LEVERAGING BRAND EQUITY THROUGH FRANCHISING IN THE NIGERIAN OIL AND GAS INDUSTRY: A CONCEPTUAL APPROACH

SULEIMAN GARBA AMINU

Department of Business Administration, Bauchi State University, Gadau

ABSTRACT

This paper aims to explore the relationship between branding, franchise branding and how organizations' growth can be enhanced through leveraging brand equity in the Nigerian downstream petroleum industry. The paper also sought to proffer solutions through which indigenous oil firms can compete with multinational firms in the petroleum downstream sector. The paper is a conceptual one that opted for an exploratory review of the extant literature after which conceptual propositions were formulated based on the social exchange theory. The paper provides insights about how franchising, in spite of its huge potential in Nigeria, has received very scant researchers' attention and left largely underutilized as a model of business growth in the Nigerian oil and gas industry. Integrating brand equity and franchising research will strengthen theory and practice of franchising. Because of the chosen research approach, the research results may lack generalizability. Therefore, researchers are encouraged to test the proposed propositions further.

Keywords: Franchising, Corporate branding, brand equity, franchise branding

1. INTRODUCTION

The practice of branding can be traced to when craftsmen and artists tried to differentiate their products from those of others by way of marking or signing (Hakala, Svensson, & Vincze, 2012). As the need to for identifying and differentiating products increases, brand has now become one of the most powerful marketing tools used by organisations. A brand adds dimensions to products or service, differentiate it in some ways from other products or services produced to satisfy the same needs (Hakala et al., 2012). Consequently, with branding, organisations are able to effectively achieve a sustainable point of difference (Aaker, 1996), which in turn, helps the organisation attain financial leverage. The overall value of a brand for the company and what the brand represents in the customers' mind is considered to as the brand equity (Keller, 1991). Brand equity is regarded as a key indicator of how healthy or otherwise a brand is, and observing it constantly is considered to be a necessary step in effective management of the brand (Aaker, 1991, 1992).

The role of organisation as a strategic element in the branding process has been established in the literature (Abratt & Mofokeng, 2001; Cheney & Christiansen, 1999). Corporate branding requires a holistic approach to brand management, in which all members of an organisation behave in accordance with the desired brand identity (Harris & de Chernatony, 2001).

Brand equity can be a veritable tool for organisations to achieve sustainable competitive advantage. This can be strengthened further when organisations leverage their brand equity through franchising. Although studies on brand equity have been extensively conducted by researchers and practitioners alike, not much attention has been given to how brand equity can be leveraged through franchising (Nyadzayo, Matanda & Ewing 2011). Similarly, the need to focus more on corporate branding has become imperative as it requires different approach from managing line brands, (Harris & de Chernatony, 2001), the latter having received more researchers attention. Still in the same vein, many researchers have observed that limited attention has been paid to business to business (B2B) brand building and brand management (Lindgreen, Beverland & Farrelly 2010; Nyadzayo et al., 2011), as well as on franchise branding (Zachary et al., 2011).

Globally, franchising has been identified as a successful route to organisational growth (Michael, 2003). In franchising, two independent parties establish an agreement whereby one firm (the franchisor) licenses the right to use its brand name and proprietary business processes to another firm or individual (the franchisee) in return for an initial payment and an annual royalty (Combs et al. 2004).

Petroleum marketing in the Nigerian downstream oil and gas industry, which forms the basis of this research, is characterized by the activities of two broad industry actors. The indigenous independent marketers that comprises of over 6,000 firms, and the major marketers consisting only about a dozen firms including two giant foreign multinationals Mobil and Total. Interestingly, these barely a dozen major oil marketers have an average of 200 retail outlets compared to the independent marketers' average of four retail outlets (Department of petroleum resources, annual report 2015). This is owing to the fact that most of the major marketers' retail outlets are operated on franchise basis, while the independent marketing firms are largely owned by individual private entrepreneurs. Franchising has been long considered to play a vital role in creating business opportunities to minorities based on the fact that customers patronize a franchise due to its brand reputation in the marketplace and the implicit promises of standardized product or service offering regardless of who the operator of a specific franchised outlet might be (Dant, Grünhagen, & Windsperger, 2011). Oladepo (2014) pointed out that the independent marketing firms range from a single-station based to relatively large multi-station ones with a fairly established corporate brand identity. However, these indigenous oil marketers do not leverage on their existing brand equity by engaging in franchise agreements, despite the huge role the oil and gas marketing plays in the economy of Nigeria in particular, and that of the world in general.

Preliminary review of the literature shows that previous studies (Ehinomen & Adeleke, 2012; Ige, 2013; Oladepo, 2014) were all not without theoretical, methodological, and contextual limitations. It is against this background that this study is carried out with a view to investigate corporate branding, franchise branding, and how the brand equity can be leveraged to develop the Nigerian indigenous oil marketing firms through franchising. Consequently, it is against this background that this study is conducted in order to provide both conceptual contribution to both branding and franchising literature in the Nigerian oil and gas industry, especially for the independent oil marketing operators.

The general purpose of the study is to ascertain the extent to which brand equity can be leveraged through franchising by Nigerian indigenous oil and gas marketing firms in order to achieve sustainable organisational growth. Specifically, the study will determine the relationship between a firm's brand equity and franchise business model, predict the influence of franchise business model on organisational growth and ascertain the influence of corporate brand identity on franchisor-franchisee relationship.

The downstream sector of the Nigerian oil and gas industry is categorized by two main actors. The major marketers owned by multi-national companies and the indigenous independent oil marketing firms. This study is specifically concerned with developing the franchising ability of the indigenous oil marketing firms under the auspices of Independent Petroleum Marketers Association of Nigeria (IPMAN).

LITERATURE REVIEW

Franchising, which has been proven to be a successful business model, is a relationship whereby one party (franchisor) allows the other party (franchisee) to operate a replica of a business system owned by the franchisor (Duckett, 2008). Aliouche and Schlentrich, (2009) pointed out that, in a franchise arrangement, an initial franchise or license fee with periodic royalties, usually a percentage of sales revenue, is paid as a price for the opportunity to use an established business model.Product distribution franchising and business format franchising are the two major forms of franchising. Licensing of a brand name to a third party for the purpose of transacting an independent business, usually found in the oil and gas retailing industry is referred to as product distribution franchising (Killion, 2008).

Across the globe, franchising has been acknowledged as one of the popular routes to firms' growth (Michael, 2003). For example, in 2005, 4.5% of the United States (US) economic outputs amounting to about 11 million jobs were directly attributed to franchising (IFA educational foundation, 2005). By 2011, about 18 million jobs and 40.9% of the US retailing sector comes from franchising (Franchise facts, 2011). Franchising is also the fastest growing form of retailing in the world (Dant, Perrigot, & Cliquet 2008). Therefore, franchising represents an important marketing strategy as franchisors encourage individuals to buy a franchise as a way to start-up a new business with relatively less risk than launching a new venture.

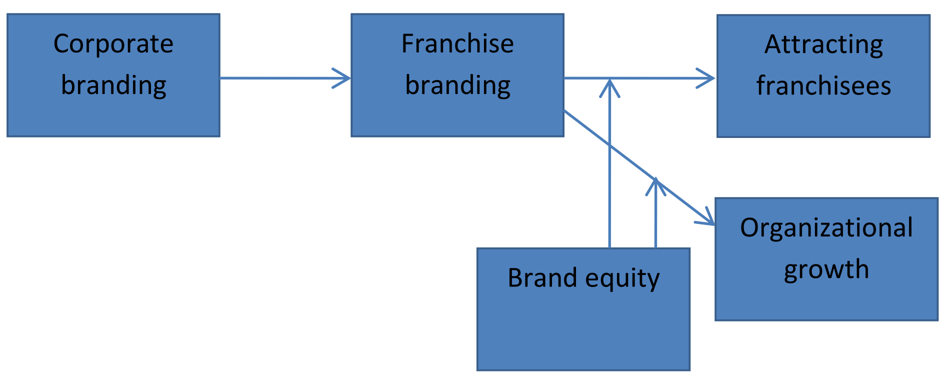
Although franchising as a business model is considered a matured practice across the globe, in Nigeria it is still opening up and present a huge potential (Olotu, 2011). Moreover, there have been few studies conducted to evaluate the franchising model in the Nigerian oil and gas marketing industry (Oko & Okonkwo, 2015). Therefore, franchising provides a vital area of academic and practitioner research in marketing (Varadarajan 2003). As pointed out earlier, the indigenous independent oil marketers with well over 6,000 fragmented firms only average about four retail outlets in the downstream sector as against 204 retail outlets average owned by only a dozen major marketing firms. The indigenous oil marketing firms have fairly strong established corporate brand (Oladepo, 2014). However, while corporate branding may be conceptually comparable to franchise branding, the two concepts have been argued to be distinct from each other (Zachary et al., 2011). Corporate branding occurs when a firm creates organizational associations with the company's identity, reinforcing in a broad range of stakeholders' minds that the company will stand behind its products and services (Aaker 2004). Franchise branding is distinct in that the franchisor is specifically marketing an opportunity with the intent to "sell" the potential franchisees a contract. Furthermore, targeting potential franchisees is what franchise branding seeks to achieve, while corporate branding's target audience goes beyond franchisees to include other stakeholders.

2. RESEARCH FRAMEWORK

In carrying out franchising research, a number of theories like, resource dependency theory (Salancik & Pfeffer, 1978), search cost theory, resource scarcity theory (Combs, 2004) have been adopted to explain franchising business model. However, researchers have argued that although these theories help in explaining the motivation for franchising, they fail to integrate the behavioural aspect in the franchising relationship (Combs, 2004; Hadjikhani & LaPlaca, 2013). Furthermore, the theories did not explain how franchisors behaviour can influence franchisees identification with the brand (Nyadzayo et al., 2015). As such, this study will adopt the social exchange theory (SET). Frazier and Rody (1991) posit that SET provides a veritable theoretical grounding in explaining the reciprocal relationship in a franchise arrangement. SET is premised on the assumption that the intrinsic value of a relationship goes beyond the extrinsic economic value, because social capital shapes the expectations and opportunities of B2B exchanges (Davies & Mentzer, 2008).

Explaining franchise relationships requires well-grounded underpinning theory that will also integrate the role of branding (Dant, Grünhagen, & Windsperger, 2011). As pointed out earlier, SET provides the required framework in trying to explain both the economic and behavioural value franchising business model avails in a franchise relationship. Moreover, SET is applicable to franchising, in that franchisor and franchisee interaction revolves around occasional exchanges rooted in a commonly beneficial relationship (Gronroos, 1994; Wilson, 1995).

Figure 2.1



3. PROPOSITIONS DEVELOPMENT

As pointed out earlier, corporate branding entails organizational associations with the company's identity, reinforcing in a broad range of stakeholders' minds that the company will stand behind its products and services (Aaker, 2004). Franchise branding also incorporates aspects of the organization's identity that includes its core values and activities (Argenti and Druckenmiller, 2004). Thus, the following proposition:

P_1: Corporate branding is positively related to franchise branding.

Franchise branding ensures that potential franchisees align with organisational values and identity and helps avoid any misfit between company and the consumers' perception of the corporate brand (Zachary et al., 2011). Similarly, Mathewson and Winter (1985) posit that the franchisor's corporate branding is an indication to the franchisee that the franchisor will likely continue to invest in brand development.

In an attempt to investigate franchisee based brand equity (FBBE), Nyadzayo et al., (2015) adapted Aaker (1991) definition of brand equity to define FBBE as "a set of brand assets (brand awareness, perceived quality, brand associations, brand loyalty) 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". Brand equity itself is an outcome of branding while franchise branding is the specific case of a franchisor marketing its franchising opportunity as a brand (Zachary et al., 2011). Furthermore, researchers in the past have emphatically describe franchising as a compelling engine of growth in the United States, and more so in the global economy (Dant et al., 2011). Hence the following propositions statements:

P_2: Franchise branding is positively related with attracting franchisees

P_3: Franchise branding is positively related to franchisee based brand equity

P_4: Franchise branding is positively related to organisational growth

How consumers respond to the marketing of a brand, is, to a large extent an indication of the strength of the brand and its equity. These responses have a generally positive effect on firm's performance (Buil, Martinez & de Chernatony, 2013). Brand equity as per Aaker (1991) is the set of assets and liabilities linked to a brand that adds to or subtract from the value provided by a product or service. Therefore, in this study brand equity is expected to moderate the relationship between franchise branding and FBBE as well as franchise branding and organisational growth. The following moderating proposition statements are formulated thus:

P_5: Brand equity moderates the relationship between franchise branding and franchisee based brand equity. Specifically, the relationship will be stronger with positive and strong brand equity.

P_6: Brand equity moderates the relationship between franchise branding and organisational growth. Specifically, the relationship will be stronger with positive and strong brand equity.

4. CONCLUSION AND RECOMMENDATIONS

The outcome of this research will be useful to both policy regulators and marketers in the downstream sector of the Nigerian oil and gas industry, academics, potential entrepreneurs and other business owners. More specifically, the study will guide indigenous oil and gas marketers in achieving sustainable business growth that will enhance their ability to favourably compete with other multinational companies that have been the dominant force in the Nigerian oil and gas industry.

Moreover, this study recommends that, indigenous companies with favourable brand equities should strive to leverage and take advantage of their positive equity in growing their businesses through a franchising business model. This will also provide an avenue through which struggling companies will be given a life line to make a comeback into the business, a win-win situation.The study also recommends that IPMAN as the umbrella body of indigenous petroleum marketers in Nigeria should encourage its members, especially companies with well entrenched brand names to avail themselves with the growth opportunities presented by franchising business models in order to compete favourably with multinational oil and gas companies.

Secondly, the study is grounded by adopting the social exchange theory (SET) and resource acquisition theory in trying to explain the mutuality of benefits that exist in a franchise arrangement (Nyadzayo et al., 2015). Harmon and Griffiths, (2008) posit that business relationships are affected by economic and behavioural factors as explained by SET. However, few empirical studies have been carried out to ascertain this fact. Moreover, most of the studies conducted are in the developed world of United States and Europe. One of the limitations of this study which can provide direction for future studies is that it is a conceptual paper. Empirical studies can be conducted using the model provided in this study in order to lend credence to the assertions as proposed by the paper.

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