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## **FEASIBILITY STUDY OF FRANCHISE BUSINESS MODEL IN INDIAN ENVIRONMENT**

# Feasibility Study of Franchise Business Model in Indian Environment

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**Abstract** – An comprehensive study of over 80 franchisees across the country assisted us to recognize the possibilities and difficulties of an business owner having a franchisee. This report is an important piece of information on the current styles of franchising in Native India. We wish to show deep sense of appreciation to the franchisees of prestigious brand like PT education for their opinions, encounters and useful recommendations, which assisted us in achieving this task with excellence. India, with a huge customer population with continuous economic growth becomes interesting location for the franchising fraternity. Thus India has offered excellent possibilities to the new worldwide and local manufacturers coming into the market with the possibilities of growing their business.

**Key Words:** Franchisees, Franchisor, Entrepreneur, Business, India

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## INTRODUCTION

New age Indians has observed the chance of growth in franchising and contemporary competitors for success, many of the committed entrepreneurs have determined to be a aspect of the franchising team because it is easier, more protected and more efficient than having complications for item recognition while managing a little company of their own.

"If you're in a relaxed place, terrified to venture out, keep in thoughts that all winners were at once packed with query. A stage or two and conditions of enhance can create your objectives come actual. Reach for your future with a smile; success is there for you "Seems to be an encroaching discussion by a politician - Isn't it? No way.

These are simple conditions said by a efficient franchisee - one who runs a franchise business.. This discussion reveals the guarantee and appeal of the speaker. An entrepreneur who is a franchisor, always issues for a efficient and efficient Affiliate or franchisees like - a bride's dad looking out for a bridegroom. The assessment is indeed authentic because the franchisor and franchisee relationship is just like a marriage- durable partnership and efficient. Assume you have got a human brain scanner which would display the ongoing thoughts of a brain, if you use it to test the mind of a franchisor you will see following thought worldwide in his/her mind.

How should I select a franchisee for my brand? What features and features I should look for? What would be

an perfect franchisee information for my business? How to handle my already operating franchisees?

On the other side, achievements of a franchisee are also not a dessert stroll.

"Making your mark on the globe is hard. If it were easy, everybody would do it. But it's not. It requires patience, it requires dedication, and it comes with a lot of failure along the way"

## —BARRACK OBAMA

Let's use the human brain scanner again for a franchisee and you will hear: Am I the only one experiencing issues/challenges in my industry? Is there any one to recommend me with alternatives for the problems experienced by me? Does franchisor know that I have certain exclusive difficulties for my region? I am doing outstanding, but franchisor is not recognizing the same, so can I leave him at point of time?

I have experienced all the business; can I go forward with my own brand?

Experts declare that franchising is the quickest increasing business format on the globe. The Worldwide Franchising Organization (IFA) forecasts that upcoming development in franchising is likely to come from creating marketplaces such as Chinese suppliers, Indian, Pakistan and Russian federation. This pattern is predicted to go along with the rapid shifts toward market motivated financial changes.

India's liberalization started in 1991, has brought about far-reaching changes in its economy, the Foreign Direct Investment (FDI) has improved considerably enhancing businesses and resulting in interesting business opportunities. Franchising is in the middle of a market pattern in India and the development in franchising are enhanced by a lot of dynamic, native business owners creating India an interesting market.

Have you ever considered how so many PT institutions are situated in every part of India and offer the identical type of staff and material throughout the country? How control of this large sequence of institutions is executed? And how the techniques and human resources are maintained? The response is in just one word- "Franchising".

It is through a well managed sequence of franchisees managing across the nation.

PT education functions as the franchisor and provides guidance, exercising, material and product name to the franchisees for a set fee and royalty. . PT education carry a trust of quality education for the learners aspiring for management institutions and as a franchisor their effort is to make sure that same quality of learning shall be imparted in all the PT knowledge facilities across the country. But difficulties are there in handling this agreement.

Franchising in India is still in its nascent stage. Only 10% of the businesses in Indian subcontinent are franchised as in comparison to 70% in the United States. Education industry which records for the maximum portion of the total franchised company in India is only 38% franchised as a industry as a whole. Other areas like retail store, food, medical care etc. go on identical lines.

Native Indian franchising tale has just started and it has a long way to go, India would be able to do so with its huge inhabitants, the increasing ambitions and success of the middle-class, changing way of life, increasing business lifestyle, and the moving of equipment to small areas and places. All these factors will cause to the development of a WIN-WIN collaboration between the brand and franchisee.

In an growing market like India, the pattern of company development through franchising is becoming more popular and it has now become crucial to recognize various economic factors of this company structure. A successful series company relies on the understanding between franchisor & franchisee. For example in knowledge industry we have seen that various professional course training (MBA, Medical, Engineering etc.) franchisees are paying about 30-50% royalty while a pre-school franchisee and identical franchisees are paying about 15-18% but still the former is more happy as compared to latter.

## RESEARCH METHODOLOGY

The present section is dedicated to setting of goals, research designed, sampling selection, and development of research tools, data collection and its methods of research. The reviews of literature, personal inquiries and conversations with various franchisees and franchisor have lead to the next stage of developing of goals which is considered as a central stage in any research process.

The questions which the mind audience has given us are the true insights of both the franchisor and franchisee in the world of franchise. Are there any solutions to these questions? The franchise method of business development in Indian is into its development stage and is spreading fast. These concerns need solutions to make the development of this business mode healthy. This Study is designed to answer these concerns and many other issues depending on a extensive study and conversation with professional franchisees & franchisors.

It was never simple to cause ideas of a franchisee and collect intelligence outcome from them, they were busy in their company & conquering challenges.

## SAMPLE DESIGN & METHODOLOGY

The present research has implemented exploratory characteristics. The exploratory design was chosen due to the very characteristics of the problems, participants, and type of query increased, for producing information. The characteristics of information acquired for the present research is qualitative in characteristics .The research was based on both main and additional information, but main information was taken as the main reasons for whole research. An online survey was the kick off point to identify the part of this research, a well chosen on the internet set of questions to catch all the main problems first hand; this was distributed to a data source of 150 franchisees across the nation. Chance of this research was endless so its area of research was restricted to the areas with highest possible pie size in franchising - Knowledge, Food and Retail store. A properly chosen sample of 80 franchisees of PT education across the nation from these areas was questioned by the group. The ideas from the in-depth discussions were used to evaluate the viewpoint of Indian franchisee.

Numbers speak the truth! - The information gathered from the study was fed to mathematical resources like factor analysis and regression to generate significant outcomes.

The outcomes were used to find out a design which helps a franchisor to improve their franchisee search, manage excellent rapport with its present franchisees and increase franchisee retention.

What are the factors that decide fulfillment level of a franchisee?

What steps do they follow before taking the big decision of buying a brand? What are the present styles in the franchising business in India? How many franchisees are planning to continue this business for a long term and what fraction of them are preparing to start up their own companies since they have acquired enough skills and visibility through this opportunity? Who could be a perfect franchisee?

These are some of the important issues with which every franchisor is experiencing complications. This review has tried to reply these issues by analysis such as details discussions and factor analysis of franchisees all over India across the significant franchising areas Education and learning, Retail store outlet, food and Professional Service Providers which together signify 69% of the franchising business in Native India.

A franchisor has to be attentive while choosing an appropriate associate for his company. However a franchisee too has concerns and objectives. They want success, collaboration, better interaction and knowing from the franchisor.

To accomplish this, the review sets out a easy structure which a franchisor will adhere to to narrow out the mismatched and unfitting customers and hence choose the most appropriate franchisee. Various groups in franchisees have determined like Loyals, Switchers and Leavers through an arranged procedure. Now the franchisor has to complete few primary details of the trader like age, education, connection with the company and identical factors of in an equation and he will be able to discover out the relevance of the particular franchisee he is preparing to have a cope with.

One of the embodiments of franchising is "consistency". The very phrase "franchising" has come to be considered as synonymous of consistency. There is a modification in the viewpoint of the investor and comfort is his first choice and franchising has become a very effective business model for him to begin a company ideally with all the main threats protected.

## FINDINGS & DISCUSSION

Why a businessman selects franchise business model?

In order to discover what were the actual aspects that impacted their choice as an business owner to choose franchise as a business model, we have requested the participants to rate the following aspects on a range of 1 to 5.

- 1: Franchising is the most secure way to begin a business
- 2: I have noticed that beginning my own brand would have been better
- 3: Franchising is the most convenient way to begin a business
- 4: I choose franchising because there is less chance of failure
- 5: I want an recognized brand than beginning on my own
- 6: There is greater development chances in franchising than own brand
- 7: Franchising gives an excellent learning experience
- 8: Franchising is the best way to run a business
- 9: I choose a franchise that gives me the best return [Profit]

Depending on the reactions given by the franchisees the above described factors

Were examined using aspect research. The KMO and Bartlett's analyze gives us a Sampling Adequacy value of 0.534 which is higher than 0.5 which indicates that factor analysis is vital for assessing the information.

KMO AND BARTLET'S TEST		
Kaiser Mayer Olkin Measure of Sampling		0.534
Bartlett's test of sphericity	Approx Chi-Square	212.545
	df	56.000
	Sig.	.000

The 3 elements of inspiration behind an entrepreneur's option of franchising structure discovered above could be further allocated the following headings:

Component 1: The chances of growth or upcoming prospect

Component 2: expectations of greater revenue, and

Component 3: Smaller risk than a new start-up,

A franchisee looks for the in the company. He is being drawn by the come back that is being provided by becoming a member of the series. There can be three places of Traders on the reasons for what they are looking for in a franchising company. They are:

#### ■ Business Oriented:

This is a set of Traders who select franchising because it is secure, the chance of failing is low, and the come back is always confident.

#### ■ Growth Oriented:

This set of Traders is looking for a long-term connection. They are more involved about the chances of development and the prospective buyers in the company.

#### ■ Short-Sighted Investors:

This is the third set of Traders who are worried mostly by what is being provided in the company. Their primary goal is the best ROI..Other set of investors is also enthusiastic about the ROI but this kind of investors gives more significance to the ROI than anything else.

Therefore a franchisor should connect clearly what are the possibilities of development available for a franchisee. Financial benefits with regards to benefit are essential, but for an Indian franchisee the chances of development is something that keeps him in the business.

The following are the aspects behind an entrepreneur's choice for a franchising business structure from the franchisor's viewpoint.

#### ■ Continuous Functional Support

Franchisor has devoted group to offering ongoing support to franchisees. A new franchisee will get all kind of functional support when they're building and operating the franchisor's product. The support program contains online access to business group and nationwide system of other franchisee entrepreneurs. This support is prolonged through events, refresher classes, yearly meeting and business exhibitions etc.

#### ■ Promotion Support

Marketing support to a franchisee is very essential and the greatest inspiration to be a part of an organized network. More the marketing options a franchisor offer, the more effective a franchisee will be growing. Most franchisors have the exclusive capability to release large-scale marketing strategies that are beyond the reach of individual companies within the series. In addition to the geographical chance of these strategies (many are nationwide), the quality of franchisor ads is

usually top-shelf - a big plus when aggressive with small, separate companies whose ads look poor in evaluation.

#### ■ Benefit of Brand Identity

Success of each device in a Franchise model, as well as the overall aggressive longevity of the franchise, is due to the use of powerful product recognition protecting both the products and services offered..

#### ■ Immediate Cash Flow

The positive return of investment is possible in franchising business in a relatively smaller time span due to the already recognized popularity of the current product. It usually takes more than a year to get the buildings designed and a appropriate set-up to be managed which is available beforehand in case of a current product.

#### ■ Current Infrastructure

Current facilities can be utilized upon in a franchising option. Submission, Structures, equipment, people, techniques, clients, providers, workers are the benefits which is obtained in setting of a company and would give a opportunity to the customer to focus on operating the company easily with the current set-up.

#### ■ Purchasing In Bulk Volume

A franchisee can take benefits of most purchasing potential of the entire program to settle on the costs for everything they need at considerably bargained amounts than they could accomplish as an separate owner. This is applicable not only to preliminary facilities and equipment buys, but also to the resources, stock and everything else a franchisee, need on regular basis.

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