforms in the distribution sector, the franchising industry in South Korea is valued around $70 billion and encompasses businesses in various sectors such as fast food restaurants, clothing, educational services, cleaning services, and mailing services. (IFA, 2015a). Further, there are >3000 franchised brands in South Korea out of which 70% are home brands and the remaining are foreign brands (www.ikfa.org). On average, each franchised brand operates approximately 70 stores within its industry in South Korea (www.export.gov). Although there is a plethora of franchised South Korean brands, Korean franchisees tend to evince greater interest in doing business with established franchise brands, such as some well-known U.S. brands to provide greater value to their consumers (IFA, 2015a). According to the U.S. Department of Commerce' International Trade Administration, food service, retailing, and other services (e.g., education, wellness, child care, homecare, etc.) offer the best prospects for growth in the near future. In conjunction with generating worldwide attention due to the opportunities on offer, the franchising industry in South Korea is also ascertaining its legitimacy by establishing appropriate disclosure, relationship, and registration laws (IFA, 2015b). However, despite the growth of the South Korean franchising industry and the prospects for international brands to enter the market, very little research exists on franchising relationships in South Korea. Therefore, research on the South Korean franchising industry should shed further light on the nature of the industry, insights for international franchisors contemplating entry into the South Korean franchising industry, potential motivations and behavior of South Korean franchisors in international markets, and possible generalizability of the findings to countries with cultural and market conditions similar to South Korea.

Prior to formal data collection efforts, a pilot study was conducted to verify that the items adequately met the purpose of the study. Twenty-seven managers of franchise stores located in a district within a metropolitan area in South Korea were contacted through email and requested to review the scales and provide feedback. Based on their comments, minor changes were made to the wording of a few of the items for better clarity. Subsequently, a major metropolitan area in South Korea with a population of approximately 3.5 million was chosen as the site for data collection and the services of a company specializing in person-to-person survey techniques were employed. The research company assigned a dozen interviewers to twelve sectors that were proportionally segmented within the metropolitan area. Over a one-week period, each interviewer visited their assigned sector and administered a survey to fifty franchisees that were randomly selected from a directory of franchised local businesses. Although a total of 600 franchisees (twelve researchers contacting fifty franchisees each) were requested to participate in person-to-person surveys, only 231 franchisees provided usable information. Of these, 29 franchisees were dropped as their franchise was new and in operation for less than one year. In all, a net sample of 202 responses was available for analysis. The sample captured 44 different industrial codes and included a wide range of industries such as restaurants, convenience stores, clothing/shoes, baking goods, ice cream, hair salons, retail/sale, hotels, children's services, and business services, among others. The frequency percentage of the sampled industries range from 0.5% (1) to 10.4% (21).

Established multi-item measures from prior studies in the branding and franchising literatures were utilized in the data collection instrument. Where applicable, the wording of measures was adapted to reflect the franchising context. *Brand resonance* was conceptualized as a second-order construct with four reflective dimensions (behavioral loyalty, attitudinal attachment, sense of community, and active engagement), with each dimension measured using multi-item reflective indicators. Items for each dimension were derived from the list of candidate measures for each dimension provided by Keller (2013). *Trust in franchisor* was measured using a four item scale comprising of items used for measuring trust in franchising and business-to-business contexts (Chiou et al., 2004; Dhanaraj, Lyles, Steensma, & Tihanyi, 2004). *Knowledge specificity of franchisor* was measured using a four-item scale derived from Dhanaraj et al. (2004). *Asset specificity of franchisee* was measured using a three-item scale derived from Suh and Kwon (2006) and adapted to the franchising context. Finally, perceived trade equity of franchisor was measured using a four item scale derived from prior studies on buyer-seller relationships (Davis & Mentzer, 2008; Suh & Houston, 2010). A complete list of items is provided in the Appendix A.

4.2. Data analysis and results

To evaluate measurement quality, confirmatory factor analysis (CFA) was utilized to estimate factor loadings and measurement errors (Anderson & Gerbing, 1988). The fit indices of the measurement model (CFI = 0.90; NFI = 0.85; NNFI = 0.89; RMSEA = 0.075; $\chi^2_{(302)}$ = 646.55, $p < 0.001$) were within acceptable limits (Hair, Black, Babin, Anderson, & Tatham, 2006). Table 1 presents the CFA factor loadings, composite reliabilities, and average variance extracted. All factor loadings were significant and highly related to their respective constructs, and the explained variances ranged from 0.50 to 0.62. The reliability indices were also acceptable, with composite reliabilities ranging from 0.67 to 0.81 and composite reliability scores ranged from 0.67 to 0.81. To examine discriminant validity, a series of χ^2 difference tests between a constrained model and an unconstrained model were conducted for pairs of constructs (Anderson & Gerbing, 1988). Further, the average variance extracted of each construct was compared with the square of the phi coefficient that represents the correlations between pairs of constructs. The results suggest that the variance extracted exceeds the squared correlations.

Next, the hypothesized relationships were tested using a structural equation model. The estimated model produced acceptable fit indices ($\chi^2_{(304)}$ = 647.23 ($p < 0.001$), CFI = 0.90, NFI = 0.86, NNFI = 0.89, and RMSEA = 0.075). In order to check common-method biases, a series of hierarchically nested factor models among the five trait factors and several hypothetical method factors were tested (Widaman, 1985). The proposed model was re-estimated by adding two first-order factors, a common source factor specified to all the indicators and an additional factor specified to eight indicators of franchisee's

Table 1
CFA factor loadings.

	Knowledge specificity (KS)	Asset specificity (AS)	Trade equity (TE)	Trust (TR)	Brand resonance (BR)
KS1	0.73				
KS2	0.64				
KS3	0.80				
KS4	0.67				
AS1		0.86			
AS2		0.69			
AS3		0.70			
TE1			0.82		
TE2			0.89		
TE3			0.69		
TE4			0.75		
TR1				0.69	
TR2				0.75	
TR3				0.84	
TR4				0.75	
BE1					0.82
BE2					0.86
BE3					0.87
BE4					0.69
BE5					0.76
BE6					0.65
BE7					0.76
BE8					0.83
BE9					0.63
BE10					0.54
BE11					0.63
BE12					0.58
AVE	0.51	0.57	0.62	0.58	0.53
Reliability	0.67	0.76	0.81	0.77	0.70

perceptions of franchisors (knowledge specificity and trade equity). The two halo factor solution rendered the best fit to the data among all competing models. This model ($\chi^2_{(269)} = 498.42$ ($p < 0.001$), CFI = 0.93, NFI = 0.89, NNFI = 0.91, and RMSEA = 0.065), which controls for common method biases is significantly superior to the original model as the addition of the method factors significantly improves fit ($\Delta\chi^2_{(35)} = -148.81$; ΔCFI = 0.03; ΔNFI = 0.03; ΔNNFI = 0.02; $p < 0.05$). The results from the adjusted model were used to test hypotheses, with the results from both the original and the adjusted models reported in Table 2. The results from both models are similar except with regard to H2, which is not significant in the adjusted model while marginally significant in the original model. Fig. 2 shows the significant relationships, standardized estimates, and squared multiple correlations.

As per the adjusted model, six out of the eight hypotheses are supported (refer to Table 2). Franchisor's knowledge specificity is positively related to franchisee's asset specificity (H1: $t = 2.09$, $p < 0.05$) and perceived trade equity of franchisor (H3: $t = 8.45$, $p < 0.001$). Perceived trade equity of franchisor positively affects asset specificity (H4: $t = 2.68$, $p < 0.01$), brand resonance (H5: $t = 6.51$, $p < 0.001$), and trust (H6: $t = 4.83$, $p < 0.001$). No support is found for the two hypotheses involving franchisee's asset specificity. Asset specificity of the franchisee does not have a significant impact on brand resonance (H2: $t = 0.70$, $p > 0.05$) and trust (H7: $t = 1.36$, $p > 0.05$). Finally, trust in the franchisor is found to be positively related to brand resonance (H8: $t = 3.75$, $p < 0.001$).

5. Discussion and conclusion

5.1. Discussion

This study examines brand resonance and its antecedents in the context of franchisee-franchisor relationships. Brand resonance symbolizes highly active and intense brand-centric relationships and is characterized in terms of cognitive, affective, and conative consequences directed toward the brand (Keller, 2012). The results offer insights into various antecedents of brand resonance. In particular, franchisors' trade equity and franchisees' trust in franchisors exert direct, positive influence on brand resonance whereas franchisors' knowledge specificity exerts an indirect effect on brand resonance. The proposed relationship between franchisees' asset specificity and brand resonance was not supported. These findings suggest that the formation of brand resonance among franchisees is complex in that franchisees form attachments with the brands they manage through both direct and indirect assessments of franchisors. Through ongoing interactions with franchisors, franchisees assess knowledge specific investments made by franchisors and develop trust. In addition, through their interactions with the franchisor and the franchised brand community, franchisees form assessments of the franchisor's trade equity. Together, the direct and indirect factors signal the attractiveness of the franchisor and influence the formation of brand resonance among franchisees.

Table 2
Path estimates.

	Path	Original model	Adjusted model
H1	Knowledge specificity → asset specificity	0.42 (2.87**)	0.25 (2.09*)
H2	Asset specificity → brand resonance	0.18 (2.47*)	0.10 (0.70)
H3	Knowledge specificity → trade equity	0.76 (8.60***)	0.77 (8.45***)
H4	Trade equity → asset specificity	0.24 (2.02*)	0.38 (2.68**)
H5	Trade equity → brand resonance	0.66 (6.85***)	0.81 (6.51***)
H6	Trade equity → trust	0.54 (5.43***)	0.53 (4.83***)
H7	Asset specificity → trust	0.15 (1.68)	0.15 (1.36)
H8	Trust → brand resonance	0.37 (4.34***)	0.34 (3.75***)

t-Value in parenthesis.
* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.

The theoretical contributions of this study extend to both branding and franchising literatures. For the branding literature, this study offers an empirical assessment of the construct of brand resonance. Although prior researchers have identified brand resonance as a powerful indicator of heightened brand relationships, very little empirical evidence exists on its nature and antecedents. Toward that end, this study positions brand resonance as indicative of brand-centric relationships, operationalizes the construct using cognitive, affective, and conative dimensions, and offers a framework of its antecedents in the context of brand-centric relationships between franchisees and franchisors. As for the franchising literature, this study focuses attention on three important lacunae identified by previous researchers: (1) franchisees' relationship with the brands they manage, (2) franchisees' perspective on franchisor-franchisee relationships, and (3) testing theoretical frameworks on franchising in contexts other than the United States. Accordingly, the brand resonance framework sheds light on how franchisees form heightened relationships with the brands they operate, incorporates franchisees' perceptions regarding factors that nurture brand resonance, and tests hypothesized relationships using data from franchisees in South Korea.

5.2. Implications for research and practice

This study offers several implications for research and practice. First, the framework developed and tested in this study presents an empirical perspective on brand resonance, a construct that has been identified as critical for brand management albeit from a conceptual standpoint. By operationalizing brand resonance, we not only demonstrate a parsimonious approach for measuring the construct, but also identify key antecedents in the context of franchising. To researchers interested in brand-centric relationships, this study can serve as the starting point for augmenting their frameworks through the lens of brand resonance. To franchisors, the concept of brand resonance offers a novel approach to cementing relationships with their brand stewards (i.e., franchisees) and motivating them to engage in volitional behavior that enhance the franchised brand. To franchisees, brand resonance within franchising network can be used to discern the quality of franchisor-franchisee relationships and the attractiveness of the franchised brand. Franchised brands that enjoy brand resonance communicate heightened brand-centric franchisor-franchisee relationships and exemplify greater behavioral loyalty, attitudinal attachment, sense of community and active engagement by franchisees within the network.

Second, this study demonstrates the relative importance of transaction-specific antecedents in engendering brand resonance. Specifically, a franchisor's knowledge-specific investments are instrumental in boosting the franchisor's trade equity within the network and, ultimately, influencing brand resonance among franchisees. In contrast, although a franchisee's asset-specific investments are critical for the commercial aspects of the franchising relationship, they do not receive support for triggering brand resonance. These findings suggest that franchisees perceive that the onus is on franchisors to build an equitable reputation within the network, which is then evaluated for the formation of brand resonance. However, asset-specific investments are perhaps perceived as the cost of doing business and, hence, are not instrumental in engendering behavioral loyalty, attitudinal attachment, sense of community and active engagement by franchisees within the network.

Third, this study also examines the importance of relational factors in the formation of brand resonance. Trade equity and trust have been identified as critical variables in prior research on business-to-business exchanges. The findings support the importance of the two variables both in the context of franchising and in the formation of brand resonance. Importantly, franchisors need to devote adequate attention toward building trade equity within the franchising network as relationships built on the basis of trade equity tend to be stable (Davis & Mentzer, 2008) and lead to formation of brand resonance.

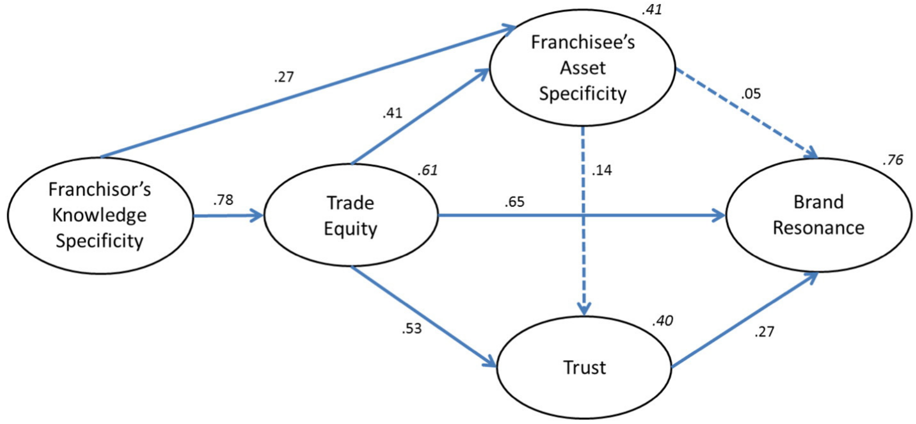

Fig. 2. Results: standardized estimates (adjusted).* *Dotted lines – insignificant paths; numbers in italic – squared multiple correlations.

In summary, this study offers parsimonious guidelines for brand management in franchising relationships. To build the attractiveness of their brands, franchisors have to devote attention on several fronts. Within the franchising network, franchisors must focus on making knowledge-specific investments that benefit franchisees, develop trade equity, and cultivate trust. Franchisees' perceptions regarding these key factors tend to be instrumental in the formation of brand resonance. These efforts, complemented by other brand development strategies targeted at consumers, are likely to prove beneficial to the success of the franchised brand.

5.3. Limitations and future research

There are several limitations inherent in this study. First, since the data for this study was collected from South Korea, there is a concern as to whether the results are generalizable to franchising systems in other countries. Therefore, the proposed model needs to be validated in different countries with different environmental norms and conditions. Second, as this study was based on data from franchisees across industries, the lack of intra- and inter-industry comparative analyses represents a possible limitation and opportunity for future research. Accordingly, the nature of the franchised business (e.g., retail versus service) could be an interesting variable to compare the results across. Third, although the objectives of the study justified a cross-sectional approach for data collection, limitations of the approach are acknowledged and future researchers are urged to explore a longitudinal approach. One plausible suggestion would be to examine whether brand resonance is resilient or weakens over time due to brand, community, franchisor, or franchisee-related factors. Fourth, while this study proposes and tests a parsimonious model of the antecedents of brand resonance among franchisees, it is acknowledged that the construct of brand resonance could be tested in other contexts (both, business-to-business and business-to-consumer), other antecedents of brand resonance could be included in future theoretical frameworks, and that the long-term consequences of brand resonance need to be examined to fully comprehend the concept. For example, with respect to the relationship-specific investments, it would be relevant to examine the relative strengths of relationship-specific asset versus knowledge investments in cultivating and maintaining franchisor-franchisee relationships. Likewise, with respect to the consequences of brand resonance, it would be of interest to explore if brand resonance contributes to franchisor or franchisee's financial performance, whether brand resonance influences franchisees to transition from single-unit to multi-unit operators, among others. In this regard, it would be interesting to examine whether brand resonance is superior to inter-organizational relationship factors (i.e., franchisees' relationships with franchisors, rather than the franchised brand), such as commitment, gratitude, and/or reciprocity, in influencing franchisee behavior. Fifth, another possible limitation is that the data for this study was collected from only one level – franchisees. Although the perspective of the franchisee is underrepresented in the franchising literature, it would be interesting to develop holistic models incorporating data from franchisee, franchisors, franchising community, and perhaps, consumer levels. In conclusion, given that this study is the first to test a framework of brand resonance in the context of franchisee-franchisor relationships, it is hoped that the inherent theoretical advances, managerial contributions, limitations, and future research directions spur additional research in this area.

Appendix A. Measures

Brand Resonance (Keller, 2013)
Attachment
This brand is special to me.
I am proud of this brand.
I feel excited to run this brand store.
Loyalty
This is the only one brand I would prefer to transact with.
I consider myself loyal to this brand.
I would go out of my way to keep working with this brand.
Engagement
I really like to talk about this brand to others.
I am always interested in learning more about this brand.
Compared with other people, I follow news about this brand closely.
Community
I really identify with other store owners of this brand.
This is a brand operated by people like me.
I feel a deep connection with other store owners of this brand.
Trust (Chiou et al., 2004; Dhanaraj et al., 2004)
The franchisor and we are not opportunistic in favor of each other's interest.
The franchisor and we consider informal agreements as significant as formal ones.
The franchisor and we are believed to support each other regardless of situations.
The franchisor and we always try to keep promises.
Knowledge Specificity of Franchisor (Dhanaraj et al., 2004)
The franchisor normally invests to educate and train supervisors to help our operation.
More than the requirement, the franchisor invests their time to visit or meet us for coaching.
The franchisor willingly provides us sufficient opportunities to learn operation skills.
More than the requirement, the franchisor regularly provides business analysis to us.
Asset Specificity of Franchisee (Suh & Kwon, 2006)
We substantially invest our time and effort to transact with the franchisor.
We invest more than other brand stores on facilities.
We invest much on human resources to transact with the franchisor.
Perceived Trade Equity of Franchisor's Brand (Davis & Mentzer, 2008; Suh & Houston, 2010)
This brand has a good reputation among others.
People see this brand as doing fine.
A lot of people would like to own this brand store.
This brand is well known for its good relationship with franchisees.

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