

SUPERVISOR'S AND PANEL APPROVAL

“I hereby acknowledge that I have read this works and in my opinion this works is sufficient interms of scope and quality for the submission and award of a Bachelor Degree of Technoprenuership with Honors”

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**Developing Franchising Model:
The Case Study Of Barkat Original Roti John Asli Sdn Bhd**

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This Report Submitted In Partial Fulfillment of The Requirements For The Award
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DECLARATION

“I hereby declare that this thesis entitle “Developing Franchising Model: The case study of Barkat Original Roti John Asli Sdn” is my own work except for the quotations summaries that have been duly acknowledged”

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DEDICATION

I would like to dedicate the appreciation to my beloved father and mother that raising me and support me until now. A special thanks to my supervisor Dr. Amiruddin Bin Ahamat, panels and my friends for helping me throughout the project towards accomplishing my thesis. Without them, this project would not be completed possible.

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ABSTRACT

Starting a new business seems too risky. There is too much uncertainty associated with the required amount of capital, the potential sales of accurate and accurate sales results required to achieve success. The restaurant firm industry is very competitive nowadays. Unless the restaurant has a new chef or culinary star, chances are they will have trouble standing out from the crowd. Gaining competitive environment requires a detailed analysis of the demographics of the surrounding area and the nature of the existing competitors. The purpose of this research is to develop a franchise model of Barkat Original Roti John Asli Sdn Bhd. Franchise businesses, with established systems and operating procedures, provide a way for new entrepreneurs to invest in a more accurate and rewarding future. Franchising is a key entrepreneurial growth strategy, but a well-known downside is franchisee free-riding. In this case, the competitive environment is driven Barkat Original Roti John Asli Sdn Bhd to use internal growth strategy in order to grow their business. In this research, qualitative will be used to conduct an interview about franchising and the firm that has been chosen which is Barkat Original Roti John Asli Sdn Bhd. This is because qualitative research will provide insight and understanding of the problem in this research. The challenges can affect the process of developing franchising model of Barkat Original Roti John Asli.

Keywords: competitive environment, Franchise, key entrepreneurial growth strategy

ABSTRAK

Memulakan perniagaan baru nampaknya terlalu berisiko. Terdapat terlalu banyak ketidakpastian yang berkaitan dengan jumlah modal yang diperlukan, potensi jualan jualan yang tepat dan tepat yang diperlukan untuk mencapai kejayaan. Industri firma restoran sangat kompetitif pada masa kini. Kecuali restoran ini mempunyai tukang masak atau masakan kuliner baru, kemungkinan mereka akan menghadapi masalah daripada berdiri. Memperoleh persekitaran yang berdaya saing memerlukan analisis terperinci tentang demografi kawasan sekitarnya dan sifat pesaing yang ada. Tujuan penyelidikan ini adalah untuk membangunkan model francais Barkat Original Roti John Asli Sdn Bhd. Perniagaan francais, dengan sistem yang telah ditetapkan dan prosedur operasi, memberi peluang kepada usahawan baru untuk melabur dalam masa depan yang lebih tepat dan bermanfaat. Francais adalah strategi pertumbuhan keusahawanan utama, tetapi keburukan yang terkenal adalah pemegang francais percuma. Dalam kes ini, persekitaran yang kompetitif didorong Barkat Roti Asal John Asli Sdn Bhd untuk menggunakan strategi pertumbuhan dalaman untuk mengembangkan perniagaan mereka. Dalam kajian ini, kualitatif akan digunakan untuk mengadakan wawancara mengenai francais dan firma yang telah dipilih iaitu Barkat Original Roti John Asli Sdn Bhd. Ini kerana penyelidikan kualitatif akan memberikan pemahaman dan pemahaman mengenai masalah dalam kajian ini. Cabaran-cabaran ini boleh mempengaruhi proses membangunkan model francais Barkat Original Roti John Asli.

Kata kunci: persekitaran yang berdaya saing, Francais, strategi pertumbuhan utama keusahawanan

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CHAPTER 1

INTRODUCTION

1.1 RESEARCH BACKGROUND

Established since 1978, serving the market for 41 years with complete food. The Barkat Original Roti John Asli Sdn Bhd is the first and most famous restaurant selling the famous John's and roasted chicken dishes in the historic city of Melaka.

Founded by Hj Ithnin Bin Ahmad (also known as Haji Saadon) and his wife, Hajah Rabiah Binti Ahmaddin, opened his maiden outlet at Pantai Kundur beach in Tanjung Kling, Melaka. In 1978 when first "Roti John" was launched and quickly gained recognition among gourmet lovers with many other business owners trying to mimic the "Original Roti John" but failed in most cases.

Then, the restaurant continues to expand its business and its building at No. 26 Jalan BU 4A Taman Bachang Utama, BU BU 4, Taman Bachang Utama, 75300 Bachang, Melaka, Malaysia. Today, the signature dishes such as Original John's Bread and Roasted Chicken are among the favorites of locals and foreigners. The idea of making the famous Original John Bread was first discovered when Haji Ithnin went to perform Umrah in Mecca and Medina. He found delicious cuisine during his Haji trip and adjusted the chicken spice according to the taste of Malaysia.

Roti John True indeed provided a special sauce mixed with perfectly baked bread to go before it is served with a sweet sauce that was formulated with sweet. It is a light snack that can be eaten anytime for lunch, dinner or dinner.

Haji Ithnin faced several challenges in maintaining his restaurant. This challenge has some general themes, including a competitive environment, expectation customers, consistent brands, and technology. Restaurants in major urban areas face great competition, especially small and independent restaurants. Barkat Original Roti John Asli Sdn Bhd must know how to enlarge his business, how to bring new customers in and how to satisfy return customers. The customer's expectations are changing, giving the brand a more difficult experience. Genuine Native Bread is struggling with "economic reputation," where their brand can live or die anytime.

1.2 PROBLEM STATEMENT

Nowadays, the restaurant industry is very competitive. Chances are you'll have trouble standing out from the crowd unless you have a new chef or culinary star. Gaining a competitive environment requires a detailed analysis of the surrounding area's demographics and the character of current competitors. And even if you're popular at the outset, new competitors will enter the market to steal your customers at any time. Barkat Original Roti John Asli Sdn Bhd is changing the competitive environment to use an internal growth strategy to grow their business. The competitive environment is the complex external structure where Barkat Original Roti John Asli Sdn Bhd has to compete with another restaurant business that is selling a similar product. So Barkat Original Roti John Asli Sdn Bhd has to advertise vigorously to build brand awareness in order to familiarize their products on the market due to the competitive environment that is happening today. In this case, Barkat Original Roti John Asli Sdn Bhd has to use a new tool to grow their business using an internal growth strategy. From the internal growth strategy, Barkat Original Roti John Asli Sdn Bhd can change their food retail business to the food franchise model.

1.3 RESEARCH QUESTION

The researcher has identified two research questions based on a problem statement that happens in Barkat Original Roti John Sdn Bhd. The objectives of this research can be determined by these research questions:

1. What are the challenges of developing a franchising model of Barkat Original Roti John Asli Sdn Bhd?
2. What is the process of developing a franchising model of Barkat Original Roti John Asli Sdn Bhd?

1.4 RESEARCH OBJECTIVE

The purpose of this research is to developing a franchising model of Barkat Original Roti John Asli Sdn Bhd. Based on the problem statement above, the researcher has come out with two objectives in this research.

1. To examine the challenges to developing a franchising model of Barkat Original Roti John Asli Sdn Bhd
2. To investigate the process of developing a franchising model of Barkat Original Roti John Asli Sdn Bhd

1.5 SCOPE OF STUDY

As we know, the franchise is defined as the right to use the name of the company to sell the products of the company in certain areas. Developing the business model of the franchise gives sellers and buyers an advantage. The key benefit of franchisees is the opportunity to use the capital of other people (entrepreneurs) to grow the company more easily to their own or through investors or lenders. Early franchise fees and ongoing profits they receive allow franchisees to develop their brand without losing outsider's leverage or lenders' repayment pressure. So through a franchise, Barkat Original Roti John can achieve business efficiency and increased market sale and brand value. So elements that we were touch are a key element in the franchise and the process of developing a franchising model.

1.6 LIMITATION

The researcher focuses on the process of developing a franchising model of Barkat Original Roti John. So that the researcher not explore and research the risk of the franchise and does not test the franchise model for Barkat Original Roti John Asli Sdn Bhd. It is because there wasn't much expertise in this area from the researcher. The researcher encountered other challenges, such as limited time, personal purpose, and financial resources. After that, the respondent's knowledge of this form of franchise must be lacking in this study. Although it is limited to the sample, the conclusion from previous research that the analysis was accurate. All the responses provided by the respondent will be to keep another person confidential in order to keep this research secret

1.7 KEY ASSUMPTIONS

The researcher assumes the respondent will honestly answer the question. Moreover, the researcher assumes good cooperation from the respondent during the interview session. Besides, the researcher assumes that the respondent

1.8 SIGNIFICANCE OF THE STUDY

The aim of this research is to developing a franchising model of Barkat Original Roti John Sdn Bhd. Barkat Original Roti John Asli Sdn Bhd can implement this franchise model to their restaurant. Franchising is a powerful vehicle used among franchisors to market their products for the marketing and distribution of products and services. A franchise is one of the (business) creation types of the company that is based on contractual relationships between parties, particularly in the services sector. The researcher learns about the value of this study in improving knowledge and skills, understanding how to use the franchise model process to achieve market performance and economic scale. Besides that, the significant of the study learn how Barkat Original Roti John organizes their activities and operation to grow into a successful and profitable business.

1.9 SUMMARY

In this chapter, the problem has been mentioned is about the competitive environment that driven Barkat Original Roti John Asli Sdn Bhd to use an internal growth strategy to grow their business. The way is to change the food retail model to the food franchise model. So that, Barkat Original Roti John Asli Sdn Bhd needs to developing a franchising model to grow their business. This chapter also explains the research background which is Barkat Original Roti John Asli Sdn Bhd. It also explains the problem statement, the research question, research objectives, and scope of the study, limitation, key assumption and significance of the study.

CHAPTER 2

LITERATURE REVIEW

The literature review is a text written by a person to consider critical points of current knowledge including substantive findings. The study should explain, formulate, evaluate and explain the literature. This chapter highlights the literature review of the process developing franchise model; the case study of Barkat Original Roti John Asli Sdn Bhd.

It looks too risky to start a new business. Too much uncertainty is associated with the amount of capital necessary, the future sales of revenue and realistic sales outcomes needed to be successful. Franchise companies provide a way for new entrepreneurs to invest in a more reliable and profitable future with established systems and operating procedures. At the macro level, company franchises are like engines that move people's lifestyle and income in the right direction for the growing economy in the long term (Shintya and Leo, 2015).

In 2000, there was a network of 3,000 franchises in the United States, using about 18 million employees and producing \$2.1 trillion in economic output (i.e. about 40.9 percent of the total U.S. retail sector) (Dant et al., 2011). The franchise is an essential business and service strategy (Watson and Johnson, 2010; Park and Jang, 2017). It is estimated that 732,842 franchise franchises operate in the U.S.A. and produce around \$674 billion from economic production, according to the IHS Market Economy (2017). There are 750,000 franchises in the United States today. (Statista, 2018a).

Franchising is a key entrepreneurial growth strategy, but William (2018a), James G (2018b) and Xiaoli (2018d) are a well-known drawback. The franchise is a system that allows franchisees to use established brands and business resources to pay franchisors royalties in return for franchisees. Academically, the franchise is known to be "the order in which the owner of the product, method or service (franchisor) licenses others (franchisees) to use it in return for certain payment forms" (Watson et al., 2005). Franchising is a franchisee growth strategy, while it is a franchisor risk reduction strategy.

Franchising is a way for a company to grow its business operations, according to Sanford Moskowitz (2017); cybercrime and business strategies for global corporate security. The franchise is very close to licensing in the sense that the franchisee is allowed to run the shop in the company's name. The franchisor sells its intellectual property (usually in the form of marks) and as a counterclaim that the purchaser adheres to strict rules on how franchisors do business.

Franchising is a growth engine that helps Melih (2018a), Gary J (2018b) and Murat (2018c) businesses boost their operations. Santana, Sanchez (2018), franchising is a way of collaboration between legally and financially free and independent takeovers, franchisors and franchisees, officially giving them the right to manage their business concept taking financial considerations into account.

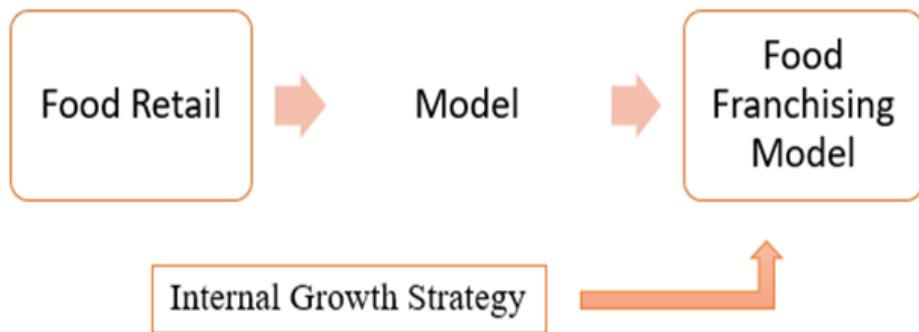


Diagram 1; model exchange

2.2 CHALLENGES OF FRANCHISING

Any through business is going to face some big obstacles along the way, and the franchise industry is no different. Most franchise companies are experiencing rapid initial periods of growth-they can almost be characterized as "honeymoon times"-when the concept is new and exciting, franchises full of new ideas and enthusiasm and franchises are also preferred. But it's not unusual for the franchisor to find the brick walls a little further down the line and have difficulty expanding their franchise chain, Juusola, K. & Rensimer, L. (French). (2018). The reality of life as a franchisor managing the competing requirements and the demands of several franchisees is on the increase, they discover a range of problems they have not encountered and addressed these requirements and problems become a burdensome activity until the franchisor is left without time to focus on growth.

2.2.1 Insufficient capital

In the first place, the franchise company is costly, possibly involving the hiring of franchise consultants and attorneys, design experts and more. In the early stages of brand growth, it is typical for new franchisees to underestimate these costs and instead ignore the fees to be charged by potential new franchises. The initial costs incurred in the franchise sale will take longer than expected, which means that the franchisor will then have no funds to support future improvements, Roh et al. (2013).

2.2.2 Inadequate support structure

The new franchise requires a great deal of support, but many new franchise controllers are completely ignoring the provision of existing and ready infrastructure to support structures, processes, and procedures, Pearce (2014). This means that the franchisor is not prepared to protect it when the company faces a rapid phase of growth with the arrival of a new franchisee. This can include anything from simple things such as lack of website functionality to support increased traffic or franchisee technical support, failing to have the proper training and quality control system. The main components of franchise support typically fall into three categories: (a) field support (i.e. franchise growth, site selection, training, operational legal and compliance) and (b) home office support (i.e. marketing and technical support) and (c) other support (i.e. regional meetings, franchise council) (Pearce, 2014). In addition, franchisor support has been found to have an impact on the satisfaction and results of franchisees (Gauzente, 2003; Pearce, 2014). Franchisees see one of the biggest benefits of being in a franchise system as the franchisor's assistance in offering a sharing network between 2nd franchisors (Brenda, 2016).