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A STUDY ON CONTEMPORARY STATE AND POTENTIAL OF FRANCHISING IN INDIA

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Abstract:

Franchise is an opportunity carrying huge growth potential, where an entrepreneur buys a proven business model and automatic recognition by paying a fee and a share in the revenue. To observe the current scenario of Indian Franchise, three prosperous brands i.e. Coffee day xpress, Goli vada pav, NIIT are studied thoroughly. The brands have been analyzed on various parameters i.e. investment, expected returns, presence, future business opportunity.. It has been found that more than 50 brands under a dozen of sectors are knocking on the doors of our country which includes foreign (Muffin Break, Yogen Fruz, Pollo Tropical, TM Lewin, Di Bella) as well as country brands (Shraman, Best Foods, Santhigram Kerala Ayurveda, Sportsfit). Moreover, the Coffee day Xpress (low-cost franchise) provides 20-30% returns on an investment of 2-5 lacs; Goli Vada Pav & NIIT also offers remarkable returns on an investment of 5-10 lacs and 15-20 lacs respectively. The research concludes that major sectors like F&B (Dunkin donuts, South Indies), Education (Beehive, Sesame street), Retail (KB fair price, LanMark), Lifestyle and health fitness (Puma, Talwalkars), offers high growth potential in the coming years in Indian market.

Keywords:

Brands, Franchise, Investment, Sectors.

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1. INTRODUCTION

Franchising is emerging as a rewarding career option these days that offers financial security and great growth potential to the youth and aspiring entrepreneurs (The Franchising World). Many people are attracted to the potential financial and lifestyle rewards of running a business. Along with the independence of being wholly self-reliant rather than depending on an employer for your income, your timetable is your own and you only have one boss to answer to – yourself (The Careers Group, University of London).

Franchising is defined as a business opportunity by which the trademark owner (the franchisor) granted an exclusive right to the local user (franchisee) for selling a products or services and in

return receives a payment or royalty and conformance to quality standards (Bond and Bond, 1991). In India, Franchising is estimated to be worth \$22 billion (about Rs1. 2 lakh crore) and is growing at 30% annually, according to data from Franchise India, the industry grouping. It is estimated that there are over 5000 franchised businesses operating in the country and it will explode to over 10000 companies by 2015. With almost 3700 companies in about 15 diverse sectors, from Food and footwear to furniture and furnishing(Franchise Association of India).According to Indian Franchise Report 2012(Franchise India), it is expected to grow to about 2.91 lakh crore by 2017. According to India franchise blog, The major sectors which majorly consider Franchising in India as a strategic growth vehicle includes Food & Beverages, Education & Training, Beauty and wellness, Retail and clothing.

The scope and scenario of Franchise in India have been studied in this work.

2. METHODOLOGY

First of all, it has been tried to reveal which franchise brands and sectors are top performing in India. Then opportunities for upcoming brands in India have been investigated. After this, few random brands are selected among them and thoroughly observed. Three successful brands i.e. Coffee Day Xpress, Goli Vada Pav and NIIT have been thoroughly observed and studied. The study basically depends on secondary data. The data has been collected from the various reputed international Franchising journals, books, and websites to analyze the Franchise ownership of these three brands. The study attempts to accomplish its objectives by making analysis on the basis of the various relative parameters i.e. Investment, Turnover, Assurance of quality, USP, Current state, Business Opportunity, Future prospects.

3. RESULTS

Table 1: The brands which are performing on top and the popular brands associated

Sectors	Popular Brands
Education & Training	Euro kids, Bumblebees, NIIT
Food & Beverages	Subway, McDonalds, Cookie Man, Goli Vada Pav
Apparel & clothing	Mom & Me, Jockey, Raymond
Beauty and Wellness	Dr. Batra, Lakme, Naturals Saloon, The four fountains Spa
Retail	KB Fair Price, Titan Eye Plus, Adidas

Table 2: The Upcoming Brands and Franchise opportunities in India

Business Vertical	Brands (Franchisors)
Food & Beverages	Round Table Pizza, Danone, Manhattan Pizza, Luv'nberry Frozen Yogurt, Jamba Juice, Krispy Kreme Doughnuts, Sunshine Kababs, Starbucks, Dunkin Donuts, South Indies, Ping Pong Dimsim, Bubble Tea, Best Foods, Muffin Break, Yogen Fruz, Pollo Tropical, Shraman, Theobrama, Di Bella.
Retail	IKEA, LanMark, Le Creuset, Ebony Gautier, The Simba Store, Mithra Mega Mart, BURG, Walt Disney Princess Academy, RU-BAN fabmart, Kirana, US Dollar store,

	Being Human, KB fair price.
Lifestyle	TM Lewin, Gucci, Dolce & Gabbana, Puma, Jimmy choo, Roger Vivier, Miraaya, Tom Davies, Frette
Pre-school	Beehive, Sesame street, Euro kids, Shemrock, Time Kids, Jumbo Kids, Sanfort Preschool, Esperanza preschool, Seera preschool
Education, Training, E-Learning	Dheya, Helen O'Grady, EduKart.com, Appin Knowledge Solutions, Compark Education
Beauty & Wellness	Greentrends, LimeLite, The Four Fountain Spa, Naturals Unisex salon and spa, Santhigram Kerela Ayurveda, Aura thai spa
Health Care Fitness	Talwalkars, Sportfit, Barbarian Power gym, Burn gym & spa, 136.1 yoga studio
Health care Clinics	Dr. Lal Pathlabs, Apollo clinics
Pharma Retail	Thulasi Pharmacies, 98.4 Pharmacy, Viva Pharmacy, MedPlus health services
Corporate gifts	Presto wonders, Leonidas
Hobby stores	Pidilite, Itsy Bitsy

Few successful brands are selected randomly. Following are the case study of these brands i.e.(Coffee Day Xpress, Goli Vada Pav, NIIT) performing sound via franchising.

3.1.COFFEE DAY XPRESS

Franchise Facts

Date commenced operations: 2003	Investment: Rs2-5 lakhs
Date commenced Franchise: 2003	Return on Investment: 30-40%
Franchise outlets: 506	Expected Break-Even: 2-3 years
Area: 16-250 sq. ft.	Franchise terms: 3 years (Renewable)

Coffee Day Xpress (CDX) is launched in 2003 by Bengaluru-based Amalgamated Bean Coffee Trading Company Ltd (ABCTCL), the parent company of Cafe Coffee Day (CCD). The concept bridges the gap between the leisurely coffee experiences that CCD provides and that of serving a quick cuppa from a vending machine. It targets the mobile population of the city including youth, students and corporate executives looking for a quick and healthy munch while on the go. Brand's USP is quick, hygienic, affordable and conveniently available. CDX's Success Journey: The brand's kiosk system became a hugely successful takeaway concept within the few years of its inception. With its unique selling point, CDX has gained popularity and quickly reached 142 cities in India. CDX offers lucrative partnership opportunities for interested franchisees wanting to own a CDX kiosk, which has proved to be a brilliant business opportunity as it offers a great profit margin and fully operational within three weeks of the franchise agreement being signed. Low-Investment and the promise of the return on investment encourage the aspirant entrepreneurs, who require an area of 50-100 sq. ft. in a location that has high footfalls. Future Prospects: The Brand is exploring newer and untapped opportunities in tier I markets and also

expanding its presence in tier II and tier III cities where major fast food players are likely to expand aggressively. With this the kiosk format is growing exponentially.

3.2.GOLI VADA PAV

Date commenced operations: 2004	Investment: Rs5-10 lakhs
Date commenced Franchise: 2004	Return on Investment: Depends
Franchise outlets: 62	Expected Break-even: 8-10 months
Area: 150-350 sq. ft.	Franchise terms: Lifetime

Lunched in 2004, Goli Vada Pav repackaged 'Vada Pav', a humble street-food popular in Mumbai, into a branded fast food concept. It follows franchise business model and today is uniquely positioned in Indian QSR segment. USP: The brand has successfully branded the traditional street food and sells hygienically prepared food items made in fully automated 'HACCP' certified hands free plant with an authentic touch. Success Journey: Indian QSR market is flooded with brands like McDonald's, Subway etc. but the brand's success reaffirms the fact that a strong home grown concept can not only thrive but also compete with international concepts. It has extensive presence across 40 Indian cities in six states, operates about 150 stores, of which over 140 are via franchise route. The success of the brand is a reflection of the surging growth of India's agricultural and food business, which is expected to double to US\$280bn by the next decade, according to ICICI. Brand offers worthwhile business opportunity store format and operations are relatively less cumbersome. The product is easy to make and being a finger food one doesn't require plates, spoons, tables and chairs to eat it and can be consumed while on the move. Therefore, the franchisee store owner would not require huge investments like infrastructure, kitchen and restaurant etc. which substantially cuts the input costs. Future prospects: Growing popularity of the concept has encouraged brand to continue with its expansion plans. The chain is planning a massive expansion, to 500 franchise outlets, across India by the end of 2015, with a more than tenfold jump in turnover to 1.8 billion rupees.

3.3.NIIT

Franchise Facts

Date commenced operations: 1981	Investment: Rs15-20 lakhs
Date commenced Franchise: 1986	Return on Investment: Depends
Franchise outlets: Around 1000	Expected Break-even: Depends
Area: 1500-3000 sq. ft.	Franchise terms: 3 years(renewable)

NIIT opted for franchise route for expansion in 1986. USP: A unique 'industry-endorsed curriculum' crafted by NIIT enhances the job-readiness and employability of learners and equips them for the real world of work. At the same time, the company also addresses the skill requirements of IT professionals and engineers who wish to upgrade their skills on new and emerging technologies. The alliances with some of the most eminent names in the industry like Cisco, Microsoft, Oracle, Zend, SAS Institute and many more to ensure that the students capitalize on the latest skills and technology trends. Success Journey: NIIT has successfully built and implemented franchise models for different kinds of cities within India, with around 1000 education centres, spanning across over 40 countries. It has provided computer-based learning to

over 15,000 government and private schools. Today it is the largest IT training company in Asia and 16th largest in the world as per IDC, USA. NIIT has been rated as the first choice of employers for recruitment by data quest. Business Opportunity: The brand is well established and provides a promising franchise opportunity. To acquire a franchise of this leading brand aspirants require an investment from Rs15 to 20 lakh along with an area of 1,500 to 3,000 sq. ft. Future prospects: According to a McKinsey-NASSCOM study, the IT/ITeS industry is projected to grow to USD 225 Billion by 2020, employing 10 million directly and 20 million people indirectly

4. DISCUSSION

It is concluded from the above observations:

- A number of existing popular brands offer a lucrative business opportunity to the aspiring entrepreneurs comprising Euro kids, The Four Fountain Spa, Naturals Unisex salon and spa, Talwalkars, Presto wonders, EduKart.com.
- It has been found that more than 50 brands under a dozen of sectors are knocking on the doors of our country which includes foreign as well as country brands. Foreign brands like Muffin Break, Yogen Fruz, Pollo Tropical, TM Lewin, and Di Bella. Indian like Shraman, Best Foods, Santhigram Kerala Ayurveda, Sportsfit.
- CDX is the largest franchised convenient café chain in the country, offers quality products at affordable prices in all possible convenient locations.
- In response to rising demand, CDX pioneered the concept of fast, hygienic, and convenient-to-eat food to consumers on the go at affordable prices. The brand became a hugely successful takeaway concept within the few years of its inception.
- Marketing President of CDX, Ramakrishnan informs, “The low investment-high returns business model has proved to be a success with all our 900+ outlets across the country.”
- The founders of Goli Vada Pav, Venkatesh Iyer and Shiv Menon realized the huge scope of business in tapping the adult and lower income customers by selling widely popular local street food ‘Vada Pav’ to them, in an organized way.
- Today, Goli Vada Pav is known to be an established, reputed, and popular Indian fast-food brand that offers a clean, ethnic finger food for those who have less money and time for food.
- The success of the brand (Goli Vada Pav) is a reflection of the surging growth of India's agricultural and food business, which is expected to double to US\$280bn by the next decade, according to ICICI, the country's largest private bank.
- The brand (Goli Vada Pav) encourages entrepreneurship and offers lucrative franchise opportunities across India. The chain is planning a massive expansion, to 500 franchise outlets, across India by the end of 2015, with a more than tenfold jump in turnover to 1.8 billion rupees.
- NIIT has grown to be amongst world's leading talent development companies offering learning solutions to individuals, enterprises and institutions across 40 countries, major presence across Asia, Africa, Middle East, Latin America and the US.
- NIIT has successfully built and implemented franchise models for different kinds of cities within India, and different countries, which are financially reasonable and create a win-win situation for both NIIT and its partners.

Many investigators studied similar observations, Knight (1986), in his study on the advantages of franchising from the franchisee view, showed that the benefit of access to a "known trade name" was rated as the greatest advantage, with "greater job satisfaction," "independence," and "you can develop a franchise more quickly than an independent business" close behind. Shane & Hoy, (1996) asserts that "Franchising offers an important avenue for growth for some entrepreneurs and access to entrepreneurial business opportunities for others" Dada, Watson, & Kirby, (2010); Falbe, Dandridge, & Kumar, (1999) stated "Franchising has turned into one of the fast-growing business forms from last decades, and due to creating job opportunities, downsizing and economic development have received a lot of attention".

NOW THE QUESTIONS RAISED THAT:

Why franchising is becoming a perfect vehicle to launch a career?

Franchise India's President Gaurav Marya enlightened Franchise as "The science of reproducing success". Franchising gives you all the joys of operating your own business, but without the failure rate associated with it. This business also means following a proven business method; you sell a product or concept that has a history of success and high demand in the market. (Michael Hemenway, 2013).

How is Franchise more beneficial and demanding as compared to start-up?

As the IT bubble burst, people found out how risky start-up businesses can be. But, people still want to launch a business of their own. People choose franchising instead of a start-up is the host of supports that the franchisor provides. (Michael Hemenway, 2013). Franchise provides the benefit of access to a "known trade name" was rated as the greatest advantage, with "greater job satisfaction," "independence," and you can develop a franchise more quickly than an independent business" close behind (Knight, 1986).

How do Franchisees manage to offer quality product at affordable prices?

A franchisor buys for all of its franchisees; hence it gets huge discounts from the supplier/manufacturer. This is the reason why its franchisees can sell the products at a lower price, which becomes their competitive edge in the market. The franchisors and franchisees share their costs in advertising and marketing, which also lowers the expenditure of running the business (Michael Hemenway, 2013).

What is low investment-high returns business model?

Many people shy away from franchising business, because here they need to pay an up-front fee and a monthly/weekly royalty fee. But if we compare that with the money spent on starting from the scratch and establishing a successful business; it will seem insignificantly small! Lastly, selecting the franchising industry is a much better option, because you know what you are getting into (The Franchising World, 2012). The UFOC gives details of how much investment we have to make for the business. According to our budget, we can choose a franchise business. (Franchise plus, 2006).

How can one approach it?

To take a franchise, an aspiring entrepreneur can either directly contact the parent company or approach the various platforms available for franchiser-franchisee exchange, such as Franchise India, Way2Franchise, Franchise Bazaar and Franchise Mart (Economic Times, 2012)

Food and beverage sector offers high growth potential in the coming years?

Food & beverage sector offers high growth potential in the coming years. Ice creams fried chicken, frozen yogurts, bakery, chocolate and sweets and sports bars are franchise concepts that have made a significant place for them in the industry. A growing number of Indian as well as international brands has made advances in these food concepts offering aspiring entrepreneurs an array of options to choose from. Venturing into this sector will surely cook up great profits ensuring it as the apt business proposal (Amit Nahar, 2013).

How well it does in sector of Education and training?

India has a large population of children in the age bracket of 1 to 5 while existing preschool franchise businesses have hardly reached one tenth of the population. The education franchise business has immense potential to thrive in tier II and tier II cities and small towns where quality education facilities are lacking compared to the metro cities (Amit Nahar, 2013). Another very important factor that literally guarantees the success of education service sector is the fact that education sector remains relatively free from recession or economic uncertainty, making it a safe choice for franchise investment (Jill Shah, 2013). According to CLSA Asia Pacific Markets, “the Indian preschool segment education industry alone currently constituting \$985 million is likely to touch \$3,426 million by the end of 2013”.

What happens if the quality of service provided by the franchisee falls below the prescribed standard?

Being a relatively new concept in India, there is lack of information and sharing of best practices among the players. Besides, several laws such as Intellectual property, taxation, labor, and property and exchange control regulations govern the franchise agreement, which confuses the foreign franchisor (Anamika sinha, 2012).

What are the future trends of Franchising Industry?

According to a latest study conducted by Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Food Trade and Industry (CIFTI), the Indian franchising sector is expected to continue its exponential rise in the year 2013 with expected revenues likely to cross the \$20 billion mark (Jill Shah, 2013). Many aspirant entrepreneurs are taking up franchise opportunities, and buying into an established business instead of taking the extra risk of an independent start-up. This is an exciting time for entrepreneurship in India. Two megatrends are transforming the economy. Consumerism and modern entrepreneurship has hit the country at the same time (Gaurav Marya, 2013).

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