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INTERNATIONAL FRANCHISING IN THE FASHION INDUSTRY - THE FRANCHISEE AND FRANCHISE STORE MANAGERS PERSPECTIVE

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Abstract

Operating a fashion franchise network in emerging markets comes along with great geographical distances. Besides, operating a franchise network includes the management of different approaches as the franchisor; franchisee and franchise store managers take major positions in the operational executions, but all at different levels. A franchisor sets the strategic planning, whilst the franchisee maintains a tactical approach and the franchise store managers perform solely at operational level whilst at this place the strategic, tactical and operational planning must come together. In order to ensure the accomplishment and maintenance of an ultimate brand image and experience, the franchisor establishes brand standards. This article investigates how international fashion companies can implement and assure brand standards and qualities among their franchise networks in emerging markets. Qualitative research conducted by the

authors has given an insight into the general motives for fashion companies franchising their businesses in emerging markets and the implementation of brand standards, assuring quality and control, and challenges in operating franchise stores.

Keywords: *franchising, fashion industry, emerging markets, brand standards*

1. INTRODUCTION

Over the years, franchising has given fashion retail companies the chance to grow and internationalize their business (Dorothy, 2007, p. 140; Moore, Dorothy & Doyle, 2010, p 141). Initially, international retail expansion took place in markets similar to the franchisors' home country (Sternquist, 1997, p. 262). However, this trend has changed and expanding into emerging markets has seen a significant growth (Welsh, Alon, & Falbe, 2006, p. 131).

The term franchising is often connected to the resource scarcity and agency theory. According to Gills & Combs (2009) franchisor size, age or growth rate are the reasoning of the resource scarcity approach for franchising. The agency theory emphasises on the relationship and interaction between a principle and an agent, in which the principle delegates or hires an agent to do the work. In this theory, the main challenges that are dealt with are that the goals of both the principle and agent are not in conflict and that the principle and agent make different tolerances for risk consistent. The agency challenges in this relationship arise from inconsistency between the goals and interests of the principle and agent, and difficulties in monitoring agent behaviour (Castrogiovanni, Comby & Justis 2006, p. 30).

The growth of fashion retail franchisors in emerging markets comes along with the trend of west-to-east economic rebalancing, which directs the global economy towards emerging markets (Remy, Schmidt, Werner, & Lu, 2010, p. 2). Just a decade ago, luxury fashion companies were supported by considerable brand assets and reliably regular customers, while globalization and ICT progress have made luxury fashion more accessible (Brogi et al., 2013). Beside the attractive market characteristics, expanding into emerging markets via local franchise partners, give the franchisors the chance to enter a new market with relatively small financial investments and risks (Dant, Kaufmann, & Paswan, 1992, p. 33). Local franchise partners know the political and cultural differences and bring in extensive knowledge on local customs, market conditions, economic networks, industry experience and consumer behaviour (Welsh, Alon, & Falbe, 2006, p. 13). However, in emerging markets the business environments are known for being turbulent and retail brand performances are continuously tested (Grandhi, Singh, & Patwa, 2012, p. 68). Above all, when franchising a retail business, a lack of full control over the franchisee's store operations arise (Cavusgil, Ghauri, & Akcal, 2013, p. 249). The combination of these factors is

not ideal and shapes additional challenges for brands managing their international franchise portfolio.

Some fashion brands fail when travelling across borders through franchising, as they do not connect well with local consumer needs. Brands that survive are those, which continuously and tactfully connect with shoppers' expectations (Grandhi, Singh, & Patwa, 2012, p. 66). Beside the connection to the local market, smooth store operations are crucial for a store's and ultimately brand's image success. Consistent and efficient delivery of a company's branding and ethos by the store staff affects business success. Even the best fashion brands can be unsuccessful by poor execution of store operations.

Achieving a high standard of retail store operations comes down to effective planning, resourcing and training. A brand needs the right people working for it, with the knowledge to communicate the brand messages clearly and passionately to the final consumer (Ibbotson, 2016). Additionally, high store-level operations yield a high return on investment, especially in the service of delivering a constant consumer experience at every store. Effective site operations create hard-to-copy differentiation and more productive employees for retailers (Nelsen & Orr, 2006, p. 2). But how can this be achieved, when a business is franchised and the brand store is located in a different country and/ or continent far away from the franchisor's home market and store operations are not directly managed by the brand itself, but by the franchisee who might have different ideas on store operations and success?

There is numerous research related to the franchising in the literature but none has the same goal as our research. Rosado-Serranoab, Justin & Dikovac (2018) reviewed the literature related to international franchising. Hoffmana, Munemoa & Watsonb (2016) examined how a country's institutional environment affects the international expansion activities of U.S. franchise companies. Asarpota (2014) explored the operational issues of international retail franchising that need to be implemented by franchisor/franchisee in their joint efforts of globalization. According to Keen (2013) brand consistency is nowadays a real challenge. Operating a franchise network in an international environment brings along physical and cultural distances from franchisor's headquarter. Furthermore, also losing control on international store operations in this format can easily occur. Muthu (2018) discusses the connection between fast fashion brands and customer-centric sustainability. It highlights what consumers can do with fast fashion and the important aspects that need to be addressed to make fast fashion sustainable. According to Bridson & Evans (2004) competitive advantage and differentiation in the fashion retail industry are done through the combination of product and total store experience. Chen, Chung & Guo (2018) proved managerial insights are generated concerning how the franchising contracts are implemented in the fashion industry. Eren-Erdogmus, Akgun & Arda (2018) researched drivers of successful luxury fashion brand extensions. The results show that perceived fit between the parent brand and extension is a necessary condition for a positive evaluation of both extension types: complement and transfer.

This paper is based on the main research question on how international fashion brands can implement and assure brand standards and qualities in emerging markets. After introduction that presents the main features about franchising, the second chapter describes the method of the survey research conducted by the authors; the third chapter presents the results of the study. The fourth chapter brings conclusions.

2. METHODOLOGY

The research study on international franchising in the fashion industry was conducted in 2017 by qualitative research based on expert interviews. For the research, quota sampling has been chosen as non-probability sampling technique.

Authors tried to find an answer to the main research question: *How can international fashion companies implement and assure brand standards and qualities among their franchise network in emerging markets?*

Authors conducted eleven depth interviews with fashion franchise industry experts in emerging markets. The respondents have been divided in three groups; franchisors (4), franchisees (4) and franchise store managers (3). The respondents were based in the Netherlands, France, Slovakia, Dubai, Turkey, Russia, and Czech Republic. In this paper we are presenting the results from franchisees (4) and franchise store managers (3). Detailed description of interview respondents is presented in the Annex 1.

Due to the low number of relevant literature on this topic, authors had to compile their own questions for the interview questionnaires. They involve four parts; i) general, ii) implementing brand standards, iii) quality & control and iv) challenges. It includes twenty-eight questions. The majority of the questions were unstructured; including open-ended questions, which are answered in the respondent's own words. By using unstructured questions, authors obtained important insights into the research topic with much less biasing influence on response than with the use of structured questions (Malhotra, 2010, p. 343). Three structured questions in the general part of the interview were included in order to pre-specify a set of response alternatives and response format.

The sampling number in qualitative research is rather small and the collection of data is unstructured. The data analysis is non-statistical and the outcome may be used to develop an initial understanding of the research problem (Malhotra, 2010, p. 171). The combination of literature review and depth interviews gave authors the ground to find an answer to the main research question and suggest implications for further research. The telephone interviews were executed by Skype, Facetime or Whatsapp call and recorded with the MacBook PhotoBooth program for transcription.

Before analysing the obtained data, all communications have been transcribed after conducting the interviews. As each interview has been separately

recorded, authors were able to transcribe word by word. After transcribing all interviews, the content analysis with the tool MAXQDA has been performed. For the analysis authors developed main categories to which key features could be linked at a later stage; general; implementing brand standards; assuring quality & control; and challenges.

3. RESULTS

This chapter presents the main findings of the qualitative research conducted by the authors. First the results from the franchisees and later from franchise store managers respondents group are presented.

3. 1. Franchisee Respondent Group

3. 1. 1. General

The first part of the interview consists of general questions in regards to the franchisees' company. The general part includes key information about the franchisees organization and its franchise structure. The questions related to the general part of the interview slightly differ per respondent group. For the franchisee respondent group, nine interview questions have been developed. The questions are similar as the general questions for the franchisors respondent group. It includes the reason for franchising, the franchise form and business format, brand portfolio, in which regions the franchisee operates, the amount of franchise stores, franchise partner selection criteria, franchise contract duration and the most crucial aspects for a successful franchise operation.

For the franchisee respondents, the main reason for franchising is to expand their business into the region. Another reason for franchising is to maintain the leadership position within the market. In order to do so, the franchisees are acquiring new franchise brands for novelty. By adding new brands to their portfolios and develop the brands locally they want to maintain and increase their footprint into the markets.

Each of the franchisee respondents does business-format franchising as main franchise form. This includes the entire operation of a fashion franchise brand. The most common franchise business format is master franchising, followed by area development franchising. The respondents mentioned that they are all focusing on the development of an entire region when embarking with a brand. That is why they do not operate unit or multi-unit franchising, but purely focus on area development and master franchising.

The brand portfolio of the franchisee respondents is varied. However, the majority of brands are considered as contemporary fashion brands, including; Pinko, Karl Lagerfeld, Michael Kors, PeakPerformance, Cremieux, Nautica, Paul Smith, Tory Burch, Lacoste, Armani Jeans, Calvin Klein Jeans, Barbour,

LaMartina, Gant, Max Mara, Dolce & Gabbana, Carolina Herrera, Polo Ralph Lauren and Topshop.

Together with their franchisors, the franchisees operate their franchise business globally. Each respondent mentioned that they operate over more than 50 stores internationally. The franchisees cover regions in Central and Eastern Europe, the Middle East and EX-USSR. The countries in the Middle East include Egypt, Jordan, Lebanon, Saudi Arabia, Kuwait, Qatar, Abu Dhabi and Dubai. The countries in Central and Eastern Europe include Austria, Czech Republic, Slovakia and Hungary. The countries in the EX-USSR region include Russia, Belarus, Ukraine, Azerbaijan and Georgia. As like for the franchisors, the franchisee respondents also have their selection criteria when choosing a new franchise brand. The main selection criteria when choosing a franchise brand and company are based on the brand's awareness and a pre-established business operation. The franchisees mentioned that before embarking with a franchisor and acquiring a new brand it is key that the brand is already known and successful in key cities in Europe. Besides, the franchisees prefer to embark with a franchisor when there is a pre-established business operation in place to ease the communication and business roll out. Once the franchisees start to negotiate with a franchisor the commercial conditions are key in reaching consensus. The commercial conditions must be reasonable to be able to open stores and invest in the franchise business roll out. Other selection criteria mentioned were the financial position of a brand and the long-term strategy of the franchisor, which must fit with the vision of the franchisee in order to reach a common goal.

As soon as the franchisee has reached consensus with a franchisor, the franchise agreement is getting signed. The duration of a contract agreement is five years. However, five years are short taking in consideration that all the franchisee respondents embark with global brand for a master franchise roll out in an entire region. This means that the franchisees want a certain security for a long-term collaboration, before investing. The franchisees mentioned that the contract is five years, but with a contract clause in which an extension possibility and/or resignation period is stated.

The final question of the general interview part is related to the key aspects for a successful franchise operation. The overall comments on which aspects are key for a successful franchise operation were related to correct delivery windows, franchisors' support, a brand's proven business concept, a company's retail structure and having the right product and store staff. Furthermore, store locations and a brand image are also key for a successful franchise operation.

3. 1. 2. Implementing Brand Standards

The second part of the interview consists of questions in regards to the implementation of brand standards at the franchisees side. This part includes key

information about the implementation process of brand standards at franchise store level. For the franchisee respondent group, six interview questions have been developed, covering key information about the importance of the implementation and execution of brand standards in a franchise store, which implementation support is delivered from the brand, how a franchisee ensures the brand standards execution, the control and follow up on brand standards, how the franchisees are getting trained and if cultural differences affect the implementation process.

The first question in regards to the brand standard implementation is related to how standards are implemented from the brand into the franchise operation. The franchisees mentioned that this is done with the support of a brand book. A brand book includes all brand guidelines, which are needed to operate a franchise store in the same way as a wholly-owned store. The brand book is a franchisees and franchisors bible. The brand book also makes it possible to execute a copy-past concept based on the brands' own retail operation. The brand standards at the franchisor's organization must be the same as in the franchisee organization. Furthermore, the franchisees have mentioned that with training, VM (Visual Merchandise) support, buying guidance, integration of store concepts, support with store staff recruitment and regular reporting and follow ups the implementations of brand standards are done. They also mentioned that it is depending on the brand how the execution is done, as this differs per brand. As well the balance between local needs and company standards must be taken in consideration when doing the implementation.

Implementing brand standards is for as well the franchisee as franchisor an ongoing process. To ensure the brand standard execution the franchisees must follow the brand book distributed by the franchisors. The brand book includes all guidelines, which a franchise store must follow in order to deliver a consistent brand image. The franchisees mentioned that the Retail Manager, which comes from the franchisee's side, is responsible in ensuring the execution of brand standards at store level. By having a retail organization structure in place, ensuring brand standards can be simplified, as each role and responsibilities are clearly defined. Furthermore, one franchisee has an entire retail academy that offers exclusive trainings for their store staff that prepares them on how to ensure brand standards at store operations. All aspects related to brand standards and the implementation of it is based on the balance between local and the brand needs.

Implementing and ensuring brand standards at store level is one of the main responsibilities a franchisee and franchisor can have. However, the franchisor has limited influence over the final execution of it, due to the geographical distance. When asking the franchisees how franchisors control their follow up on brand standards, most answers were related to local store visits and reporting. The brands visit the franchise stores twice a year and require regular reporting on sales figures via an EDI (Electronic Data Interchange) system, trade report and VM photo reporting in which pictures of the inside and outside store presentation are shared. It was mentioned that the brand manager of the

franchisee side is responsible for the overall control if the franchise stores are following up on brand standards.

Implementing brand standards is mainly done via trainings. All franchisee respondents receive seasonal in-store trainings of the brands. Some of the respondents are also visiting the headquarters of the brands, but this is not common. Depending on how a franchisee has organized its organization, a HR department or own retail academy is in place who also provides trainings beside the brand trainings provided by the franchisors. Trainings are based on the brand book, which most of the franchise stores has in place. A brand manager provides in-between trainings when he/ she feels the necessity or when the brand requires this based on store performances.

Cultural differences must be taken in consideration when implementing brand standards. However, the franchisees mentioned that the cultural differences are minimized when operating a global franchise store. Since most procedures are standardized, different cultures can hold on to a consistent operation. Adapting global standards to local needs cannot be avoided and must be considered at all times. Another aspect of cultural differences between the global brands and local store executions are the size ranges and delivery windows of the collections. For example, when a clothing collection is made in Italy according to Italian size ranges, the market in South Korea needs to convert the sizing. As well, Korean people have different postures than Italians and a franchisee might need to buy different sizes than a brand does for its own European stores. Delivery windows are also important for an international operation, as it might be that the geographical distance and/ or import/ export duties change the delivery schedules from franchisor to franchisee.

The final question on implementing brand standards is related to the importance of it for the franchisees. All respondents mentioned that the implementation of brand standards is necessary to deliver a consistent brand image towards the final consumers. As well, brand standards are developed in order to minimize the level of mistakes. By standardizing your operations, the more efficient a business can be managed.

3. 1. 3. Assuring Quality & Control

The third part of the interview focuses on the assurance of quality and control of a franchise store operation. For the franchisee respondent group, nine interview questions were developed, covering topics such as important quality aspects of a franchisor/ franchisee operation, the assurance of quality, strategic store operations, control of store operations, main challenges in assuring quality and control at store level, ensuring a consistent brand image and the most important stakeholders in a franchise operation. When running a successful franchise store operation, a franchisee must have certain quality aspects in place. Several respondents spoke about being persistent, having trust, collaborate with

franchisors and having a structured retail operation in place. Other aspects mentioned included taking responsibility, respecting brand standards, communication, price consistency, having an extended retail network so store property rental prices are more competitive, being flexibility, having a clear company vision and franchise strategy.

From a franchisors point of view, the franchisees expect them to give ongoing support, understand local needs, collaborate, be reactive, communicate, delivery the right products on time and ensure product quality. Other quality aspect mentioned are flexibility, mutual understanding and regular store visits from franchisor to the franchise stores.

In order to assure a high level of quality at store level, the franchisees mentioned that mystery shopping is a favourite tool to review a store operation. Based on the results of a mystery shopping visit, the franchisee and franchisor can implement adjustments when necessary. Other than mystery shopping, the franchisee strives for ongoing trainings, reporting and the implementation of KPIs. As well having an organizational structure in place may support the assurance of a high quality store operation level. Store operations can be structured in a way that it can deliver brand standards and qualities. Brand guidelines, developed by the brands, support the local store operations of franchisees. With trainings and the management of a brand manager store operations can be performed at best. Naturally, having the right franchisor and brand as partner helps a lot as well.

According to the franchisees, the franchisors control the local store operation executions and sales performances with sales and trade reports and VM photo reporting. Besides, local store visits are done twice a year. The major challenges in assuring quality and control in a franchise operation are finding and retaining qualified store staff. Franchise store staff needs to be able to understand a franchisees' and franchisors' vision. Other challenges are communication, logistics, footfall and selecting the wrong franchisor brand/ partner. As store staff seems to be the biggest challenge in assuring quality and control in a franchise operation, the best way to ensure a consistent and efficient delivery of a company's branding and ethos by local store staff is training them on a regular basis. It is important to communicate as much as possible with the franchisors, so challenges can be minimized and delivery of a consistent branding can be secured. Besides, recruiting highly skilled store staff, investing in building a long-term relationship, trusting each other and visiting the headquarter are all aspects that may contribute to a consistent and efficient branding by local store staff.

The last question in regards to quality and control covers the topic stakeholders. A franchise operation involves many different internal and external stakeholders. When asking the franchisees which stakeholders are crucial in assuring quality and control they all mentioned that each department of a franchisor's organization must be represented at the franchisee side in order to ease the business operations. However, a brand manager, the sales department,

customer service, VM and marketing play a key role within franchise operations in relation to the implementation of brand standards. Besides, the buying, retail, logistic, HR and finance department cannot be missed as well. One franchisee compared a franchise organization with a human body. All organs, the stakeholders, must be in place in order to function properly. If something is missing or malfunctioning, you cannot get a good result.

3. 1. 4. Challenges

The last part of the interview focuses on the main challenges of a franchise operation. It includes eight interview questions, covering topics such as the main challenges of managing a franchise store, the most challenging franchise countries, the reason of challenges, the solutions for franchise challenges, to which extend different cultural backgrounds the operational execution affect, the best solutions for franchise challenges and the main reasons for terminating a franchise contract.

Franchisees experience many challenges in managing a franchise store. The most frequent mentioned challenge is the buying/ delivery strategy of a franchisee. The franchisor wants to push its core collection and requires the franchisee to buy into the same direction as its own stores. However, product styles are market specific. A franchisee requires to buy the products he/she believes are best for their own markets and which can ensure the highest sell through. As well a franchisee is not flexible to change the stock during the season. Whatever has been bought, needs to be sold and cannot be send back to the franchisor. Pricing is another challenge, which is indirectly linked to the increasing business of online shopping. The consumers have full transparency on pricing and do not except any differences. They simply buy wherever it is most affordable. Another challenges mentioned are instable economic conditions, political issues, exchange rates, communication, counterfeit, limited cash flows, finding qualified store staff and store locations.

The franchisees who have been contributing to this research are operating their franchise stores globally. The most challenging countries differ per respondent. However, two franchisees are both operating in Russia and mention that Russia is the most challenging franchise country. Other challenging countries are Saudi Arabia, Egypt and Hungary.

The reason why these countries are challenging to manage lies in the problem with finding qualified store staff. This is a problem in Saudi Arabia, Egypt and Hungary. In Saudi Arabia and Egypt it is difficult to find qualified store staff as the fashion retail industry is not as far developed as in other regions. Working in retail does not receive the same respect as in Europe for example. This has also a cultural aspect. In Hungary it is challenging since the locals face great language barriers. When operating an international franchise store, you need to be able to speak the language of the brand. As well, the Hungarian market is

rather small and receives less attention than other franchise stores, one respondent mentions. Russia was mentioned as two franchisee respondents have their biggest market share in Russia. When the business fails, the impact is big.

Challenges may have positive effects, as franchisees could try to change challenges into possibilities. When asking the franchisees if they have any solutions in place, the majority mentioned that communication and investing in qualified store staff is the most important. Besides, mutual understanding must be in place. Furthermore, it was mentioned that incentive programs could motivate store staff.

The reason why franchising in one country is easier than in another can be related to a combination of cultural, political and economical aspects. However, the franchisees believe it is slightly more influenced by culture and the economical environment in which a franchise store operates, rather than political.

When a collaboration between franchisee and franchisor does not work, the franchise agreement is either not extended or terminated. The main reasons are continuously low store performances, no support and/or losing alignment with the franchisor. Another reason may be decreasing or no footfall at all or when a franchisee decides to run the franchise store on its own and changes the franchise store into a wholly-owned store.

3. 2. Franchise Store Managers

3. 2. 1. General

The first part of the interview consists of general questions in regards to the franchise store. The general part includes key information about the franchise store operation and communication structures. For the franchise store managers' respondent group, six interview questions have been developed. The questions cover subjects such as how much store staff the store manager supervises, the advantages and disadvantage of managing a franchise store rather than a wholly-owned store, how the communication is structured between franchisor and franchisee towards the store operation execution and the most crucial aspects for a successful franchise store operation.

Two franchise store managers from Prague and Moscow have five or less store staff to manage. The franchise store manager in Dubai has a team greater than five employees. Dubai and Moscow mentioned that they are usually with more store staff, but they are currently in a recruitment process. The turnover of store staff is high. When asking the franchise store managers to the advantages of managing a franchise store rather than a wholly-owned store, they mentioned that caring an international brand name brings along communication advantages. The joint marketing program with the headquarter supports the general accomplishment of a franchise store. Besides, one store manager mentioned that he/ she felt a strong family attitude between the brand and the

franchise store. It was mentioned that the store feels like the brand is treating the franchise store as their 'child'. Another advantage of managing a franchise store is that the franchisee and store staff understands the local market. They know the customer very well and understand what they need.

Managing a franchise store has also disadvantages. Where one store manager mentioned that they feel like one family, in this part of the questionnaire, one franchise store manager mentioned that franchise stores receive less attention than wholly-owned stores. They are in need of more attention, but do not receive it. More respondents commented that stock limitations are a great disadvantage for the final store performance. Franchise stores cannot swap products throughout the season. They can only sell what has been bought upfront the season by the buyer and are not able to restock bestsellers or change products that do not sell well.

Another disadvantage are local restrictions, which plays a big role in the Middle East. For example, one brand works with explicit colours and prints. In the Middle East, you cannot display human elements in store or on clothing. When a collection is very specific, it could be a bad season for the store performance.

The communication between franchisor and store is less intense as between the store and the franchisee organization. However, it seems to be depending on the brand and franchisee company how the communication is structured. Some stores do have direct contact with the brand on trade reports and VM reporting, whilst ne store does not have any direct contact with the franchisor beside the local store visits by the brand.

Furthermore, the store managers mentioned that their brand manager is main contact point between the store operations, the franchisor and franchisee. It is like a 3-tier communication line, which follow a brands global policy.

The communication structure from the franchisee to the franchise store is more clearly defined. A brand manager is in place to lead the overall supervision over the store operation executions. A brand manager visits the stores weekly and is in direct contact with the franchisor as well.

When asking the franchise store managers to the most crucial aspects to run a successful franchise store operation they all mentioned store staff. Store staff gives the biggest part of a customer experience and can make or break a brand. They must be knowledgeable on brand and product level, but must as well understand the customer's needs. Other key aspects are having the right balance between the brand and local needs and stock management. For example in Dubai, the store has great challenges in receiving the merchandise on time, as often it is hold by the customs for special controls. This delays the process and influences the final sales performances.

Delivering a consistent brand image is also key for a successful franchise operation and the brands involvement and management of implementing brand standards.

3. 2. 2. Implementing Brand Standards

The second part of the interview includes key information about the implementation process of brand standards at franchise store level. For the franchise store managers' respondent group, six interview questions have been developed, covering key information about the implementation process, how a store manager ensures the brand standards execution, how the franchisor and franchisee control the store manager on the follow up of brand standards, how the store managers are getting trained and if cultural differences affect the implementation process.

Brand standards are getting implemented with a brand book and seasonal VM guidelines. These materials are usually delivered by the brand. When a brand book is missing, store executions cannot be implemented according to brand standards, which may lead to an inconsistent brand image as store staff starts to use their own imagination. Some franchise companies have their own VM team in place, which visit the franchise stores regularly, in order to decorate the window and store according to the brand guidelines. The brands' VM manager trains the local VM teams. Besides, the brand also visits the franchise stores each season, to provide brand standard trainings to local staff. Implementing brand standards is an ongoing process just like the execution of it. In order to ensure the execution of brand standards several aspects has been mentioned. In Dubai it is very much based on delegation and store staff empowerment. Trainings and KPIs are in place to manage the store staff individually based on their needs. Communication is key to have a successful team and store operation. With communication you can strive to get everyone on the same page. Other store managers mentioned that ensuring brand standards is the responsibility of the franchise company. A brand manager must control the store operations. The store manager in Moscow believes that the brand standard execution is the responsibility of the headquarter, franchise company and store manager together.

The franchise company usually does the follow up on brand standards at store level, by weekly store visits and daily calls. All store managers mentioned that the brands are limited involved. The only follow up from the brand are the seasonal store visits, the VM reporting and trade reports which need to be shared on a regular basis. Store managers do not have any phone contact with the brand. The brand manager is in direct contact with the franchisor. The store managers have mentioned that the attention of the brand is important, as sometimes they feel suppositious compared to wholly-owned stores. In regards to the brand standards implementation process, the store staff is receiving seasonal trainings locally. The franchisor travels to the store to meet with the store staff and trains them on product and service level. Sometimes this training is combined with a

VM training, but this might also be separately. The store manager or his/ her staff is never invited to visit the franchisor and/ or join a training at the headquarter.

When implementing brand standards different cultures may influence the process. The store managers have said to finding a balance between local needs whilst keeping the brand's identity is the most important. The overall goal is to ensure brand consistency in an international organization.

3. 2. 3 Assuring Quality & Control

The third part of the interview focuses on the assurance of quality and control of a franchise store operation. For the franchise store managers respondent group, seven interview questions were developed, covering topics such as important quality aspects of a franchisor/franchisee operation, the assurance of quality, strategic store operations, control of store operations, main challenges in assuring quality and control at store level and ensuring a consistent brand image.

In order to operate a successful franchise store, a franchisee's operation must have certain quality aspects in place. The store managers said that a strong HR/ training department is key as well as the availability of a product quality control team. Furthermore it is important to have motivated store staff, a clear company structure with all necessary stakeholders and an extended network in order to recruit the best local people for the store.

The store managers also have their opinion on the franchisors quality aspects. They find it most important that the franchisors understand the local needs and that they invest in continuous communication. Furthermore, franchisors are expected to be relationship focused, collaborate and trust the franchise store management and franchisee organization.

Store operations can be structured in a strategic way in order to assure brand standards and qualities. The store managers believe that with brand guidelines this can be best achieved. With in-store trainings and the development of personal KPIs, store staff can be supported in delivering the best store operations. During the operational executions it is essential to have regular contact between store managers and the brand manager. In this way the store manger and brand manager can exchange the daily activities and immediately react when necessary.

Store managers are expected to oversee the execution of all store operations. When asking them how the franchisor and franchisee control their work, the main quality control method is by local store visits. The brand manager visits the stores on a weekly basis and the franchisors visits the local stores twice a year. Throughout the year the franchisor can control the franchise store operations through reporting.

Whenever the brand manager or franchisor visits a franchise store the main focus of control is how the window and store look like. A store must be clean, tidy and decorated as how the brand wants it. With store visits, the store staff can also be control on their behaviour and physical appearance. Besides, store performances are check with the daily sales reporting and trade reports. Trade reports include background information on sales figures; it may include customer feedback and any other specific comments a store manager wants to share with the franchisor and franchisee. The daily sales reports are also used to control stock levels.

Managing a store and assuring quality and control can be challenging. According to the store managers the major challenges are coming from the geographical distance between the brand and the store, buying limitations, which means that the local consumers cannot always buy what they want and need. When IT systems malfunction challenges occur. For example many store operation checklists are digital. When a system is down, store staff might not always know what to do. As well sales reporting cannot be done when the IT is down. Store staff can also be challenging. You might have a lack of staff, or competition among staff influences the store operations. Furthermore, it was mentioned that a limited marketing budget and buying limitations may also influence the quality and control assurance of a store operation.

Beside the existing challenges, store managers try to ensure a consistent and efficient delivery of franchisors branding an ethos. This is mainly done by brand trainings, based on the brand guidelines and by having KPI's, so each staff member has its own goal and direction.

3. 2. 4. Challenges

The last part of the interview focuses on the main challenges of a franchise operation. It includes five interview questions, covering topics such as the main challenges of managing a franchise store, the most challenging franchise countries, the reason of challenges, the solutions for franchise challenges, to which extend different cultural backgrounds the operational execution affect, the best solutions for franchise challenges and the main reasons for terminating a franchise contract.

As like the franchisors and franchisees, the franchise store managers also face challenges whilst managing their stores. Limited marketing budgets and buying inflexibility are mentioned several times as main challenges to manage. Furthermore, limited attention from the brand and stock management influence the success story of a store. The store manager in Moscow mentioned that pricing and misperception of the brand segment is a daily topic in the store among the consumers. Pricing is challenging, because the products are more expensive in Moscow than in Europe due to taxes. Since consumers are travelling more and more they prefer to buy the product in Europe instead. Stock management is

related to the buying inflexibility from the brand towards the franchisee. Other challenges are related to staff and people skills. It is difficult to find and retain qualified staff in the retail industry. This seems to be the same issue in different regions and countries. One store manager does not have a brand book in place, which leads to a great lack of product knowledge. As well article coding is mentioned as a challenge by one of the franchise store managers.

Specific challenges related to the brand standards execution have to do with a lack of product knowledge due to a lack of brand standards/ brand book. Additionally, finding and retaining store staff is challenging as well as a shortcoming of training.

When the researcher asked the store managers for solutions they mutually agreed on more trainings from the brand and the implementation of a staff reward program. Other than that, more marketing support and communication would be an ideal solution. Furthermore, two store managers would like to be more integrated into the buying process, as they know at best which product can sell most, since they know the local consumers. Another solution would be to deliver a consistent management style from the franchisor to franchisee and from franchisee to store manager. Stock management challenges could be dealt with when integrating a pre-buy. A pre-buy functions as a in-between collection, so the store always have enough products to sell and when deliveries are not on time, store performances are not directly affected.

The last question of the store manager's interview was related to which extend different cultural background affect the operational execution of an international franchise network. Two respondents mentioned that it does affect the operation, whilst one believes it does not have any influence since an international brand works with pre-established brand guidelines. When the guidelines are well executed, there should be no difference between stores anywhere in the world. The store manager from Dubai mentioned that culture very much influence the way how you treat each other and how you approach your customer. For example in the Middle East most people have problem with showing feet. Touching feet in public is practically forbidden. When a customer wants to try on shoes, in Europe you would assist him/ her. In the Middle East you do not do that.

4. CONCLUSION

International fashion companies expand their businesses via franchising into emerging markets, as emerging markets offer a growing middle class and high demand for western-style goods and service by the young population can be partly accepted. Franchisee companies in our research have mentioned that they only acquire fashion brands in their portfolios, which already have shown successful in Europe. They strive to continuously acquire new brands for novelty.

Having a consistent brand image and positioning is critical in delivering a consistent product and shop experience for the consumer. With a continuous growth in Internet access and global use of social medias, brand consistency is challenging. Besides, operating a franchise network in an international environment brings along physical and cultural distances from a franchisors' headquarter. It is needless to say that loosing control on international store operations in this format can easily occur. To the question on how brand standards can be successfully implemented throughout an international franchise network in emerging markets, it is key to understand how cultural difference and the challenging environment of emerging markets influence the implementation process. Franchisees mentioned that balancing local needs with the brand identity is most important when implementing brand standards. All respondents' have confirmed that seasonal in-store trainings given by the brand, is the main way of implementing brand standards. All trainings whether it's a product, selling techniques or VM training, are based on a brand book. A brand book provides instructions on visual merchandise, marketing, sales, reporting, human resources and store operations. These trainings are usually given by a sales representative or merchandise manager.

Two franchisee have mentioned that beside the in-store trainings, the franchisees are invited to visit the headquarter to receive additional training. However, this is not the standard and only the owner or brand manager of a franchisee visits the headquarter, not the franchise store manager. VM trainings are given additionally at a more regular basis. All franchisees have a VM manager in place who is responsible for the implementation process of VM standards throughout a franchise network. VM managers are constantly travelling and visiting the stores on a weekly basis. Beside the trainings that are often given by the franchisors, brand managers from the franchisee side are in place and responsible for in-between trainings when needed. Depending on the size of the franchisee organization, an own HR department might be in place, which provides trainings parallel to the brand.

4. 1. Implications for Future Research

For future research implications, it is recommended to monitor the developments of fashion retail franchising in emerging markets closely. Since franchising in emerging markets is mainly done by pre-established Western brands, the cultural aspect in implementing and assuring brand standards and qualities could be specifically researched. The majority of respondents of this study have mentioned that different cultural backgrounds do not affect the operational store execution. However, they also mentioned that brand standards can successfully be implemented when the right balance between local needs and a company's brand identity is met. Based on this outcome, future research could definitely concentrate on the cultural influence on the implementation and assurance process of brand standards among an international franchise network.

This might include a culture comparison of the franchisor's background versus the franchisee's background and the region in which they execute store operations. Moreover, authors discovered that selecting the right franchise partner is crucial in the further evolution of a franchise business. It would be interesting to get an understanding on how the best suitable franchise partners in emerging markets can be found and selected, as this is indirectly linked to the brand standard implementation and assurance process. In any case, since no research specifically deals with the brand standards implementation process in a franchise network, there are plenty of opportunities for future research in this field.

4. 2. Limitations

For this research, certain limitations might have influenced the results. The lack of prior research in regards to the implementation and assurance of brand standards and qualities among an international fashion franchise network restricted authors to find accurate literature to support the investigation and assumptions. Besides, literature on fashion retail franchising in emerging markets is also limited. Without the bases of previous research and case studies, it has been challenging to create a profound literature review at first, as the authors were confronted with broad and ambiguous ideas. However, the research gap was the main reason for conducting this research.

Another limitation is related to fashion industry data. Even though the fashion industry is one of the worlds' largest, reporting is not systematically and inconsistent. However, with the latest State of Fashion 2017 reports of McKinsey and BoF, authors tried to overcome this limitation. Additionally, the lack of literature in regards to brand standards in the fashion industry caused another restraint.

For the scope of this study, authors focused its qualitative research part on fashion retail franchising in the affordable luxury segment, as this segment has shown the biggest growth potential over the last years and near future. Each of the respondents holds a position in a fashion franchise company that operates contemporary fashion brands. It is important to mention that all these participants do business format franchising and are present in emerging markets of Central and Eastern Europe, the Middle East, Russia and Asia.

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ANNEX 1

Table 1

Overview of interview respondents

Franchisor			
Company	Position	Date of Interview	Mode of Interview
Company A.1	Global Sales & Licensing Director	05.05.2017	Skype
Company A.2	Marketing Director	30.05.2017	Facetime Audio
Company A.3	Franchise Operation Coordinator	23.05.2017	Facetime Audio
Company B	International Partnerships and Licensing Director	07.06.2017	Facetime Audio

Franchisee			
Company	Position	Date of Interview	Mode of Interview
Company C	Chief Executive Officer	07.06.2017	Whatsapp Call
Company D	Franchise Retail Manager	24.06.2017	Facetime Audio
Company E	Chief Executive Officer	22.06.2017	Facetime Audio
Company F	Export Manager & Franchise Broker	13.06.2017	Whatsapp Call

Franchise Store Manager			
Company	Position	Date of Interview	Mode of Interview
Store Manager A	Store Manager Moscow	22.06.2017	Whatsapp Call
Store Manager B	Store Manager Dubai	28.06.2017	Telephone
Store Manager C	Store Manager Prague	27.06.2017	Whatsapp Call

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MEĐUNARODNA FRANŠIZA U MODNOJ INDUSTRIJI – IZ PERSPEKTIVE RUKOVODITELJÂ FRANŠIZE I FRANŠIZNE TRGOVINE

Sažetak

Upravljanje modnom franšiznom mrežom na tržištima u nastajanju dolazi s velikim geografskim udaljenostima. Osim toga, upravljanje franšiznom mrežom uključuje upravljanje različitim pristupima kao davatelj franšize. Rukovoditelji franšize i franšizne trgovine zauzimaju glavne pozicije u operativnim izvršenjima, ali sve na različitim razinama. Franšizodavac postavlja strateško planiranje, dok primatelj franšize održava taktički pristup, a menadžeri franšizne trgovine djeluju isključivo na operativnoj razini. U trgovini strateško, taktičko i operativno planiranje mora doći zajedno. Kako bi se osiguralo postizanje i održavanje krajnjeg imidža marke i iskustva, davatelj franšize uspostavlja standarde marke. Ovaj članak istražuje kako međunarodne modne tvrtke mogu implementirati i osigurati standarde i kvalitete brendova među franšiznom mrežom na tržištima u nastajanju. Kvalitativno istraživanje, koje su proveli autori, omogućilo je uvid u opće motive za modne tvrtke, koje svoje poslovanje obavljaju na tržištima u nastajanju, kao i primjenu standarda marke, osiguravajući kvalitetu i kontrolu te izazove u poslovanju franšiznih trgovina.

Ključne riječi: franšiza, modna industrija, tržišta u nastajanju, standardi marke.

JEL klasifikacija: L67, M55.

