

Analysis of the Influence of Franchises and Pricing Strategies on Business Development in Malaysia

Abdullah

Universiti Putra Malaysia (UPM)
Dullah204@gmail.com

Abstract

This study aims to analyze the influence of franchise ownership and pricing strategies on business development in Malaysia. The franchise business model is increasingly popular in the retail and service sector because it offers advantages in the form of brand recognition, operational standards, and managerial support that can accelerate business growth. Meanwhile, pricing strategies are a crucial marketing instrument to increase competitiveness and consumer loyalty. This study uses a quantitative approach with simulation data of 200 observations and analyzed using multiple linear regression through the *Ordinary Least Squares* (OLS) method. The dependent variable is business development (*BusinessDev*), while the independent variable consists of *Franchise* and *PriceStrategy*. The results of the study show that both independent variables have a positive and significant effect on business development. Franchise ownership increased the business development score by 1.61 points, while pricing strategies had an effect of 0.88 points. This model is able to explain 43.3% of the variation in business development. These findings confirm that the combination of franchises and the right pricing strategy has the potential to increase the competitiveness of businesses in Malaysia. This research contributes to the development of the business management literature and provides practical recommendations for business actors and policymakers in strengthening the entrepreneurial ecosystem in the Southeast Asian region.

Keywords:

Franchise, Pricing Strategy, Business Development, Linear Regression, Malaysia

INTRODUCTION

The development of the retail and service business sector in Malaysia in recent decades has shown quite rapid growth, in line with increasing public consumption, lifestyle changes, and information technology developments. The business model applied by business actors is an important factor in determining success, especially in the face of increasingly fierce competition. One form of business model that is widely adopted is franchise, which offers advantages in the form of brand awareness, operational support, and a proven distribution network. Franchises are believed to be able to minimize the risk of business failure due to the transfer of knowledge and standardized systems (Lin & Nourine, 2024; , Hanafiah et al., 2022; , Ghani et al., 2022). In the Malaysian context, many franchises have successfully adapted to local needs, which has driven the growth of this sector (Aziz et al., 2021; , Aziz et al., 2022; , Ghani et al., 2022).

In addition to the selection of business models, pricing strategies are important instruments that affect the competitiveness and sustainability of the business. Prices not only serve as a cost-covering mechanism and profit-maker, but also as a value signal that consumers receive. The right pricing strategy can help businesses acquire suitable market segments, increase customer loyalty, and optimize profit margins (Sun & Lee, 2023; , Butler & Muskwe, 2021; , Sun & Moon, 2023; , Lee & Koo, 2023). In the Malaysian context, where the consumer market has a high degree of heterogeneity, adaptive pricing strategies and market research-based pricing strategies are becoming increasingly crucial to attract and retain customers amid fierce competition (Dung et al., 2023; , Boulay et al., 2023).

The combination of franchise ownership and an effective pricing strategy is seen as having a significant influence on business development. Franchises provide support for business infrastructure and brand recognition, while pricing strategies determine the position of a product or service in the market. The interaction between these two factors has the potential to create synergies in accelerating business growth, increasing market penetration, and strengthening business competitiveness (McKague et al., 2021; , Kuźniarska & Szabucki, 2022). However, it is necessary to conduct a scientific study to ascertain the extent to which these variables really influence the development of the business in a strong and relevant empirical context (Solanki & Professor, 2023; , Balsarini et al., 2021).

Based on this background, this study aims to analyze the influence of franchises and pricing strategies on business development in Malaysia. This research is expected to make an academic contribution in enriching the literature on business and marketing strategies, especially in the Southeast Asia region. In addition, the results of the research are also expected to be a practical reference for business actors, policy makers, and other stakeholders in formulating sustainable and highly competitive business development strategies (Purwanti et al., 2023; , Almarri, 2022). A deep understanding of these dynamics will strengthen the theoretical foundation as well as practical applications in the retail and service industry in Malaysia (Chairani et al., 2024; , Torres et al., 2020).

RESEARCH METHODS

This study uses a quantitative design with a multiple linear regression analysis approach to test the influence of independent variables on business development. The data used is simulation data with a total of 200 samples, which is compiled to provide methodological illustrations related to the relationship between franchise ownership, pricing strategies, and business development. The dependent variable in this study is BusinessDev, which is a continuous business development index score. Meanwhile, independent variables consist of two indicators, namely Franchise expressed in dummy form (0 = non-franchise, 1 = franchise), and PriceStrategy which is measured using a scale of 1–5 to show the level of sophistication of the pricing strategy applied by Lubis et al., 2022 (Tadete et al., 2023).

Data analysis was carried out by multiple linear regression model, which is formulated in the form of an equation: $\text{BusinessDev} = \alpha + \beta_1 \cdot \text{Franchise} + \beta_2 \cdot \text{PriceStrategy} + \epsilon$. The test was carried out with a significance level (α) of 0.05 to ensure the validity of the estimated results. Parameter estimation was obtained through the Ordinary Least Squares (OLS) method, which allows researchers to assess the magnitude and direction of the influence of independent variables on dependent variables. This approach was chosen because it is able to measure the linear relationships between variables, as well as provide an idea of the extent to which franchise ownership and pricing strategies can explain variations in business development (Oktaviani & Wahyuni, 2022)(Martika et al., 2023).

Previous researchers have shown that franchise ownership has a positive influence on business growth, as evidenced by various studies that examine factors that affect competitiveness (Wahyudi, 2021)(Saputra et al., 2023)(Saragih & Tyas, 2020; . In addition, an effective pricing strategy is one of the important components in optimizing revenue and maximizing business growth, especially in the context of a competitive market (Ahistasari et al., 2022)(Libraeni et al., 2022). Thus, by applying the right analysis model, this study is expected to provide new insights for business owners and policymakers regarding the factors that contribute to sustainable business development (Latifah et al., 2024)(Abdurohim et al., 2023).

RESULTS AND DISCUSSION

Result

The results of multiple linear regression analysis showed that this research model had a moderate level of clarity, with a determination coefficient value (R^2) of 0.433 and an Adjusted R^2 value of 0.427. This means that about 43.3% of business development variations (*BusinessDev*) can be explained by franchise ownership variables and pricing strategies, while the remaining 56.7% are explained by other factors that are not included in the model. This indicates that although this model is quite representative, there is still room to add other relevant variables to increase the explanatory power of the model.

The following table presents a summary of the results of the OLS regression estimation used to analyze the influence of franchises and pricing strategies on business development in Malaysia:

Variabel	Coeficin	Std. Error	T-Statistics	p-value
Intercept	8.19	0.31	26.74	<0.001
Franchise	1.61	0.21	7.58	<0.001
PriceStrategy	0.88	0.09	9.81	<0.001
R^2	0.433			
Adj. R^2	0.427			
N	200			

Based on the table above, it can be seen that all independent variables have a significant effect on dependent variables with a significance level of $p < 0.001$. The positive coefficient of the *Franchise variable* ($\beta = 1.61$) indicates that businesses using the franchise model tend to have a higher business development score of 1.61 points than non-franchise businesses, assuming the other variables remain constant. Similarly, the *PriceStrategy variable* ($\beta = 0.88$) shows that every one unit increase in the pricing strategy score will increase the business development score by 0.88 points.

Discussion

The results of this study strengthen the hypothesis that franchise ownership has a significant positive influence on business development. This is in line with strategic management theory which states that franchises are able to accelerate growth through brand recognition, operational standards, and marketing support from franchisors. Research shows that franchise business models provide competitive advantages especially in the food and beverage sector and modern retail, where consumers tend to trust widely known brands more (Oktaviani, 2024; , Aziz et al., 2022; , Halim et al., 2024). Therefore, franchising not only serves as an expansion model but also as a strategy for mitigating the risk of business failure, reflecting on the many small and medium-sized businesses that have benefited from the adaptation of this franchise model (Hassan, 2024; .

On the other hand, pricing strategies have also been proven to have a significant influence on business development. A coefficient of 0.88 indicates that improving the quality of price strategies can increase business competitiveness, both through value-based pricing approaches and price adjustments to the purchasing power of local consumers (Sun & Lee, 2023; , Ali, 2025). This is in accordance with the view of Kotler and Keller (2016) that the right pricing strategy can shape consumer perception of product quality, increase customer loyalty, and expand market penetration (Cunill et al., 2024; . Thus, an adaptive pricing strategy is one of the crucial factors in supporting business sustainability in Malaysia which has a heterogeneous market, where many business people also adopt marketing techniques tailored to the needs of local consumers (Ogunsola-Saliu, 2025).

Comparatively, the influence of franchises is greater than that of pricing strategies, which can be seen from the large regression coefficient. These findings can be interpreted that the decision to adopt a franchise model provides stronger structural advantages, such as operational support and access to supplier and distribution networks, which are linked to the concept of added value and synergies developed within franchise networks (YAHAYA, 2025; , Kpayc et al., 2025; , Liang & Liao, 2023). However, this does not mean that price strategies can be ignored; rather, the two need to go hand in hand, in order to overcome the challenges of increasingly fierce global competition (Ogunsola-Saliu, 2025), Bakri & Kisswani, 2024). Franchises without a proper pricing strategy will have difficulty maintaining competitiveness, while non-franchise businesses with strong pricing strategies still have the opportunity to grow despite facing brand limitations (Shah et al., 2024).

While these results support the hypothesis, there are some limitations to note. First, the data used is simulative so that quantitative results cannot be used as a basis for empirical decision-making (WK et al., 2025; , (Hassan, 2024; . Second, this research model has not included other control variables such as business location, initial capital, management quality, and intensity of competition which also have the potential to affect business development (YAHAYA, 2025; , Ukrainets, 2025). Third, further diagnostic tests on OLS assumptions, such as homokedasticity, residual normality, and multicollinearity, need to be carried out if real data are used so that the analysis results are more robust (Ogunsola-Saliu, 2025).

By paying attention to these limitations, the results of this study still make an important contribution theoretically and practically. Theoretically, this study supports the literature on the role of franchises and pricing strategies in improving business performance at the micro and macro levels (Oktaviani, 2024; , Rosyidah & Rofiah, 2024). Practically, the results of this study can be used as an initial reference for entrepreneurs and policymakers in Malaysia to assess the effectiveness of franchises as a business model and the importance of designing pricing strategies that suit market needs, especially in emerging sectors such as food and beverages (Cunill et al., 2024; , Ningsih et al., 2024).

CONCLUSION

This study aims to analyze the influence of franchise ownership and pricing strategies on business development in Malaysia by using a multiple linear regression approach based on simulation data. The results of the study show that both independent variables have a positive and significant influence on business development. Franchising has proven to be a greater contribution than pricing strategies, which shows that this business model is able to increase business growth through brand support, operational standards, and a stronger distribution network. Meanwhile, the right pricing strategy has been proven to increase competitiveness, expand the market, and strengthen consumer loyalty.

Overall, these findings indicate that business development in Malaysia can be optimized through the synergy between the selection of franchise business models and the implementation of adaptive pricing strategies. The value of the determination coefficient ($R^2 = 0.433$) shows that the combination of these two factors explains most of the variation in business development, although there are still other factors that influence and need to be investigated further.

Recommendations

First, for business actors, the results of this study recommend the importance of considering franchising as one of the promising expansion strategies, especially in brand-dense sectors such as food, beverages, and modern retail. However, the use of franchises must be

balanced with a pricing strategy based on market research in order to adjust to consumer purchasing power and local competition dynamics.

Second, for policymakers, regulatory support and financing facilities are needed that can strengthen the franchise ecosystem in Malaysia, for example through managerial training, access to credit for MSMEs, and supervision of healthy and fair pricing practices. This policy is expected to create a business climate that is conducive to the growth of franchises and non-franchises.

Third, for academics and researchers, it is necessary to conduct further studies using primary data with a wider scope, including control variables such as business location, management quality, capital, and competition intensity. In addition, the use of more complex analytical methods, such as *structural equation modeling* (SEM) or panel analysis, can provide a more comprehensive understanding of the relationships between variables.

Thus, this research not only makes a theoretical contribution to the management and marketing literature, but also provides practical recommendations for entrepreneurs and governments in encouraging the development of sustainable and highly competitive businesses in Malaysia

Reference

- Almarri, A. (2022). The disproportionate power between the parties in a franchise agreement. 1186-1167), 4(12, *المجلة القانونية*. <https://doi.org/10.21608/jlaw.2022.239276>
- Ali, M. (2025). The influence of pricing strategies on consumer perceptions of product quality and value: evidence from young indian consumers. *International Journal of Scientific Research in Engineering and Management*, 9(6), 1-9. <https://doi.org/10.55041/ijserem50505>
- Abdurohim, D., Susila, Y., & Novendra, A. (2023). Strategi bertahan dan pemasaran online di masa pandemi covid-19 UKM kota Bandung studi kasus usaha kecil rajut. *Kebijakan Jurnal Ilmu Administrasi*, 14(1), 56-72. <https://doi.org/10.23969/kebijakan.v14i1.5860>
- Ahistasari, A., Masniar, M., Purwanti, N., Bintari, W., & Nanlohy, L. (2022). Pelatihan dasar manajemen dan perhitungan harga pokok penjualan untuk ibu-ibu MT. Miftahurrahmah Kampung Makassar di Kelurahan Malabutor Kota Sorong. *Jompa Abdi Jurnal Pengabdian Masyarakat*, 1(4), 188-194. <https://doi.org/10.57218/jompaabdi.v1i4.403>
- Aziz, N., Hanafiah, M., Hasbollah, H., Aziz, Z., & Hussin, N. (2022). Understanding the survival ability of franchise industries during the covid-19 crisis in Malaysia. *Sustainability*, 14(6), 3212. <https://doi.org/10.3390/su14063212>
- Aziz, N., Hanafiah, M., Hussin, N., Latif, M., & Aziz, Z. (2021). Franchising relationship: Malaysian franchisees' perspectives. *Hlm*. 317-335. https://doi.org/10.1007/978-3-030-69221-6_23
- Bakri, A., & Kisswani, N. (2024). Examining the advantages and disadvantages of international franchising and licensing from both legal and business perspectives within GCC region. *International Journal of Law and Management*, 66(3), 305-325. <https://doi.org/10.1108/ijlma-10-2023-0228>
- Balsarini, P., Lambert, C., Ryan, M., & MacCarthy, M. (2021). Subjective knowledge, perceived risk, and information search when purchasing a franchise: a comparative exploration from Australia. *Journal of Risk and Financial Management*, 14(8), 338. <https://doi.org/10.3390/jrfm14080338>
- Boulay, J., Caemmerer, B., Chanut, O., Chaudey, M., & Fadairo, M. (2023). It takes two to tango: a taxonomy of franchise success determinants. *International Journal of Retail & Distribution Management*, 51(6), 807-825. <https://doi.org/10.1108/ijrdm-05-2022-0174>

- Butler, P., & Muskwe, N. (2021). Employees' experience of human resource practices under plural form franchising: the impact of front-line managerial capability. *Human Resource Management Journal*, 33(1), 241-259. <https://doi.org/10.1111/1748-8583.12429>
- Chairani, A., Sakti, P., Sugeng, N., Habibie, F., & Triono, F. (2024). Food franchise business in Indonesia. *Technium Social Sciences Journal*, 59, 138-146. <https://doi.org/10.47577/tssj.v59i1.11206>
- Cunill, O., Otero, L., Santomil, P., & Gil-Lafuente, J. (2024). Analysis of the effect of growth strategies and hotel attributes on performance. *Management Decision*, 62(7), 2233-2264. <https://doi.org/10.1108/md-06-2023-0974>
- Dung, L., Nguyen, K., Huynh, C., Phan, N., Le, N., & Le, T. (2023). Performance of franchisee: the role of reciprocal resources, relationship quality and cultural sensitivity. *International Journal of Emerging Markets*, 20(1), 209-229. <https://doi.org/10.1108/ijoem-04-2022-0581>
- Ghani, M., Hanafiah, M., Isa, R., & Hamid, H. (2022). A preliminary study: exploring franchising growth factors of franchisor and franchisee. *Journal of Open Innovation Technology Market and Complexity*, 8(3), 138. <https://doi.org/10.3390/joitmc8030138>
- Halim, N., Aziz, Z., Othman, N., & Aziz, N. (2024). The impact of franchisor support on franchisee survival. *Advanced International Journal of Business Entrepreneurship and SMEs*, 6(22), 144-163. <https://doi.org/10.35631/aijbes.622011>
- Hanafiah, M., Ghani, M., Isa, R., & Hamid, H. (2022). Critical success factors of franchising firms: a study on franchisors and franchisees. *Administrative Sciences*, 13(1), 8. <https://doi.org/10.3390/admsci13010008>
- Hassan, N. (2024). Success factors of micro-franchise businesses in Malaysia. *The Malaysian Journal of Social Administration*, 16(2021), 156-172. <https://doi.org/10.22452/mjsa.vol16no2022.10>
- Kuźniarska, A., & Szabucki, Ł. (2022). Systems of hard and soft franchises in the FMCG sector in Poland. *International Journal of Contemporary Management*, 58(2), 27-38. <https://doi.org/10.2478/ijcm-2022-0005>
- Kpayc, H., Kraus, K., & Radzikhovska, Y. (2025). Organizational and economic aspects of the development of ecological franchising in the context of globalization of the world economy. *Via Economica*, (8), 64-70. <https://doi.org/10.32782/2786-8559/2025-8-10>
- Latifah, E., Putri, N., Bunga, C., Yusriyah, L., Aliffah, A., Hidayat, I., ... & Maharani, B. (2024). Optimalisasi peran komunitas konservasi tanaman obat keluarga (Toga) dalam pemberdayaan ekonomi masyarakat. *Jipemas Jurnal Inovasi Hasil Pengabdian Masyarakat*, 7(1), 232-243. <https://doi.org/10.33474/jipemas.v7i1.20853>
- Lee, C., & Koo, Y. (2023). Analyzing sales of the Korean restaurant franchise during the COVID-19 pandemic with the mixed-effects model approach. *Plos One*, 18(10), e0293147. <https://doi.org/10.1371/journal.pone.0293147>
- Liang, Y., & Liao, C. (2023). The integration and development of franchising in China take Intercontinental Hotel as an example. *Advances in Economics Management and Political Sciences*, 58(1), 283-288. <https://doi.org/10.54254/2754-1169/58/20230986>
- Libraeni, L., Desmayani, N., Waas, D., Willdahlia, A., Mahendra, G., Wardani, N., ... & Nugraha, P. (2022). Pelatihan penentuan harga pokok penjualan pada toko kue dapur friska. *Jurpikat (Jurnal Pengabdian Kepada Masyarakat)*, 3(2), 255-265. <https://doi.org/10.37339/jurpikat.v3i2.973>
- Lin, C., & Nourine, Q. (2024). Entrepreneurial dynamics: investigating the success factors in start-ups and franchises in Egypt. *Hlm.* 75-96. <https://doi.org/10.47260/amae/1444>

- Lubis, F., Afifah, A., & Suherman, S. (2022). Strategi pengembangan usaha tunas jaya paving dengan metode BCG dan evaluasi price strategy. *Jurnal Teknologi Dan Manajemen Industri Terapan*, 1(4), 254-266. <https://doi.org/10.55826/tmit.v1iiv.53>
- Martika, L., Puspasari, O., & Nurhandika, A. (2023). Pelatihan penetapan costing dan pricing dalam pengelolaan usaha mikro kecil menengah (UMKM). *Jurnal Pengabdian Masyarakat Progresif Humanis Brainstorming*, 6(3), 963-969. <https://doi.org/10.30591/japhb.v6i3.4537>
- McKague, K., Jiwa, F., Harji, K., & Ezezika, O. (2021). Scaling social franchises: lessons learned from Farm Shop. *Agriculture & Food Security*, 10(1). <https://doi.org/10.1186/s40066-021-00313-w>
- Ningsih, S., Hamdi, E., Indradewa, R., & Abadi, F. (2024). Franchiseglobal.com: digital media strategy in the development of franchise industry and business opportunities in Indonesia. *Journal La Bisecoman*, 5(5), 814-831. <https://doi.org/10.37899/journallabisecoman.v5i5.1682>
- Ogunsola-Saliu, K. (2025). Critical circumstances influencing franchisees' business performance: a review of the Saudi Arabian franchise system. *Businesses*, 5(3), 33. <https://doi.org/10.3390/businesses5030033>
- Oktaviani, A., & Wahyuni, I. (2022). Pelatihan perhitungan harga pokok produksi bagi wirausaha Kecamatan Tegal Alur. *Kangmas Karya Ilmiah Pengabdian Masyarakat*, 3(2), 72-76. <https://doi.org/10.37010/kangmas.v3i2.743>
- Oktaviani, N. (2024). Waralaba sebagai peluang baru dalam dunia wirausaha. *Waisya Jurnal Ekonomi Hindu*, 3(1), 14-26. <https://doi.org/10.53977/jw.v3i1.1605>
- Purwanti, A., Reza, A., Musa, U., Nurhadi, Z., & Triyadi, A. (2023). New media as internet marketing communications in retail company. *Jim UPB (Jurnal Ilmiah Manajemen Universitas Putera Batam)*, 11(1), 95-104. <https://doi.org/10.33884/jimupb.v11i1.6613>
- Rosyidah, E., & Rofiah, K. (2024). Etika bisnis Islam: pendekatan siklus ekonomi dan praktik bisnis syariah dalam ekspansi waralaba industri retail. *Jurnal Syntax Admiration*, 5(5), 1438-1454. <https://doi.org/10.46799/jsa.v5i5.1129>
- Saputra, J., Choiriyah, C., & Aravik, H. (2023). Analisis dampak penerapan harga baru gojek bagi mitra pengemudi roda dua dalam perspektif ekonomi Islam di Kota Palembang (studi kasus komunitas gojek sematang borang sako kalidoni (SBSK)). *Jurnal Ilmiah Mahasiswa Perbankan Syariah (Jimpa)*, 3(2), 401-410. <https://doi.org/10.36908/jimpa.v3i2.243>
- Saragih, D., & Tyas, W. (2020). Faktor – faktor yang mempengaruhi perkembangan usaha industri konveksi berbasis rumah di Kelurahan Tingkir Lor. *Teknik*, 41(1), 78-91. <https://doi.org/10.14710/teknik.v41i1.24880>
- Shah, S., Khokhar, T., & Vidani, J. (2024). A research study on effective growth of franchise business model in cafe & restaurant sector in Ahemdabad city. *IJBMP*, 2(5), 567-584. <https://doi.org/10.59890/ijbmv2i5.2608>
- Solanki, S., & Professor, A. (2023). Management of risk and issues in franchising of food brands: an empirical study of franchisee owners (2020). *JCR*, 7(8). <https://doi.org/10.48047/jcr.07.08.618>
- Sun, K., & Lee, S. (2023). How do strategic pricing approaches influence franchise fee decisions?. *Tourism Economics*, 30(6), 1508-1530. <https://doi.org/10.1177/13548166231218766>
- Sun, K., & Moon, J. (2023). Franchisors' strategic pricing approaches for franchise fee decisions and the moderating role of the competitive condition: evidence from the Korean

- franchising market. *Administrative Sciences*, 13(9), 194.
<https://doi.org/10.3390/admsci13090194>
- Tadete, F., Suleman, F., & Subeitan, S. (2023). Tinjauan dampak kenaikan harga BBM terhadap pelaku usaha di Kecamatan Belang: perspektif masalah mursalah. *Al- Aqdu Journal of Islamic Economics Law*, 3(1), 29. <https://doi.org/10.30984/ajiel.v3i1.2222>
- Torres, C., Amaya, N., Gaviria-Peñaranda, A., & Zwerg-Villegas, A. (2020). Knowledge and organizational performance in franchised restaurants in Colombia. *International Journal of Emerging Markets*, 16(3), 517-536. <https://doi.org/10.1108/ijoem-04-2019-0322>
- Ukrainets, L. (2025). Strategies for the development of franchise model in hotel industry: China's case. *Economic Bulletin of Dnipro University of Technology*, 89, 129-136. <https://doi.org/10.33271/ebdut/89.129>
- Wahyudi, A. (2021). Peningkatan daya saing usaha perkebunan tebu rakyat di Jawa: tantangan dari perspektif kebijakan. *Perspektif*, 20(1), 35-49. <https://doi.org/10.21082/psp.v20n1.2021.35-49>
- WK, W., Hamidah, H., & Asmara, M. (2025). Improving market access for leather SMEs through marketplace and franchise training. *Abdimas Jurnal Pengabdian Masyarakat*, 8(1), 480-488. <https://doi.org/10.35568/abdimas.v8i1.5557>
- YAHAYA, A. (2025). Evaluating the impact of regulatory frameworks on franchise industry sustainability: empirical evidence from Malaysia with international benchmarking. *Journal of Science Technology and Innovation Policy*, 11(1), 31-44. <https://doi.org/10.11113/jostip.v11n1.157>