

Tilak Maharashtra Vidyapeeth, Pune



Study Of Viability Of Franchising Business Models

A thesis submitted to

Tilak Maharashtra Vidyapeeth, Pune

For the Degree of Philosophy (Ph.D.)

In MANAGEMENT Subject

Under the Board of POST GRADUATE Studies

Submitted By

MIHIR SURESH PORWAL

Under the Guidance of

DR. PROF. ASHA NAGENDRA

June 2016

FORM 'A'

STUDY OF VIABILITY OF FRANCHISING BUSINESS MODELS

A thesis submitted to

Tilak Maharashtra Vidyapeeth, Pune

For the Degree of Philosophy (Ph.D.)

Subject: Study of Viability of Franchising Business Models

Under the Board of POST GRADUATE Studies

Name of the Candidate: Mihir Suresh Porwal

Under the Guidance of Name of the Guide: Dr.Prof. Asha Nagendra

Name of the Department: Management

Month and Year: June 2016

FORM 'B'

I hereby declare that the thesis **entitled “STUDY OF VIABILITY OF FRANCHISING BUSINESS MODELS”** completed and written by me has not previously been formed as the basis for the award of any Degree or other similar title upon me of this or any other Vidyapeeth or examining body.

Sd/-

Mihir Suresh Porwal
Signature of the Research Student

Place: Pune.

Date: June 2106

FORM 'C'
C E R T I F I C A T E

This is to certify that the thesis entitled “**STUDY OF VIABILITY OF FRANCHISING BUSINESS MODELS**” which is being submitted herewith for the award of the Degree of Vidyavachaspati (Ph.D.) in Management Department of Tilak Maharashtra Vidyapeeth, Pune is the result of original research work completed by Shri .Mihir Suresh Porwal under my supervision and guidance. To the best of my knowledge and belief the work incorporated in this thesis has not formed the basis for the award of any Degree or similar title of this or any other University or examining body upon him / her.

Sd/-

Dr Asha Nagendra
Signature of the Research Guide

Place : Pune

Date :June 2016.

TILAK MAHARASHTRA VIDYAPEETH

UNDERTAKING

1. I MIHIR SURESH PORWAL, have registered my name for the Ph.D course in MANAGEMENT in the year 201-2011 with PRN No - 15810004250.
2. The undertaken research is entitled as:

TITLE: STUDY OF VIABILITY OF FRANCHISING BUSINESS MODELS

Sub Title: to understand the VIABILITY and practicability of franchisee business models prevailing in market.

3. I have gone through extensive review of literature of the related published/unpublished research works and the use of such references made has been acknowledged in my thesis.
4. The title and the content of research is original.
5. I understand that, in case of any complaint especially plagiarism, regarding my Ph.D research from any party, I have to go through the enquiry procedure as decided by the Vidyapeeth at any point of time.
6. I understand that, if my Ph.D. thesis (or part of it) is found duplicate at any point of time, my research degree will be withdrawn and in such circumstances, I will be solely responsible and liable for any consequences arises thereby. I will not hold the TMV, Pune responsible and liable in any case.

I have signed the above undertaking after reading carefully and knowing all the aspects therein.

Signature :

Address : BRAMHA AVENUE CHS, B11, 604, KONDHWA, PUNE 411 048.
MAHARASHTRA

Phone. No. : +91 9822998533

e-mail : mihirporwal@gmail.com

Date : June 2016

Place : PUNE

Acknowledgement

First and foremost I offer my sincere gratitude to my guide, Dr. Asha Nagendra, who has supported me throughout my thesis with her patience and knowledge whilst allowing me the room to work in my own way. I attribute this research to her encouragement and effort and without her this thesis too, would not have been completed or written.

I would also like to thank Prof. Dhaunjay, who has guided me for the statistical analysis of the data.

Special thanks also to all Franchisee Unit Owners who allowed me to interview them and fill my questionnaire to the best possible way and to the fullest. They spared their valuable time from their busy business schedule and helped us to understand their Franchised Business Model.

In my daily work I have been fortunate to have friendly and cheerful group of professionals and my colleagues who have guided and helped me to complete this thesis.

Last but not the least, I wish to express love and gratitude for my parents and wife, for their understanding and endless love, through the duration of the study.

Table of Contents

Chapter	Title	Page No.
1	Introduction	1-15
2	Review of Literature	16-65
3	Methodology	66-79
4	Results and discussion	80-125
5	Summary and Conclusion	126-132
6	References	133-141
7	Appendices	142-196

List of Tables

Table No.	Title	Page No.
01	Industry Category of Respondents	53
02	Reasons for Terminating Franchise Agreements	54
03	Current Status of Outlets from Franchisee Agreement Terminations	55
04	Franchisee Business wise data	83
05	Comprehensive data of franchisee units studied	85
06	Unit Franchisee to Master Franchisee Count	86
07	Operational Franchisees Count	87
08	Responded Franchisee Count	89
09	Total Operational Franchisees Vs. Shut Down Franchisee Units	90
10	Total Investment done by Franchisee Owners	91
11	Total Refundable Investment done by Franchisee Owners	93
12	Total Non-Refundable Investment done by Franchisee Owners	94
13	Franchisee Fee	95
14	Duration for Franchisee Agreement	97
15	Monthly Expenses	98
16	Monthly Rental Expenses	99
17	Monthly electricity Bill and Other Expenses	101
18	Employee Strength	102
19	Monthly Salary Expenses	103
20	Promised Break Even Point by Franchisor	104
21	Revenue Sharing Model	105
22	Actual Break Even Point Results	106
23	Minimum Guarantee	107
24	Daily Sales Income	108

Table No.	Title	Page No.
25	Multiple Revenue Options	109
26	Multiple Revenue Options Income Figures	109
27	Support Parameters by Franchisor towards Franchisees	110
28	Franchisee Recommendation factor for opening new outlets	117
29	BEP &Marketing Support	120
30	Break-even Results	122
31	Regression statistics data	122

List of Figures

Figure No.	Title	Page No.
01	Franchise Matrix	4
02	History of Franchising.	5
03	Franchisee Cycle	27
04	Franchisee and Franchisor Influences upon franchising conflict.	63
05	Flow Chart of Data Collection & Analysis	76
06	Showing Total Franchisee surveyed	82
07	Showing Segment wise Franchisee Business Population	84
08	Unit Franchisee to Master Franchisee	86
09	Operational Franchisee to Shut Down Franchisee	87
10	Total Franchisee Count to Responded Franchisees	89
11	Operational Franchisees Vs. Shut Down Franchisee Units	90
12	Total Investment made by Franchisees Owners	91
13	Total Refundable Investment made by Franchisees	93
14	Total Non-Refundable Investment by Franchisees	94
15	Franchisee Fee	95
16	Duration for Franchisee Agreement	97
17	Monthly Expenses	98
18	Monthly Rentals for Franchised Premises	99
19	Monthly Electricity Bill and Other Expenses	101
20	Employees Count	102
21	Monthly Salary Expenses	103
22	Promised Break Even Point by Franchisor	104
23	Revenue Sharing Model	105

Figure No.	Title	Page No.
24	Actual Break Even Point Results	106
25	Minimum Guarantee	107
26	Daily Sales Income	108
27	Multiple Revenue Options	109
28	Marketing Support from Franchisor –Local Level	111
29	Marketing Support from Franchisor –National Level	112
30	Lead Generation	113
31	Franchisee Managers Visit	114
32	Nearby Franchisee Presence	115
33	Competition Factor	116
34	Franchisee Recommendation factor for opening new outlets	117
35	Break-even Happened Vs. Marketing Support	122

List of Appendices

Appendix No.	Title	Page No.
A.	Pilot Study Questionnaire	142-143
B.	Final Questionnaire	144-145
C.	Master Data Base for Analysis	146-148
D.	Franchisee Buying Guide	149
E. Research paper presented and published	Mihir Suresh Porwal and Dr Asha Nagendra (2014). The Other Side of Franchising: Often Revealed Too Late. Research paper co-authored and presented at the International Conference on Retail Franchising- A Gateway for Growth. 6 th and 7 th March 2014. Organized by Department of Commerce, University of Madras In Association with FICCI, TNSC. Published in the Book of Conference Proceedings. MJP Publishers, Chennai. ISBN 978-81-8094-224-2. Page No - 45-53.	150-167
F. Research paper presented and published	Mihir Suresh Porwal and Dr Asha Nagendra. (2014). A Case Study of Failure more than Success. Printer Cartridge Refilling Business Franchising in Pune. Research paper co-authored and presented at the International Conference on Retail Franchising- A Gateway for Growth. 6 th and 7 th March 2014. Organized by Department of Commerce, University of Madras In Association with FICCI, TNSC. Published in the Book of Conference Proceedings. MJP Publishers, Chennai. ISBN 978-81-8094-224-2. Page No - 615-623.	168-186
G. Research paper presented and published	Mihir Suresh Porwal, Asha Nagendra and Madhup Gandhi. (2015), Business Of Internet: A Case Study On Retail Branded Cyber Café. Businesses International Journal of Advanced Research and Technology ISSN: 2347-7490 Volume 3, Issue 3, pp.30-39 Journal homepage: http://www.ijartjournal.com	187-197

CHAPTER – I

INTRODUCTION

This chapter is discussed under following heads

1.1 Definition of Franchising

1.2 Different Types of Franchising

1.3 Trends of Franchising

1.4 History of Franchising – World Perspective

1.5 History of Franchising- India Perspective

1.6 Potential of Franchising in India

1.7 Advantages of Franchising for Franchisor & Franchisee

1.8 Disadvantages of Franchising for Franchisor and Franchisee

1.9 Government, Financial, FAI Role on growth of franchising in India

1.10 Franchising Challenges in India

1.11 Franchisee Attrition

1.12 Need of Research on this Topic

1.13 The aims and objectives of the present research

Introduction

Although Franchising is in its nascent stage, franchising is gaining popularity in the retail segment in India, more particularly in the areas of food products and drinks, restaurant chains, consumer goods, and computer training centers. Franchising is one way in which a company can take advantage of India's vast market with a degree of control that other traditional forms of distribution cannot match. It is now very important to understand the viability of this unique business model to India.

1.1 Definition of Franchising

In a nutshell, franchising is a business system where under the franchisor grants a license to the franchisee to use the franchisor's diverse intellectual property rights, namely, know-how, designs, brands, trademarks, patents, and trade secrets along with the franchisor's proven name, reputation and marketing techniques to market the franchisor's products or services in return for a sum of money. The franchisor provides training and continuous assistance to the franchisee.

1.2 Different Types of Franchising

Single-Unit Franchise

In a single-unit franchise system, one person buys a store from the main company and operates it according to the company's rules. Operating one store at a time is a good choice for new business owners. Some successful operators of one store eventually buy more stores.

Master Franchise

The master franchise is a popular way to spread American businesses to international territories. This method allows one entity to find many franchisees in an overseas area. The master franchisor is responsible for training and providing support to the new franchisees within the large area, which can include an entire country. Master franchisors often establish training centers for new franchisees.

1.3 Trends of Franchising

Trends of Franchising In India:

The discussion begins with the overall franchising trends in India, what were some of the key growth drivers, how many franchisors and franchisees operated sector wise, how much of it was organized versus unorganized and what proportion of total revenues was each of these segments contributing, sector wise. It is obviously clear and certainly believed that food, retail, education, services formed the core of Indian franchising while elaborating on how the entrepreneurial spirit in the country, coupled with the huge consumer class, availability of investment capital and the growth of several new concepts has been fuelling the growth of franchising in India. The consumers, franchisees, franchise consultants, government agencies and franchisors becoming important stake holders of the franchise model in India.

Is India configured culturally and demographically for Franchising Success?

Franchising in India is more successful now than ever before because companies have begun understanding that selling a franchisee is just not sufficient, supporting them and ensuring that they carry forward the delivery of the product/service in the way it is defined, is crucial for its success. When I began my career 10 years ago, I did see a lot of franchise companies failing, but now the failure rate has come down considerably. The failure I could see clearly was attributed to not understanding the far reaching effects of franchising not the franchise model itself as is generally the misconception. There are also occasional failures which we are able to anticipate but cannot do much as the franchisor is not willing to put in the resources or do things they are supposed to do to be successful. Outside (I mean clients who do not use reputed franchisor in India), where clients franchise themselves, we see a very good chance today of very second business that is franchised succeeding, which means that every second business is susceptible to failure, and that needs to be corrected as early as possible for franchising to grow organically, because as a democratic set up and the way India is culturally and geographically diverse there is no alternative business route which can be as comprehensive, relevant and as scalable as franchising is. We have several examples of different Indian companies like Titan, NIIT, Euro kids, Lakme and many others who have literally worked very successfully across the

diverse land scape of India and have become role models for their specific industry around which several other players have come into existence and are now growing at a rapid pace. Hence most of the established segments in franchising have role models or the top 2-3 players paving the way for smaller companies to learn from their peers and create their own niches and deal with the diversity of the Indian customer through a franchise strategy that gets them to their goals.

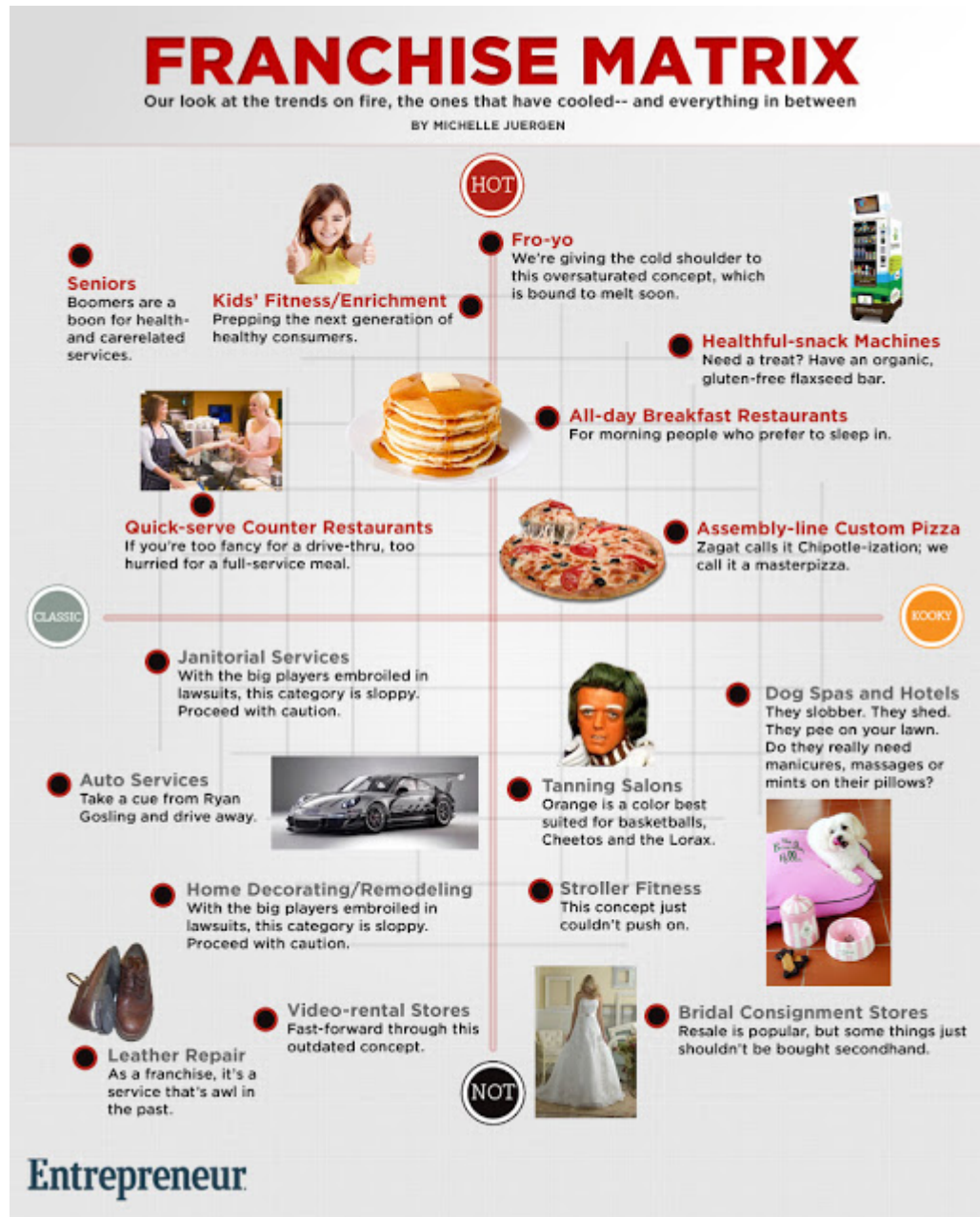


Figure 1: Franchise Matrix

1.4 History of Franchising – World Perspective

Franchising history

Franchising in France can be observed since the earliest years of the twentieth century, and gained momentum in the 1960s with the development of hypermarkets and the shopping malls that typically surrounded them.

Franchising is a great business opportunity for people interested in investing or working on their own. And above all, the government of France recognises this sector as a potential source of development and employment. Franchising is actually booming in France and plays a vital role in the French industry for large, medium and small-sized companies. More than half of all French franchises are small to medium-sized companies.

Going further back to the early stages, the first franchising network of France came into being around 1911. The franchising history of France tells us about Jean Prouvost, owner of a wool mill in the Roubaix, who charged one of his employers with a responsibility to create a chain of wool shops. The employer created a sort of partnership between the wool mill owner and many traders, with an agreement to warrant them the patent of the brand. The brand was the famous "Laines du Pingouin" (Penguin Wools)! It is because of this event that the US and France vie with each other for the primacy of "franchising mother-country".



How Long Has Franchising Been Around?

- ❑ 200 BC - in China was the Earliest Signs
- ❑ 1840's – German Ale - Modern Franchising
- ❑ 1851 – Singer Sewing – 1st US Franchise 
- ❑ 1924 – A&W Restaurants 
- ❑ 1955 – McDonald's Restaurants (Ray Kroc) 
- ❑ Today-\$1.5T+ Sales on 500K+ Franchise Businesses

Figure 2: History of Franchising.

1.5 History of Franchising- India Perspective

As per earlier records and available data Ms. Shah an NRI arrived, on New Year's Eve. She was so happy to know that the Indian economy had grown in the last quarter at 8.4%. She decided to go to the US to pursue her dream of running her own business late back in 1970, an era plagued by regulation and bureaucracy. Her business of selling Indian garments in the New York, US had been tremendous successful. In 2004, she was amazed to see the change in the Indian capital. She used the **Hertz Rent-A-Car** service for airport pick-up. She decided to stay at **Orchid** (a franchised hotel chain). For instant rejuvenation she dropped at **Shehnaz Hussain Beauty Parlour**. She had come here to set up a liaison office in India. Having no previous experience about doing business in India, she decided to avail the services of a franchised Business Service Provider, **Crestcom**. She was overjoyed when she came to know about the local **Subway** operating with the same American standards in India. She appreciated the food, as it tasted exactly the same as she had at the Times Square Junction, New York. She was glad that the **Ritu Beri** designed clothes are available in Delhi, and they are franchising at an international level. She knew that the clothes designed by her were a rage in the US and she couldn't afford to miss this golden opportunity.

What one would notice is that all these companies have expanded gradually and made their presence by franchising. Franchising, as a way of expansion in India was little known till the 1990s. Franchising in the US was initiated by the fast food industry, whereas in India it was IT Education industry who led to its evolution.

Today, franchising has forayed into all industries from Food and Fuel to Lodging and Child Care. Technical, IT based franchising has also grown in India , Cartridge World ,Abee Fill Cartridge Refilling Stations, Refeel , Sify iWay internet cyber cafes and many more. One of the major interesting facts is also to be understood that and earlier franchising business was introduced to only top 4 metros and state capitals but now every District Capital and Town is doing business under the franchisee model. More and more new business entrepreneurs and getting attracted by the franchised way of business due to their expectations for success and surety of business because of branded model and professional approach of business from franchisor.

1.6 Potential of Franchising in India

India is a geographical diverse country. Franchising in India is at a very nascent stage. However, this industry has clocked the growth rate of 25-30%, the second fastest growing industry. In the US, 45% of the sales come from franchised business; India is still to reach that stage, where franchised businesses are as widespread as the local grocer.

Franchising, as a dynamic and ever changing industry, will firmly establish itself in a couple of years. It is not difficult to spot malls. Organized retailing though only at 2% of the retailing, will take off in a very big way. The Indian middle class has been slowly expanding; it now buys consumer appliances, thanks to the economy growth of over 8, the stock market crossing 6,000, forex reserves surpassing 100 Billion USD, and the increase in disposable income. Today, over 33 million Indians can afford the best services and products and over 310 million Indians buy consumer appliances.

India offers lot of potential for the franchising community. Apart from Indians being very entrepreneurial, franchising as a way of doing business has been well accepted. Today, we can find international names like Gold Gym, Subway, and Hilton etc. The service sector which will open up in 2006 according to the WTO guidelines will bring in more opportunities for the Indian entrepreneur and a larger market for the franchisor.

With Goldman Sachs predicting that India will be the third largest economy in 2025 and S&P upgrading India's credit standard, and an extremely stable government, the franchising community has a lot to cheer.

Sify iWay had aimed 5000 iWay franchised outlets in India and their intention was to open one franchisee per pin code of the country. If a small cyber café business unit can aim for such a huge franchised network then just imagine the scope of total business if done under franchising. Today each avenue of business and sector needs a professional way of doing business and franchising is supposed to be the best know model for a successful marriage of Businessmen + Professionals. There is endless scope for expansion and heights which franchising can attain if viability is proved.

1.7 Advantages of Franchising for Franchisor & Franchisee

The pros of franchise ownership

Buying a franchise can be a quick way to set up your own business without starting from scratch. But there are also a number of drawbacks.

- Your business is based on a proven idea. You can check how successful other franchises are before committing yourself.
- You can use a recognized brand name and trademarks. You benefit from any advertising or promotion by the owner of the franchise - the "franchisor".
- The franchisor gives you support - usually including training, help setting up the business, a manual telling you how to run the business and ongoing advice.
- You usually have exclusive rights in your territory. The franchisor won't sell any other franchises in the same region, though there will be competition from other businesses.
- Financing the business may be easier. Banks are sometimes more likely to lend money to a franchise with a good reputation.
- Risk is reduced and is shared by the franchisor.
- You don't have to start a business from scratch. A skeleton business model is available, which you just need to fill up with your hard work and understand how the system works.
- The franchisor will help you at every step when you start a franchise business.
- The franchisor will provide you an estimate of how much money you will need to buy a franchise from it.
- Finding an investor, who is willing to invest in a business venture of a novice, is quite difficult. But with franchising, it's not a problem, because the name of the franchisor acts as guarantor for the new franchisees.
- The bulk purchasing power of a franchise system ensures that you get discounts from manufacturers.
- Developing a market position takes a long time; but with franchising, it comes easily as you are marketing the already established brand-name of the franchisor.

1.8 Disadvantages of Franchising for Franchisor and Franchisee

The Cons of franchise ownership

- Costs may be higher than you expect. As well as the initial costs of buying the franchise, you pay continuing royalties and you may have to agree to buy products from the franchisor.
- The franchise agreement usually includes restrictions on how you run the business. You might not be able to make changes to suit your local market.
- The franchisor might go out of business, or change the way they do things. Other franchisees could give the brand a bad reputation.
- You may find it difficult to sell your franchise - you can only sell it to someone approved by the franchisor.
- Reduced risk means you might not generate vast profits.
- One's freedom as an entrepreneur is restricted when one is a franchisee. Your franchisor may dictate you in almost everything, starting from when you open your store and what you can sell to what will be the design and color of your store!
- You may suffer loss, if another franchisee somehow gets entangled in bad publicity. Like the proverbial "rotten apple", it can damage the whole chain.
- Your franchisor may be out of sync with the local market and force you to adopt policies that are counter-productive.
- Your franchisor may force you to buy products from suppliers at higher prices than the market-rate.
- Joining hands with certain franchisors can be damaging, as they may have a restrictive non-compete clause, if you terminate or don't wish to renew your franchise agreement.
- A high royalty fee may eat into your profit margin. When it comes to pay ongoing royalties and advertising fees along with the initial franchise fee it becomes a nightmare if the cash flows and the expenditures are not properly monitored.
- The public image of your business can be damaged if other franchisees are performing poorly or the franchisor encounters problems.
- The parent company or franchisor you sign a franchise agreement with has the right to control a large portion of your operational decisions, including setting prices for goods or services, determining location decor and mandating employee uniform requirements. These constraints rob you of the chance to put your own

stamp on your franchise location. This may make you feel like less of a small-business owner because you don't truly have total control over your company. In the end, you have to adhere to the parent company's demands to preserve your franchise agreement.

1.9 Government, Financial, FAI Role on growth of franchising in India

An important part of our discussion was what role the government should play in promoting the success of franchising business model in India. We then moved on to how can financial institutions in India provide impetus to the franchising model in India and what can organizations like FAI do to develop franchising in India. Here again researcher strongly believes that the government should grant franchising a specific segment status like it has done for say industries or agriculture. Today there is no pure franchise related funding assistance provided despite the fact that banks and bodies like SBI, SIDBI etc. say that they provide loan for franchising, but in effect it is all done on the basis of the person applying for the loan rather than the merit of the business itself or a combination of both. We cannot go to a bank saying that here is a credible profile, and this is the business that he or she wants to pursue, please sanction the loan for the same, as the business has a track record of success and this will ensure that your chances of recovery will be very good instead of the institution just merely looking at the repayment capability of the profile irrespective of what the franchise is. Being not very regulated has its own advantages as it provides an ecosystem for smaller companies with lesser resources to grow and cuts off the red tapism and other government interventions. However, the flip side is, there could be unscrupulous players taking advantage of this situation. Today several international companies who look at India feel that there is not enough regulation in India to support the growth of their business and when we help them understand that corporate India definitely has a very good legal framework, which when used properly from a franchising perspective, can ensure that they are able to operate very efficiently. Infact having a local master franchise who understands very well can only translate into running the business efficiently. See the case of Dominos or McDonalds in India, with their master franchises being local and from a corporate background, helping the franchisor to scale up the business to such high levels within a very short time.

1.10 Franchising Challenges in India

How difficult is it for franchisors to convince franchisees of business viability, returns and the brand and its quality. For me all these 3 things are co-related. It is extremely difficult to make the first few franchises. Once you make these franchises; their success then moves your franchising system from tier 1 to tier 2. Having a proper franchise marketing strategy which is focused not at getting the desired numbers but equally focused on getting the right profiles is critical for most franchisors to succeed and this is where most of them fail. They generally compromise on their initial franchise marketing budgets, are always relying on somebody to take up their franchise and put the money on the table, irrespective of where they came from or what their profile was. From there we chatted on how franchisors found it difficult to maintain the brand and quality standards, maintaining stock at agreed levels, payment related concerns, royalty receipts, disclosure of sales and business and recruitment of skilled employees by the franchisees. We then discussed how franchises faced challenges on location, rentals, recruitment of the right talent, retaining employees and the capital constraints they face when businesses had a down cycle and how that impacted the franchise brand in the long term.

1.11 Franchisee Attrition

Finally we discussed why franchisees leave a franchise system by understanding the Disadvantages of the Franchisee system? It is most commonly observed that the most obvious reason for franchises to quit is they do not get the expected financial returns. When they see that they are not getting the required marketing, operational, technical and other support they switch off. At times it is also observed that some franchises have to leave due to personal problems or their relationship with the franchisor has soured or there has been a change in regulations or ownership/possession of properties where the business operates or their ownership patterns itself changing, which impacts the business. At times franchises also leave when they have found something more lucrative or have got themselves a better franchise. It is also seen at times, that franchises become franchisors, when they believe that they can create a similar business and earn more from being a franchisor, hence planning an exit to re-enter the same business as a franchisor.

1.12 Need of Research on this Topic

Until now, research on franchising has been lacking in India. However, India was one of the first Asian countries to develop numerous franchise units. Previous franchising research indicates that qualitative studies are not sufficiently used in this field. Therefore, it was decided to interview franchisees in order to better understand how and why people choose franchise rather than other forms of business.

In continuation to the findings from past research, this study will help to provide insights on the reasons for choosing franchising as a viable business model.

The purpose of this exploratory/descriptive quantitative study is to examine the viability of various franchisee models prevailing in the market. For this research the researcher has selected a sample size of the city of Pune.

Though Franchisee is gaining fast popularity in the Indian Market, it is very crucial to understand the profitability of these models and the actual implication of the business onto the profitability, ROI, BEP analysis in necessary.

The study will analyze whether lower failure rates of franchises are one of the main selling arguments for attracting potential franchisees to the system. But, are the failure rates really lower? Is the franchising promise true? The empirical evidence is not clear.

1.13 The Aims and Objectives of the present research

The proposed study will attempt to address many aspects of franchising in order to contribute to the knowledge about Franchising Business Models for both readers and prospective franchisee takers.

The main objectives of the study, therefore, are:

1. To study various franchisee models currently prevailing in the market of the sample size selected for study.
2. To personally meet the actual franchisee owners and collect primary data for analysis and analyses it to generate expected outcomes.
3. To check the success and failure factors for the franchisee.
4. To generate a Franchisee buying guide for the layman who aspires to buy a new franchisee.

Chapter 2 - Review of Literature

This chapter is discussed under the following heads

2.1 Dynamics of Franchising in India

2.2 Franchising - A new way for Business Startups

2.3 The challenge for Franchising in India

2.4 Financing in Franchising

2.5 Growth of Franchising in India

2.6 Failure of Franchising

2.7 Franchisee Franchisor Relationship

2.8 Gaps Identified from Review of Literature

2. 1 Dynamics of Franchising in India

Dada (2009) has studied the Level of Entrepreneurship through Franchising in United Kingdom. According to him most entrepreneurship development programmes have focused largely on independent start-ups/small and medium sized enterprises (SMEs) as vehicles for entrepreneurship. However, franchising remains under-explored. Within this framework as a means of stimulating the levels of entrepreneurial activity. He also states in his report that entrepreneurship supported with various add-ons and sops from government but franchising still remain on slow pace of development. As per him, the essential features of the franchise concept are reviewed to facilitate understanding of the franchise and franchising business model and organisational parameters of a franchisor. Then, the current trends in the U.K. franchising industry are discussed and its contributions to the economy are highlighted.

Dada has very clearly stated that– the premise that there may be a deliberate effort on the part of franchisors to convert franchisee-owned units into company-owned units. The franchise system is established and has passed the early stage of development, alternative sources of capital become available to the franchisor, and capabilities in financial management, site identification, and managerial training are eventually developed by the franchisor. At this stage, the resource constraint argument predicts a movement in the direction of increased company-ownership. Therefore, franchising may be perceived as a temporary, short-term development strategy in the lifecycle of the franchisor organisation

He has also concluded that franchising constitutes an important, albeit, a largely ignored form of entrepreneurship, and this mode of new venture creation should be given more attention. Four key actions are recommended in order to increase the promotion of franchising as a form of entrepreneurship in the U.K.-

Public Awareness Programmes.

Small Business Support Schemes.

Labour Market Policies.

Public Private Partnerships (PPPs).

He further said that it is intended that the aforementioned recommendations will help to improve the image of franchising as a route to self-employment in the U.K. Clearly, the challenges associated with creating thriving franchise systems also rely on the existence of conducive investment, business, and regulatory environments that will not only spur domestic individuals to invest productively, but will also attract more international entrepreneurs.

Islam (2014) has written about Opportunities in Emerging India and trends indicate that the Indian market is eager for franchises. His Views on the same can be consolidated in the list below as follows

- The consumer class is expanding fast: The large group of middle and upper class consumers can afford to buy more than basic necessities, and many members want to show their wealth through what they buy.
- Double income family.
- Urbanization of Indian villages
- Brands are highly regarded: Most of the consumers perceive that global and even domestic brands as providing quality, convenience, and customer service.
- International franchises bring new and modern business systems: Successful international franchises bring a complete business system, management processes, job training, and the potential for healthy and reproducible bottom line margins.
- Second and Third tier cities are open to franchising: Second and Third tier cities have millions of potential consumers and often have lower labour and real estate costs and local governments that encourage the creation of new businesses.
- Large rural Indian population: Nearly 72%of Indians reside in rural area (Census, 2011). The sheer size of rural populations shows its potential for untapped service franchising market.
- Growth in market: The market has been growing at 4-5% per annum adding more than one million new consumers every year. According to Singh, 12.2% of the world's consumers live in India.
- Internet penetration in India

- Impact of globalization on the market dynamics
- Accessibility of markets and market potential
- Consumer behaviour changes: Increased literacy and greater awareness about brands create new demands and discriminating buyers.
- Competition in urban markets: intensified competition in urban markets increases costs and reduces market share.
- Improved exports due to export policy: The world trade organization's (WTO) Policy for agro-exports has increased exports of Indian agricultural produce thereby increasing disposable incomes of the concerned population.
- Influence of NRI
- Political and social changes through favourable government policies: The Indian Government launched a number of infrastructure development programs which gave a boost to the service economy. This resulted in changes in people's habits and social life.
- Social media: Social and mass media has created increased demand for various services in Indian households. Smart marketers are employing the right mix of conventional and non-conventional media to create increased demand for their products and services. Penetration of internet has drastically impacted the reach and scope of social media.

Aadisht (2006), in his long post has discussed on retail as a barometer of reform. All of his posts deal with the retailing of physical merchandise. But there's another retail story brewing in services, and it's slipping under the radar as far as he can see. Remarkably enough, the company on the leading edge of this retail story is the other Reliance: Anil Ambani's group.

Reliance-ADAG runs the Reliance Web World cybercafé chain. However, Web World goes beyond being an ordinary cybercafé like a Sify IWay or an independent outfit. The cybercafé is only where it begins. Web world is much more than that; it's a platform for cross-selling other services and goods, including:

- Reliance phones
- Kingfisher Airlines and Air Deccan tickets
- Reliance Insurance

- Reliance Mutual Funds

(Some minor merchandise like mugs and T-shirts, which are shipped rather than purchased on the spot- or you bring your own T-shirt).

The insurance and mutual funds started recently. What you need to look at is the profile of what they're selling: except for the phones, these are all things where they need to carry no physical inventory.

He has also put forth some crucial questions about the sustainability of the franchisee business model of Sify iWays.

Converting single-service customers to cross-sell customers. The idea of using existing infrastructure and real-estate space to sell intangible, high-margin services is attractive, but will it actually happen? Cross-sell might be the Holy Grail, but if my employer's experience is anything to go by, it's bloody hard to do. Can you really convince someone who's come by only to pay a phone bill or check his mail to buy mutual funds or insurance? It's hard enough convincing someone who's come by to check his bank balance.

Putting the marketing into place. I might see Web World as a retail opportunity, but are Amar, Akbar and Anthony going to think of Web World when they want to buy financial products? That needs branding and advertising, and more importantly, capability.

Getting the skilled people. You need trained insurance agents and investment advisors in each Web World if you want to cross-sell. Certification is the easy part. Training them to be effective salespeople is going to be much tougher.

Expanding the product range. To start attracting more walk-in customers and brand itself as a service retailer, Web World would have to sell a whole lot more than what they're doing now. Off the top of my head, I can think of hotel and vacation bookings, job recruitment services (not for engineers and MBAs but for private tutors and maids), small money transfers (which would bring them into direct competition with postal money orders- I am not sure about whether financial regulations would actually permit this), and booking one time medium-ticket services, like movie tickets or A/C call-taxis.

Yohn (2010), has discussed about the Retail chain Ikea and Online Furniture business which have evolved from Franchisee Base but modified themselves to suit online business environment. He says that its niche in smart expandable and collapsible

furniture Business. Translated, this means it creates flat-pack products that are assembled at the customer's home. Why is this insistence on flat-pack and in-home assembly? Simple: Cost reduction. DIY (do it yourself) products reduce logistics cost, damages and storage costs, ensuring phenomenal efficiencies at the backend.

But hold the applause. The whole idea is borrowed: the e-retailer has been inspired by global furniture behemoth IKEA. "Flat-pack furniture can help reduce the total cost by 20 per cent for smaller products like wall shelves and in the case of heavy furniture like of sofas or wardrobes, the total cost can go down by 50 per cent.

FabFurnish isn't alone. Many organized furniture e-retailers in India have followed the success story of IKEA keenly, borrowing and tweaking some of its strategies and applying them in their own ventures to drive scale. Says Devangshu Dutta, chief executive, Third Eyesight, "The IKEA model presents significant learning's for India's online home and furnishing e-tailers in terms of product standardisation. Standardisation can bring credibility into the online business given the lack of the touch-and-feel factor."

Globally, IKEA derives its competitive advantage from low cost and smart 'concept-led' design, in turn leading to low prices - a lethal combination that makes IKEA a formidable brand. So what are those inspirational moves of the Swedish furniture maker, and is it possible to replicate them in India? More importantly, will the Indian players following in IKEA's footsteps be able to deliver equally enviable results? Before we proceed, let us look at the home decor and furnishing market in India. The market is pegged at \$20 billion (Rs 1.2 lakh Crore), half of which is furniture. About 90 per cent of the market is unorganized. Modern home furnishing and furniture retailers working offline have not been able to scale up fast because the footprint and inventory requirement is quite large. Such stores typically need at least 15,000-plus square feet of space. And if you are hoping to set up shop on the high street then the costs can really go through the roof.

Law (2004) have studied on "Modelling repurchase frequency and customer satisfaction for fast food outlets". In this study, the relationship between customer satisfactions; repurchase frequency, waiting time and other service quality factors in

fast food outlets are modelled. Results shows that waiting time, staff attitude, food quality and food variety all significantly affect customer satisfaction.

Schroder and Mc Eachern (2005) have studied on “Fast foods and ethical consumer value: a focus on McDonald’s and KFC”. In their paper which aims to investigate the effect of communicating corporate social responsibility (CSR) initiatives to young consumers in the UK on their fast-food purchasing with reference to McDonald’s and Kentucky Fried Chicken (KFC). They have found that Most respondents (82 per cent) regularly purchased fast food from one of the companies; purchases were mostly impulsive (57 per cent) or routine (26 per cent), suggesting relatively low-level involvement in each case. Four factors were isolated, together explaining 52 per cent of the variance in fast-food purchasing behaviour. They were brand value, nutritional value, ethical value and food quality.

Bhardwaj (2011) has studied on very important factor of “Perception about the Attributes of Selected Fast Food Retailers and their Impact on Consumer Satisfaction and Sales”. In his study it relies upon an extensive data set of consumer satisfaction and sales information from approximately 180 consumers. His study advances the measurement of behavioural links between consumer satisfaction and performance in the food retail sector with firm-specific data. The study shows how firms can employ such results to develop appropriate consumer satisfaction policies.

The Economic Impact of Franchised Businesses - Direct Contributions to the U.S. Economy, 2007

It states that there were 828,138 franchised business establishments in the United States in 2007. Franchised businesses provided 9,125,700 jobs or 6.2 percent of the U.S. private nonfarm workforce in 2007. Franchised businesses supplied an annual payroll of \$304.4 billion or 4.2 percent of all private nonfarm payrolls in the United States in 2007. Franchised businesses produced goods and services worth \$802.2 billion, or 3.4 percent of private nonfarm output in the United States in 2007.

Franchised businesses contributed \$468.5 billion to GDP or 3.9 percent of all private GDP in the United States in 2007.

2.2 Franchising - A New Way for Business Startups

Patel (2014) has published a White Paper which has very informative information on Laws governing the Franchising in India. Very less has been published or written about Law on Franchising in India. They have put Franchising in simple words as in legal terms; a franchise is a privilege or right officially granted to offer specific products or services under explicit guidelines at a certain location for a declared period of time. WE can learn from his article these below parameters which are as follows

Laws Governing Franchising in India

In the absence of a franchise-specific legislation in India, a franchise arrangement would be governed by various applicable statutory enactments prevailing in India. A gist of some important statutes is summarized as a brief overview.

(I) Contract Law

The contractual relationship between a franchisor and a franchisee would be governed by the Indian Contract Act, 1872. In accordance with the Indian Contract Act, in order to be a valid and binding contract, the Franchise Agreement must fulfil the essentials of a valid contract, such as: there must be some lawful consideration for the agreement, a lawful object and purpose and the parties should be capable of executing the contract

(II) Intellectual Property Law

In India, the primary laws governing intellectual property rights are the Trademarks Act, 1999, the Copyright Act, 1957 and the Designs Act, 2002. These legislation deals with the licensing of trademarks, copyright, systems, etc., from a franchisor to a franchisee, for the purpose of operating and conducting the franchised business. Further, under these statutes, civil and criminal remedies are available to a franchisor against infringement of intellectual property rights. For example, in case of infringement of a trade mark, civil remedies would be in the nature of an injunction or stay against the use of the trade mark and damages can also be claimed.

(III) Real Estate Law

In India, premises for conduct of the franchised business may be acquired either on ownership basis, or by way of a leave and license or lease arrangement or by way of a business conducting arrangement. The Transfer of Property Act, 1882 and the various

state-enacted legislations on renting of immovable properties, govern these arrangements.

(IV) Taxation Law

Taxes in India are levied by the central, state and local government bodies. Direct and indirect tax laws such as income tax, sales tax, additional tax, service tax etc. would be relevant in a franchise arrangement, as they are in any other business concept. Payment of taxes would depend on the structure of the franchise arrangement and in the case of an international franchisor, the existence of treaties between the countries.

(V) Remedial and Penal Law; Alternative Dispute Resolution

In case of any dispute or difference between the parties in respect of a franchise arrangement, civil and criminal remedies would be available to the aggrieved party in India. The aggrieved party may also initiate any of the alternate dispute resolution methods under the Arbitration and Conciliation Act, 1996.

(VI) Other Applicable Law

Any franchised business set up for sale of products or providing any services would have to comply with the applicable labour legislation in India. A consumer buying a product or availing of a service under a franchise arrangement would be protected under the Consumer Protection Act, 1986. Further, depending upon the industry/sector to which the franchised business belongs, the establishment would be required to obtain certain specific approvals and registrations from different local governmental authorities. For example, a franchised outlet in the food industry requires an eating house licence from the Municipal Corporation and a health licence from the Health Department of the Municipal Corporation. In case of an international franchise arrangement, the Foreign Exchange Regulations and the Foreign Exchange Management Act, 1999 would be attracted. The structuring of the franchise system and the drafting of documentation for franchising in India is very crucial, because adopting readymade structures and documentation from other countries may not grant adequate protection to both, a franchisor and a franchisee in India.

A competent professional franchise consultant with adequate experience in the laws governing franchising in India would be able to tailor-make the franchise structure and related documentation to meet the requirements of individual franchisors. A well-drafted franchise structure and documentation would protect the intellectual property

rights of the franchisor and grant adequate flexibility and security to its franchisees, as is required to facilitate the successful operation of the franchised business.

Welsh (2011) have done an analysis of U.S. data from the Kauffman Firm where they found similarities among those starting franchises and purchasing existing independent businesses. He has also put some light on the Implications for future research and practice which were also discussed in detail. They used the Resource-Based View (RBV) of organizations to compare franchisees in the start-up phase to both entrepreneurs who start new independent businesses and entrepreneurs who purchase established businesses.

Many individuals are attracted to a particular franchise's powerful brand, which can offer a competitive advantage in the marketplace relative to lesser-known, independent businesses that must strive to gain notice and acceptance of customers. Franchisors operate under economies of scale, and therefore franchisees can obtain supplies at lower costs than if they were operating truly independently

Sample Robb, and Mulcahy (2009) have studied about KFS which is a panel study of 4,928 new businesses founded in 2004 which included new entrepreneurship business formats and franchisees which mirrored the true population, according to Dunn & Bradstreet. Base year data was collected in 2005 using both web-based and Computer Assisted Telephone Interviews (CATI) which asked many measures of specificity—Including the nature of new business formation activity (franchisees, new independent businesses, or purchased independent businesses); characteristics of the strategy, offerings, and employment patterns of new businesses; the nature of the financial and organizational arrangements of these businesses; and the characteristics of their founders/partners. Due to the nature of franchising, analysis was limited to service and retail industries only (2,922 cases) to minimize the potential noise created by having firms as diverse as high-tech biotechnology firms alongside home-based SMEs.

The results of this study provide us very crucial insight into the difference among three business forms in the start-up phase: franchises, new independent businesses, and purchased independent businesses. While the study is preliminary in nature, it is one of the first of its kind to make comparisons across these three forms and utilize

the resource-based view to show the resources of competitive advantage contained within each form.

As predicted, the absence of relative structural and relational capital provided by new independent start-ups appears to require more industry experience than franchises.

Purchased independent businesses, at least with regard to industry experience, appear between franchises and new independent businesses. Although the structural and relational capital of franchises and purchased businesses may make up for a lack of industry experience, entrepreneurs apparently do not seek to substitute those resources for entrepreneurial experience.

Adding further he says that First-time business owners were no more or less likely to start one form of business relative to experienced business owners. The results for hours worked are intriguing. On the one hand, as argued in the hypothesis development, franchisees would be motivated to work more hours because the operational requirements of the business format franchise may necessitate a high number of hours worked and the entrepreneur may perceive a franchise to have greater chances of success than an independent new business. At the same time, independent new businesses are most exposed to liability of newness and thus founders of those types of businesses can ill-afford to under-exert them. This finding warrants further investigation.

The RBV of organizations provides a useful framework for examining the difference among the three business forms from the resources provided by the entrepreneur in the form of human capital and the resources that are a key part of the business forms. Thus, we sought to understand to what extent entrepreneurs match their background to the organizational form with complementary resources.

The results of this study have direct implications for research on franchising and decision making by entrepreneurs to select a particular business form.

We must understand that The Kauffman Firm Survey (KFS) is the largest longitudinal study of new businesses ever embarked upon (DeRoches) and the outcomes of this add to the valuable database and information pool about the research and business parameters.

2.3 The Challenge for Franchising in India

Kumar (2014) has emphasised on the Factors Affecting Prosperity of Franchising in Retail Business. In his white paper, he has depicted the details of a franchisee cycle and their characteristics. An Interdependency of each parameters and their effect on each other can be understood form the below figure no 3. Though these heads are self-explanatory their occurrence and dependability pattern marks the importance of the franchise cycle.

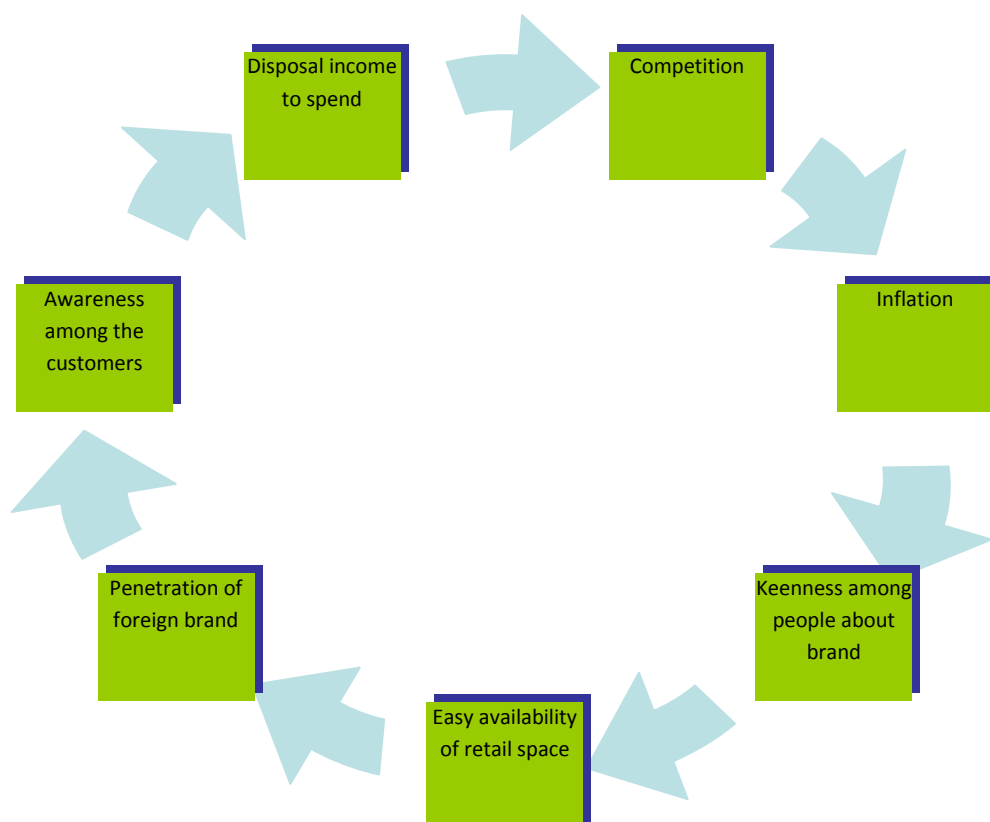


Figure 3: Franchisee Cycle

He also explains in details the Limitations of Franchising in India

- Political instability.
- Underdeveloped financial statement.
- No proper legal system that protects intellectual property rights and upholds contractual obligations.
- Underdeveloped infrastructures.
- Low income of customers.

- Entry barriers.
- High exit cost.
- Huge investment.
- Lack of awareness among the customers about the available brands in the market.
- Unavailability of cheap retail space.

He further concludes that, every business reaches the stages when the owner realize that they have gone as far as they could go in their home country and need to look abroad for further expansion and they search for the alternative which can help them to expand their business in new markets but to select and work on that is a challenge for any company. When the organization selects Franchising as an option, they have to consider various factors directly or indirectly affect the growth of the business in a particular environment. Franchising is taken as the best option in present scenario because of many reasons. It can be economical, social, political benefits etc, though; it is also having some limitations such as huge investment, unavailability of cheap space etc.

Pradeep (2014) has studied a very important topic of controversies over franchising. Very less is written or discussed on the topic in franchising domain. In his study he says that,

As successful as franchising has been in the United States, there are critics who suggest that it has been detrimental to the country's economy. One argument is that franchise employees receive low wages. This is partly because the majority of the workers are part time employees who don't receive any benefits. Because of the low wages and lack of benefits, franchise owners have a hard time attracting and retaining quality workers. One of the solutions to this problem would be union organization. However, labour unions in general have lost their power in recent years, so they are more reluctant than ever to organize franchise workers in difference to focusing on unionizing larger and more stable employers. Without union representation, workers may not organize and wages may remain low.

A second criticism is that chains detract from the aesthetics of a community. They may locate in residential neighbourhoods and erect huge unsightly signs. Some

communities have eliminated these problems through strict zoning laws and other legislation. Often, these laws are “grandfathered”, which means existing businesses are unaffected. So, if urban blight is to be eliminated, it will not happen for years to come. Opponents of franchises also cite the distribution of franchise revenues. Much of the money franchises take in goes to the franchisor. Thus, it is removed from the local economy. A locally owned firm’s revenues would stay in the community. But, since chains drive out local owners, much of a community’s revenues are lost.

Certainly, there are arguments that support the existence of franchises, too. Regardless of the controversy, franchising has had a major impact on the American economy, and is impacting foreign countries as well.

Marya (2012) in his Annual Report on Franchisee 2012 has said that Indian Franchisee Industry has faced many challenges in past and many more challenges are still prevalent in today’s scenario. He Briefs about:

1. Correct approach to fight the Indian Diversity
 - a. A balanced and well informed decision should be taken while going for a Franchisee Business.
 - b. Opting for a right location with knowhow on the locality demographics
2. Soaring Real Estate Prices
 - a. High Real Estate prices pose a major threat as continually increasing prices disturb the invest ration
 - b. Real estate eats up the major part of the investment which does put pressure on the franchisor, franchisee or investor if things don’t fall in place.
3. Belief that Free sand Royalty payments are very high
 - a. Many of the potential investor assumes that the franchise fee, or the royalty fee is very high, high puts them on back foot. However, the mind-set are changing, people are now a days more aware of the franchisee business and its modalities, by various platforms, consultants, exhibitions these beliefs are changing to some extent.
4. Requirement of a strong legal Framework
 - a. Absence of legislation is causing hindrance in growth of the franchise industry

- b. Legislation will bring transparency in the franchisee industry, thus improving standardisation in operations,
- c. Confidence of franchisee investors will increase
- d. Strong legal framework is required to assist the agreement section where many cases appear which are difficult to be resolved under the current scenario.
- e. Apart from several laws that administer the franchisee agreement, it does seem to baffle a franchisor as such a taxation laws, intellectual property law, trade and exchange regulations, labour laws.

India being a vast country with diversity in many ways it poses beneficial in many ways but also poses a challenge due to legislative gaps that surrounds the franchisee business environment.

The franchisee horizon in India seems positive and robust for growth. After a detailed business analysis sector wise that will guarantee business success to the investors as well as ride the industry growth average to greater heights.

2.4 Financing in Franchising

Marya (2013) has put some light on financing of the franchisee business model. As per his view Franchisee get financial assistance from many sources, in both public and private sectors. The public sector financial sources include government sources whereas the private sector includes banks, lenders and private financial institutions. Financing processing fee is levied in addition to interest thus one must take care of all pricing before approaching a lender for assistance. The best way to avoid a hasty decision is to analyse the potential financing sources.

He also has shared important factor of Debt versus Equity Financing In a debt financing someone borrows someone else money and agrees to pay back the principal with interest .It includes equipment loans, mortgages, leases and bonds. In many cases the loan is granted against some assets. The main advantage of debt financing is you retain complete ownership of the franchisee business and need not share profits or decisions with the partner. The biggest disadvantages of it is that the potential for overleveraging. When the business is overleveraged, it has too little equity and has debt payments that are too high for the business to support.

On the other hand in equity financing, franchisee sells the portion of ownership in the franchisee business to someone who share control of the business. That someone may be silent partner or someone may be operating partner or even a venture capitalist. The one advantage it offers is that partner can offer complementary skills. The partnership is likely to be strong if one partner is strong in finance, accounts, book keeping, operations and the other partner is good at sales, marketing, and business development. The main disadvantage of the equity financing is the resultant sharing of profits and conflicts that may arise over direction of the business.

Wall Street Journal (2008) is clearly given very important facts and tips for a new franchisee setup

- Be prepared to put down about 20% of the cash you will need from personal funds.
- If conventional lenders turn you down, look into an SBA-backed loan.
- Consider tax implications if you're considering tapping a retirement plan

Commercial banks fund many franchises, so look to these lenders first. The single most important issue in landing bank financing is your credit rating. You will need to present a complete loan package including a personal financial statement, copies of personal tax returns for three years, and verification of the source of your down payment. Bankers favor businesses with brand names and long track records of consistent cash flow, so your choice of a franchise system can help or hurt you. Ventures with few locations are less attractive, in part because they lack proof that they can do well in all types of areas or economic climates.

SBA loans are partially guaranteed by the government, making them less risky. The standard SBA loan for franchisees is known as the 7(a), which is issued by a bank or other qualified lender, and partly guaranteed against default by the government. Because of that backing, such loans are seen as relatively low-risk. SBA loans of five- to six-year maturities can provide short-term working capital and equipment. Real-estate loans can run for 20 years or more. About 10% of all SBA loans go to franchisees, with the size running between \$250,000 and \$500,000, and maximum of \$2 million. Most of that money is for franchise entry fees, improvements or working capital. Borrowers must be creditworthy, typically must contribute some equity, and are expected to repay the SBA loan out of the franchise's cash flow.

Many SBA loans carry fluctuating interest rates. While the actual rate is negotiated between the bank and the borrower, it's subject to SBA maximums, which are tied to the prime rate. While a low rate may be attractive initially, make sure you can generate enough business to cover the payments if the rate rises.

Another government lending program involves the Department of Veterans Affairs. The program, called Patriot Express because of its relatively fast approval time, makes loans up to \$500,000 to active-duty military preparing to transition to civilian life, as well as to spouses and survivors of veterans. The loans come with the SBA's lowest rates.

A few franchisers offer internal financing. For example, a company may defer a portion of the initial franchisee fee, essentially financing the deal. Interest rates are likely to seem high compared to other options. However, you may not have to put up collateral. Sometimes it makes sense to tap 401(k), Individual Retirement Account or other retirement funds rather than seek a loan. But rather than just taking an early withdrawal, which may be subject to taxation, you may want to consider setting up a

C corporation that will own and operate the business. Then roll over money from your self-directed retirement account into that corporation's profit-sharing plan and direct that those funds be invested into the franchised business. But this is a risky option: If the franchise fails, your retirement fund can be wiped out. Check with a professional on possible tax implications, and consider the tradeoffs carefully.

Dhamayanthi and Kumar (2009) indicated the importance of allowing FDI in Retailing. FDI and its role was on a quite some time issue of debate and their implications still remain to be unclear and hazy. She has tried to clarify major issues in her paper which has quoted a fantastic example of China which was able to achieve greatest achievement by allowing 100% FDI in the sector. The paper has highlighted the factors for not allowing the FDI in retail sector. It also discusses about the India Current position in the sector and its implication if the sector was opened for FDI. The paper concludes with strong Argument that FDI should be allowed in the Retail Industry.

Goldberg(2015) has clearly stated valuable inputs on Financing on Franchisee and their various types of sources. A list below summarizes many of the financing sources franchisees can explore, but first a few general guidelines to keep in mind before approaching any lender. Do all this before approaching a lender. You can start by asking your franchisor for guidance. They're eager for you to open and start generating royalties. They've already approved you, you've signed a franchise agreement, and both sides should be raring to go (pending your finding the best site if you have a retail concept).

Think like a lender. Lenders seek to minimize their risk. Help them feel comfortable not only with the dollars and cents, but with your own character, integrity, and work ethic. A lender would rather see a realistic plan asking for more money than an optimistic plan seeking less: they know one of the biggest reasons start-ups fail is under-capitalization.

Goldberg(2015) has laid down in detail the FUNDING SOURCES and explained each head briefly

Franchisors

Your franchisor is a good first stop. Ask them for recommendations. They may have agreements with lenders to not only approve a loan, but to shorten the process and help you open sooner.

Do it yourself

Cash is king, or maybe queen: As Billie Holiday wrote in 1939, "God bless the child that's got his own." Of course if you can afford the start-up costs yourself, you don't need a loan - although it can make good business sense, depending on your circumstances. For years, franchisees used their home equity and 401(k) retirement funds to start their new business.

Home equity

For those whose homes have retained their value and who own or have a significant percentage of equity in their home, this time-tested source of business start-up funding is still a good alternative.

Retirement funds

If you have a 401(k) or other retirement fund, you can create a C corporation that can be used to buy stock in your new franchise business, thus funding it. Be aware that the IRS rules on this are under scrutiny, but companies specializing in this area have been around for years and have helped many franchisees get started.

Business partner or investor

Many new franchisees have the energy, drive, and skills to succeed, but lack the money to get started. If you're one of these, consider pairing up with a money partner, angel investor, or even a venture capitalist interested in the brand or industry you've chosen.

Conventional lenders

Large banks, the traditional bulwark of small business loans, pulled back after the subprime debacle, making loans only to those who didn't need them - no help for the many more who did. And traditional franchise industry leaders such as GE Capital and CIT pulled the plug on lending as well.

Small Business Administration (SBA)

The SBA will guarantee a significant portion of a loan, typically up to 80 percent. Note that the SBA does not make the loan, but guarantees a large percentage of it. In theory, this reduces the risk for bank lenders, making them more willing to lend to new businesses. And it worked well for years until the subprime loans hit the fan. For the most current information, visit the SBA's website (www.sba.gov).

The Franchise Registry

Franchisors listed on the SBA's Franchise Registry offer an advantage to their franchisees seeking SBA-backed loans. Loan applications for brands listed on the Registry can be processed more quickly by the SBA and its lenders (banks) because the SBA has pre-approved their franchise agreement. Listing on the Franchise Registry adds credibility to a brand in the eyes of any knowledgeable lender.

Loan packagers or specialists

Finance companies specializing in franchise-related loans can help you in the early stages by guiding you through the lending maze. These specialists know the ropes and have connections in the lending community. These "loan packagers" will work with you from start to finish improving your chances of success. Best of all, most get paid only if your loan comes through.

Veterans

Many programs exist for veterans of the U.S. Armed Forces. Under the SBA's Patriot Express Pilot Loan Initiative, the SBA will guarantee up to 85 percent of the loan and requires lower credit scores for approval. These loans can be used for start-up, expansion, equipment purchases, working capital, inventory, or business-occupied real estate purchases. At the International Franchise Association (IFA), the VetFran program includes more than 300 franchisors that offer discounts and incentives to veterans on franchise fees and other start-up expenses.

Women

Programs to encourage the participation of women in business exist at the federal, state, and local levels. And in 1996 the IFA formed the Women's Franchise Committee to encourage women to take part in franchising. The IFA's Women's Franchise Discussion Forum is an excellent source of information and networking.

In the end, successfully funding your franchise concept, whether in good economic times or bad, often has as much to do with who you are and how you present yourself

to prospective lenders than all the number-crunching you could ever do. But run the numbers too!

Azhar (2011) in his research paper on Franchisee has explained about Malaysian franchisee scenario which was under the title -A Preliminary Framework for the Franchise Disclosure Document has said that, A preliminary framework to guide this research was developed from the literature about the process of developing a new franchise system in developed nations and in Malaysia in particular. Entrepreneurs who want to develop and operate a new franchise system in Malaysia must obtain approval from the Registrar of Franchise (Malaysian Franchise Act 1998). The new franchisor needs to prepare a franchise disclosure document along with other documents such as operation manual and franchise agreement (Franchise and Vendor Development Division 1999), for submission with an application form for review by the Registrar of Franchise (Bustaman 1995; Miranda 1995). The approved franchise system comprised of franchisor who are the operator of the franchise business and franchisees who are operating as outlet operator.

This franchise disclosure document for the new franchisee is a part of the business planning process in developing a new franchise system in Malaysia (Franchise and Vendor Development Division 1999; Miranda 1995). Information from the business and financial planning is used to develop the franchise disclosure document. We developed a preliminary list of financial, business planning and non-financial (usually legal and other supplementary information for more deliberate explanation about the franchise system) elements that could be placed into a franchise disclosure document from various Western and Malaysian sources.

His Findings from this action research project extended the preliminary framework that has been developed based on the literature and produced two main conclusions. The most important first conclusion states that the findings of this research added another four elements of financial planning to the original five elements. For the first element, a five-year financial forecast of the franchise system (from the perspective of franchisor business) should be included in the franchise disclosure document because it allows the franchisees to know more details about the franchise system. In the second element, a forecast of break-even analysis for the franchisee's outlet must be disclosed to ensure the franchisee outlet can be sustained with minimal turnover of the franchisee's outlet need to be achieved. For the third element, the payback period for

the franchises outlet must be forecasted to provide some information about the investment of the franchise outlet. Finally, for the fourth element, the estimated safety margin for the franchisee's outlet must also be disclosed. These four additional elements of financial planning in franchise disclosure document had not been previously discovered before in a franchise disclosure document and hence constitute the important contributions of this research towards franchise disclosure documents.

For the second conclusion, the findings of this research added another element to the 15 non-financial elements first considered for a franchise disclosure document. The policy workgroup decided to include the territorial rights in the franchise disclosure document because it is also included in other franchise legal documentation such as franchise agreement.

He has also explained that in summary, 25 elements of the franchise disclosure document (9 elements of financial and 16 elements of non-financial) were determined to be included in the franchise disclosure document for a new franchise system in Malaysia. A search of the franchising literature showed that there has not been other research which has examined the process of developing a new franchise system as precisely or as broadly as this research has done, especially in the context of Malaysia where only minimal literature on franchising exist.

Beesley (2013) has published in her paper about Credit Crunch that Franchise Industry has faced during 2008. Credit crunch was a major factor to influence the financing of franchisees and this has impacted the growth of the appointments in new franchised outlets. She says that financing remains a problem for potential franchise owners. According to Entrepreneur magazine (January 2013), there's still an 18 percent lending shortfall in the franchising industry. In a bid to boost franchise ownership, many franchisors are taking matters into their own hands and offering financing programs of their own. Meineke, The UPS Store, Gold's Gym, Masasge Envy and Instant Imprints are just a few examples of franchisors now offering financing to qualifying first-time and multi-store franchise owners. If you are new to franchise ownership, be sure to do your research and due diligence about the franchise system. Study the Franchise Disclosure Document (required by law) and speak to other franchisees about the brand and the financing program on offer.

2.5 Growth of Franchising in India

Sobiya (2014) in her Statistical Report on Franchisee 2013 has suggested a few important points about Franchisee Environment and Government /Roles and reforms required in the developing conducive environment for Business and Growth for Franchising in India. She says that the government should play a key role in supporting all the franchise industry stakeholders including franchisors, franchisees, financial institutions, banks and industry associations. She has written in her report the following points that needs to be considered

- Frame policies which liberalize Indian foreign trade policies to encourage more foreign franchisors in the country. Set up regulations around the pre-contractual disclosures and streamline the process of entry of franchisors.
- Streamline approvals for the prospective franchisees by allowing single window clearance/approvals. Also look at protecting rights of franchisees by setting up a strong dispute resolution mechanism in a country.
- Support public agencies and financial institutions to improve laws and promote franchising.
- Set up a central fund to support innovative franchise models in India. Encourage banks and financial institutions to increase financial incentives for the franchisors, franchisees and concerned associations and agencies in addition to the benefits available for SME's. Financial institutions should also come up with innovative financial products to support franchisee ecosystem.
- Support industry associations such as Franchising Association of India in setting up franchise incubation centres for domestic retailers aspiring to operate in India through the franchise model.
- Franchisor should evaluate setting up financing programs to help the potential franchisees. This concept of financing franchising by franchisor has not yet emerged in India.
- Franchisor should collaborate and support franchisee throughout the business life cycle; specifically the start-up support, operational support, financing support and initial infrastructural support.
- Franchisors should share long term business goals with their franchisees.

- Franchisors and Franchisees should discuss in detail growth opportunities and expectations on returns from franchise business
- Comply with all laws and regulations to operate franchise business in India.

Bruke (2003) has very nicely reviewed Franchisee business in America with clear number to support the saying about the business scenario. He says that Franchising business systems which developed between the 1860s and 1950s today represent the mainstream of American business (Burke & Abel II, 2003). According to Barr (1991), franchising which has been touted as the future of small business has undoubtedly emerged as the one of the significant forces within the US economy. In fact, it can be seen that no other domestic industry segment has experienced such explosive growth, whereby during the period 1986-1988 franchising was reported to be growing at a rate approximately five times faster than the Gross National Product. According to the first ever comprehensive report by the U.S. Census Bureau for businesses engaged in franchising which was conducted in 2007, which covers more than 7.3 million employer businesses in the US and in more than 1,000 industries at the national, state and local level. The Census also reported that franchising sector which operated in 295 industries accounted for 10.5 percent of businesses with paid employees in those industries, or more than 453,000 franchisee or franchisor-owned establishments out of a total of 4.3 million establishments. Additionally, franchise businesses accounted for nearly 17 per cent of total sales for these industries, \$1.3 trillion out of \$7.7 trillion, and 13 per cent of the total workforce, or 7.9 million workers out of a total of 59 million. Franchise businesses accounted for more than 10 percent of total payroll, or \$153.7 billion out of the \$1.6 trillion in total payroll. The Census report shows the vital role that franchise businesses play in the U.S. economy as contributors to growth and jobs for thousands of entrepreneurs and millions of American workers. This research and outcomes explains us the growth scenario and the business potential franchising industry has.

Zeidman (2005) has discussed about Franchising in China, He says In China, and the Ministry of Commerce released its Provisional Measures for the Supervision of Foreign Invested Enterprises Engaging in Commercial Franchising Business (Ziedman, 2005). Zeidman further added that this section on franchise disclosure

which expanded on the 1997 pattern is in a flawed manner but not especially onerous fashion. Hence, according to Ziedman, this procedure which was rushed through had provided some improvement in some aspects of the franchise disclosure but the new and burdensome provisions far outweighed the small palliative steps. Within the ASEAN (Association of South East Asian Nations) community, Malaysia and Indonesia have both introduced franchise laws which among things legislated pre-contractual disclosure document requirements. In Malaysia, the Malaysia Franchise Act was legislated in 1998 (MFA 1998) whereas Indonesia's franchise was legislated in 1997.

Waterhouse(2009) has discussed a very important topic of legislation of Franchising in Europe, in his 2009 year report he says that except in the US, and now in China (2007) where there are explicit Federal (and in the US, State) laws covering franchise, most of the world recognizes 'franchise' but rarely makes legal provisions for it. Among countries which have significant disclosure laws include Australia, Canada, and Brazil. There are six European countries that have enacted a franchise disclosure law (Field Fisher Waterhouse, 2009). These six countries are Belgium, France, Italy, Romani, Spain and Sweden. In addition, other countries which include Germany, Austria, Portugal and Lithuania have general "good faith" type laws that can give rise to franchise disclosure obligations ("Good Faith Laws").

Nithya (2013) in her paper on Brand Franchise has discussed on the important topic of How Local Franchises Are Becoming International Brands? She elaborates, "There's a scope for local franchisees to expand internationally and open their franchised outlets all over the world. That becomes international brands. It means the company has the finances, expertise and confidence to translate a franchise concept for a foreign culture. It may give the impression that the company has grown so big that one country can no longer contain it. But many U.S. franchise systems that boast international reach have just a few units in Canada—and that's it. Not that expanding north of the border doesn't take work, but it's not quite as pioneering as exporting your burger brand to Nigeria or your electronics store to Yemen". Growth from domestic market to international market can be achieved with proper planning, strategy and market mapping would be the success toll for growth and expansion.

Many North American franchises are wary of selling units outside the region, or outside the English-speaking bubble. Doing so means adapting products and services to other cultures, operating in a different business climate, rerouting supply chains and relying on partners who are often unknown entities.

These aren't your run-off-the-mill golf-and-scotch business junkets. The companies that take advantage of the trade missions are striking deals, and the trips have become integral parts of their international expansion plans.

A very important disclosure from KPMG which estimates and suggest that the franchising industry was worth \$13.4 billion (Rs 8 lakh Crore appx.) in 2012. Both franchise revenue and outlet growth is expected to witness a growth of around 30 per cent over the next five years. Food and beverages, health and beauty, education and consumer services have seen the biggest growth through this route. There is expected to be exponential growth in coming decade and there seem extremely bright future for franchising industry,

Serdar Ayan (2008) has conducted research on “Small Business, Entrepreneurship, and Franchising”. In her research analysis she found that small business is any independently owned and operated business, not dominant in its competitive area, employing less than 500 people. She has also identified the concepts for improving the franchising entrepreneurs business as large firms emulate smaller ones to improve bottom line, Downsizing or rightsizing, Acting small from inception, and Intrapreneurs – individuals in large firms who take responsibility for the development of innovations within the organization.

Ehasn Asgharian and Et al (2013) have studied about the “Entrepreneurial Process in Franchised Outlets”. They have given the concluded concepts according to importance of entrepreneurial activities in firm growth and superior performance of franchising (Cox & Mason, 2007) it seems to be important to know;

Does entrepreneurial orientation of franchisee have any role in franchising performance, or regarding to the importance of standardization in a franchise system?

And how does franchisee can develop the entrepreneurial strategies in their outlet? He has answered to these questions in her report and stressed upon standardization , process orientated approach and Regular Audits to ensure that the Quality of Operational Procedure are followed and uniformity is maintain across all outlets across the world.

Isaac H.Smith (2000) represented as development franchising implemented at a micro-business level can similarly compensate for the lack of skills, knowledge, and entrepreneurial expertise necessary for venture success.

Menon (2013) in her paper published in the Franchising Book sates that more than 400 US companies are engaged in international franchise efforts. Most of then use the model of master franchising. The international franchisee model strategy allows impressive results some franchise industry players to view the point where they garner 80% of the profits from the international revenue profits and operations. International franchisee is not just restricted to the big companies any more. Also included is the striking example of a small, relatively unknown franchisee chain that has done quite well inn just a 3 year period of starting international franchising. When UK fashion retailers expand their brick and mortar operations overseas, they often knock on the doors of the local operators who have on the ground retails knowledge and infrastructure already in place.

In India over a billion people, including flourishing class of urban consumers possessing considerable amounts of disposable income together with the continued growth of the economy have strengthened India's claim to be visible and beneficial destination for foreign investors. Indian consumers have experienced the standard of services offered overseas and have sufficient exposure through media, which has further fuelled their expectations.

She has also shared vital statistics that are crucial

-There are approximately 1150 national and international business formats franchisee system in India 2007

- Around 8-10% Indian franchisee systems have entered international markets

- There is an estimated 70,000 units operating in business format franchises.
- The growth rate in franchising units from 2005-2006 to 2006-2007 was 30-35% for the last 4-5 years.

Suresh (2013) in his survey said that there is huge growth potential for Retail Franchise Business opportunities in India.

Franchising industry contributes close to 1.4% to the GDP and has the scope to contribute almost 4% of India GDP by 2017 with the sector growing at a rate of 25-30% annually. Currently the industry in India is of the size US\$ 45.2 billion and is expected to grow to a size of US\$ 168.7 billion by 2017.

Opportunities are knocking retail industry doors as the industry size is getting bigger in India. The retail sector of India alone contributes 22 per cent of the country's gross domestic product (GDP) and contributes about 8% to the employment. The industry includes varied segments like clothing, food, beverages and convenience stores etc. It is time for you to explore among options to discover the best franchise opportunity for your business. Foreign brands such as McDonald's and Pizza Hut have studied India's tastes and needs and customised their products and menus to suit local preferences. Suresh has explained in detail the different models for franchisee relationship models.

Different Business Models that are dependent on Franchise Relationship include:

- **Manufacturer-Retailer** ---- Where the retailer as franchisee sells the franchisor's product directly to the public (eg. New motor vehicle dealerships).
- **Manufacturer-Wholesaler** ---- Where the franchisee under licence manufactures and distributes the franchisor's product (eg. Soft drink bottling arrangements).
- **Wholesaler – Retailer** ---- Where the retailer as franchisee purchases products for retail sale from franchisor wholesaler (frequently a cooperative of the franchisee retailers who have formed a wholesaling company through which they are contractually obliged to purchase. (Eg. Hardware and automotive product stores.)

- Retailer-Retailer ---- Where the franchisor markets a service, or a product, under a common name and standardised system through a network of franchisees. This is the classic business format franchise.

SINGLE BRAND RETAILING – A BOOST FOR FRANCHISING BUSINESS

In 2006, the government allowed up to 51 per cent of foreign direct investment in “single brand product retailing” subject to prior approval of the Foreign Investment and Promotion Board(FIPB) and certain prescribed conditions, such as, the products should be sold under the same brand internationally. In view of the above regulatory regime, the use of a franchise as a business model has gained tremendous momentum, resulting in foreign franchisors such as ‘Mother care’ and ‘Next’ entering the market. It should be noted, however, that other and state legislation, such as labour laws and property laws should also be considered.

Many of the world’s largest and well- known franchise companies, such as UPS India, McDonald’s, Yum Brands, Baskin Robbins and Subway already have a visible presence in India. Other US companies from diverse industry sectors, are now gaining a foothold too.

Parpandel (2010) conducted a detailed research in “Research the Importance of Franchising in General & Sectorial Economic Growth” has been a complex scientific endeavour, synthesis and systematization of information, of the theoretical and methodological approaches regarding the definitive aspects and the institutionalization of franchisee operations , expansion topologies and means , franchise structural and contractual approach, as well as identifying the strategic choices of launching franchise on foreign markets , along with the analysis of franchise market in context of the economic crises, elaborated a comparative analysis of franchise advantages and disadvantages to franchisors and franchisees, the assessment of franchisor and franchisees with a view point of improving the development of franchise business.

Marya (2013) in his book on Franchising tells the importance of Managing and Motivating Employees. At the most fundamental level, management is all about how

we interact with other people. The key to a healthy relationship is regular and direct communications with the employees on an everyday basis for the working of the business and then solving the problems that arise thereof.

FINDING AND DEVELOPING CUSTOMERS

Lead generation, Clientele development and market potential tapping are crucial factors to establish the franchised unit and hunt for right customer. Prominent franchises like McDonald's, Domino's Pizza, Coca Cola, and Pepsi may invest in expensive TV and print campaigns , but they only manage to build brand identification. If you have bought a franchise of a similar nature, you should bear in mind that such brand building campaigns do not ring customers to your door. It is your responsibility to attract customers by developing a local presence through a careful mix of space advertising, direct mail, special offers, publicity and other promotions. Your efforts should be directed at reaching people who live within five kilometres of your franchise so that they become aware of your outlet as an option.

ADVERTISING & MARKETING ACTIVITIES

Advertising, to be successful, should gain the attention of the desired customers, hold their interest create a desire in them for your product and eventually and most importantly entice them to buy a product. Though advertising helps in achieving its two major goals of attracting new customers and retaining the existing ones, it would do well to remember that advertising

In itself is not a cure-all exercise.

Lahiri (2012) has said in his exclusive published interview in the Indian Franchise Report 2012 about NIIT Franchisee business model and its modus of opprandi. He has expressed clearly in his case study about how Franchising route has helped NIIT to achieve the success. Since their inception in 1981 they have grown to 3,700 employees. Company owned outlets have grown to 87 and Franchised outlets have been now grown to 828 all India. Revenue in 2011-2012 was Rs. 1,260 Crore. They have been into franchising since 22 years. He believes in the success was the Feed Back Process which he further has said , NIIT has been organising hub meetings , regional level meetings and national level meeting on regular intervals with its partners. The key objective of these meetings was to gather ground level inputs and

understand the field level pulse of operations and then to brainstorm, innovate and generate new ideas to serve customers better. It helped them and their partners to establish direct connect with the senior management.

For handling disputes, they had developed online grievances redressal system, with a well-defined self-escalation matrix that monitors all unresolved issues and reports to the highest level of authority. The TAT –Turnaround time for each redressal was also pre-defined. NIIT has a transparent system where a partner can talk to highest level of management with ease. However, a continuous system engaging with partners avoid occurrence of disputes and even when they arise, it is immediately addressed resolved through mutual meetings.

The entire team of NIIT work with unison with partners from all levels of management. All NIITians managing a Partner Centre are directly responsible for their partner's success. There is joint ownership in customer satisfaction activities.

Acknowledging Partner s achievement is the integral part of NIIT Channel Management. Various recognition schemes for Partner in Cash a d Kind, online flashing of results, regular bulletins, newsletters of performance are some of the ways of recognising achievements. Franchisor sponsored Trips and free seminars/ Trainings are also awarded to the franchisees as reward and recognition.

Chabbara (2012) says in an exclusive interview conducted by Franchise India Holdings, National Report 2102 on Franchising. He has expressed clearly in his case study about how Franchising route has helped Archies in opening 300+ franchised outlets and 200+ COCO (Company Owned Company Operated Outlets) & achieved the success. Since their inception in 1979 they have grown to 2,500 employees .They have been into franchising since 20+ years .His major emphasis was on choosing the franchisee – Their Brand looks for people who understand their business model and their vision . Personal involvement and enjoying doing the job was also a parameter they looked for. The franchisee aspirant must not only aim in reaping profits but should also enjoy serving customers and feel pleasure in the concept of greeting cards and gifts. He also emphasises on the initial hand holding of franchisor to franchisee. Asper his company policy 1-2 people stay back at the franchisee for a week to guide the franchisee in initial stages after the detailed extensive training by the franchisor to the franchisee.

Sodhi (2012) has achieved huge success with 7000 franchised outlets since 2001 their inception for retailing. He as shared his success story in Indian Franchise Report 2012. His focus on franchisee appointment is choosing right franchisee owner and maintaining right quality and standards being a food items and food industry products. He says that an Amul's retailing franchisee can open a franchisee only after fulfilling of following conditions

1. Location: Possession for shop having an area of 100-300 Sq. feet in a prominent location with good business potential.
2. Financial capacity: Readiness to invest an amount approximately to 2 lakh rupees for Amul Preferred Outlet and Rs.4 Lakh for scooping partners.
3. Credentials: sound business acumen, sound credit worthiness, willingness to sell entire range of Amul products and complying with guidance provided by the company from time to time.

He also puts major focus on standard and process to maintain uniformity in the market and ensure that the customer gets the best of product with 100% product and service satisfaction.

Mathur (2012) describes his success story from 2001 then he started the Franchisee business of Euro Kids they have now grown to 857 Outlets and 23 COCO Models in India. Revenue for 2011-2012 has been clocking in tune of INR 50 CR. They have been in to franchising for 12 long years and they have around 500 employees. He holds a vision of becoming a world's dominant preschool education provider, the group is making successful foray in to various nations like Middle East, Asia-Pacific and SAARC Countries including Nepal, Dubai and many more.

He claims that in the preschool business the major focus has to be training the teachers and the systems and processes. There has been constant research and development in the teaching material and way of imparting knowledge to the tiny tots. Enrichment in the pedagogy, the brand take care that the franchisees are amply updated. The franchisee of euro kids has support both in terms of operational expertise and terms of pedagogy from a highly effective team. The training for franchisee includes operations and management trainings.

The faculty forms the most important resources from Euro Kids. They believe that the teacher plays a vital role in influencing the child. Apart from annual orientation they train their teacher round the year to ensure they are completely prepared for their responsibilities. They also update the teachers with the latest trends in early childhood and from time to time.

Every year Euro Kids organises Excellence Awards at Mumbai and the winners are felicitated and across India are recognised for their performance and contribution towards the success.

2.6 Failure of Franchising

Strauss (2014) has explained in his work about the most important point in franchising industry today is about failures and Downfall of franchising business world-wide, in his work he has put in simple words 13 reasons why franchisee fails by committing these mistakes. He send a precautionary words as - beware, rarely is business simple and in the franchise world the business is never really yours.

1. The term “hot new franchise” is an oxymoron

The benefit of a franchise is really to buy something that’s been proven over a period of time. Hopefully something that’s been proven over different economic climates. So it’s done well in good times and in bad.

2. Don’t buy a franchise to “be your own boss” or “control your destiny”

Franchising is based on conformity and uniformity, not freedom. As a franchisee, you do not really hold the reins. You may technically be the boss of your shop, but you must follow the orders of the home office.

3. Franchises fail with about the same frequency as independent businesses

Don’t be seduced by vague statistics or common wisdom; do careful research on the specific franchise you are considering to determine how many franchise owners are still in business through the full terms of their franchise agreements.

4. Don’t be seduced by positive press clippings, industry rankings and awards

It’s not uncommon for the members of his website to report mass unrest and failure at franchises that are being championed by the entrepreneurial press.

5. Seek out franchisee complaints online. Before signing a legally binding contract with a franchise organization, it may be a good idea to see what that company’s critics have to say. For that there are message boards and news/discussion sites where franchisees can air their grievances and give advice.

6. Hire a seasoned franchisee attorney before you sign a contract. The number of people that buy into a franchise without having a lawyer explain the contract agreement to them is astounding, in franchising, is not bliss—it’s a potential nightmare.

7. Be wary of free franchise “coaches” and consultants, These consultants live on the web and are ultimately a lure for the franchises that hire them. They prove to be bloody money eating machines and may guide you to failure.

8. Understand that the franchisor holds all the cards; Franchisees are not part of a larger collaborative relationship and they are not part of a team. They have essentially taken on a master and that controlling force has the upper hand at all times.

9. Don't expect government oversight or help; Franchisees are not consumers and not protected as such, they are considered entrepreneurs and business investors. Despite what some would-be franchisees believe, the government oversight in the industry is paltry at best.

10. Understand that franchisors can succeed even if franchisees fail. Even Though it's true that the home office can make more money if its various locations do well, they can rake in plenty even when they're not. Most franchisors receive a percentage of a franchisee's gross sales, regardless of whether the franchisee is profitable

11. Spend time with franchisees and in franchise businesses you are considering
If you want to make an organization your life – at least for a few years – considers spending time working for it before you buy in. Getting experience and knowledge is key in making your decision. Some franchises, like Dominos, required it

12. Imagine failing –The most and important think any new franchisee taker must do. It takes confidence and enthusiasm to start up your own business, even if it is an established franchise. Keeping your hopes up can lead to setting aside the idea that you could fail. It's important to have a positive, optimistic attitude, but don't roll the dice without considering the possible effects of the worst-case scenario.

13 Consider doing it yourself – Believe in own self and be you own boss.
How much are you really getting from a larger franchise organization? Is it worth the monthly payments to the home office? A lot of franchisees come to feel that it isn't.?

Paynter (2002) conducted a survey on Determinations for Franchisee success and Franchisee Satisfaction Parameters in Auckland, New Zealand. The franchisee satisfaction survey was an opportunity to examine the franchisees, and based on this examination, to further explore the relationships between franchisees and franchisors. The survey was set up as an international study with twelve participating nations. Each nation was responsible for running its survey. To obtain a realistic sample size in each country, the fast food industry was targeted – one of the few industries present in each of the 12 countries. The franchisee satisfaction survey forms measured 12 factors (using 91 questions, some of them of more than one part). The factors were:

overall assessment (1), financial (13), and relational (7), support services (5), brand image (5), entrepreneurial control (5), encroachment (5), communication (6), contract fairness (8), training (5), general (17) and demographics (14). The survey responses were coded using SPSS and further analysed using Excel. From these a response of 54 completed forms was received. This gives a response rate of 24% of the forms sent.

Paynter (2002) used a new Mahalanobis Taguchi System (MTS) is a recent development in multivariate measurement systems that is used as a diagnostic tool in medical and inspection environments. Using this approach it was found that a distance of 1.5 identified 5 franchisees among the 53 to be considered abnormal. When we looked at these they were typically disaffected franchisees that considered that they had a low level of support, is the inverse of the correlation matrix. Let that they did not receive value for the marketing levy and were struggling to break even. Others represented more established units that may have felt they knew better and want to break from the prescribed methods of the business format that is part and parcel of a franchise operation.

Similarly 18 franchisors identified among the 114 franchisors were considered to be abnormal either in the good (8) or bad sense (10). When we examined these outliers they tended to fall into two distinct categories: those that might be considered as poor performers – typically young start-up systems with 0-2 franchise units and little support – and good performers – typically well-established systems with multiple support methods. He also stated that lack of marketing support and operational support was lacking because of which new franchise owners were under performing and business was on declining side.

He thus concluded upon his research and findings that there was a gap between how the franchisors see their systems and the satisfaction level felt by the franchisees. It will be interesting to see if for instance this communication gap is closed by the advent of such technologies as the Internet or in fact if they exacerbate it. Despite the considerable effort put into their systems by the franchisors, in both the initial set up and the on-going services, the franchisees still see a shortfall in this area. A problem with the MTS approach though is revealed with further analysis of the data. Some units, among the franchisees in particular, could also be considered as atypical when we look at their responses, yet they were not identified by this method.

Frazer (2002) confidential mail survey of the known population of Australian franchisers was conducted in 1998 (McCosker & Frazer, 1998). As no official listing of franchisers was available, resulting in a sample of 946 firms was assumed to be operating franchisees. The mail survey was followed up with a letter and telephone call where the status of each firm was ascertained. After excluding those not involved in franchising the effective sample size were 693 franchisers. A total of 186 useable responses were received, representing a response rate of 26.8 percent which is within the acceptable range for business research (Neuman,1994), In addition, a trend analysis was performed by comparing late with early responses to ascertain the presence of nonresponse bias (Kervin, 1992) and it was concluded that nonresponse bias was not evident.

The second stage of the research was conducted in 1999 and involved telephone interviews with the franchisers from the mail survey who had terminated franchise agreements. Due to the sensitive nature of the research topic telephone interviews were used because of their personal approach and low cost. A total of 88 firms out of the 186 mail survey respondents had experienced agreement terminations.

The largest category of franchisers was the property and business services industry representing 32 percent of respondents, which included services such as domestic and commercial cleaning, accounting services, and recruitment and training. This was followed by retail non-food (27%), construction and trade services (12%) and retail food (12%), with all remaining categories having fewer than 10 percent of respondents.

Table 1: Industry Category of Respondents

Industry category	No.of responses	%
Property and business services	22	32.4
Retail non –food	18	26.5
Retail food	8	11.8
Construction and trade services	8	11.8
Accommodation, cafes and restaurants	4	5.9
Education	3	4.4
Cultural and recreation services	2	2.9
Manufacturing and printing	1	1.5
Transport and storage	1	1.5
Personal and other services	1	1.5
	68	100

Table 1 explains us in details that the size of franchise systems in the sample was a median of 24 franchised and company owned outlets. Firms had been franchising for a median of 7.5 years and were dispersed among a median of three states in Australia. The 68 respondents reported a total of 315 franchise agreement terminations over the three-year period from 1995 to 1998. Of these, 37 percent were initiated by the franchiser, 29 percent initiated by franchisees and 34 percent initiated mutually. Firms terminated a median of only two franchise agreements during this time, although the number of terminations ranged from 1 to 70.

Table 2 : Reasons for Terminating Franchise Agreements

Reason for termination	No. of responses	%
Personal lifestyle or health reasons of franchisee	22	32.4
Unsuitable franchisee or unsuitable location of outlet	21	30.9
Noncompliance or breach of operating standards	21	30.9
Franchisee financial problems or debts	19	27.9
Conflict; lack of cooperation ; desire for independence	13	19.1
Underperformance or low profitability of franchisee outlet	9	13.2
Customer complaints or poor service of franchisee	6	8.8
Fraudulent, dishonest or unethical behaviour by franchisee	5	7.4
Understand income or non- payment of franchisee fees	5	7.4
Other reason for termination	9	13.2

The main reasons for terminating franchise agreements have been listed in Table 3. The most commonly cited reasons were due to personal reasons affecting the lifestyle or health of the franchisee (32%), problems with the selection of suitable franchisees or location of their outlets (31%), franchisee failure to comply with the franchise system (31%), and financial problems faced by franchisees (28%).

The median length of franchise agreements offered by firms in the sample was 5 years with a median of 3.3 years remaining when the agreements were terminated. Most franchisers (81%) warned franchisees they were in breach of their agreements and provided an opportunity for franchisees to redress the situation before terminating the agreements. More than 30 percent of franchisers provided some forms of compensation to franchisees at termination of their agreements. A lease was involved with the franchisee's outlet in 51 percent of cases and only 30 percent of franchisers reported they were able to obtain release from their leasing responsibilities.

An area that has been overlooked in the literature is the fate of franchisees that have had their agreements terminated. The current research attempted to fill this gap by gathering data on the final status of terminated outlets and is summarized in Table.

**Table No 3 : Current Status of Outlets from Franchisee Agreement Terminations
(N=68)**

Current status of outlets terminated 1995-1998	No.of outlets	%
Closed	91	28.9
Operated by another franchisee	68	21.6
Company owned and operated	49	15.6
Operated independently by former franchisee	31	9.8
Operated by former franchisee in another franchisee	12	3.8
Current status not disclosed to researcher	64	20.3
Total	315	100

Table 3 explains Franchisers retained 16 percent of the terminated outlets as company operations COCO Models, but possibly only as a temporary measure until a suitable franchisee operator could be found. Some 10 percent of franchisees whose agreements were terminated are currently operating the outlets independently under an alternative brand name. Almost 4 percent of franchisees joined another franchise system to continue operating their outlets. In brief, the outcome of the majority of outlets was continued operation, most open under new ownership and reflecting the stated cause of franchisee inadequacy in most agreement terminations. However, 14 percent of outlets continue to be operated by ex-franchisees suggesting that these outlets may survive beyond the confines of the franchise system.

Lim (2004) has also shared their research Contribution as Potential benefit to the franchising sector and government. The findings of this research and the framework drawn up can be used to result in a more efficient and effective recruitment and selection process. This may lead to fewer terminations of franchise agreements due to unsuitable franchisees, and increase the performance of franchise operations. The consequences would be a more efficient economy and therefore benefiting the government.

Monge (2013) has put a very new idea of signal theory the analysis of franchisees' decisions. Focusing on the franchisee-franchisor relationship, this theory might be deemed a possible strategy employed by potential franchisees to avert the problem of adverse selection and to correctly choose a franchise system. Franchisees do so by studying those information signals, which have influenced potential franchisees' decisions to open a business via franchising.

He further adds that accepting the entrepreneurial behaviour of the franchisees, when individuals decide to set up a business project through a franchise format, they find similar business concepts developed by the franchise systems operating in the market. To choose correctly one of these franchise systems, potential franchisees need information, which they will seek in the signals sent by those franchise systems which wish to be chosen. Therefore, before taking the decision to choose one of them, future franchisees have at their disposal a different quantity of information opposed to that which franchisors possess, causing a problem of opportunism, known as the adverse selection problem of the franchisor.

Based on his signalling theory, his research work and this present paper seeks to analyse the relationship between the decision taken by the franchisees who wish to set up a business for the first time via franchising and those signals which might provide them with information regarding the quality of the franchise system chosen, such as profitability and risk. risk and profitability of the franchise systems are signals which potential franchisees wishing to set up a business for the first time through franchising take account of while having to choose one franchise system or another from among all those operating in the market at the moment of their decision. Nevertheless, the observe ability and strength of the signals sent by the franchisor is shown to be the main conclusion for the franchisee-franchisor relationship to be successful.

To accomplish our objective, we use a sample of 513 franchise systems operating in Spain between 2002 and 2008. It is a panel of disaggregated and unbalanced data drawn from information gathered from and analysed by the Spanish Franchisors Association and the Tormo and Associates consultancy firm. The period was chosen to avoid the influence of the adoption of the Euro in Spain and the start of the current global economic crisis.

He concluded as The risk of the franchise systems studied relates more to macroeconomic factors than to features linked to the quality of the franchise systems

or to the franchisee's personal traits. It should be remembered that the latter have been controlled using the methodology applied.

Secondly, the performance and risk of the franchise systems perceived as signals have affected the choice of one of those carried out by the franchisees that opened one of their establishments for the first time. Nevertheless, it is necessary but insufficient for the franchisors to send those signals, which potential franchisees seek, given that correctly handling their content is required for the signal to convey clarity to franchisees deciding to franchise the establishment of a franchise system for the first time.

2.7 Franchisee Franchisor Relationship

Elgin (2009) has very prepared a very impactful and relevant 3 Questions to be asked to Franchisor by the prospective Franchisee Taker and the questions are as below:

- What's your number-one focus? "The answer you want is 'the success of our franchisees,'" says Elgin. "But I've gotten: 'Our number-one focus is our own bottom line.' That would concern me." It shows the intentions of the franchisor towards the business. If the focus was franchisee and its well-being then the intentions were clear to support the down line and the profits and revenues would automatically grow up. If the franchisees flourish then the franchisor is bound to succeed and flourish.
- Why do franchisees get in trouble? Try to identify exactly what's going wrong for troubled franchisees, Elgin says. If the franchisor says, "They didn't follow the system," press on by asking in what way. "You want to learn where the pressure point is," "What is the difficult thing to do successfully in this system?" Franchisor at no point is willing to take the responsibility on themselves for the success of franchisees, if the training given by franchisor to franchisee people was sound and great enough to engage the employees to adhere to the systems and process then the false fear of franchisee not following the systems would be eliminated.
- How are conflicts resolved? Ask franchisors for details of a recent franchisee conflict and how it was resolved. You'll learn a lot about the franchisor's respect for franchisees and its commitment to making them successful, Elgin says. If the franchisor says there's never been a conflict, be skeptical. "If it has more than three franchisees, it has had a conflict." If there has been not a single incident of conflict then the doubt of false details would be obvious. Franchisor must state the truth and few examples of the conflict resolution should be stated in front of the new franchisee taker, this shall gain the confidence of the new franchisee taker towards the franchisor.

Marya (2013) in his Book on Franchising the Science of Reproducing Success says that Franchisee Franchisor relationship is symbiotic relationship. He says that it is like "I give, you take, and you give, I take". The Franchisor, who lends his trade name,

brand , systems , processes ,operations and the Franchisee which pays for the rights to do business under the Franchisor's name and system stand to mutually benefit. In a real sense Franchisor I a true bold Entrepreneur who has set up a firm from scratch and he is planning for expansion in a specified territory. In other side Franchisee is an entrepreneur whose job is to take care of the Franchisor's legacy like a guardian. He acts as a Guardian Entrepreneur. In this both benefit from the relationship. The Franchisor finds the franchisee necessary for his business growth, and the franchisee sees the franchisor as a model for his own personal growth to a true blood entrepreneur.

Technically the contract binding the two parties is the Franchisee, but the term is usually used to mean actual business that the franchisee operates.

Further he has also discussed on Franchisee Franchisor relationship as Partner or Parent? He says that the relationship between the franchisor and franchisee is at many times been compared to that of marriage as it required equal amount of commitment from both sides and to make it successful business venture and viable on both ends. Communication plays a vital role in their success mantra. All communication has to be faithful, honest and transparent and helpful. Franchisee relationship is unique as it involved equals. The franchisee and franchisor are equally involved and both stand to benefit from it. He has also referred to the relationship as that of parent and child, the franchisor obviously being a parent to guide the franchisee who is, needless to say, the child that needs helping hand, hand holding and support in its initial stages of tenure and business cycle.

The rules of the game ore framed and dictated by the franchisor. But the game itself is played by the franchisee. The franchisor has to engage the franchisee in framing further rules and ensure that the franchises inputs are also incorporated in to the business planning. The franchisees experience will eventually help that franchisor to reach further heights of success and achieve its expansion dream and goal.

Lim (2004) has done a research on Matching Franchisor –Franchisee Role and Competencies in that report they have depicted vital facts about the Relationship and the parameters that govern them & competencies and qualities each party needs to possess in order to play their respective roles effectively. The model was developed

by understanding the motivations for franchisors and franchisees to enter into the franchising relationship. He explains that

Roles played by franchisors

By providing a range of support services for franchisees, franchisors play a number of roles in the relationship. These include:

Consultant. Consultant is a term used to describe experts who are there to assist in a wide variety of purposeful interventions, in which some combination of problem-solving, decision-making.

Mentor. Mentors are people who are well respected for their work ethic, integrity and capabilities. However, mentoring in new business start-ups such as franchising is usually formal by nature and the mentor is often external to the protégé's business.

Manager / Employer. Similar to employers in large organisations, franchisors draw up organisational policies, operational manuals to enable franchisees to conduct their business within a defined framework, and provide training for franchisees to acquire appropriate knowledge and skills.

Entrepreneur. Franchisors are generally regarded as entrepreneurs. They are far-sighted, able to visualise opportunities and take risks in investments, and are innovative.

Roles played by franchisees

Franchisees have corresponding roles to play in order to facilitate an effective franchisor-franchisee relationship:

Client. The franchisor-franchisee relationship is similar to a consultant-client relationship. The franchisor plays the role of a consultant to the franchisee by providing professional industry and business advice. In turn, franchisees pay fees for this 'service'.

Employee. A franchisee must be able to work within set guidelines, just as an employee is required to work within an organisation's rules and policies. Whilst franchising is often promoted as a means of 'buying a job' and the franchisor and franchisee resemble employer-employee, the relationship is more aptly described by the well-used slogan 'work for you, but not by you'. Thus, franchising is a means of achieving a sense of independence within an employment-type relationship

SME entrepreneur. As an SME owner, the franchisee needs to possess an entrepreneurial spirit and innovative mind. Although franchisors usually provide marketing, research and development services, it is helpful if the individual franchisee is able to understand the customers in his or her territory and make suggestions to target local marketing and product offerings

Competencies required of franchisors

Since franchisors are providing a wide range of services to franchisees, they need to possess certain competencies in order to be able to carry out those support services and roles successfully. These competencies include experience, knowledge, skills and attitudes.

Experience. *Experience* affects the consulting, mentoring and entrepreneurial capability of the franchisor. Many occupations such as finance, production, personnel, marketing and sales provide franchisors with relevant skills for performing these activities.

Knowledge. Similar to SME owners/managers and employers, franchisors need to possess extensive knowledge about the industry in which they are operating, especially strengths and weaknesses of the business, understanding of competitors and detailed knowledge about customer tastes, location and spending power .

In brief, it is important for franchisors to be well educated, or at least to continually upgrade their knowledge and skills, because the business is dynamic and therefore constantly changing.

Skills. Franchisors need both tangible skills such as managerial and technical skills, and intangible qualities such as human skills, Superior communication skills, and personal motivation and influence skills.

Attitudes. Although it is inevitable that franchisors hold more power in the franchisor-franchisee relationship, since it is the franchisor's intellectual property which is often at stake, franchisors *should not* try to run their system using an authoritarian approach, as this generally leads to channel conflict

Competencies required of franchisees

Since one purpose of franchising is to provide franchisors with capital for expansion, franchisors are generally concerned with the financial capability of franchisees, rather than managerial and business skills, because franchisors are there to provide support, training and guidance in these areas.

An important advantage offered by franchising is the high level of franchisee motivation compared with paid employees

Franchisees must be able to monitor key performance indicators if their business is to remain on track.

Instead, franchisors place emphasis on recruiting franchisees with *excellent attitudes towards learning*. Franchisors want franchisees that are open and adaptable to acquiring new skills and knowledge, and are diligent and fast learners, while displaying initiative and a strong work ethic.

Giddings and Weaven (2011), has described the Franchisee Conflict preliminary conceptual model in form of a Flow Chart Format. He adds to his research as conflict was promulgated in many systems on account of franchisors continuing to emphasise lifestyle benefits to prospective franchisees, which contrasted with the realities of franchise operation, fostering incentives misalignment (and ultimately conflict) between principal and agents. Misrepresentation by third-party agencies was nominated as a major source of franchising

Conflict Of greatest concern was that these agencies were frequently viewed as unqualified, often providing inaccurate advice to prospective franchisees. Third-parties were viewed as pursuing “churning strategies” since their remuneration did not extend beyond the initial franchise sale. However, there was additional evidence that franchisor inexperience, non-participatory communication practices and levels of intra-system transparency (for example, providing information about changes in local market conditions) all contributed to relational conflict in franchise systems. Conflict resolution and management is also explained in his work and give us an amicably accepted path to resolve the misunderstandings, misinterpretations and conflicts arising due to operational as well as financial issues. In Figure 4 he has explained it in form of flow chart the conflict matrix.

Franchisee and franchisor Influences upon franchising conflict

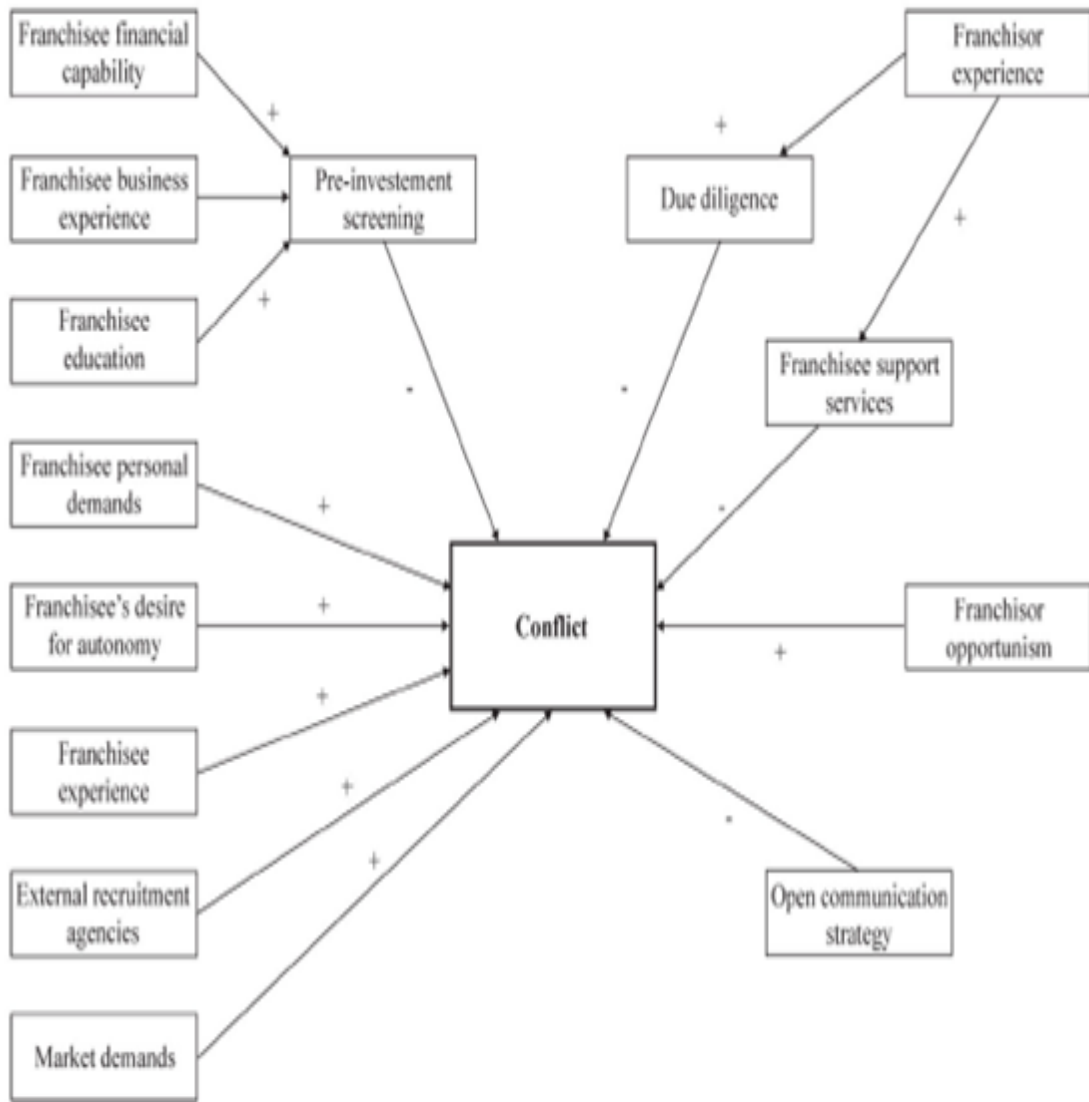


Figure 4: Franchisee and Franchisor Influences upon franchising conflict.

2.8 Gaps Identified from the Review of Literature

The survey of literature reveals that it is the need of the hour to undertake a systematic study of Franchising Business Viability and its sustainability in any particular market. It also throws light on the need of the hour that a rapidly growing city ; semi metro city like Pune needs to be surveyed for its existing franchise owners and a research to be done to check their business status , health. The present study is aimed to fulfil this requirement.

There was a huge gap on availability of data and published information for the franchising business in Maharashtra and particularly in Pune region. Even the Sales tax Department, Shop Act Department were unaware of the Franchisee as a business model. They consider this as regular business and there is no bifurcation of rule for franchised business and regular businesses.

A business if it is a grand success then less attention paid to learn the ways and efforts the business entity has made to get to the success, but on the other hand a business is a failure and not able to survive then an obvious attempt has to be made to understand the reasons for its failure and non-sustainability. The reasons may be numerous and the reasons can also be endless. The reasons may be interdependent on many factors which could be controlled or beyond the control of the business owner.

Also a Segment wise Franchising Business Database is to be formulated and to be updated on regular intervals say bi-yearly. This shall keep the track of the existing franchisees, newly appointed franchisees and shut down businesses.

Negligible was written on the Legal Compliance, Subsidies, Government grants, assistance for new business takers, rules and regulations guidelines for Franchisee Businesses, separate bylaws and legal protection for interest of Both Franchisors and franchisees was found to be missing in the review of literature, More information data is required to understand and study this new business model and give it a strong concrete support for its flawless functioning.

There was a great missing felt to find an in one stop guidelines for new franchisee takers. A franchisee buying guide which would explain and take care of all parameters like was a need of hour.

- a. Investment
- b. Operating Expenses
- c. Return on Investment
- d. Marketing and Advertisements
- e. Legal Issues
- f. Compliance and Termination Clause
- g. Expansion and scalability issues
- h. Multiple Revenue options
- i. Funding and Incentives

Such guide or work book that shall hold truth for all demographics and regions and shall give an unbiased picture of the franchisee business model to the new franchisee taker would be a boon to the society. Thus researcher has depicted an urge and decided upon a Research objective to generate such a work book which could be the ready reckoner and success mantra for new business openers.

CHAPTER 3 -METHODOLOGY

This chapter is discussed under the following headings:

3.1 - Introduction

3.2 - Purpose of the study

3.3 - Specific Objectives of the study

3.4 – Statement of Hypothesis

3.5 - Design of the Questionnaire

3.6 - Pilot Study

3.7 - Selection of Sample

3.8 - Collection of Data

3.9 - Analysis of Data

3.10 - Statistical Tools used for Analysis of Data

3.11 - Limitations of the study

3.1 - Introduction

“In Business for yourself, but not by yourself – Ray Kroc, Mc Donald’s”

The researcher has chosen this Topic of Franchisee Viability with a valid reason and his experience of long 8 years into franchising domain. It is the need of the hour to test the waters of the so called Ready to do Business Model –“Franchising” . Even though we know that the Indian Franchise business space is witnessing robust growth, now it is the time to check for the gaps, revive systems and renew business goal for making franchising into long term profitable business partners.

A Franchisor may be having firm business idea, appropriate location and well trained work force, yet a franchised outlet may not be successful owing to various other reasons related to Franchisee or franchisee related parameters. Prominently a franchise business suffers a down fall due to a dis-satisfied franchisee.

In order to come up with a detailed analysis on the gap areas, the researcher has attempted to do an in-depth study on various aspects of a franchisor- franchisee relationship and business dynamics of any franchised outlet in a City of Pune.

Responses of the franchisees and investors across categories was collected via a questionnaire and in-person survey , based on which, the various parameters affecting the business relation between a franchisee and franchisor was collated.

Franchisee satisfaction index provides detailed information on how the franchisee business is doing in Pune and as well as it will highlight the positive and negative trends affecting the franchisee’s perspective.

3.2 Purpose of the study

Research Questions:

1. The purpose of this exploratory/descriptive quantitative study is to examine the viability of various franchisee models prevailing in the market. For this research the researcher has selected a sample size of the city of Pune.
2. Though Franchisee is gaining fast popularity in the Indian Market it is very crucial to understand the profitability of these models and the actual implication of the business onto the profitability, ROI, BEP analysis is necessary.
3. Analyse whether lower failure rates of franchises are one of the main selling arguments for attracting potential franchisees to the system. But, are the failure rates really lower? Is the franchising promise true? The empirical evidence is not clear

3.3 Specific Objectives of the study

The main purpose of the present study was to find out whether the Business model Called “Franchising “was successful or not. A clear attempt was to make to reach to all possible existing franchisee business owners and understand from them their views and opinions. Therefore the specific objectives of the study were:

Specific Aim :

The proposed study will attempt to address the following objectives in order to contribute to the knowledge about Franchising Business Models for both Readers and New Franchisee Takers :

- a. To study various franchisee models currently prevailing in the market of the sample size selected for study.
- b. To personally meet the actual franchisee owners and collect primary data for analysis and analyses it to generate expected outcomes.
- c. To check the success and failure factors for the franchisee.
- d. To generate Franchisee buying guide for layman who aspires to buy an new franchisee.

3.4 Statement of Hypothesis

a. Definition of Hypothesis

As per Wikipedia, it defines that people refer to a trial solution to a problem as a hypothesis, often called as “educated guess” because it provides a suggested solution based on the evidence. A researcher tests and rejects several hypotheses before solving the problem. Thus a hypothesis is a proposition made as a basis of reasoning without the assumption of its truth. Since it is a supposition, it can only be the starting point of an investigation based on known facts and a hypothesis has to be validated empirically. Every Hypothesis can thus be proved or disproved.

For the present study on Viability of Franchisee Business, the following hypotheses were formulated:

Hypothesis Statement:

1. Franchisee based business models are not successful

2. Majority of the Franchisors sell their franchisees with false commitments without considering ground reality

This kind of research study is not done or published anywhere as per the search on offline as well as online sources. This research is going to be an aid for the new franchisee takers to decide wisely and do not fall prey to gimmick of marketing and business promises given by the Franchisors.

An unbiased opinion and view of existing franchisees shall be depicted in the report which shall portrait real life situation of franchisees.

3.5 Design of the Questionnaire

Questionnaire method of data collection was adopted which is quite popular. In this method a questionnaire was designed and was filled by the persons concerned in our scenarios the Franchisee owner with a request to answer the questions and return the questionnaire. A questionnaire consists of a number of questions printed in a definite order on a form or set of forms. The respondents were expected to read and understand the questions and write down the reply in the space meant for the purpose in the questionnaire itself. The respondents have to answer the questions on their own and we explained them the details and we filed for few who were busy to fill themselves. Understanding that no survey can achieve success without a well-designed questionnaire, the following points were considered while framing the questionnaires: More details on design of the questionnaire are given on the following pages.

1. Deciding on the information required on Franchising:

The information required was to focus on Viability of franchising business and the parameters related for determining success or failure of franchise business we kept in mind as priority and primary concern

2. Defining the target respondents:

The respondents defined as:

- Franchisee Owners
- Master Franchisee or Unit Franchisee Unit holders and majorly Businessmen who had invested in Brand for running a Unit franchisee.
- Franchisee owners who have shut down the franchisee outlets but have experienced the entire life cycle of a franchisee unit from opening to shut down and their implications.

3. Choosing the method(s) of reaching the target respondents:

To reach the target respondents, the method chosen was the questionnaire method. However, it was difficult to get 100% positive response from respondents due to their busy schedule and long distance locations. So, researcher had to follow up through telephonic interviews, personal interviews and emails.

4. Deciding on question content:

The content of the questions were decided to be on effective communication of Franchisee Business, how was their Franchisee Business experience and their opinions , hard facts and true business numbers were sought.

5. Developing the question wording:

The wording of the questions was kept simple so that respondents could easily understand and respond. It was kept as short as possible and very crisp to avoid making the respondents bored.

6. Putting the questions into a meaningful order and format:

A proper sequence was followed with the order of the questions so that it progressed gradually from easy to more difficult.

7. Checking the length of the questionnaires:

The length of the questionnaires was not too much. Only 25 questions were asked in set. These enabled respondents to quickly complete give the answers.

8. Pre-testing the questionnaire – (Pilot Study):

Pilot study was conducted to pre-test the questionnaires and this has been explained in the following pages.

9. Developing the final survey form:

Based on the results of the pilot study, final questionnaires were developed. Earlier the questionnaires had all Franchisee personal financial questions which were not responded by the respondents and it demanded a change. On the basis of the pilot study the researcher realized that flexibility should be given the respondents answers. Hence Likert scale was used for major question, which ranged from respective ranges as appropriate to each questions.

3.6 Pilot Study

As a part of the pilot study,

The samples of the final questionnaires are attached in Appendix 'B'.

Pilot study refers to so-called "feasibility studies", which are "small scale version[s], or trial run[s], done in preparation for the major study" (Polit et al., 2001: 467). However, a pilot study can also be the pre-testing or 'trying out' of a particular research instrument (Baker 1994: 182-3). One of the advantages of conducting a pilot study is that it might give advance warning about where the main research project could fail, where research protocols may not be followed, or whether proposed methods or instruments are inappropriate or too complicated. In the words of De Vaus (1993: 54), "Do not take the risk. Pilot test first."

As a part of the pilot study, the "trial questionnaire" explaining therein the purpose of the research study was administered to 5 franchised outlets in Pune City region. Even Senior Franchisor from Cartridge World & Impulse imaging world was met to discuss the Questionnaire correctness and incorporate their views for any corrections. Trial interview was conducted with all the franchisee owners and attempt was made to fill the format. The Trial questionnaire is attached in the Appendix 'A' . Even the format was discussed for appropriateness and few questions that were directly attempting to ask the owners their personal financial status were changed. In the light of the experience gained, valuable opinions/suggestions received during the pilot study, the trial questionnaires were reviewed and edited and technical flaws / inconsistencies were removed making it more comprehensive, compact, meaningful and purposeful. A sample of the final questionnaire is attached in Appendix 'B'.

3.7 Selection of sample

Once the questionnaires were finalized, the researcher started establishing contacts with unit franchisees operational in the target area. A rough mapping of the Franchisee business was shortlisted and then their existing operational franchisee outlets were determined. Also the route plan was decided to utilize maximum time in Data collection rather than travelling from one Franchisee outlet to other. The detailed list of franchisee with their present address, contact phone number was prepared and same was mapped with the route plan which was duly executed at time of data collection. Subsequently, the researcher began with Tele-calling for appointments explaining the objectives of the present study and subsequently questionnaires were administered. There being inherent fear and hesitation on the part of Franchisee owners to share the information, especially in respect of sharing their issues and problems with Franchisors. The researcher was often required to meet personally and assure that all the information sought would be kept strictly confidential and would be used exclusively for the research study. Besides, it was also suggested that they could take the liberty to contact the researcher to seek any clarification/clear doubts about the content of the questionnaire.

The researcher regularly followed up over the telephones and personal visits was continued. Quite often, some details were required to be noted on the back sides of the questionnaire. Interestingly, a few franchisee owners' contacts suggested by existing other area franchisee were contacted immediately quoting the earlier ones reference to ascertain the authenticity and followed them promptly without delay. Many of them, evinced keen interest to offer additional information, discussed certain points out of the topic.

The sample study bears the following characteristics:

1. Different category of franchisee business was targeted like Cartridge Refilling, Computer Training Institutes, Car Care, Inter Cyber Café business etc.
2. The nature of firms includes both Master Franchisees and Unit Franchisees. COCO – Company Owned Company Operated Units were not studied in this survey.
3. Region of Pune City and PCMC was only considered for survey.

3.8 Collection of data

Primary Data

This is data which is collected afresh and for the first time, and thus happens to be original in character. Primary data is first-hand information collected through various methods such as observation, interviewing, mailing etc. Primary data is directly collected by the researcher from their original sources. The researcher has collected the required data precisely according to his research needs.

For the present study, the primary data was collected through list of franchisee outlet list, existing franchisee operating addresses and location details. A questionnaire method was adopted for collecting data by distributing and administering from the various unit franchisee business models currently prevailing and operating in Pune City region. Total Sample size of 146 was found out and attempt was made to contact all of them via phone, email, personal visits. Out of 146 only 55 could be contacted and they responded properly .They gave valid information required for the questionnaire for analysis and study. The researcher by profession was into franchisee business jobs for past 6-7 years and he himself has opened more than 100+ Franchisee all over India thus he was proactive enough to spend some time with the respondents before the respondents actually filled up the questionnaire and could gather some information and reactions of the respondents which were very useful for the research as a whole.

Secondary data

These are sources containing data which have been collected and compiled for another purpose. It is data that already exist and do not have to be collected by the researcher. This is data which have already been collected by someone else and which have already passed through the statistical process. Other types of written information, such as Franchisee Business Exhibitions, Franchisee meets, Franchisee association of India Conferences, Chennai Conferences were attended to understand more about the core concept and assist the researcher in the research.

This was collected from

- i. Franchising Magazines published by Indian Franchising were subscribed for 2 years and the details data of existing franchisees relevant to our selected category was found out and the information was sought from them.
- ii. Various articles which are published in journals, magazines, research papers published in research journals.
- iii. Web sites were also picked up as a major source to provide valuable and important data for research and literature review.
- iv. Researcher has 7 years of rich experience in Franchising Industry and has been working for more than 3 Franchisors. He himself has appointed more than 100+ Unit and Master Franchisees in the region of Maharashtra, Gujarat, Goa, Madhya Pradesh and Karnataka States of India. More than 30+ Cities have been successfully opened up for franchisee appointments under various Franchisor Business Models in the span of career in Franchising Industry.

3.9 Analysis of data

1. The field survey and personal interviews techniques have been adopted in elucidating responses.
2. The data collected has been tabulated and presented in the form of tables, charts and graphs.
3. The Karl Pearson's correlation coefficient test was applied to the variables of the Quantitative data and the correlation between +VE and –VE variables were established. Details of the same are given in Appendix.
4. Descriptive Data was formulated in tables and was analyzed for results and outcomes.
5. Each Question of the Questionnaire was tabulated w.r.t Likert Scale and descriptive data analysis like mean – median.
6. Pie charts , Bar Graphs , Line Graphs were generated to see the behavior of the data collected against the total sample n = 55 respondents.
7. Hypothesis was tested using statistical tool like Karl Pearson's coefficient of correlation.

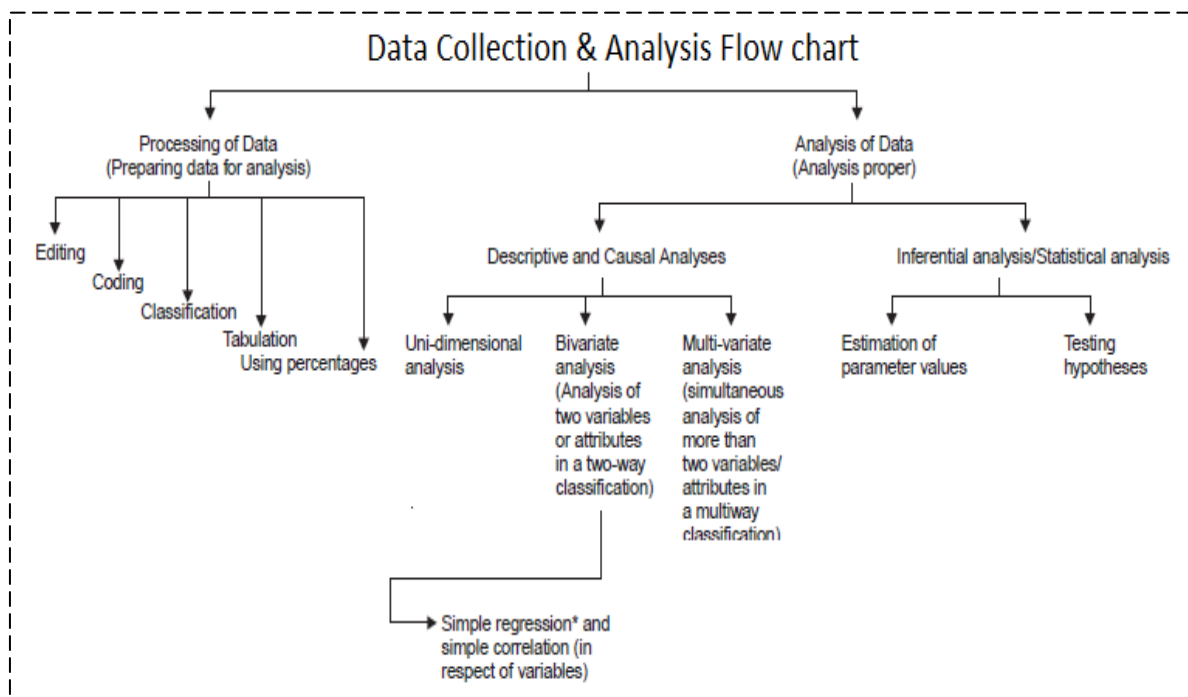


Figure 5 –Flow Chart of Data Collection and Analysis

3.10 - Statistical Tools used for Analysis of Data

a) Descriptive Data Analysis

Descriptive statistics is used for the analysis of data that helps describe, show or summarize data in a meaningful way such that, for example, patterns might emerge from the data. Descriptive statistics was used because if we simply presented our raw data it would be hard to visualize what the data was showing, especially if there was a lot of it. Descriptive statistics has therefore enabled the researched to present the data in a more meaningful way, which allows simpler interpretation of the data.

Answers from the Questionnaire were organised as Quantitative Data , which was then put into a framework. Then data was sorted into the framework and that framework was used for descriptive analysis.

b) Karl Pearson's coefficient of correlation

We shall be using Karl *Pearson's coefficient of correlation* (or simple correlation) which is the most widely used method of measuring the degree of relationship between two variables. We have identified two major variables from our Questionnaire which shall be studied for their relevance and correlation.

Question No – 14 Break Even Happened – Shall be termed as Success Factor for Franchisee Question No 18A - Business and Marketing Support from the Franchisor (Local Level) shall be the dependant factor. We shall try to check the correlation between these two parameters in the survey study.

This coefficient assumes the following:

- (i) That there is linear relationship between the two variables;
- (ii) That the two variables are casually related which means that one of the variables is independent and the other one is dependent; and
- (iii) A large number of independent causes are operating in both variables so as to produce a normal distribution.

Karl Pearson's coefficient of correlation can be worked out thus.

Karl Pearson's coefficient of correlation (or r)* =

$$\text{Karl Pearson's coefficient of correlation (or } r \text{)*} = \frac{\sum(X_i - \bar{X})(Y_i - \bar{Y})}{n \cdot \sigma_X \cdot \sigma_Y}$$

As per the Karl Pearson's coefficient of correlation we shall test the value of ' r ' which should lie between ± 1 . Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the same direction), whereas negative values of ' r ' indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of ' r ' indicates that there is no association between the two variables.

If the value of $r = (+) 1$, it indicates perfect positive correlation and when it is $(-)1$, it indicates perfect negative correlation. We can also say that for a unit change in independent variable, if there happens to be a constant change in the dependent variable in the same direction, then correlation will be termed as perfect positive. But if such change occurs in the opposite direction, the correlation will be termed as perfect negative. The value of ' r ' nearer to $+1$ or -1 indicates high degree of correlation between the two variables.

Hypotheses testing shall be done using the same analytical tool and an attempt shall be made to find the strong correlation between independent variable and the dependent variable.

3.11 Limitations of the study

The following are the limitations of this research study.

We have tried to cover one segment of the Franchise Business which is prevalent in the demography considered for research. Full attempt has been done to give justice to the Franchisee Chains and outlets. As 100% coverage is not possible due to limitations of Time, Funding, Scope and other obligations. These are brief limitations which are stated below w.r.t the research carried out under this Title of work

Limitations:

1. We have studied only Technical Category Franchisees like Cartridge Refilling, IT Products, Car Care, Internet Café Franchisee, and Computer Teaching Training Institutes only. There is more scope for research to study the QSR (Quick Service Restaurant Franchisee Businesses), Casual Dining, Food Courts, Hotels, Play School Franchisees, Cafes and Parlours, Jewellery, Books and Gifts etc .
2. Due to limitations of the Time and wide spread of Geographical Area and spread of the demographic of the Region, the researcher has limited the scope of Franchisee Selection to Pune City Area only. PMC and PCMC (Pune Municipal Corporation and Pimpri Chinchwad Municipal Corporation Limits have been covered) Total Area of approx. Length wise 72Kms and breadth wise 30 Kms (2160 Sq KM) area is been covered.
4. Only franchised business models have been studied; there is scope for more study for COCO –Company Owned Company operated Models too.
5. New Franchisee models which are trying to establish in the market and international chain of franchisees also call for the need of research and analysis of their business models.
6. Methodology used for data collection is vide Questionnaire and their analysis is done – the Responses given the franchisee owners is subject to their understanding , education level and the environmental factor in which the Interview was taken and data was recorded.

CHAPTER 4 - RESULTS AND DISCUSSIONS

This chapter is discussed under the following headings:

- 4.1 – General Information about the Franchisees under survey studied
- 4.2 – The Franchisee Scenario in Pune City
- 4.3 – Detailed Analysis of the studied w.r.t each parameter under study
 - 4.3.1 – Unit to Mater Franchisee Ratio
 - 4.3.2 – Operational Vs. Shutdown Franchisee Scenario
 - 4.3.3 – Total Franchisee Count to Responded Franchisee for Study
 - 4.3.4 – Total Franchisee Count Shutdown Vs. Operational Count
 - 4.3.5 – Total Investment of Franchisee Holder
 - 4.3.6 – Refundable & Non Refundable Investment Factor
 - 4.3.7 – Franchisee Fee
 - 4.3.8 – Franchisee Duration in Terms of Years
 - 4.3.9 – Total Expenses incurred by Franchisee Holder per Month
 - 4.3.10 – Rentals paid per month by Franchisee
 - 4.3.11 – Electricity Bill + Other Operational Expenses incurred per month
 - 4.3.12 – Total Head Count – Employees Strength
 - 4.3.13 – Salary Expenses behind maintaining Employees
 - 4.4.14 – Break Even Period Promised by Franchisor to Franchisee In Months
 - 4.3.15 – Revenue Sharing Model
 - 4.3.16 - Actual Break Even Results
 - 4.3.17 – Minimum Guarantee for Business Assurance and sustainability
 - 4.3.18 – Daily Income Sales
 - 4.3.19 – Multiple Revenue Options for Income Generation
 - 4.3.20 – Support Parameters by Franchisor towards Franchisee
 - 4.4.21 – Franchisee’s Opinion on New Outlets venture
 - 4.3.22 – Franchisee Recommendation factor for opening new outlets

4.4 – Hypotheses validation

4.4.1 – Hypothesis

4.4.2 –Hypotheses Testing

Correlations with rho values and significance levels

4.4.3 – Observations

4.4.4 – Inferences and discussion

4.1 General Information about the Franchisees under survey studied

The Franchisee models have been studied under Technical Domain and medium category investment plan. We have confined up to franchisees whose investment is below 50 Lacs and these are IT or ITes related, Product Related, Computer Training Institutes and Technical Category.

It can be seen that total available data of Franchisees which were at one time operational and designated as Unit or Master Franchisees was 146. This franchisee data was checked and rechecked from market survey and franchisor websites / market research reports.

The researcher tried to contact all of them but out of 146, he could only reach 55 franchisees who agreed to meet him, fill the questionnaire, answer questions over telephonic interviews, personal interviews, repeated visits etc.

The researcher had extremely good response from franchisees of Impulse Imaging world where he could meet all 5 franchisees and response was 100%, Responses from Sify iWay franchisee owners was good even though their franchise business outlets have been shut down.

Lenskart, Suburban, Vidyalankar, Castrol Bike Zone response was poor and also the data available was also very less. Many of the Franchisees were not keen in answering the questionnaire but the crisp and objective design of the questionnaire made the task easy and the responses were recorded with high accuracy because of which we could get as expected response from them as well as the data was as per expectations. It was clearly indicating the poor state of affairs in their franchisee domains as well which was seen in form of reluctance from franchisee owners to respond proactively.

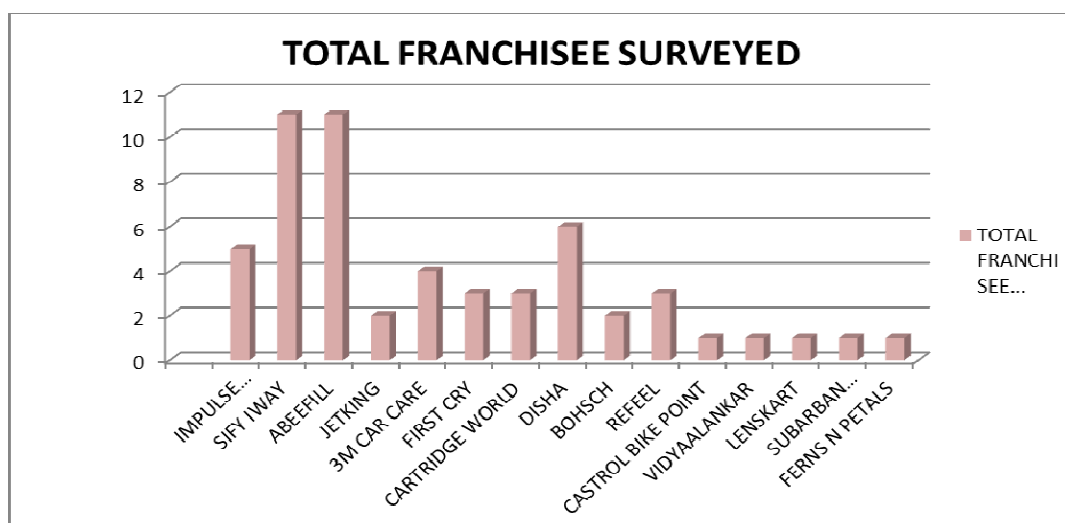


Figure 6 : Showing Total Franchisees surveyed

The total franchisees surveyed for the study were 55 in number, out of which Master franchisees were 02 and Unit franchisees were 53. The variety of franchise business models studied was 15 but from the same segment of technical franchise domain as was pre decided. This is depicted below in Table 4.

Table 4 : Franchisee Business wise data

SR NO	FRANCHISEE NAME	UNIT FRANCHISEE	MASTER FRANCHISEE	TOTAL FRANCHISEE SURVEYED	TOTAL FRANCHISEE COUNT
1	IMPULSE IMAGING WORLD	4	1	5	5
2	SIFY IWAY	11	0	11	77
3	ABEEFILL	10	1	11	11
4	JETKING	2	0	2	2
5	3M CAR CARE	4	0	4	10
6	FIRST CRY	3	0	3	10
7	CARTRIDGE WORLD	3	0	3	3
8	DISHA	6	0	6	6
9	BOHSCH	2	0	2	8
10	REFEEL	3	0	3	3
11	CASTROL BIKE POINT	1	0	1	5
12	VIDYAALANKAR	1	0	1	1
13	LENSKART	1	0	1	2
14	SUBARBAN DIAGNOSTICS	1	0	1	2
15	FERNS N PETALS	1	0	1	1
	TOTAL	53	2	55	146

4.2 – The Franchisee Scenario in Pune City

The Franchisee scenarios in Pune do not seem to be much positive as far our research is an attempt to study. We could easily find out that few franchisee models which were blooming and flourishing in 2000-2007 have totally vanished in 2015. Take an example of Sify iWays or Abee Fill Cartridge refilling Franchisee, Refeel Cartridge Refilling franchisees, Cartridge world Cartridge Refilling Franchisees. These Franchisees were at one point in time open – operational and their market presence was really a matter of pride. Over time these units were non sustainable due to variety of reasons which we shall discuss in detail in coming charts and now these units are non-operational. The Franchisee owners have shut down their units, changed their business to other business. The interesting part that has come up is that no other brands have replaced their market and no new branded franchisees are seemed operational in their respective earlier brand domains.

The Franchisees who are now operational and we could reach them and understand them were very new in the market and their age in market presence was not more than 2-3 years. The researcher could not find a single successful franchisee which was operation for more than 10 years and is flourishing the business.

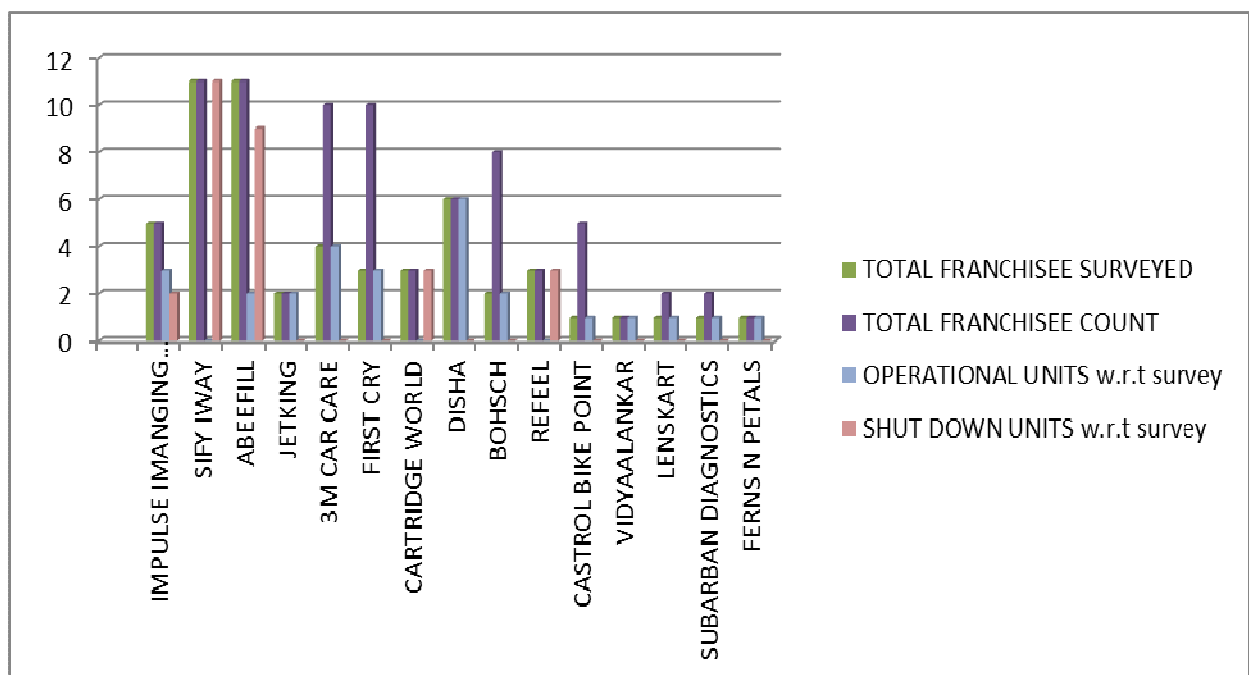


Figure 7 : Showing Segment wise Franchisee Business Population

Table 5 – Comprehensive Data

Table: Comprehensive Data of Franchisee Units Studied

SR NO	FRANCHISEE NAME	UNIT FRANCHISEE	MASTER FRANCHISEE	TOTAL FRANCHISEE	TOTAL FRANCHISEE COUNT	OPERATIONAL UNITS w.r.t grand total	SHUT DOWN UNITS w.r.t grand total	OPERATIONAL UNITS w.r.t survey	SHUT DOWN UNITS w.r.t survey	RESPONDED % w.r.t grand total
1	IMPULSE IMAGING WORLD	4	1	5	5	3	2	3	2	100.00
2	SIFY IWAY	11	0	11	77	0	77	0	11	14.29
3	ABEFILL	10	1	11	11	2	9	2	9	100.00
4	JETKING	2	0	2	2	2	0	2	0	100.00
5	3M CAR CARE	4	0	4	10	6	4	4	0	40.00
6	FIRST CRY	3	0	3	10	7	3	3	0	30.00
7	CARTRIDGE WORLD	3	0	3	3	0	3	0	3	100.00
8	DISHA	6	0	6	6	6	0	6	0	100.00
9	BOHSCH	2	0	2	8	4	4	2	0	25.00
10	REFEEL	3	0	3	3	0	3	0	3	100.00
11	CASTROL BIKE POINT	1	0	1	5	3	2	1	0	20.00
12	VIDYAALANKAR	1	0	1	1	1	0	1	0	100.00
13	LENSKART	1	0	1	2	2	0	1	0	50.00
14	SUBARBAN DIAGNOSTICS	1	0	1	2	2	0	1	0	50.00
15	FERNS N PETALS	1	0	1	1	1	0	1	0	100.00
	TOTAL	53	2	55	146	39	107	27	28	1029,285714
				55	146		146		55	37.67

4.3 – Detailed Analysis of the Unit Franchisees Surveyed & their Data in reference to all Parameters

4.3.1 – Unit to Master Franchisee Ratio

Table 6 - Unit Franchisee to Master Franchisee Count

SR NO	DESCRIPTION	n=55	% age
1	UNIT FRANCHISEE	53	96.36
2	MASTER FRANCHISEE	2	3.64
	TOTAL	55	100

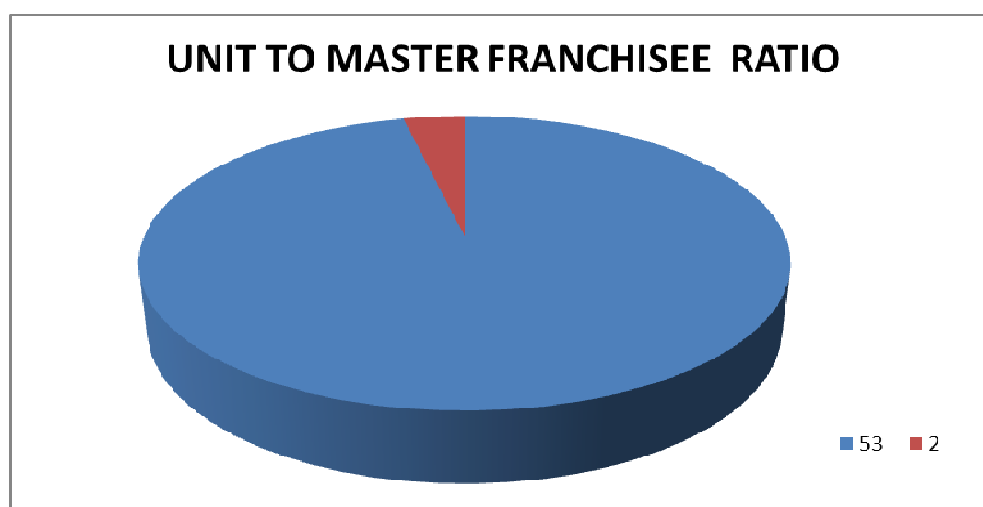


Figure 8: Relation of Unit Franchisee to Master Franchisee

Franchisee models categorically function in two business models

Master Franchisee – In general terms they are appointed for a specific bigger region like District, State or even country. They have right to appoint unit – smaller franchisees under them and they act as parent Franchisor role model for these unit franchisees. Master Franchisee involves greater investment. Out of total of n = 55 we could come across only 2 master franchisees i.e. 3.64% of the total 100% share in Pune. Both them had rights and authority to appoint unit franchisees under them All unit franchises we studied were operational under the Master Franchise agreement for Technical support ,Raw Material , Support.

Unit Franchisee – It is a smaller franchisee which is been appointed for s small pin code area, locality, mall or a relatively smaller population demographic. Its aim is to cater to immediate available potential of business and self-run for its sustainability and profits. 53 units franchisees were studied out of n=55 which was whopping 96.34%.

4.3.2 – Operational Vs. Shutdown Franchisee Scenario

Table 7 - Operational Franchisees Count

SR NO	DESCRIPTION	n=55	% age
1	OPERATIONAL FRANCHISEE UNITS	27	49.09
2	SHUT DOWN FRANCHISEE UNITS	28	50.91
	TOTAL	55	100

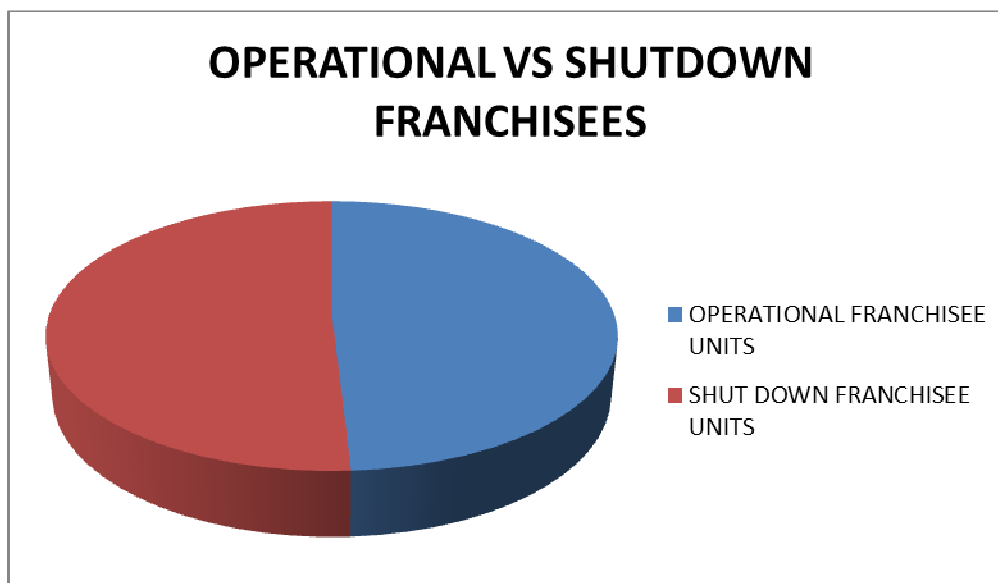


Figure 9: Operational Franchisee to Shut Down Franchisee

The above tables portraits a very disappointing scenario when operational franchisee units versus nonoperational franchisee units were considered. It was clearly found out that out of n=55, 27% i.e. 49.09% units were operational whereas only 28 units i.e. 50.91% were nonoperational or shut down units. The operational franchisees which were currently operational were not flourishing in business and few were on Oxygen to survive. The daily increasing rentals costs, high manpower costs and salary and the unfair franchisee model were few of the reasons the graph was showing an increasing trend in shut down franchisee units.

Operational franchisees were at very nascent stage w.r.t to long term business perspective. The business revenues were found to be great for some but for some they were negligible viz a viz their competitor. The Non Branded Same business owner were more flourishing than those with brands attached them and loyalties to be paid to franchisor for each revenue at large .

The above findings are similar to those of Frazer (2002) who conducted a confidential mail survey of the known population of Australian franchisers. As no official listing of franchisers was available, resulting in a sample of 946 firms was assumed to be operating franchisees. The mail survey was followed up with a letter and telephone call where the status of each firm was ascertained. After excluding those not involved in franchising the effective sample size were 693 franchisers. A total of 186 useable responses were received, representing a response rate of 26.8 percent which is within the acceptable range for business research (Neuman,1994).

4.3.3 – Total Franchisee Count to Responded Franchisee for Study

Table 8 – Responded Franchisee Count

SR NO	DESCRIPTION	n=146	% age
1	NON RESPONDED FRANCHISEES	91	62.33
2	RESPONDED FRANCHISEE DATA	55	37.67
	TOTAL	146	100

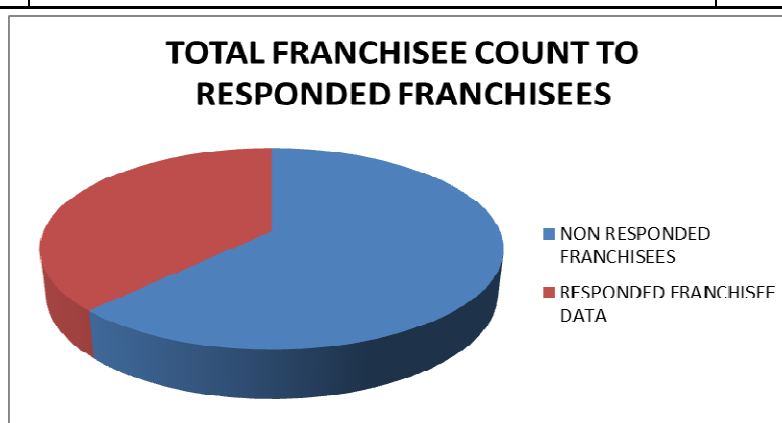


Figure 10 : Total Franchisee Count to Responded Franchisees

Above Figure explains that 37.67% of the Franchisee population responded to our questionnaire. Rest 62.33% did not responded to us. We had their details, address, phone number, email id but the data could have been changed for some of them because of which we could not reach them by telephone or email questionnaire was not responded by them. For those whose actual franchisee unit address was available we tried to reach there but the shop was found shut or the new business entity was operational at that said premises. The old Franchisee owner was either not the current business owner of the said premises.

The 55 people to whom we could reach to get our questionnaire filled and our intention to visit them to understand their franchisee business model in person. Many of them out of this 55 has already stopped the franchisee business but were reachable and we could get extremely valuable information from them regarding franchisee business models, its crucial parameters relevance to business sustainability etc. Few we met personally at their place of business ,few we could reach them via phone and we could fill the questionnaire on their behalf for the answers they told us and we could derive few answers which we put forth to them indirectly and derived the answers best closing match to the available options.

4.3.4 – Total Franchisee Count Shutdown vs. Operational Count

Table 9 – Total Operational Franchisees Vs Shut Down Franchisee Units

SR NO	DESCRIPTION	n=146	% age
1	OPERATIONAL FRANCHISEE UNITS	39	26.71
2	SHUT DOWN FRANCHISEE UNITS	107	73.29
	TOTAL	146	100

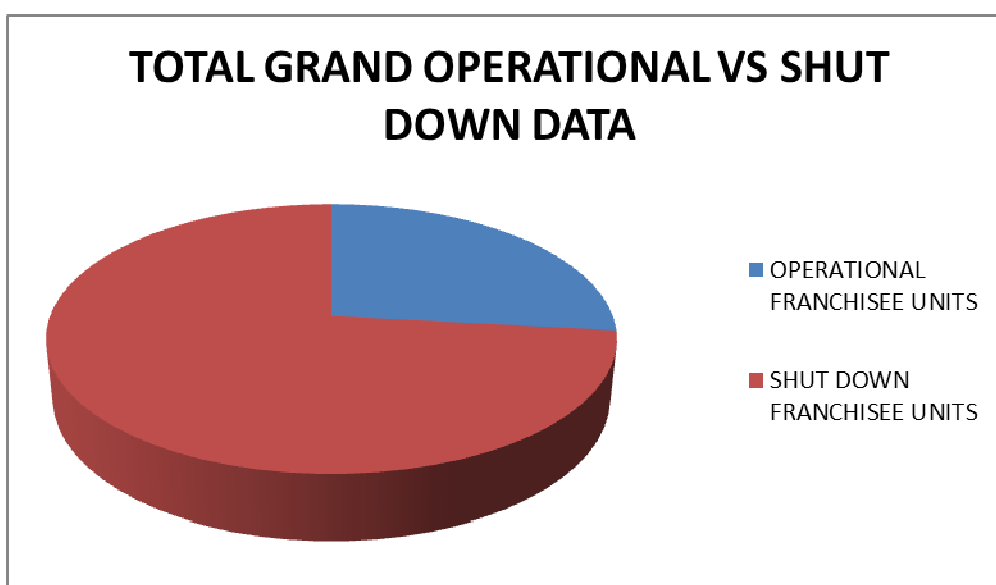


Figure 11 : Operational Franchisees Vs Shut Down Franchisee Units

As per Table No if we consider total sample size of N= 146 which could not be studied in detail the number are very interesting, 37 were operational and 107 were shut down i.e. 26.71% were existing business doers and 73.29% have shut down franchisee business. This is also a big reason that major shutdown franchisee was not reachable, their contact number was changed, and we could not trace them to meet or speak to them. Our personal visit to their shops /premises revealed that that a franchise does not exist and the same premises some completely different business was operational and at times the owner was also different.

4.3.5 – Total Investment of Franchisee Holder

Table 10– Total Investment done by Franchisee Owners

SR NO	DESCRIPTION	n=55	% age
1	5 LACS - 9.99 LACS	9	16.36
2	10 LACS - 19.99 LACS	25	45.45
3	20 LACS0 29.99 LACS	9	16.36
4	30 LACS AND ABOVE	12	21.82
	TOTAL	55	100.00

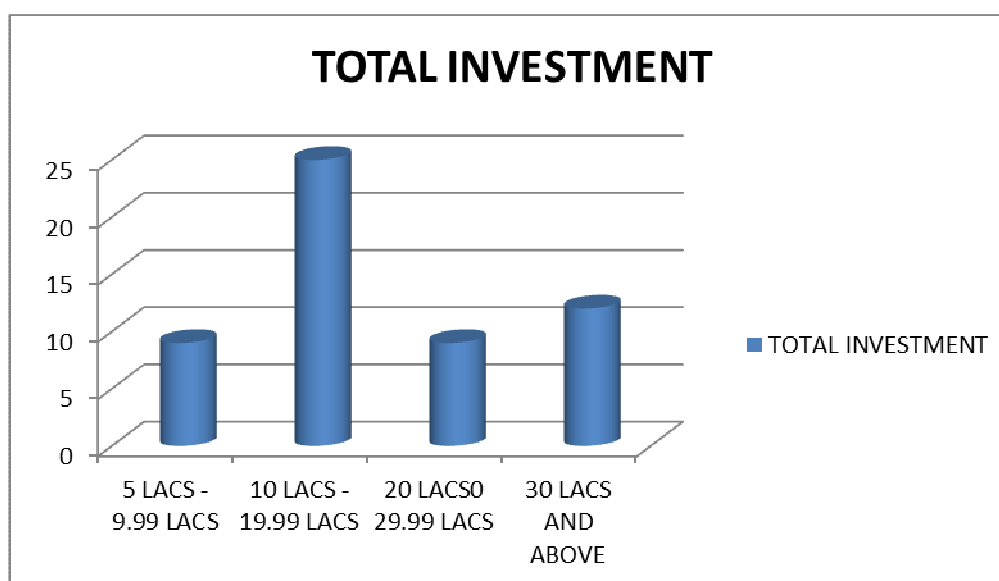


Figure 12: Total Investment made by Franchisees Owners

The Total Investment in Franchisee Business seem to be always on higher side due to variety of factors such as Branding Costs , Interior of shop as per Standards , Franchisee Fees , Refundable - non Refundable Investments, Stocks , Manpower etc.... If non franchised business of similar nature was to be studied then the total investment shall be definitely on lower side.

Usually the investment required in unit franchisee business models required 10-20 Lacs of capital for 25 Units which was 45% of the total population. Only 9 units 16% of the population required less capital i.e. 5-10 Lacs which clearly indicates that Franchisee Business is for money rich people and not poor . To run and own franchisee business model money was the major criteria and the one who could fulfill money requirement was primarily eligible to open a franchisee business. We have

seen that in review of literature, people have borrowed loans, mortgage loans to arrange funds for opening up a franchised unit.

It is absolutely not surprising that investment above 20 Lacs was also seen in large population

20-30 Lacs was seen in 9 Units which constituting 17% and 30 Lacs and above in 12 units constituting 21%. Gone are the days where a franchisee business model could be a dream come true with capital of 5- 10 Lacs. Franchisee models now a day run in crores and millions. Business is demanding huge capital investment and the payback time has also increased exponentially due to higher interest rates for funding and processing the operational side of franchising.

Costs of interiors, Architects Fees, material selection, legal fees, rental lease agreement costs, brokerages cost for rental commission agents, manpower arrangement costs , training etc. After all is done and organized, the launch and the pre-launch would need an appreciable amount of cash – right from event organizing, chief guest fees, mementoes, media coverage, banquets, after party, food and beverages, seating arrangements, decoration etc.

4.3.6 – Refundable and Non Refundable Investment Factor

Table 11 – Total Refundable Investment done by Franchisee Owners

SR NO	DESCRIPTION	n=55	% age
1	LESS THAN 10,000	15	27.27
2	10,000 TO 25,000	23	41.82
3	25,000 TO 50,000	0	0.00
4	50,000 TO 1,00,000	3	5.45
5	1,00,000 AND ABOVE	14	25.45
	TOTAL	55	100.00

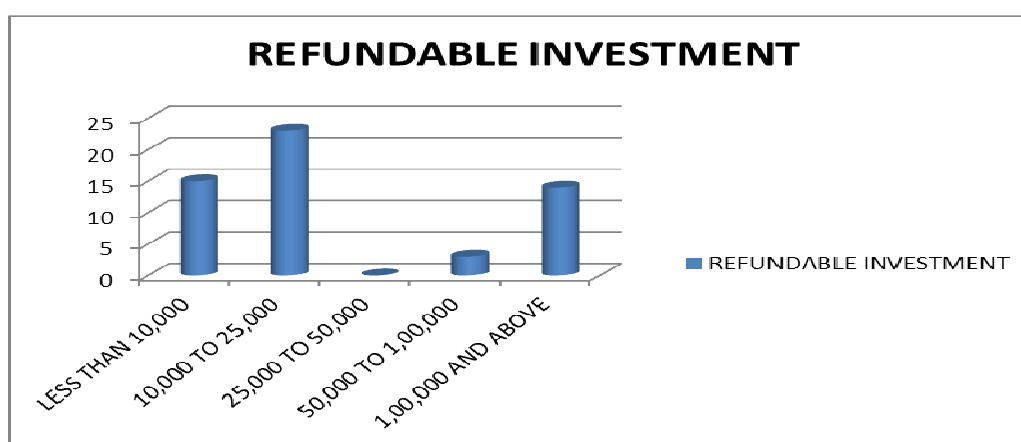


Figure 13 : Total Refundable Investment made by Franchisees

Refundable investment was an integral part of the total investment model of any franchisee business. It is clearly seen that 100% of the population under study had to invest in refundable investment under the accounting names of Deposit, Refundable Deposits, Security Deposits, Stocks, Returnable Fixed Deposits. Being Refundable people aspiring for Franchisee business would not primarily mind to pay that money. Major amount was Rs. 10,000 to Rs.25,000 which was not a very high investment for 23 units i.e 42% of the population. Less than Rs. 10,000 also constituted 28% of the population with 15 Units under it.

Our Understanding of Refundable deposit was to take money from Franchisee Taker with some assurance for returning money but it is also equally important to understand the terms and conditions under which circumstances the refundable money would be forfeited and not returned back assign a logical reasoning for the same. Unconditional Refundable Deposit should have been the clause but we doubt no Franchisor would agree to this.

Table 12 – Total Non-Refundable Investment done by Franchisee Owners

SR NO	DESCRIPTION	n=55	% age
1	LESS THAN 10,000	7	12.73
2	10,000 TO 25,000	1	1.82
3	25,000 TO 50,000	0	0.00
4	50,000 TO 1,00,000	6	10.91
5	1,00,000 AND ABOVE	41	74.55
	TOTAL	55	100.00

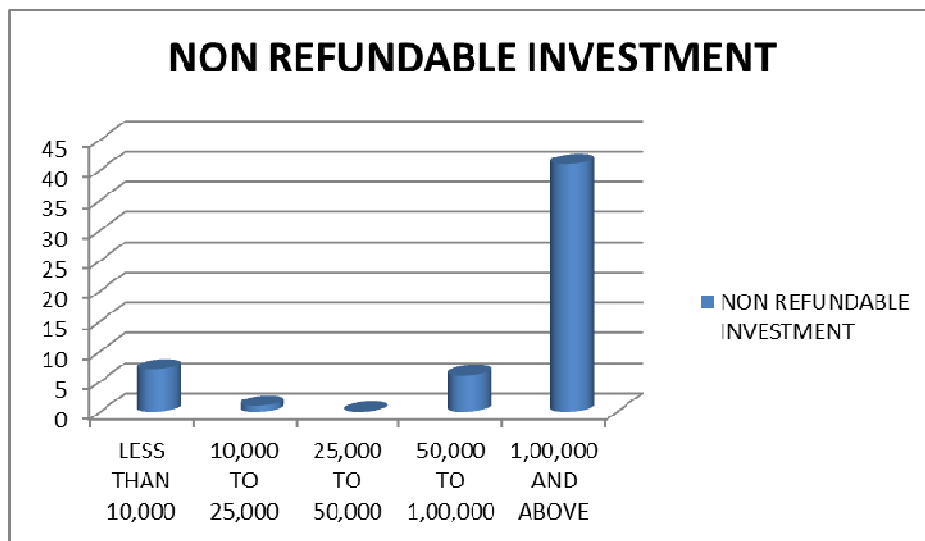


Figure 14: Total Non-Refundable Investment by Franchisees

Non-Refundable Deposit or investment: The Villan of the Investment Pattern . Franchisor would make it clear and blunt that this is a mandatory investment and could not be returned back to giver franchisee under any circumstances. This nonrefundable deposits would be served to franchisee under various heads like – Technical Training Fees, Branding Fees , Commissioning Fees , Legal Documentation Charges , Shop Layout Making Charges , Architect visit charges , Designing and Conceptualization Charges , Launches charges. At no point we intend to portrait that this is illegal or unnecessary money taken from Franchisee by Franchisor. But also the value of services – Product or parameter attached to per Rupee of the Non Refundable Deposit has to be thoroughly studied and analyzed.

We could see that 41 unit’s i.e 74.55% of the unit franchisee have paid more than 1Lacs to Franchisor under this domain.

It shall also be a clear understanding that total investment could be on higher side due to adding up these heads too.

4.3.7 – Franchisee Fee

Table 13 – Franchisee Fee

SR NO	DESCRIPTION	n=55	% age
1	0 -25000	9	16.36
2	25000-100000	8	14.55
3	100000-300000	19	34.55
4	300000-500000	12	21.82
5	500000 AND ABOVE	7	12.73
	TOTAL	55	100.00

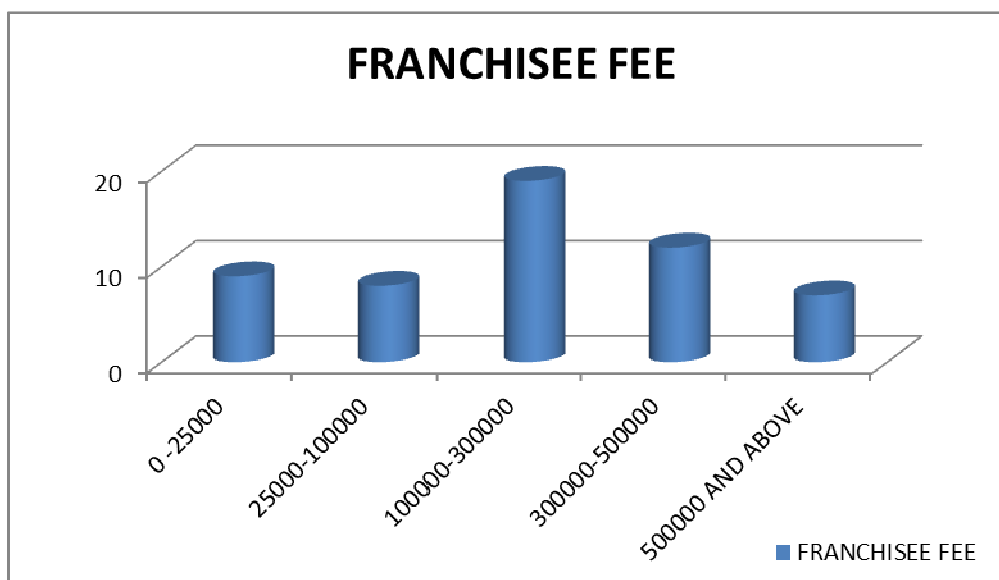


Figure 15 : Franchisee Fee

Franchisee business will not exist without Franchisee Fee. No Franchisor will grant his franchising rights to aspiring franchisee without taking any money upfront for his business rights. Franchisee Fee is an integral part of Franchising Agreement. Franchisee Fee is also not taken one in a lifetime. It is taken for a particular franchisee duration in years usually called agreement duration. Franchisee Fee is also another major cost in the Total Investment and Franchisee Fee is NON REFUNDABLE by and large.

We can see a uniform pattern in our scope of study, irrespective of the amount franchisee fee is taken by 100% franchisors. 19 Units have paid in the range of 1 lac to 3 Lacs which is 34.55% of the total population. Franchisee fee depends on the type of

franchisee business and the returns attached to it. The revenue sharing also affects the franchise fee.

If Franchisor is getting appreciable amount via revenue sharing and the business is expected to be majorly sustainable then franchise fee is on lower side. In case of complicated franchisee business where the technology dependency is high, market penetration, scope is wide then franchisee is on higher side. Franchisee agreement will not be executed unless franchisee pay franchisee fee to franchisor. All expenses can be scheduled as per timeline but franchisee fee is on the top list.

It is also seen that 7 units have paid franchisee fee more than 5 Lacs which is roughly 12% of the population. Franchisor business development team has to convince the franchisee to pay franchisee fee and non-refundable deposit as these are the major hindrances in achievement of the franchisee sales. Once these 2 broad heads are convinced to franchisee takes then rest is easy and can be managed.

38 units i.e 69.09% have paid more than 1 Lacs as franchisee fee which also states that franchisee takes rely on the words of franchisor and they are ready to do investment as per they say with only one desire to succeed and flourish their new business venture. They expect to recover the business money from the business and aim to open more than 1 franchised outlets and write a success story.

4.3.8 – Franchisee Duration in Terms of Years

Table 14 – Duration for Franchisee Agreement

SR NO	DESCRIPTION	n=55	% age
1	0 -1 YEAR	2	3.64
2	01 - 03 YEARS	12	21.82
3	03 - 05 YEARS	13	23.64
4	05 + YEARS	28	50.91
	TOTAL	55	100

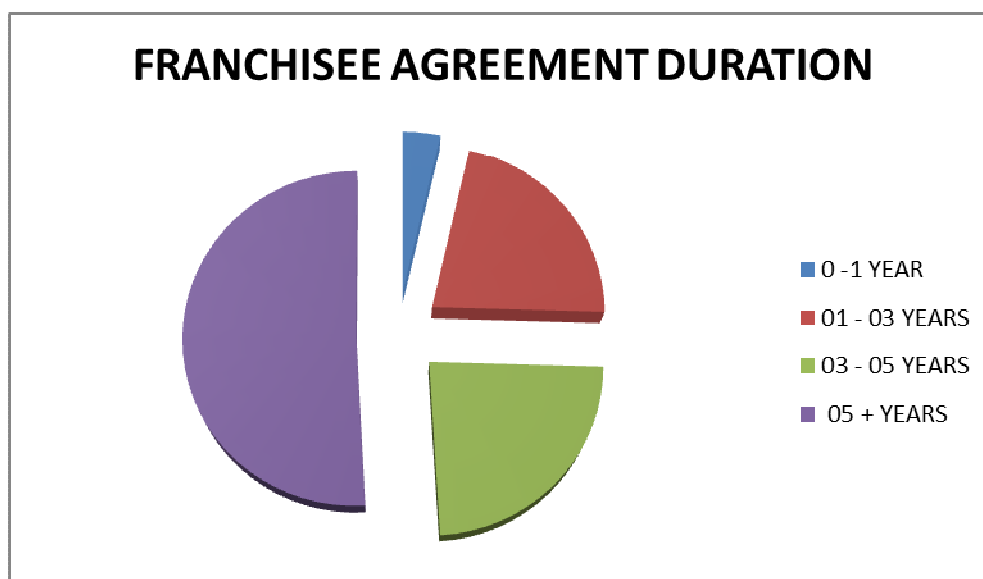


Figure 16 : Duration for Franchisee Agreement

The longer the duration the more chance of win –win situation for franchisor as well as franchisee. Franchisee fee will be greatly amortized if the duration of the Franchisee agreement is more. The max the marriage retains the more the success stories are created. In simple words both franchisor and franchisee are committed towards each other for the said duration on the agreement and are to large extent answerable to each other for their efforts, success and support .

5 Years and more are the winners in our study which constitute to 50% of the n= 55 , 28 units shall be supported for franchisee business by franchisor to franchisee. The franchisee duration can be extended. Reduced at total discretion of franchisor depending upon various parameters. The Franchisee agreement can be extended to n years depending upon the f-f relationship and the business churned our during the years.

4.3.9 – Total Expenses incurred by Franchisee Holder per Month

Table 15 – Monthly Expenses

SR NO	DESCRIPTION	n=55	% age
1	10,000 - 25,000	7	12.73
2	25,000 - 40,000	24	43.64
3	40,000 - 55,000	14	25.45
4	55,000 AND ABOVE	10	18.18
	TOTAL	55	100

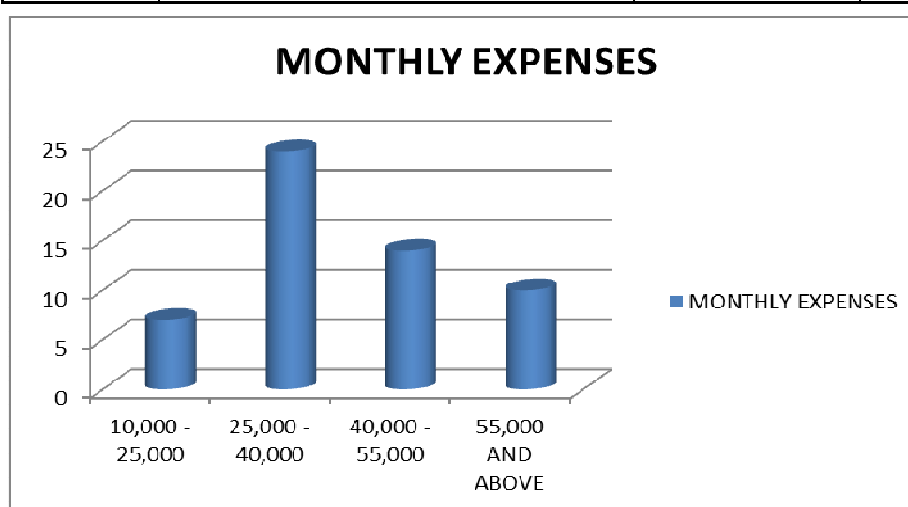


Figure 17 : Monthly Expenses

Monthly expenses are the total out flow from the franchisee for running the business. It clear states the sate if affairs of the franchisee business. Monthly expenses is a total of the Franchisee Royalty , Rentals , E Bill + Internet Bills , Manpower Costs , Statutory compliances etc. Monthly expenses also depends on the locality , owners dedication , commitment towards business and the urge to reduce outflow and maximize inflow.

We can see that major units are shelling in range of 25,000 inr to 40,000 ir per month i.e 44% of the population. Expenses on higher side is also seen with 10 units i.e 18.18% are shelling whooping 55,000 inr per month. Expenses could be higher and should not be concern if the revenues income is matched and is above all outflows. Concern is when the outflow is higher that the inflow. Franchisee can have a buffer of 3-5 months during initial period to gain market share and stabilize. The Equation of outflow to inflow should match ASAP so as to gain confidence of the franchisee business owner and show him the hope of making profits and revenue retention.

4.3.10 – Rentals paid per month by Franchisee

Table 16 – Monthly Rental Expenses

SR NO	DESCRIPTION	n=55	% age
1	10,000 TO 20,000	21	38.18
2	20,000 TO 30,000	25	45.45
3	30,000 TO 40,000	6	10.91
4	40,000 TO 50,000	0	0.00
5	50,000 AND ABOVE	3	5.45
	TOTAL	55	100.00

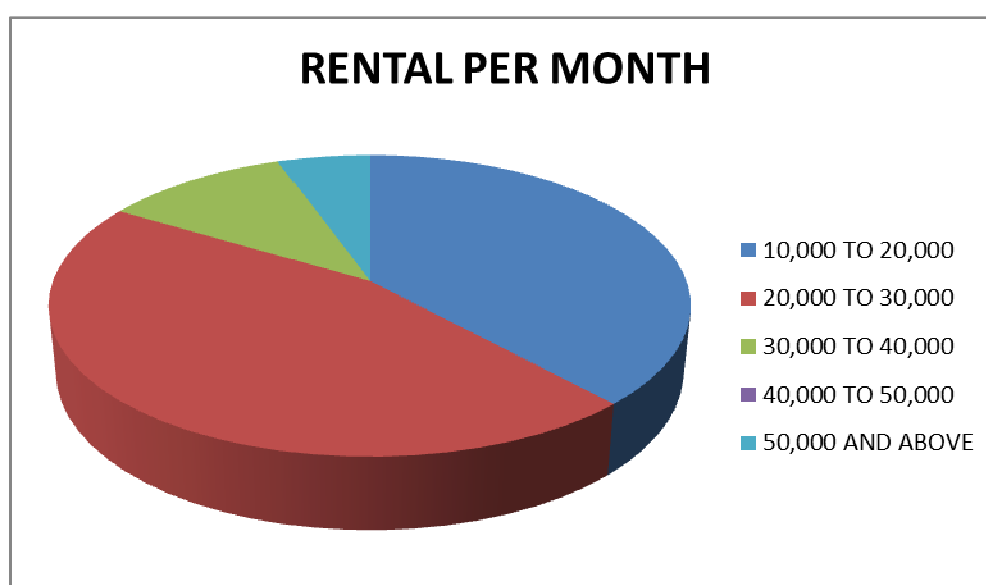


Figure 18 : Monthly Rentals for Franchised Premises

Rental of the Franchised Premises is the another major factor that contribute to the Total Cost per month and the Outflow. Taking into consideration urbanization , modernization , and cosmpolitaizaion of the society the cities have expanded length wise as well as breadth wise. This has definitely boosted up the real estate pricing which has directly resulted din hike in rentals day by day. One can see that usual premises of franchisee is below 500 Sq feet and the rents paid is in tune of 20,000 inr to 30,000 inr per month for 25 units which is 45% of the population. 6 units i.e 11% are paying even more in tune upto Rs. 40,000 and 5% are paying more than 50,000 inr per month.

The cost of rentals makes a direct impact on the outflow and the revenue inflow has to take care of the yearly inflation, increase in the rentals per year and the other costs

attached to the premises. Taking into consideration of the growth of the business, one has to also account for larger premises if required which shall also increase the rental outflow. Even in case of owned premises the rental value is equal to emi or the funding portion of the money used up to purchase the premises. A true business man shall keep aside the rental even for owned premises to ensure justice to economics and capital asset investment.

For front facing, higher foot falls premises the rentals soar as much as 100% premium and the business also depends on the location of the premises. Compromise on the rentals is directly proportional to the revenue generation thus in franchised business location selection is the major criteria to decide its success or failure.

4.3.11 – Electricity Bill + Internet Bill + Other Operational Expenses incurred per month

Table 17– Monthly electricity Bill and Other Expenses

SR NO	Monthly Expenses (INR)	n=55	% age
1	0 TO 5,000	19	34.55
2	5,000 TO 10,000	21	38.18
3	10,00 TO 15,000	14	25.45
4	15,000 AND ABOVE	1	1.82
	TOTAL	55	100

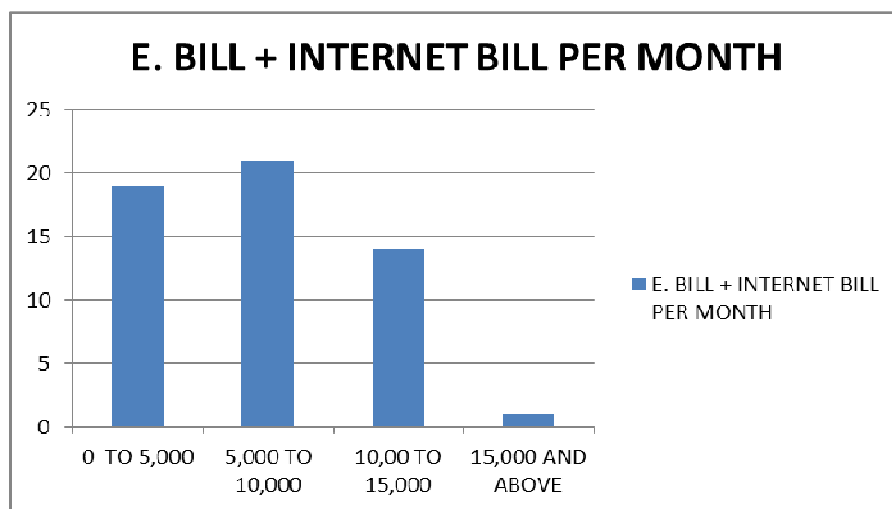


Figure 19 : Monthly Electricity Bill and Other Expenses

Internet is backbone of any business and Electricity is the oxygen of the Business. One cannot survive without these 2 major factors. The above list constitutes to Electricity Bill, Communication Bills (Landline Phones, Mobile Bills, and Recharges), Internet Bills, Other stationary expenses like legal compliances, other day to day tea / coffee expenses, daily newspapers etc.

38.18% of the units are bearing expenses in tune of 5,000 inr to 10,000 inr per month and 25% are bearing in tune of 10,000 inr to 15,000 inr per month.

Air conditioning, Adequate lighting, Glow sign board lights , Computer with billing printer are the prerequisites these days for any success of business. All consume Electricity and internet is used for running ERP which is again a prerequisite from Franchisor to keep track of sales numbers and revenue generation by franchisee. Franchisor keep minute to minute track of the franchisee sales activities as major revenue is linked with the sales figures.

4.3.12 – Total Head Count – Employees Strength

Table 18 – Employee Strength

SR NO	DESCRIPTION	n=55	% age
1	0 TO 2	22	40.00
2	2 TO 5	24	43.64
3	5 PLUS	9	16.36
	TOTAL	55	100

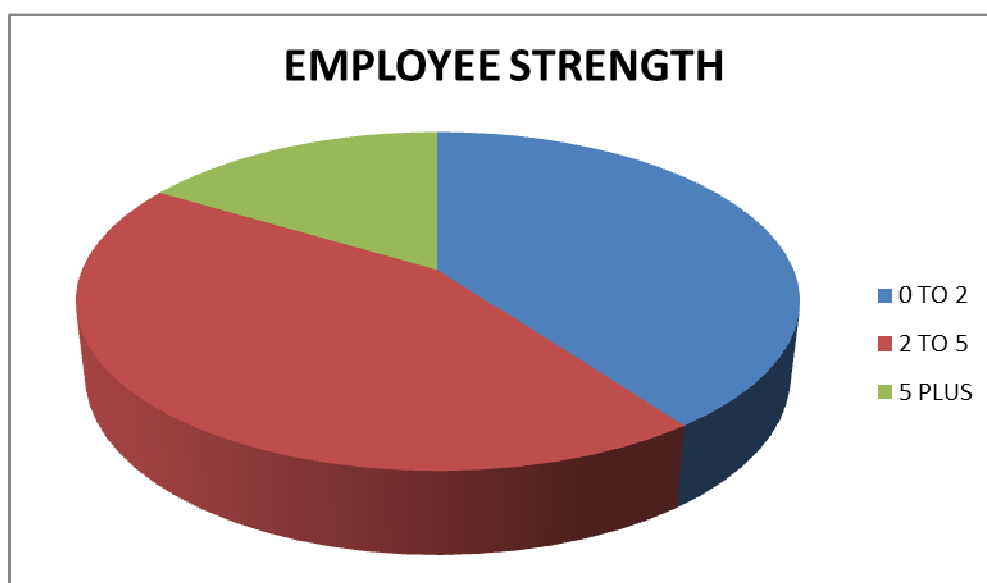


Figure 20 : Employees Count

Another Crucial support pillar for franchisee business Is trained staff. Single Franchisee owner cannot carry out the entire show and cannot all places. Helping hands are must and staff that should be properly selected , trained to carry out the business as designated by franchisor and their systems and processes.

We can see 24 Units i.e 43.6% had recruited 2-5 head counts to run the business. Along with staff the franchisee owner is one the member. Also 9 units i.e 16.36% required more than 5 + employees to run the show. Attending customers, rendering services, billing, addressing communication all require manpower and without manpower the show could end with bitter numbers of revenues and failures.

4.3.13 – Salary Expenses behind maintaining Employees

Table 19– Monthly Salary Expenses

SR NO	DESCRIPTION	n=55	% age
1	10,000 TO 15,000	9	16.36
2	15,000 TO 20,000	14	25.45
3	20,000 AND ABOVE	32	58.18
	TOTAL	55	100

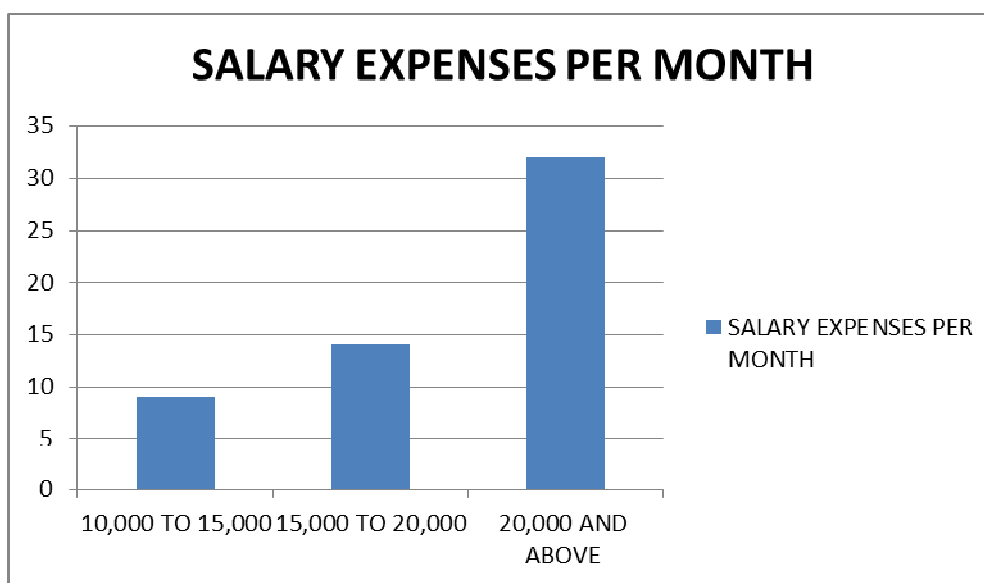


Figure 21 : Monthly Salary Expenses

Employees cannot work for Free or Charity. The more the employees you recruit the proportionate salary you need to pay them depending upon their, experience, job profile, work timings , expertise , work load and performance. You need to fairly pay them as per market prevailing patterns to avoid iteration.

We can see that major units are incurring monthly salary payouts in tune of 20,000 inr and more , 32 units i.e 58.18% .If you pay well people will stay and perform .

It is the duty of franchisee owner to ensure he gets work done from the team for the payment he is paying then for.

4.3.14 – Break Even Period Promised by Franchisor to Franchisee

Table 20 – Promised Break Even Point by Franchisor

SR NO	DESCRIPTION	n=55	% age
1	0 - 12 MONTHS	19	34.55
2	12 - 24 MONTHS	19	34.55
3	24 -36 MONTHS	13	23.64
4	36 + MONTHS	4	7.27
	TOTAL	55	100

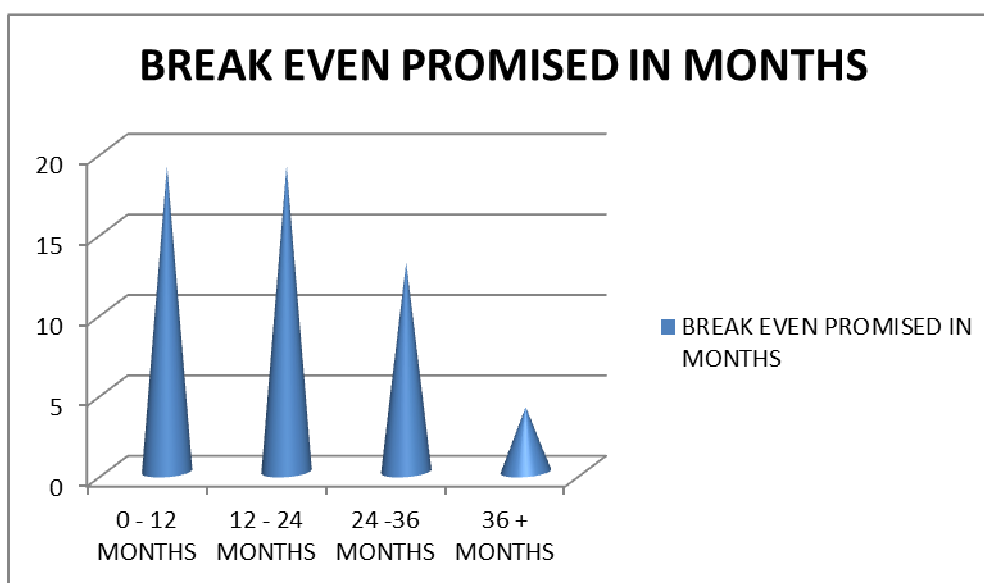


Figure 22: Promised Break Even Point by Franchisor

Expenses, Salary, Investment, Deposits, Stocks, and Rentals all are accepted if the Business of Franchisee was to give them returns and bring profits to the business. Franchisor usually gives some tentative deadlines in terms of tenure months- year where the franchisee is expected to attain break even w.r.t his investment with the sales revenues. This helps franchisee to plan their franchisee decision and revenues flow pattern.

We can see 19 units each i.e.34.55% of Franchisee were promised BEP in 1 year and 2 year resp. That means their 100% total investment can be recovered from business in the given duration. Franchisor arrives at the BEP Number depending upon market potential, daily sales estimates, expenses. Franchisor always try to keep BEP number very lucrative to attract franchisee takers and investors. Franchisee taker may rely on the BEP number but it is required to carefully study the logic and math's behind the BEP w.r.t the franchisee location , market potential and investment value.

4.3.15 – Revenue Sharing Model

Table 21 – Revenue Sharing Model

SR NO	DESCRIPTION	n=55	% age
1	FRANCHISEE 70 % : FRANCHISOR 30%	18	32.73
2	FRANCHISEE 80 % : FRANCHISOR 20%	15	27.27
3	COMISSION BASIS	22	40.00
4	NO SHARING ; 100% FRANCHISEE	0	0.00
	TOTAL	55	100

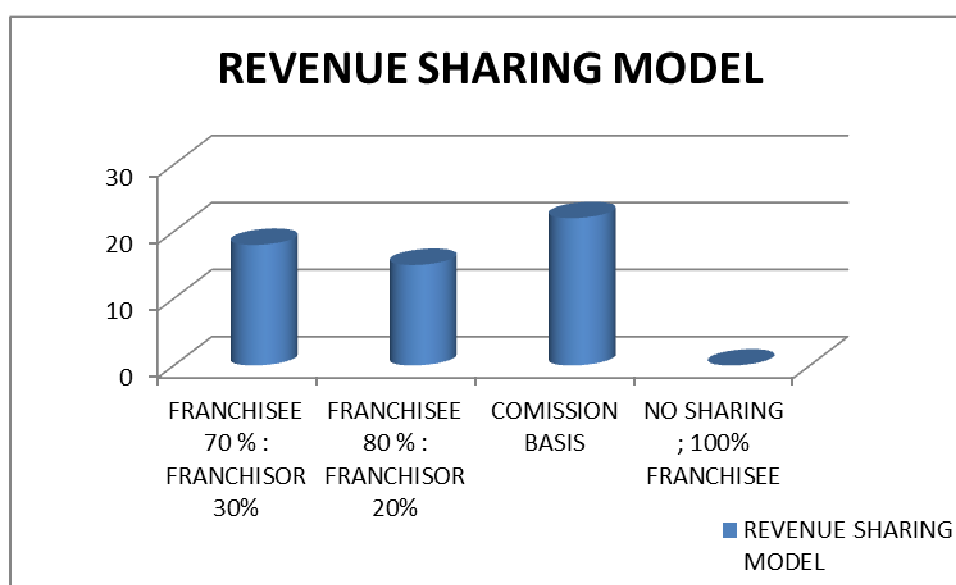


Figure 23 – Revenue Sharing Model

It is clear that no franchisee is allowed to keep 100% of the revenue that he is earning. 18 Units i.e 32.73% and 15 Units i.e 27.27% are under the revenue sharing model of FRANCHISEE 70 % : FRANCHISOR 30% and FRANCHISEE 80 % : FRANCHISOR 20% respectively. 22 units i.e 40% of the Franchisee have to pay franchisor commission on sales or buy raw material from franchisor which includes franchisor share of commission. Commission can range from 5% - 6% and go upto 40% but franchisor share is bound to be there in each rupee sale for Franchisee.

Thus franchisee sales are major revenue source for franchisor for which franchisor strives hard to increase the sale day by day.

Franchisor revenue sharing happens on monthly basis or in some cases the franchisor is deducted at source and the balance is paid to franchisee to avoid demanding of the franchisor share from franchisee on sale figures.

4.3.16 - Actual Break Even Results

Table 22 – Actual Break Even Point Results

SR NO	DESCRIPTION	n=55	% age
1	YES	8	14.55
2	NO	47	85.45
	TOTAL	55	100



Figure Table 24 – Actual Break Even Point Results

The most and decisive outcome of the survey. The franchisee meet BEP ??

We can see only 8 units i.e 14.55% confirmed that the Break even happened for their Franchisee Business proposition and 47 units i.e 85% said the break even did not happen as per promised by the franchisor.

We are not saying they incurred loss or the Business was shut down due to non-meeting BEP but the fact cannot be ignored that business did not do well as per expectations. Reasons could be many and more detailed investigation is required.

Few may be close to BEP and few very far from the BEP but the estimate of the Franchisor to make the franchisee earn their total investment back was not met as per the schedule given to them.

This could be the most demotivating factor for the franchisee towards franchisor marketing skills. Reasons could be due to lacunas if Franchisee owner or Franchisor Policies or market dynamics no one to be singly handled blamed.

If invested money is recovered within committed time then it becomes a huge success for franchisee and the franchisee can rethink to reinvest inn another outlet and open more franchisee outlets which helps both F-F in growth and expansion.

4.3.17 - Minimum Guarantee for Business Assurance and Sustainability.

Table 23 – Minimum Guarantee

SR NO	DESCRIPTION	n=55	% age
1	YES	1	1.82
2	NO	54	98.18
	TOTAL	55	100

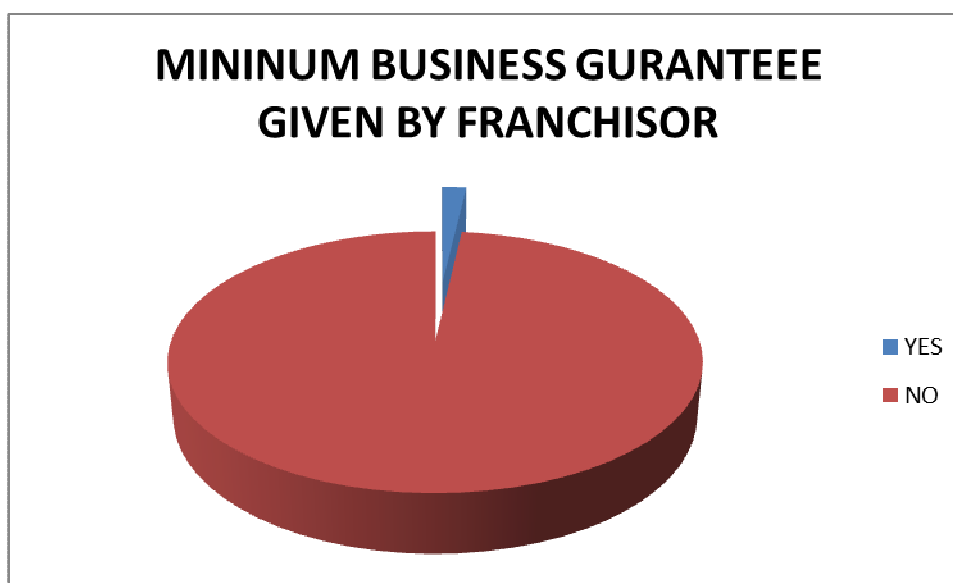


Figure 25 - Minimum Guarantee

This is a biggest relief for any franchisee towards business uncertainties. But it is found the only 1 Master Franchisees had MG for their outlet which was only 1.82% of total population and 54 units i.e. 98.18% were operational on no minimum business guarantee factor.

Actually even it sound to be a boon to franchisee could be negative imparting factor for business as the franchisee would take it as an undue advantage and refrain from putting desired efforts and resources to make the business a success. On Franchisor part being a risk in terms of outflow and taking burden of monthly operations expenses is could be a great tool to gain confidence of the franchisees and put good franchisee managers to get business churned out from the franchisee owners if the MG given. Also a kind of obligation stays with franchisee for which they are bounded to put efforts and commitment. Also term based MG Should be given to avoid undue advantage incidents.

4.3.18 – Daily Sales Income

Table 24– Daily Sales Income

SR NO	DESCRIPTION	n=55	% age
1	0 - 5,000	24	43.64
2	5,000 - 15,000	20	36.36
3	5,000 - 30,000	9	16.36
4	30,000 - 45,000	2	3.64
5	45,000 AND ABOVE	0	0.00
	TOTAL	55	100.00

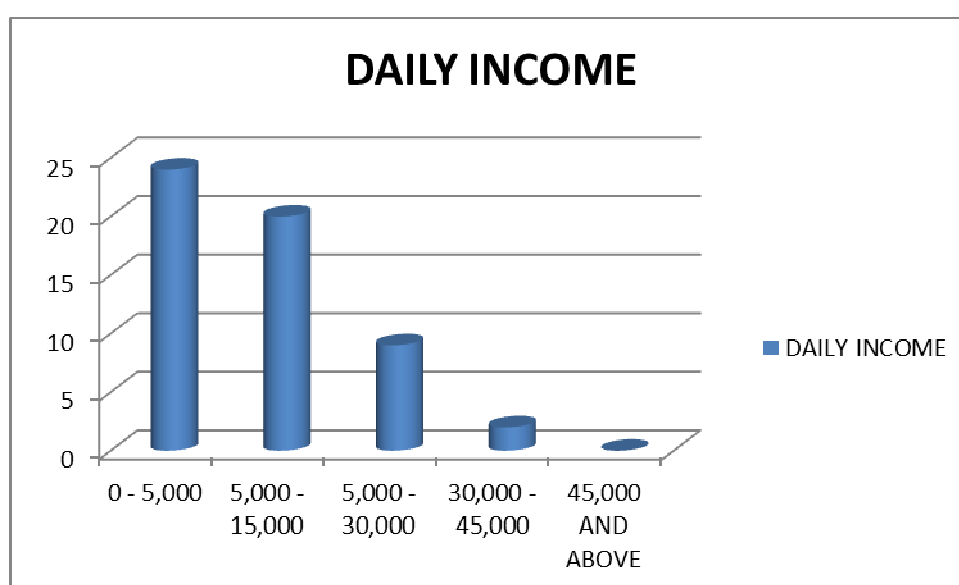


Figure 26 - Daily Sales Income

Daily income indicated the inflow of cash for the franchisee for the sales ,services given to their clients customers. The inflow is direct indication of the healthy state of business. One can counter expenses by daily sales review and growth day on day.

We can see that the major franchisees are in bracket of 0 – 5000 INR per day ; 24 units i.e 43.64 %. Rest all fall on higher sales segment.

20 units i.e 36.36 % fall in 5000 INR to 15,000 INR bracket which is second lowest.

Revenue is directly proportional to sales and its impact on the outflow is distinctive.

Daily Income sales should be always on higher side day to day basis and franchisee must report exponential growth but the number indicate decline growth and sort of stagnant revenue over duration of time.

4.3.19 – Multiple Revenue Options for Income Generation

Table 25 – Multiple Revenue Options

SR NO	DESCRIPTION	n=55	% age
1	YES	14	25.45
2	NO	41	74.55
	TOTAL	55	100

Table 26 – Multiple Revenue Options Income Figures

SR NO	DESCRIPTION – YES	n=14	% age
1	0 - 1,000	10	71.43
2	1,000 – 5000	2	14.29
3	5,000 - 10,000	2	14.29
	TOTAL	14	100

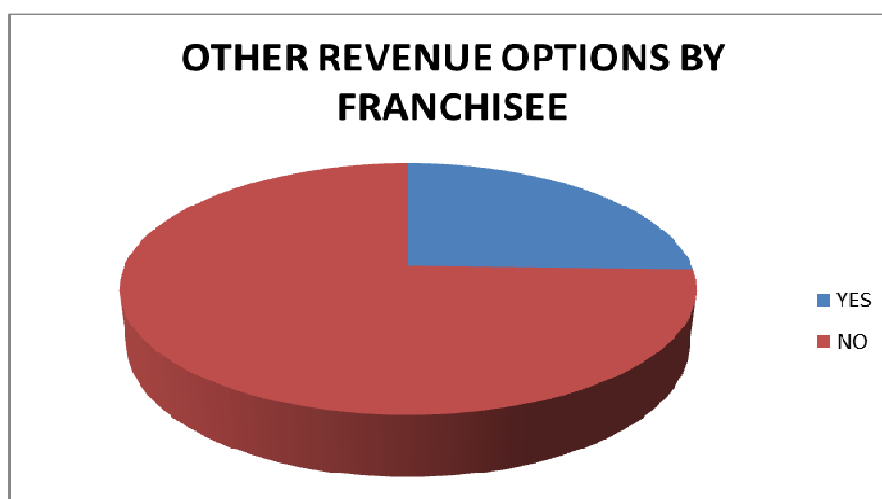


Figure 27 - Multiple Revenue Options

Franchisee model must permit franchisee to earn extra income from multiple revenue opportunity and options. If the core franchisee sales is not sufficient to meet the expense and salaries franchisee must have some other source of income to met the demands.

We can see that 14 unit's i.e 25% has other multiple revenue options that too in daily sales bracket of 0- 1000 INR. 41 units i.e 74.55% relied on 100% revenue for core franchisee sale activities and had not backup plan like multiple revenue options. The reason could be varied but it was clear that multiple revenue options would give a secondary support to sales and help in generating higher revenues.

4.3.20 – Support Parameters by Franchisor towards Franchisee

Support from Franchisor to Franchisee is extremely crucial and decisive for success or failure of the franchisee venture. It is always said that franchisee brings business acumen and franchisor brings the professional acumen to run the business in the most process oriented manner.

Major Support from Franchisor is majorly in letting the market know about their presence and opting off the franchised outlet in the area or region. The main motto is to let the target customer give an opportunity to test the branded business models as compared to their age old local business option.

Franchisee expects the franchisor to help him in

Table 27 – Support Parameters by Franchisor towards Franchisees

S/N	Support From Franchisor Parameters	Yes	No	Total	Yes %	No %
1	Marketing & Advertisement Support From Franchisor Local Level	9	46	55	16.36	83.64
2	Marketing & Advertisement Support From Franchisor National Level	9	46	55	16.36	83.64
3	Lead Generation From Franchisor To Franchisee For Business	13	42	55	23.64	76.36
4	Franchisee Manager Visits	25	30	55	45.45	54.55
5	Near By Same Franchisee Presence	47	8	55	85.45	14.55
6	Exclusivity Of Operation Given	8	47	55	14.55	85.45
7	Similar Business Non Franchised Competition Factor	53	2	55	96.36	3.64

Local Marketing and Advertisement Support

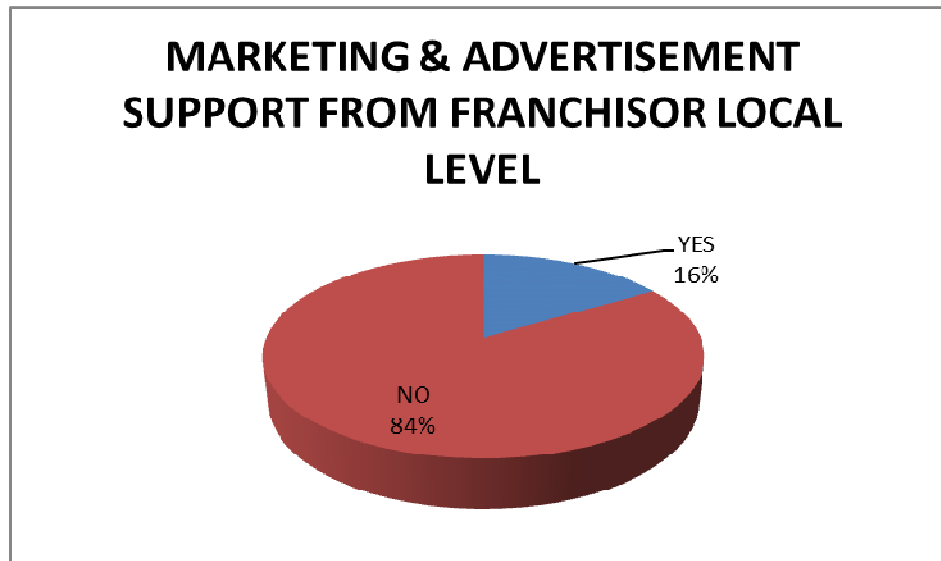


Figure 28 – Marketing Support from Franchisor –Local Level

From Table 27 we can clearly find the number for Local Marketing and Advertisement Support – Like local newspaper advertisement, leaflets printing and circulating local area , publishing regular classified advertisement in the major local dailies and regional magazines. FM Advertisement in city popular FM channels and buying air time for brand publicizing locally.

Table clearly show that only 16.36% of the Franchisee have got local level support from the franchisor and 83.64% i.e 46 units out of 55 people have been refrained from local advertisement support from the franchisor. Franchisor is always considered and is a cash rich entity with fairly large amount of cash flows dedicated for marketing, branding, business expansion purposes. But unfortunately many of the franchisee has not been given large support.

National Level Marketing and Advertisement Support

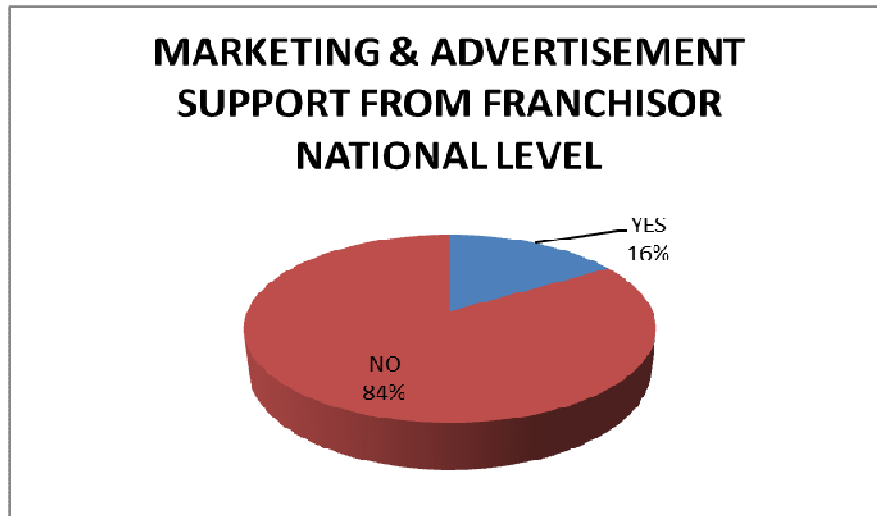


Figure 29– Marketing Support from Franchisor –National Level

National level advertisement in big daily , master newspapers . National level TV Ad Campaign in popular SOPs , New channels, Events ,Award Functions make the brand more popular and reach the mass audience nationally. The scenario is same as in case of local level support to franchisees. National level campaigns were found missing for major of the franchisee business models. It was also found that franchisor were more interested in spending money on franchisee units expansion and franchisee units appointment sector that supporting existing running franchisee units. Advertisement if was given was at many time focusing on the opening of new franchised outlets and luring new franchisee takers to contact then to learn more about the franchisee model and open new franchisee business.

Lead Generation

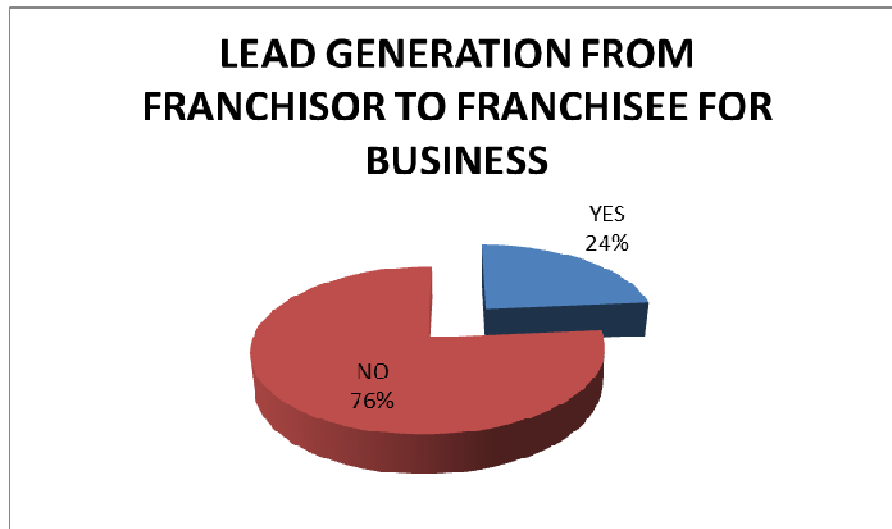


Figure 30– Lead Generation

Figure of Lead Generation clarifies that there was very less support from Franchisor to generate new leads or new clientele for the franchisees. The Lead generation process has to be mutually shared between both franchisees and franchisors. 76% franchisees say that they did not get any lead generation, readymade clientele generation, database of prospective customers from franchisor to the franchisees. Also in many cases one corporate client tie-up if done across India then all franchisees all across the country have shared the same list of clients where they can serve those clients and generate more business. This is applicable in Cartridge Refill business with more relevance.

Franchisee Managers Visit

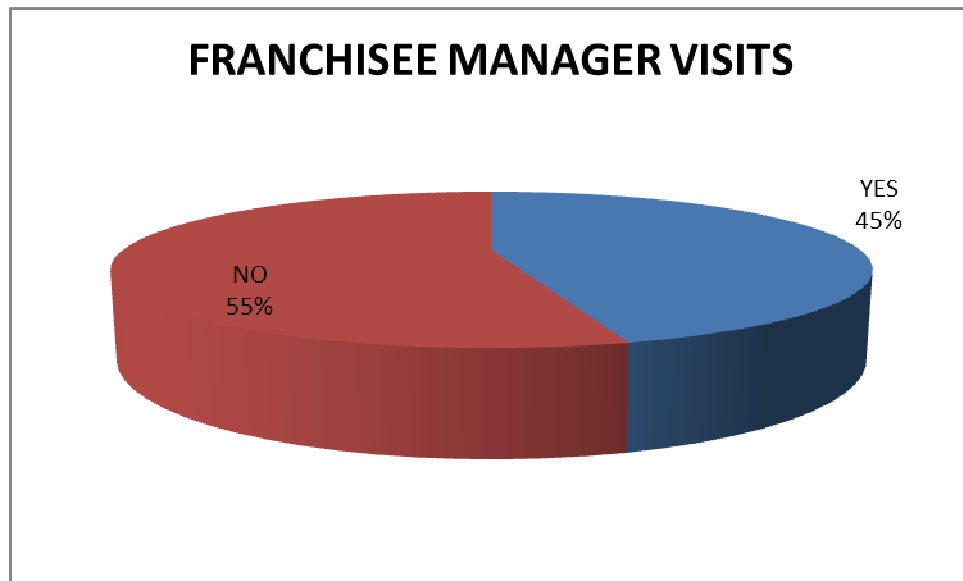


Figure 31 – Franchisee Managers Visit

Franchisee Operations manager play a crucial role in running of any franchised unit successfully. His regular visits, frequency of visits can be monthly, fortnightly , weekly which make a huge difference in checking the health status of the franchised unit .Whether the franchisee is following brand practices , systems ,processes , ERP ,Proper Computerized billing Software can be checked. Any changes in the marketing policy , support can be immediately thought off in case of any downfall of business or a new promotion can be planned if the operational franchise manager make regular visits and ensure that the franchisee outlets is functioning as per the standards and process are followed. 55% says franchise manager was not visiting regularly and 45% say the franchisee manager use to may visits. As far as the success of franchisee is considered it has to be 100% as any deviation in this is absolutely not acceptable.

Regular Audits , Employee Motivation , Training, in shop layouts, display of stocks , new promotions, schemes, Sale and offers have to be properly checked so as it boosts the business. If the franchisee owner is not giving his best and not found committed to the business this can be easily traced with regular franchisee manager visits at the outlets.

Nearby Franchisee Presence

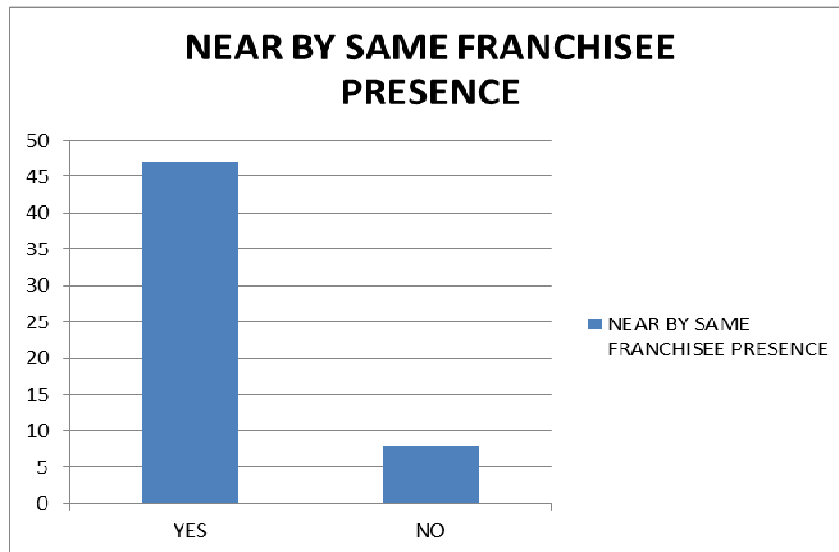


Figure 32 – Nearby Franchisee Presence

Figure 32 says that Franchises were not given Exclusivity or given total rights to operate in a particular region. We can see that more than 45 franchisees have said that there existed a similar or same competing franchisee. This will have direct adverse impact in the business. The same client base shall be divided into multiple franchisees and the sales number may come down. Many franchisors have different opinion for the same and also they support with various market potential data sheets but from franchisee point of view his investment and daily's sales are directly proportional. HE would be more confident to work with more commitment if he is given exclusivity to work and full freedom to cater to the particular region without having any fear of having another competing franchisee in his region.

Competition Factor

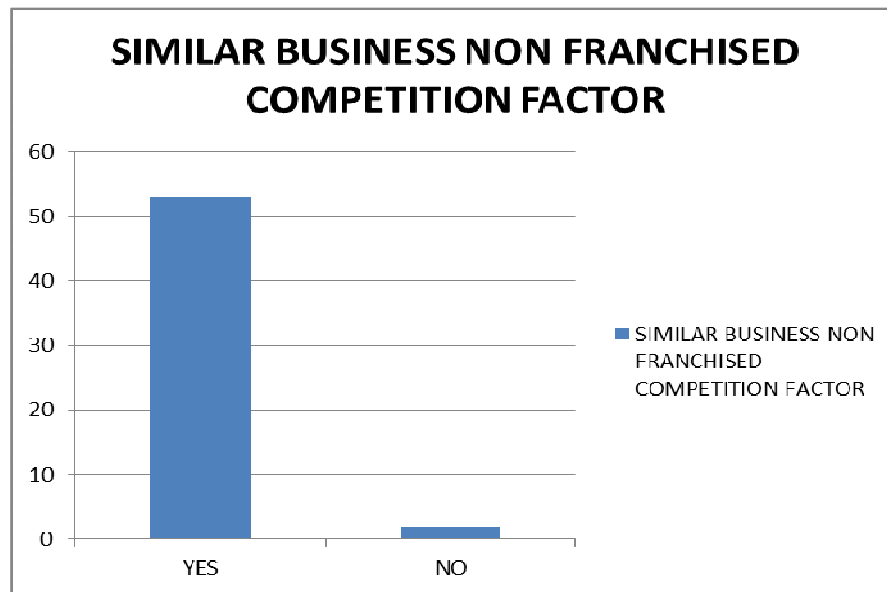


Figure 33– Competition Factor

Figure 33 and Table no 27 make it very clear that Franchisee business existed wherever there is similar business model. The competing business may be branded, franchised or local level. There is potential for the business and market exist that mean there is more scope for branded players like franchised player to establish their business and cater to market need in more professional way. More client oriented approach, professional business practices, novelty in product range, extended customer care and quality to be rest assured it what people shall ask for in case of brand or franchised business. 96% people said that there exist some kind of competition which indeed is a very positive sign and note because the market potential has already established itself and business re happening in that region for similar kind of offerings. The difference is in to the way of doing the business and the approach.

4.4.22 – Franchisee Recommendation factor for opening new outlets.

Table 28 – Franchisee Recommendation factor for opening new outlets

S/N	New Franchised Outlet Opinion By Existing Franchisee Owner	New Franchised Outlet Opinion			YES	NO	TOTAL
		YES	NO	TOTAL	%	%	%
1	Will You Open Another Same Franchised Unit	5	50	55	9.09	90.91	100.00
2	Will You Recommended New Taker To Go For This Franchised Business	8	47	55	14.55	85.45	100.00

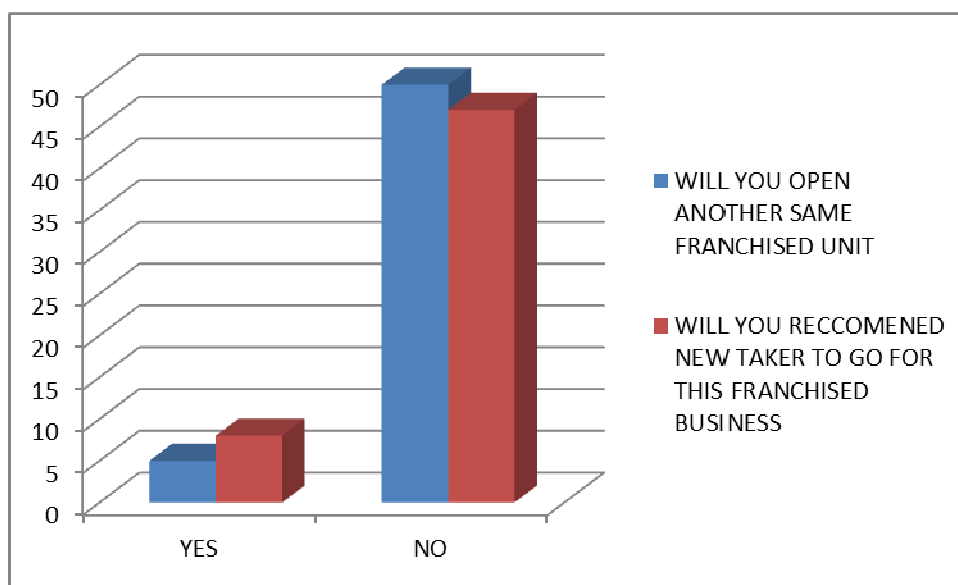


Figure 34 - Franchisee Recommendation factor for opening new outlets

From the above table it is clear that only 9 % existing franchisees are keen in opening another similar franchised outlets in future and only 14.55% ie 8 units out of n=55 have confirmed to recommend other new franchisee takes on positive note. This clearly says that there is huge negativity in franchisee business and people are not willing to open new outlets nor they are willing to recommend others to do so.

Had it been that all franchisees are doing fantastic business then they would have said yes to open new franchisees in future and one owner with multiple franchised outlets would have been seen.

4.4 – Hypotheses validation

4.4.1 – Hypotheses

The Hypothesis Statement for the research undertaken is as follows :

1. Franchisee based business models are not as successful.
2. Majority of the Franchisors sell their franchisees with false commitments without considering ground reality.

4.4.2 – Hypotheses Testing

Correlations with rho values and significance levels

A correlation coefficient is a coefficient that illustrates a quantitative measure of some type of correlation and dependence, meaning statistical relationships between two or more random variables or observed data values.

The main result of a correlation is called the correlation coefficient (or "r"). It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the more closely the two variables are related. If r is close to 0, it means there is no relationship between the variables.

Correlation Coefficient

The correlation coefficient of two variables in a data sample is their covariance divided by the product of their individual standard deviations. It is a normalized measurement of how the two are linearly related.

Formally, the sample correlation coefficient is defined by the following formula, where s_x and s_y are the sample standard deviations, and s_{xy} is the sample covariance.

$$r_{xy} = \frac{s_{xy}}{s_x s_y}$$

Similarly, the **population correlation coefficient** is defined as follows, where σ_x and σ_y are the population standard deviations, and σ_{xy} is the population covariance.

$$\rho_{xy} = \frac{\sigma_{xy}}{\sigma_x \sigma_y}$$

If the correlation coefficient is close to 1, it would indicate that the variables are positively linearly related and the scatter plot falls almost along a straight line with

positive slope. For -1, it indicates that the variables are negatively linearly related and the scatter plot almost falls along a straight line with negative slope. And for zero, it would indicate a weak linear relationship between the variables.

Correlation coefficient of the Break even happened as promised by franchisor and Marketing support promised by them.

The success of franchise is by the break even happened as per the time given to them. The support by the franchisors promised while giving franchise to the business people we have many factors to consider. The main factor is marketing support which caters to the growth of the franchise and considered this has a second variable.

The detailed Master Database was generated .This is shown in Appendix “C”. These two parameters Breakeven Happened Question and Marketing Advertisement Support were taken for Correlation analysis.

Table 29 – BEP & Marketing Support

Break Even Happened ?	Marketing & Advertisement Support <u>Local</u> Level
NO	NO
NO	NO
NO	NO
YES	YES
YES	YES
NO	NO
NO	NO
NO	NO
NO	NO
YES	YES
NO	NO
NO	NO
NO	NO
YES	YES
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
YES	YES
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	YES
NO	NO
NO	NO
YES	YES
NO	NO
NO	NO
NO	NO

NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
YES	YES
YES	YES
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO
NO	NO

Table 30 – Break-even Results

Either Yes /No	Break Even Happened	Marketing & Advertisements Support <u>Local</u> Level
NO	47	46
YES	8	9

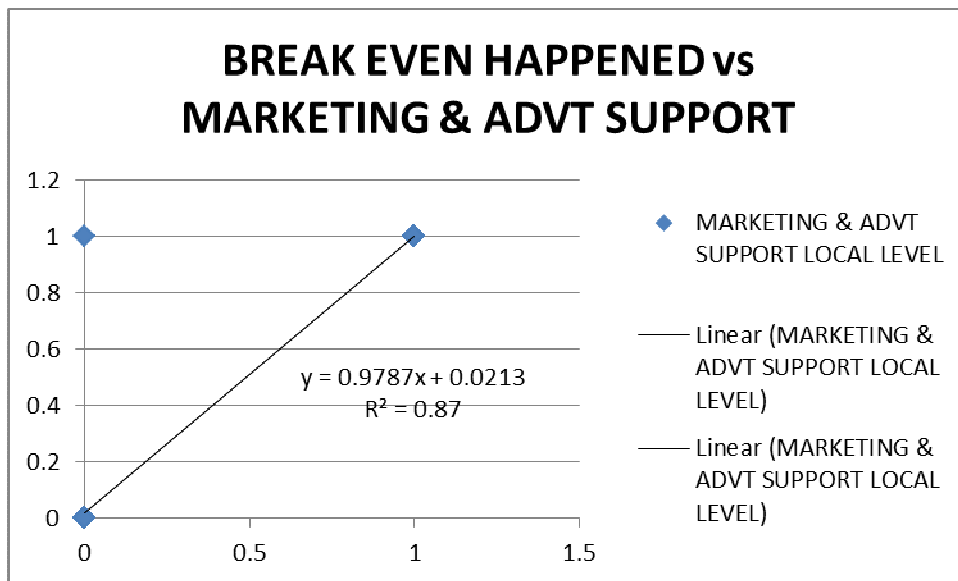


Figure 35 – Break-even Happened Vs Marketing Support

The correlation coefficient based on the above linear equation $y=0.9787x + 0.0213$. The value of $R^2 = 0.87$. Based on the above $R^2 = 0.87$ the correlation coefficient value $R = \sqrt{0.87} = 0.932725$. The value of R is near to 1 which signifies there is strong relationship between both dependent variables.

Table – Regression Statistics Data

<i>Regression Statistics</i>	
Multiple R	0.93
R Square	0.87
Adjusted R Square	0.87
Standard Error	0.13
Observations	55.00

Table 31– Analysis Data Significance Value and P Value

ANOVA

	<i>Significance F</i>
Regression	0.000000003
Residual	
Total	

	<i>P-value</i>
Intercept	1
MARKETING & ADVT SUPPORT	
LOCAL LEVEL	0.000000003

As per our data for analysis; Sample size n = 55,
 Derived R value is 0.93 correlation value,
 Significance F = 3.87.

Alpha value is 0.05 as per statistics and always p value has to be less than 0.05 statistically is significant ion p value is much lesser than 0.05 near to zero. Based on hypothesis it is proved.

As R value is 0.93 nearly to +1 which shows us there is strong relationship between Independent variable: Marketing and Advertisement Support, and Dependent: variable Break even. The failure of franchise is due to the support not given by the franchisor as promised before taking franchise.

This proves Hypothesis No 1. Franchisee based business models are not as successful. And Hypotheses 2 is an extension for hypotheses 1 as we can derive that Franchisees are not successful and the marketing support was not given to them. False commitment san assurance of operational support , marketing and advertisement support was given to them at time of selling the franchisee but later it did not happen. There is strong relation between both of them which proves that they gave false commitments and they did not consider ground facts.

This proves Hypothesis No 2 which states that Majority of the Franchisors sell their franchisees with false commitments without considering ground reality.

4.4.3 – Observations

The above findings are validated by a number of studies by various researchers mentioned in the Chapter on Review of Literature. Some of them are listed below:

Paynter in 2002 conducted a survey on Determinations for Franchisee success and Franchisee Satisfaction Parameters in Auckland, New Zealand. The survey was set up as an international study with twelve participating nations. Using this approach it was found that the 53 franchisees business results were abnormal. They did not receive value for the marketing levy and were struggling to break even. He also stated that lack of marketing support and operational support was lacking because of which new franchise owners were under performing and business was on declining side.

Objective: To test for any correlation between V1 and V2 where

V1 = Break Even Happened by Franchisee

V2 = Marketing and advertisement support given by franchisor to franchisee

Test – Regression correlation coefficient.

Observation: $r = 0.932725$ with $p \text{ value} = 0.00000003$

Inference: There is a strong positive correlation between V1 & V2 as r is close to +1 level of significance thus proving that major franchisees did not succeed and achieved break even for their total investment due to lack of marketing support from the franchisor. Marketing support comprises of Local Advertisements, Leaflet Distribution, Marketing Events at local level, store level promotions, Branding Activities etc.

Hypotheses 1 and 2 have been tested for their relevance also other vital parameters also support the hypothesis

It can also be clearly seen and is proved that other factors like

- a) Non Exclusivity given for Franchisee to Operate in a particular area
- b) Competition Factors

These parameters are supporting our correlation testing. Franchisees were not given an particular dedicated area to operate which also has impacted their revenues drastically. As revenues were not as per expectations the businesses have faced loss and finally few outlets were forced to be shut down due to non-viability of the business.

4.4.4 –Inferences and discussion

The intent of the researcher was to find out whether there was any relation between the break-even point happened by unit franchisee owners and the marketing support given by franchisor towards franchisees. Hence the hypothesis was formulated – as the success of franchisee business was dependent on the support from franchisors.

We can infer that –

- Support if absolutely necessary from Parent Company be it Franchisor or master franchisee to the down line like small unit franchisees.
- In today's dynamic world, what is shown is sold and what is told is accepted. Marketing plays a vital role in the scenario – marketing can be of numerous types but it should happen on ground to attract the client and make business happen.
- Break even point is not happened could also imply that there was some error in projecting the breakeven time and duration. Had it been there was detailed study on the breakeven time , the data from existing franchisees , success stories, failure learning's would be very must helpful to derive realistic and possible break-even point.
- Realistic breakeven point would portrait a realistic picture of business and its return in investment.
- It is also inferred that exclusivity was not given to majority of franchisee counters which could be the major reason for down fall of the business model and reparative failures and risen shot down percentages.
- National level marketing and advertisement would have also help in global brand building and generate brand awareness among the masses. Pull market could have been developed to large extent that push market where the sales efforts against the returns would have been linear and rewarding.

CHAPTER 5 - SUMMARY CONCLUSIONS & RECCOMENDATIONS

This chapter is discussed under the following headings:

5.1 -Summary

5.2 Conclusions

5.3 –Recommendations

5.4 – Areas of further research

5.4 5.1 Summary

Until now, research on franchising has been lacking in India. However, India was one of the first Asian countries to develop numerous franchise units. Previous franchising research indicates that qualitative studies are not sufficiently used in this field. Therefore, it was decided to interview franchisees in order to better understand how and why people choose franchise rather than other forms of business.

In continuation to the findings from past research, this study will help to provide insights on the reasons for choosing franchising as a viable business model.

The purpose of this exploratory/descriptive quantitative study is to examine the viability of various franchisee models prevailing in the market. For this research the researcher has selected a sample size of the city of Pune.

The Franchisee models have been studied under Technical Domain and medium category investment plan. We have confined up to franchisees whose investment is below 50 Lacs and these are IT or ITes related, Product Related, Computer Training Institutes and Technical Category.

It can be seen that total available data of Franchisees which were at one time operational and designated as Unit or Master Franchisees was 146. This franchisee data was checked and rechecked from market survey and franchisor websites / market research reports.

The researcher tried to contact all of them but out of 146, he could only reach 55 franchisees who agreed to meet him, fill the questionnaire, answer questions over telephonic interviews, personal interviews, repeated visits etc.

The researcher had extremely good response from franchisees of Impulse Imaging world where he could meet all 5 franchisees and response was 100%, Responses from Sify iWay franchisee owners was good even though their franchise business outlets have been shut down.

Lenskart, Suburban, Vidyalankar, Castrol Bike Zone response was poor and also the data available was also very less. Many of the Franchisees were not keen in

answering the questionnaire but the crisp and objective design of the questionnaire made the task easy and the responses were recorded with high accuracy because of which we could get as expected response from them as well as the data was as per expectations. It was clearly indicating the poor state of affairs in their franchisee domains as well which was seen in form of reluctance from franchisee owners to respond proactively.

The total franchisees surveyed for the study were 55 in number, out of which Master franchisees were 02 and Unit franchisees were 53. The variety of franchise business models studied was 15 but from the same segment of technical franchise domain as was pre decided.

Aims and Objectives of the present research

The proposed study will attempt to address many aspects of franchising in order to contribute to the knowledge about Franchising Business Models for both readers and prospective franchisee takers.

The main objectives of the study, therefore, are:

1. To study various franchisee models currently prevailing in the market of the sample size selected for study.
2. To personally meet the actual franchisee owners and collect primary data for analysis and analyses it to generate expected outcomes
3. To check the success and failure factors for the franchisee.
4. To generate a Franchisee buying guide for the layman who aspires to buy a new franchisee.

The Franchisee Scenario in Pune City

The Franchisee scenarios in Pune do not seem to be much positive as far our research is an attempt to study. We could easily find out that few franchisee models which were blooming and flourishing in 2000-2007 have totally vanished in 2015. Take an example of Sify iWays or Abee Fill Cartridge refilling Franchisee, Refeel Cartridge Refilling franchisees, Cartridge world Cartridge Refilling Franchisees. These

Franchisees were at one point in time open – operational and their market presence was really a matter of pride. Over time these units were non sustainable due to variety of reasons which we shall discuss in detail in coming charts and now these units are non-operational. The Franchisee owners have shut down their units, changed their business to other business. The interesting part that has come up is that no other brands have replaced their market and no new branded franchisees are seemed operational in their respective earlier brand domains.

The Franchisees who are now operational and we could reach them and understand them were very new in the market and their age in market presence was not more than 2-3 years. The researcher could not find a single successful franchisee which was operation for more than 10 years and is flourishing the business.

5.2 Conclusion

The conclusions of the entire research are been discussed in the light of the objectives

The first objective of the study was

1. To study various franchisee models currently prevailing in the market of the sample size selected for study.

146 Franchisee data list was generated but out of 146 only 55 franchisee owners responded to us and the Questionnaire was filled for the data and analysis. It was found that there existed 15 Franchisee models under technical franchisee domain in the city of Pune.

The second objective was

2. To personally meet the actual franchisee owners and collect primary data for analysis and analyses it to generate expected outcomes.

The researcher has personally met the sample size of 55 franchisees and attempt was made to personally understand their business model.

The third objective was

3. To check the success and failure factors for the franchisee.

It was found that out of 55 Unit Franchisees only 8 franchisees had break even happened and they were successful while balance 47 did not even attain their break even against their investment.

Thus was by and largely found that major franchisees were failure and not working on profits.

The fourth Objective was

4. To generate a Franchisee buying guide for the layman who aspires to buy a new franchisee.

Researcher has made a handy franchisee buying guide which shall be a effective tool for new franchisee takers to take a wise decision and consider these success and failure parameters before getting inn to a franchisee agreement with franchisor.

5.3 Recommendations

After a details research and understanding of the Franchisee business modus of opprandi researcher would like to recommend the following point and also would like to advice his recommendations as below.

1. By and large the franchisee business is not viable and serious attempt must be made by both franchisors and Franchisee takers to make such a potential business model a success in all domains of commerce and markets.
2. Franchisee takes must be more prudent and alert while taking the franchisee from the franchisors. They must have a clarity of idea and also should be able to understand the vision, scope and business strategy of the Franchisor. As said both must have equal passion and should be of equal caliber to read their minds and understand the business laws.
3. Detailed support that a franchisee shall get form the franchisor must be taken from franchisor in writing and in form of a commitment letter or declaration. Also franchisee taker must not over expect or wish to happen a magic wand change or business turnover with all responsibility handed over to franchisor. Franchisee in

- real sense holds more responsibility than franchisor to make it success or failure as his commitment and dedication is the deciding factor.
4. There should be always a absolute clarity in terms of Budgets that would be spend on the franchisee by the franchisor on account of
- a) Marketing Local level
 - b) Leafleting and Brochures printing and distribution
 - c) Branding Activities
 - d) Shop promotional activities
 - e) Schemes and Discount – Financial implications.
 - f) Media – Like FM, Radio Advertisements
 - g) Road shows, exhibitions participations, flea market participation
- All these activities are must and required for making any Brand stable and establish in the market. Especially when a new franchisee aspirant has invested his hard earned huge capital money in the business only with assurance from the franchisor.
- 5) Government should have separate rules and laws for Franchisee business and also there lacks clarity in tax structure for Franchisee business outlets.
- 6) Government must formulate conducive environment for franchising and give incentives for promoting the growth.

With the rich experience of the researcher in the field of franchising field he has been able to form and come out with the First of its kind and not available in the market, **“The Franchisee Buying Workbook Kit Guide”** This Booklet is attached in the Appendix “D”.

A 10 Page small Book rather a workbook shall assist new franchisee Taker to give focus to necessary parameters while taking a franchisee outlet. This work book not only assists franchise takers but also ensures that franchisor are not put to wrong understanding by blaming them for their unsaid commitments. This shall clearly give a transparent picture about all necessary aspects of franchising business.

5.4 – Areas of further research

1. The present research study was a comparative analysis of Technical Franchisees in Pune but such research are need of the hour for each city and state to analysis the global picture and have a better deeper understand of the business.
2. Other segment like QSR , Play Schools , Salons , Beauty and Body Care Domain , Food and Dining all these franchisee business also need a detailed research to understand their viability.
3. Likewise MAIT and other neutral organizations, Franchisee business organization's or CII must take proactive steps to conduct detailed all india research on viability and more scholars must be motivated to undertake franchising as topic for study.
4. A similar study can be carried out in small, mid and big size companies. It is possible that the reasons and measures for failures could be different and such a study can focus on understanding the difference in reasons
5. A study on Company owned Company operated outlets based franchisee business is also need of hour and to be carried be out in all other sectors like manufacturing, services etc., to understand the pattern of Business operations and correlation established to find out the similarities between Regular Franchised models and COCO. For a global perspective, a research study can be carried out in only multinational IT companies to understand the strategies to retain the people in those organizations.
6. Franchisor's must also conduct research for their unit franchisees and also competition must be analyzed to understand the lacunas , improvements, scope of expansion and market acceptance parameters. Also the franchise satisfaction survey is also required.

CHAPTER 6 – REFERENCES

1. Aadisht, August 8, 2006, “White Paper on The Other Retail Story”
aadisht.net/blog/2006/08/08/the-other-retail-story/ Page 1- 3
2. Agarwal, Kolkata (2015) Franchisee Kit – Re-feel Printer Cartridge
Franchisee Business. Page 1-5
3. Agnes K.Y. Law, Y.V. Hui, Xiande Zhao, (2004) “Modelling repurchase
frequency and customer satisfaction for fast food outlets”, International
Journal of Quality and Reliability Management, Vol:21, Iss:5, pp:545-563
4. Ajwani Naresh (2006), President, Consumer Infrastructure and Operations,
Sify Technologies
5. Anonymous, Top 5 Reasons Why They Fail! A guide. Slide Share Document
Transcript. The Advantages and Disadvantages of Owning a Franchise
6. Bhardwaj, Rajul (2011), “Perception about the Attributes of Selected Fast
Food Retailers and their Impact on Consumer Satisfaction and Sales”,
Management Convergence, Vol: 1, No: 2.
7. Burke, D & Abel II, EM 2003, Franchising Fraud: The Continuing Need for
Reform, American Business Law Journal, winter, Vol. 40, Iss. 2, pp. 355-384.
8. Caron Beesley (2013), Need Financing to Buy or Grow a Franchise? New
Franchise Industry Programs Can Help , U.S.SMALL BUSINESS
ADMINISTRATION <https://www.sba.gov/blogs/need-financing-buy-or-grow-franchise-new-franchise-industry-programs-can-help>

9. Chackochem (2013). Green Trends – Article from Franchising Magazine- Anniversary Special Edition –Dec, Page 17
10. Chhabra, Vijayant (2012) ,“ Indian Franchise Report 2012” , Published under auspices of Franchise India Holdings Limited , Case Studies Section , Page 65-67
11. Chhokar Jagdeep (2012). Founder Member of Association for Democratic Reforms - A Civil Society Group Established By Teachers at the Indian Institute of Management, Ahmedabad.
12. Day Jones. White Paper Mergers & Acquisitions in Franchising Strategies for 2011 and Beyond. The McLean Group. Page 1 - 4
13. Denisa Elena Parpandel(2010) Research the Importance of Franchising in General & Sectorial Economic Growth , Cactus Tourism Journal, Vol-I ,Issues 2/2010 ,Pages 64-67, ISSN 2247- 3297 .
14. Denise Lee Yohn , Brand-building expert & Author of Book , “What Great Brands Do”
15. Dhamayanthi, L & S. Pradeep Kumar (2009) “FDI in Retailing - Is it the need of the hour?” Published in www.indianmba.com/OP113/op113.html)
16. Dianne H.B. Welsh, Amy E. Davis, David E. Desplaces, Cecilia McHugh Falbe (2011) , A Resource-Based View of Three Forms of Business in the Start-up Phase: Implications for Franchising, Vol ,pp
17. Dr. Olufunmilola (Lola) Dada (2009) ,”Enhancing the Levels of Entrepreneurship through Franchising”, School of Management ,University of Surrey ,Guildford Surrey , United kingdom

18. Eddy Goldberg (2015) in Published paper on Franchise Financing Options, Franchising Guides on [www.franchising.com](http://www.franchising.com/howtofranchiseguide/franchise_financing_options.html) , http://www.franchising.com/howtofranchiseguide/franchise_financing_options.html
19. Ester Calderon-Monge, Pilar Huerta-Zavala , Performance and Risk as Signals for Setting up a Franchised Business Vol 23, No 2 (2013) , pp. 41-55
20. Frazer, L & Terry, A 2002, ‘Factors affecting franchise agreement terminations: Lessons for the franchising sector’, Journal of Small Business Strategy, vol. 13, no. 1, pp. 105-116.
21. Giddings, Jeff Scott Weaven, Debra Grace and Lorelle Frazer (2011) , “Taking care of business: Are franchise systems structured to promote conflict?”, Page 40-46 ,22 ADRJ 41
22. India Franchisee Kit (2010) – Cartridge World, India. Page 1-4
23. Irshuadul Islam (2014),” Services Franchising: Opportunities and obstacles in Emerging India”, Page 283-287, Book on Franchising, ISBN No-978-81-8094-224-2 published by MJP Publishers, Chennai Year 2014.
24. Jeff Elgin, (2009), CEO of franchise consulting firm FranChoice, January 2009 issue of Entrepreneur. Link - <http://www.entrepreneur.com/article/199090>
25. Jolene Lim ,2004,’ Matching franchisor-franchisee roles and competencies’, Griffith University –Asia Pacific Centre for Franchising Excellence , published in <https://www.franchise.edu.au/.../Matching-franchisor-franchisee-roles-and-competencies.pdf>

26. Jolene Lim ,2004,' Matching franchisor-franchisee roles and competencies', Griffith University –Asia Pacific Centre for Franchising Excellence , published in https://www.franchise.edu.au/___.../Matching-franchisor-franchisee-roles-and-competencies.pdf , Page 23-26.
27. Karsten Strauss (2014) , “13 Mistakes New Franchisees Make -- And How To Avoid Them”, Forbes Entrepreneurs , May 27, 2014 @ 09:49 AM , Online Published Article , 13-mistakes-new-franchisees-make-and-how-to-avoid-them
28. KFC – Wikipedia, the free encyclopaedia.www.wikipedia.com
29. Lahiri, Amithab (2012) ,“ Indian Franchise Report 2012” , Published under auspices of Franchise India Holdings Limited , Case Studies Section , Page 63-64
30. Marya , Gaurav (2013) , FRANCHISING -The Science of Reproducing Success – Fifth Edition , Published by Entrepreneur India Books , ISBN No-9788192339719 , Page No 61-64
31. Marya Gaurav. Franchising in India Today – The Science of Reproducing Success, 5th Edition. Page No - 84.
32. Marya, Gaurav (2013) , FRANCHISING -The Science of Reproducing Success – Fifth Edition , Published by Entrepreneur India Books , ISBN No-9788192339719 , Page No 4 – 7 Page No 70-75
33. Marya, Gaurav (2013) , FRANCHISING -The Science of Reproducing Success – Fifth Edition , Published by Entrepreneur India Books , ISBN No-9788192339719 , Page No 4 – 7 Page No 139 – 143

34. Marya, Gaurav (2012), “Indian Franchisee Report 2012”, Page 54-58
35. Mathur, Uday (2012), Euro kids- Ushering Preschool Success, “Indian Franchisee Report 2012”, Page 54-58
36. Menon , P Aishwarya, Franchises Focus on Global Expansion Strategies, “Franchising A Gateway to Growth”, MJP Publishers , Chennai , ISBN – 978-81-8094-2224-2 , Page No - 9,17
37. Misra Nripendra (2009) Former Chairman, Telecom Regulatory Authority of India, “ROTI, KAPDA, MAKAN AND MOBILE “The Financial Express- August 18, 2009.
38. Monika J.A.Schroder and Morven G. McEachern,(2005)“Fast foods and ethical consumer value: a focus on McDonald’s and KFC”, British Food Journal, Vol:107, Iss:pp:212-224
39. Naveen Kumar & Dr. T.V Malick ,” A Study on the Responsibility of Franchising Development of Retail Business in India”, Page No 61- 66 , Book on Franchising, ISBN No-978-81-8094-224-2 published by MJP Publishers, Chennai Year 2014.
40. Nithya, V , Dr.A Kumuda (2013) , “Brand Franchising “, “Franchising A Gateway to Growth”, MJP Publishers , Chennai , ISBN – 978-81-8094-2224-2 , Page No - 301-307
41. Patel , Deval Associates (2014) , “AN OVERVIEW OF FRANCHISING IN INDIA AND THE LAWS GOVERNING FRANCHISING IN INDIA”, White Paper Published on their Website <http://www.dpa.firm.in/practice.html#f> , Page 1,4

42. Paynter, John & Tiru Arthanari (2002) , “ Determinants for Franchise Success”, University of Auckland, Department of Management Science and Information Systems, Page 1-11.
43. Pradeep , S (2014) , “ Modern Business Franchising ‘ , Page No -87-93 , Book on Franchising, ISBN No-978-81-8094-224-2 published by MJP Publishers, Chennai Year 2014.
44. Roy Aruna (2012). Member of National Advisory Council which Sets the Government’s Social Agenda. Government of India.
45. Sobiya, Ms. S L & Dr. N.Thangavel (2014) , “ Franchise In India 2013 – A Statistical Report” ,Page 167-169 , Book on Franchising, ISBN No-978-81-8094-224-2 published by MJP Publishers, Chennai Year 2014.
46. Sodhi, R S (2012) ,“ Indian Franchise Report 2012” , Published under auspices of Franchise India Holdings Limited , Case Studies Section , Page 52 -53
47. Somani B B, A Franchisee Kit (2007) – Abee Fill Printer Cartridge Business. Abbee Consumables and Peripherals Pvt.Ltd’.Page 1-7
48. Sood Parnina. “Strengthening franchisor -franchisee ties- Franchisee Magazine Dec 2013 issue, Page 16
49. Suresh , R(2013) ,Retail Franchising Model – A Definitive Strategy for Retail Sectors Growth in India , “Franchising A Gateway to Growth”, MJP Publishers , Chennai , ISBN – 978-81-8094-2224-2 , Page No - 221- 231

50. The Advantages and Disadvantages of Owning a Franchise Document Transcript- http://www.slideshare.net/budgettuna8/the-advantages-and-disadvantages-of-owning-a-franchise?from_search=3
51. The Economic Impact of Franchised Businesses: Volume III, Results for 2007
52. The Financial and Non-Financial Elements in the Franchise Disclosure Document for a New Franchise System “, World Journal of Social Sciences Vol. 1. No. 3. July 2011. Pp. 16-28
53. The Wall Street Journal – India Edition, Article – Title: How to Finance a Franchisee Purchase, September 11, 2008, 4:56 PM ET
54. Vegesna Raju (2010). Chairman and Managing Director, Sify Technologies Ltd. Press Release Chennai, India, July 3, 2010: Sify Technologies Limited (NASDAQ NM: SIFY).
55. Waterhouse, FF 2009, Franchise Disclosure Items in Europe.
56. Zeidman, PF 2005, New Franchising Regulations Go Into Effect in China, Franchising World, March, Vol. 37, Iss. 3, pp. 38-41.

Online Content and Referred Website for Survey and Study:

1. www.indianretailobserver.com 12 Sept 2014
2. www.indiaretailing.com 15 Jan 2016 , 10 June 2014
3. www.researchandmarkets.com/reports 10 June 2014
4. www.money.outlookindia.com/article.aspx?90498 , 5 Jan 2016
5. www.indiaretailing.com/retail-issue3.asp 15Jan 2016
6. <http://sbinfocanada.about.com/cs/beforeyoubuy/bb/bybcolorprinter.htm;26>
Nov 2015
7. http://en.wikipedia.org/wiki/Printer_Cartridge_Recycling 26 Nov 2015
8. <http://midnightpiper.hubpages.com/hub/Franchise-Nightmare> 10 April 2013 ,
5 Feb 2014
9. <http://www.therecyclor.com/posts/cartridge-world-on-the-retail-perspective/> 7
Feb 2014
10. <http://www.unhappyfranchisee.com/category/franchisor/cartridge-world-franchise/> 3 May 2014
11. www.mait.com MAIT Data from MAIT Website 10 Jan 2016

Books, Directory, Reports Referred and Studied

1. Kothari C R, (2004) “Research Methodology –Method’s and Techniques – Second Edition” – Published by New Age International Publishers, New Delhi. India.
2. Shenoy G V , Panth Madan , “ Statistical Methods in business sand social Sciences “ – Published by MacMillan India Limited , New Delhi , India
3. Marya Gaurav, “Franchising –The science of Reproducing Success fifth Edition” – Published by Entrepreneur India Books Faridabad, Haryana.
4. Database Directory – FRO 2012 , “ Grow your Business” – Franchise India (2012)
5. Indian Franchise Report 2012, (2012) published by Franchise India Association, New Delhi. Page – 09 to 72.

Appendix A

Pilot Study Questionnaire

PILTO STUDY QUESTIONNAIRE

Respected Franchisee Owner / Sir /Madam, DATE _____
 We thank you for allowing us to speak to you and you took our your valuable time to read this. We are gathering the details about eh Franchisee business so that we can compare the Franchisee Businesses in our area and get idea about the business w.r.t its sustainability and growth.
 We shall obliged if you could pls spare 5 Mins and help us understand the business model by answering few qestions below.

SR. NO.		DETAILS	
1	FRANCHISOR	TYPE / UNIT :	MASTER :
2	FRANCHISEE NAME	_____	
3	FRANCHISEE OWNER NAME	_____	
4	ADDRESS	CITY :	PINCODE :
5	EMAIL / MOBILE NUMBER	MOBILE NO : _____	
6	DATE OF OPENING OF FRANCHISEE	DATE	_____
INVESTMENT			
1	INITIAL INVESTMENT	INR	_____
2	REFUNDABLE INVESTMENT	INR	_____
		NON REFUNDABLE INVESTMENT	_____
4	FRANCHISEE FEE DETAILS	INR	FRANCHISEE AGREEMENT DURATION (YEARS)
5	APPROX. TOTAL INVESTMENT TILL OPENING	INR	STOCKS INVESTMENT / DEAD INVESTMENT _____
EXPENSES			
1	MONTHLY EXPENSES - GROSS TOTAL	INR	_____
2	RENT	INR	ELECTRICITY / INTERNET BILL (INR) _____
4	NO. OF EMPLOYEES EMPLOYED	NO	SALARY (INR) _____
6	OTHER EXPENSES	INR	_____
INCOME			
1	REVENUE SHARING WITH FRANCHISOR	PERCENTAGE	FRANCHISEE (%) _____ FRANCHISOR (%) _____
2	PROMISED BREAK EVEN PERIOD IN MONTHS	MONTHS	ACTUAL BREAK EVEN IN MONTHS _____
4	RETURN ON INVESTMENT IN PERCENTAGE	PERCENTAGE	_____
5	MINIMUM GUARANTEE GIVEN YES/ NO. IF YES HOW MUCH	YES / NO	_____
6	DAILY INCOME SALES	INR	OTHER REVENUE STREAM (YES / NO) _____
SUPPORT FROM FRANCHISOR			
1	MARKETING	YES / NO	_____
2	LEAD GENERATION	YES / NO	_____
3	ADVERTISEMENTS	YES / NO	_____
4	OTHER	YES / NO	_____
5	FRANCHISEE MANAGER VISITS ; IF YES HOW OFTEN	YES / NO	_____
1	FRANCHISEE LEVEL PROMOTION DETAILS	YES / NO	_____
	HOW MUCH MONEY YOU SPEND PER MONTH ON MKTG		_____
ADVANCED DETAILS			
1	NEAR BY FRANCHISEE FACTOR	YES / NO	_____
2	COMPETITION FACTOR	YES / NO	_____
3	WILL YOU RECOMMEND NEW FRANCHISEE TAKER TO OPEN	YES / NO	_____
4	WILL YOU OPEN ANOTHER FRANCHISEE OUTLET	YES / NO	_____
5	REMARKS/ FEED BACK	_____	
<p>WE SINCERELY THANK YOU FOR YOUR VALUABLE SUPPORT AND TIME . HOPE YOUR FEEDBACK SHALL HELP US IN TAKING RIGHT DECISION FOR TAKING A FRANCHISEE AND INVESTING THE MONEY IN RIGHT WAY.</p> <p>SIGNATURE OF THE FRANCHISEE OWNER / REPRESENTATIVE _____</p>			

Appendix B

Final Study Questionnaire

FINAL STUDY QUESTIONNAIRE

Respected Franchisee Owner / Sir / Madam,

We thank you for allowing us to speak to you and you took our your valuable time to read this. We are gathering the details about ch Franchisee business so that we can compare the Franchisee Businesses in our area and get idea about the business w.r.t its sustainability and growth.

We shall obliged if you could pls spare 5 Mins and help us understand the business model by answering few questions below.

S/N DETAILS

A. FRANCHISEE	1) TYPE / UNIT :		MASTER :
B. FRANCHISEE NAME			
C. FRANCHISEE OWNER NAME			
D. ADDRESS			
E. EMAIL / MOBILE NUMBER	CITY :	MOBILE NO :	PINCODE :

INVESTMENT

2 TOTAL INVESTMENT	5 LAC - 10 LACS 10 LACS - 20 LACS 20 LACS - 30 LACS 30 LACS +		
3 REFUNDABLE INVESTMENT	LESS THAN 10,000 10,000 - 25,000 25,000 - 50,000 50,000 - 1,00,000 1,00,000 +	4) NON REFUNDABLE INVESTMENT	LESS THAN 10,000 10,000 - 25,000 25,000 - 50,000 50,000 - 1,00,000 1,00,000 +
5 FRANCHISEE FEE DETAILS(INR)	0 - 25000 25000 - 100000 100000 - 100000 300000 - 500000 500000 +	6) FRANCHISEE AGREEMENT DURATION	0 - 1 year 01 - 03 year 03-05 years 05 + years

EXPENSES

7 MONTHLY EXPENSES - GROSS TOTAL (INR)	10000-25000 25000-40000 40000-55000 55000 +		
8 RENT PER MONTH	10,000 TO 20,000 20,000 TO 30,000 30,000 TO 40,000 40,000 TO 50,000 50,000 +	9) ELECTRICITY / INTERNET BILL (INR)	0-5000 5000-10000 10000-15000 15000 +
10 NO OF EMPLOYEES EMPLOYED	0 TO 2 2 TO 5 5 +	11) SALARY PER MONTH (INR)	10000-15000 15000-20000 20000-25000

INCOME

12 PROMISED BREAK EVEN PERIOD IN MONTHS	0 - 12 MONTH 12 - 24 MONTHS 24-36 MONTHS 36 + MONTHS	13) REVENUE SHARING	70-90 80-20 COMMISSION BASIS NO SHARING
14 BREAK EVEN HAPPENED	YES / NO	17) OTHER REVENUE STREAM (YES / NO)	
15 MINIMUM GUARANTEE GIVEN YES/ NO IF YES HOW MUCH	YES / NO	IF YES, DAILY INCOME	0-1000 1000-5000 5000-10000
16 DAILY INCOME (SALE) (INR)	0-1000 1000-15000 15000-30000 30000-45000 45000 +		

SUPPORT FROM FRANCHISOR

18 MARKETING & ADVERTISEMENTS	YES / NO	A) LOCAL LEVEL	YES	NO	B) NATIONAL LEVEL	YES	NO
19 LEAD GENERATION	YES / NO						
20 FRANCHISEE MANAGER VIEWS ; IF YES HOW OFTEN	YES / NO						
21 HOW MUCH MONEY YOU SPEND PER MONTH ON MKTG	YES / NO						
22 NEAR BY FRANCHISEE FACTOR	YES / NO						
23 COMPETITION FACTOR	YES / NO						
24 WILL YOU RECOMMEND NEW FRANCHISEE TAKER TO OPEN	YES / NO						
25 WILL YOU OPEN ANOTHER FRANCHISEE OUTLET	YES / NO						
26 III MARKS/ FEED BACK							

WE SINCERELY THANK YOU FOR YOUR VALUABLE SUPPORT AND TIME . HOPE YOUR FEEDBACK SHALL HELP US IN TAKING RIGHT DECISION FOR TAKING A FRANCHISEE AND INVESTING THE MONEY IN RIGHT WAY.

Master Data base Sheet for Analysis

	FRANCHISEE NAME	placc1	QUESTION NO 2	QUESTION NO 16	QUESTION NO 12	QUESTION NO 14	QUESTION NO 18 A	QUESTION NO 18 B	QUESTION NO 24	QUESTION NO 22	QUESTION NO 23
	QUESTION DETAILS	place	TOTAL INVESTMENT	DAILY INCOME	BREAK EVEN POINT PROMISED	BREAK EVEN HAPPENED?	MARKETING & ADVT SUPPORT LOCAL LEVEL	MARKETING & ADVT SUPPORT NATIONAL LEVEL	WILL YOU RECOMMEND NEW FRANCHISEE TAKER?	EXCLUSIVITY OF REGION GIVEN?	COMPETITION FACTOR FROM SIMILAR LOCAL BUSINESSES ?
1	IMPULSE IMAGING WORLD	SINGHGADE ROAD	1	1	1	0	0	0	0	0	1
2	IMPULSE IMAGING WORLD	KONDHWA	1	1	1	0	0	0	0	0	1
3	IMPULSE IMAGING WORLD	DHANUKAR COLONY	2	2	1	0	0	0	1	0	1
4	IMPULSE IMAGING WORLD	PBANGUT	1	1	1	1	1	0	0	1	1
5	IMPULSE IMAGING WORLD	SALUNKEVIHAR RD	1	1	1	1	1	0	1	1	1
6	SIFY IWAYS	SHANWAR PETH	2	1	2	0	0	0	0	0	1
7	SIFY IWAYS	INDK CAMP	3	1	2	0	0	0	0	0	0
8	SIFY IWAYS	TEAK ROAD	2	1	2	0	0	0	0	0	1
9	SIFY IWAYS	PBASHAT RD	2	1	2	0	0	0	0	0	1
10	SIFY IWAYS	FATIMANAGAR	1	1	2	1	1	1	0	0	1
11	SIFY IWAYS	MG ROAD	1	1	2	0	0	0	0	0	0
12	SIFY IWAYS	KOTHRUD	2	1	2	0	0	0	0	0	1
13	SIFY IWAYS	NIKAD	2	2	2	1	1	1	0	1	1
14	SIFY IWAYS	KOTHRUD SHIVAJI STAT	3	1	2	0	0	0	0	0	1
15	SIFY IWAYS	MUNDHWA	1	1	2	0	0	0	0	0	1
16	SIFY IWAYS	HADAPSAR	2	1	2	0	0	0	0	0	1
17	ABEE FILL CARTRIDGE REFILLING	MANGALWARPETH	3	3	1	0	0	1	1	0	1
18	ABEE FILL CARTRIDGE REFILLING	TADWALA RD	4	4	1	1	1	1	1	1	1
19	ABEE FILL CARTRIDGE REFILLING	KATRAJ	3	2	1	0	0	1	0	0	1
20	ABEE FILL CARTRIDGE REFILLING	PASHAN	2	2	1	0	0	0	1	0	1
21	ABEE FILL CARTRIDGE REFILLING	PAUD ROAD	2	2	0	0	0	0	0	0	1
22	ABEE FILL CARTRIDGE REFILLING	NAGAR RD	2	2	1	0	0	0	0	0	1
23	ABEE FILL CARTRIDGE REFILLING	PIMPRI	2	2	1	0	0	0	0	0	1
24	ABEE FILL CARTRIDGE REFILLING	NAGAR RD	2	1	1	0	0	0	0	0	1
25	ABEE FILL CARTRIDGE REFILLING	MAGARPATTA	2	2	1	0	0	0	0	0	1
26	ABEE FILL CARTRIDGE REFILLING	VIMAN NAGAR	2	2	1	0	1	0	0	0	1
27	ABEE FILL CARTRIDGE REFILLING	CHINCHWAD	3	3	1	0	0	0	0	0	1
28	JETTING	HADAPSAR	4	2	2	0	0	0	0	1	1
29	JETTING	SWARGATE	4	3	2	1	1	1	0	1	1
30	3M CAR CARE	WANDWORE	4	3	3	0	0	0	0	0	1
31	3M CAR CARE	PASHAN	4	3	3	0	0	0	0	0	1
32	3M CAR CARE	BANDHAN	4	4	3	0	0	0	0	0	1
33	3M CAR CARE	VIMAN NAGAR	4	3	3	0	0	0	0	0	1
34	FIRST CRY	BANDHAN	4	2	3	0	0	1	1	0	1
35	FIRST CRY	BANER	4	3	3	0	0	1	1	0	1
36	FIRST CRY	PIMPLE SAUDAGAR	4	2	3	0	0	1	1	0	1
37	CARTRIDGE WORLD	DHROAD	4	2	4	0	0	0	0	0	1
38	CARTRIDGE WORLD	KOTHRUD	4	1	4	0	0	0	0	0	1
39	CARTRIDGE WORLD	AUNDH	4	1	4	0	0	0	0	0	1
40	DISHA	KHARADI	2	2	3	0	0	0	0	0	1
41	DISHA	SATARA ROAD	2	2	3	0	0	0	0	0	1
42	DISHA	DEHU ROAD	2	3	3	0	0	0	0	0	1
43	DISHA	DEHU PHATA	1	2	3	0	0	0	0	0	1
44	DISHA	AUNDH	2	2	3	1	1	0	0	0	1
45	DISHA	DHYAR	2	3	3	1	1	0	0	0	1
46	BOSCH	KHARADI	2	1	1	0	0	0	0	0	1
47	BOSCH	KOTHRUD	2	2	2	0	0	0	0	0	1
48	REFEEL	TEAK ROAD	2	1	2	0	0	0	0	0	1
49	REFEEL	SHIVAJI NAGAR	2	1	2	0	0	0	0	0	1
50	REFEEL	DECCAN	2	1	2	0	0	0	0	0	1
51	CASTROL BIKE POINT	MUNDHWA	2	1	2	0	0	0	0	0	1
52	VIDYALANKAR	KARVE ROAD	3	1	4	0	0	0	0	0	1
53	LENGKART	WANDWORE	3	2	2	0	0	0	0	1	1
54	SUBARRAN DIAGNOSTICS	SATARA ROAD	1	1	1	0	0	0	0	0	1
55	FERNS N PETALS	AUNDH	4	2	2	0	0	0	0	1	1

Appendix C

Master Database for Analysis

Abbreviations for Scale Details for Likert Scale used fro Master Data Analysis

QUESTION NO 2		TOTAL INVESTMENT (IN LACS)
S/N	RANGE	LIKERT SCALE
1	5 L TO 10 L	1
2	10 L TO 20 L	2
3	20 L TO 30 L	3
4	30 L +	4

QUESTION NO 16		DAILY INCOME SALES (INR)
S/N	RANGE	LIKERT SCALE
1	0 TO 5000 INR	1
2	5000 TO 15000 INR	2
3	15000 TO 30000 INR	3
4	30000 TO 45000 INR	4
5	45000 +	5

QUESTION NO 12		BREAK EVEN PROMISED (MTHS)
S/N	RANGE	LIKERT SCALE
1	0 - 12 MONTHS	1
2	12- 24 MONTHS	2
3	24- 36 MONTHS	3
4	36 + MONTHS	4

QUESTION NO 14		BREAK EVEN HAPPENED (Y/N)
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

QUESTION NO 18A		LOCAL LEVEL MKTG ADVT SUPPORT
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

QUESTION NO 18B		NATIONAL LEVEL MKTG ADVT SUPPORT
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

QUESTION NO 24		WILL U RECOMMEND NEW FRAN TAKERS?
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

QUESTION NO 25		WILL U OPEN ANOTHER FRANCHISEE UNIT?
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

QUESTION NO 22		EXCLUSIVITY OF REGION GIVEN?
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

QUESTION NO 23		COMPETITION FACTOR FROM SIMILAR LOCAL BUSINESSES ?
S/N	RANGE	LIKERT SCALE
1	YES	1
2	NO	0

Appendix D

FRANCHISEE BUYIN GUIDE

A HANDY Workbook to check the Viability of Franchisee Model

FRANCHISEE BUYING GUIDE

Better Safe than Sorry

*A Handy workbook to check the viability of any
Franchisee Business model*

By Mihir Porwal

Version 1.0; February 2016

Page 1

1. Franchised Business Name: _____

2. Brand Name: _____ Franchisee Kit: Yes, No

3. Franchisor: _____ website: www. _____

4. Name of Owner: _____ Contact No: _____

5. Franchisor Type: Master Franchisee Parent company Country Franchisor

6. Date of Incorporation of Franchisor: _____

7. Total Number of year in Franchising: World Wide _____ India _____ Region _____

8. Franchised Outlets Details

S/N	Total Number of Outlets	Opened	Operational	Shutdown
1	World Wide			
2	India			
3	State			
4	City			
5	Locality (Where you plan to Put up an outlet)			
6	Nearest Franchisees to your proposed Site :			

9. A) Details of Existing Franchisees 1

Name of Business: _____

Franchisee Owner name: _____

Type of Franchisee: _____

Operational Since: _____ Address: _____

_____ Email Id: _____ Cell No: _____

Personal Visit Findings: _____

B) Details of Existing Franchisees 2

Name of Business: _____

Franchisee Owner name: _____

Type of Franchisee: _____

Operational Since: _____ Address: _____

_____ Email Id: _____ Cell No: _____

Personal Visit Findings: _____

(Please Take Photocopy of the page if more Existing Franchisee Exists)

10. Investment Computation

Sn.	Investment Head	Type	Amount
1	Franchisee Fee	Refundable / Non refundable	
2	Security Deposit	Refundable / Non refundable	
3	Stocks - Inventory Investment	Sharing with Franchisor Yes / No	
4	Store Interior ,Setup Investment	Sharing with Franchisor Yes / No	
5	Machinery / Setup Investment		
6	Training Cost	Sharing with Franchisor Yes / No	
7	Store Inauguration Expenses	Sharing with Franchisor Yes / No	
8	Other Expenses		
9	Store Rent Deposit	Sharing with Franchisor Yes / No	
10	Fund Raising Expenses - Initial	Sharing with Franchisor Yes / No	
	TOTAL EXPENSES TILL OPENING STORE		
11	Duration of Agreement	In Years	
12	Exclusivity of Region Given	Yes / No	
13	Minimum Guarantee of Business Given	Yes / No	
14	Lock in Duration		
15	Nearest Outlet Possibility Dist.		

11. Operational Expenses & Support

S/N	Operating Expenses	Details	Amount
1	Rent - Monthly	Sharing with Franchisor Yes / No	
2	Manpower - Qty	Sharing with Franchisor Yes / No	
3	Salary Per Month Estimated	Sharing with Franchisor Yes / No	
4	E Bill , Internet , Legal Compliance Expenses	Sharing with Franchisor Yes / No	
5	Revenue sharing With Franchisor	Percentage/Commission	
6	Interest on Investment Capital		
7	Marketing Expenses per Month		
	ESTIMATED EXPENSES PER MONTH		
	Income and Operational Support		
8	Expected Minimum Sales Per Day		
9	Multiple Revenue Opportunity	Yes / No	
10	Lead Generation from Franchisor	Yes / No	
11	Franchisee Manager Visit -Frequency	Yes / No	
12	System Audits - Frequency	Yes / No	

Remarks: _____

12. Responsibilities and Duties

S/N	RESPONSIBILITY & DUTES OF A FRANCHISOR	RESPONSIBILITY & DUTES OF A FRANCHISEE

Remarks: _____

13. Franchisee Sales Development Manager Details: _____

Email: _____ Cell No: _____

14. Location Requirements: _____

15. Time from Franchisee Agreement to Launch: _____

16. Multiple Franchisee Opening /Referral Rebate: _____

17. Competition Factor: _____

18. Loan Facility /Bank Tie-up: _____

19. Break Even Point Estimated: _____

20. Return on Investment (Percentage): _____

21. Transfer of franchisee /Resale / Termination Clause: _____

22. Remarks: _____

23) Decision: **YES** **NO** **MAYBE**

Guidelines while Filling this Workbook

Question No 1. - The Actual name of Franchisee what shall be awarded to you and shall reflect on the Sign board and in the Agreement. Check for any difference in Market Prevalent name and Franchisee name.

Question No 2. – Brand Name: The Brand Name which is shall carry and the Market Known Brand that shall be attached to the Franchisee business. Check for Trademark, copyright details. Franchisee Kit has to be present as it shall be first face of the Business Model and it shall market the business model in written format and furnish primary information about the business proposition.

Question No 3. – Franchisor Name – The Company or the Person who shall be responsible to award you're the Franchisee and shall be acting as a Parents Role in the entire Business Cycle. Check for Type of Company, Proprietor, Pvt Ltd, Limited, Partnership, LLC-LLP etc...
Website: Check the Original website of the Franchisor Company, The Brand and Franchisee outlet. Check for List of Franchisees too.

Question No 4. – Name of the Owner- It is absolutely necessary to know the name, contact number and email id of the Owner or the sole decision maker as identified as The Franchisor. The person signing the Franchisee Agreement is also crucial and their details must be noted and verified

Question No 5. – Type of Franchisor – Pls check for Master Franchisee Parent company Country Franchisor and also understand the differences and the rights and authorities of each of them.

Question No 6. – Date of Incorporation of Franchisor – It explains age of the business and how old they are in this business as franchisor.

Question No 7. – It explains the age of the Franchisees in respective areas which is also an important factor to understand their reach and experience. World Wide, India, Region. Region is the district or city where you plan to open a new outlet.

Question No 8. – Count of Franchisees, it shows the International, National, Regional and Local Number of Outlets give us the Trend of Growth, Sustainability and Risk about Franchisee Number – Global Scenario along with local Scenario.

Question No 9.- Details about Existing Franchisees, Personal Visit to these outlets is mandatory and extremely vital to understand Ground realities , existing franchise owners views, opinions, suggestions and to judge the business sate if affair first hand. It shall be the most and

extremely important to take details 100% accurately and visit them all. You can add photocopies of this page if the nearby franchisee outlets are more.

Question No 10. - Investment Table – It shall give a clear picture of the Total Investment that shall probably take place in the business model. Ensure all heads are properly understood and data is entered correctly. Also the sharing with franchisor column is necessary to understand the financial relation with franchisee – franchisor and the implications on the Cash Flows.

Question No 11. - Operational Expenses table shall give the cash out flow on operational mode when the franchisee outlet shall be opened and shall start functioning on daily business basis. It shall give a clear picture about Monthly expenses, Salaries, Rents, Other Legal Compliance expenses and Monthly Funding Interest which you shall arrange as capital investment.

Income and Operational Support is also major pillar to understand the Franchisee Viability. This data will give you clear picture about the support from Franchisor on day to day basis apart from their assistance during pre-opening phase. Also the Cash Flow incomes, systems, support, audits will give clarity on operational scenario.

Question No 12. - Responsibilities and Duties have to clearly understood and jotted down to understand the scope and reach of each business party. All necessary doubts, roles to be played, accountability and commitments shall be learnt from this table. Also it shall help in trouble shooting and conflict resolution in future.

Question No 13.- The person who shall be selling the Franchisee to you details are must as in future if he quits and you need to refer to his commitments it shall be helpful also during decision making you need to interact with him for clarifications and help.

Question No 14.-Location Requirements will help you understand what kind of location is required to open a unit and also the financial commercial terms related to the location. The foot fall, business expectations, sales figures shall also largely depend on the right location finalisation.

Question No 15.- Time to Launch the Unit from Date of Agreement shall give you the lead time , interior work time , fund arranging time and employee recruitment time. In all it shall give you the timeline of work and project completion to ensure you start business on stipulated time schedule and avoid unnecessary delays.

Question No 16. - Multiple Unit opening / Referral program shall give you discount, money savings and referral incentives information on more than one outlet opening decisions and site selection, bargain power etc...

Question No 17. - Competition Factor shall give you detailed information about the business competition, other competing brands, local business setups and which shall give you some clarity about the market size , client base and revenue projections.

Question No 18.-Loan – It shall help in your fund raising .Lower interest rate funding and minimal paper processing shall assist you if the franchisor has a tie up with financial institutions to help you with fund raising. Business Plan would be already approved by them in principle.

Question No 19. - Breakeven point – IT shall give you the time within which you expect to recover all your total investment an then thereafter bank upon profits once your money is recovered.

Question No 20. - It shall give you return on your investment in percentages which shall help you decide the money growing power of the business model viz -a viz other options and opportunities.

Question No21. - In case of shutdown or closure of business this shall help you dispose of your unit safely and with fair price shall be recovered. Also exit clause shall help you understand the flexibility of the business and transparency of the rules and regulations binding the franchisee agreement.

Question No 22. - Remarks – Any feedback, remarks or necessary information

Question No 23. - Outcome of using this workbook for a wise and unbiased decision

Yes

No.

*Declaration: This Workbook is an attempt to address major aspects of franchisee business understanding but does not guarantee 100% completeness and fool proof path way towards decision-making. . Conscience and Understanding of Franchisee takers are necessary before any decision. **Thank you!!***

Appendix E

Research paper presented and published

Mihir Suresh Porwal and Dr Asha Nagendra. (2014).

Title : The Other Side of Franchising: Often Revealed Too Late. Research paper co-authored and presented at the International Conference on Retail

Franchising- A Gateway for Growth. 6th and 7th March 2014.

Organized by Department of Commerce, University of Madras In Association with FICCI, TNSC.

Published in the Book of Conference Proceedings. MJP Publishers, Chennai. ISBN 978-81-8094-224-2. Page No - 45-53.

FRANCHISING

A GATEWAY FOR GROWTH

R. Shanthi

P. Murari

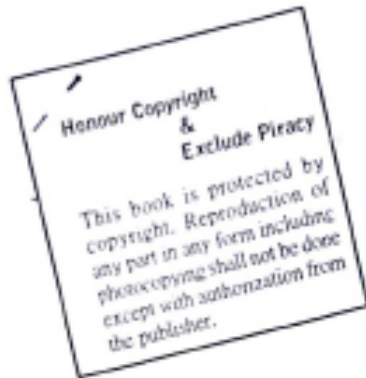
S. Gurusamy

M. Rafeeqe Ahmed



MJP Publishers

Chennai New Delhi Tirunelveli



ISBN 978-81-8094-224-2 **MJP Publishers**

All rights reserved
Printed and bound in India

New No. 5 Muthu Kalathy Street,
Triplicane,
Chennai 600 005

MJP 201 © Publishers, 2014

Publisher : J.C. Pillai

This book has been published in good faith that the work of the author is original. All efforts have been taken to make the material error-free. However, the author and publisher disclaim responsibility for any inadvertent errors.



Federation of Indian Chambers
of Commerce and Industry



University of Madras
in association with

ATTENDANCE CERTIFICATE

Certified that Dr. / Thiru. / Smt. / Ms. MIHIR SURESH PORWAL

Attended the **International Conference On "RETAIL FRANCHISING - A GATEWAY FOR GROWTH"**
6th & 7th March 2014, organized by the Department of Commerce, University of Madras in
association with FICCI, TNSC.

(Conference Director)

Dr. R. SHANTHI
Convenor, Retail Panel, FICCI TNSC
Assistant Professor
Department of Commerce
University of Madras,
Chepauk, Chennai-600 005.
Tamil Nadu, India.



International Conference on
Retail Franchising


A Gateway for Growth
 6 & 7 March 2014, Thursday & Friday




Organised By **Department of Commerce, University of Madras**
 In Association With **FICCI TNSC**

Certificate

This is to certify that Dr. / Mr. / Ms. MIHIR SURESH PARWAL has
 Participated in the International Conference as a Delegate / Member of Organising Committee / ~~Chairman~~ a
~~Session~~ / Presented a Paper Entitled A case study of failure More than Success.
Printer Cartridge Refilling Business Franchising in Pune.


Dr. R. SHANTHI
 Conference Director &
 Convenor, Retail Franchising, FICCI TNSC
 Assistant Professor
 Department of Commerce
 University of Madras


Dr. S. GURUSAMY
 Professor & Head
 Department of Commerce
 University of Madras


Mr. P. MURARI, IAS (Retd.)
 Advisor to FICCI President
 New Delhi

PREFACE

In India, franchising is still in emerging stage but it has ranked as the most attractive global market for investment and leading global brands eyeing India as their target market. The concept of franchising has been progressively gaining recognition in India as well experts declare that it is the fastest growing retailing format in the world.

Indian franchising story has just started and it has a long way to go; only 10% of the businesses in India are franchised as compared to 70% in the United States. Education sector which accounts for the maximum portion of the total franchised business in India is only 38% franchised as a sector as a whole. Other sectors like retail, food, healthcare etc. go on similar lines.

According to KPMG in India estimates, the franchising industry is expected to quadruple between 2012 and 2017. There is scope for the franchising industry to contribute to almost 4% of India's GDP in 2017 (assuming 6% Y-o-Y GDP growth between 2012 and 2017), growing from a current estimated contribution of 1.4 % of GDP. This is also expected to create job opportunities (including both direct and indirect) for an additional 11 million people by 2017.

India would be able to do so with its huge population, the growing aspirations and prosperity of the middle class, changing lifestyles, growing entrepreneurial culture, and the shifting of gears to small cities and towns. All these factors will lead to the growth of a WIN - WIN partnership between the brand and franchisee.

This book highlights various issues on estimating the amount of economic activity that occurs in franchise businesses, examining the investment potential & Opportunity in International franchises Sector. It focused on the franchises issues and threats that need to be addressed for promoting growth in this dynamic sector. It deliberates the global franchise scenario through presenting successful case studies of International franchise sector. There are number of more than 50 research papers to be presented on the concept of branding, future models of franchising and relationship between franchisor and franchisee etc, which helps the corporate and Industrial sector to have a wide knowledge about franchising in modern world.

vi | Preface

This book also intends to help entrepreneurs, business leaders, analysts, policy makers, franchising executives, franchising consultants and academician for understanding the inclinations in franchising and potential powers in running the franchising business, to develop schemes and policies for enhancing better performance.

Dr. R. Shanthi

Conference Director &
Convenor, Retail Panel, FICCI TNSC,
Assistant Professor
Department of Commerce
University of Madras

CONTENTS

1. **Trends in Franchising** 1
Dr. R. Shanthi

FRANCHISING OUTLOOK : NATIONAL AND INTERNATIONAL PERSPECTIVE

2. **Franchises Focus on Global Expansion Strategies** 9
P Aiswarya Menon
3. **Franchising: A Road for Success in the Modern Era** 17
T.P. Balaji & Dr. R. Panchalan
4. **Franchising – A Gateway For Growth** 29
Dr.C.V.Gopal
5. **Business Growth Through Franchising** 33
Dr. Ilpac Ahmed H
6. **The Other Side of Franchising: Often Revealed Too Late** 45
Mihir Suresh Porwal & Dr. Asha Nagendra
7. **A Study on the Responsibility of Franchising Development of Retail Business in India** 55
K. Naveen Kumar & Dr. T.V. Malick
8. **Collaborating For Growth - Indian Industries** 65
Dr. V. Nirmala Kumari
9. **A Study on the Impact of the Opportunities and Breaking Obstacles in Franchise Business in India** 75
Dr. R. Prabakaran

6

THE OTHER SIDE OF FRANCHISING: OFTEN REVEALED TOO LATE

Mihir Suresh Porwal* & Dr. Asha Nagendra**

OVERVIEW

“Falling in love and having a relationship are two different things and that’s because falling in love is easy but keeping that love alive every single day is tricky!”

– Keanu Reeves (actor)

A Franchisor-franchisee relationship mirrors personal life in this aspect. It may not be difficult getting into a business agreement, but keeping promises and honouring commitments on a daily basis is challenging. Hence, there is a need to know how to keep the relationship alive and kicking says Parnina Sood. Franchising as a job option in India can be really rewarding, as it is at a nascent phase. There are no official certified classes made available by any identified schools / universities at present in India. This is a double-edged sword. On the one hand, it opens new avenues for studying like textbooks, web, and publications and so on. On the other hand, one runs the risk of not being capable to find out about franchising in a structured fashion and for that reason, might have to work harder and discover from the difficult trial and error method. In India, one may find men and women with a formal track record in advertising or retailing, who have properly shifted monitor to franchising. Traditionally, franchising has been all about low cost retail expansion, a minimum guarantee clause, sporadic franchisee recruitment and too much of face value contracts. However, the truth is that franchising in India is all set to broaden its horizon.

Inadequate capitals are no longer the primary reason for franchisors to take up the franchisee model. For them, says Gaurav Marya, finding an appropriate location and the high rentals involved in property are the main constraints that push them into franchising to make business expansion

* PhD student at Tilak Maharashtra University, Pune

** Professor at Symbiosis International University, Pune

more viable. Therefore the edge that one as a franchisee should have is local market knowledge and adequate human resources at your disposal.

A franchisee who does not attend training programs, no matter how old he has been in the business, cannot be successful, says Chackochem. A franchisor, after much research, shares the latest findings, trends and methods to combat competition in such meetings. It is the duty of the franchisee to stay abreast with the latest, in order to earn more profits and portray loyalty to the brand.

Once the franchisor's objectives and goals are clarified, it is important to determine the company's value and analyze value/risk drivers. According to Jones Day, an initial valuation will create a baseline against which to compare future valuations and company progress. Thorough, periodic valuations subsequently will constitute useful status reports highlighting value drivers and areas in which the company has realized or still needs improvement. Typical value drivers address: earnings potential, quality of earnings, projected performance and, of course, risk. Value drivers allow owners to establish strategic and tactical plans to grow their companies into highly attractive businesses in advance of their eventual sales thorough analysis of the franchisor's business valuation can enable owners to better manage their companies to perform optimally against such metrics.

The BFA and the National Westminster Bank's Franchisee survey in 1997 have shown that 2.3 per cent of all new franchisees went out of business. Research has shown that during the 12 year period after beginning to franchise, typically three quarters of the new franchisor have ceased to exist. The attrition rate is quite severe in the early years of franchising.

THE OTHER SIDE OF FRANCHISING - WHAT DOES IT MEANS?

Every coin has two sides; similarly every business has its pros and cons. The positive side of franchising is so great that sometimes, one fails to look into the negative side while thinking about starting a franchise. But to ensure a secure future, checking out both the sides is very necessary. This way, one can understand whether franchising is suitable for oneself. To help make a decision in this regard, given below is a list of pros and cons of franchise ownership.

THE PROS OF FRANCHISE OWNERSHIP

- You don't have to start a business from scratch. A skeleton business model is available, which you just need to fill up with your hard work and understand how the system works.
- The franchisor will help you at every step when you start a franchise business.
- The franchisor will provide you an estimate of how much money you will need to buy a franchise from it.
- Finding an investor, who is willing to invest in a business venture of a novice, is quite difficult. But with franchising, it's not a problem, because the name of the franchisor acts as guarantor for the new franchisees.
- The bulk purchasing power of a franchise system ensures that you get discounts from manufacturers.
- Developing a market position takes a long time; but with franchising, it comes easily as you are marketing the already established brand-name of the franchisor.

THE CONS OF FRANCHISE OWNERSHIP

- One's freedom as an entrepreneur is restricted when one is a franchisee. Your franchisor may dictate you in almost everything, starting from when you open your store and what you can sell to what will be the design and color of your store!
- You may suffer loss, if another franchisee somehow gets entangled in bad publicity. Like the proverbial "rotten apple", it can damage the whole chain.
- Your franchisor may be out of sync with the local market and force you to adopt policies that are counter-productive.
- Your franchisor may force you to buy products from suppliers at higher prices than the market-rate.
- Joining hands with certain franchisors can be damaging, as they may have a restrictive non-compete clause, if you terminate or don't wish to renew your franchise agreement.

- A high royalty fee may eat into your profit margin. When it comes to pay ongoing royalties and advertising fees along with the initial franchise fee it becomes a nightmare if the cash flows and the expenditures are not properly monitored.
- The public image of your business can be damaged if other franchisees are performing poorly or the franchisor encounters problems.
- The parent company or franchisor you sign a franchise agreement with has the right to control a large portion of your operational decisions, including setting prices for goods or services, determining location decor and mandating employee uniform requirements. These constraints rob you of the chance to put your own stamp on your franchise location. This may make you feel like less of a small-business owner because you don't truly have total control over your company. In the end, you have to adhere to the parent company's demands to preserve your franchise agreement.

REASONS FOR LATE REVELATION OF THE HARD FACTS IN FRANCHISING BUSINESS

- Eagerness to Start "My own Business" results in Non adequate Market Research, Funds Arrangement for Future, Market Dynamics understanding etc parameters
- Partial Marketing and Sales Impact of Franchisor on the Prospective Franchisee
- Closure Tactics for Signing Franchisee Agreement by Franchisor results in giving no room for Time to Research the Market by Prospective Franchise Taker.
- Disclosing wrong or fake ROI /BEP sheets which does not fall in line with market parameters
- Prospective Franchise Takers Social Pride in Friends and Network to satisfy the Ego against declaration of Appointment of the Franchisee by Franchisor.
- Attitude to look at Franchise Business investment as Investment rather than Active working Partner or Owner with responsibility in daily routine.
- Trust on the Franchisor projections despite a doubt on the projected numbers.

- Revealing of the revenue outflow at actual in terms of Royalty, Taxes, Rentals, Salaries, and Admin Expenses as compared to Income.

SOME HARD FACTS IN THE JOURNEY OF FRANCHISING

- Involvement of Middlemen or Franchisee Consultant which did not disclose the real picture of the Franchisor. Vested interested in the commission and the payback against appointment of the Franchisee from Franchisor prevented him from disclosing the other side of the Business Model and Risks Involved.
- Franchise Takers presumed role as Investor in the Business and expectations to get returns as per ROI /BEP sheet turns down after actual revenue figures clocked in.
- Unpreparedness to Lead the Franchised Outlet as active Working Partner
- Local Market and Competition going way ahead in terms of
 - Sales revenue / Daily Collections / Business Transactions
 - Customer Acquisition and Retention
 - Savings viz-a viz operational expense, Salaries, Administration Expenses and Royalties.
- Franchisor Appoints another Similar Franchised Outlet to compete with you and you have “No Right to Say No to the Franchisor”. Killing your own territory and sharing with the Business Enemy.
- ROI /BEP Calculations turning out to be unrealistic
 - Inflation / Taxes / Budget allocations / Legal Fulfilment Expenses / Increasing Demand of Salaries by Staff
- Real Estate Market Boom – This enforces the Mall to increase the Rent beyond Sustainable limits.
- Especially for Malls – CAM –Common Area Maintenance Increase YOY basis

IMPLICATIONS OF HARD FACTS ON THE FRANCHISEE

Good Implications

- a) Planning an exit to re-enter the same business as franchisor with an improved version of offerings and with corrected current shortfalls in the new Franchisee Model.
- b) Learn from Past Mistake – Be penny wise in the next business venture
- c) Avoid Loss in future – Put Stop Loss if planned for multi outlets / multiple franchisees
- d) Intimate other Franchisee owners about the Hard Facts / Consequences / Issues and prevent them from getting duped.

Bad Implications

- a) Quit Franchisee System that the most obvious reason for franchises to quit is they do not get the expected financial returns
- b) Financial Loss / Loan Repayment / Attachment to Assets by Lenders
- c) Mental Setback / Depression / Suicide
- d) Family Life disturbed due to sudden loss in business
- e) Legal Implications

IMPLICATIONS OF HARD FACTS ON FRANCHISOR

Good Implications

- a) Improve the Business Model from past experiences
- b) Redo existing Franchisee outlets for optimum efficiency and avoid iteration or business closure
- c) Opportunity to launch the new facet of the Franchisee concept with Confidence and boost.
- d) Take and implement precautionary measures for the parameters which were unforeseen.

Bad Implications

- a) Shutting down of Franchisee outlets – Revenue Drop, Refund of Deposit, Business loss.
- b) Reduction in the Total Count of the Franchisee outlets thus fall in market share, presence
- c) Possibility of bad word of mouth by the Franchisee
- d) Fear of Competition getting ahead and taking undue advantage of the closure of franchisee outlets.
- e) Social / Business Domain defamation
- f) Need to start the existing setup with other Franchisee owner at discounted offerings thus imply financial loss
- g) Legal implications if Franchisee sues Franchisor to court for justice.

PREVENTIVE MEASURE OF SOLUTIONS TO AVOID LATE REVELATION OF THE HARD FACTS

- **Middlemen Policy:** Despite involvement of the middlemen or the Franchisee Consultant let the Franchisee Taker take a wise decision unbiased with proper research and adequate time to arrive at a viable decision.
- **Tendency to overspend by Franchisor:** Franchisors have a tendency to under capitalise by not budgeting themselves. They get tempted by all the trappings of a big corporate house, high-rise office buildings, overstaffing, company cars expensive hotels elaborate trade shows and expensive publicity. This pushes Franchisors to Change the Revenue Standard or divert funds which were else to be utilised for Promotions, Marketing, Advertising, and Business Development Venues to unnecessary avenues.
- **Mutual respect is the best policy.** In few cases, it has been observed that the franchisors in view of the ownership refrain from offering required respect to their franchisees. However, it is necessary to build up strong relationship through mutual respect with the franchise partners.
- **Make exit easy.** Franchisors, at times, select franchisee that is not suitable for the business concept. Thus crumbling to the pressure these franchisee continuously struggle in the business. Franchisors should work with them; provide help, support and guidance to prepare them for the transition.

- **Create brand culture.** It is the owner or the franchisor's duty to build a brand culture that holds all levels of the organisation together, from the owner to employees, franchisees and customers.
- **Rewards and appreciation.** Franchisees should be rewarded and appreciated openly for their achievements and contribution in the success of brand. This can be done through conventions, meetings, newsletters, and personal correspondence. Moreover, in annual meetings, the franchisor should ask all his franchisees for ideas and ways to improve his brand.
- **Good research** - Go in for a market research that will provide key trends to give you better understanding of the franchise market, customers and competitors. If your research shows that demand is sufficient for support and growth of your prospective franchise business then you can start searching for an ideal location and develop a start-up marketing plan. Analysis will help you investigate the state of your intended market and determine the demand for your franchise.
- **Have sound online Presence** – It is the age of instant news and smart phones. The online market sells and the social media has a tremendous influence on trends. Face book, Blogs, Peer Power, LinkedIn, You tube get updated information and reviews about anything and everything sought.
- **Be a part of one or several networks** – This is an era of networking. The world is not the limit and the internet and the social media networks have made access to anyone simple and easy. However, being a part of network and meeting people face to face goes a long way in helping you take right decision.
- **Arrange Funds** – Prearrange capital. Consider how much cash it will take to properly invest in the business proposition before signing a licensing agreement. This allows your finance and accounting professionals to look over the books and determine if the agreement is a smart financial move.
- **Business is a long-term asset.** Experienced franchisee aspirants understand they are acquiring a long-term asset and view their target company accordingly. Too often, we see inexperienced buyers become overly focused on the most recent financial and operating data and lose sight of what they are seeking to acquire: the long-term value of the business.

CONCLUSION

As this Franchising Industry evolves, research shall continue to help the Franchisee takers right decision and help them the way they want to buy. There is a clear need of more accurate statistical data of the different components needed to franchise in India. The white paper on franchising would clearly attempt at getting to the closest reasons for failure of Franchisee options and reduce the numbers for failures as much as possible and while bringing out distinct learning's of how franchising has evolved in india, where it stands today and how it will shape up in the coming years.

A major area that requires look at continued focus of the franchiser is the profitability of the franchisee, because at the end of the day the franchiser – franchisee relationship becomes sustainable only if both are in a WIN-WIN situation. The author is a PHD student and is fascinated by Franchising Business Economics. He has worked for more than a decade in appointing Franchisee across India with multiple brands and business models.

BIBLIOGRAPHY

- ❖ The Advantages and Disadvantages of Owning a Franchise Document Transcript-
- http://www.slideshare.net/budgettuna8/the-advantages-and-disadvantages-of-owning-a-franchise?from_search=3
- ❖ Sood Parnina. "Strengthening franchisor -franchisee ties- Franchisee Magazine Dec 2013 issue, Page 16
- ❖ Top 5 Reasons Why 'They Fail' A guide. Slide Share Document Transcript. The Advantages and Disadvantages of Owning a Franchise
- ❖ Marya Gaurav. Franchising in India Today – The Science of Reproducing Success, 5th Edition. Pg 84.
- ❖ Chackochem (2013). Green Trends – Article from Franchising Magazine- Anniversary Special Edition –Dec, Page 17
- ❖ Day Jones. White Paper Mergers & Acquisitions In Franchising Strategies for 2011 and Beyond. The McLean Group.

FRANCHISING

A GATEWAY FOR GROWTH



Dr. R. SHANTHI is presently Assistant Professor, Department of Commerce, University of Madras, Chennai. She has over 18 years of teaching and research experience in the realm of Marketing and Banking. She has contributed to national and international journals. She has also undertaken consultancy services on customer satisfaction and brand equity.

Dr. S. GURUSAMY is presently professor and Head of the Department of commerce, University of Madras, Chennai. He is an academicians of the repute having over 32 years of teaching and research experience in the realm of banking and financial system. He has authored a number of books on banking and financial services besides contributing to national and international Journals.

P. MURARI, IAS is presently Adviser to President, FICCI: Federation of Indian Chambers of Commerce and Industry. Some of the important positions held in Government both at the Centre and in Tamil Nadu are Secretary to the President of India, Secretary, Ministry of Information and Broadcasting, GOI, Secretary, Ministry of Food Processing Industries, GOI, Secretary to Govt. of India, Additional Secretary to Govt. of India, Ministry of Industry, Dept. of Industrial Development Commissioner for Commercial Taxes, Govt. of Tamil Nadu. He is also serving as Independent Director in number of private sector companies. Awarded Census of India Medal in 1963 by the President of India.

Mr. M. RAFEEQUE AHMED is Chairman of the Farida Group. Some of the important positions held by him are President of All India Hides and Skins Tanners and Merchants Association from 1999 till date, Chairman, Council for Leather Exports, 1997-1999, 2005-2007 and 2010 till date, President, Tamil Nadu State Council, Federation of Indian Chamber of Commerce and Industry – 2006 till date, President, Federation of Indian Export Organization from Jan 2012. He was awarded the **Padma Shri, the fourth highest civilian Award of Republic of India in 2011** for his achievement in Trade and Commerce.

MJP Publishers

No. 5, Muthu Kalathy Street,

Triplicane, Chennai- 600 005.

Ph. 044-28441043/2381

www.mjptnbh@rediffmail.com

ISBN 978-81-8094-224-2



Appendix F

Research paper presented and published

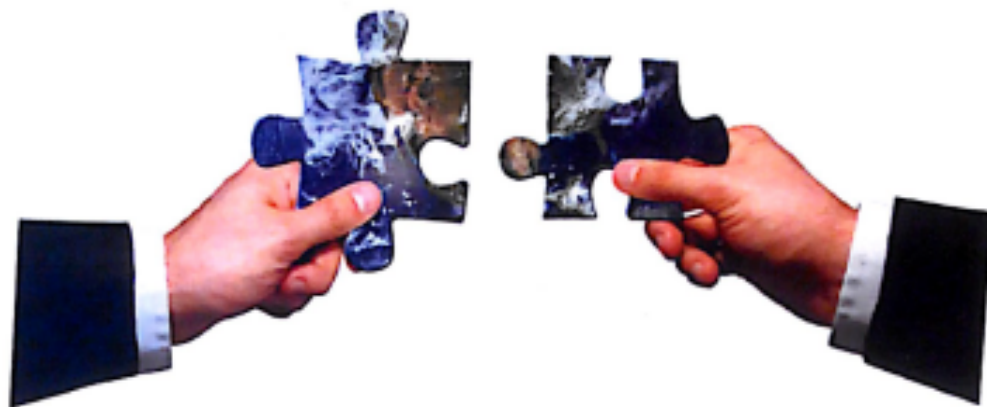
Mihir Suresh Porwal and Dr Asha Nagendra. (2014).

Title : A Case Study of Failure more than Success. Printer Cartridge Refilling Business Franchising in Pune.

Research paper co-authored and presented at the International Conference on Retail Franchising- A Gateway for Growth. 6th and 7th March 2014.

Organized by Department of Commerce, University of Madras In Association with FICCI, TNSC.

Published in the Book of Conference Proceedings. MJP Publishers, Chennai. ISBN 978-81-8094-224-2. Page No - 615-623.



Franchising
 Franquicias
 Frankizaren
Fransiya
 Frantsiisi
Françayzinq
Franchise
 Franquicias
 Stemreg
Franchising
Franchising
 Etholfreinio
 Bayllk
 konsessie
Франчайзинг
 Rhyddfrenio
 Masnachfrenio
Imtiyoz
Franchising



FRANCHISING

A GATEWAY FOR GROWTH

R. Shanthi

P. Murari

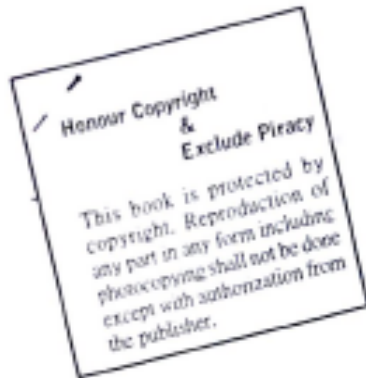
S. Gurusamy

M. Rafeeqe Ahmed



MJP Publishers

Chennai New Delhi Tirunelveli



ISBN 978-81-8094-224-2 **MJP Publishers**

All rights reserved
Printed and bound in India

New No. 5 Muthu Kalathy Street,
Triplicane,
Chennai 600 005

MJP 201 © Publishers, 2014

Publisher : J.C. Pillai

This book has been published in good faith that the work of the author is original. All efforts have been taken to make the material error-free. However, the author and publisher disclaim responsibility for any inadvertent errors.



Federation of Indian Chambers
of Commerce and Industry



University of Madras
in association with

ATTENDANCE CERTIFICATE

Certified that Dr. / Thiru. / Smt. / Ms. MIHIR SURESH PORWAL

Attended the **International Conference On "RETAIL FRANCHISING - A GATEWAY FOR GROWTH"**
6th & 7th March 2014, organized by the Department of Commerce, University of Madras in
association with FICCI, TNSC.

(Conference Director)

Dr. R. SHANTHI
Convenor, Retail Panel, FICCI TNSC
Assistant Professor
Department of Commerce
University of Madras,
Chepauk, Chennai-600 005.
Tamil Nadu, India.



International Conference on
Retail Franchising



A Gateway for Growth

6 & 7 March 2014, Thursday & Friday

Organised By **Department of Commerce, University of Madras**

In Association With **FICCI TNSC**

Certificate

This is to certify that Dr. / Mr. / Ms. MIHIR SURESH PORWAL has
 Participated in the International Conference as a Delegate / Member of Organising Committee / Chairperson /
 Presented a Paper Entitled A Case study of failure More than Success:
Printer Cartridge Refilling Business Franchising in Pune.

Dr. R. Shanthi

Dr. R. SHANTHI
 Conference Director &
 Convenor, Retail Franchising, FICCI TNSC
 Assistant Professor
 Department of Commerce
 University of Madras

Dr. S. Gurusamy

Dr. S. GURUSAMY
 Professor & Head
 Department of Commerce
 University of Madras

Mr. P. Murari

Mr. P. MURARI, IAS (Retd.)
 Advisor To FICCI President
 New Delhi

PREFACE

In India, franchising is still in emerging stage but it has ranked as the most attractive global market for investment and leading global brands eyeing India as their target market. The concept of franchising has been progressively gaining recognition in India as well experts declare that it is the fastest growing retailing format in the world.

Indian franchising story has just started and it has a long way to go; only 10% of the businesses in India are franchised as compared to 70% in the United States. Education sector which accounts for the maximum portion of the total franchised business in India is only 38% franchised as a sector as a whole. Other sectors like retail, food, healthcare etc. go on similar lines.

According to KPMG in India estimates, the franchising industry is expected to quadruple between 2012 and 2017. There is scope for the franchising industry to contribute to almost 4% of India's GDP in 2017 (assuming 6% Y-o-Y GDP growth between 2012 and 2017), growing from a current estimated contribution of 1.4 % of GDP. This is also expected to create job opportunities (including both direct and indirect) for an additional 11 million people by 2017.

India would be able to do so with its huge population, the growing aspirations and prosperity of the middle class, changing lifestyles, growing entrepreneurial culture, and the shifting of gears to small cities and towns. All these factors will lead to the growth of a WIN - WIN partnership between the brand and franchisee.

This book highlights various issues on estimating the amount of economic activity that occurs in franchise businesses, examining the investment potential & Opportunity in International franchises Sector. It focused on the franchises issues and threats that need to be addressed for promoting growth in this dynamic sector. It deliberates the global franchise scenario through presenting successful case studies of International franchise sector. There are number of more than 50 research papers to be presented on the concept of branding, future models of franchising and relationship between franchisor and franchisee etc, which helps the corporate and Industrial sector to have a wide knowledge about franchising in modern world.

vi | Preface

This book also intends to help entrepreneurs, business leaders, analysts, policy makers, franchising executives, franchising consultants and academician for understanding the inclinations in franchising and potential powers in running the franchising business, to develop schemes and policies for enhancing better performance.

Dr. R. Shanthi

Conference Director &
Convenor, Retail Panel, FICCI TNSC,
Assistant Professor
Department of Commerce
University of Madras

CONTENTS

1. **Trends in Franchising** 1
Dr. R. Shanthi

FRANCHISING OUTLOOK : NATIONAL AND INTERNATIONAL PERSPECTIVE

2. **Franchises Focus on Global Expansion Strategies** 9
P Aiswarya Menon
3. **Franchising: A Road for Success in the Modern Era** 17
T.P. Balaji & Dr. R. Panchalan
4. **Franchising – A Gateway For Growth** 29
Dr.C.V.Gopal
5. **Business Growth Through Franchising** 33
Dr. Ilsees Ahmed H
6. **The Other Side of Franchising: Often Revealed Too Late** 45
Mihir Suresh Porwal & Dr. Asha Nagendra
7. **A Study on the Responsibility of Franchising Development of Retail Business in India** 55
K. Naveen Kumar & Dr. T.V. Malick
8. **Collaborating For Growth - Indian Industries** 65
Dr. V. Nirmala Kumari
9. **A Study on the Impact of the Opportunities and Breaking Obstacles in Franchise Business in India** 75
Dr. R. Prabakaran

CASE STUDIES IN FRANCHISING

- | | | |
|-----|---|-----|
| 59. | Cavinkare's Franchised Saloon Brands – Green Trends & Limelite | 591 |
| | Mr. Chackochen Mathai | |
| 60. | A Study On Brand Promotional Strategy and Best Practices of Sub Marine Sandwich Shop – With Special Reference to Chennai | 595 |
| | S.P. Deepeka, Anuradha Kumari Singh & S.Mahadhum | |
| 61. | The Socio-Cultural Impact on Fast Food in Chennai –A Case Study on KFC | 605 |
| | Hemalatha S , S.Saravanakumar & P Venkateshtraja | |
| 62. | A Case Study of Failure More than Success: Printer Cartridge Refilling Business Franchising in Pune | 615 |
| | Mihir Suresh Porwal & Dr. Asha Nagendra | |
| 63. | Case Study Pizza Hut Venture | 625 |
| | K. L. Venkatasubramanian | |

A CASE STUDY OF FAILURE MORE THAN SUCCESS: PRINTER CARTRIDGE REFILLING BUSINESS FRANCHISING IN PUNE

Mihir Suresh Porwal* & Dr. Asha Nagendra**

INTRODUCTION

The printer cartridge refilling industry in India is one of the fastest growing businesses. The Indian market for printer cartridge has a whopping Rs. 4000 Cr. potential. There is a constant increase in demand for printer cartridges in India and growing at 20-30% per annum with more and more corporate and individuals looking for quality and reliable refilling without compromising on quality of prints.

A cartridge refill franchise works to help printer users save money without sacrificing quality by offering printer cartridge refill packs and services. Using the products and services offered by a well established company, a cartridge refill franchise aims to educate printer users about the benefits of refilling and the ways to go about it.

A large number of printer users are unaware that the refilling of a printer cartridge helps to preserve the environment by reusing existing resources. The growing demand for printing products and the subsequent demand for refilling make a cartridge refill franchise an excellent business opportunity.

REVIEW OF LITERATURE

During the current slow-down, one can help consumers save money, at the same time, one can make some money. Past scenario: Whenever we ran out of ink for our printers, we had two options both with their respective pros and cons.

* PhD Student from Titik Maharashtra University, Pune

** Professor at Symbiosis International University, Pune

- Option 1: Local re-filler, who would do it at a low cost, however quality would be low.
- Option 2: Expensive original cartridges having great quality but proved quite expensive.

Today, in the current scenario, the consumer has a 3rd and a very viable option of refilling the cartridge. This is the most affective option for all printing needs and eliminates the cons of the previous two options since it is cost effective without compromising on quality. The cost of a new cartridge is extremely high and original equipment manufacturers (OEMs) are making healthy margins.

However, a few branded franchise opportunities like Cartridge World, ReFeel, Abbee Shoppe are offering refilling at 50% or lesser, in comparison to buying a new cartridge.

According to Lyra Research, nearly 70% of all cartridges are just thrown away when empty. This is a major cause of concern on environmental grounds. Recycling or refilling of cartridges can significantly reduce landfill waste originating from cartridges and their components, such as steel, aluminum, plastic and oil. Growing awareness about the benefits of refilling printer cartridge has led to spike in the segment and the expansion of the cartridge refill franchise network. Therefore, the demand for refilling or refurbishing a cartridge every few months or days, depending on the usage, is extremely high.

Cartridge World, founded more than a decade back, is a leading provider of cartridge related products and refilling services for a wide variety of printers. The company has established itself in the marketplace through its competitive pricing and superior products. Cartridge World retail franchise is a one stop-shop for all printer-related needs, including inkjet cartridge refilling services, laser cartridge reloading services and printer repairs. The store also stocks original equipment manufacturer (OEM) inkjet and laser cartridges, high quality speciality paper, OEM printers and other office supplies.

According to Mr. Naveen Rakhecha, CEO, Cartridge World, South Asia, "Introduction of the Cartridge World concept has given the aftermarket industry the much needed fillip. The negativity attached to this concept is rapidly getting reversed. Today, even corporate are actively considering this option. Cost management, Resolutions to be eco friendly, Visibility of the organised concept and the reassurance of a global brand are

acting as catalysts. In short the aftermarket industry is gaining market share and respect of consumers very rapidly.

Today, ink, toner and cartridges are becoming more and more intelligent and thereby need of scientifically refilling or remanufacturing an absolute necessity. Remanufacturers will need to be prepared to make sizeable investments in R&D and customer education. Delivery of OEM comparable quality & service is a must. Formats operating on retail models will be the fastest growing. As per industry estimates the total size of printer cartridges market in India is over Rs. 4000 Crore growing at about 30 - 35% YOY."

"Cartridge World continues to carry out aggressive branding and end user awareness activities centered on cost effectiveness, quality assurance and post sales service through the usage of recharge / re-manufactured cartridges. This industry is estimated at 6 billion dollars globally and at Rs. 4000 crores in India with a growth rate of nearly 30% and with our rapid expansion plans in India and neighboring countries, this sector is one to watch out for", adds Hemal Manek, Head - Network Development, Cartridge World - South Asia.

Naresh Krishnani, a Re-feel Franchisee at Mumbai mentioned that, We do face competition from local stationary stores who would refill cartridges at Rs. 70 to 80 versus Rs. 200 to 230 charged by Re-Feel. Customers generally inquire for price, however the quality conscious ones go ahead with Re-feel and the price conscious ones will opt for local stationary stores.

Anuradha Somani, Executive Director at Abbee Shoppee mentioned that their franchise model is quite different from rest of the players in the business. Their model is franchisee owned and company operated. The franchisee has to invest Rs. 45 to 50 Lakhs and can expect a return of 10% (assured), and 20% as per market conditions.

Interesting Facts relating to the Print Cartridge Industry

According to Caboodle Cartridge, almost 90 per cent of cartridges sold in the US come from the original equipment manufacturers (OEMs), such as Hewlett Packard, Canon, Epson and Lexmark, because consumers believe they are getting better quality. But new advances in the remanufacturing of printer cartridges means consumers can now get OEM-like quality at half the price by having their old ink-jet and laser printer cartridges refilled. Not only is this less expensive for consumers it is also eco-friendly. According to Cartridge World franchise, "48% of people throw away their empty ink cartridges" when they can be refilled and used again. Slowly consumers are becoming more aware of the cost and function of print cartridges and are

turning to more eco-friendly print cartridge franchises to refill on a regular basis.

Market Size

The total refilling and remanufacturing industry in India stands at Rs 3000 crores and is growing at 25% each year. Here are some facts and figures:

In 2006-07 approximately 7, 17,000 Inkjet Printers and 3, 25,000 Laser Printers were sold in India. Assuming only 1 cartridge is consumed per month, simple maths will tell you that over 912 lacs inkjet cartridges and over 413 lacs laser cartridges will be required every year. Typically, 70% of the market is for black ink and 30% is for colour.

Benefits of Franchisee of Printer Cartridge Refilling

Franchisees will be offered ongoing support from experts within the parent company, so any start up hurdles can be quickly eliminated and the road to success mapped out. They will also benefit from marketing and advertising support, so they can concentrate on the day to day running of their business without having to worry too much about the reputation of the brand as a whole. However, before jumping head first into a deal with a franchiser it is important that franchisees make sure the business is suited to their budget, skills and time commitments. Some companies offer straightforward cartridge refilling, while others offer additional services, such as digital photography processing which could yield healthy profits but require additional time and manpower. Competition is also something to look out for. Since the cartridge remanufacturing industry is a fast growing one there are franchises popping up across the country. It is therefore critical that franchisees do their homework to make sure they are setting up the business in an area where demand is high and where rivals are unlikely to steal market share.

1. Unlimited Business Opportunity
2. Affordable start-up investment
3. Rapid Return on Investment (ROI)
4. Comprehensive training program
5. Ongoing supply of inkjet and toner parts and components
6. Perfect add-on profit centre for an existing business
7. Save your customers money

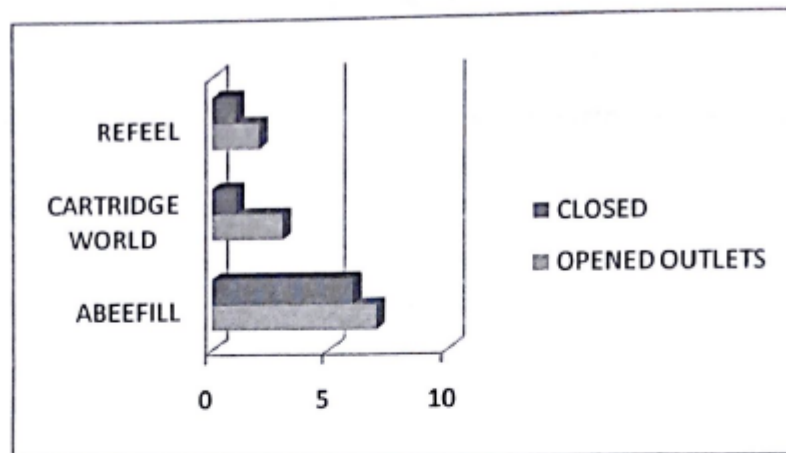
8. Great Impact in the Community
9. Great Environmental impact

RESEARCH METHODOLOGY

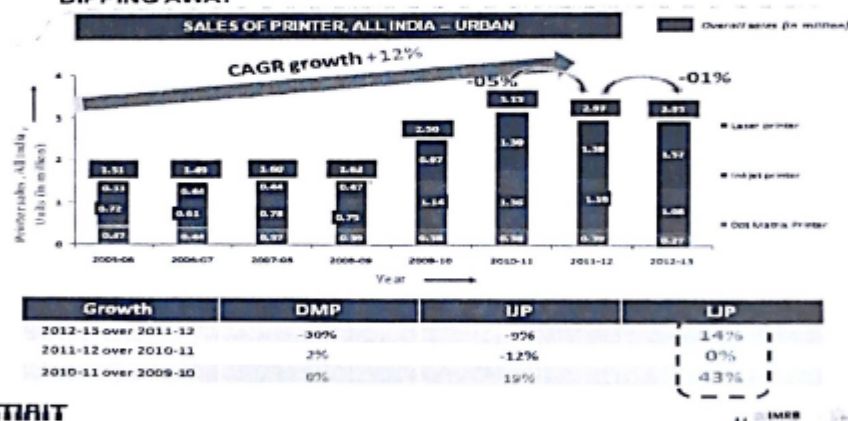
- Type of research: Descriptive
- Data type: Primary Data
- Data Collection Method: Franchised Outlet Owners Interaction; References.
- Primary data collection instrument: Telephonic survey
- Sampling technique: Total Sample Evaluated
- Sampling Universe: Pune City Region
- Sample size: 12 Units
- Statistical tools: Bar graphs, Pie charts, etc.

Prominent Franchisee Players

Unit Franchisee						
	Investment	ROI Projected	BEP	Parallel Business	Staff Required	Area
Abeefill	7 Lacs	86%	12 MTHS	Yes	6	150-200 SQ Feet
Cartridge World	25 Lacs	45%	24-26 MTHS	No	9	300-500 SQ Feet
Refeel	9 Lacs	50%	24 MTHS	Yes	6	150-200 SQ Feet



WHILE LJP SALES IS INCHING UP, DMP SALES SEEMS TO BE DIPPING AWAY



FINDINGS OF THE DATA

Reasons for Franchisee Outlets Failures

1) The OEM Manufacturers

The major printer manufacturers have a vested interest in making sure that Refillers don't succeed. HP, Canon, Epson and Lexmark make a lot of money from printer cartridges, and although Refillers have only a slice of the market this represents billions of dollars in lost sales.

Manufacturers are making it difficult for Refillers in 3 other ways:

1. By placing chips and other proprietary designs on the cartridge to make it more difficult or time-consuming to refill cartridges;
2. By making the cartridges a lot smaller and a lot cheaper thus making it uneconomical to refill for instance some new HP cartridges cost just \$10 – and if you factor in the cost of labour, rent, franchise and advertising fees and utilities .
3. Creating vastly superior inks and toners that are difficult to replicate. These days OEM manufacturers' toner is made to the finest tolerances, and they have patented processes to make the particles a spherical shape. Presently replacement toner of such quality is difficult to obtain, resulting in print quality from newer type remanufactured cartridges being noticeably lower quality. Colour inks too are becoming more and more complex and difficult to duplicate.

2) The rise of digital photography

The fuel for the latest burst of activity in the printing industry is the huge growth of digital photography. Consumers are printing out literally millions of photos on their home printers and consumers demand photo quality prints. This requires not only quality ink but also quality paper.

This market will continue to grow. Unfortunately Cartridge World has positioned itself on price, not on quality. The OEM's have the upper hand here. HP, Canon and Epson all advertise that best printing results are achieved by using genuine inks and paper, and when people want to print photos they think OEM ink.

3) Local Competition: Local Refillers refill at 50% t 70% cheaper than Franchised Refilled Rates. This creates a very tough competition. Despite Quality, Longevity of the Service and Product it becomes very difficult to convince the super price sensitive typical Indian Customer.

4) Franchised Brand Competition: Though the 3 entrants created healthy competition but rates under cutting and unhealthy sales practices to some extent killed the markets where an overlap was seen in terms of client's base and bulk order processes like tenders.

Can the refill market grow to absorb these new competitors? While awareness can increase the refill market, the OEM's will not tolerate losing market share – every 1% increase in refill sales hurts their sales by \$3 billion. This is the real competition for Franchised Outlets.

CONCLUSION

From 2007 till 2014 the Cartridge Refilling Franchisee market has proved to be big failure. We have seen more outlets shut down that opened and the market predominantly remains under the dominance of Local Refillers and OEM Gimmicks.

We have seen Abe fill has lost all its Franchisees and surviving with only 1 COCO outlet. ReFeel seems to be totally out of market. Cartridge world is somehow surviving without any expansions and their existing franchisee not willing to expand or open multi outlets. Paradox is the though there is tremendous increase in sale of Printers and Cartridges the refilling business is degrading with Branded players and local Refillers are blooming. A minimum of 25 local Refillers is seen in every pin code of the city; which constitutes of more than 1000 local Refillers viz merely 4 branded Refillers plying in market,

RECOMMENDATIONS

The Pune market where IT, Educational Institutes, Manufacturing, MIDC, Residential Boom, Hospitality Industry all these domain have registered remarkable growth in the past 3-4 decades . The penetration of the PC – Printer in these sectors has been a record breaking and the use of Printing be it Home or Office is on growth side. This clearly depicts that there is a real need for a Good Printer Cartridge Refilling Option.

Pune needs a alternative Branded Franchisee option for Printer Cartridge Refilling. Customers want Quality but at their affordable price range. They want Branded Quality refilled cartridge but at local Refillers rate. This can only happen if such a Refilling Franchisee Alternative is made available which –

- Understands Local Refilling Market
- Make Quality raw material like toner powder, ink available are cheaper rates
- Micro Level Marketing is implemented
- Corporate refilling accounts are generated to ensure bulk business is generated.
- Along with Refilled Cartridges, OEM, Remanufactured and compatible cartridges are sold as value addition.
- Professional Customer Service approach is adopted.

- Exclusivity between two Franchisee areas is maintained and proper demarcation of the market is done before appointing franchised outlets.
- Technology is kept upgraded with the market; new refilling techniques are adopted to meet daily newly launched variety of toners and cartridges.
- Research and development is focused to meet dynamics of the market.

Today Pune with an approx area of more than 1000 sq km there can easily have 10 outlets to cater to this vat market. Proper business model and fair franchisee sales practices can make it a successful venture for Franchisor as well as Franchisees.

BIBLIOGRAPHY

- ❖ Franchisee Kit – Abee Fill Printer Cartridge Business. Abee Consumables and Peripherals Pvt.Ltd.
- ❖ Franchisee Kit – Cartridge World, India.
- ❖ Franchisee Kit – Re-feel Printer Cartridge Franchisee Business.
- ❖ <http://sbinfocanada.about.com/cs/beforeyoubuy/bb/bybcolorprinter.htm>
- ❖ http://en.wikipedia.org/wiki/Printer_Cartridge_Recycling
- ❖ <http://midnightpiper.hubpages.com/hub/Franchise-Nightmare>
- ❖ <http://www.therecyclor.com/posts/cartridge-world-on-the-retail-perspective/>
- ❖ <http://www.unhappyfranchisee.com/category/franchisor/cartridge-world-franchise/>

FRANCHISING

A GATEWAY FOR GROWTH



Dr. R. SHANTHI is presently Assistant Professor, Department of Commerce, University of Madras, Chennai. She has over 18 years of teaching and research experience in the realm of Marketing and Banking. She has contributed to national and international journals. She has also undertaken consultancy services on customer satisfaction and brand equity.

Dr. S. GURUSAMY is presently professor and Head of the Department of commerce, University of Madras, Chennai. He is an academicians of the repute having over 32 years of teaching and research experience in the realm of banking and financial system. He has authored a number of books on banking and financial services besides contributing to national and international Journals.

P. MURARI, IAS is presently Adviser to President, FICCI: Federation of Indian Chambers of Commerce and Industry. Some of the important positions held in Government both at the Centre and in Tamil Nadu are Secretary to the President of India, Secretary, Ministry of Information and Broadcasting, GOI, Secretary, Ministry of Food Processing Industries, GOI, Secretary to Govt. of India, Additional Secretary to Govt. of India, Ministry of Industry, Dept. of Industrial Development Commissioner for Commercial Taxes, Govt. of Tamil Nadu. He is also serving as Independent Director in number of private sector companies. Awarded Census of India Medal in 1963 by the President of India.

Mr. M. RAFEEQUE AHMED is Chairman of the Farida Group. Some of the important positions held by him are President of All India Hides and Skins Tanners and Merchants Association from 1999 till date, Chairman, Council for Leather Exports, 1997-1999, 2005-2007 and 2010 till date, President, Tamil Nadu State Council, Federation of Indian Chamber of Commerce and Industry – 2006 till date, President, Federation of Indian Export Organization from Jan 2012. He was awarded the **Padma Shri, the fourth highest civilian Award of Republic of India in 2011** for his achievement in Trade and Commerce.

MJP Publishers

No. 5, Muthu Kalathy Street,

Triplicane, Chennai- 600 005.

Ph. 044-28441043/2381

www.mjptnbh@rediffmail.com

ISBN 978-81-8094-224-2



Appendix G

Research paper presented and published

Mihir Suresh Porwal, Asha Nagendra and Madhup Gandhi. (2015),

Titel : Business Of Internet: A Case Study On Retail Branded Cyber Café.

Businesses International Journal of Advanced Research and Technology

ISSN: 2347-7490 Volume 3, Issue 3, pp.30-39 Journal homepage:

<http://www.ijartjournal.com>



RESEARCH ARTICLE
**BUSINESS OF INTERNET: A CASE STUDY ON RETAIL BRANDED
CYBER CAFÉ BUSINESSES**

Madhup Gandhi

Faculty at Pune Institute of Business Management

Dr.Asha Nagendra

Professor at Symbiosis International University, Pune

Mihir Suresh Porwal

Ph. D. Student from Tilak Maharashtra University, Pune

Manuscript:

Abstract:

Manuscript History:

Received: July 15, 2015

Final Accepted: Sep 02, 2015

Published Online: September Issue

Key words: Cyber Café, Sify iWays, Retail Branded Franchisee, Franchisee Chain, Internet

The authors have tried to throw some light and study the Business of Internet which majorly was part of Cyber Cafes till late 2012. From 2004 to 2007 there was an era of Branded Franchisee Options for Cyber Cafes. Major players in the Business Domain were seen to be Prominent Brands like Sify iWays and Reliance Web Worlds. Our attempt is to study the scenario in which Sify iWays came up very promisingly and their growth story. We shall also try to understand the success behind the Growth of Sify iWays which they aimed to open 5000 iWays by 2005 and their operations outlets close to 2000 iWays. Since there was a dynamic change in the total Internet industry from 2005 till 2015, an effort has been made to understand why these Sify iWays started closing down and the Franchisee Business went down. Major Sify iWays Franchisee Owner changed their Cyber café business to some other Revenue Opportunity or quit their business of Cyber Cafes. The findings identify the steps, if taken timely by Sify, would have saved these iWays from shutting down. Changes were expected at that time to survive the World's Largest Cyber Chain of more than 2000 in a sovereign democratic country like India. It was found that major reasons for the downfall of cyber care business were low cost of internet services, smart phone and mobile internet, loss of dedication and pranks played by customers, cost of rental of property, manpower cost and local legal compliance. Yes, Cyber Cafes are heading towards the fate of telephone booths!

INTRODUCTION

Cyber Café Business in India

Once upon a time, the cyber café was a place for surfing the Web and sending emails to friends. Very few people had access to the net and yet everyone was fascinated by the idea of getting online. But with the internet access so widely available now, paying for the privilege to go online just doesn't seem worth it. More and more of us can log on at home and many have free access in the workplace. Although not everyone is benefiting from this yet, it is still a complete change from how we were a few years ago. Thus, for those wanting their Internet café business to thrive, adapting to more sophisticated demands become crucial. The decreasing revenues from internet

Copy Right, IJART, All rights reserved

browsing, high rental charges, declining customer base, and other factors have prompted the providers to transform cyber cafés into a hub for a variety of e-services, going beyond vanilla web browsing and chat, which were hitherto the mainstay of the business. While the major ones went for re-branding initiatives and adding a host of sophisticated services, the street corner cafés went for value added and personalized services. The two scenarios explained above prove this fact.

Two common scenarios in today's cyber cafés:

Scenario 1: "Shoot him, knock him down", shouts a 12 year old boy to his friend sitting at the other end of a room. It is not a physical fight. The scene is in a cyber café where five boys, between 12 and 15, are

crowding around a PC, the keyboard of which is getting tapped not only by the one sitting on a rickety old plastic chair, but by all the boys around him who are emotionally worked up by what is happening on the screen. Their eyes are glued to the screen, on what looks like a violent game. Around them, the other surfers are quietly engrossed in their business. They've been here before.

Scenario 2: A 60-year-old woman walks into Net City, a small cyber café in an alley in a crowded residential locality of Bangalore. She does not even know how to switch the computer on. The boy in the café sets up the system and puts her before her son who is on the other side of the globe, through a webcam. They are able to see each other. She doesn't touch the system, but talks to her son loudly and sincerely complains how thin he has grown and advises him to take care of his health. After talking for half an hour she walks out paying the money, brimming with the happiness of having 'seen' her son.

Tele density in urban India is above 70%, with rural areas lagging behind at around 16%. If an effective mechanism isn't developed to increase telecom penetration in rural India, all sorts of economic spinoffs —better education, improved market access for products, improved employment opportunities —will remain a distant dream. But different agencies offer widely divergent pictures of what the future will look like. One CII study estimates that there will be 700 million subscribers by 2012, with tele density of around 60%, with 40% of the rural population owning a phone and with total revenues reaching \$54 billion. The average revenue per user will decline but be made up through higher minutes of usage, with rural telecom emerging as the new growth constituent. Another 2007 study also estimates

that India will cross 700 million subscribers by 2012, adding that for every 10 mobile handsets added per 100 people in a developing country, the country's GDP growth rate would rise by 0.6%. This study, too, recognises rural India as offering key potential for growth in connectivity.

History of Internet in India:

The history of the Internet in India started with launch of services by VSNL on 15 August 1995. They were able to add about 10,000 Internet users within 6 months. However, for the next 10 years the Internet experience in the country remained less attractive with narrow-band connections having speeds less than 56 kbit/s (dial-up). In 2004, the government formulated its broadband policy which defined broadband as "an always-on Internet connection with download speed of 256 kbit/s or above. From 2005 onward the growth of the broadband sector in the country accelerated, but remained below the growth estimates of the government and related agencies due to resource issues in last-mile access which were predominantly wired-line technologies. This bottleneck was removed in 2010 when the government auctioned 3G spectrum followed by an equally high profile auction of 4G spectrum that set the scene for a competitive and invigorated wireless broadband market. Now Internet access in India is provided by both public and private companies using a variety of technologies and media including dial-up (PSTN), xDSL, coaxial cable, Ethernet, FTTH, ISDN, HSDPA (3G), WiFi, WiMAX, etc. at a wide range of speeds and costs. As per IAMAI India will have the world's second largest number of Internet users with over 300 million by December 2014.

REVIEW OF LITERATURE:

Cyber cafés are growing in the country with its users. The various trends, the growth and the different players in the market mark its prominence.

Ajwani (2006), says as people in different places become more used to using the internet there has also been a growing requirement for public internet access." He believes that the Internet café has a bright future and says consumer demand remains as high as ever. Who said cyber cafés are an endangered species? Look at this math: There are about 1,80,000 cyber cafés in India, which have seven PCs on an average, and these are available for around 12 hours every single day. In fact they serve more than 72 million strong English speaking populations in the country. With the availability of tools that helps translate English language content into the local languages, the cyber cafés, in fact, are empowering the population in remote locations across the country.

Mishra (2009) has shared vital stats about internet business, he says there is plenty of evidence to show that telephony, internet and broadband penetration have a high correlation with GDP per capita. One estimate is that if a country has 1% higher mobile subscriber rate, its GDP per capita is enhanced up to \$200. In case of broadband, the increase is around \$ 1,500. There are also enough surveys to establish that access to information and communication technologies boosts social interaction, infrastructural transformation and business opportunities. Not to mention more transparent governance that addresses public agenda speedily. Roy (2012) says "Internet is a great empowering tool and it should be channelized in a way that governance issues are addressed adequately". Chhokar (2012) said, "Internet can facilitate wider access to

information and all must work towards it. Let's spread the usage of Internet and increase its reach".

Mobile Internet Users

No. of Internet users in India in 2014: 300

Million

Mobile Internet users in India now: 203

Million**Branded Retail Internet Business in India**

The Sify iWay franchise is a provider of the largest network of Internet browsing centres or Cyber Cafés. The internet services franchise was launched in India with the aim to bring the Internet closer to the consumer. The browsing services franchise operates as a chain with more than 3300 cafés in about 150 cities in the country.

The dream of SIFY was...*"to improve the quality of life of millions of people and organizations by harnessing the power of the Internet"*. In a world of changing needs, advanced technology, accelerating pace and shrinking distances the Internet has become an integral for communication, entertainment as well as information. The broadband connectivity at the iWays has guaranteed that the browsing speeds are much more superior to at the local cyber cafes.

Sify iWay cafés offer services like browsing, internet telephony, video conferencing and games. The services come with a membership fee that is of different denominations and for different periods of validity. The membership comes in a simple one time online registration process that provides the user with a unique identity. It could be accessed easily through the same ID/ Password for all services, anywhere, anytime within the city or the country. It also provides storage of all favourite sites for easy access and a 250 MB free e-mail space.

Sify technologies, which runs iWay outlets across the country, is attempting to shift

from the concept of cyber cafés to e-stores. The new model will address the need for multiple online services. More services will be available at Internet cafés, which have for the last eight years been primarily a place for net surfing. Sify iWays now offer a range of online services such as ticketing, bill payments and shopping in addition to Internet access, online games and international voice calls over the Internet.

Reliance Communications is able to make better use of its outlets where it not only provides broadband services but also uses them for billing and collection, sales of telecom hardware and services, and serves coffee and snacks through an exclusive arrangement with Java Green. Gaming is also a major attraction for the kids to visit the Reliance cyber cafés known as Reliance Web World.

The branded cafés are also offering other services like e-learning, e-ticketing, and online tests (like the NSE and BSE tests). These cafés also have tie ups with companies for conducting recruitment processes. In many ways, Sify's Cyber Café strategy represents a fantastic Micro Franchise opportunity that can take its iWay brand out to the thousands of smaller towns and villages in India. In so doing, Sify would position itself as a very powerful channel into these otherwise difficult-to-access markets/consumers.

Business of Sify iWay

Sify iWay as a Retail Unit Franchisee Model has a detailed market survey which they called Fact sheet for each Pin Code of the city in which they launched iWay Business. They had made a detailed study of :

- 1) The total number of local MOM & POP Cyber Cafés
- 2) The total number of PC population in the area
- 3) Catchment i.e., schools, colleges, hospitals, hostels, student catchment areas etc.

4) The revenue generated by Cyber Cafés per PC per day to estimate the revenue to be generated by the Sify iWays.

Roughly they estimated 1 Sify iWay for 50 PC or 5 Cyber Cafés. Thus their plan is to have minimum 1 iWay per Pin code or even more per pin code depending upon the PC Population.

Taking the example of Pune City, it had roughly 72 pin codes. Thus the plan was to open minimum 72 and up to 130 Sify iWays taking into consideration schools, colleges, coaching institutions. Till 2007 they had opened close to 40 iWays in Pune and they were all running successfully, 80% of the Franchisee owners reported success and even opted for multiple iWays business opportunities.

Franchisee Business Model of Sify iWay:

The Franchisee model of Sify was a Traditional Pure Franchisee Based model. They used to appoint Unit Franchisee per pin code. Table 1 below describes this model.

Table 1: Franchisee model of Sify iWay

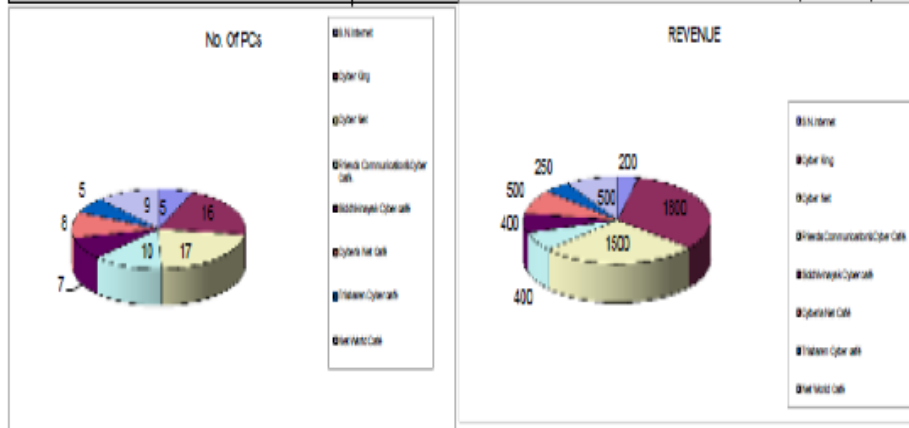
	SIFY iWay Investment Sheet
Business model (min PCs)	10 PCs
Franchisee fee	116000
Space required (min)	250 sq. Ft
Security Deposit	25000
Renewals	0
Revenue sharing	70:30:00
PCs	250000
Billing Mode	Automated & Transparent
Constraint of Stock	No Dead Stock
Commissioning period	20 Days
Agreement Type	Both side d
Agreement Period	5 Years
Recurring Expenses:	
Monthly expenses (TOTAL)	8500
Marketing Expenses	0
Rental (min)	3000-7000
Salary	3500
Electricity	4000
Other Expenses	1000
Courseware	0
New Course intro (min)	0
Time Investment	1-2 hrs daily
Technology change charges	By Sify
24 Hrs tech support	By Sify
Owning a chain	Very easy

In short, One Sify of 10 PC would roughly need investment of Rs 5-6 lacs in all.

Sample Marketing Mapping Report :

POTENTIAL FACT SHEET - PUNE			
ZONE : PIMPRI			
SUB ZONE: SANT TUKARAM NAGAR			
CURRENT SCENARIO		POTENTIAL DATA	
Total No of PCs in That Area	77	Colleges	5
Total No of existing Cafes in That Area	8	Schools	4
Total Rev. Generated from All Cafes	5550	Coaching institutes	10
		Daily professional inflow to that area	200
		Daily Student Inflow to that Area	2200
		Daily internet users in the café	1000
PC BREAK UP		REVENUE BREAK UP	

CAFÉ NAME	No. Of PCs	CAFÉ NAME	REVENUE
S.N.Internet	5	S.N.Internet	200
Cyber King	18	Cyber King	1800
Cyber Net	17	Cyber Net	1800
Friends Communication&Cyber Café.	10	Friends Communication&Cyber Café.	400
Siddhivinayak Cyber café	7	Siddhivinayak Cyber café	400
Cyberia Net Café	8	Cyberia Net Café	600
Trisharen Cyber café	5	Trisharen Cyber café	250
Net World Café	9	Net World Café	600



SIFY STRATEGY	
NO. OF WAYS TO BE ADD IN THE AREA	2
NO. OF PC TO BE ADDED IN THE AREA	20
REVENUE GENERATION TARGET	2800

Journey of Sify iWay

Growth Story: Sify had opened more than 3300 Franchisees in more than 150 cities. The major success was with iWay 5000 team which aimed to open 5000 iWays by 2005 and they went high head bang with opening new district level cities all across india.

SIFY BUSINESS PROMISES & USP'S			
1	True Partnership	27	Software Security
2	Future Security	28	Ahead of competition
3	Superior Technology	29	Revolution in Home Entertainment
4	High Speed	30	Schemes
5	No shared Band Width	31	Social Status
6	Higher Bandwidth Available	32	Low Operation Cost
7	User friendly Software	33	RoI
8	Transparency	34	Technology Backup
9	Technical Support:	35	Zero Balance Account
10	High Up-time	36	Dedicated teams for assistance
11	Customer Base	37	Multiple Franchising
12	Multiple revenue Option	38	Roaming Subscribers
13	One time investments	39	Express Installations
14	No Dead Stock	40	Control on customers
15	No credit	41	Recognition from Other Brands
16	Technical Staff Training	42	Toll Free customer Care No's
17	Fortnightly Returns	43	Core Business
18	Bulk Price Benefits for control rooms	44	Network Audit
19	Promotions	45	No working Capital for Stocks
20	Free sample Packs	46	BA Training
21	Mass Media advertising	47	Anti-Virus Software
22	Licensed Business	48	Heart Beat
23	Record at the Press of button	49	1st Indian ISP listed inNASDAQ
24	Competition and Awards	50	Free 250MB Mailbox
25	Firewall for network Security	51	Online messaging
26	State of the art control room	52	Constant Returns

Multiple Revenue Options in the Business Model of Sify iWay

Major Business of Sify iWay is **Internet Browsing, Net Surfing, Emails**. For their major revenue they bank on Internet sales. Like many of the new age cafés, his café also offers value added services like printing, scanning, typing services, and even travel bookings. Some of the services are:

- DTP Services
- Printing (Black & white / Colour)
- Scanning
- Gaming
- Internet Telephony
- Photocopying, Paper Management
- Video Conferencing
- Railway Ticketing /Air Ticketing
- Online Examinations
- Online Training / Distance Learning
- Travel Bookings
- Money Transfer
- CD Writing
- Mobile Recharges
- IT Support and Training

Current Scenario of Branded Cyber Cafes in India

According to a CII-IMRB Broadband report, the number of cyber cafés, which was growing at almost 60 percent in 2004 and 2005, had fallen to almost 20 percent in 2008.

Cyber cafe is a bad business for today.

Major Reasons for the Downfall of Cyber Care Business is majorly categorized as below:

1. **Low cost of Internet services:** The cost of holding an internet connection has drastically gone down. In today's scenario one can get an internet for mere Rs. 7/- per day which was once a dream a decade ago.

2. **Smart Phone and Mobile Internet:**

Today internet has moved from traditional Desktops to Moving Smartphones, Tablet PCs and Laptops. Earlier people use to sit n Desktop to access the internet and check emails. But now, emails are on the fingertips. No one goes to cyber cafés to check emails or do a Video Chat.

3. **Security emfreakment.** Major players

attribute this sorry state of affairs to lack of subsidy and support from the government, coupled with increased security concerns and harassment of cyber café owners. There are many security challenges faced by the café owners; for instance, if someone called from a PCO and threatened an individual, no action is taken against the PCO owner, but if a threatening email has been sent from a PC in a cyber café, action is taken against the café's owner.

4. **Los of dedication and pranks played**

by customers – Customers have become more intelligent and tech savvy. With introduction of new age devices people have many more ways to post damage to the cyber cafes and have loop holes to deviate the standard practices of the Café.

5. **Cost of Rental of Property - Higher**

rentals for commercial spaces and a rise in other operational costs also are forcing the owners to close down the cafés.

6. **Manpower Cost:** Today the labour is

the costliest resource. The current age salaries and wages are way ahead to the business revenues and the retention in terms of profits from Cyber Café Business.

7. **Local Legal Compliance** : It sounds ridiculous that in a city like Pune, to open a cyber café one has to take permission from the municipal health department, just because 'cyber' has got a 'café' suffixed to it. (The literal meaning of 'café' is 'a place to have coffee and snacks'). Moreover, across the country, the local police have to provide a no objection certificate to open a cyber café. Experts say that drastic decline of cyber cafés is due to harassment that owners face at the hands of the local police.
8. **Government Initiative**: Reasons for the slow growth rate- it is surprising to note that in a country with as many as 1, 80,000 cyber cafés there are no laws to protect the interests of the stakeholders. In fact, the existing law says that only an internet service provider has the right to sell internet to the end user.
9. **Speed**: - One of the major issues facing the Internet segment in India is the lower average bandwidth of broadband connections compared to that of developed countries. According to 2007 statistics, the average download speed in India hovered at about 40 KB per second (256 kbit/s), the minimum speed set by TRAI, whereas the international average was 5.6 Mbit/s during the same period. In order to attend this infrastructure issue the government declared 2007 as "the year of broadband".

Yes, it is heading towards the fate of telephone booths!

CONCLUSION:

Even now, cyber cafés emerge as the most popular access point for internet at 36

percent, followed by home (30 percent) and office (25 percent). But, the lackadaisical attitude of the government towards the growth of cyber cafés is impeding the growth. "For the growth of cyber cafés, the government should bring about a centralized framework of regulatory laws and the discriminatory approach towards cyber cafés vis-à-vis PCOs should be rectified", adds Ajwani. These measures along with the redefining and transforming measures taken by the owners of the cyber cafés will ensure a steady growth for the cyber cafés.

What's more, is the fact that the customers are asked for ID proofs every single time they visit a cyber café, making them shy away. This is hampering their current business which has already come down from 6 hrs. per PC to 2.30 hrs. of usage. There was a time in India back in the 90's when some people made money out of this but times have changed and people do not go to net cafes anymore and those who do will not in days to come!

Save cybercafé, Save Internet in India.

There is a clear need of more accurate statistical data of the different components needed to analyse the Cyber Café Franchisee Business in India. The white paper on franchising would clearly attempt at getting to the closest reasons for shutdown of Franchisee options and cyber café business diversion.

A major area that requires look at continued focus of the franchiser is the profitability of the franchisee, because at the end of the day the franchiser – franchisee relationship becomes sustainable only if both are in a WIN-WIN situation. The author is a PHD student and is fascinated by Franchising Business Economics. He has worked for more than a decade in appointing Franchisees across India with multiple brands and business models. The suggestions given shall reduce

the numbers for failures as much as possible, while bringing out distinct learning's of how Cyber Café franchising has evolved in India, where it stands today and how it will shape up in the coming years

REFERENCES:

1. Ajwani Naresh (2006), President, Consumer Infrastructure and Operations, Sify Technologies
2. Chhokar Jagdeep (2012). Founder Member of Association for Democratic Reforms - A Civil Society Group Established By Teachers At The Indian Institute Of Management, Ahmedabad.
3. Misra Nripendra (2009) Former Chairman, Telecom Regulatory Authority of India, "ROTI, KAPDA, MAKAN AND MOBILE "The Financial Express- August 18, 2009.
4. Roy Aruna (2012). Member of National Advisory Council which Sets the Government's Social Agenda. Government of India.
5. Vegesna Raju (2010). Chairman and Managing Director, Sify Technologies Ltd. Press Release Chennai, India, July 3, 2010: Sify Technologies Limited (Nasdaq NM: SIFY).