

Healthcare & Beauty as an attractive and fast growing key sector of Franchising business - A study with reference to Pune City & surrounding areas.

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Abstract:

This research paper tries to explore the franchising business scenario & franchising opportunities in Healthcare & Beauty franchising in Pune city & surrounding areas. Pune is an IT hub as well as an Educational hub and thus hosts a significantly large number of IT professionals & students from all parts of the country. Franchising business activities has seen a phenomenal rise in almost all the 5 key sectors like Retails & Lifestyle, Food & Beverages, Healthcare & Beauty, Education and Support services (Couriers, Telecom, Tours & Travels and Misc. services) in the past over 10 -12 years. Popular international brands along with many Indian local brands makes up the franchising business scenario in Pune city & surrounding areas. There are a total of around 5300 – 5500 franchisees covering all the above mentioned 5 sectors in Pune & surrounding areas. Healthcare & Beauty sector covers about 14 -15% of the total franchisees in Pune city & adjoining areas. The city has seen on an average 10 – 11% growth (year-on-year) in overall franchising business activities over the past 10-12 years which is significant and this growth will definitely multiply further with the fast expanding city limits & growth of the surrounding localities of Pune city.

Keywords: Franchisees, Healthcare, Ayurveda, Beauty Parlor, Cosmetics

Introduction:

Franchising is a business system where in the franchisor grants a license to the franchisee to use the franchisor's diverse intellectual property rights, namely, knowhow, designs, brands, trademarks, patents and the trade secrets along with the franchisor's products or services in return for a share in the profits earned by its franchisees [1],[8]. Further, the franchisor also provides training and continuous assistance to the franchisee. In return, the franchisor gains rapid expansion of business and earnings at minimum capital investments. By adopting a proven and well tested business formula, the franchisee thus reduces the associated risks involved while opening a franchised business [2],[9].

Franchising has been fast gaining popularity because of the huge untapped business potential in

Indian Tier I & II cities [3]. The relatively lower level of capital investment required to start the franchising business, lower risk and availability of established brand names, marketing network and sales channels. are the main reasons for the growth factors for increased franchised activities India. Pune with its huge student's population as well as ever-growing IT professionals, has assumed the most sought after destination for major multinational as well as Indian brands to set up their franchised businesses in the city & surrounding areas [11].

With the recent developments such as relaxation of foreign investment rules, liberalized WTO guidelines and attractive incentives from the central government have certainly led to a considerable rise in the franchising business activities in India [4],[5].

Since Foreign Direct Investment (FDI) for organized retail does not permit the direct entry of foreign retailers, the later necessarily have to resort to the franchised business route to do business in Indian market which has favored the significant growth of franchising in India [6],[7].

There are around 2750 brands in India which have adopted the franchising route for their business expansion. Franchising in India contributes to 3.5 - 4.0% of GDP & has created job opportunities for 12-13 million people [11].

There are 5 key sectors in Franchising in India as follows:

- Retail and Lifestyle
- Food and Beverages (F&B)
- Healthcare and Beauty
- Education
- Support Services (Courier Services, Telecom ,Tours & Travels & Other Miscellaneous Services) [10]

Franchising in Healthcare & Beauty contributes to approx. 12-13 % of the Indian franchising industry. Healthcare & Beauty sector over the past 10-12 years has seen a considerable rise & has emerged as an attractive franchising sector in India with Pune city being the destination for most of the proven & popular national and international brands [11].

Literature Review:

Literature review indicates that there is no systematic research done so far with respect to franchising industry in Pune city & adjoining areas. The relevant research journals, periodicals and articles did not give the detailed study and analysis of various franchising business activities in Healthcare & Beauty sector. The various issues existing in the franchising business activities in Pune city and surrounding areas are not fully explored. The research that has been done so far in franchising activities gives the overall approximate scenario and does not explore fully the details of franchising activities happening with reference to the Healthcare & Beauty sector in Pune city & adjoining areas.

Objectives of the Study:

- i. To study the nature, type & distribution of Healthcare & Beauty franchising business activities in Pune city & surrounding areas.
- ii. To study the growth in Healthcare & Beauty in Pune city and surrounding area.
- iii. To study various franchising opportunities in Healthcare & Beauty franchising in Pune city & surrounding area.

Research Methodology:

The researcher has done the survey and collected the information from approx. 650 franchisees selected randomly pertaining to the 5 key sectors of franchising in Pune city and surrounding areas with approx. 81 franchisees in Healthcare & Beauty sector alone. The survey was done with the help of a structured questionnaire & personal interview with respondent comprising of the respective franchisees (owner/staff) and also the consumers. Based on this data as well as the existing available relevant Secondary data, the researcher has made finding & suggestions according to the analysis of data.

Analysis of data & findings:

Based on the Primary data collected during the survey of various franchisees in Pune city and surrounding areas as well as the available Secondary data, the researcher has found out following observations and has mentioned an analytical view of the Healthcare & Beauty franchising activities in Pune city and surrounding areas.

It is found out that there are around 5454 franchisees covering all the 5 key sectors viz. Retail &

Lifestyle, Food & Beverages, Healthcare & Beauty, Education, Support Service etc. in Pune & surrounding areas. Out of these, 792 franchisees comprise of Healthcare & Beauty sector alone which accounts to approx. 14.5% of the total number of franchisees in Pune city & surrounding areas. **A. Distribution of Franchisees in Pune city & surrounding areas:**

Pune City & surrounding areas can be divided into following 3 major geographical areas for the purpose of research survey.

- Old City Area
- Newly developed Area
- Outskirts Area

The distribution of all the franchises in above 3 areas/zones of Pune city & surrounding areas is shown graphically as follows:

Sr. No.	Area/Zone of Pune City	Franchisees	
		Nos.	%
1	Old City area	1889	34.6
2	Newly Developed area	3114	57.1
3	Outskirts area	451	8.3
	Total	5454	100.0

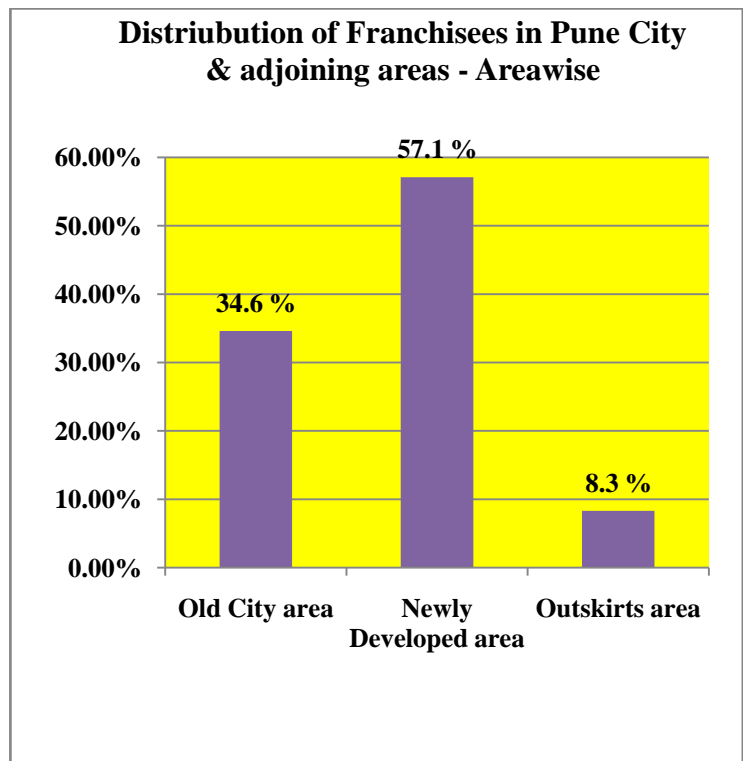


Figure 1: Area wise distribution of Franchisees in Pune city & surrounding area

B.Key Sectorwise distribution of Franchisees in Pune & surrounding areas

Sr.No.	Key Sector of Franchising	Franchisees	
		Nos.	%
1	Retail & Lifestyle	1172	21.5
2	Food & Beverages	1502	27.5
3	Healthcare & Beauty	792	14.5
4	Education	515	9.5
5	Support Services	1473	27.0
	Total	5454	100.0

Shown below is the pie chart of the distribution of all the franchises in Pune city & surrounding areas according to the 5 key sectors of franchises.

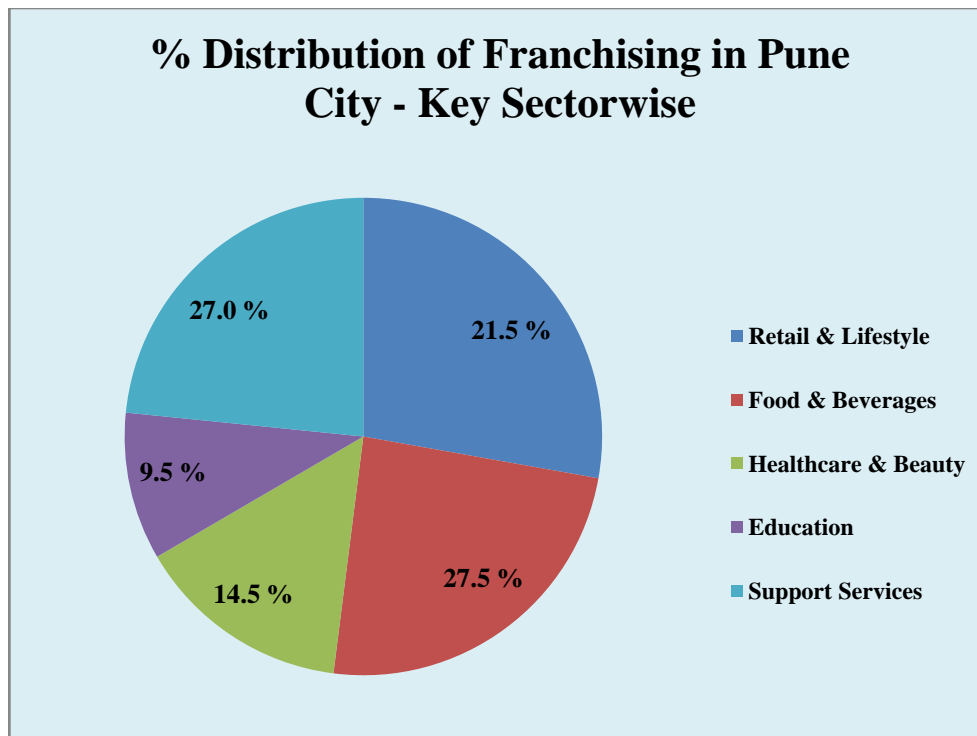


Figure 2: Key sector wise Distribution of Franchisees in Pune city & surrounding areas

C. Growth of Healthcare & Beauty franchising business activities in Pune city & surrounding areas:

Year	Old City Area	% Growth w.r.t previous year	Newly Developed Area	% Growth w.r.t. previous year	Outskirt Area	% Growth w.r.t. previous year
	No.of Franchisees		No.of Franchises		No.of Franchises	
Dec 2008	141		242		22	
Dec 2010	154	9.2	272	12.4	25	13.6
Dec 2012	172	11.7	307	12.9	29	16.0
Dec 2014	195	13.4	351	14.3	34	17.2
Dec 2016	229	14.8	407	16.0	40	17.6
Dec 2018	266	16.2	478	17.4	48	20.0

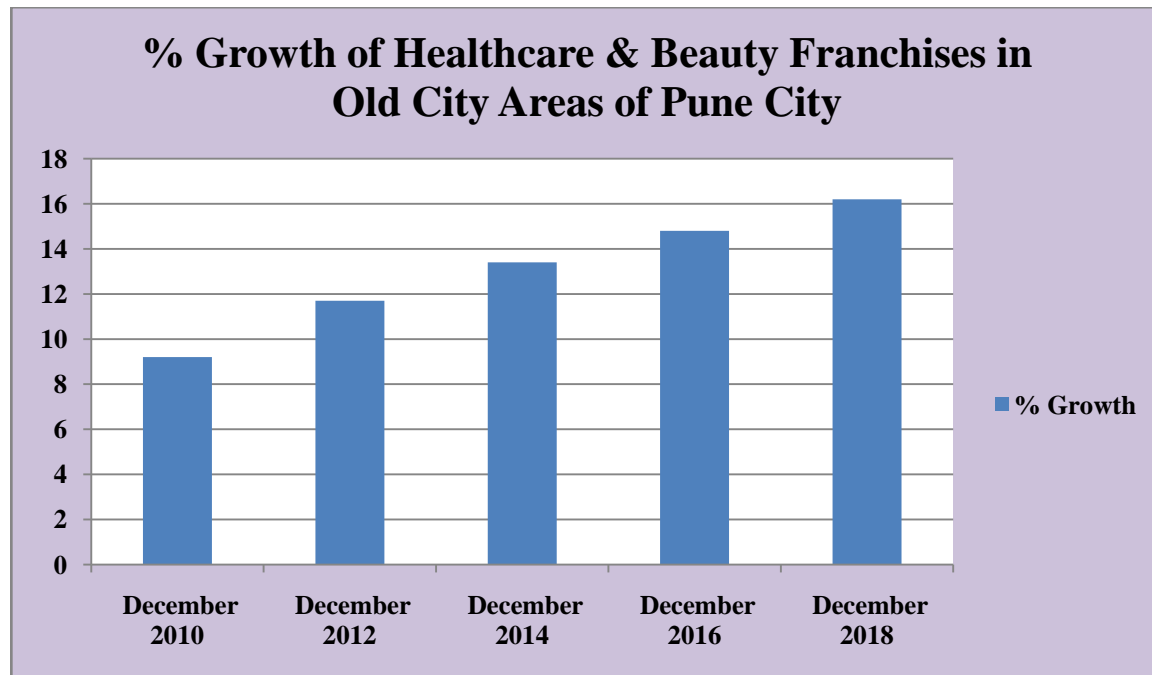


Figure 3: Growth of Healthcare & Beauty Franchises in Old City Areas of Pune.

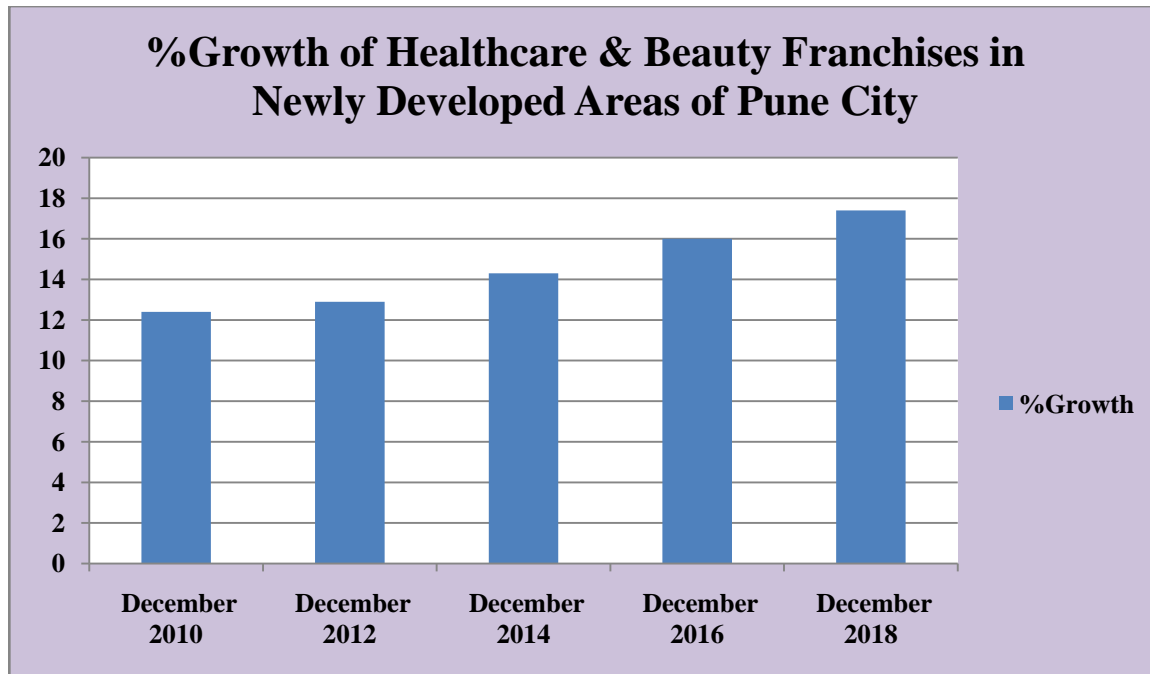


Figure 4: Growth of Healthcare & Beauty Franchises in Newly Developed Area of Pune.

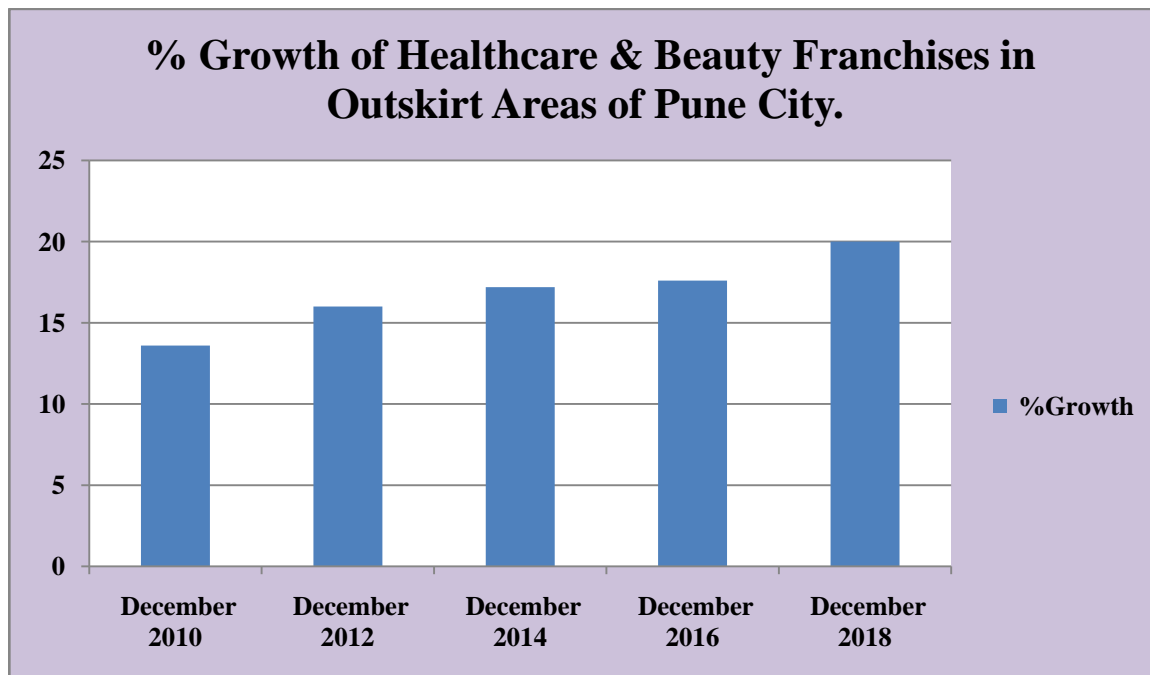


Figure 5: Growth of Healthcare & Beauty Franchises in Outskirt Areas of Pune

Sr.No.	Healthcare & Beauty Sub -Sector	Old City Areas		Newly Developed Areas		Outskirts Areas		Total No.of Franchisees
		No.of Franchisees	%	No.of Franchisees	%	No.of Franchisees	%	
1	Health clinics, Pathology Labs & Hospitals	85	38.5	123	55.7	13	5.88	221
2	Eye care, Dental Care & Hair treatment centers	26	30.6	53	62.4	6	7.06	85
3	Pharmacy/Wellness & Nutrition products stores	17	40.5	21	50	4	9.52	42
4	Gymnasiums, Fitness, Diet & Nutrition centers	16	22.9	49	70	5	7.14	70
5	Ayurveda, Herbal, Homeopathy Treatment centers & medicine stores	47	50.5	41	44.1	5	5.38	93
6	Beauty parlors, Spas & Salons	54	24.9	152	70.1	11	5.07	217
7	Cosmetics, Beauty care centers/shops	21	32.8	39	60.9	4	6.25	64
	Total	266	33.6	478	60.4	48	6.06	792

D. Healthcare & Beauty Franchisees: Sub-Types and Composition:

Sr.No.	Type of Franchisees	No.of Franchisees	%
1	Health clinics, Pathology Labs & Hospitals	221	27.90
2	Eye care, Dental care & Hair treatment centers	85	10.73
3	Pharmacy/Wellness & Nutrition products stores	42	5.30
4	Gymnasiums, Fitness, Diet & Nutrition centers.	70	8.84
5	Ayurveda, Herbal, Homoeopathic Treatment centers & Medicine outlets.	93	11.74
6	Beauty Parlors, Spas & Salons	217	27.40
7	Cosmetics, Beauty care centers/ shops	64	8.08
	Total	792	100.0

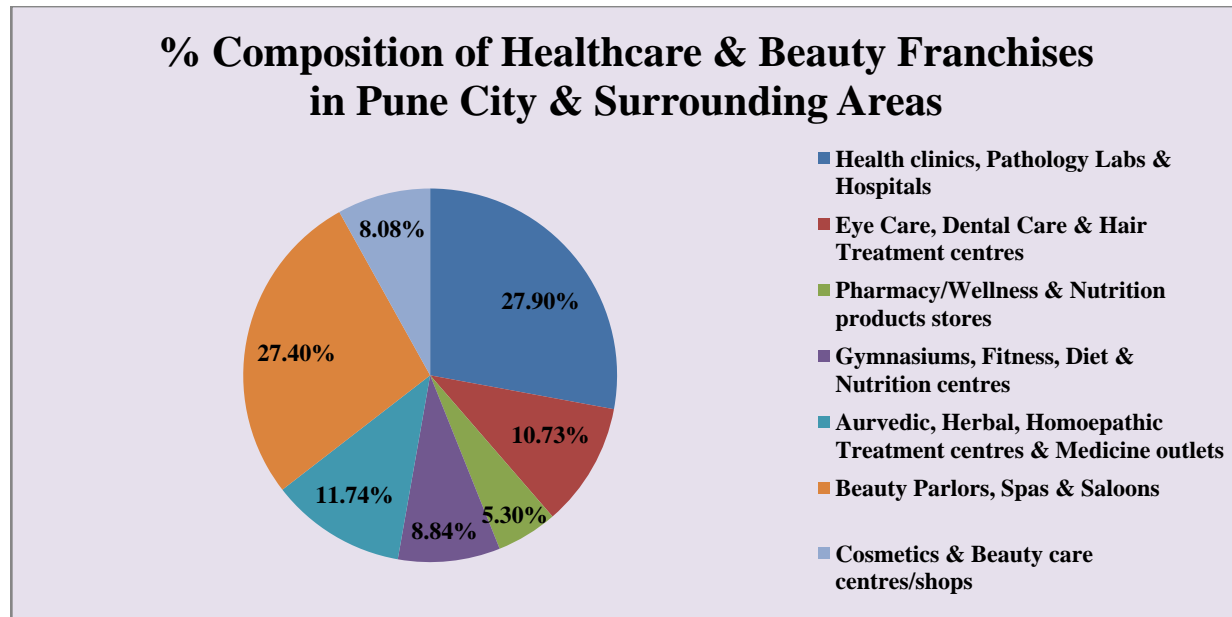


Figure 6: % Composition of Healthcare & Beauty Franchises in Pune & surrounding Areas.

Important Observations / Findings:

1. Healthcare & Beauty franchisees constitute to approx. 14.5% of the total franchisees in Pune city & surrounding areas.
2. It is observed that majority of the Healthcare & Beauty franchisees i.e. 60.0% approx. are located in Newly developed areas of Pune city.
3. There has been a significant growth of Healthcare & Beauty franchises in all the 3 areas of Pune city & adjoining areas during 10 years viz. from 2008 to 2018 as given below:
 - Old city has grown approx. 1.9 times
 - Newly developed areas have grown 2.0 times approx.
 - Outskirt areas have grown 2.2 times approx.
4. It is noticed that there is a considerable growth happened with all the key areas of Healthcare & Beauty franchising activities during the past 8-10 years with most prominent sectors being Health clinics, pathology labs & hospitals; Beauty parlors, spas, salons; Ayurveda, Homeopathy & Herbal treatment centers & medicine outlet etc. in all over Pune city & surrounding areas.
5. It is observed that Health clinics, pathology labs & hospitals topping the chart with 221 franchisees accounting to 27.9% approx., followed by Beauty Parlors, Spas & Salon franchisees with 217 franchisees accounting to 27.4% approx., which is followed by Ayurveda, Homeopathy & Herbal treatment centers & medicine outlet with 93 franchisees accounting to 11.7% approx. of the total Healthcare & Beauty franchises in Pune city & surrounding areas.

6. Newly developed areas of Pune city have seen the majority of the total franchising activities in Pune city with approx.57.0% of the franchisees. The principle reason being this area is saturated with most of the Super Malls as well as the rise of a sizeable number of upscale housing societies in these areas.

7. There are a few more Super Malls coming up in the Pune city & adjoining areas in next 2-3 years which will serve as the potential hub for the future growth of franchising activities.

8. It is observed that there are many franchisees in Healthcare & Beauty sector in Pune city & surrounding areas which started their business activities but due to various reasons discontinued their franchising business activities within a past few years. These specific reasons are as follows:

- i. Less availability of working capital to run the business profitably.
- ii. Improper location of franchises leading to fewer customers.
- iii. High debts run by franchises making it difficult for them to sustain & grow the business.
- iv. Lack of adequate support & proper training from the franchisor to the franchisees.
- v. Lack of mutual trust and interest between franchisor & franchisee.
- vi. Unresolved conflicting issues & miss-understandings between franchisor & franchisees.
- vii. Various legal and family issues of the franchisees.
- viii. Logistic & Supply issues from the franchisor
- ix. Other reasons like Labor related issues in franchising business.

Recommendations:

i. The absence of a dedicated Regulatory Framework and a formal Franchise Law in India can mostly act as a deterrent for an investor or a prospective franchisee which is looking to invest in a new franchised business. Hence, there is a need for a specific /defined Regulatory body for controlling the franchising business activities in Pune city & India as a whole.

ii. Profit sharing is found to be 70-75% (Franchisor) : 25 - 30% (Franchisees). Profit sharing in case of new franchising business set up should be 60 -65% (Franchisor) : 35-40% (Franchisee). Further, in case of an established franchised business set up, the profit sharing should be 65-70% (Franchisor) : 30-35% (Franchisees).

iii. Government, Indian Franchise Association (IFA) & Franchise India can work together to formulate a suitable strategy for sustenance and growth of the franchising business activities as well as minimization of the the failures happening in franchising business in India.

iv. Conflicting issues existing between the franchisor & franchisee can be resolved by enhancing the mutual understanding by both the interested parties, and if required can further be resolved mutually and effectively by seeking support/guidance from the premier national level organizations like Indian Franchises Association (IFA) & Franchise India etc.so that the things are settled amicably and in the interest of sustained & profitable business activity of both franchisor & franchisee.

v. There exist excellent opportunity for Healthcare & Beauty franchisors to expand & grow the franchising business in new upcoming areas of Pune, especially the newly added adjacent villages/towns in to the Pune Municipal Corporation limits.

Future Scope:

i. There exist scope for further research to investigate various conflicting issues which exist between the franchisor and franchisee which can be studied in details so that different possible ways of conflict resolution can be worked out as a solution for smoother functioning of franchising business activities in Pune city & surrounding areas accordingly.

ii. The operational & administrative difference existing between national & international franchising systems can be studied in details.

iii. The cause & effect relationships for the success and failures happened in Healthcare & Beauty franchising business activities in Pune city & surrounding areas so far can be studied in details.

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