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Item Type	Article
Authors	Grünhagen, Marko;Jell-Ojobor, Maria;Hess, Julia E.;Da Silva Filho, Haroldo Monteiro
Citation	Grünhagen, Marko, Maria Jell-Ojobor, Julia E. Hess, and Haroldo Monteiro da Silva Filho. "From Catalyst to Burden: Shopping Malls and Franchising in Brazil." International Journal of Retail & Distribution Management. 2024.
DOI	https://www.emerald.com/insight/content/doi/10.1108/IJRDM-11-2023-0653/full/html
Rights	Attribution-NonCommercial-NoDerivatives 4.0 International
Download date	2025-07-25 02:10:12
Item License	http://creativecommons.org/licenses/by-nc-nd/4.0/
Link to Item	https://hdl.handle.net/20.500.14490/855

From catalyst to burden: shopping malls and franchising in Brazil

International
Journal of Retail &
Distribution
Management

Marko Grünhagen

*Eastern Illinois University Lumpkin College of Business and Technology, Charleston,
Illinois, USA*

Maria Jell-Ojobor

Frank J. Guarini School of Business, John Cabot University, Rome, Italy

Julia E. Hess

*Department of Marketing, The University of Texas at Arlington College of Business,
Arlington, Texas, USA, and*

Haroldo Monteiro da Silva Filho

*Department of Pós Graduação – Finanças, Centro Universitário IBMEC,
Rio de Janeiro, Brazil*

Received 11 November 2023
Revised 15 November 2023
29 November 2023
14 April 2024
24 August 2024
30 October 2024
Accepted 13 November 2024

Abstract

Purpose – This research links the global advance of the franchise model to the geohistorical foray of shopping malls through an empirical longitudinal study in the largest emerging market in Latin America, Brazil.

Design/methodology/approach – We conducted an analysis of a multi-year set of qualitative interviews with the same franchised mall tenants (23 interviews in 2017 and 12 follow-up interviews in 2022) via an iterative procedure of transcript data coding and theme identification.

Findings – Shopping malls were key catalysts in the pre-pandemic growth of franchising in Brazil, yet during the pandemic, malls became liabilities. Attitudes towards malls as franchise hosts changed, flipping the mall perception from catalytic host to burdensome trap. Mall management companies, as key gatekeepers, deserve more research attention.

Originality/value – Our study reveals the detrimental role shopping malls, with their static rules and high cost structures, have played as franchise businesses struggled to survive during the global pandemic. While franchising represents one of the most influential retail business models today, shopping malls have been among the most important brick-and-mortar retail institutions since the 1950s. Jointly, they constitute a unique retail symbiosis with little attention in the academic literature.

Keywords Franchising, Brazil, Shopping mall, Gatekeeper, Mall management company, Qualitative research

Paper type Research paper

Introduction

Shopping malls, which have gained increasing popularity in the United States since the 1950s, have proliferated around the globe, yet arguably with the most profound recent impact in emerging and developing markets where climate-controlled, safe, multi-story malls have been rapidly replacing indigenous street markets. While the advance of online shopping has encumbered the popularity of malls in developed economies, across lesser developed markets their attraction appears largely intact, in part due to still much lower location density of existing malls in comparison to the West as well as their safety in otherwise unsafe environments (e.g. Atwal, 2022; Dłudla, 2022).

One of the chief beneficiaries of global “mallings” has been the franchise business model. Multinational franchise systems have been able to continue their global expansion foray through the spread of malls, which are an ideal host environment for the duplication of branded franchise outlets. Additionally, local franchise brands have emerged in the wake of new malls, as shopping centres offer the opportunity to create brand identities in physical locations hitherto not available on indigenous markets (Terry and Grünhagen, 2017). Malls had played a critical role as “catalysts” of franchise development in lesser developed markets pre-COVID. This research reveals the detrimental role shopping malls, with their static rules and high cost



structures, have played as franchise businesses struggled to survive during the global pandemic. While the franchise business model has been called “the big success story” of the second half of the last century (Holmström, 1999, p. 416) and still represents the most influential and arguably one of the fastest-growing retail business models today (Dant *et al.*, 2008; Mellewigt *et al.*, 2011), shopping malls have been among the most important brick-and-mortar retail institutions since the 1950s. Jointly, they constitute a powerful and unique retail symbiosis, which has seen little attention in the academic literature. Shopping malls have simultaneously represented an ideal host site for franchised firms while also benefitting from their presence to the point that modern shopping malls would likely not have thrived were it not for the presence of many franchises across their properties.

In the first part of this study, we review and synthesize the parallel emergence of malls and their popular franchise tenants by outlining their symbiosis over time. In a second step, we investigate franchisees’ perceptions of shopping malls as hosts for their outlets, both pre-pandemic and during the pandemic, in Brazil, South America’s largest emerging market, through an exploratory qualitative research study. We introduce recent evidence that reveals the changing role of shopping malls from pre-pandemic “catalyst” to pandemic “burden.” Through the rigorous examination of a multi-year set of qualitative interviews with the same franchised mall tenants (23 in 2017 and 12 follow-ups in 2022) in both São Paulo and Rio de Janeiro, using qualitative data analysis software and transcript data coding and theme identification, we show how malls as the hosts for franchised outlets first supported (pre-pandemic) and then impeded (during the pandemic) franchise systems’ growth and survival.

Their technological adaptation (Abed, 2022; Gupta *et al.*, 2024) with digital omnichannel strategies helped agile franchisees overcome the crisis and reduce their dependence on and the unilateral power of shopping malls. Shopping malls must think about structural transformations from “lease agreements” to “service relationships” and introduce long-term, relational management mechanisms based on trust and reciprocity to restore a genuine reciprocal symbiosis. Our study highlights the symbiotic nature of two major retail formats – shopping malls and franchising – and the need for governance adjustments to maintain the mutual growth and performance benefits of these contractual relationships in emerging markets.

The development of malls

While historic examples of enclosed shopping centres in urban settings exist from centuries back (e.g. the *Trajan Market* of ancient Rome), the modern mall concept dates back to the 1920s in California. Early versions of malls were created as community centres where consumers could shop and socially interact with one another (Feinberg and Meoli, 1991), and they spread with the movement of people migrating their residences to the suburbs. As the automobile industry grew, so did mall culture, and in the wake of post-World War II urban sprawl in the 1950s, malls began their conquest of the American retail landscape. By 1975, more than 16,000 shopping malls had spread throughout the US (Feinberg and Meoli, 1991), and today more than 116,000 exist (Smith, 2022).

Shopping centres continued to spread not only across North America but throughout the industrialized world. The first shopping centre in Australia opened in Chermside, a Brisbane suburb, in 1957 (Shopping Centre Council of Australia, 2022). In Western Europe, the first modern shopping malls opened their doors in 1964 in Frankfurt, Germany (Bitzer, 2015) and in the same year in Birmingham, UK (Moran, 2009). In East Asia, the entrance of malls began in the mid-1970s, among them *Plaza Singapura* in Singapore (Goh, 2014), and in 1973, the first indoor mall in Japan opened in Miyako (Fackler, 2019).

Eventually, malls emerged in lesser developed countries. In Cairo, Egypt, the first shopping mall was built in 1989 (Abaza, 2001); the first mall in India opened in the 1990s in Chennai (Shajahan, 2001), and Nigeria’s first shopping mall opened in 2003 in Lagos (Idoko *et al.*, 2019). Eight of the globe’s ten biggest shopping malls today are in Asia, five of which are in

China and three in Southeast Asia ([The Economist, 2022](#)). Early mall development occurred largely in the biggest urban centres, but over time malls have spread to other areas (e.g. [Feeny et al., 1996](#)). Yet, while mall development has stalled in the last few years in the West due to emergent alternative distribution channels, such as online shopping ([Johnson, 2023](#)), their advance in lesser developed markets appears unhindered at this point.

While the popular press abounds with regular updates on the shopping centre industry across the globe, academic research specific to malls has focused largely on shopping motives and reasons for mall patronage, exploring effects of driving distance ([Brunner and Mason, 1968](#)), mall size ([Bucklin, 1967](#)), number of brands represented ([Crask, 1979](#)), mall image ([Gentry and Burns, 1977](#)) and more recent work on shopper satisfaction ([Anselmsson, 2006](#)) and malls' restorative qualities ([Rosenbaum et al., 2016](#)). A significant portion of scholarly investigations has focused on the comparison of malls to alternative shopping venues, such as shopping strips ([Reimers and Clulow, 2004](#)) or shopping streets ([Teller, 2008](#)). However, academic work on the rapidly expanding mall phenomenon in lesser developed markets is relatively scarcer and much less systematic. Here is a synopsis of this disparate work.

The expansion of shopping malls to developing and emerging economies has enabled a growing number of consumers to become part of the middle class ([Eduful and Eduful, 2021](#); [Idoko et al., 2019](#)). Simultaneously, the emergence of shopping centres in lesser developed markets has caused a dwindling of indigenous small retailing in the form of street stalls ([Gooptu, 2009](#)), which do not offer the same experiences as shopping malls ([Voyce, 2007](#)). "Escapism" is a common motive for mall visits in such markets ([Dorson et al., 2013](#)), offering a mental refuge from consumers' all-too-often deprived lives. Shopping malls act as Western-style "social fortresses" to socialize and make purchases they normally could not at a traditional market, particularly for younger consumers and the well-to-do (e.g. [Jäger, 2016](#)). Malls have made hedonic shopping more prominent in developing economies ([Ishii and Ni, 2019](#)), and individualist tendencies, including overspending, conspicuous consumption and an emphasis on brand name products to project status, have become commonplace in traditionally collectivist cultures ([Eduful and Eduful, 2021](#); [Idoko et al., 2019](#); [Ishii and Ni, 2019](#)). In turn, shopping malls have transformed traditional cultures themselves by creating sanitary, safe and less crowded alternatives to indigenous retailers ([Jäger, 2016](#)). Particularly for younger female consumers, malls represent enticing venues to socialize, pursue "hedonic" shopping and find refuge from more conservative norms, representing modern sanctuaries where women can try different styles that stray from tradition ([Abaza, 2001](#)). In addition, shopping malls have begun to attract significant numbers of males as regular shoppers, satisfying their emerging hedonic wants ([Idoko et al., 2019](#)).

Malls and franchising

One of the mainstays across malls globally is the presence of franchised stores, from fast food to fashion outlets. Yet, despite the symbiotic nature of franchising and shopping malls, very little scholarly work exists on their coexistence. The history of franchising and its global spread over time has been chronicled extensively elsewhere ([Dant and Grünhagen, 2014](#)). Remarkably, the historic advance of the franchise business model coincides with the timeline chronicled above for the global spread of malls, offering a first indication of their apparent symbiosis. Yet, only scant mention of franchising's critical link to the worldwide foray of malls can be found in academic works.

Malls generally act as prominent hosts for global franchises and provide the environment in which they have thrived. In developed markets, such as South Korea, malls are one of the key locations to open a global franchise based on a significant demographic of young and affluent consumers, which is the target for most American franchises ([Lee et al., 2010](#)). In the Middle East, franchising's foray followed the rapid growth of its retail industry ([Asarpota, 2014](#)). Across Southeast Asia, shopping malls have allowed global franchises to enter the market with ease ([Douglass, 2005](#)), and the same was observed in South Africa ([Brent, 2009](#)).

While well-financed multinational franchise systems have been at the forefront of global expansion, local and regional franchise brands have followed in the wake of new mall development (e.g. [Udoh, 2019](#)), taking advantage of the newly created environment in which the creation of brand identities through physical locations surpasses that of traditional indigenous markets ([Terry and Grünhagen, 2017](#)). Our subsequent investigation in Brazil shows how the pandemic impacted franchisees' perceptions of shopping malls as their hosts.

Malls and franchising in Brazil

The era of shopping centres in Brazil began in 1966 with the inauguration of the *Iguatemi Shopping Center* in São Paulo. At the time, shopping centre development required entrepreneurs' or international financial capital ([Baldin, 2012](#)). In its initial years, *Iguatemi* struggled as Brazilian consumers did not have a habit of making purchases at shopping centres. Even though *Iguatemi* featured a large department store (*Sears*), movie theatres, large parking lots and many stores and services, plans for commercial success did not materialize as expected. Eventually, financial success accrued to tenants who stuck with the new concept only after several years of sustained consolidation and additional investments, when the shopping centre concept finally began to be accepted in Brazil ([SEMMA, 2012](#)). During the mid to late 1970s, eight additional malls were opened in Brazil. In the 1980s, malls became widely accepted and became attractive investments. By the decade's end, Brazil had 56 large-scale shopping centres; by 2000, 281 malls had been built and by the end of 2015, Brazil had 538 malls. While the pandemic hit shopping centres hard, since then the industry has been recovering, and the sector finished 2022 with 633 malls ([ABRASCE, 2022](#)).

With respect to franchised outlets as part of shopping malls, the mall boom across Brazil since the 1980s significantly contributed to the growth of franchising ([Grünhagen et al., 2022](#)). Statistics from the Brazilian Franchise Association (ABF) saw franchised locations in malls peaking at 24.9% of overall mall occupants in 2019, but then falling to 22.4% in 2020, 20.6% in 2021 and 20% in 2022 through the years of the pandemic ([ABF, 2019](#); [ABF, 2022](#)).

Methodology

This study set out to investigate franchisees' perceptions of shopping malls as hosts for their outlets, both pre-pandemic and during the pandemic, in Brazil, South America's largest emerging market. To date, the literature on the symbiosis of franchised units and shopping malls has remained largely unexplored from a theoretical perspective. Hence, an exploratory qualitative research approach ([Armstrong, 1970](#)) was adopted, supporting the flexible and context-sensitive analysis of information-rich data that can provide important insights into an under-researched phenomenon ([Carcary, 2009](#); [Creswell, 2009](#); [Yin, 1994](#)).

Research design

Several qualitative studies (e.g. [Jell-Ojobor and Windsperger, 2017](#); [Jones, 2003](#)) have shed light on mechanisms that govern the complex franchise relationship, mainly from the franchisor's perspective (e.g. [Pizanti and Lerner, 2003](#)), while the franchisee perspective has received significantly less attention ([Grünhagen et al., 2022](#)).

Broad agreement exists among scholars that access to local market knowledge and assets are among the most important reasons for franchising and are dominant criteria for franchisee selection ([Jell-Ojobor and Windsperger, 2017](#)). However, knowledge of malls as critical location assets in emerging markets is scarce and warrants added research. We adopt a grounded theory approach ([Corbin and Strauss, 1990](#)) to guide our inductive data exploration.

Sample and data collection

Through intensive field research, we purposely selected franchisees with mall locations in Rio de Janeiro and São Paulo, Brazil's most significant franchise markets. Purposive sampling permits the collection of empirical data from respondents relevant to the research question (Strauss and Corbin, 1998), thus allowing us to examine franchisees who can contribute insights on the study phenomenon. Further, by focusing on Brazil as the single geographic domain, we avoided potential cultural distortion of results (Dul and Hak, 2008).

Through intensive field research, we were able to develop a list of potential franchisee informants, and this list represented our sampling frame. We contacted franchisees via email and phone in the spring of 2017, and 24 informants agreed as the original participants. Two of the informants were a couple with identical ownership, so we conducted 23 interviews for the first round. A skilled team of three English-speaking franchise experts and four Portuguese translators conducted the face-to-face interviews at their unit locations. The interviews were held in Portuguese, the official language of Brazil. The respective translator translated questions from English into Portuguese and answers from Portuguese into English. The interviews lasted between 26 and 85 min (average 54 min). Semi-structured in-depth interviews are a key method to gather qualitative data (Patton, 2002) and have been described as "conversations with a purpose" (Berg and Lune, 2004), enabling investigators to explore themes related to a unique social reality that has not been studied previously. Each conversation began with general questions about franchising and about the interviewed franchisee's experience, their respective history with their franchisors. Later, informants were asked about specific issues regarding their units' locations, inclusive of experiences with landlords and mall management companies.

In the spring of 2022, we re-contacted the same subjects via telephone, resulting in 12 successful follow-up interviews. Given the turmoil which the pandemic caused for franchisees as small business owners during the five-year lag between the first set of interviews and the follow-up conversations with the same panellists, a response rate of more than 50% was considered satisfactory for the second phase, as similar attrition rates of 39–54% (Trappman *et al.*, 2015) and 40–70% (Ribisl *et al.*, 1996) have been reported for other longitudinal studies with panel data. Each of the second phase interviews lasted between 12 and 19 min (average 16 min). The main theme that emerged from our second round of interviews concerned the consequences of the pandemic for the interviewed franchisees, inclusive of the experiences with mall units throughout the crisis.

All recordings were transcribed. The Portuguese versions were then translated into English by two independent translators. The translations made during the interviews and the translations made from the Portuguese transcriptions were compared, and no significant differences were found. The total data amounted to approximately 270,000 words and 723 pages.

Overall, a dataset of 35 usable responses from 23 franchisees was created, including 14 male informants, eight female informants and one couple. The informants belonged to 14 different industries and had an experience of 12 years in franchising on average (minimum of three years, maximum of 28 years, as of the first round in 2017). Most of the informants held university degrees (17/23) and had professional experience before buying a franchise (21/23). Table 1 presents descriptive details, using pseudonyms for all informants.

Data analysis

We used *Atlas.ti 23*, a commonly used qualitative data analysis software programme, to support the rigorous analysis of our data (Hwang, 2008). For the first layer of analysis, we used the *open coding* technique to systematically sort our dataset. We discussed these first-level code categories among the research team members and waited for six weeks before recoding the corroborated dataset (Krefting, 1991) based on the identified code categories. With *axial coding* through the constant questioning and comparison during the coding-recoding process,

Table 1. Descriptives of sampled franchisees

Interviewee (pseudonym)	Age in years (2017)	Gender	No. of units (2017)	No. of units (2022)	Sector(s)	Years in franchising (2017)
Diego	50	Male	15	14	Fast food and Restaurants	8
Alex	46	Male	3	0	Fast food and Retailing (food)	27
Leonardo	45	Male	7	7	Retailing (sports goods) and Retailing (apparel)	15
Italo	65	Male	7	6	Retailing (chocolates)	10
Caio	63	Male	9	9	Retailing	5
Isabella	44	Female	4	4	Fast food and Restaurants	5
Camila and Felipe	55 and 65	Couple	3	1	Fast food and Retailing (food)	16
Laura	28	Female	4	2	Fast food	3
Anna	50	Female	22	21	Fast food and Retailing (food)	19
William	45	Male	6	1	Fast food, Retailing (food) and Retailing (tobacco)	16
Arthur	45	Male	4	4	Fast food and Retailing (food)	15
Pedro	34	Male	23	23	Retailing (cosmetics) Botanica	Inherited/ experience with brands like Benetton
Fernanda	42	Female	6	N/A	Fast food and Restaurants	16
Daniel	42	Male	7	N/A	Fast food and Lotteries	10
Jessica	–	Female	2	N/A	Retailing (food) and Retailing (jewellery)	–
Victoria	59	Female	2	N/A	Retailing (food) and Fast food	6
Gustavo	50	Male	6	N/A	Petroleum and Fast food	28
Bruna	34	Female	41	N/A	Retailing (cosmetics)	Inherited
Paulo	36	Male	6	N/A	Language school, Fast food and Personal care	10
Igor	39	Male	2	N/A	Fast food and Restaurants	8
Thiago	36	Female	2	N/A	Retailing (shoes) and Retailing (clothing)	8
Anderson	25	Male	6	N/A	Fast food and Restaurants	5
Fabio	36	Male	15	N/A	Fast food, Retailing (shoes) and Telecom	14

Note(s): Table by authors

we created seven main codes and 19 subcodes from the initial code categories. Finally, with *selective coding* (Miles and Huberman, 1994), we organized the codes and subcodes into three code families for the second layer of data analysis. Table 2 summarizes our coding scheme.

Emergent themes

The following presents the main themes that emerged via the above-described process [1].

Pre-pandemic mall benefits

Malls played an important role in the pre-pandemic growth of franchising in Brazil. Indeed, for Brazilian franchisees, being in a shopping mall might have been a key aspect of their business model. In fact, several franchisees expressed that the mall location was a more important asset to them than the brand itself. One of the interviewed franchisees explained that she “really wanted a business there [the mall] [. . .] First, [she] chose the location, and after that the brand [she] wanted there [in the mall]” (Anna). Indeed, many of the franchisees in our study aimed to “concentrate everything in one geographic space” (Igor) and owned multiple stores in the same malls, which offered them operational and strategic synergies. In fact, mall locations were so important that another franchisee expressed, “If a new mall opens you have to be there If a mall opens [the franchisor headquarters] tell you ‘You open, or I’ll call another franchisee and then you’ll lose the territory’” (Bruna).

The most critical pre-pandemic benefit franchisees saw in malls was customer traffic as well as the infrastructure and security malls offered. Malls guaranteed a steady flow of customers in a secure environment as “there was the movies, the gym, 45 floors of offices, so

Table 2. Data coding scheme

Code group	Code	Sub-code	Frequency
Mall relationship	○ Mall benefits	○ Concentration	10
		○ Customer traffic	9
		○ Mall location	20
		○ Multiplicity	5
		○ Sales, capital recovery	5
		○ Security, infrastructure	3
	○ Mall terms	○ Costs (pre)	16
		○ Selection	28
		○ Support	7
		○ Economic, political, financial	31
Pre-pandemic situation	○ Environment		31
Changes (pandemic)	○ Mall conditions	○ Costs (pan)	6
		○ Customer traffic (pan)	5
		○ Sales/revenue (pan)	6
	○ Franchise business	○ Closure	20
		○ Survival	8
		○ Recovery	5
	○ Emotional	○ Disillusionment	8
		○ Mall disappointment	36
	○ Entrepreneurial		16
		○ Digital transformation	16

Note(s): Table by authors

there were always many people all day long” (Anderson). “What the shopping centre sold you was quality traffic” (Leonardo).

In the years prior to the pandemic, “the Brazilian market had entered a crisis at the end of 2010” (Thiago), resulting in a “*financial crisis*” (Anna) and “*economic instability*” (Alex). Yet, “before the crisis [franchisees] were [doing] fine with their shops in the malls” and “had profits in all of them” (Daniel). Our interviewees reported that the mall business continued to offer strong sales and resulted in quick capital recovery for franchisees up until the outbreak of the pandemic. As one franchisee couple put it, they had “half of the investment back in two months” (Camila and Felipe). Malls also frequently showed a clear preference for a franchise (as opposed to an independent store) as a key selection criterion. One franchisee explained that “here in Brazil the shopping malls had this as a policy, if it was a franchise their doors were wide open and if it was not . . . they forced you to go to another mall . . . because of the malls’ policy of wanting franchises and looking for franchisees” (Thiago).

Changes during the pandemic

The onset of the pandemic created serious changes for franchisees’ mall locations. “Mall costs became impossible” (Arthur), as there was an “increase of everything . . . every item . . . in the mall . . . electricity, gas, raw materials . . . Everything has increased so much that [franchisees] were unable to pass it on to the customer” (Arthur). Customer traffic across shopping malls dropped significantly “where you usually had a crowd” (Italo). “Malls were practically closed” (William) and franchisees’ “*revenues* dropped, kind of naturally, because of people’s access” (Caio). Franchisees noted the burdens mall locations meant for them during the pandemic with regards to common policies of opening hours. In contrast to stores in enclosed shopping centres, street stores offered the advantage that “customers felt better served and less afraid than going to the mall” (Italo). In the end, franchisees felt that “the malls have failed to deliver what was promised in the agreement, the quality traffic flow” (Leonardo). While “the mall gave you a first helping hand” (Arthur), disillusioned franchisees came to realize that “the malls charged you excessively for things you could not even see” (Leonardo). “At a mall you pay the rent, you pay for the shared costs, you pay the association fees” (Caio). Therefore, “many stores were asking for the bills with the malls to be reviewed” (Camila and Felipe). Ultimately, “there’s significant awareness today, from the shopping mall tenants, about how the mall is a pretty inhospitable ecosystem, even some kind of a parasite, that has a mechanism that even involves legal and political subjects, creating a trap for the tenants” (Leonardo). Overall, for franchisees, “*sales* are down, the relationship with the malls is a bit more complicated. You have to be constantly negotiating reductions. We’re not in a favourable growth environment to launch new things” (Caio).

Pandemic consequences

Although COVID-19-related restrictions had been lifted in most parts of the world by the time of our interviews, the recovery of franchised mall outlets was lagging as the overall costs had increased. Some interviewees indicated that they closed stores as a consequence. “I’m no longer a franchisee. I had to close all of my stores due to the pandemic” (Alex). Many of these closed stores were located in malls, since “mall costs are impossible right now. [. . .] That’s why so many stores are closing. [. . .] COVID ended, but the *sales* did not follow.” (Arthur) Several interviewees even “left the mall behind” (Laura) and preferred to maintain street stores where they have relatively lower costs, more control and flexibility. “We kept the stores we already had in the first place [. . .]. We don’t have mall stores anymore, and these others are street stores” (Laura).

Franchisees also indicated that the pandemic accelerated the implementation of digital communication and sales tools. Franchisees “were forced to adapt quickly to the new situation, the digital market” (Italo), i.e. “implementing online sales and delivery” (Pedro).

They also indicated that franchisors helped them learn and install new tools, which helped them survive during the pandemic. “COVID sped up several processes [. . .] Today we have a WhatsApp sales channel in partnership with the franchisor. Much more sales online and much more sales for delivery” (Pedro). Another franchisee summarized the historic development as follows: “If Brazil’s retail model went from the street model to the mall model in the ’80s and ’90s, omnichannel was opening a vast horizon. With omnichannel, you can generate your own customer flow through CRM [customer relationship management] and a more digital stream” (Leonardo). Overall, franchisees that could deal with the economic challenges best were those that were open to some “kind of learning in the digital area, marketing and sales, during the pandemic and the post-pandemic” (Isabela). They believed that the “trend would continue” (William) and overall, this digital transformation would “free [them] from the business model of shopping malls” (Leonardo). Ultimately, “the pandemic was the beginning of it in terms of sales, and it left a legacy behind. People understand that a lot can be done digitally, and there has been a substantial technological breakthrough because of it” (Isabela).

Summary of findings and discussion

This research fills a gap in the literature by linking the global advance of the franchise business model to the geohistorical foray of shopping centres through an empirical longitudinal study in Brazil. The findings of our study show that shopping malls were key catalysts in the pre-pandemic growth of franchising in Brazil. Franchisees found malls immensely attractive due to customer traffic generation, quick capital recovery, reasonable shared costs, and the fact that malls offered a safe environment in an otherwise crime-prone marketplace.

During the pandemic, many of the original advantages offered by malls changed and became liabilities. Malls saw sustained drop-offs in customer traffic, and perceptions of value against higher rent and other costs changed accordingly. Franchisees revealed a lack of control over their shared costs and opening times when operating in malls. Indeed, several franchisees in our study closed one or more mall units during the pandemic and now prefer stores outside of malls. Although pandemic-related restrictions had been mostly lifted by the time of our second wave of interviews, the recovery of franchised outlets, particularly those located in malls, lagged behind franchisees’ expectations. In fact, several franchisees indicated that they now preferred stores outside of malls. Ultimately, attitudes towards malls as hosts for franchises have changed – they are now viewed as “inhospitable” and potential “traps” for tenants.

Finally, franchisees revealed that the pandemic accelerated the digital transformation at the outlet level. They also indicated that franchisors offered assistance to learn and implement new tools, which in turn helped them to survive. This supports calls for future research into retailers’ digital transformation post-COVID (Salviotti *et al.*, 2022).

Table 3 summarizes the major findings and implications for franchisees.

Implications for research and practice

Our study highlights the need to reassess the symbiosis between franchises and shopping malls in emerging markets and weigh the benefits of malls, such as consumer traffic and security, with the necessary flexibilities in terms of operations and access. In fact, in a politically and economically unstable business environment, further exacerbated by the pandemic, Brazilian franchisees faced several challenges of dual relationship management – the relationship with the franchisor and their arrangement with the mall management companies who function as vital gatekeepers regarding access to shopping malls as preferred hosts for franchised outlets.

Franchisees have always benefitted from their relationship with their franchisors due to brand recognition, a proven system and support from the franchisor. Yet, concerning their

Table 3. Summary of main findings

PRE-PANDEMIC Mall–Franchise Brand <i>Relationship Reciprocity</i>	Mall Location as <i>Benefit for Franchisees 2017</i>	Mall Location as <i>Liability for Franchisees 2022</i>	POST-PANDEMIC Mall–Franchise Brand <i>Relationship Implications</i>
<p><i>Mall location as a strategic asset for the franchise relationship</i></p> <ul style="list-style-type: none"> • Condition for franchise contract approval/renewal <p style="text-align: center;">↕ <i>Relationship Reciprocity</i></p> <p><i>Franchise brand as a strategic asset for the mall relationship</i></p> <ul style="list-style-type: none"> • Selection criterion for mall contract 	<p>Malls as catalysts for franchising growth</p> <ul style="list-style-type: none"> • Multi-unit mall outlets • Customer traffic generation • Quick capital recovery • Shared costs • Safety • Infrastructure 	<p>Malls as traps for franchising growth</p> <ul style="list-style-type: none"> • Store closure • Drop off in customer traffic • Shared costs became a burden • Limited flexibility regarding franchise operations and opening times 	<ul style="list-style-type: none"> • Refocus on off-mall locations • Acceleration of digital channels <p style="text-align: center;">↓ <i>Relationship Imbalance</i></p> <ul style="list-style-type: none"> • Criticality of mall management companies as franchise gatekeepers • Future focus on strategic relationship management between malls and franchisee tenants

Source(s): Table by authors

relationships with the mall hosts during the crisis, franchisees struggled with inflexible rules, creating operational challenges, for example, regarding pick-up/delivery or opening times, and an environment in which the contractual cost sharing paired with a precipitous drop-off in mall traffic became such a burden that their perceptions of malls as hosts turned to feeling trapped and inhospitable. This phenomenon likely occurred across other emerging markets where the pandemic left similarly damaged relationships.

Franchisees in our study described the mall management companies, who select promising tenant candidates for final approval by the corporations that own the malls, as critical gatekeepers. These management companies often favour franchises for their brand and traffic potential as mall tenants. While our study originally focused on the importance of a shopping centre's location for franchisees, franchisees' self-directed responses in 2022 inadvertently kept coming back to the specific impacts of the (at that time) ongoing pandemic crisis. During the pandemic, franchisees had become disillusioned with their mall hosts, and accordingly their concerns echoed their perceptions of mall management companies.

For shopping centres, and specifically their mall management companies as the critical gatekeepers, to restore trust and re-establish an image of "added value" offered by malls, they must take truly transformative measures to retain franchisee tenants. Malls need to treat tenants as customers (rather than powerless supplicants to their inflexible rules) and provide appropriate services that recognize the changed demands franchisees now have post-pandemic. As with the franchisor–franchisee relationship and any other partnership, mall owners must pay tribute to the reciprocity and interdependence required in the mall relationship to achieve long-term success.

For researchers, the role of mall management companies in the space allocation of retailers in shopping centres has seen little attention in academic work and deserves more investigation. Further, long-term effects of crises that go beyond the short-term snapshot offered by this study ought to be explored, for example, through longitudinal work with

longer time horizons. Major crises like the recent pandemic represent a “stress test” for economic systems overall and certainly for retailing as a vital sector for the distribution of goods and services to consumers. A study like ours offers critical insights into the reactions of industry players, like franchise systems and mall operators, in times of major turmoil. Researchers on retail phenomena only rarely receive opportunities to investigate crises in “real time” as they unfold. For example, similar to our study, [Johnson and Peterson \(2014\)](#) conducted interviews with consumers during the evolving financial crisis of 2008 to offer retail banks insights into customer perceptions and trust-building strategies. Our research should be considered a part of the broader “tapestry” of studies that have investigated crises “live”. Our findings ought to serve not only as an example for repercussions of the pandemic but also offer guidance to retail scholars as they investigate future crises and their impact.

Limitations and future research

Our study’s second phase of data collection occurred during an uncertain time for the interviewed franchisees, namely during the waning phase of the recent global pandemic. While our systematic data collection allowed us to enquire about the status of each respective firm while the crisis was ongoing and to establish an empirical record that goes beyond mere anecdotes of what may have been reported by various media as presumed outcomes of the crisis, it was difficult for our interviewees to predict an end to the pandemic and any long-term effects. In shopping malls across Brazil, the recovery was still in progress, and the ultimate consequences or “lessons learned”, may still be years away.

Overall, the findings of our study have to be considered preliminary, not only in light of the still tenuous development of the pandemic at the time of the interviews but also in light of the fact that the interviews were conducted in only one emerging market. Further validation of our findings is needed in other emerging markets as well as in the industrialized world, where the general recovery from a crisis may take a different and more accelerated path.

A key finding of our research pertains to the importance of gatekeepers for franchise development, a stakeholder in the franchise relationship that has been neglected in the past. Gatekeepers are critical, yet underestimated, distribution channel partners, as their role often determines the success or failure of downstream intermediaries. In the case of franchising, mall management companies, as is the case in Brazil, are key decision-makers as to franchisees’ access to mall locations. It is surprising that their critical role in this context has not been investigated before. A more nuanced understanding of their salience is long overdue, and this study may offer a first glimpse. As shopping malls have been following vastly different development trajectories in developed versus lesser-developed markets, as outlined in this study, the respective role of gatekeepers for the success of franchising in these markets may also differ significantly.

Franchisees had adopted a rather dim view of shopping malls by the time of the second round of interviews, describing them as “inhospitable” hosts and “traps”. As virtual marketplaces have taken on the roles of physical shopping malls, certainly in the industrialized world, are there observable similarities to shopping malls? As online shopping has supplemented, and even substituted for, physical shopping centres, has the pandemic created virtual “trappings” similar to those perceived by franchisees in their brick-and-mortar hosts? And do virtual gatekeepers similar to mall management companies exist in the C2C e-commerce environment, for example, in the form of provider platforms, such as *Airbnb*? Much of what the recent crisis has inflicted on the retail consumption space, offline and online, still remains to be investigated.

Notes

1. Codes are *italicized* in the text.

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About the authors

Marko Grünhagen, Ph.D. (University of Nebraska–Lincoln, USA) serves as Professor of Marketing and the Lumpkin Distinguished Professor of Entrepreneurship at Eastern Illinois University, USA. His main research interests over the past several years have been focused on franchise conflict, relationship dissolution and the evolving role of franchisees as multi-brand and multi-system owners in emerging markets. Dr Grünhagen’s research has been published in numerous prestigious academic journals, among them the *Journal of Retailing*, *Journal of Business Research*, *Psychology and Marketing*, *Journal of Macromarketing*, *European Journal of Marketing*, *Journal of Small Business Management and Information and Management*. Marko Grünhagen is the corresponding author and can be contacted at: mgrunhagen@eiu.edu

Maria Jell-Ojobor, Ph.D. – (University of Vienna, Austria) is Assistant Professor of International Business and Strategy in the Frank J. Guarini School of Business at John Cabot University in Rome, Italy. Her research focuses on the governance of international strategic networks such as franchising and supply chains as well as sustainability and digitalization in international companies. Dr Jell-Ojobor’s work has been published in renowned international management journals such as the *Journal of International Management*, *International Business Review*, *International Marketing Review*, *Journal of Business Research and Business Strategy and the Environment*.

Julia E. Hess, MBA – (Eastern Illinois University, USA), is a Graduate Student in the M.S. in Marketing Research Programme at the University of Texas at Arlington, USA.

Haroldo Monteiro da Silva Filho, D.Sc. – (Rennes School of Business, France) serves as Professor of Finance and Retail Management at Centro Universitário IBMEC, Brazil. His main research interests over the past several years have been focused on luxury marketing management, franchise management and multi-brand and multi-system franchising in Brazil. Dr Haroldo Monteiro’s research has been published in the *Journal of Small Business Management*.