

Food & Beverages (F&B) As an Attractive & Fast Growing Key Sector of Franchising Business - A Study With Reference To Pune City & Adjoining Areas

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Abstract

This research paper tries to explore the franchising business scenario & franchising opportunities in Food & Beverages (F&B) franchising in Pune city & surrounding areas. Pune is an IT hub as well as an Educational hub and thus hosts a huge number of IT professionals & students from all parts of the country. Franchising business activities has seen a phenomenal growth in almost all the 5 key sectors like Retails & Lifestyle, Food & Beverages, Healthcare & Beauty, Education and Support services (Couriers, Telecom, Tours & Travels and Misc. services) in the past 2 decades. Popular multinational brands along with many Indian national brands makes up the franchising business scenario in Pune city & surrounding areas. There are a total of around 5250 – 5500 franchises covering all the above mentioned 5 sectors in Pune & surrounding areas. Food & Beverages sector covers about 25-27% of the total franchises in Pune city & adjoining areas. The city has seen on an average 10 – 11% growth (year-on-year) in overall franchising business activities over the past 10-12 years which is significant & this growth will definitely expand further with the increasing city limits & growth of the surrounding localities.

Keywords: Franchisees, F & B, QSRs, Training, Super Malls

1. Introduction

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

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

Since Foreign Direct Investment (FDI) for organized retail does not permit the direct entry of

foreign retailers, the later necessarily have to resort to the franchised business route to do business in Indian market which has favoured the significant growth of franchising in India. Major footwear brand „Bata“ was among the first Franchisors in India, followed by other multinationals such as „Coca-Cola“. Indian companies which are pioneers in franchising are Apollo Hospitals and Titan watches, NIIT etc.

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

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

Franchising in Food & Beverages contributes to approx.25-30% of the Indian franchising industry. Over the past 10 - 12 years, Food & Beverages (F&B) sector has seen a significant growth & have remained an attractive franchising sector in India with Pune city being the destination for most of the proven & popular national & international brands.

2. Literature Review:

Literature review indicates that there is no systematic research done so far with respect to franchising industry in Pune city & adjoining areas. The relevant research journals, periodicals and articles did not give the detailed study and analysis of various franchising business activities. The various issues existing in the franchising business activities in Pune city and surrounding areas are not fully explored. The research that has been done so far in franchising activities gives the overall approximate scenario pertaining to one specific key sector of franchising in Pune city and surrounding areas and does not cover the extensive study of all the 5 key sectors of franchising i.e. Retail & Lifestyle, Food & Beverages, Beauty & Healthcare, Education, and Support Services. The research done so far does not explore

fully the details of franchising activities happening with reference to Food & Beverages (F&B) sector in Pune city & adjoining areas.

3.Objectives of he Study

- I. To study the nature, type & distribution of Food & Beverages franchising business activities in Pune city & surrounding areas.
- II. To study the growth in Food & Beverages franchising in Pune city & surrounding area.
- III. To study various franchising opportunities in Food & Beverages franchising in Pune city & surrounding area.

4. Research Methodology

The researcher has done the survey and collected the information from approx.650 franchises selected randomly pertaining to the 5 key sectors of franchising in Pune city & surrounding areas with approx.175 franchisees in Food & Beverages sector alone. The survey was done with the help of a structured questionnaire & personal interview with respondent comprising of the respective franchisees (owner/staff). 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 Food & Beverages franchisees in Pune city & surrounding area the researcher has found out following observations & has

mentioned an analytical view of the Food & Beverages franchising activities in Pune city & surrounding area.

It is found out that there are around 5454 franchises covering all the 5 key sectors viz. Retail & Lifestyle, Food & Beverages, Healthcare & Beauty, Education, Support Service etc. in Pune & surrounding areas. Out of these 1502 franchises constitutes to Food & Beverages (F&B) sector alone which accounts to approx. 27.5 % of the total number of franchisees in Pune city & 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	
		No	%
1	Old City area	1889	34.6
2	Newly Developed area	3114	57.1
3	Outskirts area	451	8.3

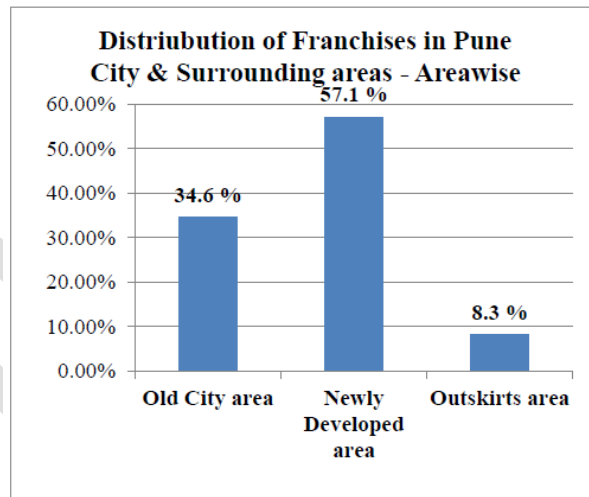


Figure 1: Area wise distribution of Franchisees in Pune city & surrounding area

B. Key Sector wise distribution of Franchisees in Pune city & surrounding areas:

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

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

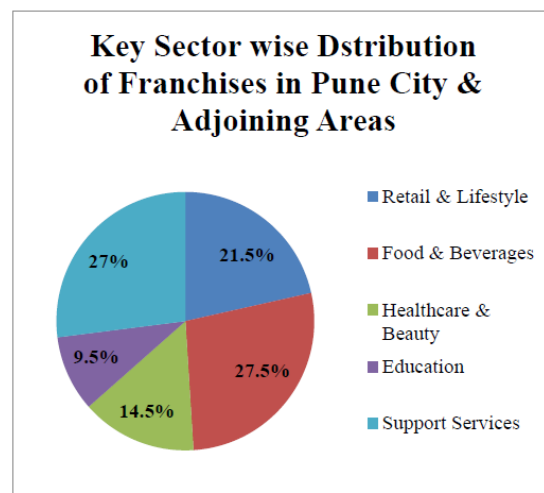


Figure 2: Key sector wise Distribution of Franchisees in Pune city & surrounding areas

C. Growth of Food & Beverages franchising business activities in Pune city & surrounding areas:

Year	Old City Area	% Growth w.r.t previous year	Newly Developed Area	% Growth w.r.t. previous year	Outskirt Area	% Growth w.r.t. previous year
	No.of Franchisees		No.of Franchisees		No.of Franchisees	
Dec 2008	209		296		32	
Dec 2010	236	12.9	344	16.2	38	18.8
Dec 2012	273	15.7	411	19.5	51	34.2
Dec 2014	327	19.8	506	23.1	70	37.3
Dec 2016	402	22.9	641	26.7	99	41.4
Dec 2018	505	25.6	853	33.1	144	45.5

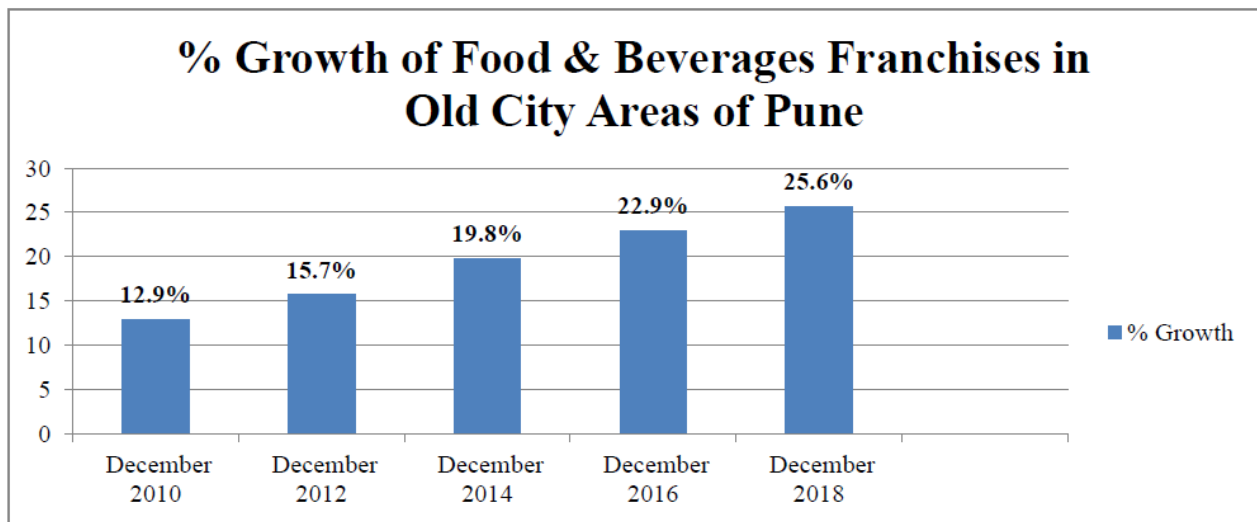


Figure 3: Growth of Food & Beverages Franchisees in Old City Area of Pune

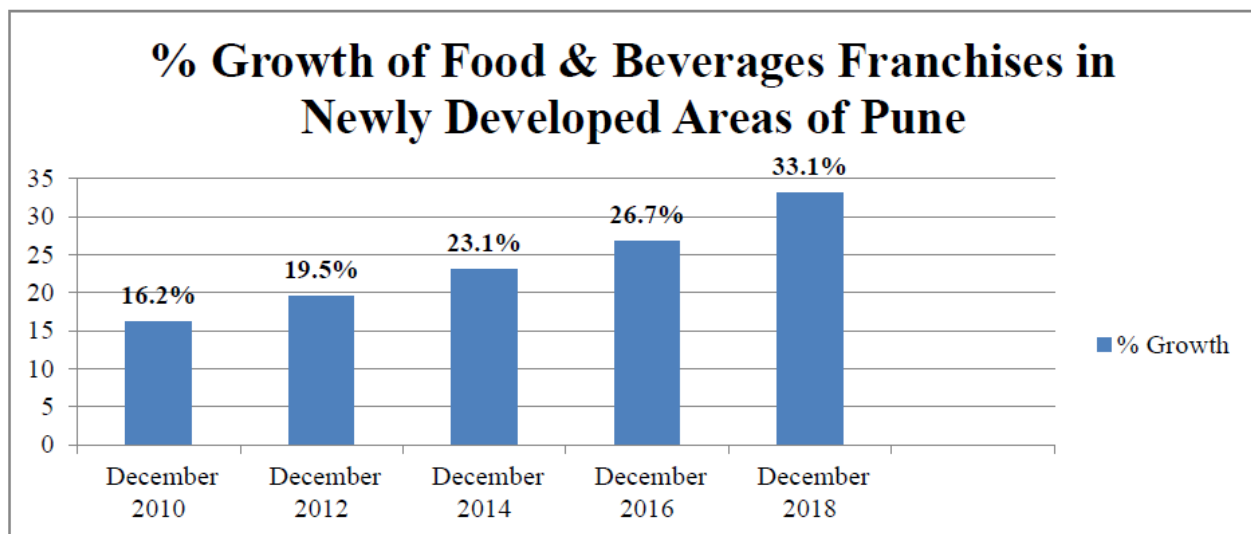


Figure 4: Growth of Food & Beverages Franchisees in Newly Developed Areas of Pune

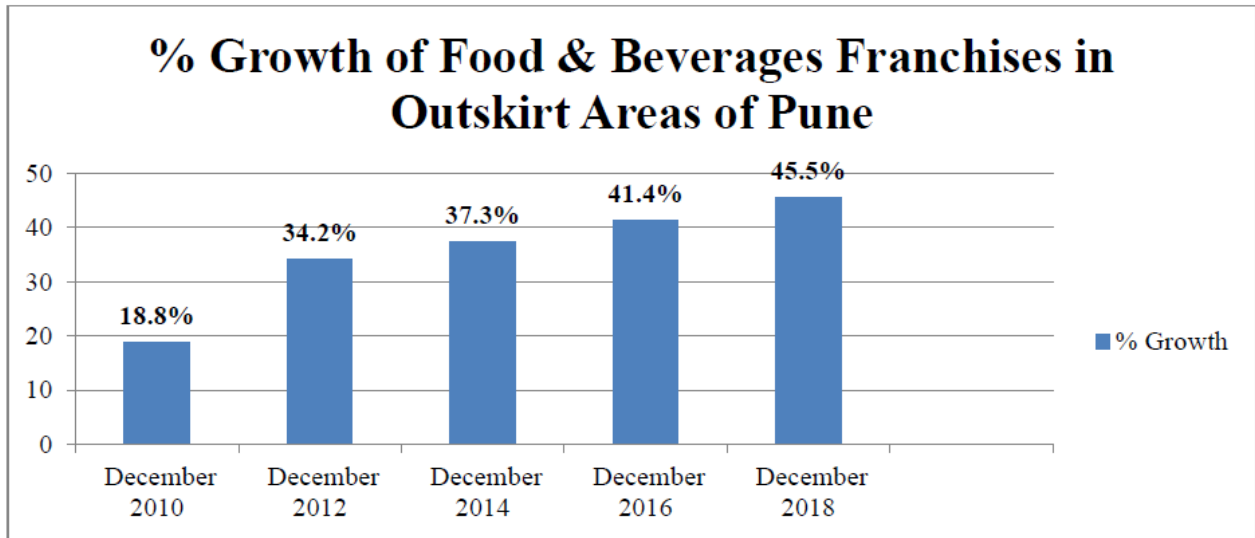


Figure 5: Growth of Food & Beverages Franchisees in Outskirt Areas of Pune

D. Food & Beverages Franchisees: Sub-Types and Composition

Sr. No.	Type of Franchisees	No. of Franchisees	%
1	Quick Service Restaurants (QSRs)	248	16.51
2	Fine Dining Restaurants	45	3.10
3	Casual Dining Restaurants	85	5.66
4	Take Away Restaurants	51	3.40
5	Cafes & Bars	121	8.06
6	Amrittulya Tea Outlets	152	10.12
7	Ice Cream Parlors & Juice Bars	279	18.58
8	Frozen Food	48	3.20
9	Bakery & Confectionaries	391	26.03
10	Sweets Shops	82	5.46
Total		1502	100.00

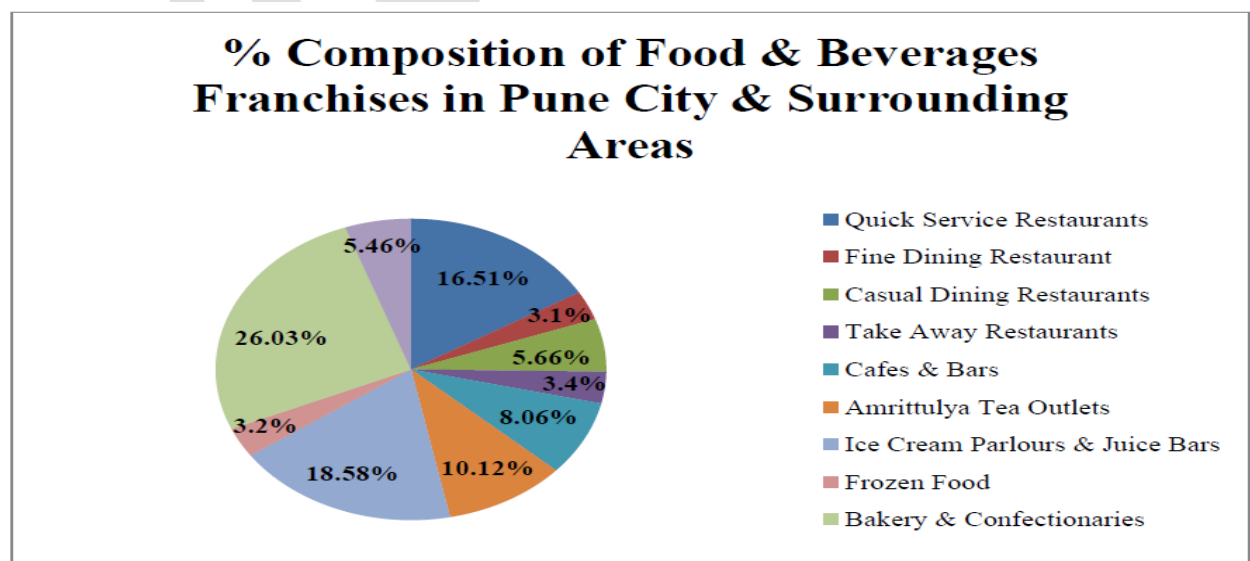


Figure 6: % Composition of Food & Beverages Franchises in Pune City & Surrounding Areas.

E. Distribution of Food & Beverages Franchisees-Super Mall V/s Non –Mall

Franchisees Type	Franchisees in Malls	%	Non-Mall Franchisees	%	Total Franchisees
Quick Service Restaurants (QSRs)	103	37.9	169	62.1	272
Fine Dining Restaurants	43	55.8	34	44.2	77
Casual Dining Restaurants	62	48.1	67	51.9	129
Take Away Restaurants	50	35.5	91	64.5	141
Cafes & Bars	48	41.7	67	58.3	115
Amrittulya Tea Outlets	9	5.2	165	94.8	174
Ice-cream Parlors & Juice Bars	69	26.6	190	73.4	259
Frozen Food Outlets	7	6.5	101	93.5	108
Bakery & Confectioneries Outlets	53	29.1	129	70.9	182
Sweet Shops	7	15.6	38	84.4	45
Total	451	30.03	1051	69.97	1502

Distribution of Food & Beverages Franchisees -Super Malls V/s Non –Malls

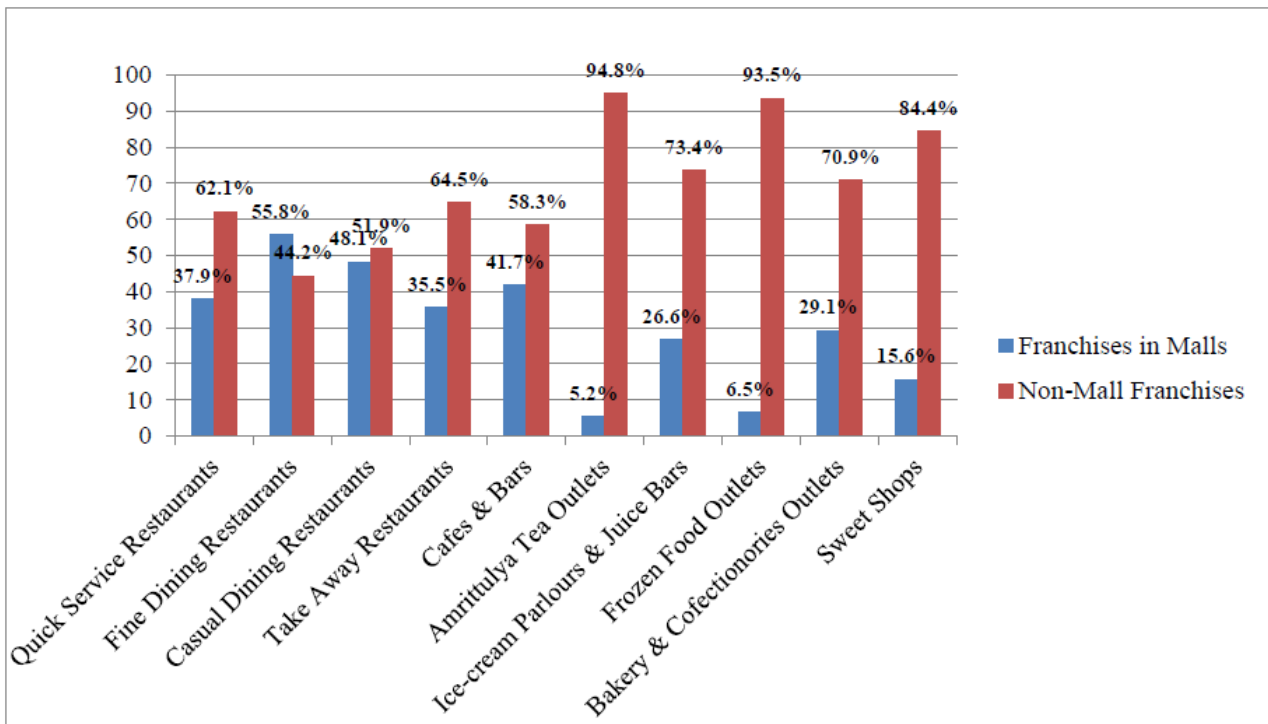


Figure 7: Distribution of Franchisees – Super Malls V/s. Non-Malls in Pune City & Surrounding areas.

6. Important Observations / Findings:

1. It is observed that majority of the Food & Beverages franchisees i.e. 56.8% approx. are located in Newly developed areas of Pune city.
2. Food & Beverages franchisees constitutes to approx.27.5 % of the total franchisees in Pune city & adjoining areas.
3. There has been a significant growth of Food & Beverages (F&B) franchisees in all of the 3 areas of Pune city & adjoining areas during the 10 years viz. from 2008 to 2018 as given below:

-Old city has grown approx.2.4 times approx.

-Newly developed areas have grown 2.9 times approx.

-Outskirt areas have grown 4.5 times approx.

4. It is observed Bakery & Confectionaries franchisees tops the chart with 391 franchisees accounting to 26% approx., followed by Ice-cream parlors & Juice bars with 279 franchisees accounting to 18.5% approx., which is followed by Quick Service Restaurants (QSRs) with 248 franchisees accounting to 16.5% approx. of the total food & beverages franchises in Pune city & adjoining areas.

5. It is noticed that there has been a phenomenal growth of Amrittulya Tea outlets franchising activities taken place during the past few years with around 152 nos (10.1%) of such franchisees situated all over pune city & surrounding areas.

6. Newly developed areas of Pune city have seen the majority of the total franchising activities in Pune city with approx.57.1% of the franchisees. The principle reason being this area is saturated with most of the Super Malls in the city.

7. It is observed that about 451 franchisees of Food & Beverages sector out of 1502 are situated in major Super Malls in Pune city & adjoining areas which accounts to approx.30 % of the total no.of Food & Beverages franchisees in Pune city & adjoining areas.

8. There is approx.59% of the total Food & Beverages outlets in the major Super Malls are franchised business outlets.

9. 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.

10. Popular food brands in Pune city such as Kayani Bakery, Garden Vadapav, Karachi Sweets, Santosh Bakery, Marz-O-Rin, Bhavnagari sweets, Budhani Wafers, Laxminarayan Chivada etc.have not adopted franchising route for their business expansion as of yet.

11. It is observed that there are many franchises which started their business activities but due to various reasons discontinued their franchising business activities within a few years. These specific reasons are as follows:

- i. Lack of working capital to run the business profitably.
- ii. Conflicting issues between franchisor & franchisees.
- iii. Improper location & hence too less walk-ins of the customers.
- iv. Miss-understanding between the franchisor & franchises.
- v. Labor issues in franchises.
- vi. Mismatched expectations between franchisor and franchisees
- vii. Lack of training from the franchisor to the franchises.
- viii. High debts which make it difficult for the franchises to manage the business.
- ix. Lack of mutual interest.
- x. Strategic decision by the franchisor to close the franchisee
- xi. Franchising discontinued due to the Closure of Mall
- xii. Supply issues from the franchisor.
- xiii. Lack of support/no proper support from the franchisor to the franchises.
- xiv. Other reasons like family issues and legal issues etc.

7. Recommendations

1. Profit sharing is found to be 35-40% (Franchisees): 60 -65% (Franchisor). Profit sharing in case of new franchising business set up should be 50-55% (Franchisees): 45 -50% (Franchisor). Further, in case of an established franchised business set up, the profit sharing should be 40-45% (Franchisees): 55-60% (Franchisor).
2. Popular food brands in the city like Kayani Bakery, Garden Vadapav, Karachi Sweets, Santosh Bakery, Marz-O-Rin, Bhavnagari sweets, Budhani Wafers, Laxminarayan Chivada etc can take up franchising route for their future business expansion.
3. The absence of a dedicated Regulatory Framework and a formal Franchise Law in India can mostly act as a deterrent for a an investor or a prospective franchisee which is looking to invest in a new franchised business. Hence, there is a need for a specific /defined Regulatorybody for controlling the franchising business activities in Pune city & India as a whole.
4. The conflicting issues existing between the franchisors & franchisees can be resolved mutually and effectively by seeking support/guidance from the premier national level organizations like Indian Franchises Association (IFA) & Franchise India etc.

8. Future Scope

- i. There exist scope for further research to investigate the cause & effect relationships for the success and failures happened in franchising business activities in Pune city & adjoining areas with reference to Food & Beverages franchising.
- ii. Various conflicting issues which exist between the franchisor and franchisee can be studied so that different possible ways of conflict resolution can be worked out as a solution for smoother functioning of franchising business activities in Pune city & adjoining areas accordingly.

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