



**REPUBLIC OF TURKEY
ADANA ALPARSLAN TÜRKER SCIENCE AND TECHNOLOGY
UNIVERSITY**

**GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF INTERNATIONAL TRADE AND FINANCE
PROGRAM OF INTERNATIONAL BUSINESS**

**HOW TO DECIDE THE INTERNATIONAL FRANCHISING MODE:
A RESEARCH STUDY IN THE TURKISH FAST FASHION RETAIL SECTOR**

**YALÇIN KÖKLÜ
MASTER THESIS**



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**SUPERVISOR
ASSISTANT PROFESSOR DR. MUSTAFA ÖZSEVEN**

ADANA / 2021

I hereby declare that all information in this thesis has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all information that is not original to this work.

[Signature]

Yalçın KÖKLÜ



ABSTRACT

HOW TO DECIDE THE INTERNATIONAL FRANCHISING MODE: A RESEARCH STUDY IN THE TURKISH FAST FASHION RETAIL SECTOR

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Department of International Trade and Finance

Supervisor: Asst. Prof. Dr. Mustafa ÖZSEVEN

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The purpose of this study is to reveal which mode of international franchising has been selected depending on the different formalization levels of franchising contracts, and the level of relationship developing between the franchisor and the franchisee. In the study, the amount of resource transfer from franchisor to franchisee, the level of communication between the parties, knowledge transfer and trust have been considered as the dynamics of the relationship level. In terms of formalization which is another dimension of the research, the level of franchisor's standardization to the franchisee and sanction levels may be applied to the franchisee when it is not complied have been examined. Accordingly, the study has been conducted on the franchising experiences of two companies operating in the Turkish fast fashion retail sector between 2005 and 2015 in the markets of Iran, Russia, Saudi Arabia, Dubai and Qatar. In this study, which followed the qualitative research method, the multiple case method has been used. The analyzed data has been obtained through document reviews and face-to-face interviews. Analyzes reveal that there is a link between the modes of international franchising that companies have been chosen and the level of relationship and the level of formalization. Thus it has been observed that when the level of formalization and relationship are low, single franchising is chosen, when they are both high, the master franchising is chosen and when the relationship level is high and formalization level is low, area franchising is chosen.

Keywords: International franchising, Turkish fast fashion retail sector, the level of relationship, formalization

ÖZET

ULUSLARARASI FRANCHISING MODUNA NASIL KARAR VERİLİR: TÜRK HIZLI MODA PERAKENDE SEKTÖRÜNDE BİR ARAŞTIRMA

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Bu çalışmanın amacı, franchise veren ile franchise alan arasında gelişen ilişki seviyesi ile franchising sözleşmelerinin farklı biçimlendirme seviyelerine göre hangi uluslararası franchising türünün seçildiğini ortaya koyabilmektir. Çalışmada ilişki seviyesinin dinamikleri olarak franchise verenden yapılan kaynak transfer miktarı, taraflar arasındaki iletişim seviyesi, bilgi transferi ve güven unsuru dikkate alınmıştır. Araştırmanın bir diğer boyutu olan biçimlendirme için franchise verenin franchise alanın uygulamalarını hangi seviyede standartlaştırdığı ve bu standartlara uyulmadığı takdirde yaptırımları hangi seviyede kullandığı incelenmiştir. Bu doğrultuda 2005-2015 yılları arasında Türk hızlı moda perakendeciliği sektöründe faaliyet gösteren iki firmanın İran, Rusya, Suudi Arabistan, Dubai ve Katar pazarlarındaki franchising deneyimleri üzerinden bir araştırma yapılmıştır. Nitel araştırma yönteminin takip edildiği bu çalışmada çoklu vaka yönteminden yararlanılmıştır. Analize tabi tutulan verilere doküman incelemeleri ve yüz yüze görüşmelerle ulaşılmıştır. Analizler firmaların seçecekleri uluslararası franchising türleri ile ilişki seviyesi ve biçimlendirme seviyesi arasında bir ilişki olduğunu ortaya koymaktadır. Buna göre, biçimlendirme ve ilişki seviyesi düşük olduğunda tekli franchising, yüksek olduğunda ise master franchising biçiminin seçildiği, ilişki seviyesi yüksek, biçimlendirme düşük olduğunda ise bölgesel franchising biçiminin seçildiği görülmüştür.

Anahtar Kelimeler: Uluslararası franchising, Türk hızlı moda perakende sektörü, ilişki seviyesi, biçimlendirme

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I wish to dedicate this thesis to my entire family and especially my lovely wife Sinem KÖKLÜ and my son Mert Kıvanç KÖKLÜ. I would like to thank them for their continuous encouragement, motivation, patience and support.

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February, 2021

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NOMENCLATURE

AT	: Agency Theory
AYD	: Alışveriş Merkezleri ve Yatırımcıları Derneği : Council of Shopping Centers
BMD	: Birleşmiş Markalar Derneği : United Brands Association of Turkey
CIS	: Commonwealth of Independent States
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
IFA	: International Franchise Association
IHKIB	: İstanbul Hazır Giyim ve İhracatçıları Birliği : Istanbul Apparel Exporters' Association
Int	: Interviewee
IJV	: International Joint Venture
ITKIB	: İstanbul Tekstil ve Konfeksiyon İhracatçı Birlikleri : General Secretariat of Istanbul Textile and Apparel Exporter Associations
KT	: Knowledge Transfer
MUF	: Multi Unit Franchising
OECD	: Organisation for Economic Co-operation and Development
RBV	: Resource Based View
SSI	: Social Security Institution
SUF	: Single Unit Franchising
TCT	: Transaction Cost Theory
TGSD	: Türkiye Giyim Sanayicileri Derneği : Turkish Clothing Manufacturers' Association
TME	: Turkish Ministry of Economy
UK	: United Kingdom
US	: United States

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1. INTRODUCTION

When looking at the international franchising literature, it is known that company specific factors (Agarwal & Ramaswami, 1992), country specific factors (Alon 2006) and market specific factors (Agarwal & Ramaswami, 1992; Lu, Karpova & Fiore, 2011) are effective in choosing the international franchising mode. The sub-dynamics that develop specific to these factors are determined by the company's asset specificity (Agarwal & Ramaswami, 1992), financial capability (Doherty, 2007; Moore, Fernie & Burt, 2000), brand equity (Lu et al., 2011) and international experience (Luo, 2001).

Aside from all those, it has been revealed that cultural distance (Alon, Toncar & Mckee, 2004), government restrictions (Luo, 2001; Taylor, Zou & Osland, 2000), market potential (Agarwal & Ramaswami, 1992; Alon, Toncar & McKee, 2004; Madanoglu, Alon & Shoham, 2017) and market competition (Rosado-Serrano, Paul & Dikova, 2018; Taylor et al., 2000) have been effective depending on these countries and market specific factors. Carefully examining the Turkish literature, it is seen that factors specific to the company and the market can be effective in choosing the entry mode into international markets (Nas, Okan, Düzgün & Çam, 2020; Özgen & Özseven, 2012; Özseven, 2011; Savaşçı, 2007; Sezgili, 2017). These factors should also be considered as they are affecting the franchisor when deciding on the choice of international franchising mode (Altinay & Brookes, 2012; Madanoglu et al., 2017; Rosado-Serrano & Paul, 2018).

On the other hand, it has been seen that the dynamics in the selection of the franchising mode, especially in the studies conducted in the last decade, focused on the dynamics between the franchisor and the franchisee (e.g. Altinay & Brookes, 2012; Madanoglu et al., 2017; Rosado-Serrano & Paul, 2018). In these studies, trust and commitment (Altinay & Brookes, 2012; Davies, Lassar, Manolis, Prince & Winsor, 2011), communication (Altinay & Okumus, 2010), knowledge transfer (Ghantous, Das & Chameroy, 2018) and resource transfer (Rosado-Serrano & Paul, 2018) dynamics have been shown to be effective in choosing the mode of franchising.

Finally, from some works (e.g. Cox & Mason, 2007; Kaufmann & Eroglu, 1998; Michael, 2002) there are signs that the relationships mentioned above can also be affected by the level of standardization (Adler & Borys, 1996).

When these factors are taken into consideration, it is a curiosity how the single unit franchising (individual franchising) (Garg & Rasheed, 2003), area development franchising (multi unit franchising) (Dant & Nasr, 1998; Kaufmann & Dant, 1996; Jindal, 2011), master franchising (Alon, 2000; Alon, 2006) and, joint venture franchising (Dinu, 2018) modes defined in the international franchising literature.

At the last section, it is tried to contribute to the international franchising literature related to the Turkish fashion retail industry. This section also contains descriptive information about the importance, aim, scope and limitations of the study.

1.1. The Importance of the Study

While international franchise businesses have been increasing in many sectors (especially retail), there is not such a theoretical model in the international franchising. Although how and why the companies expand at the international arena have been considered multidisciplinary through various business and marketing theories (Altinay, 2007; Alon, 2006; Madanoglu, Alon & Shoham, 2017). On theoretical basis, theories such as agency theory (Barthelemy, 2011; Doherty & Quinn, 1999; Garg & Rasheed, 2003; Rosado-Serrano & Paul, 2018), resource-based view theory (Dev, Erramili & Agarwal, 2002; Li, 2018; Jell-Ojobor, & Windsperger, 2014), transaction cost theory (Altinay & Brookes, 2012; Grewal, Iyer, Javalgi, & Radulovich, 2011; Lu, Karpova, & Fiore, 2011;), bargaining power theory (Luo, 2001; Taylor, Zou, & Osland, 2000) have been widely used. Although there is large international franchise literature (Alon, 2006; Altinay, 2007; Altinay, Brookes, Yeung & Aktas, 2014; Dant & Kaufmann, 2003; Hoffman & Preble, 1993; Quinn & Alexander, 2002; Rosado-Serrano, Paul & Dikova, 2018) there has been little work to research the nature of the relationship between franchisors and franchisees (Rosado-Serrano & Paul, 2018).

Trust (Altinay & Brookes, 2012; Davies, Lassar, Manolis, Prince, & Winsor, 2011, Wright & Grace, 2011), communication (Altinay & Okumus, 2010; Grewal et al., 2011; S.P. Bronn & C. Bronn, 2003), knowledge transfer (Elango & Fried, 1997; Ghantous, Das & Chameroy, 2018; Madanoglu et al., 2017), resource transfer (Dev et al., 2002; Grewal et al., 2011; Rosado-Serrano & Paul, 2018), and formalization (Adler & Borys, 1996; Daugherty, Stank & Rogers, 1992; Hall, Haas & Johnson, 1967; Hoy & Sweetland, 2001) issues are generally studied in the literature on single or binary variations. In this study, these factors are evaluated as a whole and their interactions with each other are examined.

Within the scope of international franchising (Business Type Franchising), the following models which are found to be widely used in the retail sector have been studied; master franchising (Alon, 2000; Alon, 2006; Grewal et al., 2011; Rosado-Serrano & Paul, 2018), single (unit) franchising (Dant & Nasr, 1998; Garg & Rasheed, 2003; Jindal, 2011; Kaufmann & Dant, 1996), area (development) franchising (Dant & Nasr, 1998; Jindal, 2011; Kaufmann & Dant, 1996) and joint venture (Dinu, 2018; Geringer, 1991; Geringer & Hebert, 1989; Rasmussen, Mosey & Wrights, 2011).

A typology has been tried to be formed by examining various local and international literature (Doherty, 2007; Doherty & Quinn, 1999; Eraslan, Bakan & Helvacioğlu-Kuyucu, 2008; Erkip & Ozuduru, 2015; Eroglu, 1992; Hacıola & Atilgan, 2014; Lu, Karpova, & Fiore, 2011; Reinach, 2005) studies on fast fashion retailing. In international franchising researches, the most widely used approach is case analysis (Altınay & Brookes, 2012; Altınay, Brookes, Yeung & Aktas, 2014; Alon, Toncar, & McKee, 2004; Doherty, 2007; Elango & Fried, 1997). Since secondary data is poor and because many franchisee and franchisor are private companies so there are small number of studies with the theoretical modes empirically validated (Rosado-Serrano & Paul, 2018).

In line with the above literature, the emphasis placed on the level of relationship between the franchisee and the franchisor, and on the other hand, underlining the importance of the formalization level of this relationship made it necessary to reveal the connection of the international franchising mode with these dynamics. From the frame of these reference it is important to conduct an empirical study showing how the international franchising mode is affected by the level of relationship and formalization between the parties.

1.2. The Aim of the Study

In recent years, when the international business literature have been examined, the existence of discussions about how the chosen input format can be formed is remarkable (Altınay & Brookes, 2012, p. 140). Especially, it is seen that the entrepreneurs who prefer to enter international markets through franchising are also curious that which entry mode should be chosen when the relationships are considered (Altınay, 2007, p. 399-400; Altınay & Brookes, 2012, p. 280).

When these studies are examined, the level of trust developed between franchisor and franchisee level (Davies, Lassar, Manolis, Prince & Winsor, 2011), and the commitment

factors that indicate that both sides declare that they comply with the practices they undertake in franchise agreements have been shown to influence how the relationship is shaped (Altinay, 2007; Altinay & Brooks, 2012).

Another factor that stands out when carefully examined this article is that type and level of communication between the parties is also effective in forming this relationship (Davies et al., 2011). It is stated that the level of cash and non-cash resources that can be given to franchisee by franchisor during the agreement process also determines the level of the relationship between the parties (Grewal, Iyer, Javalgi & Radulovich, 2011, p. 539).

According to Grewal et al. (2011, p. 540-541), the other factor that affects the level of the franchisor franchisee relationship between the parties to what level of the technical, operational, sales and marketing details transfer to the franchisee by the franchisor while the specific dynamics of the local market details (eg. customer preferences, legal, financial, and financial institutions) are shared by the franchisee. These dimensions determine the 'knowledge transfer' that indicates the extent to provide information.

In addition to these factors, which indicate the level of relationship between franchisor and franchisee in international business, the 'formalization' dimension that shapes the terms of the agreement between the parties appears to be effective (Cochet, Dormann & Ehrmann, 2008). Same authors add that the formalization dimension here in international franchising ensures that franchisee located in different countries is controlled and disciplined in a formal structure of its actions in dealership management.

Apart from these studies, looking at how the international franchising can be formed in the literature, it is seen that international franchising has different modes in itself (Barringer & Ireland, 2012, p. 523; Rosado-Serrano & Paul, 2018, p. 181; Rosado-Serrano, Paul, and Dikova, 2018, p. 243). The first mode is the single franchising, which an entrepreneur has privileged in one location (Barringer & Ireland, 2012, p. 499; Grewal et al, 2011, p. 538). A second mode is an area development franchising, where franchisor grants franchisee concessions under conditions set in more than one location (Barringer & Ireland, 2012, p. 499; Jell-Ojobor & Windsperger, 2014, p. 158-160). The third mode of international franchising is the master franchising, which includes the right of the entrepreneur, who acquires franchising in a wide geographical context, to give sub-dealership apart from his own operations, and which can also be recognized as a brand representative in that region (Alon,

2006; Grewal et al, 2011, p. 538; Kaufmann & Dant, 1996, p. 346-347). Finally, it is joint venture franchising, in which the brand owner who wants to enter the international market acquires a certain shareholding rate in order to venture at the relevant market (Dinu, 2018, p. 22-23).

In this context, empirical studies are needed to reveal the relationship between different international franchising modes and the level of relationship between the parties and formalization. Also Turkish fast fashion retail sector has been studied to see the related requirements.

Planning the face-to-face interviews, it has been focused on the interviewees who managed international franchising operations of the companies while collecting the research data. These interviewees are international marketing department managers, sales directors and other related international operations managers.

Qualitative research method has been followed in the research. Therefore, in the process of collecting the data, it has been tried to obtain the above mentioned and the factors that are the subject of this research clearly. In particular, trust, commitment, communication, knowledge transfer and resource transfer dimensions (Altinay & Brooks, 2012; Altinay & Okumus, 2010; Davies et al, 2011; Doherty & Alexander, 2004; Rosado-Serrano & Paul, 2018) are requested to be understood, as stated in the first parts of the study in determining the level of relationship between the parties. In the formalization dimension (Adler & Borys, 1996; Daugherty, Stank & Rogers, 1992; Hoy & Sweetland, 2001) it is desired to understand how the agreement between the parties is standardized in the context of the franchising agreement. Finally, the mode of franchising that companies choose while entering the new market has been determined.

1.3. The Limitation and Scope of the Study

The interaction of the formalization level and franchising modes have interpreted in terms of entrepreneurs in the Turkish fast fashion industry by reviewing documents and face-to-face interviews. The striking point here is that having multiple companies in different geographic regions in the fast fashion retail sector offers the opportunity to answer the research question. In this way, it is possible to present the research question in detail from a theoretical point of view by making comparisons between the enterprises that choose different input modes.

The biggest limitation of this research is the difficulty of accessing the data. As is known, the franchising system is mostly implemented by the private sector. Companies avoid sharing financial details for commercial reasons. It is difficult to reach detailed information about the franchises owned. This sensitivity was particularly emphasized in interviews and documents examined in professionals.

The second part of this study, which consists of six chapters, includes the theoretical framework, which contains theoretical information in the franchising and international franchising literature and theoretical information explaining the sub-dynamics of the formalization and relation level. In the third part of the study, explanatory information about the Turkish fast fashion retail sector is presented in parallel with the fieldwork of the study.

The methodology of the study section, which contains information about how research data is collected and analyzed, constitutes the fourth part of the study. The findings of this study, which reveals the link between the mode of international franchising in the Turkish fast fashion retail sector and the level of relationship and formalization with the multiple case method, are included in the fifth chapter. In the last section, the results of the research are briefly summarized and recommendations for future studies are presented.

2. THEORETICAL FRAMEWORK

This section contains theoretical information about franchising, international franchising, sub-dynamics of the relationship level and formalization. Another theoretical information in this section is other factors that are considered to affect the choice of the international franchising mode.

2.1. Definition of Franchising

What is franchising? According to International Franchise Association (IFA) franchise is a system of distributing products or services (IFA, 2019). IFA also mentions that minimum two levels of people or organizations are involved in the franchisee system as explained below (2019):

The Franchisor: The holder of a good, processing, or services. It is also called that the franchisor (owner of the main business) founds the trademark of its own brand or creates the name of commerce and a trade system.

The Franchisee: Another party of the business, who gain the rights to run the franchisor's business and systems. Franchisee usually is requested to pay royalty fee, entrance fee and/or some percentage of sales income.

The franchising system, which was originally designed for product distribution networks, is now widely used in the retail sector (Kaufmann & Eroglu, 1998, p. 70-71). Although there are different modes of franchising, the structure expressed as "business format franchising" is the most developed and the most preferred form of this system (Kaufmann & Eroglu, 1998, p. 70-71). There are many business format franchises around the world, especially fast-food restaurant chains like KFC, Burger King, hotels like Hilton, real estate companies and the fast fashion sector such as Benetton, M&S (Jell-Ojobor & Windsperger, 2014, p. 158).

The distinguishing characters of business format franchising is that the franchisor is compelled to ensure the franchisee with all necessary components (Chiou, Hsieh & Yang, 2004, p. 20) to run the business consummately (Kaufmann & Eroglu, 1998, p.71, Altinay, Brookes, Yeung & Aktas, 2014, p. 509-511). In a business format franchising, franchisee is not only a seller of franchisor's products or services, also manages the business with related system given by the franchisor (Chiou et al., 2004, p. 20, 23).

In the international retail franchising franchise, the agency (agency) generally pays a franchise fee to the franchising parent company, but also receives a certain margin on sales from major brands dealers (Doherty, 2007, p.188). Altinay et al., (2014, p.510) say that franchisee has the authority to use its rights arising from the franchising agreement. These rights would be system configuration, operation management, personnel training and other rights under the agreement (Altinay et al., 2014). Conversely, the franchisee's obligation is to fully comply with all operations and other systems of the franchisor (may apply some differences with permission from the franchisor) (Altinay et al., 2014). The franchising parent company is an attractive model for these companies as they ensure the internationalization of their brands with a minimum investment cost (Doherty, 2007, p. 194). The franchising service, a franchisor, gives its franchisees a license to use a full corporate package for financial returns such as preparation, resources, brand name, and other related supports (Quinn & Alexander, 2002, p. 265).

So that, franchisors may decrease the risk of investing abroad and set up the business with economies of scale in the process of the franchise chain (Quinn & Alexander, 2002). Brand owner companies have spent many years of labor and capital to establish these systems, and franchisees have the opportunity to benefit from many established systems of the parent company (Grewal et al., 2011, p. 540-541). For example, they have access to marketing, management, human resources and industry experience of the main company (Grewal et al., 2011, p. 540-541).

2.2. Differences Between Domestic and International Franchising

As Pan (2017, p. 395) stated, domestic businesses are in the economic system of a particular country, but international business is in a global economic system. Pan (2017, p. 395, 396) explains the differences between domestic and international franchising as follows; The business and working environments of internationally operating enterprises are quite complicated also the products on the international market should be different and improved, the technologies needed to be upgraded and the operating costs are much more higher. Therefore this situation depends on the culture, socio-economic situation and many other components of the country to be entered (Pan, 2017, p. 395, 396). As Chang, Jack, and Webster (2017) indicate that in addition to the existing operational risks of domestic businesses, some other predictable and unpredictable risks are added. For example, it is clear that there will be difficulties and differences in many areas such as political uncertainty (Pan, 2017, p. 395,

396). Property laws and commercial laws, money transfer details (exchange rates) (Ellis, 2011), tax discrimination, double taxation etc. in the country must be concerned (Pan, 2017, p. 395, 396). Additionally like Sigfusson and Harris, (2013) mentioned that, the commercial conflicts between the host country and the parent company always exist. Economic structure and management understanding can be different, that might be called as global dispute (Pan, 2017, p. 395, 396). Lastly, as we can say based on the work of the Perez-Lopez, Gonzalez-Lopez, and Rodriguez-Ariza, (2016) because of the environment, risk and conflict of international businesses, local entrepreneurs' management thoughts and methods are not sufficient, so these businesses need new management ideas and methods (Pan, 2017, p. 395, 396).

2.3. Main Determinants of the Companies to Enter International Markets

Historically, the franchising work has concentrated mainly on understanding its usage within the domestic sense (Eroglu, 1992, p. 19). According to study of Aydin and Kacker (1990, p. 47), the main reasons why companies cannot be international are; (1) limited capital, (2) insufficient experience and lack of experts, and (3) high risk perception. The viewpoint of limited resources indicates that companies have used franchise agreements to expand scarce corporate capital (Aydin & Kacker, 1990, p. 48). Since the franchisee levies both an upfront fee and much of the initial investment in capital, franchisors can grow their markets without having to produce capital themselves (Altinay et al, 2014, p. 509; Jell-ojobor & Windsperger, 2014, p. 159). Generic international franchise research shows that key factors below affect the companies to expand their brands abroad (Doherty, 2007, p. 186):

Increase sales and profits: As claimed by Hackett (1976, p. 72), the reason for franchising companies to enter international markets is primarily to increase their sales and profits, so the ultimate goal is to reach the specified profitability. Franchising companies can achieve high profit rates at low costs, even without additional investment (Hoffman & Preble, 1993, p. 42).

Growth at potential markets: According to the study by Hoffman and Preble, franchising gained momentum internationally in the 1980s (1993, p. 39), so that more than 400 US dealers increased the number of units abroad by more than 70 percent to 39,000 units. The same authors also stated in the article that this company has 3,000 foreign units in 54 countries even in 1990. Hoffman and Preble also exemplified the expansion of franchise operations outside the US through Benetton. It is stated that the Italian clothing company has

4,000 stores in the world, and U.K., German, Japan and French brands have hundreds of dealers outside their own countries (1993, p. 40).

Market Saturation: According to Hoffman and Preble (1993, p. 39) at the beginning of 1990s US market had reached saturation and this circumstance mediated franchisors to expand international markets. Domestic competitive pressures refer to the saturation of the domestic market as well as the profit squeeze resulting from increased therewithal the increased competition between domestic and foreign rivals is a related and equally important factor competition (Eroglu, 1992, p. 26).

Fortuitous Franchisee Interest / Contact From Third Parties: Doherty (2007, p. 187) studies of franchise growth in Europe have shown that most franchise owners have moved to international markets on various offers from abroad rather than a planned internationalization operation. Welch (1989, p. 15) noted that as an example of Australian franchisors, the fact that a foreign partner is interested in the brand and wishes to invest has been an important determinant of the franchisor's involve to global operations.

Desire to be an international company: The concept of globalization, which accelerated especially in the early 1980s, brought the entire private sector under its influence (Hoffman & Preble, 1993, p. 35). Local companies had to trade internationally to continue their existence due to the increasing competition in the local environment (Doherty, 2007, p. 198). Franchising is preferred intensely as it enables companies to spread faster and more effectively than other business models in an intense competitive environment (Hoffman & Preble, 1993, p. 42).

2.4. Entry Mode Theories

Lu, Karpova and Fiore (2011, p. 58) stated that, retailers have to choose the most suitable entry mode in order to avoid problems during the process of settling a new market, especially during the shipment of products and other equipment, transfer of personnel and other resources, and this is a difficult decision. Six theories, which analyze the selection of modes of entry into international markets, which are very important for companies, will be briefly discussed. These theories are: Agency Theory, Transaction Cost Theory, Resource Based View, Internationalization Theory and Bargaining Power Theory (Lu et al., 2011, p. 61-62; Özseven, 2011; Rosado-Serrano & Paul, 2018, p.180).

2.4.1. Agency Theory

According to Rosado-Serrano and Paul, (2018, p. 180) agency theory underlines that there should be a strong relationship between the franchisor that owns the brand and the franchisee that owns the franchise. Again according to Doherty and Quinn (1999, p. 224), agency theory basically interprets the relationship between principal and agent. The point to be considered in this relationship is based on the agent relationship between the brand owner (principal) who delegates the operation to the other party (the agent) who acquires the brand right (Barthelemy, 2011, p. 94). One of the most comprehensive studies on agency theory in the literature Doherty and Quin also mention that agency costs are diminished by growing tracking and providing the franchise partners with strong motivation (1999, p. 224-226). Same authors continue at the article; the another comes out when a shareholder gets benefit of the entrepreneur's dependence with using the its resources (e.g. knowledge, technology, trademark) for goals other than they originally (1999, p. 229). Agency theory approved especially beneficial to study franchising as a business shape in the global condition with study shows that franchise companies intent to rise the percentage of their shops as they are a part of globalization and Agency theory has been beneficially approved method to work franchising as a great business way for internationalization (Rosado-Serrano & Paul, 2018, p. 181).

2.4.2. Resource-Based View Theory

The resource-based view emphasizes that the competitive advantage depends on the resources the company can control along with its assets (Li, 2018; Rosado-Serrano & Paul, 2018, p. 181). In other words, it focuses on the resources to gain advantage of regression (Li, 2018, p. 868). This resource-based view illustrates a change in research emphasis away from industry structural features, such as size and degree of concentration, to features that create competitive advantages for individual companies (Dev, Erramili & Agarwal, 2002, p. 92). Same authors also say that in this view, the superior performance of a company is a consequence of the distinctive capabilities of that company rather than a function of the structural properties of the industry to which the company belongs (2002). Lu, et al., claim that resource-based theory, the company's unique assets contribute to the resources available in a foreign market and increase its competitiveness in the market (2011, p. 62-63). Therefore, it allows the company to choose a higher control input mode (2011, p. 62-63). For example, the company's resources can be invested in retail store concept development, in more innovative areas such as human resources, logistics, and product development.

2.4.3. Transaction Cost Theory

Transaction Cost Theory (TCT) is an implementation of business notion advanced by (Rosado-Serrano et al., 2018). Transaction Cost Theory interprets companies as a faster and more efficient method of outsourcing their activities in a way that reduces costs instead of doing their activities in-house (Rosado-Serrano et al., 2018, p. 245). Rosado-Serrano et al. also stated that such a business relationship minimizes foreign exchange risks that may arise in a foreign market (2018). Franchisors require some investments from the franchisee in order to avoid the potential opportunism threat (Grewal et al., 2011, p. 547). Lu et al. mentioned that the relevant theory emphasizes that efficient and rich markets affect the resources that companies allocate for marketing (2011, p. 67). Altınay and Brookes (2012, p. 279) add that Transaction Cost Theory reveals the importance and effects of the size of the relationships between franchisors and franchisees.

2.4.4. Internationalization Theory

The term 'internationalization' is used to describe the steady, systematic trend of business expansion to international markets (Johanson & Vahlne, 1977, p. 23). Same authors explain this theory such as considering internationalization like a process that improve the capacity of corporations to expand in international market since they have collect strong informations and knowledge regarding the new market and get more supplies (1977). Blomstermo and Sharma (2006, p. 214) consider internationalization within two types; (1) high control mode (eg fully owned or partial partnership) or (2) low control mode (such as single or area franchising). The high control mode requires more resource transfer abroad, and the franchisor is subject to more uncertainty but low control mode requires a limited resource and reduces the risk of franchisor uncertainty (Blomstermo & Sharma, 2006, p. 214).

2.4.5. Bargaining Power Theory

Luo (2001) has described that bargaining power theory adds a political compulsion into the entrance mode verdict. Luo also added that, it encourages the consideration that the choice of a company's entry mode conditionals on the correlative bargaining power of the company involved when negotiating with the host government to reach entry to the new market and get benefit some parts of or all of its goals (2001, p. 447). According to Taylor, Zou, and Osland's study (2000, p. 151), the theory of bargaining power says that the company and the respective country hinge on the company's bargaining capacity in selecting a mode of entry. The opportunity to enter a new markets is directly related to the local politicians (Taylor et al., 2000, p. 151). Same authors continious in the same article that for these reasons, a

participating company has to make a choice the mode of entries which meets or rises the power of bargain, an example, If there are a lot of different companies searching for ventures at the same market, main company has got low bargaining power most of the time and may have to select decreased control level (2000, p. 152).

2.5. Factors Influencing Entry Mode Choices For International Fashion Retailers

This section, factors are discussed that effect a fashion retailer company's choice of input mode and build up a range of recommendations for the appropriate input mode level for organizations exploiting to the foreign market. To support the proposals some examples of organizations have been shown.

2.5.1. Company Specific Factors

As it is known, all companies have their own dynamics. These dynamics affect the globalization processes and preferences of companies company-specific factors relate to the capacities and characteristics of a company that affect its competitive status in the related market (Agarwal & Ramaswami, 1992, p. 4). In this study, beside the factors mentioned above, four particular factors which effect selection of entry mode of the retailers are determined: asset specificity, brand equity, financial capability and international experience (Agarwal & Ramaswami, 1992, p. 4; Özseven, 2011).

2.5.1.1. Asset Specificity

Agarwal and Ramaswami (1992, p. 4) mentioned that it is mirrored in company's asset power, dimension, also international trading knowledge and capacity to improve different goods. To achieve international expansion and success, companies need asset power to fully compete with host country companies, similarly Sources are needed to cover the cost of advertisement, to apply registrations and agreements, and to reach scale economy (Agarwal & Ramaswami, 1992, p. 4).

2.5.1.2. Brand Equity

Lu et al., (2011, p. 64) stated that brand value is undoubtedly the major part in the global growth for the fast fashion retail companies. The biggest competitive benefits for fashion retailers have been recognized as strong brand name, uniqueness and being cosmopolitan (Moore, Fernie & Burt, 2000, p. 923). According to Doherty (2007, p. 194), strong retail brands have led to a much faster global growth due to brand recognition and progress with strong partners.

2.5.1.3. Financial Capability

The global spread of a clothing retailer includes a range of processes and related costs, like property investments, human resource management, massive purchasing and marketing actions (Moore et al., 2000, p. 926-927). The reason why the franchising method is preferred can be understood more clearly in terms of reducing the financial burden of the companies in their international operations (Doherty, 2007, p. 194).

2.5.1.4. International Experience

Luo, (2001, p. 464), experience decreases the ambiguity associated with determining the possible economic benefit of entering a foreign market and enter the market by wholly-owned mode. Ni and Alon (2010, p. 345) express that companies increase their experience and knowledge in host countries during the expansion of their franchising operations and these skills would be management ability, local market information, remote tracking skills, personal management, and adaptation to local markets.

2.5.2. Country Specific Factors

In general, the more favorable the environment of the host country, the more likely international franchisees are to choose this host country for international expansion so, in total, countries with more favorable conditions are expected to have more international franchises (Eroğlu, 1992, p. 21, 25). When country-specific factors are mentioned, the first things that come to mind are the state and functioning of the economy, political stability, the existence of a democratic legal system, the guarantee of rights, GDP indicators, and the structure of other relevant institutions of the country (Alon, 2006). In this study, three variables were specifically mentioned: country risk, cultural distance, and restrictions of the government (Özseven, 2011).

2.5.2.1. Country Risk

Country risk mentions to the ambiguity of the economical and political status of the related country in connection to the persistence and profitability of a participating company operates at the host territory under assurance (Agarwal & Ramaswami, 1992, p. 6). However, knowledge of the host country on issues such as unemployment, exchange rates, economic conditions, income of the people, current deficit is also very important for the company in terms of controlling the costs of the company, managing its operations, organizing sales-marketing activities (Lu et al., 2011, p. 65).

2.5.2.2. Cultural Distance

Cross-border trade requires contact with different structures of social interest. Cultural distance mentions to cultural variety amongst the host and main country (Agarwal & Ramaswami, 1992). Alon, Toncar and McKee (2004, p. 174) evaluated the cultural difference in terms of franchising as follows; the cultural diversity or difference between the franchisor and the host can create differences, especially in terms of method, from various uncertainties and ways of doing business. When considered on the internationalization theory, it is evaluated that it is much more effective for companies to work with local partners in order to overcome these stages quickly and safely, considering that the stages of a new adherence to the market will take a long process and it is possible to encounter many new and different situations (Lu et al., 2011, p. 66).

2.5.2.3. Government Restrictions

Lu et al. stated that in order to protect local companies, local governments also introduce a set of legislation and regulations to restrict the expansion of international companies on the home fashion markets (2011, p. 66). Authors also add that government regulations may have direct impacts on Foreign Direct Investment (FDI) ownership, which may influence the option of mode of entry (2011, p. 66). The host government's ability to control market access and manage investment incentives is highly effective (Luo, 2001, p. 446). Luo continues the article as follows, governments generally prefer companies investing in their countries to choose the low control mode. This is because these modes facilitate the transfer of know-how and technology to local companies (2001, p. 446). Based on the bargaining power theory, these restraints would decrease the bargaining power of a fashion retailer when the company negotiate with local authorities to reach their all or part of their aims, thus restrains retailer companies from a high control level of entrance (Taylor et al., 2000, p. 150).

2.5.3. Market Specific Factors

These categories of determinants define the general business circumstances in a new country, contains future business competition, potential development and expected investment restitution (Agarwal & Ramaswami, 1992, p. 2, 4). In parallel with the reports of entry modes earlier, the actual study considered two critical components for the entry modes choice of fashion retail companies; market opportunities and market competitions (Lu et al., 2011, p. 67).

2.5.3.1. Market Potential

Market potential refers to a foreign-market's size and growth prospects (Lu et al., 2011, p. 67). An extremely focused market is a lot of expeditiously served than a market that's geographically spread, this can be as a result of a viable marketplace for each the factors of production and output exists in an exceedingly densely geographic region (Alon et al., 2004, p. 173). Alon et al., continue their article; with this in mind, it would appear that extremely urbanised countries would represent a lot of enticing opportunities for franchisers, therefore, a positive association between the degree of urbanization in an exceedingly host country and therefore the variety of international franchisers is anticipated (2004, p. 173). In a host country, the number of foreign franchisers correlates most strongly with the population size, followed by GDP per capita (Madanoglu, Alon & Shoham, 2017, p. 31). According to Agarwal and Ramaswami (1992, p. 5,6), especially in countries with a large market volume, if a company chooses its own investment models instead of franchising, it will increase profitability in the long run and reduce production costs.

2.5.3.2. Market Competition

Regarding to bargaining power theory, the quantity of competitors available in the market determines the level of competition. From this point of view, if the main company is looking for investors in the local market, the bargaining power of the local authority will increase, so the company will have to choose a lower control mode of entrance due to the decrease in its bargaining power (Taylor et al., 2000, p. 150). Taylor et al. reports that when competition in the retail sector is strong, local services might be limited, including shops, supply chains and primary advertising (2000, p. 152).

According to Rosado-Serrano et al. (2018, p. 252), it is very difficult to monitor competitors and organize the operation accordingly, because such business information is confidential and accurate and up-to-date information is often unavailable. Nevertheless, the importance of the franchising system in internationalization increases in determining the future strategies of the companies, and it is important to decide which mode of this system is preferred for the target country (Rosado-Serrano et al., 2018).

They also consider that it is possible that the choosing either low control or high control would be influenced by the degree of competition in a particular international market and the ability to create or retain brand positioning in that region (2018, p. 252).

2.6. Modes of International Franchising

The four most popular foreign-market entry modes are single franchising, area development franchising, master franchising, and joint venture franchise (Barringer & Ireland, 2012). Hence, entry mode selection is a very important, crucial, and strategic decision. Commonly used four franchise modes are described below:

2.6.1. Single Unit Franchising (Individual Franchising)

A direct relationship exists within a single-unit franchise (SUF) in the host country without third party intervention between the franchisor and his franchisees and comparing it with other direct franchise modes such as area development, however, SUF differs in a way as each foreign franchisor is supposed to operate and only have one unit in the host country (Jindal, 2011, p. 550, 551).

Kaufmann and Dant (1996, p. 346) claim that in successful systems, single-unit franchisees typically look for additional units to grow their businesses, and the most frequent qualification for expansion is based on the performance of existing units. Additionally Dant and Nasr mentioned that sometimes new franchisees would prefer to start-up their business with single franchising then open-up more shops with improving the operations (1998). This mode of growth is expressed as differential or expansive growth (1998, p. 14).

Single Unit Franchising (SUF) eliminates shirking because the franchisor is a residual claimant and hence has high-powered opportunities to operate the company efficiently (hence, regulation is replaced by an incentive) (Garg & Rasheed, 2003, p. 340). SUF, however, poses the franchisee's possible issue of free-riding.

Since all outlets share a similar brand across all units in the network, a free-riding franchisee may internalize all the positive benefits of being a franchisor (e.g. cost reduction) while bearing only part of its negative implications (e.g. brand name identity injury, consumer loss) (Dant & Nasr, 1998, p. 14). Thus shirking (a hierarchy problem) is minimized by SUF (a business solution) at the cost of producing free-riding capacity (a business problem) (Dant & Nasr, 1998; Garg & Rasheed, 2003, p. 333, 334).

Barringer and Ireland (2012, p. 500) illustrated this kind of franchising in the figure shown below. Individual franchising is quite usefull for the new participants who don't need more unit at the beginning to get used to this business (Figure 2.1.).

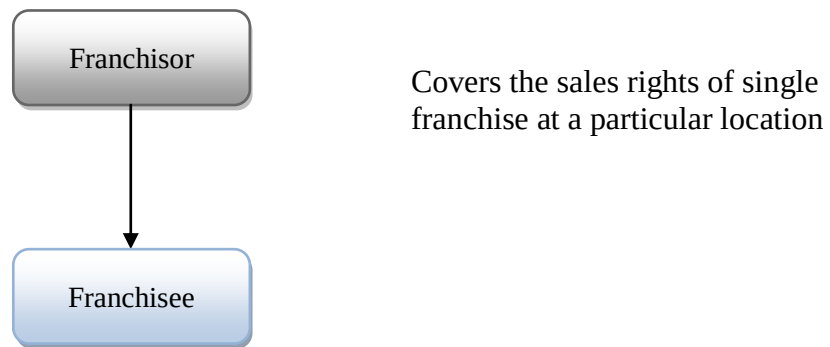


Figure 2.1. The Illustration of Individual Franchising

Source: B. R. Barringer & R. D. Ireland (2012). *Entrepreneurship Successfully Launching New Ventures (4th Edition)*. New Jersey, USA: Pearson Education. p. 500

As can be seen from Figure 2.1. in this system, the franchisor gives the dealership to a single company and to a single location. This system can be preferred to enter an area where the brand owner does not control or know little, or when he wants to start a business with a new partner (Jindal, 2011, p. 551). For similar reasons, the agent (franchisee) will have the opportunity to see the way by investing in a single location and to recognize the brand commercially (Dant & Nasr, 1998, p. 10).

2.6.2. Area Development Franchising (Multi Unit Franchising)

Barringer and Ireland (2012, p. 499) stated that area development franchise (multi unit franchise)) gives the rights to the franchisees to open many shops in the permitted part of the related region. These places are only for a franchisee who made multi unit agreement and another franchisees cannot open any shop at the related places unless agreement is broken. The difference with multi-unit franchises (MUF) and single-unit franchise (SUF) is that the MUF has the authority to open and run more than one store (Kaufmann & Dant, 1996, p. 346). They continue to explain that incremented or sequent MUF appears when additional units are allocated to a single-unit franchisee within a competitive program, based on the results of existing units (1996, p. 346). Area development agreements is a franchising system that permits the company which has acquired the franchise rights, to open and run more than one store in a specific region, as specified in the contract (Kaufmann & Dant, 1996, p. 350).

Multi-unit franchisees are speculated to provide their franchisors with details more readily than their single-unit counterparts, despite their lower free-ride opportunities and the higher degree of protection perceived in their relationships with their franchisors (Dant & Nasr, 1998, p. 14). The owners of the franchisee company will manage other stores to be opened

following the opening of the first store through professional managers (Barringer & Ireland, 2012). The following Figure 2.2. created by Barringer and Ireland simply describes area franchise agreement. As can be seen from the figure, this system allows franchisee to open stores in more than one location. Thus, it has more commercial opportunities than it can do at a single point. Another advantage is to prevent the same brand from buying different investors. With the increase of brand awareness, a much more successful business would emerge.

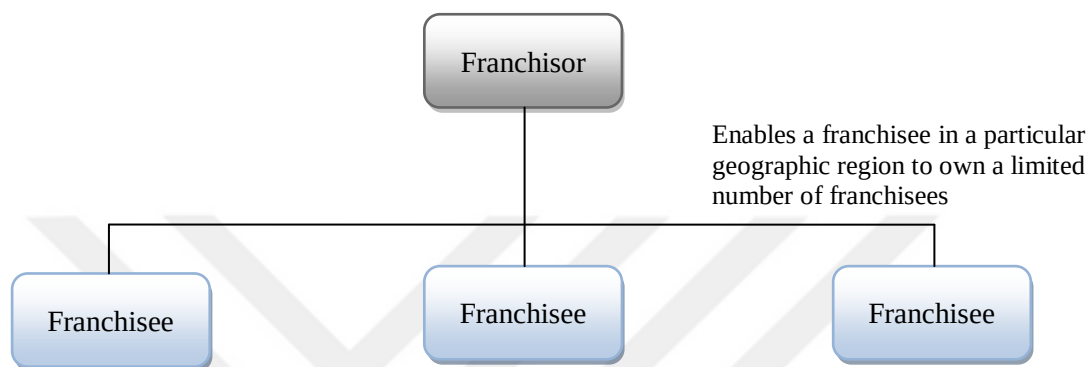


Figure 2.2. The Illustration of Area Franchising

Source: B. R. Barringer & R. D. Ireland (2012). *Entrepreneurship Successfully Launching New Ventures (4th Edition)*. New Jersey, USA: Pearson Education p. 500

According to Jindal's study, in this franchising mode, both parties undertake to open a certain number of stores in advance, within the time specified in the contract, with the approval of the franchisor (2011, p. 551). Usually the area developer pays all the dealership fee for the first store, but can get a discount on the dealership fee for other places to open (Jindal, 2011, p. 551).

2.6.3. Master Franchising

According to Alon (2006), master international franchising is the most preferred method by franchisors today, and it is a mode of franchising that enables companies to move on fast, reliable and solid foundations in the international arena, since it requires minimal financial risk and a rapid business strategy. He also explains that master franchise is a highly preferred entry mode when economic potential is relatively low and there is intense competition in the country concerned, when demand uncertainty or volatility is high, market information is low, geographic and cultural distance increases and country risk is high (Alon, 2006).

This franchising mode is a very advantageous and unique system and it provides low risk and low control mode for franchisors (Alon, 2006, p. 68). According to Alon (2006, p. 69) the master international franchising authorizes the franchisee to open a store as well as granting sub-franchise to the same company. The definition of authorization and duration regarding the sub-dealership are clearly stated in the contract (Alon, 2000, p. 3).

Grewal et al., (2011, p. 538) has pointed that franchisors partners with master franchisees for multiple outlets because the high cost of adaptations in countries with a wide range of environments may make it impossible for both the franchisor and the franchisor to recover their investments from a single outlet. According to Alon (2000, p. 1), In the master international franchising system, the brand owner (franchisor) transfers these investments to the franchisee, in accordance with the outsourcing logic, without the need to invest in the country to be entered (or by making a small investment).

He also articulated that the master franchisee chooses, trains, and monitors franchisees on behalf of the franchisor; creates supply lines; receives fees and licensing fees; manages business activities; maintains network quality; and executes the strategies of the franchisor (2000). The agreement of master franchising is demonstrated in the figure 2.3 (Barringer & Ireland, 2012, p. 500). This contract is designed on a greater scale to include the area franchising contract mode.

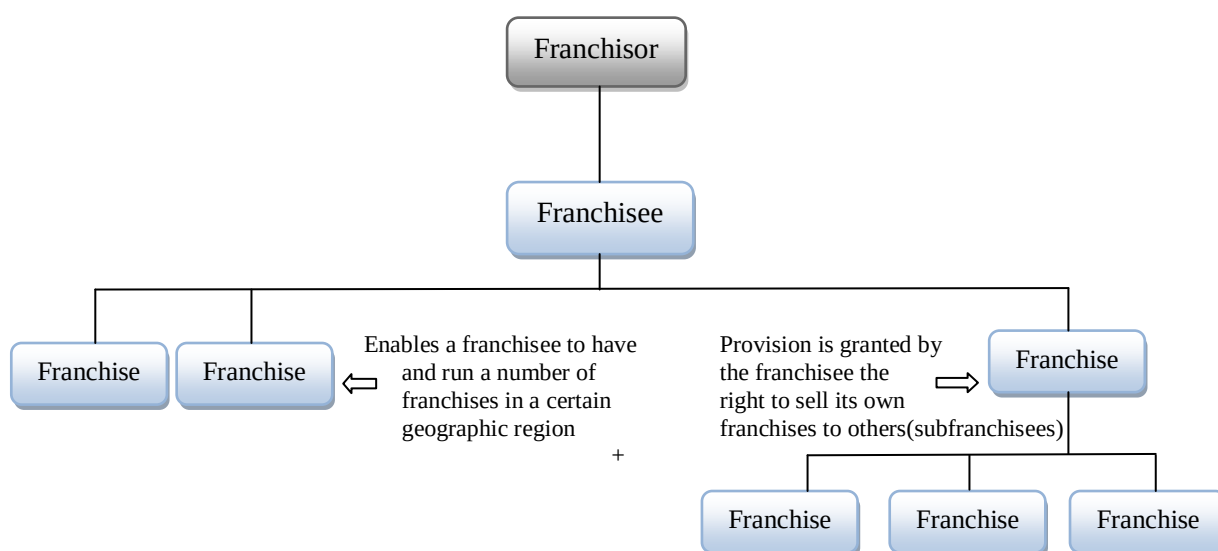


Figure 2.3. The Illustration of Master Franchising

Source: B. R., Barringer & R. D. Ireland (2012). *Entrepreneurship Successfully Launching New Ventures (4th Edition)*. New Jersey, USA: Pearson Education p. 500.

2.6.4. Joint Venture Franchising

Joint venture refers to the formation of a partnership by combining the resources of more than one company and structuring an organization in accordance with the content of this partnership (Rasmussen, Mosey & Wrights, 2011, p. 1318). International Joint Venture (IJV), however, is when one of the companies undertaking the joint venture is located outside the country of main activity, and the joint venture can also be realized in more than one country (Geringer & Hebert, 1989; Geringer, 1991, p. 41). Geringer also explains that the importance of JVs has increased considerably, both locally and internationally, especially since the 1980s (1991). Also IJVs are critical for international companies due to their strategic importance. This system is perceived as strategic weapons in the core markets of the companies (1991, p. 42). In Rasmussen et al.'s article (2011), it is emphasized that concrete sources like reaching financial and labor power are important in this type of initiative. Emphasis is placed on the need to share both tangible resources (technology, organizational structure and other technical issues) and intangible resources (human resources, knowledge, culture, etc.).

Dinu (2018, p.23) also expresses that joint venture (JV) is a co-operation type in which two or more companies contribute financially to a newly established company jointly or under an independent management system. She continues her article as follows; the most important benefits of collaborating with a local company are that they combine each other's strengths, so that both companies can identify what they are doing well, or what they are not doing and which issues they have mastered (Dinu, 2018). In today's world where borders are removed and distances are reduced, joint ventures system including foreign participation has developed as a result of globalization of companies according to Dinu (2018, p. 22). Basically, two factors are important in the international expansion of companies; The first one is to increase production efficiency by accessing abundant and cheap resources in different geographical regions, and the second one is to inevitably integrate with the global economy (Dinu, 2018).

2.7. Dynamics of Franchising

According to Grewal et al.'s study (1991, p. 539), the assessment of new entry opportunities requires joint actions. Therefore, the entrepreneurial dynamics of franchisors and franchisees and parallel franchise relationships are indispensable for a successful partnership, both companies are interdependent in order to achieve common actions, achieve a healthy relationship, achieve the set goals (Grewal et al., 1991, p. 539). Authors also add that franchisor is dependent on franchisees in order to achieve the desired profitability in a certain

region and also franchisee is dependent on his partner to maintain brand reputation because he needs operational support so mutual success is achieved when the perceived dependence of each party is balanced (1991, p. 538-539). According to Wright and Grace (2011), franchisees naturally have different personalities and different ways of doing business, so each franchisee area seems to have different perceptions in how they manage the business. Authors conceptualized them in the relational dynamics model and determined that the four elements affect the nature of the franchised area, these are; attitude, passion, dependence, and respect (2011, p. 494-495). With the the amount of foreign franchising companies, creation of theory that takes into account multidimensional elements such as information transfer, confidence, interaction and resource transfer and their impact on the franchise relationship and the performance of the system is needed (Rosado-Serrano & Paul, 2018). Franchising dynamic determinants are; trust and commitment, communication, knowledge transfer, and resource transfer. we shall examine related dynamics in order.

2.7.1. Trust and Commitment

Trust and commitment are determined as the two most important factors in strengthening inter-company relations for partnerships established through franchising (Altinay & Brookes, 2012, p. 280). Same authors argue that confidence development begins naturally precisely at the initial stage of franchising and various differences and even partial conflicts are likely to occur later in the relations. As long as the differences are overcome, the relationship continues and the stability is preserved. Trust and commitment is very important for the stability of relationships and hence the work flow (2012, p. 280). Similarly, Davies et al. (2011, p. 324) state that generally entrepreneurship is heavily dependent on trust as a collaboration under conditions that may not be very clear. They also say, however franchising increases dependency among independent entrepreneurs (franchisor and franchisee) within the same initiative, systematically reducing the uncertainty among these entrepreneurs. The dangerous part is that when franchisees think they can no longer trust franchisors, they may believe that the contract is not in line with their economic interests, and this situation may cause violations of the contract and both parties will be damaged (Davies et al., 2011, p. 324).

Rosado-Serrano and Paul (2018) articulated that the agent (franchisee) as well as the principal (franchisor) are expected to formulate a franchise relationship study of elements to fit and proper research (trust and commitment). They also add that the foundation of this conceptualization lies in the formation of a contractual contract that involves a complex

relationship of trust and loyalty which connects franchise association (2018). Authors also clarified that the process of establishing trust requires a new franchisee to specify its capacities to accept the culture of franchisor and being a great selection for the spread of franchisor. In order to comply with the initial growth, they must express their managerial and learning capability, thus reducing confusion for the franchiser. As a consequence in such business relationships, where uncertainties arise as a major problem, trust and commitment are important factors in increasing efficiency, growth, profitability and a successful business partnership (Wright & Grace, 2011, p. 488).

2.7.2. Communication

According to Altinay and Okumus (2010, p. 933) communication among different groups (e.g. managers, other employees, company owners, other partners) sharing the same job, work experiences and knowledges affect decision-making processes, thus enables effective, fast and correct decisions (S.P. Bronn & C. Bronn, 2003). Altinay and Okumus express the importance of being two-way and constructive communication in making decisions efficiently and effectively, as well as implementing them in a healthy way, and that uninterrupted communication will create an environment for an informal relationship among franchisors and franchisees in terms of sharing ideas (2010, p. 933). Communication also supports understanding and achieving common goals, faster resolution of operational and other problems that may arise, and building trust (Grewal et al., 2011, p. 543). Authors additionally say that in the context of the franchising partnership, focusing on common goals and actions speeds up the franchise's operation speed, scale and scope, as well as the expansion of the operation, with better communication and trust (2011, p. 543).

Wright and Grace (2011, p. 488) state that the connection among sophisticated capital and efficient franchisor-franchisee relationship shows that trust, communication and occasions are primary factors in systemic capital to support a fertile network. The authors draw attention to the importance of the information and data shared through communication channels in determining the trust of the parties in the franchising relationship (2011, p. 488).

Doherty and Alexander (2004, p. 1309) state that relationship growth is supported by connections and contact between franchisors and franchisees. In Doherty and Alexander's study with fashion retailers, it turned out that franchisors believed that support and communication are a much better method of control, and that they did not use the contract as a threat (2004, p. 1309).

From figure 2.4 as can be seen the first layer of the modern franchise partnership model, developed by Rosado-Serrano and Paul (2018), shows the dynamic role all partners play in the relationship. In Figure 2.4, in the partnership model established through franchising, the first layer shows the active role in the relations of the parties. To correct any misunderstandings both partners need to be attentive and sensitive. To be successful in this partnership, the franchisor must meet the franchisee's needs, and vice versa, through a very complex communication.

The same authors express how the relationship of trust and loyalty affects the relationship of trust and loyalty in case of increase and reduce of the direct (face to face) dialog expressed in the figure, and also the importance of the psychological factors that are beyond the formal agreements of the company partners and affect the strength of the partnership, these can be listed as follows; trust, commitment and other perceptions (Rosado-Serrano & Paul, 2018). Altinay et al. (2014, p. 517) suggest that communication is a key factor in building trust and dedication.

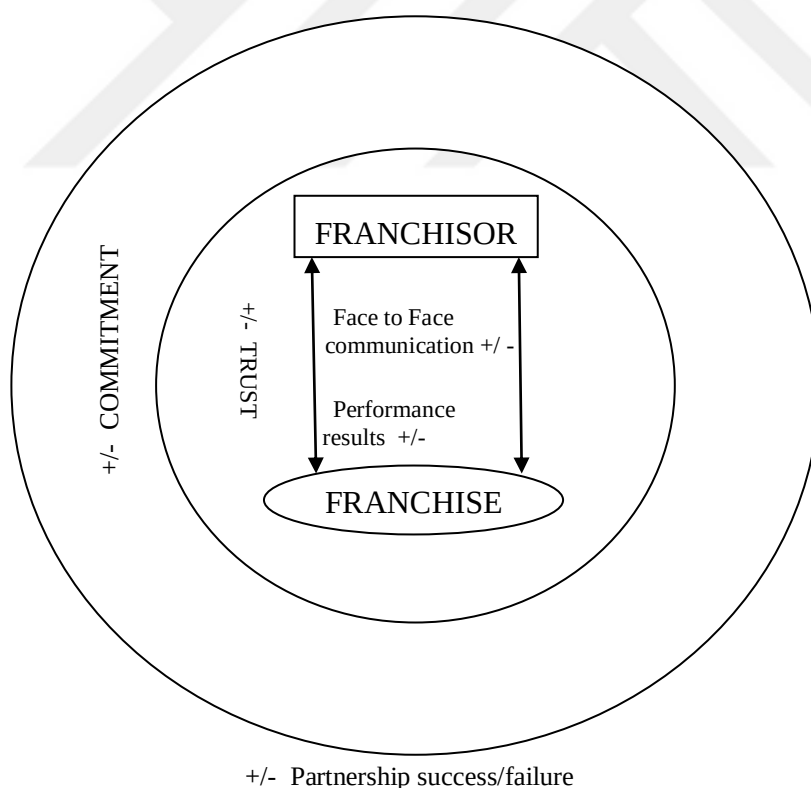


Figure 2.4. Franchise Partnership Model.

Source: A. Rosado-Serrano & J. Paul (2018). A new conceptual model for international franchising. *International Journal of Hospitality Management*, 75, p. 184.

2.7.3. Knowledge Transfer

Madanoglu et al. argue that franchising is a collaborative input mode, where information is stated to be an important component of the business model (2017, p. 29). Madanoglu et al. (2017, p. 31) state that franchisors will seek partners in the international market because they need franchises with local market knowledge, as well as capital and human resources (Elango & Fried, 1997). In a similar statement in Brookes and Altinay, they express as follows: franchisors are expected to provide franchise owners with technological, operational and marketing information, while franchise owners provide local market details and customer choices to promote innovation and network enhancement (2017). They also add that franchise network efficiency depends on the capacity of the Knowledge Transfer (KT) infrastructure of the franchisor, and the willingness of the franchisee to internalize and use the information has been transferred (2017). Ghantous, Das, and Chameroy (2018, p. 21) state that franchisor information transfer levels can also strengthen the relationship by reducing potential conflict and possible franchise opportunism. Authors continues as follow, all kinds of training and seminars, store visits, regular communication, sectoral information, etc. that can be given to franchisees can be considered as encouraging and supportive channels for franchisees as well as non-compelling channels to align partners (Ghantous et al., 2018, p. 21).

2.7.4. Resource Transfer

According to the analysis of Dev, Erramilli and Agarwal (2002, p.93); a franchise agreement means that the entering company relies entirely on the skills of the franchisee, while the entering company offers the bulk of the daily management and technical assistance from its own sources under a management contract. This means that franchising allows a business to move resources and skills across business borders (i.e., from the company to the franchise owner), whereas managing contracts entail the move of these assets inside the company (i.e., from the company to its own managers who are authorized to operate at the foreign place) (Dev et al., 2002). Grewal et al. (2011, p. 546) add that entrepreneurial franchises display diverse capabilities that reconfigure and exploit internal company capital to develop new skills that offer first-mover benefits

The factors leading to the achievement or failure of franchise operations are listed in figure 2.5. by Rosado-Serrano and Paul (2018). The relationship specified in the relevant model includes the renegotiation of the relationship by evaluating the perspectives of both parties in the franchise cooperation and is conceptualized by achieving a balance in this way.

Rosado-Serrano and Paul clarify in this figure that franchisors must consider analyze the relationship and see it as a continuous multilayer procedure; they often request evaluate and make an investment in sustaining relationship trust.

The condition of the relationship must be continually reiterated, in order to level the balance. At the same figure, the franchisors must keep a sensation of goodness and values at the second layer in order to differentiate themselves from other franchise options (Rosado-Serrano & Paul, 2018, p. 184).

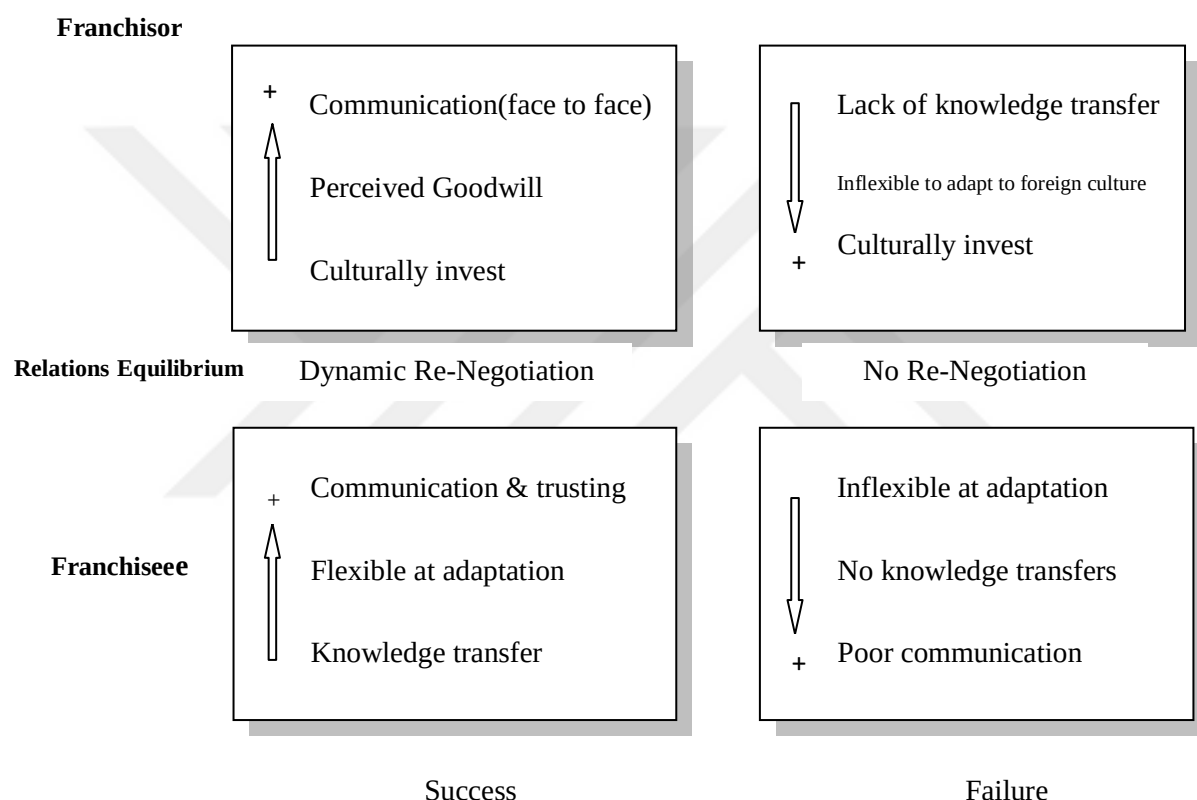


Fig. 2.5. Dynamics in Partnership Matrix

Source: A. Rosado-Serrano & J. Paul, (2018). A new conceptual model for international franchising. *International Journal of Hospitality Management*, 75, p. 184.

2.8. Formalization

Apart from the factors we discussed in the previous sections, the formalization part, which is the variable that we will use in our main ordinate system we designed, will be discussed in this section. After giving an overview of formalization, its place and importance in the franchising system will be mentioned and application details will be given.

Formalization is an essential concept for franchisor and franchisee, which will determine the basic forms of management, rules and terms of agreement. More importantly, it will be one of the main factors in determining the mode of franchising that the brand owner will prefer.

2.8.1. Definition of Formalization

Hoy and Sweetland describe the formalization is a grade of the prepared laws, procedures and guidelines of an entity (2001, p. 297). Daugherty, Stank and Rogers (1992, p. 50) describes formalization as it is the degree to which formal rules and standard policies and procedures control decision and work relationships. Although the social system can also create a series of implicitly and essentially unresolved norms once a set of goals has been established, there are rules and regulations to govern individual actions, which are important for the organization of activities (Hall, Haas and Johnson, 1967, p. 907). Authors also add that such rules can be clear without their being written, but if written, they may constitute a legal ground for contractual duties and thus require a more formal secondary relation condition (1967, p. 907).

Adler and Borys indicated that bureaucracy has correspondingly divided, with one division focusing on its ability to enforce enforcement through workers perceived to be recalcitrant or incompetent and the other division focusing on the operational efficiency of bureaucracy (1996, p. 62). Adler and Borys (1996) also created wide theoretical study of facilitating and compulsory formalization. They include a deeply theoretical analysis on the impact of working applications on functions, designs, and applications (1996).

2.8.2. Enabling and Coercive Formalization Types

Enabling formalization assists workers in their jobs with solutions to problems (Adler and Borys, 1996). Flexible guidelines are encouraging rules and procedures that embody "best performs" and help subaltern cope with troubles and flukes (Adler & Borys, 1996, p. 66; Hoy & Sweetland, 2001, p. 298). Hoy and Sweetland mentioned that enabling procedures encourage open dialogue, interpreting difficulties as possibilities, promoting confidence, accepting differences, building on learning from errors and rejoicing in the unforeseen (2001, p. 298). By comparison, coercive measures are intended to compel unwilling compliance and to extract recalcitrant actions instead of allowing dedicated workers access to cumulative organizational information and models of best practice (Adler & Borys, 1996, p. 65). Coercive regulations and policies discipline subordinates instead of recompensing successful activities, and coercive procedures rather than encouraging organizational learning force reluctant subordinates to comply (Adler & Borys, 1996, p. 69).

2.8.3. A Typology of Organizations

Adler and Borys (1996) study that as a way to theorize the distinction between good and bad practices as they face workers, encouraging and oppressive distinguish between the formats seems to be useful theoretically, therefore they have different features, and these features is more likely to come from different design processes. Adler and Borys (1996, p. 78) summarizes the typology resulting from organizations with, on the one hand, the degree of formalization provided by the act of routine of the mission and, on the other, the type of formalization in Figure 2.6. The formalisation of fit into the notion of "place of indifference," in which formalities do not yield either positive or negative responses, lies between coercion and enabling.

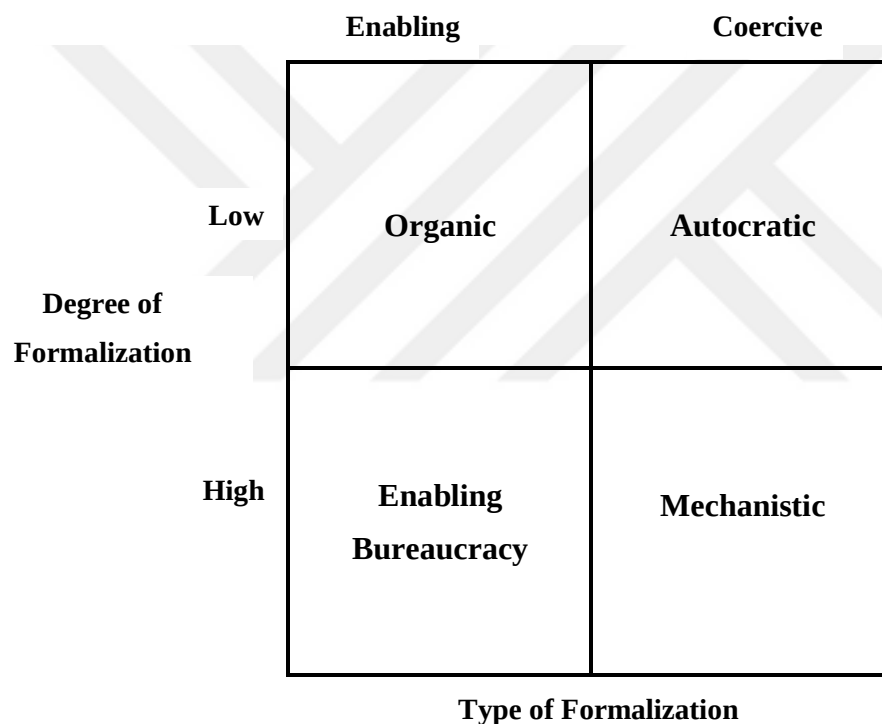


Figure 2.6. A Formalization Typology in Organizations

Source: P. S. Adler & B. Borys (1996). Two Types of Bureaucracy: Enabling and Coercive. *Administrative Science Quarterly*, 41, p. 78.

In this representation, as the relationship between two cells on a diagonal, the traditional distinction between organic / nonbureaucratic and mechanistic / bureaucratic organisations emerges. As a result of a distinctly coercive type of organization, many of the supposed negative attitudinal consequences of the hierarchical and mechanistic model now emerge. The other diagonal compares the enabling-bureaucratic modes of organization and autocratic ones

(Adler & Borys, 1996, p. 77, 78). Authors admit that the matrix used here is used to solve two basic problems between the two types of organization (organic and bureaucratic) evaluated by one-dimensional contrast; the first is that the situation of high formalization in daily activities is preferred although it may cause dissatisfaction in the company and even affect the productivity negatively and also increasing the formalization seen in the matrix may cause high or low motivation for companies performing repetitive activities depending on the type of this formalization (1996, p. 76-79). According to the same authors, another benefit of this typology is that companies operating specifically in the fields of information, technology and creative allow for formalization improvements to be understood in a competitive environment to minimize costs and increase efficiency (1996, p. 76-79).

2.8.4. Franchisee Opportunistic Behavior

The essence of franchising is that it takes advantage of economies of scale in large operations as well as evaluating advantages in smaller regional operations (Kaufmann & Eroglu, 1998, p. 69). They add that among the many types among management challenges that franchisors face, perhaps one of the most challenging is to establish the correct limits of their structure, i.e. to maintain the requisite consistency of the systems for achieving economies of size when minimising the problem of hindering efficient integration of domestic markets (1998, p. 69).

Franchisees are both autonomous entrepreneurs who invest money and are the representatives of a brand, so they should develop their know-how and inform the central management about the pros and cons of the system they are involved in, by mastering the details of local markets (Dant & Kaufmann, 2003, p. 73). But partnerships between franchisors and franchisees frequently experience difficulties because of opportunistic behavior and frictions of interest that may prohibit chains from using useful future opportunities fully (Barthelemy, 2011, p. 95). Barthelemy adds that franchisees may attempt to free-ride on another shop supervisors' attempt to rise the profit of short terms and boost their independency and self-determination in the future (2011, p. 95).

Many franchisees, on the other hand, adapt so much to their local environments that they deviate from the structured know- the chain, and even change the principles and structure of the franchise itself, also they might keep informations that might be beneficial for franchise operation (Dant & Nasr, 1998, p. 8). Authors also claim that franchisors seek to minimize the opportunism of franchisees with making efficient terms in the contract so that they can control the franchisee more (for example, providing more digital integration, increasing active audits)

(1998, p. 8,9). Also opportunistic activities include harming a franchisor (principal) by disclosing proprietary franchise details, failing to pay royalties, failing to meet quality requirements, or free-riding at other outlets (Combs, Michael & Castrogiovanni, 2004, p. 911). By letting franchisees to get more opportunities to have more income (i.e., giving them all profits after outgoings), franchisors are urged to strengthen support activities sustaining their own assets and this discourages opportunistic activity among franchisees, although not wholly eliminating it (Combs et al., 2004, p. 911).

2.8.4.1. Deviating from Standards

Developing a franchise chain, a fundamental challenge for franchisors is to preserve uniformity within the network while minimizing the possibility of stifling local market adaptation (Kaufmann & Eroglu, 1998). They add that franchising is a means of entering geographically scattered markets, with specific customer tastes, income levels or levels of competition and also the efforts of franchisees to adapt the creativity and innovation to their local environments can add value to the entire system so that in response to local market conditions, sometimes franchise owners let franchisees diverge from classic franchise practices (1998, p. 70).

However, Cox and Mason stated that when the fundamental components of the franchise system deteriorate, the identity of the brand, consumer perception and trust as well as competitiveness will be endangered, so maximum effort is made to ensure compliance (2007, p. 1070). When entering a new geographic area with franchising, sometimes there may be different consumer preferences, income levels and competition levels (Akremi, Mignonac & Perrigot, 2010, p. 932). In this case, the efforts of franchisees to adapt to the local environment may add value to the system. Some franchisors, although limited, may allow partial deviations from franchising standards for market adaptation to their dealers, with their approval (Akremi et al, 2010, p. 932).

2.8.4.2. Withholding Information

According to Akremi et al.'s study (2010), in franchise systems, franchisees are expected to transfer information about the local market in which franchisors operate on scarce resources such as management skills and capital structures (p. 932). Authors continue as follow; storing information from franchisor may hinder efforts to adapt to changing markets, so the problem here is that the franchisors' powers to request information about the local market is limited. Therefore, a dealer who keeps useful information to himself is considered a threat to the

parent company (2010, p. 932). Akremi et. al. (2010, p. 932) explained that withholding details will prevent a franchisor from enforcing structured controls. Akremi et al., (2010, p. 933) as franchisees exchange information on the local market, this will also create a perception of low value by the franchisors, making it less likely that the franchisees' stores will be taken back by the parent brand and make the parent company's own store.

2.8.5. Formalization in Franchising

According to Kaufmann and Eroglu (1998), the cornerstones of franchising are standardization and uniformity. They have three explanations for this. First, standardization is a way of reducing costs for both franchisors and franchisees, especially in concerning of purchasing (as a consequence of economy of scales), marketing and practice (1998, p. 70).

Moreover, it reduces the cost of franchisor's tracking to the franchisees and second, standardization allows for consistent spatial communication of the definition to compose and sustaining a brand-related bond between customers and creating a differential and original concept for this causes customers to expect the same quality and service in every branch of the brand (Kaufmann & Eroglu, 1998, p. 70, 71). It would draw consumers who 'try the popular experience of use reflected by the trademark' (Michael, 2002, p. 328). Therefore, uniformity and continuity of the program are crucial in attracting and retaining consumers and preserving brand credibility, since customers would request to see the perception that they create with the reputation of a brand in all other branches of the brand (Michael, 2002, p. 330).

However, this focus on the need for franchisees to follow standardized approaches in business model franchising is in contradict with the geographic various presence of the market, either input or output (Cox & Mason, 2007, p. 1056). Additionally, they mention that franchise shops are territorial located so this is working with varying market and resource conditions in a variety of complex geographical environments, and additional negative effects emerge from requiring franchisees to adopt uniform business models that do not allow for the requirement of adaptation at local conditions (2007, p. 1056).

2.8.6. Structure of Business Format Franchising

According to Kaufmann and Eroglu, (1998, p. 70) business format franchising is a for-profit retail configuration to meet consumer needs and this includes the acquisition of the rights as well as the responsibilities of a particular brand under certain conditions, which may include

various products or services. Authors add that including the support structures for implementing and running it, usually the format often includes access to supply sources, like specific materials, and detailed introduction of management and suggest that dissimilar factors containing the franchise system could be categorized to four distinct factors like produce and service distributables, advantage communicator, operation facilitator, system descriptives (1998, p. 71-72). Core elements are the critical dimension of the franchising system which franchisee can't change (Kaufmann & Eroglu, 1998, p. 71-73).

Core elements are especially in fast fashion industry such as essential brand issues, main product line, and basic operational details (Kaufmann & Eroglu, 1998). Peripheral elements can be especially in fast fashion industry such as local products, and some logistic activities (Kaufmann & Eroglu, 1998). However, peripheral elements might be changed by the franchisee, if necessary (Kaufmann & Eroglu, 1998, p. 71-73).

In the next section, we discuss the factors that generate the standardization- adaptation tension across the different core and peripheral elements. In doing so, we are also exploring how this tension will possibly escalate over the franchise system's life cycle.

In summary, the franchising inherently requires that all core and peripheral components of each system should be standardized (Kaufmann & Eroglu, 1998). To be successfully franchised, the deliverables of product and service must be completely conceived, documented and continuously applied across all the franchising channels, as well as the communicators, program identifiers and format facilitators (Kaufmann & Eroglu, 1998). All system customers share the resulting cost benefits, and the picture of the franchise model (begins to develop in the mind of the consumer) should be integrated in each of the necessary positions, in order for franchise to achieve its promised efficiency.

3. TURKISH FAST FASHION RETAIL SECTOR

This section provides descriptive information about Turkish fast fashion retail sector. These informations show how this sector differs from the textile sector, how the textile and apparel sector has been developing in Turkey and worldwide, branding in Turkish clothing sector, retailing in Turkish fast fashion and about the international applications of international franchising by Turkish retail companies.

3.1. Differences Between Textile and Apparel (Ready-Made Garment) Industries

Mittelhauser (1997, p. 24, 25) explains *“the words “textile industry” and “apparel industry” are sometimes used synonymously, they represent two distinct industries, although closely related but the two sectors are critical ties in the manufacturing and distribution chain and are responsible for supplying clothes to customers as well as a range of other items”*. Mittelhauser also added that the products of textile sector might be used in carpeting, automobile, fire hoses, rope, nonwoven and twine (1997, p. 24-25). However, the products of apparel industry means ready made garments (clothings) (Mittelhauser, 1997, p. 25).

3.2. Overview of World Textile and Apparel Sectors

Today, textiles and clothing are supplied from more than 150 countries (WTO, 2017). In the industry, labour-intensive equipment is used and unskilled workers are working around the world, many of them women (WTO, 2017). In developed countries, industry has a social role, with a large share of world jobs (WTO, 2017). WTO (World Trade Organization) explains that China, Taiwan, South Korea, Taiwan and Turkey are leading textile exporter in the world. EU countries are the industry leaders (only Italy remained in the latest developments, Germany, England and France lost their market shares).

When the trends in work especially textile and clothing sectors are studied, it is very notable to view that the historical workforce settlement approaches in the textile sector continue in developing countries today (Anderson, Schulman & Wood, 2001, p. 479). Eraslan, Bakan, and Kuyucu, (2008, p. 271) indicate that the historical approach is directed to the realization of textile production in regions where the labor force is low cost, where the socio-political environment can be controlled and production is safe. They also mention that the vast majority of people employed in the textile and apparel industry today are in developing countries and are preferred because of their low labor costs (2008, p. 271).

WTO published the report of World Trade Statistical Review 2019 (WTO, 2019). Top 10 exporters of Textile in 2018 are shown in Table 3.1. (WTO, 2019, p. 119).

As seen from the Table 3.1, there is remarkable increase in the China's exporting from 2000 to 2018. However, for Turkey, the increasing level is small from the same dates (WTO, 2019, p. 119).

Table 3.1. Top Ten Textiles Exporters, 2018 (Billion Dollars)

EXPORTERS	Value	Share in World Exports			
	2018	2000	2005	2010	2018
China	119	10.3	20.2	30.4	37.6
European Union (28)	74	36.4	34.8	26.9	23.5
Extra-EU (28) Exports	23	9.8	9.9	8.1	7.2
India	18	3.6	4.1	5.1	5.8
United States of America	14	7.0	6.1	4.8	4.4
Turkey	12	2.4	3.5	3.5	3.8
Korea, Republic of	10	8.1	5.1	4.3	3.1
Chinese Taipei	9	7.6	4.8	3.8	2.9
Vietnam	8	0.2	0.4	1.2	2.6
Pakistan	8	2.9	3.5	3.1	2.5
Hong Kong, China	7	...	...	...	...
Domestic exports	0	0.8	0.3	0.1	0.0
Re-exports	7	...	...	...	...
Above 10	272	79.2	82.7	83.3	86.3

Source: World Trade Organization (WTO). World Trade Statistical Review 2019, p. 119 https://www.wto.org/english/res_e/statis_e/wts2019_e/wts19_toc_e.htm. (Accessed May 10, 2020).

WTO likewise published the report of statistics for Top 10 Exporters of Clothing (Apparel) in 2018 at Table 3.2. (www.wto.org, Publication of World Trade Statistical Review 2019, p. 120).

Table 3.2. Top Ten Clothing (Apparel) Exporters, 2018 (Billion Dollars)

EXPORTERS	Value	Share in World Exports			
	2018	2000	2005	2010	2018
China	158	18.2	26.6	36.6	31.3
European Union (28)	143	28.7	31.0	28.4	28.4
Extra-EU (28) Exports	34	6.4	6.7	6.2	6.8
Bangladesh	32	2.6	2.5	4.2	6.4
Vietnam	32	0.9	1.7	2.9	6.2
India	17	3.0	3.1	3.2	3.3
Turkey	16	3.3	4.2	3.6	3.1
Hong Kong, China	14	...	...	...	...
Domestic exports	0	5.0	2.6	0.1	0.0
Re-exports	14	...	...	...	...
Indonesia	9	2.4	1.8	1.9	1.8
Cambodia	8	0.5	0.8	0.9	1.6
United States of America	6	4.4	1.8	1.3	1.2
Above 10	421	69.0	76.1	83.1	83.3

Source: World Trade Organization (WTO). World Trade Statistical Review 2019, p. 120 https://www.wto.org/english/res_e/statis_e/wts2019_e/wts19_toc_e.htm. (Accessed May 10, 2020).

As seen from the Table 3.2. during the period of 2000-2018, China's share in the World export in apparel increased from 18,2 to 31,3. Nonetheless Turkey's share decrease from 3,3 to 3,1 (WTO, 2019, p. 120).

The concept of globalization has increased the interactions of all the components in the chain structure with each other and thus their dependencies, and has led to a very dynamic structure (Reinach, 2005, p. 44).

Globalization in the textile and garment industry means designing a garment product in New York, producing it in China and distributing it in the UK using a fabric made in Korea and cut in Hong Kong and at this point, nation state borders are no longer effective in determining the strategies of manufacturer companies or purchasing strategies of large distribution networks (Reinach, 2005, p. 48).

At the following section, more global supply chain information will be given. Also few example of Zara brand's global operations will be explained in order to explain creating, manufacturing and distributing globally.

3.3. Global Supply Chains Strategies: Example of Practice

Various distributors, brand owners and branded businesses have been designing and implementing different approaches for achieving various network integration rates. Maccarty and Jayarathne (2010) explained that Zara historically has their supply network in some part of Spain and Portugal but have risingly chosen the other manufacturer countries such as countries like Turkey, China, Indonesia, India, and Egypt (Tokatlı, 2007). Authors added that Zara has its own design tools and processes, centralize and automate textile cutting, teasing and own distribution centers (Tokatli, 2007).

Tokatli (2007, p. 21), indicates that Zara gives priority over output performance to the sensitivity of its global distribution network. Zara's philosophy of operation emphasizes well-built processes which are built to compact the time it takes to get business knowledge into the retail stores of Zara. The valid rhythm which lead growing, anticipating, making plans and re-organizing around the network is described by Tokatli (2007, p. 22).

In Figure 3.1., The system used in the supply of clothing products that allows the Zara brand to attract customers to their stores in the most effective and continuous way is considered at a basic level, and it is seen that ensuring speed, quality, innovation and diversity requires a large and systematic structure (Maccarthy & Jayarathne, 2010, p. 55).

Maccarthy and Jayarathne (2010, p. 55), explained that to understand what sales and consumer tastes are for different garments, types, colors, and combinations is focused on strong market intelligence.

Retail stores run on a strict replenishment order schedule that is supplied with the structure of foreseeing, arranging and planning to run manufacture and diploy network (Maccarthy & Jayarathne, 2010, p. 55).

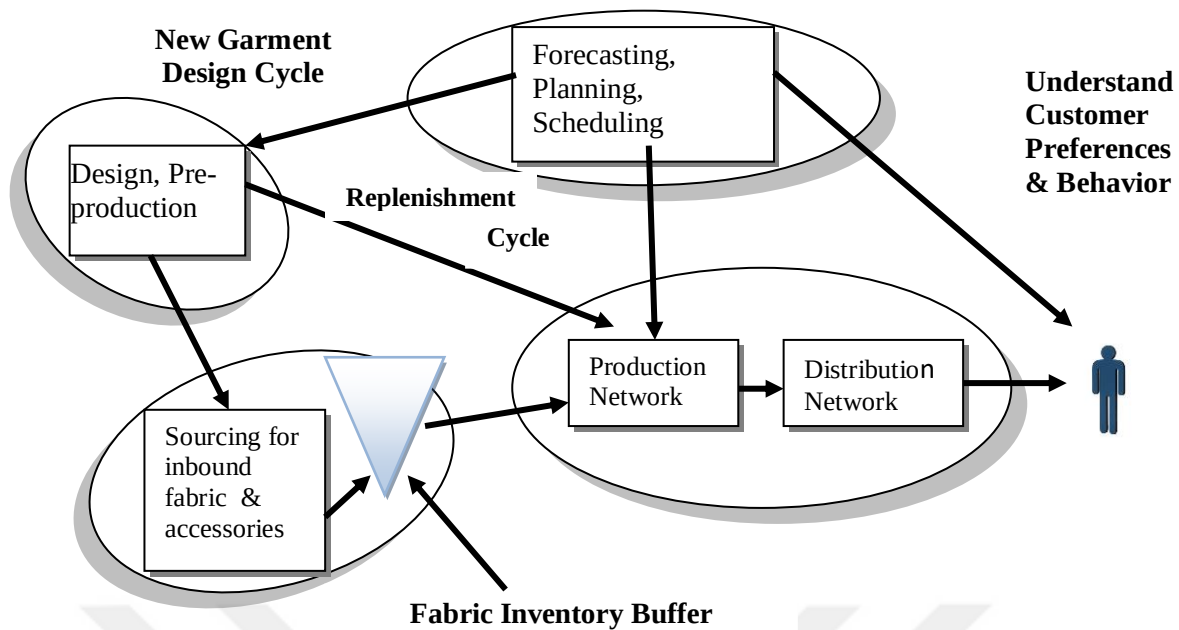


Figure 3.1. Demand Oriented Strategies of ZARA

Source: B. L. MacCarthy & P. G. S. A. Jayarathne (2010). Fast Fashion: Achieving Global Quick Response (GQR) in the Internationally Dispersed Clothing Industry. *Innovative Quick Response Programs in Logistics and Supply Chain Management*. p. 56.

3.4. Overview of Turkish Textile and Apparel Sectors

Both Turkish textile and clothing sector with many years and high export figures created by the labor sector has been a leader of Turkey's economy (Eraslan et al., 2008, p. 273). According to data of General Secretariat of Istanbul Textile and Apparel Exporter Associations the textile and apparel industry provides 1/5 of the country's total export revenues (General Secretariat of Istanbul Textile and Apparel Exporter Associations (ITKIB), 2008). Ercan explains the forces behind the textile industry as follows (2002, p. 2):

- Cotton in textile industry is still the leading raw material and Turkey is the world's 7th largest cotton producers.
- Turkish producers have relatively cheap, versatile and skilled labour.
- Europe has been the most active textile sector; Turkey is privilegedly similar to that sector.
- Turkey is part of the EU customs union.
- Turkish businesses have excellent information technology and industrial infrastructure relative to the developing nations.
- While the approaches and philosophies in the sector were shifting; Turkish businessmen were still seasoned in the skills and know-how they had inherited from their forefathers.
- The Government initiated the implementation of a liberal monetary policy in the 1980s.

The Turkish apparel industry is the 7th biggest ready wear exporter worldwide, with a 3.2% share as of 2018 (Turkish Ministry of Economy, Secretary Report (TME), 2020). In terms of ready-made clothing exports to EU countries, Turkey ranks third after China and Bangladesh and today, the garment sector is one of the strongest business fields of Turkey (TME, 2020).

The top 20 countries that Turkey exports apparel are shown at the Table 3.3. As can be seen from the Table 3.3. data export apparel exports of Turkey in 2019, it is located in the first 10 Germany 68.7% (16.6%), Spain (14.5%), the UK (11.7%), the Netherlands (% 6.7), France (4.8%), Iraq (4.1%), Italy (3.1%), Denmark (2.5%), USA (2.5%) and Israel (%) 2.2) (TME, 2020). Of these countries, Germany, has long been the case of Turkey's most important apparel market. With the development of exports to other countries for the last 10 years, the share of Germany decreased from 47.3% in 1996 to 16.6% in 2019.

Table 3.3. The Top 20 Countries That Turkey Exports Apparel (USD)

Countries	2018	2019	Differences
Germany	2.706.917.574	2.572.142.642	-5,00%
Spain	2.326.613.414	2.256.869.532	-3,00%
U.K.	1.916.839.085	1.811.812.092	-5,50%
Netherlands	890.719.746	1.033.943.982	16,10%
France	740.002.710	746.783.431	0,90%
Iraq	617.087.870	641.425.774	3,90%
Italy	472.608.752	481.557.567	1,90%
U.S.A.	351.061.861	396.189.618	12,90%
Denmark	391.538.444	383.885.234	-2,00%
Israel	311.876.017	346.620.520	11,10%
Poland	315.510.722	275.311.472	-12,70%
Saudi Arabia	218.964.844	265.909.264	21,40%
Russia	214.669.927	242.975.937	13,20%
Belgium	262.452.495	235.954.612	-10,10%
Libya	159.487.475	213.216.630	33,70%
Sweden	232.720.619	210.529.026	-9,50%
Algeria	158.327.179	165.679.598	4,60%
Kazakhstan	93.527.735	153.509.323	64,10%
Romania	128.413.087	148.965.306	16,00%
Ukraine	120.788.681	146.955.942	21,70%
TOTAL (FIRST 20 COUNTRY)	12.630.128.237	12.730.237.502	0,80%
TOTAL E.U	11.095.368.482	10.952.610.797	-1,30%
GENERAL TOTAL	15.304.178.410	15.540.195.882	1,50%

Source: Turkish Ministry of Economy, Secretary Report (TME), 2020, p.3. https://ticaret.gov.tr/data/5b87000813b8761450e18d7b/Hazır%20Giyim%20Sektörü_2018.pdf. (Accessed April 24, 2020).

3.5. Branding in Turkish Apparel Sector

Keller (1993) describe the branding such as a distinguishing name and/or symbol-for example a logo, a trademark or a design package-designed to identify, distinguish and differentiate products or services from the competitors of either one seller or group of salesmen, also a brand signals the source of the product to the customer and defends the customer and the manufacturer from rivals seeking to supply goods that appear to be similar. Turkey's branding process has three stages between 1980 to present: full package operations, operations to design (ODM), and creating its own brands (OBM) (Fernandez-Stark, Frederick & Gereffi, 2011, p. 22; Neidik & Gereffi, 2006, p. 2289).

In phase I (OEM/ full package operations), due to having on some advantages such as low-cost labor, any possibility of vertical integration, close distance to European countries paved the way for learning how to create any brand for Turkish fast fashion industry between 1980s and 2000 (Fernandez-Stark, et al., 2011, p. 22; Neidik & Gereffi, 2006, p. 2289). In operation to design pahse II, Turkish companies started to create the fashion from 2000s to present (Fernandez-Stark, et al., 2011, p. 22; Neidik & Gereffi, 2006, p. 2289). In second phase, just product creation was designed (Fernandez-Stark, et al., 2011, p. 22; Neidik & Gereffi, 2006, p. 2289). In third phase which is creating its own brands (OBM) Turkish companies have started creating whole collection like internation brands such as Italian and French companies (Fernandez-Stark, et al., 2011, p. 22; Neidik & Gereffi, 2006, p. 2289). Therefore, companies found a place to compete with global players (Fernandez-Stark, et al., 2011, p. 22; Neidik & Gereffi, 2006, p. 2289).

3.6. Retailing in Turkey

According to Tokatli, and Boyaci (1998) Turkish retail indusry has lived significant changes since the late 1980s which caused to the growth and expansion of the corporate domestic and foreign influence within the industry. The market was dominated by minor, small capital, self-governing, and family business retailers (Tokatli & Boyaci, 1998, p. 346).

Erkip and Ozuduru (2015, p. 8) mention that the first wave of retail growth in Turkey occurred primarily between 1990 and 2000, during which shopping malls appeared as part of the big cities' scene and daily life, and, they flourished in quantity and quality during the second century, between 2000 and 2010, and the people generated enormous demand for them (Tokatli & Boyaci, 1998). The reasons behind this demand weren't purely economic; a major appeal was the modernity offered by these retail spaces (Erkip & Ozuduru, 2015, p. 9).

The widespread use of the shopping center style has led to further strengthening of organized retailing, there are 436 shopping mall in Turkey by 2020 (Shopping Centers and Investors Association (AYD), 2020). High streets are also attractive locations for retail stores, such as Bagdat Street, Nisantasi Street, and so on, particularly for luxury brands, but space in established streets and shopping centers is usually very difficult to find.

3.7. Definition of Fast Fashion Retail

Byun and Sternquist (2008, p. 135) redefined Fast Fashion as "a marketing strategy for reacting to the *latest fashion trends* by constantly updating items with a short refresh period and *turning the inventory* at a fast pace." (Guercini, 2001; Moore & Fernie, 2004). Authors add that fast fashion is regarded as the fashion market's "supermarket" segment in the true sense (2008, p. 136). Byun and Sternquist (2008) add that changing demands from the fashion industry and customers is main dimension to determine products at affordable prices.

According to Hacıola, and Atilgan (2014, p. 144), basic elements of quick fashion could be categorized as follows; product creation and design, supplier commitment and choice of manufacturing locations, strength of partnership between supplier and retailer, product show and management of retail store operations, alignment of headquarters and retail stores, strategic value of shops, retail positioning.

A significant benefit of operating at item level is that it allows the ability to constantly, not just twice a year, bring items into the shop (Caro & Martí'nez-de-Albe'niz, 2015, p. 241). In this way, it enables the owners, product designers and even producers to spread stably over time, which is now unsustainably peaking twice a year (see Fig. 3.2.).

When cost and deadlines are reduced, time allows you to keep up with the rapidly changing tempo of fashion trends and concentrate on collection details (Caro & Martí'nez-de-Albe'niz, 2015, p. 241). Thus, thanks to the fast product shipment, the authors lead their fast-changing fashion customers to design more effective, new and faster collections, and fast-fashion is literally implemented (2015, p. 242).

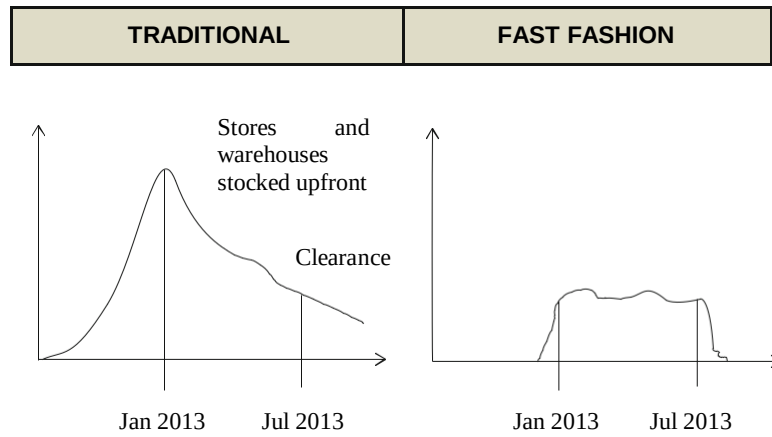


Figure 3.2. Using Resources in an Ordinary Season

Source: F. Caro & V. Marti'nez-de-Albe'niz, 2015. Fast Fashion: Business Model Overview and Research Opportunities. Springer Science+Business Media New York 2015, p. 242.

According to these evaluations, we can think of the concept of fast fashion as a sector that basically needs to use three influential factors together. Fast delivery, fast product change, renewal and daily fashion, as well as price sensitive product structure. The importance of operational and logistical structuring shows up here, as well as both design and affordability show the value of success (Caro & Marti'nez-de-Albe'niz, 2015, p. 242-243).

3.8. International Franchising in the Turkish Fast Fashion Retail Sector

We listed in the previous section the number of international stores of a number of Turkish companies which we referred to briefly. According to the (BMD) data, as seen in Table 3.4. Turkish brands have a total of 4,400 stores and 13 thousand sales points in 125 countries as of the end of June 2019. Russia ranks first among the countries where brands open the most stores abroad, with 636 stores, followed by Kazakhstan with 320 stores, Saudi Arabia with 294 stores, Romania with 219 stores and Iraq with 213 stores (BMD, 2020).

Table 3.4. Countries Where BMD Brands are Most Located (Top 10)

Country	Quantity of Shops
Russia	636
Kazakhstan	320
Saudi Arabia	294
Romania	219
Iraq	213
Ukraine	185
Azerbaijan	148
Iran	142
Morocco	136
Northern Cyprus	124

Source: United Brands Association of Turkey (BMD) (2020). <http://www.birlesmismarkalar.org.tr/>. (Accessed April 28, 2020).

Sinan Öncel, Chief Executive of BMD mentioned that (Bloomberght, 2019):

“Approximately two thirds of the stores abroad operate in these 10 countries. When we look at geographical regions, we see that 41 percent of the stores are located in Russia and Commonwealth of Independent States (CIS) countries such as Ukraine, Kazakhstan, Azerbaijan. Europe and Middle East countries share two and third places with 25 percent share. 6 percent of our stores are operating in North Africa, and 3 percent are operating in countries other than the geography mentioned above.”

He added that they do not foresee a serious change in the current distribution in the short and medium term, and that brands will continue to take advantage of opportunities in other countries while deepening and rooting in their countries (Bloomberght, 2019). Brands open an average of 2 stores abroad every day (Bloomberght, 2019). Increasing the number of its stores abroad by 50 percent in the last 4 years, Turkish brands target North Africa, the Middle East and the Balkans this year. It is aimed to open 1000 new stores abroad in 2020 (BMD, 2020). Istanbul Apparel Exporters' Association (IHKIB) records that Turkish garment industry exports approximately \$ 18 billion annually. The agency reports that they plan to develop design-oriented, high value-added, branded production and exports in the medium term to increase this figure to \$ 33 billion. The share of branded exports in clothing and apparel does not even reach 15 percent (IHKIB, 2020). It is reported that increasing the rate to 25 percent is a target (IHKIB, 2020). Certain brands appear to be much more common and popular in certain countries/regions (Colin's, 2020). Or we see some brands concentrating more on certain regions (Colin's, 2020). It has been claim that the Colin's brand at the very beginning (Colin's, 2020). In Russia with a population of 145 million, it is preferred by one of every 2 people as the country's most loved jeans brand (Colin's, 2020). The brand is also in a very strong position in the Commonwealth of Independed States (Colin's, 2020). However, Mavi Jeans overseas operations are mainly oriented towards the United States and Europe (Mavi Jeans, 2020).

When we look at the opening processes of Turkish brands abroad, It can be easily seen that the shops started in neighboring countries (Researcher's field notes). In the following processes, each brand goes for growth in markets suitable for its segment. Factors such as the size of the market, competitive company analysis, pricing strategies, and market gaps are evaluated and the market to be entered is selected (Researcher's field notes). The main goal of each brand is to find partners who have retail experience in the country they will enter, who

have financial strength, and that can ensure the brand's robust and rapid growth in the relevant country (Researcher's field notes). As the local market has reached a saturation point at some point, not only clothing companies but all other retail brands aim to grow abroad (Researcher's field notes). Foreign operations, which started with the direct export model at the beginning, now proceed with the concept of retailing, with companies that can make this investment in the relevant country (Researcher's field notes). Each brand has its own store concept and wants the concept to be implemented intact in the relevant country (Researcher's field notes). Since this increases the investment costs, the growth strategy is applied with the franchise model in the country (Researcher's field notes).

When companies preferred franchise models in the process of opening up abroad, it has been explained the franchise alternatives in the first chapter. It has been mentioned that there are options from single franchise model to master franchise and even Joint Venture models. However, as the above mentioned criteria are taken into consideration while determining these preferences, the four main factors (trust, communication, knowledge and resource transfer) mentioned in the first chapter are the main determinants of the franchise type preference. These factors determine the beginning, progress, and even the outcome of franchise collaboration. In some countries, depending on the relevant factors, single franchise can be selected as the mode of entry, and in the following period, depending on the developments in these factors, the same group can be granted rights up to area franchising and even master franchising. The opposite is also possible. This issue will be examined in depth with practical examples in the following sections.

4. METHODOLOGY OF THE STUDY

In this section, explanatory information about the research method has been given. Therewithal, detailed information about the theoretical foundations of the research, and research design are presented. Subsequently, data collection and data analysis methods have been explained.

4.1. The Theoretical Fundamental of the Study

When looked at the international franchising literature closely, descriptive information about single unit franchising (Dant & Nasr, 1998, p. 14; Garg & Rasheed, 2003, p. 340; Jindal, 2011, p. 550, 551; Kaufmann & Dant, 1996, p. 346), area development franchising (multi unit franchising) (Barringer & Ireland, 2012; Kaufmann & Dant, 1996, p. 346), master franchising (Alon, 2006; Grewal et al., 2011, p. 538), and joint venture franchising (Geringer & Hebert, 1989; Geringer, 1991, p. 41; Rasmussen et al., 2011, p. 1318) modes have been encountered. Furthermore, some other studies have been tried to explain that how and which dynamics influence the relationship level between the franchisor and the franchisee (Altinay & Brookes, 2012, p.280; Brookes & Altinay, 2017; Davies et al., 2011, p.324; Dev et al., 2002, p.93; Doherty & Alexander, 2004, p.1309; Elango & Fried, 1997; Madanoglu et al., 2017, p.31; Rosado-Serrano & Paul, 2018; S.P. Bronn & C. Bronn, 2003; Wright & Grace, 2011, p.488). The development of trust, communication, knowledge transfer and resource transfer have been explained in the related studies.

Finally, the formalization dimension, which is thought to be effective in standardizing the relationship levels between the parties in franchising system has been discussed (Cox & Mason, 2007, p.1056; Kaufmann & Eroglu, 1998, p.70, 71; Michael, 2002, p.328). At this point, it is seen that the question of "What mode of franchising is chosen?" in different relations and formalization levels in international franchising is not very well known.

As seen in Figure 4.1, in this study, it is desired to determine what mode of franchising is chosen at different levels of relationship and formalization by an empirical research conducted in the Turkish fast fashion retail sector.

The level of Relationship	High	A Mode of International Franchising	B Mode of International Franchising
	Low	C Mode of International Franchising	D Mode of International Franchising
		Low	High
		The Level of Formalization	

Figure 4.1. International Franchising, The Level of Relationship and Formalization

4.2. Research Design

When the literature is reviewed, it is seen that there are expressions and findings indicating that international franchising mode, relationship and formalization level are affected by some business, market and country factors (Agarwal & Ramaswami, 1992; Doherty, 2000; Madanoglu et al., 2014; Moore & Burt, 2007; Moore, Fernie & Burt, 2000). These factors are derived from the company's asset specificity, brand equity (Moore & Burt, 2007), financial capability (Doherty, 2000; Moore & Burt, 2007), the international experience of the company (Doherty, 2000; Luo, 2001). Country-based factors include country risk (Agarwal & Ramaswami, 1992), cultural distance between the host country and the home country (Moore & Fernie, 2000), restrictions from the government of the country of entry. The market potential and the level of competition in the market stand out as factors originating from the market (Taylor, Zou & Osland, 2000). The existence of these dynamics requires that the companies to be included in the research and the countries in which they enter should be equal to these factors. The existence of these factors has influenced the selection of multiple case analysis in the study. Therefore, in this research, it will be paid attention that the

companies to be selected from the Turkish fast fashion retail sector and the countries they have entered are close or the same in terms of these factors. In this way, these factors will be somewhat controlled, and the relationship between the mode of international franchising, the level of formalization and the level of relationship between the parties, which is intended to be revealed in the research, can be clearly seen.

4.2.1. Selection of the Research Companies and Markets

Considering the effective factors within the choice of the international franchising mode, attention has been paid to the necessity for some common options in selecting the companies and markets to be selected in the research. These factors pointed to the existence of international franchising operations in the same market within the same time frame to be included in the research. It also should be expressed that the necessity of the effect status (total market shares) of the companies included in the research, should be same company sizes and same experiences in international markets (Doherty, 2000) in terms of explaining the sector has also gained importance. When the sector is examined in this direction, it was determined that between 2005 and 2015, companies X and Y had similar size, the same level of international market experience and international franchising operations in the same markets. Information on company-specific variables may also be provided here. However, it has been decided not to provide company-specific information because of the concern that such information may lead to the disclosure of the identities of the companies. In order not to decipher the companies, the X and Y letter codes are given to the companies in this study. Appropriately, the total market share of companies X and Y in the relevant period is approximately 15-18% for each (Document Reviews). Between 2005 and 2015, the sales figures of companies X and Y are close to each other in Turkish market (Interview notes). Similarly, these companies have 20 years of international experience (Document Reviews). The similarity of these factors for companies X and Y have been effective in their selection in the study. It has been observed that the common markets in which the selected X and Y companies operated between 2005 and 2015 were Russia, Qatar, Saudi Arabia, Iran and Dubai. In this way, the above mentioned variables can be kept constant in terms of companies. It should be noted that between the years of 2005-2015, it is seen that the country risk of Iran increased compared to other countries (Organisation for Economic Co-operation and Development (OECD, 2020), 2005-2015). For example, while Iran's country risk level was 4 in 2005 (Russia's 4 in the same period), it was 6 in 2010 and 7 in 2015 (OECD, 2020). However, Russia's country risk level remained at 4 in all three different years (OECD, 2020).

The risk levels of Saudi Arabia, Qatar and Dubai have been realized at 2 levels in each period (OECD, 2020). These information revealed the necessity of evaluating the Russian and Iranian markets in one cluster, and Saudi Arabia, Qatar and Dubai in a different cluster in the interpretation of the research findings (OECD, 2020). With all related information in the literature, other variables that should be the same in these markets are the market potential (Lu et al., 2011), cultural distance level between the home country and the host country (Agarwal & Ramaswami, 1992), and the government restrictions of the host country (Lu et al., 2011, p. 66). It has been seen that the market volumes of these five countries are close to each other in terms of market potential (Document reviews). What is meant by the volume here is the total monetary sales amount made in a certain period in that sector. The fact that the four selected countries are Middle Eastern countries, but Russia comes from different cultures has ensured that the cultural distance variable is partially kept constant. In terms of restrictions imposed by the government of the host country, the governments of Russia, Qatar, Dubai and Iran did not impose any restrictions between 2005 and 2015 (Document Reviews). However, after 2010, Saudi Arabia introduced a requirement that a local company or individual have a minimum 51 percent stake in international franchising (Document Reviews). It should be noted here that such a restriction has not been considered to affect international franchising.

4.2.2. Data Collection

In this study, where qualitative research methods were followed, document reviews and interviews have been used in the collection of data. In the document reviews, the information containing partial information about the operations of the companies included in the study in the research markets in the relevant years have been taken into consideration. These informations are mostly related to the companies' international growth strategies (for the near and far period), target countries, markets where companies are strong and weak, international franchising strategies and general franchising conditions for new investors. These documents are 115 pages in total. Another method of collecting data has been interviews. In the determination of the interviewees (Int), it has been taken care to have people directly involved in the operations of these two companies in the markets. Table 4.1 also shows detailed information about the positions of the interviewees in research companies. It should be noted here that the interviews were held in the last days of May 2020. Due to the worldwide outbreak of COVID-19 during these periods, electronic tools were used to conduct the interviews. Interviews with 7 interviewees, the shortest 42 minutes and the longest 68

minutes, lasted a total of 6 hours and 42 minutes; the interviewees have been asked questions to find an answer to the research question. For this reason, semi-structured interview form has been followed in the interviews. The semi-structured interview form can be seen in appendice1. What kind of franchising mode that companies enter in the relevant markets, with which dynamics this franchising mode changes or does not change over time, what is the level of standardization between the parties, what issues the franchisor supports the other party, what kind of communication methods the franchisor uses, and what level of trust questions have been asked. Interviewees have been asked complementary, additional questions in order to find answers to the research question according to the flow of interviews. It should be stated here again that the answer to the research question has been tried to be sought from the perspective of the franchisor. This caused the data to be collected by the franchisor. Detailed information about the data collected through interviews is shown in Table 4.1. As can be seen from the same table, interviews were made with the interviewees from both companies who could help find an answer to the research question. The data collected as a result of the interviews were written in Word program. The interviews, which have been written in Times New Roman writing format and 12 points in 1.5 lines, lasted 32 pages and 11260 words in page format, with page margins configured to be 2.5 cm on each side. After the data has been collected, their analysis started.

Table 4.1. Data Collection

The company where the datas collected about		Company X	Company Y
Document review		62 pages	53 pages
Interviews	Interviewee / Duration		
	Int.1/ 60 min.	Position: <i>Retail Planning Director</i>	Position: <i>International Sales Director</i>
	Int.2/ 56 min.	Position: <i>International Sales Manager</i>	Position: <i>International Franchise Manager</i>
	Int.3/ 66 min.		Position: <i>Int. Franchise Development Manager</i>
	Int.4/ 65 min.	Position: <i>Int. Sales Region Manager</i>	
	Int.5/ 68 min.	Position: <i>International Operations Director</i>	
	Int.6/ 42 min.		Position: <i>Int. Franchise Development Manager</i>
	Int.7/ 45 min.	Position: <i>International Sales Director</i>	

4.2.3 Data Analysis

Abductive approach has been chosen in this study. As Charmaz explains that abductive inference involves the consideration of all possible theoretical explanations for the data, the formation of hypotheses for each possible explanation, the empirical examination of the data, and the most plausible explanation (2006, p. 103,104). A study aimed at developing a theory rather than producing or proving a theory has been conducted. The followed method is for reaching from part to whole, but the process works dynamically. Dubois and Gadde (2002, p. 559) stress that the abductive approach ought to be evaluated unlike the mix of inductive approach and deductive approach. Abductive approach is beneficial when the scholars are to find out new stuff, dissimilar factors and another connections (Dubois & Gadde, 2002, p. 559). The purpose is not to verify a particular theory, but to develop new concepts and create new theoretical patterns (Gioia et al., 2013, p. 21-22). It is intended to build up theory, not making theory (Dubois & Gadde, 2002, p. 559). This approach composes effective compounds that mixed up fixed theoretical models and new conceptional ideas reproduced from without facing with trueness (Dubois & Gadde, 2002).

Along with other documents, especially the interview notes have been analyzed in three stages as follows. A theory has been tried to be developed with the current information obtained from the real sector along with the existing and previously explained theoretical details. The three-stage analysis is described in order below:

Line By Line Analysis (Open Coding): It is the open coding performed during the first analysis of the data, that is the first coding part of the raw data obtained in a qualitative way, and it includes the processes of defining critical statements, important people and events, main themes (Corbin & Strauss, 1990, p. 12,13). Conceptual labeling at this stage is also produced. Thus, the incidents / activities / encounters, categories and subcategories are categorized into conceptually similitudes (Corbin & Strauss, 1990, p. 12,13). Additionally, coding is done line by line and a name / label is given to each line (Charmaz, 2006). The situation would be better understood when the first interviewee (Int.1) analyses the following paragraph about competition.

“Let me tell you because you asked about Iran, Dubai, Qatar, all mean the Middle East. Although they are neighboring countries, they have different dynamics. Iran is a closed market due to the embargo. Dubai, on the other hand, is used to organized retail and

competition, a market where almost all brands are located....Since Dubai and Qatar is a competition involving all global brands, you have to cooperate with companies experienced in retail, that is, you have to position strongly. The preferred method for establishing to these regions is to have a strong partnership”

When this paragraph is encoded line by line, it can reach the following details; Different dynamics occurs at this area, Iran is a closed economy, Dubai and Qatar are a competitive market, there is a search for cooperation due to competition, the importance of a strong partnership.

Axial Coding: Axial coding starts the conceptualization process by determining the relationships in the first coding (open coding) and these concepts are evaluated on the basis of their mutual dynamic relationships (Goulding, 2002, p. 61). Goulding adds (2002, p. 61-62, 85-86) that the main purpose here is to interpret, organize and regroup the large and complex data obtained after open coding within a specific system (Charmaz, 2006, p. 60-61) so once the concept is identified, its qualities can be examined more deeply and resized in terms of various features (Strauss & Corbin, 1990). The study on axial coding is shown in detail in Table 4.2.

Theoretical Coding: Theoretical coding is the part where a central category is determined and other categories are combined around this main category, where these relations are systematically evaluated and explained, and the main categories are further expanded (Corbin & Strauss, 1990, p. 15). This part, which we call the core category, represents the main event of the study (Corbin & Strauss, 1990, p. 15). The mentioned codes do not only conceptualize the relationship between codes, in addition, they direct the analytical study towards a theoretical direction (Charmaz, 2006, p. 63). How the data is linked with the main theme is shown in figure 4.2.

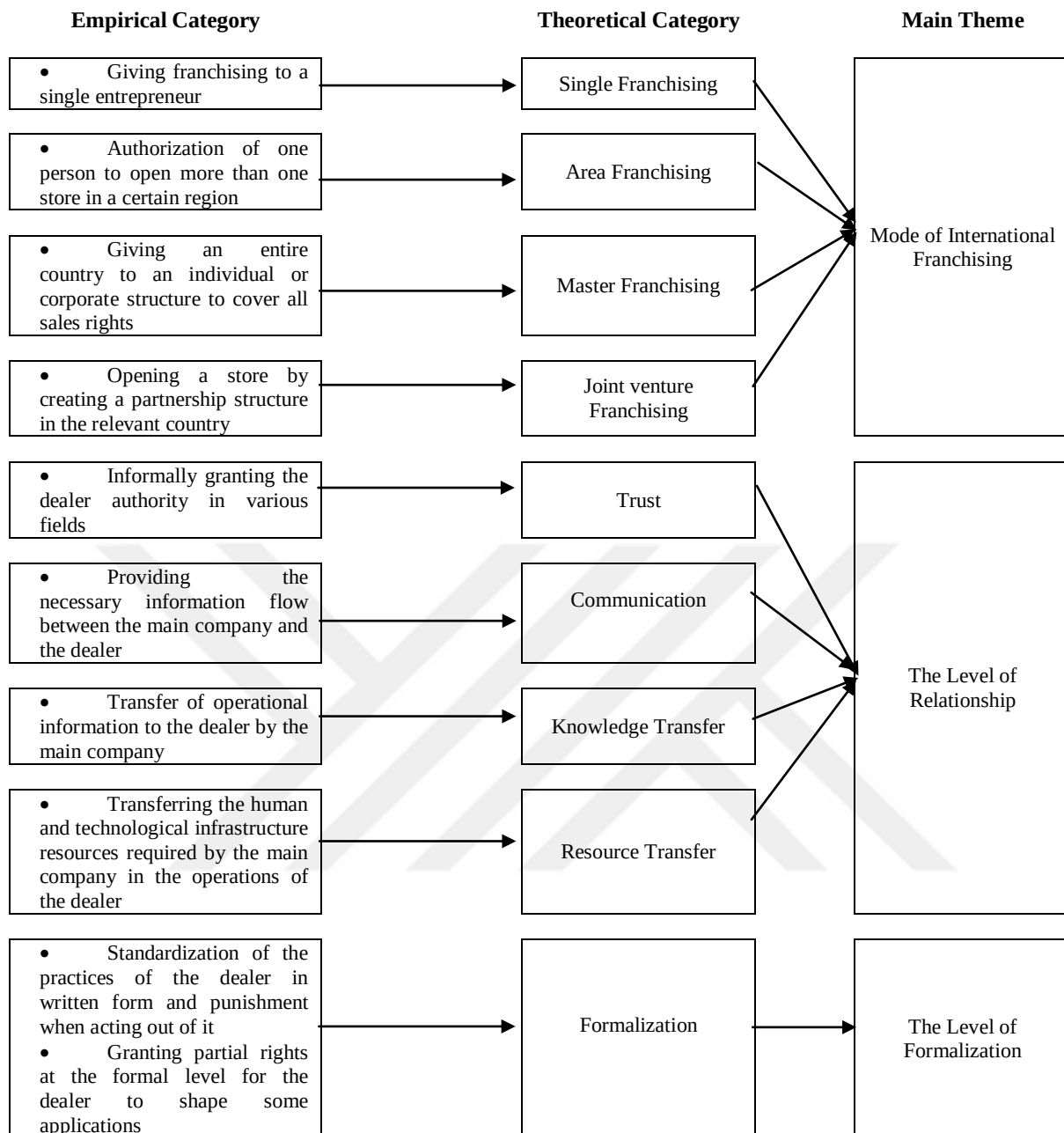


Figure 4.2. Data Structure

In figure 4.2, an attempt was made to determine how the level of coding, formalization and relationship between the parties is formed within the scope of the data structure shown in the international franchising mode. Accordingly, it has been concluded that the single franchising format (Kaufman & Dant, 1996) is preferred if there are statements indicating that the main company gives only one franchise in the market in which it is entered, if it is shown in the analysis that a single person is authorized to open more than one store in a certain region, it has been seen that the area franchising format (Barringer & Ireland, 2012) is chosen, if there are statements stating that a country is given to an individual or corporate structure that covers

all sales rights, it has been understood that the master franchising format (Alon, 2006, Barringer & Ireland, 2012) is selected, and finally, when it was seen that the partnership structure was established in the relevant country, it has been determined that the Joint Venture Franchising format (Dinu, 2018; Rasmussen et al., 2011) was selected. Another dimension of the study is the data in coding of trust, communication, information and resource transfer, which are taken into account in determining the level of relationship between the parties. If there are statements indicating that the main company informally gives the dealer authority in various fields, it was coded as the trust level is high (Altınay & Brookes, 2012; Rosado-Serrano & Paul, 2018). If there are expressions about ensuring the regular flow of information between the main company and the dealer, it was coded as communication is high (Doherty & Alexander, 2004; Rosado-Serrano & Paul, 2018), and when the main company transfers the operational information to the dealer, the information transfer is high (Ghantous et al., 2018, p. 21), and also if there are statements about the transfer of the necessary human and technological infrastructure resources in the operations of the dealer, it is concluded that the resource transfer is high (Dev et al., 2002; Rosado-Serrano & Paul, 2018).

In accordance to the above data structure, another degree of formalization is encoded in the research. Appropriately, it is concluded that the level of formalization is high if there are statements stating that the dealer standardizes the practices in written form and punishes the dealer in case of action outside of it, and if there are statements about granting partial rights at the informal level in the formulation of some applications by the main company, it is concluded that the formalization level is low (Adler & Borys, 1996). Examples of how codings are performed can be seen in Table 4.2.

The selection of cases is an important detail of the study as Eisenhardt (1989, p. 537) stated. He points out that as similar to the hypothesis testing, the population concept is significant since the population describes the set of presences from the study pattern would be taken. In addition, the option of an appropriate population tracks external variance and helps to establish limits for generalization of results (Eisenhardt, 1989, p. 537). The author also adds that cases can be selected to repeat previous cases or expand theory, or to fill theoretical categories and another important criterion in case selection is the transparent monitoring of the cases (1989, p.538). The main purpose of sampling in the study is to acquire proper statistical data about the dispersion of population's variabilities (Eisenhardt, 1989, p. 538).

In the study, multiple case analysis has been made. The reason is that like Eisenhardt and Graebner indicated, the multiple case studies allow for details that specify whether a finding is for one case only, or if it repeats trusted in many cases (2007, p. 27).

Table 4.2. Examples of Coding

Mode of International Franchising	Sample Expression	Sample Coding
Single Franchising	<i>"...Therefore, we may not be able to control such a large geography, if we give a master franchise to a single company, so it can be divided into parts and given a single franchise..."</i>	Granting Single Franchise
Area Franchising	<i>"...We have identified strong investors who are regionally engaged in retailing in Iran..."</i>	Granting Area Franchise
Master Franchising	<i>"...For example, with the Master Franchise agreement made with Al-Hokair in Saudi Arabia, all sales rights in this country, retail, online, wholesale, sub-dealership, etc. given to this group..."</i>	Granting Master Franchise
Joint Venture Franchising	<i>"...For example, in Saudi Arabia, you have to make an agreement with a local company. At least 51% of the shares must be in the local company..."</i>	Granting Joint Venture Franchise
The Level of Relationship		
Trust	<i>"...because the company you work for as Master Franchising is a company that can meet your professionalism. You trust, you give the brand rights to the other party..."</i>	Trust is High
Communication	<i>"...We are connected to dealers' stores with online cameras... Also there are reports, daily, weekly and monthly..."</i>	Communication is High
Knowledge Transfer	<i>"...they provide central training, promote collections, make motivational arrangements..."</i>	Knowledge Transfer is High
Resource Transfer	<i>"...How did this happen, the entire system infrastructure, operation structure, supply chain, together with a structure managed from one head office, and the stock burden (company X) undertakes..."</i>	Resource Transfer is High
Formalization	<i>"...you can create a trust environment by linking them to the contract in the first place..."</i>	Formalization Level is High
	<i>"...90% is managed by relationships. Agreements detailed in 60-70 pages are repeatedly sent to lawyers, after signing, they are stored in the archives of the legal department, and that contract is not looked at once during the working period..."</i>	Formalization Level is Low

Multiple cases often create a more rigorous hypothesis because ideas are based more extensively on different empirical facts (Eisenhard & Graebner, 2007, p. 27). They also add that structures and relationships are more precisely depicted, for example, adding three cases to “*a single case study is modest in numbers but four times the analytical power*”, so theorizing from multiple cases is typically more than a single case study (2007, p. 28). It provides a solid, generalizable and testable theory (Eisenhard & Graebner, 2007, p. 28). Therefore, in our study, similar patterns of the same company in different markets were determined.

Researcher student and thesis supervisor have coded the datas. Coding has been done over all the datas and the factors seeking an answer to the research question. According to the data coding process described above, coders have made independent coding at different places, unaware of each other's coding. The coding results done in this way are as shown in appendice 2. The compatibility level of the coders between these initial encodings was %88,12. This indicates that the codings are reliable. So that this level of compliance is close to the level of previous studies' compliance, where codes similar to the encodings done in this study (See: Goodrick & Reay, 2011, p. 389). Where there were differences, the coders came together, re-analyzed the data and provided consensus on the results. Consensus codes are reported in the findings section.

5. FINDINGS

In this section, the findings obtained as a result of the analysis of the collected data through field research are reported. First, the franchising modes and applications of companies X and Y in international markets are explained. These findings are then discussed in the international franchising literature.

5.1. Franchising Modes and Practices of Companies in International Markets

As a result of the coding, it has been observed that the franchising structure of the companies X and Y included in the research in Russia, Iran, Saudi Arabia, Dubai and Qatar markets partially dissociated. In order to answer the research question more clearly, it is concluded that it is more descriptive to explain the implementations of the companies X and Y in these markets in separate sections.

5.1.1. Iran and Russia Markets

It has been observed that company X acts in a more coordinated growth strategy in the Russian market when entering the related market. It was determined that company X first started its own corporate operation in the Russian market. After doing this, it was seen that the realization of the market size and the level of demand for brand products started franchising operations. It has been seen that company X first started this with single franchising and then went on to grow with the area franchising mode. It is possible to understand this from the following interviewee(Int) expressions (The statements given in parentheses in the interviewee statements were added by the author):

“...This is a model. If I also establish my own brand, I will first establish my own company and then implement the franchising ...” (Interviewee (Int.) 5).

While doing this, it has been observed that company X granted a partial freedom to the franchisee, and while in doing so it established a regional office affiliated to it for the coordination of activities. The basic dynamic in doing this is to be able to see how the dealership performs the operations at a level to match the expectations of the main company and to provide support to the company in terms of logistics, finance, operational and technological infrastructure. It is possible to understand this from the following interviewee expressions:

“...This is how it started at (company X)... In other words, dealers come to meetings at the beginning of the season, place their orders, determine product deadlines, shipments

are made in cash or with a letter of guarantee during the shipment period, they are shipped for the season, the customer buys and sells them. While it was a revolving business within the framework of sending goods and receiving money, we completely changed the structure in Russia in 2007. In the meantime, we had around 130 independent franchise dealers (consisting of 70 customers) in Russia. We switched to a structure that turns 50% of our total turnover on the franchise. How did this happen? A structure was established where the entire system infrastructure, operation structure, supply chain and sales operations were managed from a single center. We switched to a structure in the form of a determined commission rate, that is, a certain share rate from the turnover, where the stock burden (company X) is undertaken....” (Int. 5).

From the point of view of the company Y, the same behavior was observed in the Russian market. According to this, the company first chose the single franchising format, but then either opened franchises in other regions or converted the single franchising mode into area franchising. The main dynamic in this is that the Russian market creates restrictions in terms of geographical, ethnic and climatic terms, which has led the main company to this kind of structure. This is the main reason why company Y does not prefer the Master Franchise method. It is possible to understand this from the following interviewee expressions:

“...How the Single Franchising decision is made: The market that the main company wants to enter may be a large geography, for example Russia, there are different federal regions, the distance is different, their characteristics are different, their ethnic structure is different, and their climate is different. Therefore, we may not be able to control such a large geography if we give a Master Franchise to a single company, so it can be divided into parts and given a Single Franchise. This is the first factor. The second factor is that if it is considering entering the country institutionally, the Single Franchise is given as a preliminary preparation, the brand perception is created and it may be opening a store in the regions that it does not open without throwing the existing single franchisee out of the game...” (Int. 2).

The basic outlook in the Russian market has evolved from single franchising to area franchising mode. Considering why this evolution occurred, it is due to the gradual increase in mutual trust and communication with the dealers of the parent company. In particular, it has been observed that the main company provides resource and information transfer to the franchisee. It is possible to understand this from the following statements of the interviewee who explained an application of company X:

“...The manager of the first store you opened is the person who will carry all your know-how. We sent the manager from here. When the store went to 5, we sent the regional manager...Of course, this is a cost, but with only one store, it is not a franchise model...” (Int. 5).

It is seen that company X keeps the formalization level high in the Russian market. The main reason for doing this is that it can retain its dynamic brand, product and financial power. The following interviewee notes confirm this claim:

“...In other words, the head office manages all the details such as product selection, pricing, and placement. The reason is, when I took over in 2007, 35-40% of the total operation (on an amount basis) was pending in the current account. So actually this was creating a complete liquidity (cash flow) problem. Due to the country's conditions, there are no printed documents such as usable checks and bills, no bank guarantee letters. There are no intermediary cash payment tools such as credit cards. Therefore, there is a serious risk arising in this situation. There is no situation where you can get a mortgage...” (Int. 5).

It has been determined that these implementation processes and franchising strategies of company X in the Russian market cause it to move from single franchising to area franchise as the level of relationship and formalization in the market increases.

It has been seen that company Y chose the single franchising model first in the Iranian market. Afterwards, it was determined that the main company Y evolved towards regional (area) franchising by dividing the country into geographical regions. The situation observed in the Iranian market has been observed to be a fundamental factor in the transition of the main company Y from single to area franchising or not to enter master franchising as a trust dimension. In this case, it was observed that the main company Y could not initially bring the brand value from the dealer it gave to single franchising to the desired level, and that it could not manage logistics operations as desired, which led to the failure of the master franchising strategy in the Iranian market. It is possible to understand this situation from the following interviewee statements:

“...This difference arises because you divide it as Single Franchise (SF) and Master Franchise (MF) in the first place, because the company you work for as MF is a company that can meet your professionalism. You trust, you give the brand rights to the other

party. You say you (franchisee) will increase the value of my brand and control consumer behavior. These become inevitable in MF...” (Int. 2).

“...We experienced a similar event in Iran. In the company where we started as SF and had very serious negotiations, we finally gave up MF with this company due to reasons such as customer attitude, slowing down operations and not being able to manage logistics correctly. We stayed in a certain area of Iran and searched for another MF for another region of Iran...” (Int. 6).

It has been observed that companies X and Y are not very strict in the formalization dimension in the Iranian market. Although there are emphasis on the fact that the dimensions of trust and communication should be structured with contracts, it is realized that the dealers cannot fully standardize them in practice, causing the formalization level to remain low. It is possible to understand this from the following statements of the interviewee who worked in both companies X and Y:

“...The Middle East is already a slippery ground... Among these, there were agreements that we closed the store and removed from that area. The issues like trust and communication that you have just mentioned must be structured in the contract...So you do not only make a business plan in the contract. These stores, in these cities, in these shopping malls, in accordance with our standards, etc. You guarantee it with manuals that it will be made in accordance with all these standards...” (Int.1).

The main dynamic behind the enabling of companies' formalization levels in the Iranian market is due to the way they do business in this market. It is possible to understand this situation from the following interviewee statements:

“...A business that started with a lot of appetite can turn into an absurd retailing over time. I have memories when I found out that the store was closed in the country I visited, so the other person criticizes us; You cannot ship goods, you do not support us etc., but I made a visit, the store was closed. We had 2-3 stores, one has no goods in it, the other sent the goods to another store. The sign was not on, the lights were not lit etc. When faced with such situations –especially if you have an aggressive boss - you can cancel the entire agreement as per the contract. However, I generally followed the strategy of disciplining the other party while earning money. I followed the path of finding a way to encourage them by saying like; this is wrong! this is against this contract! you are shooting at your own leg! etc...” (Int.1).

5.1.2. Saudi Arabia, Dubai and Qatar Markets

According to the analysis, it was seen that both companies X and Y entered the Saudi Arabia, Dubai and Qatar markets with Master Franchising. However, it has been determined that this entry mode partially includes the elements of the Joint Venture Franchising mode. In this mode of entry, one of the local market conditions is that a local company's requirement to be a partner is a legal obligation. However, it has been seen that the concern of being able to take advantage of both the financial and operational power of the company to be chosen as a partner in both companies has also been effective. It is possible to understand how to enter these markets by establishing partnerships from the following interviewee expressions:

“...(Company X) had done business in the Middle East for many years with incompetent franchises and weak contracts. It entered the market before anyone else, but a few stores opened, remained that way, opened half-closed. Then there was a period of evolution and transfer of managers. It has transformed, signs have changed, internal store standards etc. have changed. Franchise terms also changed there. They took a breakthrough 3-5 years ago; they are now growing in the Middle East with strong groups and strong business plans, they entered with Master Franchise...” (Int.1).

“...For example, in Saudi Arabia, you must make an agreement with a local company. At least 51% of the shares must be in the local company...” (Int. 2).

“...Master ... Because 51% company ownership means that the company belongs to this person, you will do a Master Franchise. ...” (Int. 5).

It is also seen that both companies designed to turn the necessity of establishing a partnership in their favor. The dynamic in this is that these markets have a competitive structure. This is confirmed by the following interview notes:

“...Speaking of the Middle East, for example, when entering Qatar or Saudi Arabia, SF is not possible. You have to deal with large retail group companies. You are already included in the companies that operate large-scale operations...” (Int.2).

In this study, the mode of Joint Venture franchising was used in these countries, not in the sense of company merger or acquisition, but by combining it with the master franchise due to the legal obligation of the country and the requirement for the local company to have a minimum 51 percent share. The contract between the parent company and the dealer is a master franchise agreement. However, elements of the joint venture franchising mode are seen in practice. For example, granting all retail and wholesale rights to the local company includes sub-franchise and online sales channels being given to the company. The following interviewee statements confirm this situation:

“...The biggest advantage of (company Y) was that it made an agreement with Al-Hokair, one of the strongest companies in the regions of Saudi Arabia and UAE at the time. Al-Hokair is a Saudi Arabia-based company with around 45 of its own shopping malls in the Middle East and a billion-dollar group that has acquired MF of more than 60 brands in the Middle East, including the Inditex group. (Company Y) entered the market with this group and grew rapidly. It seriously opened stores in Saudi Arabia and Qatar, with 4-5 stores a year, this was its biggest advantage. For example, with the MF agreement signed with Al-Hokair in Saudi Arabia, all sales rights, retail, online, wholesale, sub-dealership etc. given to this group...” (Int. 3).

It is of great importance that the trust level is high in the choice of Master Franchising by the main company in these markets. The meaning of the concept of trust here is the big sales potential of the main company, the issue of giving all the power in a country to the local dealer, and if it is looked from the dealer side, it creates the impression of a company that can perform an operation of minimum 20-30 stores under a contract. Likewise, it is important that this trust be felt by the franchisee. This can be seen from the interviewee notes below:

“...This difference arises because you divide it as SF and MF in the first place since the company you work for as MF is a company that can meet your professionalism. You trust, you give the brand rights to the other party. You say to the dealer that you will increase the value of my brand, you will control consumer behavior. These are becoming inevitable at MF....” (Int. 2).

In the master franchising mode, it is seen that the standardization between the parties has also increased. Giving the entire market to a dealer, which has entered into a strong market, creates a concern for the main dealer to ensure the operation, and it has been observed that the formalization of the Master franchising agreement is high in terms of the dealer to fulfill its commitments in the business plan. The interviewee statements below confirm this situation:

“...For example, you are expected to do what the brands you are competing with do there. Let me sample; you work with a large retail group, you opened A store. There are also brands like B, where the same group works, and stores beside you. Once a week, the visual merchandisers of these brands come to the stores, prepare their windows, invite them to their countries and give training at the center, promote their collections, and make motivational arrangements. But when you pop in every 3 months and say what you are doing, Mr. Ali, the problem begins. Every other brands take care of their stores here, but you don't. If you don't take care of it, your dealer hold you responsible for it, and this obligation mentioned in the contract. These places also have strong competition, costs,

rents and other expenses. The man who invests with these costs makes a tight contract with you ...” (Int.1).

Both companies were seen to shape the master franchise in their operations with additional contracts. These additional contracts contain provisions that include possible criminal penal that both parties may face if they do not comply with the terms of the articles of association. In the development of this situation, the brand and financial power of the main dealer was also effective. This situation was seen from the interviewee statements below:

“...In the first place, they are not included in the main contract while shaking hands. Companies do not include penal clauses in their main agreement. They make additional contracts outside of the main contract and all these penal clauses and criteria are included in this additional contract. Accordingly, the process is followed. Therefore, the strength, perception and structure of the company that shape the relationship here are also very important, but the most important issue is that when you give MF to the dealer you expect from him to perform all these matters...” (Int. 2).

5.2. Theoretical Discussion

With these findings, the relationship between the level of formalization and the level of relationship between the parent company and the dealer and the mode of international franchising has been revealed. As seen in Figure 5.1. when the level of relationship between the parties is high but the formalization level is low, the parent company usually choose the single or area franchising format. An example of this is the way companies X and Y enter the Iranian and Russian markets. However, it should be stated here that when the relationship level in the Iranian and Russian markets is low, it has been observed that both companies enter only with the single franchising format. This indicates that when the markets and formalization level are the same, as the level of relationship increases, companies will change their strategies from single franchising to area franchising. Another situation seen in Figure 5.1. is the preference of both companies in international franchising modes in Saudi Arabia, Dubai and Qatar markets.

The fact that the competition in these markets is higher than that of the Russian and Iranian markets has led companies to be more formal in these markets. Another factor is that these markets are legally required to enter with a local partner. These two factors have led both companies X and Y to enter these markets with a strategy in which Master franchising and Joint Venture franchising modes are chosen together, keeping the formalization and relationship levels high.

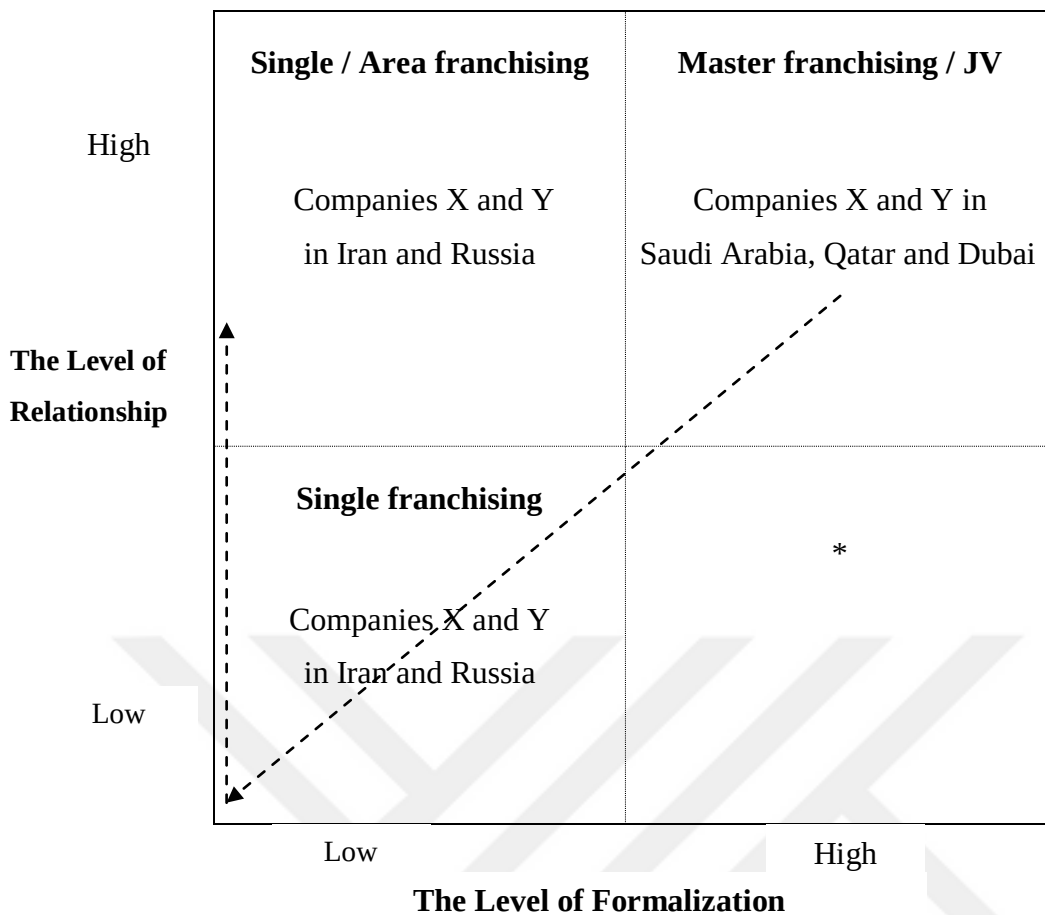


Figure 5.1. International Franchising, The Level of Relationship and Formalization

*: In this study, it was not determined that the level of formalization was high and the level of relationship was low in any cases of this study.

Note: While completing this typology, the author was inspired by the study of Ramus, Vaccaro and Brusoni (2017, p. 1279).

These findings seem to shed light on the discussions in the international franchising literature. Garg and Rasheed (2003, p. 340) showed that when the single franchising strategy is chosen, the level of formalization that regulates the relationship between the parties is also low. This claim is partially supported by this form of study. So much so that the companies X and Y did not keep the level of formalization too high in the single franchising strategy in the Iranian and Russian markets, and the parties tried to informally solve some issues. However, this situation, especially in the Iranian market, the main company is trying to overcome the problem of free-riding (Dant & Nasr, 1998, p. 14) by monitoring the dealer soon. Similarly, Jindal (2011, p. 551) mentions that the level of control may be low in single unit franchising. The above findings do not fully match this argument of Jindal (2011, p. 551). Especially in the Russian market, company X solves this problem by providing a regional manager of the

parent company instead of increasing the formalization to keep the control mechanism high. This situation is actually used in the mode of area franchising. Similarly, Davies et al. (2011, p. 324) stated that when the relationship between the parties is high based on trust, the dealer generally complies with the instructions of the parent company, but if the relationship is low, dealer may not fully implement the terms of the contract. In Area franchising, it is seen that close monitoring can be done in order to keep the relationship between the parties high and at the same time to reduce the free riding (Dant & Nasr, 1998, p. 14) potential of the dealer.

These findings of the study show that the master franchise mode can be preferred when the parent company follows the fast growth strategy (Alon, 2006) and also when the competition is high (Alon, 2000). In particular, Alon (2000) stated that the master franchise can create a supply chain, manage operational activities, and applications closer to the practices of the parent company can be implemented by the dealer. Especially, it has been seen that company X chose the master franchising mode in Saudi Arabia, Dubai and Qatar markets for these reasons. Rasmussen et al. (2011) mentioned that in the market where Joint Venture entered, the partner's resources could also be used. It has been observed that companies X and Y have chosen the Joint Venture franchising mode with Master Franchise in Saudi Arabia, Dubai and Qatar markets. It has been realized that the formalization level is also kept high in these markets. So much so that Wright and Grace (2011) mentioned that the way each dealer does business is different, and it comes to mind that this may lead to the possibility of different applications between dealers. In order to prevent this situation, formalization was kept high by both companies. Rosado-Serrano and Paul (2018) and Wright and Grace (2011, p. 488) stated that as the trust between the parties improves, efficiency, profitability, in other words, operational success can increase.

It has been observed that both companies X and Y try to ensure operational success by creating a relationship based on trust rather than formalization in the Iranian market. This situation also leads to the development of trust in an environment beyond the contract as the communication between the parties increases (Rosado-Serrano & Paul, 2018). However, it has been noted that this situation has been achieved by keeping the formalization level high in Saudi Arabia, Qatar and Dubai markets. Apart from the selection of master franchising, it has been considered that the high level of institutionalization of the joint venture partner is also effective. Therefore, Grewal et al. (2011, p. 543) mentioned that when communication is high, the parent company can better communicate its goals to the dealer, and thus a harmony

of goals develops. With these findings of the study, it was seen that both companies X and Y were developed by using master franchising and joint venture franchising strategies together in Saudi Arabia, Qatar and Dubai markets. At this point, statement of Doherty and Alexander (2004, p. 1309) that due to high communication, control may increase and the contract will not be required much comes to mind.

However, in this study, it was observed that formalization was also kept high. Kaufman and Eroğlu (1998) mentioned that operational standardization is essential in the nature of franchising. In this study, formalization was seen to be more prominent in master franchising and joint venture franchising. It should be noted here Akremi et al. (2010, p. 932) and Cox and Mason (2007, p. 1070) have expressed that if the competition in the market is high, formalization can be kept high in order to protect the brand identity and reputation of the main company, and therefore master franchising can be selected. In this study, it has been shown that these factors are also effective in selecting master franchising in the Saudi Arabia, Qatar and Dubai markets.

Finally, in the article, it is mentioned that the main company can transfer information (e.g. store visit and training) and resource transfer (e.g. technology infrastructure and administrative transfer) (Dev et al., 2002, p. 93; Ghantous et al., 2018, p. 21). In this study, it was determined that this situation is done in the mode of area and master franchising.

It should be stated here that the financial capacity of the main company (Doherty, 2007, p. 194; Moore et al., 2000, p. 926-927) and the potential of the market to which it is entered (Alon et al., 2004, p. 173; Madanoglu et al., 2017, p. 31; Lu et al., 2011, p. 67) are effective in the strategy to be chosen for international franchising mode. In this study, signs to support these arguments were found especially in the statements of the interviewee. Some of these expressions are given below:

“...The higher the perception and brand value of your brand in the relevant country, the more this determines the fate of the articles you put in the contracts. If your company is financially strong, you will not make any concessions to the dealer, but if your company needs liquidity from there, some things are ignored. In other words, the dimension of relations is directly related to the strength of the main company...” (Int. 2).

“...(Company X) said that this is not enough for me, I request 35 stores and you will increase the square meters to 400. The franchisee could not do this. When dealer unable

to do it, company X did not renew the agreement with that franchise in 2015-2016 when the contract is finished, and company X entered this country itself. There is potential in this country, the main company has the opportunity to earn more, the dealer opposes this or they cannot afford it..” (Int. 7).



6. CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion and Recommendations

Research findings reveal that the international franchising mode, level of formalization and relationship between the parent company and the dealer are interrelated. The companies X and Y included in the study has followed similar international franchising strategies and practices in the Iranian and Russian markets. Companies had to keep their relationship with dealers low in the early days of their entry into these markets, but they closely followed the dealer's practices. This situation caused the formalization levels to remain relatively low. In the future, it was observed that companies changed the franchising mode as a result of both realizing the market potential (Alon et al., 2004, p. 173; Madanoglu et al., 2017, p. 31) and obtaining information about the market. So much so that companies entered the Iran and Russian markets with the single franchising mode, but they decided to change this mode due to the mentioned factors. This change resulted in the pursuit of the area franchising strategy (Rosado-Serrano & Paul, 2018). So why has this strategy not been master franchising? One of the points of note in the interviews is that these markets are geographically large, and the second is that there is no dealer in these markets that can be given master franchising (there are not enough organized retail companies). During this evolution process, the main companies did not change their formalization levels (Adler & Borys, 1996), but the levels of trust, communication, information and resource transfer between the parties increased (Rosado-Serrano & Paul, 2018).

While the strategies and practices of companies in the Iranian and Russian markets have been changed in this way, the strategies and practices in Saudi Arabia, Dubai and Qatar markets have followed a different way. Both X and Y companies have entered these markets with the master franchising entry mode. The reason for this is the difficulties of a local market (Alon et al., 2004; Agarwal and Ramaswami, 1992; Lu et al., 2011; Taylor et al., 2000), the second is the need to work with a strong partner that can help you stand out from the competition in this market. In this context, the entry mode of companies have not been a master franchise (Alon 2006; Grewal et al., 2011) in the full sense. There has been no change in the strategies and practices of the parent companies in these markets. The companies continued with the master franchising and JV strategy. It has been observed that companies X and Y always keep their relations high with their dealers in these markets. At the same time, formalization levels are determined by written contract terms rather than bilateral relations. Accordingly, when the

formalization level is high, the master franchising is chosen (Akremi et al., 2010; Cox & Mason, 2007); when the relationship level between the parties is high, single franchising is relatively less preferred (Rosado-Serrano & Paul, 2018). Another situation seen in this study is that companies X and Y have experienced a slight change towards single franchising in the markets where they started with master franchising.

These findings could say to international franchise managers as follows; Relationship level and formalization level would directly affect the franchising type in these countries. With the change of these dynamics over time, the type of franchising might also change.

Some limitations were encountered in the process of carrying out this study. First of all, in the collection of data, full detailed data about companies could not be reached. However, this should not mean that the study findings were insufficient. Because the typology could be developed with the obtained data. Another limitation encountered in the study is that the countries included in the analysis show partial political and social differences (Lu, 2011; Luo, 2001). It has been observed that Iran and Russia have higher country risks compared to Saudi Arabia, Qatar and Dubai, which is effective in not choosing the master franchising mode. In addition, it was stated by the interviewees that it is not possible to apply a master franchise throughout the country due to the wide geographical area of Iran and Russia. This has been accepted as an effective dynamic in not choosing master franchising. These points partially prevented the direct effect of formalization and relationship levels on the selection of international franchising mode. However, this effect is thought not to affect the validity of the research findings at a fundamental level. Nevertheless, in the Iranian and Russian market, it has been observed that the high level of relationship between the parties is effective in the preference of area franchising to single franchising by companies X and Y (see Figure 5.1.). This effect might be demonstrated more clearly in future studies.

Another limitation of the study is that the master franchising strategy of companies X and Y in Saudi Arabia, Dubai and Qatar markets was not shaped as a pure strategy and this includes joint venture franchising elements due to local market factors. In this case, it has not been determined how the Master franchising and joint venture franchising strategies change according to formalization and relationship levels. The findings of this study were revealed by research in the Middle East and the Russian market. In other geographical regions (such as Europe region, CIS, North Africa), the appearance of these findings can be revealed by future studies.

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APPENDICES

Appendice 1: Semi-Structured Interview Form

1. Considering the years between 2000 and 2015, can you tell us about the franchising initiatives has been done especially in Iran, Russia, Dubai, Qatar and Saudi Arabia?
2. Can you explain the reasons which international franchising mode you have chosen while entering the relevant markets and why?
3. Has there been a change over time in the franchising mode selected at the beginning, if so, can you elaborate?
4. How was the trust relationship between franchisor and franchise allocated over time?
5. Could you evaluate your communication channels and levels on the basis of relevant countries?
6. How communication or the trust of the parties to each other, information transfer or resource transfer between them affected the processes in order to change the international franchising mode in the process?
7. How did you define the limits of formalization while determining the sanctions in the contracts?

Appendice 2: Independent Codings of Each Coders

Codings of Coder 1

Factor	Company X			Company Y		
	Russian Market	Iranian Market	Middle East Countries (Saudi Arabia, Qatar, Dubai)	Russian Market	Iranian Market	Middle East Countries (Saudi Arabia, Qatar, Dubai)
Type of International Franchising						
Single Franchising	X	X		X	X	
Area Franchising	X	X		X	X	
Master Franchising			X			X
Joint Venture Franchising			X			X
The Level of Relationship						
Trust	Low	Low	High	Low	Low	High
Communication	Low	Low	High	Low	Low	High
Knowledge Transfer	Low	Low	High	Low	Low	High
Resource Transfer	Low	Low	High	Low	Low	High
The Level of Formalization	Low	Low	High	Low	Low	High

Appendice 2: Independent Codings of Each Coders

Codings of Coder 2

Factor	Company X			Company Y		
	Russian Market	Iranian Market	Middle East Countries (Saudi Arabia, Qatar, Dubai)	Russian Market	Iranian Market	Middle East Countries (Saudi Arabia, Qatar, Dubai)
Mode of International Franchising						
Single Franchising	In initial stage, it was used	Commonly used		In initial stage, it was used	Commonly used	
Area Franchising	As time passes it was chosen			As time passes it was chosen		
Master Franchising			Mostly chosen			After Joint venture experience, it was chosen.
Joint Venture Franchising						It was tried but, conditions changed the decision.
The Level of Relationship						
Trust	Mostly high	Low	High	Low in Single Franchising, high in Area Franchising	Low	High
Communication	Mostly high	Low	High	Low in Single Franchising, high in Area Franchising	Low	High
Knowledge Transfer	Mostly high	Low	High	Low in Single Franchising, high in Area Franchising	Low	High
Resource Transfer	Mostly high	Low	High	Low in Single Franchising, high in Area Franchising	Low	High
The level of Formalization	Low in initial stage, high in late times	Low	High	Low	Low	High