



FRANCHISING AS A POTENTIAL GROWTH STRATEGY FOR BUSINESS

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Abstract:

This study focuses on how franchise business works, why it has become a smart solution for most of the businesses. What are the reasons that most of new entrepreneurs prefer to start their business on a franchise. It has been noticed that, franchise has become a successful option. People attract with the brand. For example, if we take "Wellness Forever" medical store, it's a well-established name in market. So new medical dealers take franchise to use the name of "Wellness Forever" and open their chemist. In observation customers react to the brand and purchase accordingly. In this research, the method used to achieve an objective is through collecting primary data by questions and answers and collecting data from the various websites of major, small and newly start-up brands which are running on a franchise basis to know the actual market situation how they are operating, handling etc.

Keywords: Franchise, Royalty, wider geographical areas, smart business solution, popular brands.

Introduction:

A franchising is a type of business in which franchisee (an individual) makes use of franchisor's (owner's) brand, trademark or its business model in consideration to franchise fee (also known as royalty) to the franchisor by entering into contract. Franchising is one of the fastest growing methods of doing business in the world today. Franchising offers an alternative that allows entrepreneurs all over the world who wish to have their business at a low-capital.

In the middle Ages, some of the local governments granted high church officials a license to maintain order and assess taxes. Medieval courts (or lords) have these individuals the right to hold markets and perform business related activities. These first franchisees paid a royalty to the lords in exchange for, among other things, "protection" that was essentially considered to be a monopoly on commercial ventures. Over time, the regulations that governed these first franchisees became a part of European Common Law.

The modern franchise business model dates back to around the 1850s when Mr. Isaac Merit Singer wanted to increase the distribution of his sewing machines, Singer and his partners tried to find out business people who were interested in owning the rights to sell Singer's sewing machines in specific geographical areas,

for an up-front fee- a licensing fee. Singer Sewing Machine Company was amongst first commercial franchisor.

In India, franchising business model began in the 1990s, with the start of liberalization. Initially this model was slow to grow but now there are several well known brands operating successfully in country. Burger Singh, Jimis Burger, Cultfit fitness, Bluestone, Be U Salon, Wat-a-burger, are some of the Indian brands which franchises their business.

Sectors like Retail food and beverages, education, health, beauty, tourism and many other services are booming in the Indian franchise market.

Objectives:

1. To know how franchise business work.
2. What are the reasons that most of new entrepreneurs prefer to start their business on a franchise.
3. Why franchising has become a smart solution for most of the businesses especially in pharmaceuticals sector.

How does franchise business work?

The main objective of this research is to know how franchise business actually works in the market. There are two parties involved in franchising business namely franchisor and franchisee. After entering into franchise business, franchisor provides you with their franchising pamphlets, products, policies, and other suitable introductory materials for prospective franchisees and also provides standard operating procedure of business. The revenue generated from the business is periodically shared with franchisor in the way of franchise fees, royalty, license fee as per agreement made.

Purposes behind selecting franchise business:

Businessmen face a lot of challenges at initial phase of commencing a business. It takes patience and hard work for business to gain a position in the market. Making a brand name in the competitive market is a challenging task for an individual. On the other hand, franchising has many benefits over starting a business from scratch. These benefits include support from the franchisor and already existing brand name in the market. Franchise business has low failure rate as compared to the normal business.

An individual having franchise business does not have to concern about advertising and marketing cost as a business will benefit from ad campaigns and promotion managed by the franchisor.

Franchisor provides training and technical assistance to franchisee such as guidance in customer relationship management, how to maintain brand consistency, well established systems to maintain customer invoices, tracking of payments and receipts, stock availability, etc. to run business smoothly.

Franchising – A smart business solution

- ❖ **Higher chance of success:** The greatest advantage of a franchise system is that it reduces the risk. Franchises have already proven their business concept, so franchisee have reassurance that the products or services that he will be offering will have demand.
- ❖ **Appropriate management:** In the independent business tracking and maintaining materials and stock is usually challenging but through franchise it is easy to keep track on stock and material availability, orders to be placed and incoming orders from the customers.

- ❖ **Customer satisfaction and loyalty:** New entrepreneurs while entering into market have to face challenges in finding customers and retaining proper relations with them. On other side, in franchise system, due to its brand recognition, franchisees do not need to search for consumers; potential customers are already familiar with the brand. Consumers may be satisfied with the brand due to its quality products or services provided by them, consumer relations, etc.
- ❖ **Economies of scale:** Once you join a franchise, you can take advantage of the franchisor's established relationships with suppliers. You are more likely to access supplies at a lower price by leveraging the franchise's economies of scale.
- ❖ **Autonomy:** Owning a franchise allows you to be your own boss. Following the franchisor's guidance, franchisee creates a plan to run the business smoothly and efficiently. As its owner, one will have the autonomy that comes with business ownership, with all the resources and opportunity that comes with it.
- ❖ **Rapid expansion:** When you franchise your business, you can open multiple new outlets within a short space of time, or even simultaneously. This is very difficult to do with any other form of expansion unless you are prepared to shell out a lot of cash up front.

List of popular franchise in pharmaceutical sector

- Wellness Forever
- Zeno Health
- Apollo Pharmacy
- Care Pharmacy
- Noble Care
- PharmEasy
- Netmeds
- TATA 1mg

Review of literature:

The level of support a franchisor provides to franchisee is important for the franchisee's successful performance in respect of perceived market share. The level of satisfaction between franchisor and franchisee results in better overall business performance, including profitability. The literature review involved franchising literature based on the resource base theory and social exchange theory. The constraints of each of these theories were used to identify the factors franchisees consider when selecting franchisees.

Hypothesis:

H1: There is a higher chance of success in franchising business model.

H0: There is less chance of success in franchising business model.

Research Methodology:

The data and information for the research is collected from the articles, E-blogs, E-newspapers, various research websites, social media platforms and books on franchise. The research study is based on the primary data collected with the help of structured questionnaire and interview to know the working of franchise business, reasons behind selecting franchise, its growth and expansion, consumers review, etc. from two different franchise brand of pharmaceutical sector.

Difficulties faced during collecting answers:

The research has faced certain limitations.

Some of them rejected the request for interviews and some of them had rules that prevented them from responding to questions due to the reason of confidentiality.

It was difficult to access the franchisees since some of them refused to respond on the grounds of being busy or unwilling to give answers to the questions.

Data collected through interviews

Particulars	Franchise Business		Regular Business
	Wellness Forever	Zeno Health	
Industrial Area	Pharmacy	Pharmacy	Pharmacy
Brand Awareness	Established Brand	Established Brand	Unknown
Assistance	Support & Training	Support & Training	No Assistance
Risk	Limited	Limited	Greater
Profit margin	30-40% (approx.)	30-40% (approx.)	20-25% (approx.)

https://drive.google.com/drive/folders/1RqfXU9iQGtpbqOeBG_Bsbmc0TXA4kIWv

Findings:

After conducting interviews with above mentioned franchises, it has been observed that, taking franchise can benefits you in various ways. In franchise business, franchisee does not have to expend for the advertisement and marketing cost, as brand is well established and consumers identify them on the basis of its quality products and services. Franchisee gets appropriate training and necessary support from the franchisor, whereas in case of independent business there is no such assistance. Franchise business have less risk as compared to regular business. Even the profit margin and growth rate of the franchise business is higher as compared to the regular business.

Conclusion:

Franchising enables a franchisor to expand the existing business to wider geographical regions within the country and abroad. Franchisees, especially those who are new entrants to business, do not have to “start from the scratch”, but work with an established business model getting the necessary operational support and guidance. In international business, franchising is the best option to enter other country markets.

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