

# " A SURVEY OF FRANCHISING SCENARIO & FRANCHISING BUSINESS OPPORTUNITIES IN PUNE CITY & SURROUNDING AREAS"

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### **ABSTRACT:**

This research paper tries to explore the franchising business scenario & franchising opportunities in Pune city & surrounding area. With Pune having lots of student population & IT professionals, franchising has seen an exponential growth especially in the sectors like Retails & Lifestyle, Food & Beverages & Education in the past 5-6 years. There are mixed franchis-

ing activities with the multinational brands such as McDonalds, Domino's, Pizza Hut, Starbucks, Café Coffee Day, Subway, Burger King etc having set the strong footing in Pune's food business activities along with the Indian brands such as Chaat Bazaar, Dunkin Donuts, Monjinis, Amul Ice-cream, Jumboking etc. With the increasing awareness for health, fitness & beauty amongst the young

generation there has been a tremendous growth happened in this franchising sector. Pune being the hub for education, many training institutes & coaching classes have established their base in Pune. Also with increased local as well as migrated population there has been a constant rise in the requirement for the availability of preschools in the city. These reasons have led to a phenomenal rise in franchising activities in Education sector too. Franchising in Telecom sector also has seen an equally higher growth with the major players competing are Airtel, Idea & Vodafone. Local established food & beverages brands such as Chitale bandhu, Kaka Halwai, Kaware Ice-creams, New Poona Bakery, Joshi Vadewale, Vadeshwar etc. have adopted franchising route successfully to expand their business empire. As far as Support Services sector is concerned there is still much of scope exists apart from Tours & travel and Courier services. There seems to be a good possibility that the other local established brands beside the ones mentioned above will also adopt the franchising route to tap the unexplored markets for their products. There are around 2100 franchisees covering all the above mentioned 6 sectors like Retail & Lifestyle, Food & Beverages, Beauty & Healthcare, Education, Telecom & Support Service in Pune & surrounding areas. The city has seen around 70 - 75 % growth in overall franchising business activities over the past 5-

6 years which is phenomenal & is poised to grow further with ever increasing city limits & growth of the adjoining areas. Therefore future of franchising business activities in Pune city & adjoining areas looks to be bright.

Keywords: Agreement; Franchises, Conflicting, Support Services, Potential

1.Introduction:

Important Concepts in Franchising:

Franchising is defined as "the granting of a license by one party (the franchisor) to another (the franchisee) which entitles the latter to customize, manufacture, market, distribute and/or support goods and/or services, whereby the franchisor agrees to provide central commercial and technical support, and imposes the obligation to conduct a business in accordance with the franchisor's concept for the term of a written franchise agreement."(Hayfron et al., 1998).

Franchising as a concept has been steadily gaining popularity because of the huge untapped potential in Indian context, emergence of the Tier I & II cities as the next big retail destination, the relatively lower level of capital required to start the business, lower risk and availability of established brand names, marketing network and sales channels. India is the most sought after nation by international retailers due to low presence of international brands as compared to the country's market size.

Recent developments such as relaxation of foreign investment rules, liberalized WTO guidelines and greater incentives from the government have clearly led to a spurt in the number of franchised outlets in India.

Another major factor favoring the franchising market is that the Foreign Direct Investment (FDI) for organized retail does not permit the direct entry of foreign retailers. The later, therefore, have to resort to the franchised business models to enter the Indian market.

Bata was among the first Franchisors in India, followed by other multinationals such as Coca-Cola. Pioneers among the Indian companies are NIIT, Apollo Hospitals and Titan watches.

There is a substantial level of network of several Franchisees for all the leading Franchisors in India and it is growing considerably with the time. There are following 6 key sectors in Franchising in India:

- " Retail and Lifestyle
- " Food and Beverages(F&B)
- " Healthcare and Beauty
- " Education
- " Telecom
- " Support Services (Tours & travels, Courier Services & Other Miscellaneous Services)

## 2.Literature Review:

Literature review indicates that there is no systematic research done so far with respect to franchising industry in Pune city & surrounding areas. The relevant research journals, periodicals

and articles did not give the detailed study & analysis of various franchising activities and the various issues existing in the franchising activities in Pune city & surrounding areas. The research that has been done so far gives the overall approximate scenario pertaining to one specific key sector of franchising in Pune city & surrounding areas and does not cover the extensive study of all the 6 key sectors of franchising i.e. Retail & Lifestyle, Food & Beverages, Beauty & Healthcare, Education, and Telecom & Support Services.

## 3.Objectives of the Study:

- i. To study the nature & type of franchising business activities in Pune city & surrounding areas.
- ii. To study issues/problems existing in Franchising in Pune city & surrounding area.
- iii. To study various franchising opportunities in Pune city & surrounding area.

## 4. Research Methodology:

The researcher has done the survey and collected the information from aprox.350 franchises selected randomly pertaining to the 6 key sectors of franchising in Pune city & surrounding area. The survey was done with the help of a structured questionnaire & personal interview with respondent comprising of the respective franchisees (owner/staff) and also the consumers. Based on this data the researcher has made finding & suggestions according to the analysis of

data.

5. Analysis of data & findings:

Based on the data collected during the survey of various franchises pertaining to 6 key sectors of franchises in Pune city & surrounding area the researcher found out following observations & has mentioned an analytical view of the franchising in Pune city & surrounding area.

It is found out that there are around 2100 franchises covering all the 6 key sectors viz. Retail & Lifestyle, Food & Beverages, Beauty & Healthcare, Education, Telecom & Support Service in Pune & surrounding areas.

A. Distribution of Franchisees in Pune city & surrounding areas:

Pune City can be divided in to following 3 major areas for the purpose of research survey.

- Old City Area
- Newly developed Area
- Outskirts Area

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

| Sr. No. | Area/Zone of Pune City | Franchises |       |
|---------|------------------------|------------|-------|
|         |                        | Nos.       | %     |
| 1       | Old City area          | 530        | 25.24 |
| 2       | Newly Developed area   | 1390       | 66.19 |
| 3       | Outskirts area         | 180        | 8.57  |

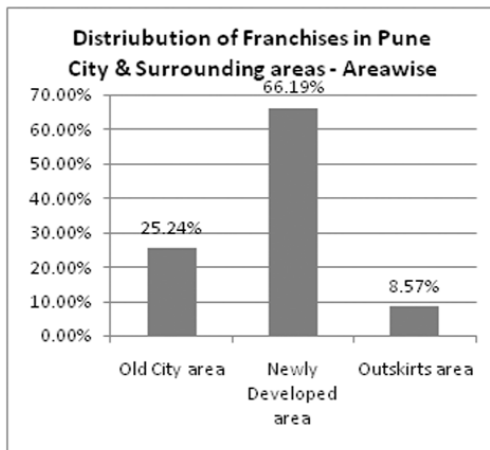


Figure 1: Area wise distribution of No. of Franchisees in Pune city & surrounding area

Given below is the nature wise distribution of all the franchises in Pune city & surrounding areas viz. International, Indian and Pune based franchises etc.

| Sr. No. | Nature of Franchises | Franchises |       |
|---------|----------------------|------------|-------|
|         |                      | Nos.       | %     |
| 1       | International        | 860        | 40.95 |
| 2       | Indian               | 1055       | 50.24 |
| 3       | Pune Based (Local)   | 185        | 8.81  |

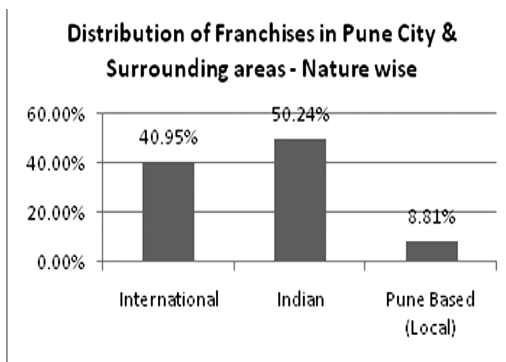


Figure 2: Nature wise distribution of Franchisees in Pune city & surrounding area

Shown below is the pie chart of the distribution of all the franchises in Pune city & surrounding areas according to the 6 key sectors of franchises.

| Sr. No. | Key Sector of Franchising | Franchises |       |
|---------|---------------------------|------------|-------|
|         |                           | Nos.       | %     |
| 1       | Retail & Lifestyle        | 620        | 29.52 |
| 2       | Food & Beverages          | 375        | 17.86 |
| 3       | Healthcare & Beauty       | 310        | 14.76 |
| 4       | Education                 | 240        | 11.43 |
| 5       | Telecom                   | 230        | 10.95 |
| 6       | Support Services          | 325        | 15.47 |

Distribution of Franchises in Pune city & surrounding areas - Key sector wise

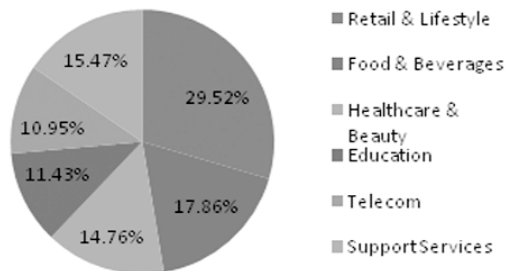


Figure 3: Key sector wise Distribution of Franchisees in Pune city & surrounding areas

B. Important Observations / Findings:

I. There is no specific regulatory

authority/body governing the franchising activities.

ii. There are different rules & procedures operative in franchising.

iii. There is no existence of specific franchising mechanism.

iv. The franchising business is solely dependent on the agreement/contract between franchisor & franchisee.

v. The resolution of conflicting issues existing between the franchisors & franchisees is not so effective.

vi. There is increased outsourcing activities in franchising.

vii. There is significant growth happened in the sectors like Retail & Lifestyle, Food & Beverages, Education, Healthcare as well as Telecom.

viii. The franchising growth in the sectors like support services is still not up to the level that it is expected.

Apart from the services like courier & tours & travels there is no much of growth seen in support service sector. There seems to be a further growth potential of franchising in this key sector of franchising.

ix. The local established city based businesses such as Chitale bandhu, Kaka Halwai, New Poona Bakery, Joshi Vadewale, Kaware Ice-cream etc. have adopted franchising route to expand and grow their business and increase their reach to the untapped markets.

x. There are many established businesses like Kayani Bakery, Marz-O-Rin, Garden Vadapav, Laxmi Narayan Chivda, Dorabji Biryani, Karachi

Sweets, Budhani Wafers etc have not adopted franchising route to expand & grow their business in the city.

xi. It is observed that many Retail & Lifestyle and Food & Beverages and Healthcare franchisees are situated in Super Malls like Phoenix Mall, Viman Nagar, Seasons Mall Magarpatta City, Ammanora Mall, Hadapsar, West End Mall, Aundh, Kakade Mall, Camp, Neteish Hub Mall, Koregaon Park etc.

xii. It is also observed that many healthcare and beauty salons franchisees are located in the high profile areas like Koregaon Park, Kalyani Nagar, Aundh, Baner, Wakad, Viman Nagar, Dhole Patil Road, Pimple Saudagar, Pimple Gurav Kharadi, Kothrud, Paud Road, Wanouri, Mukund Nagar etc.

xiii. There are a few more Super Malls coming up in the Pune city & adjoining areas which will serve as the potential hub for the franchising activities especially Retail & Life style, Food & Beverages and Healthcare franchisees.

xiv. There are many franchises that started the business activities but because of various reasons as mentioned below they discontinued within a few years.

-Conflicting issues between franchisor & franchisees.

-Improper location & hence too less walk - ins of the customers.

-Lack of working capital to run the business profitably.

-Labor issues.

-High debts which are making it difficult for the franchisees to manage the business.

-Lack of support/no proper support from the franchisor to the franchisees.

-Supply issues from the franchisor.

-Lack of training from the franchisor to the franchisees.

-Miss - understanding between the franchisor & franchisees.

-Lack of interest from either the franchisor or franchisees and also in certain cases lac of interest from the franchisor & franchisees alike.

-Other reasons like legal, family issues & other operational issues etc.

6. Recommendations:

1. There should be a specific /defined regulatory body for controlling the franchising activities in Pune city & India as a whole.

2. Profit sharing is found to be 35-40% (Franchisees) : 60 - 65% (Franchisor). Profit sharing in case of new business set up should be 55-60% (Franchisees) : 40 -45% (Franchisor). Likewise in case of established business set up the profit sharing should be 30-35% (Franchisees) : 65-70% (Franchisor).

3. In specific Pune based businesses such as Kayani Bakery, Marz-O-Rin, Garden Vadapav, Laxmi Narayan Chivda, Dorabji Biryani, Budhani Wafers etc which are conservative in their approach in doing the business, it is recommended that they can go for adopting the franchising way for expanding their business & extending their business reach.

4. The conflicting issues existing between the franchisors & franchisees can be solved mutually and effectively by seeking support/guidance from the premier national level organizations like Indian Franchises

Association (IFA) & Franchise India.

5. Government, Indian Franchise Association (IFA) & Franchise India can work together to formulate a strategy to enhance the franchising activities in Support services sector especially the Support services other than Couriers and Tours & Travels businesses.

7. Future Scope:

There exist further research scope to investigate the cause & effect relationship for the success and failures happened in franchising activity so far in Pune city & adjoining areas.

Various conflicting issues between the franchisor & franchisee can be studied & possible ways of conflict resolution can be worked out for smoother functioning of franchising business activities in Pune city & adjoining areas accordingly.

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