

PREFERENCE OF FRANCHISE OUTLETS OF CUSTOMERS WITH REFERENCE TO COIMBATORE CITY- TAMILNADU.

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ABSTRACT

This paper gives insight to the franchising model of marketing and also the customer preference to it. Franchising businesses is a norm in developed countries. Franchisors can develop wide network with less capital and also develop a brand name easily. Franchisor franchisee conflicts are common when the franchisor or master franchise takes over prime outlets or when the franchisor does not follow the rules of the franchisor. In India franchising has caught up in mostly metros and cities surrounded by urban population. The study reflects affordability by the public, excessive startup cost, franchisee fees, multinational corporation involvement, return on investment as the key factors which has led to the slow development of franchising in Tamilnadu. Local franchising with new terms favorable to franchisee and affordability by rural public can boost franchise business in a big way. Franchises bring same quality at every outlet anywhere in the world, brings a sense of comfort to the customer. Few factors that leads to foot falls at franchise outlets like ambience, quality, customer service, family friendly atmosphere, affordability where checked for dependency and significance with age and income. Income had significance with respect to foot fall.

Key words; Franchise outlets , foot fall factors .

INTRODUCTION

Franchising started in Germany in the beer business. It prospered in US in 1863 with Singer Sewing Machine Company – first franchising. Mc Donald's franchising business from 1955 to 1973 saw a 785 % increase in sales. Major Sectors in Franchising are Automotive services, Business services, Car rentals, Recreation services, Fast foods, Retailing, Hotels/Motels, Soft Drinks, Miscellaneous Parties Involved are 1. Franchisor 2. Franchisee

Components of franchising Royalty fees one time, Advertisement, promotion %, royalties on sales, Franchisee needs to purchase the goods from the franchisor or suppliers mentioned by the franchisor, Geographic area is decided by the franchisor, Outlet needs to be set up as per the requirement of the franchisor, Monitoring by the franchisor, Franchisee assistance as discussed by royalty structure and the monitoring Rajiv Lal (1990) Stanford University

Royalty fees are incentives for the franchisor monitoring systems ensures the franchisees behave in the best interest of the channel. In 1985 sales of all franchising companies exceeded \$529 billion = 33% of retail business in US. Franchisee fee ranges from \$1000 to \$150,000 In a Manufacturer- retailer setup retailer buys the product and sells in the market. Franchisor – invests in monitoring the actions of the franchisee to enforce the business form, Monitoring is not there in certain set up when there are no or little royalties. Inputs, raw materials has to be purchased by the franchisee from the franchisor

Franchisee adds value and sells product at the price decided by the franchisor. Problem arises when retail outlets are remote from head office monitoring is costly, Since the franchisee is selected after screening the failure is less, both parties will try maximum to reduce conflict

Master franchise - keeps 60 % of the franchisee fee and gives 40% to the main franchisor Developing countries feel franchising as a marketing system than an economic contribution to the country, Trademarks makes prices rise without corresponding increase in quality. In case the acquisition of sites are difficult the site specific good will be lost if the franchisee leaves the system, the franchisor needs to protect themselves by charging additional lump sum to protect from opportunistic behavior

Franchisor – is the owner of the name, idea, process, product, good will associated Main aim of the franchisor is to maximize the franchisee turnover –it does not mean maximum profit for the franchisee, minimum sales target are given if not attained there are few options Kabir C. Sen (1993)

1. Termination 70%
2. Reduce the size of territory they work with 37 %
3. Appoint manager at franchisee expense to assist development of business

On the other hand 1/10th franchisees required to expand – additional equipment, vans, expansion of business plan .Franchising also called as competitive tendering

Three main elements of the definition of franchise are

1. Substantial association with trade mark - business must be substantially associated with the franchisors trademark
2. Payment of fee – franchisee fee
3. Marketing plan/community of interest / significant control - promotional materials, training,

Uniformity varies between sectors deterioration of quality by one franchisee he will benefit from the full amount of the savings from reduced quality maintenance but all franchisees will lose faith on the trademark. Franchisors employ field service consultants who visit franchisees 4- 5 times a year to evaluate the franchisee .Franchising is rarely used by established networks it is used by enterprises seeking quick low cost expansion programme.

Capital requirements have increased, costly capital, availability of capital has become scarce. New sources of capital Large franchisee who can develop multiple outlets in defined territory, companies looking for diversification, wealthy individuals attracted to establishing chain of outlets, formation of investment companies, publically offered limited partnership – can tap vast pool of small investors, Financing of franchisee outlets is likely to be difficult – foreign capital source

OBJECTIVE

To study the customer preference of franchise outlets with respect to normal outlets in Coimbatore city -Tamilnadu .The study checks for the customers at fast food and saloon sectors

STATEMENT OF THE PROBLEM

As franchise business involves high investment and returns are not guaranteed .This research is looking at the factors that motivates customers to visit franchise outlets when similar products or service is available from normal outlets

RESEARCH METHODOLOGY

The methodology of the study is based on primary data collected from customers visiting franchise outlets .A questionnaire consisting of certain factors that lead to the foot fall in the franchise outlets. Pilot study was done followed by the regular study.

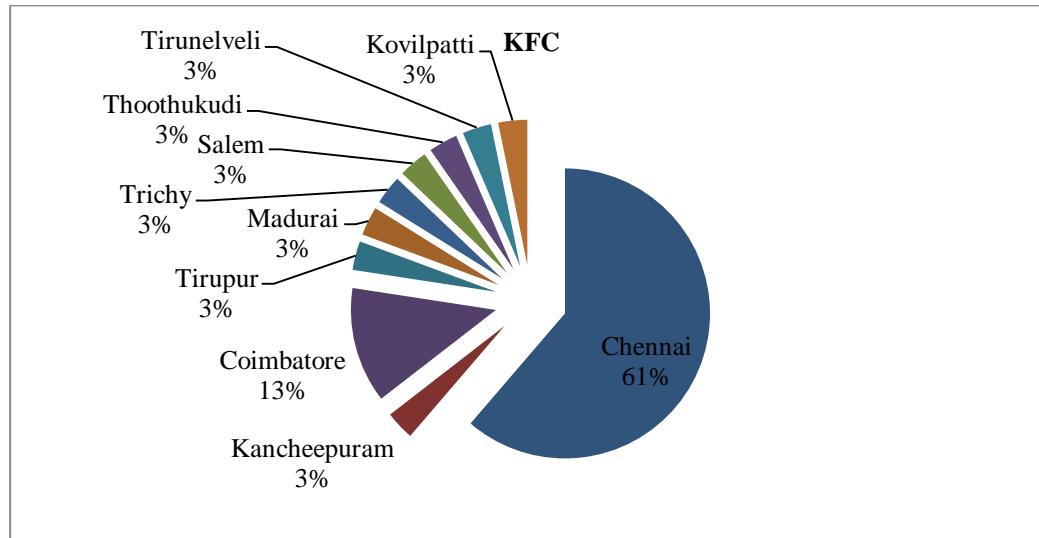
The outlets in consideration was KFC, Mac Donalds, Meat and Eat in the fast food sector and Naturals and Green trends in the beauty and saloon sector.

Chi-square analysis was used for hypothesis testing of relationship between factors and the significance.

Fast food Industry

As shown in the pie charts below KFC has 65% outlets in Chennai, next followed by Coimbatore by 13% which clearly shows the affinity of outlets to be opened in metro cities where the population have disposable income and have adapted to western trends of eating out and have a taste for fried chicken and burgers. The outlets are profitable as the foot fall is higher in malls .Same applies to meat & eat as well.

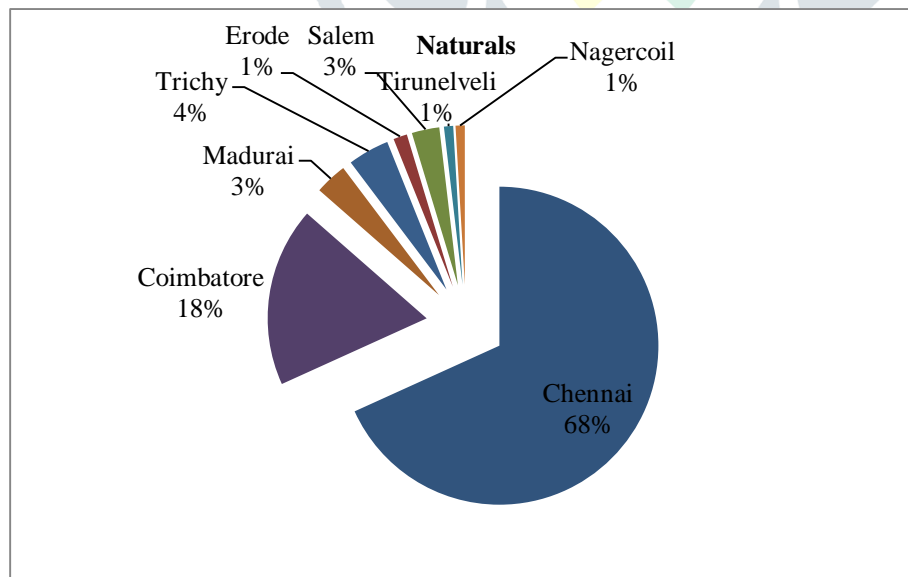
Chart 1: KFC Outlets distribution in Tamilnadu



Beauty salon Industry

As shown in the pie charts below Naturals has 68% outlets in Chennai, next followed by Coimbatore by 18% which clearly shows the affinity of outlets to be opened in metro cities where the population have disposable income and have adapted to additional comfort and want to look beautiful The outlets are profitable as the foot fall is higher in malls .Same applies to Green trends as well.

Chart 2: Naturals Outlets distribution in Tamilnadu



ANALYSIS

A convenient sampling was taken 205 respondents were taken after screening the data.

Two hypothesis were tested for significance and dependency

Hypothesis H1

H0 There is no significant relation between age and the factors leading to foot fall in a franchise outlet

H1 There is no significant relation between age and the factors leading to foot fall in a franchise outlet

Chi square analysis was performed

Table 1: Chi-Square Test

Results						
AGE	Ambience	Quality	Customer Service	Family Friendly	Affordability	Row Totals
21-25	45 (41.14) [0.36]	40 (41.37) [0.05]	35 (38.79) [0.37]	49 (42.78) [0.90]	24 (28.91) [0.84]	193
26-30	30 (31.55) [0.08]	33 (31.73) [0.05]	30 (29.74) [0.00]	33 (32.81) [0.00]	22 (22.17) [0.00]	148
31-35	36 (35.60) [0.00]	34 (35.80) [0.09]	35 (33.56) [0.06]	35 (37.02) [0.11]	27 (25.02) [0.16]	167
36-40	34 (34.74) [0.02]	36 (34.94) [0.03]	33 (32.76) [0.00]	34 (36.13) [0.13]	26 (24.42) [0.10]	163
41-45	30 (31.97) [0.12]	33 (32.16) [0.02]	32 (30.15) [0.11]	31 (33.25) [0.15]	24 (22.47) [0.10]	150
Column Totals	175	176	165	182	123	821 (Grand Total)

The chi-square statistic is 3.8638. The p -value is .999118. The result is *not* significant at $p < .05$.

We accept the H0 that There is no significant relation between age and the factors leading to foot fall in a franchise outlet

Hypothesis H2

H0 There is no significant relation between Income and the factors leading to foot fall in a franchise outlet

H1 There is significant relation between Income and the factors leading to foot fall in a franchise outlet

Chi square analysis was performed

Table 2: Chi-Square Test

Results						
INCOME	Ambience	Quality	Customer service	Family friendly	Affordability	Row Totals
10000-15000	65 (52.66) [2.89]	63 (51.79) [2.43]	40 (44.80) [0.52]	45 (46.26) [0.03]	18 (35.49) [8.62]	231
15000-20000	35 (36.70) [0.08]	37 (36.09) [0.02]	35 (31.23) [0.46]	32 (32.24) [0.00]	22 (24.74) [0.30]	161
20000-25000	30 (36.25) [1.08]	33 (35.64) [0.20]	34 (30.84) [0.32]	30 (31.84) [0.11]	32 (24.43) [2.35]	159
25000-30000	32 (37.16) [0.72]	33 (36.54) [0.34]	31 (31.61) [0.01]	34 (32.64) [0.06]	33 (25.05) [2.53]	163
35000-40000	19 (18.24) [0.03]	12 (17.93) [1.96]	14 (15.52) [0.15]	18 (16.02) [0.24]	17 (12.29) [1.80]	80
Column Totals	181	178	154	159	122	794 (Grand Total)

The chi-square statistic is 27.2482. The p -value is .038806. The result is significant at $p < .05$.

We reject the H0 and accept Ha that there is significant relation between Income and the factors leading to foot fall in a franchise outlet

FINDINGS

The findings of the study are age of the customer does not influence the customer preference towards the franchise outlets. Income of customer does influence the customer preference towards franchise outlets.

SUGGESTIONS

Franchises has to adapt to Indian conditions to be extensively successful and increase the foot falls . Price is a major factor affordability and lifestyle changes has caught up in cities but still it can take time in smaller towns

LIMITATIONS OF THE STUDY

The study has taken five factors and the area taken is limited to Coimbatore city and the sectors taken are fast food and saloon. All limitations of primary data are applicable to this study to differences in data can appear in other cities of the country.

CONCLUSION

The study states that the factors like Quality,Family friendliness, Customer service ,Ambience of the franchise outlets scores over the normal outlets. With more disposable income people have a preference towards the franchise outlets. Even the basic income range people had an attraction or inclination towards franchise ambience, quality maintained in all outlet also the price

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