The Determinants of Global Expansion: A Study on Food and Beverage Franchisors in Malaysia

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Abstract: In the past decade, franchising has become a well-known platform for business expansion. Various strategies have been employed by franchisors in expanding their business into the global market. However, few studies have assessed the determinants that can be adopted by the franchisors in bringing value as well as opening up opportunities for global market expansion. This study aims to explore the determinants of global expansion based on Malaysian franchisors’ experience. A qualitative research approach was adopted through various case studies with ten franchisors from the food and beverage industry in Malaysia. In-depth interviews were carried out to explore this topic. Thematic analysis was performed through the “Atlas.ti” software package version 9.0, which was also used in analyzing the data. The findings indicated that there are four themes, and nine sub-themes were discovered from the grounded data. The franchisors agreed that franchise brand, business location, product, advertising, and promotion were able to influence franchisors in designing strategies for global expansion. The data were also able to provide an in-depth understanding of the determinants for global expansion that can be undertaken as a guide to prospective franchisors who want to start exploring the global market. These results are expected to assist the government as well as the agencies involved with franchising in improving related policies, strategies and programmes. Thus, it is important to understand these determinants in order to survive in a competitive global market.

Keywords: franchising; franchisor; global expansion; case study

1. Introduction

Franchising has grown in popularity as a successful global business model. Franchising is a form of licensing in which a parent corporation, the franchisor, grants an individual person, known as the franchisee, the right to operate in a specific way [1–3]. Accordingly, franchising is a business model that allows small companies to scale up with limited capital [4]. International franchising is a method of entering a new market that enables businesses to do so with little risk and a little power. For over a century, small and medium-sized businesses have used this approach to extend their operations [5,6]. Franchising has become a common method for firms from Australia [7], Spain, and newly industrialised countries expanding domestically and internationally, and it remains one of the most popular distribution channels for US exports [8]. This business format has gained plenty of scholarly attention. Furthermore, franchising is a business model in which local entrepreneurs, known as franchisees, are given the right to run one or more franchise units at a location in exchange for putting up their own money. The franchisee pays a royalty based on gross revenue to the franchisor in exchange. As compensation,
the franchisee receives profits after expenses, including royalties [9,10]. However, it is also seen as a strategic business model that empowers its employees and has a huge effect on the economy [11]. As franchising becomes a more well-known and prominent business strategy around the world, it has piqued the interest of researchers and policymakers. Encouragement of entrepreneurs to enter the franchising industry improves their chances of surviving in a competitive market [12–14].

In terms of franchise network arrangements, international franchising has more complicated complexities than domestic franchising. While the franchisor and franchisees remain the most important players in a franchise network, foreign franchisors in the twenty-first century operate within an interconnected system of relationships that they do not always regulate, such as market and institutional powers, political restrictions, and so on. Owing to high control costs, direct franchising is only used in a small number of countries. Master franchising, for example, is a more common arrangement in which a third party is given the rights to establish and monitor a specific regional market [15,16]. This form of contract is very complicated, and it may necessitate more local adaptation as in the likes of royalty and franchise fees, among other things [17]. All of this adds to the complexity and makes performance assessment in international franchising more difficult [18].

Nowadays, most Malaysian franchisors have begun expanding their businesses towards the global market after witnessing the saturation in the domestic market. Franchising has grown in popularity as a successful global business model [19]. On the other hand, international franchising is a method of entering new markets that enable businesses to do so with little risk and a little “power”. Thus, for over a century, small and medium-sized businesses have used this approach to extending their operations [20]. Fast food businesses are prominent sectors in franchising and thus contribute their important roles in the growth of entrepreneurship worldwide [21]. Malaysian franchise brands, such as Nelson’s, have over 800 outlets in 16 countries. These include “Global Art”, with 600 outlets in 17 countries, “Laundry Bar”, with over 500 outlets in all ASEAN countries, and “Marrybrown”, with over 350 restaurants in 20 countries [22].

However, the determinants of Malaysian franchisors expanding into the global market, especially in developing countries, is not clearly understood. Future research should look at other determinants that explain the expansion and diffusion of international franchising, such as location characteristics, unique institutions, institutional distance, psychic distance, and other distance variables [4]. Furthermore, there needs to be further examination of subjective and objective indicators for global franchising expansion at the individual, organizational, and institutional levels. Abd Aziz et al. [13] suggested the exploration of other factors that relate to the expansion of local franchisors into the international market that lead to their survival in the competitive market. Furthermore, the business environment becomes more competitive day by day, such that enterprises may find it difficult to survive in the market. Therefore, it is important to explore and understand the factors and strategic actions that need to be taken for franchise businesses to remain competitive [23]. This study aims to guide by investigating the following overarching research question: “What are the determinants for Malaysian franchisors’ expansion into global market?”.

2. Literature Review
2.1. Value Creation Theory

Value creation is defined as the result of a combination of customer surplus and producer surplus that benefits all parties [24,25]. The value creation theory entails assessing the relationship between stakeholder surplus and producer surplus [25]. On the other hand, value development is the primary goal that encompasses the mechanism of central economic exchange [26]. Aside from that, the idea of more value-oriented value development is contingent on the company’s ability in maintaining its competitive advantage [27]. According to the results of this report, the primary goal of a franchise company is to create
value in the marketplace. Customers trusted Malaysian franchisors because they are satisfied with the needs for the exclusive products and services. Furthermore, they built value for their business partners, namely master franchisees in the international market, through an existing franchise business model, well-known brand, and well-organized franchise system [28].

Mishra and Zachary [29] proposed a two-stage value creation theory that described the entrepreneurial value creation and appropriation process. In the first step, an entrepreneur recognized and developed an entrepreneurial opportunity, which is controlled by the entrepreneurial goal, and generated entrepreneurial competence, in which the entrepreneur proves the venture’s market and growth potential. The entrepreneurial capacity formulated in step one is then further leveraged in the second stage of value creation by acquiring and developing complementary skills that drive a business model instrument in generating long-term value. Value creation processes investigate the behaviours, resources, and experiences that lead to the creation of value, while value outcome determination investigates how customers perceive value and what the value outcomes are. Value development processes are usually ongoing, while value outputs are usually associated with a particular point in time [30]. A company must first determine what points of value their future customer needs before developing a value-creation strategy. The company then devises a proactive plan in providing certain benefits [31].

2.2. Competitive Advantage of Franchising in the Global Market

Since the past decades, franchising has developed as an organization [32]. Franchising turns out to be one of the rapid growths of retail in the world and comprehends the causes of a business owner’s survival as the key element of entrepreneurship research study [33,34]. In addition, franchising is a business format that offers many advantages compared to chain ownership [35]. Moreover, franchising is one of the most rapidly developing forms of businesses in the world, and it is valuable for studies in entrepreneurship [32].

Furthermore, franchising has experienced a rapid growth on a global scale since the early 1980s, and franchisors have seen this as opportunity to grow their existing businesses by bringing franchisees who will own the business format, which in turn enables access to human and financial capitals. Many franchising companies have increased their international presence over the last decade once the economies have become ‘more open’, and the international expansions have provided benefits to the companies themselves in terms of additional revenue and market shares, as well as potential opportunities for the companies’ value increment and market diversification [36,37].

Explaining the phenomenal growth of franchising as a mode of expansion has been a major focus in the academic literature for over a decade. International expansion is now considered a crucial strategy for franchise firms to increase their outlets in the international market [38]. Furthermore, the international expansion of fast-food restaurants began in the early 1970′ and was particularly seen in outlets from the U.S market. Later, this phenomenon continued to develop in the East Asia region, with major American brands such as McDonalds, Burger King, Pizza Hut and Kentucky Fried Chicken becoming a common sight in any cities in this region. In addition, the emergence of the global services sector has represented franchising as an important strategy for international expansion and market entry [39].

Nearly one quarter of the nations in the world have a franchise association that represents a substantial franchise sector in nations with large middle to upper income economies [40]. Besides that, international business experience is an important factor in influencing a franchising firm’s decision on expansion and entry mode [41]. For example, a franchising firm such as McDonalds used their experiences to grow their businesses in similar markets. Franchising and wholly owned subsidiaries (i.e., own stores) are the most frequent expansion mode adopted by global entrepreneurs. As discussed above, franchising offers unique business relationships where the franchisors grant a license to its franchisees and is beneficial for both parties [42].
3. Methods

3.1. Study Design

This study adopted a qualitative methodology through the case study approach for the research design, and the plans and procedures for the research spanned the decisions from broad assumptions to detailed methods of data collection and analysis [43]. In addition, the aim and goal for a qualitative study is not to simply generalize, but rather provide a rich and contextualized understanding on some aspects of participants’ experiences through a particular case or an intensive study [44].

The case study method explores contemporary real-life case boundary systems or case boundary systems over time through in-depth detailed data collection involving various sources of information and through reporting case descriptions and case themes [43,45,46]. Through rigorous and in-depth data collection involving different sources of data, the case study approach examines multiple real-life perspectives. The researcher is able to understand the differences and similarities of knowledge of the phenomenon of study by using a multiple-case design, which allows for a deeper exploration of the research question and theoretical evolution [43,47,48].

3.2. Setting and Participants

This study population consisted of franchise business brand owners, known as franchisors, specifically of brands that have expanded into global markets. In selecting the respondents for this study, researchers used combination of convenience and purposive sampling. Convenience sampling is a category of non-probability sampling where the target population meets specific criteria. These criteria were, namely: easy to be accessed, available at a given time or willing to participate in the study [49]. Purposive sampling is a sampling technique used in qualitative research to identify and select information-rich cases for the most effective use of limited resources [50,51]. This encompasses identifying and selecting individuals or groups who are well-informed or experienced in the phenomenon of interest [52].

The unit of analysis could be individuals, groups, dyads, or organizations. The determination of the unit of analysis during the initial stage of this study is crucial, as the conceptual framework, data collection techniques and sample size depends on the unit of analysis [53,54]. This study recognizes that the unit of analysis for this study is the organization level. Franchisors are representatives of their franchise companies, as well as decision makers, and they are also part of the franchise system, where they are directly involved in the expansion process into the international market.

Ten (10) franchisors were selected from the Malaysian food and beverage franchise industry, since the Malaysian Franchise Association stated that this is the most dominant industry compared to other industries in this country. Based on the dataset, researchers found that saturation occurred within ten (10) interviews, although the basic elements were present as early as the first six (6) interviews. Data saturation can be achieved with at least six interviews and small samples depending on the size of the population sample in a qualitative study [46,55].

A very small sample could still produce an important study, and the factors influencing this would be interview quality and the depth of the analysis [56]. Various factors can also affect the sample size, including: (i) researchers’ experience and expertise in interviews and subject areas, which are important components in reducing sample size and to achieve saturation [57,58]; and (ii) appropriate selection of participants [59,60].

Later, franchisors were interviewed as informants from franchise companies who provided desired information such as determinants influencing global expansion. The inclusion criteria were as follows: (i) Malaysian franchisors who had registered their business in the Franchise Development Division, Ministry of Domestic Trade and Consumer Affairs; (ii) Malaysian franchisors who have been establishing their business for at least 5 years; (iii) Malaysian franchisors which are currently expanding their businesses into the
international market and (iv) Malaysian franchisors who have opened at least one outlet in the international market.

3.3. Data Collection

Data were collected through ten (10) sessions of in-depth interviews (see details in Supplementary Materials). All in-depth interviews were held separately with the franchisee business owner as well as the franchisor and were held from July to October 2019. Each in-depth interview session was conducted by a group of researchers. Audio was recorded for further analysis with permission from the respondents. Accordingly, the in-depth interview is a qualitative research methodology that entails performing in-depth individual interviews with a small group of respondents to learn about their opinions on a specific concept, programmer, or situation [61]. Due to the various sources of evidences, the case studies were focused on themes or explanations; a case study is an appropriate way for researchers to investigate a case or multiple cases over time, allowing for a more in-depth investigation [61–63].

The principal investigator facilitated the discussion of interviews with respondents, while other member assistants recorded the interviews in their field memos, providing information for further analysis. Each of the session began with general questions to trigger discussion between the researcher and the respondent. An example of such a question is “What are the determinants factors as a competitive advantage in driving Malaysian franchise entrepreneurs to expand into the global market?”. At the end of the interview session, the conclusion was summarized, and the lead researcher thanked the respondents for their participation. Thus, a protocol discussion was held with the franchisors for the present study, and each interview and discussion took about 40 to 50 min to be completed.

3.4. Data Analysis

For this study, thematic analysis was used by the researchers in order to analyze the grounded data and produce related findings to answer the research questions. The researchers used thematic analysis in analyzing the informative, rich, and trustworthy research findings in this study [62]. Basically, qualitative data analysis can be broken down into five (5) steps, namely gathering, disassembling, reassembling, analyzing, and concluding [64]. The verbatim interview transcriptions were also analyzed using Atlas.ti software package version 9.0. Atlas.ti also offered support services for the researchers during the data analysis phase, which included coding and annotation when analyzing and interpreting the interview texts. Furthermore, this software provided a detailed outline of the research project which was known as the hermeneutic unit in Atlas.ti, as well as a search and retrieval tool [65,66].

The data analysis process was carried out in three (3) stages. First, the data analysis process involved close readings of word-by-word transcriptions on the transcript of the interview. The second stage consisted of re-reading the transcript, extracting all themes and grouping them into general categories that contained smaller subthemes by equation. In the third and final stage, the content of each theme was analyzed and interpreted in accordance with the context in the study. Themes and subthemes were selected with the consent of all researchers and then shown to the respondents for validation of the data.

4. Findings and Discussion

The study population consisted of 10 (ten) franchisors from the food and beverage industry. Table 1 showed a summary of the sociodemographic characteristics of the participants who have participated in this research.
Table 1. Sociodemographic characteristics.

| Participant Code | Category                      | Countries of Expansion                                      | Participation          |
|------------------|-------------------------------|-------------------------------------------------------------|------------------------|
| P1               | Fast Casual                   | China, Thailand, Korea, Saudi, Indonesia, Dubai              | In-depth interview     |
| P2               | Casual Dining                 | Taiwan                                                      | In-depth interview     |
| P3               | Casual Dining                 | Indonesia                                                   | In-depth interview     |
| P4               | Quick Service Restaurant      | Qatar, Saudi Arabia, U.A.E, Iran, Syria, Azerbaijan, Maldives, Indonesia, Myanmar, Thailand, Tanzania | In-depth interview     |
| P5               | Casual Dining                 | Singapore, Indonesia, Australia, China                       | In-depth interview     |
| P6               | Casual Dining                 | Singapore, Indonesia, Thailand, Sri Lanka, Myanmar, Oman, Brunei, Indonesia                   | In-depth interview     |
| P7               | Fine Dining                   | Japan, Bangladesh, Qatar, United Arab Emirates, Brunei and Maldives | In-depth interview     |
| P8               | Casual Dining                 | Singapore, Indonesia, Thailand, Brunei, Cambodia, Myanmar, Maldives, Bangladesh | In-depth interview     |
| P9               | Quick Service Restaurant      | Australia, Bangladesh, Brunei                                | In-depth interview     |
| P10              | Fast Casual                   | China, Vietnam, Myanmar, Brunei, Philippines, Australia and United Kingdom | In-depth interview     |

Interview analyses were performed with information gathered from in-depth interviews of five (5) themes, with seven (7) sub-themes emerging from the analysis. All themes and sub-themes were included in the broader category related to determinants of global expansion indicated in Table 2.

Table 2. Distribution of themes and subthemes.

| Themes              | Sub-Themes                   | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 |
|---------------------|------------------------------|----|----|----|----|----|----|----|----|----|-----|
| Franchise Brand     | Well-known brand             | X  | X  |    |    |    |    |    |    |    |     |
|                     | Brand uniqueness            |    |    |    |    |    |    |    |    |    |     |
|                     | Malaysian brand              | X  |    |    |    |    |    |    |    |    |     |
|                     | Business Location            |    |    |    |    |    |    |    |    |    |     |
|                     | High traffic location        | X  |    |    |    |    |    |    |    |    |     |
|                     | Good facilities             |    | X  |    |    |    |    |    |    |    |     |
| Product             | Product differentiation      | X  |    |    |    |    |    |    |    |    |     |
|                     | Product uniqueness          |    |    |    |    |    |    |    |    |    |     |
| Advertising and Promotion | International exhibition |    |    |    |    |    |    |    |    |    | X   |
|                     | Celebrity influencer         |    |    |    |    |    |    |    |    | X   |     |

4.1. Franchise Brand

The respondents reported that building a well-known, strong, and recognizable name is the core of smart marketing in the franchise business. Additionally, the existing strategies for marketing plans reflected the franchisor’s target demographics in order to attract customer attention and in turn grab market share in the international market.

4.1.1. Well-Known Brand

As highlighted by the respondents, having a strong and well-known franchise brand also served as building customer recognition. This is seen when customers tend to buy the products or services of a particular brand of the franchise based on the brand. Furthermore, customers are more likely to choose a brand they know rather than something they do not know, even if they do not know much about the franchisor’s company at the time. It was reported that a well-known and popular brand makes it easier for franchises when expanding into the global market because it is already known and has its own customers.

“One of the reasons why the franchisor is able to enter the global market is because of its brand . . . if we look at it in terms of the brand itself . . . our own brand shows its strength to penetrate other countries . . . our brand is also well-known and popular”—P4
4.1.2. Brand Uniqueness

The recognition and enhancement built through brand uniqueness are capable of producing higher customer loyalty. The current trends indicated that most customers were more inclined toward and attracted to a unique franchise brand. When franchisors had a unique brand, they were able to provide quality products and services to their customers around the world. Therefore, a unique brand leads to good and widespread market expansion. Additionally, the uniqueness of a franchisor’s brand differentiates them in the market. When customers get to know the franchisor’s brand, it helps in terms of giving them a competitive advantage in the international market. Customers come to recognize the franchisor’s brand, thus increasing the ability and acceptance of their brand not only in the local market, but also in the international market.

“Due to the uniqueness of the products under our brand, it is actually one of the factors why other investors from other countries are interested in this brand. Surprisingly, the customer base from various countries loves our brand because of the unique taste of our products . . . and as such, it creates opportunities for our brand to expand into the global market”—P6

“Our brand itself already has customers and fans to our menus . . . we see the opportunities and strengths from our brand . . . the potential and uniqueness of our brand is what makes us want to always expand it”—P2

4.1.3. Malaysian Brand

The respondents emphasized that having a robust Malaysian franchise brand name is also paramount for their master franchisees to become successful. Furthermore, Malaysian franchise brands owned by a local franchisor have also proven to be well known in the global market and served in building customer recognition. This can be seen when the customers always bought a certain Malaysian brand franchise product, such as food and beverages. The customers were more likely to choose a brand of franchise product that they already knew, as opposed to something unfamiliar, because it is more flexible and meets the customer needs.

“Our franchise brand has been in the Malaysian market for a long time and of course we started more than 10 years ago . . . so after we built the brand, we made sure the brand exposure was in the country of origin especially Malaysia . . . so after that we started advertising ourselves us as a Malaysian brand globally”—P7

“Basically, the advantage we have is that we are a brand because we are a Malaysian brand . . . we are a local company . . . So, the opportunity for us to go to the global market is greater once our brand is saturated in the Malaysian market . . . the added value available through Malaysian franchise brands makes us have customers in the global market”—P1

4.2. Business Location

The respondents claimed that outlet selection plays an important role in promoting a franchise business in global market. The appropriate outlet location is a strategy to master attracting customers. Furthermore, the majority of the franchisors agreed that a good location is one of the important strategies for the success of a franchise business in the international market.

4.2.1. High Traffic Location

For franchisors, the advantages of opening franchise outlets in busy areas can include increased revenue and increased marketing exposure. Among the obvious most important factors regarding location in the success of a franchise business are busy areas and the availability of ample foot traffic, both of which can make a location strategic. Clearly, the franchisors will study the market and the location proposed by their prospective franchisees before agreeing to a proposed location in a country in the international market.
The selection of a strategic location is vital in the franchise business because it enhances the franchise outlet becoming visible and popular among visitors and customers.

“Location is one of the important factors. We will study and research the location before we decide to open a new outlet in one location. We will research first and will select areas with high traffic rates such as office areas, housing and shopping malls”—P1

“Our products are food and beverages where our customers come from various age categories. Therefore, we target shopping malls because there is a high traffic rate where everyone regardless of age often visits there. The number of visitors is also high if we open an outlet in the shopping mall”—P5

4.2.2. Location with Good Facilities
The respondents agreed that placing franchise businesses in areas that provided good facilities, such as public transportation facilities and parking areas, could attract more customers to come to their outlets. In fact, location can also affect a franchisor’s ability to market their brand, the competition faced by other brands, and marketing ability. When franchisors conducted market research between countries, they studied targeted demographic patterns to determine an appropriate location to open a franchise outlet. A large number of franchisors tend to invest in strategic locations with good facilities rather than in locations that are not suitable for the products and services they have offered in the market.

“As a food and beverage business, we are very location oriented . . . as a franchisor, we will choose locations that have good facilities and lots of . . . facilities such as access to public transport and parking areas can facilitate. This also affects the number of visitors”—P4

“Before going to the international market, we will study the country we will go to, which is the location where we will open our new outlet. We prefer locations that provide various facilities, for example, there are parking and various public transports . . . this will make it easier for customers. With facilities available in our outlet area”—P10

4.3. Product
The respondents emphasized that they must ensure that they offered a higher quality product while being more marketable and more attractive. Additionally, respondents stressed that good product differentiation provides goods or services advantage. Therefore, it is important to clearly communicate why their products offered better quality, lower prices, or a more effective experience than their competitors in the international market.

4.3.1. Product Differentiation
Product differentiation by franchisors is a marketing strategy that involved the respondents in making different changes in the goods or services offered in the international market to make them stand out from others. For Malaysian franchisors, the different features of their products and services were the key to attract the attention of their customers. This is because the products and services offered by the Malaysian franchisors themselves have begun to be known in the international market because of their uniqueness, such as their food and beverage products. Thus, product differentiation is a strategy designed to differentiate their products or services from other industry players that are already available in the international market. According to them, successful product differentiation demands for them to identify and deliver the qualities of a product or brand while highlighting the differences. Moreover, product differentiation goes hand in hand with developing strong value propositions to allow their products or services to become attractive in the global target markets.
“Our products are very different from other brands because they use secret recipes that are passed down from generation to generation. Because that’s how it tastes, the texture of our products is different from other sellers. That’s why we have to control the quality”—P1

“To tailor our food to the global market, we try to diversify the menu and products available. We come up with variations on the menu and variations on the taste of the products where customers have a variety of options and menus to try”—P3

4.3.2. Product Uniqueness

Offering unique products by franchisors in the international market is an effective strategy in increasing customer’s response by providing a variety of attractive product features. Franchisors developed unique products to impress customers, appeal to various market segments and diversify the types of goods to choose from. For franchisors, they must offer unique and differentiated products and services to enable them to remain relevant so that they can penetrate the global market. Product uniqueness is critical to building a strong franchise business, especially in the highly competitive international market for the food and beverage industry.

“We have our own unique products. We try to maintain the concept of uniqueness by offering rice-based menus as staple foods even in the international market. This differentiates our products from other competing brands. Uniquely, our outlets offer Nasi Lemak menus. Usually, people eat Nasi Lemak for breakfast but in our outlets, customers are free to order at any time, that’s the difference we bring to customers”—P4

“The uniqueness of our menu is the taste and texture of the products offered. We want customers to taste our menu and want them to like and enjoy it. The taste of the food is different from where they tasted before. Every customer has different demands, so we try to meet by offering a variety of unique menus”—P9

4.4. Advertising and Promotion

The respondents emphasized that active advertising and promotional activities allow franchisees to reap benefits while promoting a brand. As a marketing strategy, franchisors often submit many advertising programs to the franchise system when spreading the marketing and promoting their franchise brand both in the domestic and international markets. In addition, the advertising activities planned and implemented by the franchisor also benefit the entire franchise system.

4.4.1. International Exhibition

The respondents revealed that exhibition was identified as one of the approaches in general inquiries used by the franchisors in order to introduce their businesses and look for a potential business partner. International franchise exhibitions, which are organized by most countries around the world, served as powerful platforms for franchisees, industry experts and potential business partners to gather, share information and build business relationships and opportunities to penetrate into the market. At the same time, international franchise exhibitions have vested interests in observing good business partners and achieving the goals of franchisors for various marketing and advertising activities conducted during the exhibitions. These happen because franchise businesses provide opportunities to communicate with potential business partners. In many countries, franchise exhibitions were integral for respondents in marketing their products and services, and most importantly, they were able to look for potential franchisees in their quest to open their franchise business outlets in the international market.

“To advertise our brand globally, we are actively involved in international franchise exhibitions, trade missions and business matches. We are always active in
doing marketing for the purpose of creating awareness of the products we offer as well as finding potential franchisees”—P7

“We participate in international franchise fairs as this is a good platform for us to disseminate information about our products, as well as find potential business partners to become our franchisees”—P10

4.4.2. Celebrity Influencer

Promotional activities played an important role in providing awareness about the products or services offered by the franchisor in the market. For some franchisors, they adapted marketing methods and promotional activities based on the culture and market trends of a country. The trend nowadays is to use celebrities for promotional purposes; the average customer is more interested in trying a product due to the images and influence brought by the celebrity.

“For promotional purposes, we diversify our marketing methods . . . in each country, the culture and interests of customers are also different. We use ambassadors or celebrities for promotional purposes. Customers nowadays like celebrity attractions, so we must be creative. We have to see what which customers like and how interesting it is to try our products. We also invite celebrity to visit our outlets as one of the promotional activities”—P5

5. Discussion

The aim of this study is to explore and identify the determinants for Malaysian franchisors’ expansion into global market. This study is based on the experience of franchisors where their business has saturated in the local market and has begun expanding into the global market.

According to the respondents, having a good brand is one of the determinants for Malaysian franchisors for global expansion. Branding should be conceived of as a mechanism that can compel a company’s entire workforce to work towards a common goal [67]. The capability of a business to have a major effect on consumer environments can be enhanced by developing its own brand [68]. In addition, the consumer’s expectations and feelings about a product and its success are represented by the brand [68,69]. This study is aligned with a past study by Abd Aziz et al., where these scholars discovered that brand is one of the most important factors in determining the survival level of a franchise business in the international market [13]. Franchisors with established and well-known brands have a competitive advantage to remain competitive and strengthen their marketing strategies [40]. Meanwhile, another study by Abd Aziz et al. also highlighted the importance of brand equity in franchising, whereby developing brand equity enabled franchise businesses to successfully connect with their customer base in a way that fosters brand loyalty and helps company expansion [28]. Indeed, brand name and format facilitate, influence, and decide the franchise business’ survival in the competitive international market [70,71].

Next, the respondents noticed that making the right location choices were crucial for a franchise’s success [72,73]. This aligned with a past study by Minai, who discovered the importance of location in the growth of entrepreneurship and small businesses in Nigeria and, thus, proposed that location must be given an immediate consideration as a critical factor that will positively affect business efficiency [74]. Other studies by Strydom found that convenience, especially in regional shopping malls, is important because consumers perceive restaurant franchises as locations located in larger shopping areas that can be seen as a ‘one stop shop’ destination offering a combination of products and services [75]. Likewise, convenience and facilities play important roles when consumers choose retail malls. This finding confirms that site selection is based on shop distance and free store factors, such as service quality, cost of time and effort [76].

Furthermore, the respondents also claimed that the consequences of franchises are determined by brand name [77]. This finding is aligned with a past empirical study
by Nyadzayo et al., where these scholars explored the franchisee’s perception of their franchisor’s brand and found that franchisors played an important role in promoting the brand, which in turn enhanced brand equity [78–81]. Additionally, this study also delivered an understanding on how to manage franchising brands successfully and provided new thoughts on brand relationships in a franchise market. Thus, franchising is moving rapidly as a conventional organization because of brand names and sustainability. In recent times, many franchising firms have expanded themselves into international markets, since this system provides many brand supports [71].

The respondents indicated that advertisement is a type of marketing communication that is used to persuade, motivate, or manipulate a target audience to take or continue to perform certain activities [82]. Advertisements have a vital function in attracting customers. Furthermore, assessing the effectiveness of an advertisement’s communication reveals whether the advertisements and media were effective in communicating the advertisement’s message [69]. Advertising played a significant role in marketing decisions, as it promoted products to the customers. The findings of this study are in line with previous studies by Buljubasic et al., who found that effective promotional methods would be able to attract a large number of customers [83]. Promotional and advertising activities were also of great assistance to franchisors in attracting a large number of new customers or existing customers to try out their products and services [84].

The respondents have highlighted that product differentiation is an important feature in business. Product differentiation is the process of distinguishing one product from another; this may include significant differences in consistency, reliability, efficiency, or design [85]. Past research has been done on “Marrybrown”, which was the first major fast food franchise company that conceptualized and developed the idea of “Something Different” in its product offerings. With various locations in Malaysia, China, Indonesia, India, Sri Lanka, Maldives, Africa, Middle East, and Myanmar, “Marrybrown” has a large international presence worldwide. “Marrybrown” has served people from all walks of life because its products are affordable, different, unique, and prioritized production that met customer needs; additionally, this brand has facilitated brand loyalty and offers exclusive menus [86]. Based on these findings and discussions, this study proposes several propositions (please see Table 3).

| Themes                  | Sub-Themes               | Propositions                                                                 |
|-------------------------|--------------------------|------------------------------------------------------------------------------|
| Franchise Brand         | Well-known brand         | P1a: The more well-known the franchise brand name, the more likely Malaysian franchisors’ expansion into the global market. |
|                         | Brand Uniqueness         | P1b: The more unique the franchise brand name, the more likely Malaysian franchisors’ expansion into the global market becomes. |
|                         | Malaysian Brand          | P1c: The higher the popularity of a Malaysian brand, the higher the likelihood for Malaysian franchisors to expand into the global market. |
| Business Location       | High traffic location    | P2a: The higher the traffic in a location known by Malaysian franchisors, the more likely their expansion is into the global market. |
|                         | Good facilities          | P2b: Good facilities in a location is positively associated with Malaysian franchisors’ expansion into the global market. |
| Product                 | Product Differentiation  | P3a: The higher the product differentiation offered by the Malaysian franchisor, the higher the likelihood of expanding into the global market. |
|                         | Product Uniqueness       | P3b: The higher the product uniqueness offered by the Malaysian franchisor, the higher the tendency to expand into the global market. |
| Advertising and Promotion| International Exhibition | P4a: The more international exhibitions that Malaysian franchisors participated in, the higher the networking built for expansion into the global markets. |
|                         | Celebrity Influencer     | P4b: Celebrity influencers are positively associated with Malaysian franchisors’ expansion into the global market. |
6. Conclusions

This study suggested that franchisors, as business owners, should have to scrutinize the relevant determinants before deciding to expand into the international markets. These determinants assisted franchisors in expanding the potential of the franchise business and increasing their competitiveness. The findings showed four determinants for global franchise expansion, namely: (i) franchise brand; (ii) business location; (iii) product; and (iv) advertising and promotion.

Well-known and popular franchise brands identified a seller’s product from a competitor’s product. For franchisors, branding is one of the key elements in the marketing mix, because it does not only accommodate an unforgettable impact on customers, but also provide the customers and the prospective franchisees a chance to know what to expect from their company. In addition, product differentiation is a vital element. Product differentiation is a way for franchisors to differentiate their company from the competitors, and explain what they offer, as well as what makes them a better choice.

Moreover, business location is key to successful operations and overall growth of franchise businesses, with consideration of strategic locations in developing their businesses being essential in the global market. Last but not least, promotional and advertising activities were also among the most important elements, as they help in promoting the franchisor’s brand and products directly to both customers and prospective franchisees.

7. Limitations and Future Research Directions

There are some limitations in this study. The first sample in this study is a case from a franchisor; future studies may be from the aspect of the franchisee’s experience in exploring the same field of study. Secondly, this study has a limited focus on the food and beverage franchise sector and may not provide significant results regarding the determinants that drove other franchisors in various other industries in seeking to enter the global market. Finally, due to the nature of the case study, no conclusions can be drawn for other industries that are unrelated to the Malaysian franchise industry. Therefore, other similar studies need to be done on other franchise business categories using other salient methods [87]. The findings are also expected to assist the government and the agencies involved with franchising in improving related policies, strategies, and programmes. Additionally, this study showed the determinants for global franchise expansion and contributed to the existing literature on international franchising.

Supplementary Materials: The following are available online at https://www.mdpi.com/article/10.3390/su131810328/s1. Document S1: Interview protocols on the Determinants of Global Expansion: A Study on Food and Beverage Franchisors in Malaysia.

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