Consistency between Franchised and Company-Owned Locations: A Study of Sonic Drive-In Food Safety Scores in the State of Oklahoma

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Consistency inside of an organization is vital to the success of the organization. Many actions are taken in order to increase consistency and standardization especially in service industries such as hospitality. The purpose of the mission statement and goals is to disseminate the vision throughout the business; this way even the lowest level employee can know where the business is heading and "buy in" to the vision. Consistency can create synergies within the company allowing it to be more successful. In the absence of the consistent attributes and practices, a company will ultimately fail for lack of vision.

This lack of consistency brings up interesting complications for an organization that chooses franchising as a business model. Franchising benefits from economies of scale form large systems and localized small locations. Some of these benefits of franchising can in many circumstances are the downfall of the company's brand image. With more growth it becomes more and more difficult to insure that consistency is being maintained. While franchisors have a method of monitoring franchisees, it is almost impossible and certainly not cost effective to monitor that location 100% of the time.

Many companies may decide to not only franchise but also own locations. Onsite managers are employed by the company and operate the company owned locations. This differs from their franchised locations where franchisees employ the staff that manages the location. The company has much more influence over the day to day operations of the company owned locations and then must rely on the franchisees to maintain standards and the brand image.

The purpose of this study will be to try to determine if the company can produce consistency throughout its organization by looking at restaurant inspection scores. This study will look at the large franchised restaurant company, Sonic Drive In. While there are many areas that a company must be consistent in, a plethora of studies have been conducted showing that cleanliness is directly related to customer satisfaction. By looking at food safety inspection scores of both franchised and company owned locations, we will determine if the company is adequately monitoring all of its locations.

Standardization and Image Consistency

One great motivator for a business to standardize its practices and present a consistent image is it can lead to a greater market share through loyalty. Loyalty can be attained through consistency because consistency leads to trust in the company (Macintosh and Lockshin, 1997). Trust is "one party's confidence in an exchange partner's reliability and integrity" (Morgan and Hunt, 1994) which simple means trust is built through consistency. Units must depend on each, because their success is predicated on the customer's desire for a common experience (Michael, 2002). Customer's experience is an important source of image consistency (Kaufmann and Eroglu, 1998). This can be difficult in the hospitality industry because of the intangible services we provide. To deal with this the industry tries to standardize a lot of its actions in order to provide a consistent customer experience. This standardization also allows for a consistent image across different markets the company may be involved in (Jain 1989).

In order to manage the entire system, a franchisor must be able to identify poor performance on the part of the franchisee (Kaufmann and Eroglu, 1998). Without having set standards, it would be very difficult to evaluate the franchisees. Research has found in the restaurant industry, franchised locations are unable to produce consistent quality as well as company locations do (Michael, 2002). What does this mean for companies inside of the restaurant industry who are franchising? In order for the company to be successful, they must be able to coordinate both the franchised and company owned locations (Michael, 2002). Franchisee compliance with the standardized concept is crucial to the development and maintenance of the brand image (Kaufmann and Eroglu, 1998).

Kaufmann and Eroglu (1998) stated, "The pursuit of quality control, cost minimization, and image uniformity though standardization comes with a hidden cost to the system. Differences in the nature of local demand result in franchisee request for idiosyncratic adaption in various aspects of the business. Moreover as the system matures, resistance from experienced franchisees grows and their adaption demands become more pronounced." Market differences in things from taste to ethnic variations can reduce the benefits of standardization (Jain, 1989) For example, if a seafood company form the Pacific Northwest who specializes in fresh caught salmon tried to open locations in the south may not be successful. In southern states like Texas, catfish is more readily available and many more consumers are more acclimated to that taste. They may not be as accepting of a seafood company not catering to their taste. It is however important to note that if a product is a part of the brand and is one of its core elements, it cannot be changed. In Streed and Cliquet (2007) paper they speak to this point. Looking at McDonalds, they realized that while certain aspect of it menu can be changed in order to fit with local cultures; i.e. lamb burgers in India; "a 'Big Mac' is a 'Big Mac' anywhere in the world with similar ingredients and taste."

One of the main reasons for standardization across markets is the need to reduce costs which are gained from economies of scale in purchasing (Kaufmann and Eroglu, 1998). A company must be able to coordinate or standardize across various activities inside the company so that these activities can fit together in a consistent pattern (Michael, 2002). Cost savings through standardization are also realized though standardized inputs. Franchisees gain a competitive advantage over similar business though these lower cost of inputs (Kaufmann and Eroglu, 1998).

Kaufmann and Eroglu (1998) also stated, "At the very least, there will be location differences between [two franchised locations]. It is our contention that as long as the core elements are sharply defined and uniform across franchisees, peripheral differences will be discarded along with location, and a consistent and enduring image of the franchisor's concept, invariant of time and space will be retained." To revisit the case of

McDonalds, even though there are differences between the international stores, as long as the core attributes remain the same, a consistent image is presented to the customer.

Franchised Location vs. Company-Owned Locations

One of the strongest drivers for an entrepreneur to open a franchise location is the ease of entry (Stanworth and Curran, 1999). This is not to say that the company gains no benefit from the arrangement. Franchising overcomes the moral hazard problem of site managers operating within corporate locations (Michael, 2000). Research has identified the synergistic effects of having both franchised and owned locations (Michael, 2000). In this portion of the paper we will look at how literature compares these two interests and the ability to synergize or lack thereof.

Franchisees are more highly motivated to succeed than hired managers (Lafontaine, 1992). Franchisees would also be expected to provide higher quality than a salaried employee because of residual claim. A franchisee would accept the higher cost of quality if they were exceeded by gains in unit profits (Michael, 2002). Standard theory says that franchisees as the residual claimant will induce greater effort and full effort in supervising (Rubin, 1978). In other words, because the franchisee can maximize their return by putting more effort into the business, they usually will. Here rest the problem: franchised locations have shown themselves unable to provide the same level of consistency as their counterparts, the company locations (Michael, 2002). There are a plethora of reasons for this discussed in previous research

In the company owned locations, a manager has far less control over the prices, amount of advertising, and level of acceptable quality. To enforce these goals, the company monitors each variable and threatens termination to managers who are unable to comply (Michael, 2002). In franchised locations, the company does not have as much influence. They are held to what is in the franchise contact and many things are much more loosely enforced. For example, a company cannot mandate prices on all menu items because of antitrust laws. Franchisors use an extensive network of field representatives in order to monitor franchised locations. If they are found to not be upholding the standards of the brand, they can be terminated (Michael, 2002). The problem is the cost of terminating a franchisee is much higher than terminating an employee (Michael, 2000).

Brickley and Dark (1987) found that locations closer to corporate head quarters were more likely to be company owned. Geographic distances increase the cost of monitoring, so many franchisors sell franchise to distant, overseas, or rural locations while using employees in urban and suburban locations (Michael, 2000; Kaufmann and Dant, 1996). In some instances, when the company expands beyond the entrepreneur's span of control, the decision to franchise is made.

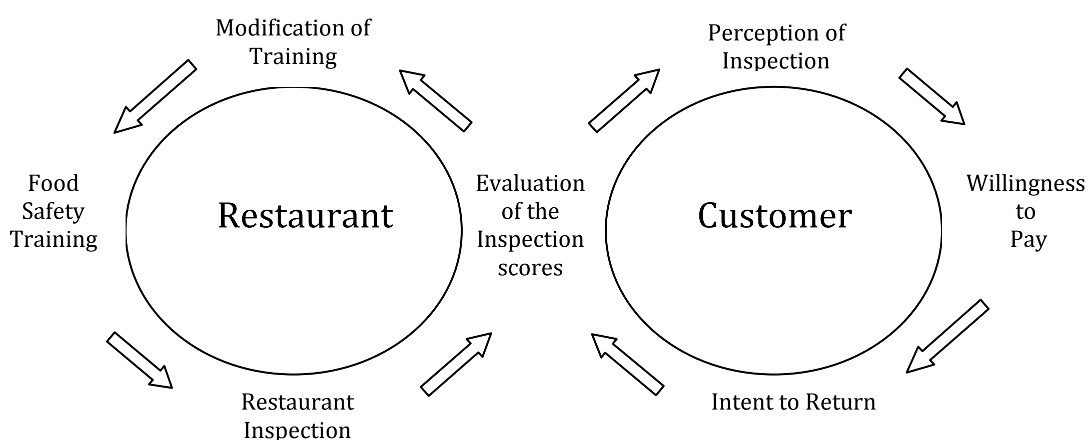
Average sales of company owned locations are greater than that of their franchised locations (Lafontaine, 1992). Shelton (1967) found that franchised locations generally had higher profitability than owned locations in the same chain. This is not in contention with the findings of Lafontaine as stated earlier. One explanation for this phenomenon is that sometimes franchised locations are able to cut certain corners (Kaufmann and Eroglu, 1998) in order to boost profits that company owned locations are not able to do.

In the restaurant industry, quality is shown to be negatively related to the percent of franchising. Better quality by owned locations may be driven by some aspect of human resource training or selection that is stricter on employees than on franchisees leading to better managers (Michael, 2000). Franchise locations may offer enough cost saving in the form of lower wages for employees to offset the disadvantages of not being able to coordinate (Michael, 2002). Krueger (1991) found that franchised locations have lower payroll costs than units managed by employees. Michael (2000) states "…the franchise system, whatever its other advantages, cannot deliver the same high quality as a totally owned organization."

Inspection scores as a determinant of consistency
One area in which a company can effectively manage both its company owned and franchised locations would be in food safety training. Studies have shown that a customer's perception of food safety can be directly related to their willingness to pay (WTP) (Grunert, 2005). Realizing this fact a company should present a consistent image of commitment to food safety. If a consumer perceives a restaurant to have either high or low commitment to food safety, it will affect the restaurants bottom line.

Food Safety score have shown to be a good way to evaluate food safety programs. Cotterchio et al. found that managers who were required to take a food safety course showed improvement inspections scores and maintained this improvement over a two year follow-up period. Those in the control group (not required to take the food safety training) of this study did not show improvement over time, significantly.

The information that is gained from the inspection scores is not only useful to the consumer, but to the managers as well. Information from the inspections help managers develop and evaluate the training program. This cycle is displayed below in figure 1. The manager and food handlers participate in a food training program, they are inspected by a local health department, scores are posted, information is taken by both managers and customers, and customers evaluate their willingness to purchase while manager evaluate the success of the training program. Lower number of violations can be directly related to an increase of knowledge gained from food safety training (Campbell et al.)



Sonic Drive In

In 2001, Sonic Drive In started a program called Sonic Safe. One aspect of the program is to comply with the Food and Drug administration food code and systems. Sonic has also tried to raise its standards far above local health departments so that is can roll out a national safety program that can be consistent. In an interview with Mary Boltz Chapman from Chain Leader magazine, Mr. Nelson Taylor, senior director of quality assurance and food safety, said if a franchisee failed a third party audit, Sonic would send field representatives to review food safety as well as brand elements like service, design and operations. He stated in the interview the worst case scenario would be legal action against the franchisee. “The few times it [legal action] has happened, it shows the company is really serious about this, it’s not a flavor-of-the-day program."
From this interview it is easy to see that Sonic Dive In takes food safety very seriously. The goal of this research will be to determine if through this program, sonic has been able to create consistency. We will try to answer the following three questions:

- Has Sonic been able to promote consistency in food safety between its company owned locations?
- Has Sonic been able to promote consistency in food safety between its franchised locations?
- Has Sonic been able to promote consistency in food safety between both its company owned and franchised locations?

In order to compare the locations, this research will use local restaurant inspection scores as the point of comparison.

METHODOLOGY

Sonic has locations all over the continental United States. In order to make the undertaking more manageable, this first study will look exclusively inside the state of Oklahoma. Restaurant safety inspections are conducted locally by the county Health Department. Restaurants were selected for participation in this study that fit into the following criteria:

- Were within a county that had at least one of both company owned and franchise locations.
- Had been inspected during the calendar year of 2009.
- Were within a county that reported to the State Health Department.

These criteria were selected based on:

Were within a county that had at least one of both company owned and franchise locations. Due to the possibility of differing levels of evaluation varying between counties, the scores of the restaurants were averaged by county. Each county therefore had to present a score for both company owned locations and franchised locations.

Had been inspected during the calendar year of 2009. Form the inspection scores, I was unable to determine how long a restaurant had been in operation or if the restaurant had since closed. This led us to only evaluate restaurants that had been inspected in 2009.

Were within a county that reported to the State Health Department. The state of Oklahoma Health Department collects these restaurant inspections and places them in a central location on their website. Counties that did not report scores to may not be found to be comparable. There was only one county, Tulsa, that fit into this situation being that they report their scores on their own website. Tulsa had already been disqualified because online records had not been updated since 2006.

After evaluating restaurants based on these criteria, there were 112 locations (47 company owned and 65 franchised) stretched over 12 different counties. The number of each restaurants violations was then tallied during 2009 and averaged with other locations within that county.

RESULTS

Bellow in table 1, data collected for the twelve counties is displayed. Because completes its own food inspections and reports to the state, it is not appropriate to compare each stores score to that of the scores of another county. Instead this study will use the deviation from the county average to determine consistency. The score is equal to the number of violations given during the 2009 calendar year.

County	# of CO Stores	Total CO Scores	CO Average	# of FR Stores	Total FR Scores	FR Average	County average
Canadian	1	0.00	0.00	3	8.00	2.67	2.00
Cleaveland	6	94.00	15.67	5	106.00	21.20	18.18
Creek	2	5.00	2.50	1	7.00	7.00	4.00
Grady	1	8.00	8.00	1	6.00	6.00	7.00
Mayes	1	16.00	16.00	3	34.00	11.33	12.50
McClain	1	14.00	14.00	3	58.00	19.33	18.00
Muskogee	3	13.00	4.33	2	8.00	4.00	4.20
Oklahoma	27	133.00	4.93	35	142.00	4.06	4.44
Pawnee	1	3.00	3.00	1	2.00	2.00	2.50
Payne	1	6.00	6.00	3	14.00	4.67	5.00
Pottawatomie	1	12.00	12.00	6	27.00	4.50	5.57
Wagoner	2	12.00	6.00	2	20.00	10.00	8.00

Table 2 presents a consistency score derived from taking the absolute value of the average of the country of both company owned and franchised locations minus the average of the company owned locations. The range in the consistency score for company owned locations is 6.30. The consistency score does not measure against consistency with sonic standards, but consistency among the other company owned stores.

Table 3 also produces a consistency score for franchised locations. It is derived by taking the absolute value of the average of the country of both company owned and franchised locations minus the average of the franchised locations. The range in the consistency score for franchised locations is 2.82.

Table 2

County	CO Average	County average	Consistency score
Muskogee	4.33	4.20	0.13
Oklahoma	4.93	4.44	0.49
Pawnee	3.00	2.50	0.50
Grady	8.00	7.00	1.00
Payne	6.00	5.00	1.00
Creek	2.50	4.00	1.50
Wagoner	6.00	8.00	2.00
Canadian	0.00	2.00	2.00
Cleaveland	15.67	18.18	2.52
Mayes	16.00	12.50	3.50
McClain	14.00	18.00	4.00
Pottawatomie	12.00	5.57	6.43

Table 3

County	FR Average	County average	Consistency Scores
Muskogee	4.00	4.20	0.20
Payne	4.67	5.00	0.33
Oklahoma	4.06	4.44	0.38
Pawnee	2.00	2.50	0.50
Canadian	2.67	2.00	0.67
Grady	6.00	7.00	1.00
Pottawatomie	4.50	5.57	1.07
Mayes	11.33	12.50	1.17
McClain	19.33	18.00	1.33
Wagoner	10.00	8.00	2.00
Creek	7.00	4.00	3.00
Cleaveland	21.20	18.18	3.02

Below table 4 sought to discover if consistency could was evident within each of the counties. The consistency score was calculated by taking the difference between the percentages of violations for both company owned and franchised locations. Range is not relevant because there was no comparison made across counties.

Table 4

County	CO %	FR %	Consistency Score
Oklahoma	48%	52%	0.03
Cleaveland	47%	53%	0.06
Grady	57%	43%	0.14
Creek	42%	58%	0.17
Pawnee	60%	40%	0.20
Muskogee	62%	38%	0.24
Wagoner	38%	63%	0.25
Mayes	32%	68%	0.36
Pottawatomie	31%	69%	0.38
Payne	30%	70%	0.40
McClain	19%	81%	0.61
Canadian	0%	100%	1.00

Discussion

In table 2, we are looking to answer the first research question, “Has Sonic been able to promote consistency in food safety between its company owned locations?” With the data gained from the study we are unable to answer this question in a yes or no fashion. Sonic Drive In does not an acceptable number of violations that we were able to find through this study. Without a standard number of violations to compare our findings to, we are only able to give a level of consistency. This is also true with the second research question, “Has Sonic been able to promote consistency in food safety between its franchised locations?” What the data has shown us is that the range of consistency scores for franchised locations is smaller than that of consistency scores for company owned locations.

Consistency scores are not to be confused with the actual number of violations given during the 2009 calendar year. In truth, move violations were given to franchised locations than to company owned locations. The consistency score only consistency between the locations.

The last of the research questions asked, “Has Sonic been able to promote consistency in food safety between both its company owned and franchised locations?” In this question we looked to see if geographical areas were able to promote consistency between both franchised and company owned locations. From data in Table 4 we were able to rank the order of most consistent counties to least consistent. It is interesting to note that Oklahoma Country, where the headquarters office is housed, was the most consistent of the twelve counties and that the second and third most consistent counties border Oklahoma county.

Limitations

The biggest limitation of this study was the geographical scope. By only looking inside of the state of Oklahoma we were limited in proximal factors, sample size, and food safety evaluation practices. This study showed even on a small scale that proximity to a headquarter office may play a role in consistency, but need to be evaluated in further research for validity.

Another limitation goes to the food safety violation itself. In this study we did not differentiate between the varying levels of violations. To that fact, foodborne outbreaks may have been compared to lesser offenses such as cleanliness. In future research the varying levels should be taken into account to note whether there are varying levels of consistency and if the company such as Sonic Dive In is able to control these more sever violations.

Conclusion

Though the data gained from this study was unable to completely answer the research questions posed, it was however able to give pertinent information that can lead to other studies. Future research in this area can lead to better controls for corporations and how they continue the relationship between company owned and franchised locations. I feel it is important to reiterate the point that the data presented here does not answer the question, “Is Sonic Drive In able to keep locations, company owned and franchised, consistent with its standards?” To answer this question, a comprehensive study of Sonic Drive In’s food safety standards must be conducted. This study only highlighted consistency between locations and counties.

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