

International Multidisciplinary
Research Journal

Golden Research
Thoughts

Chief Editor
Dr.Tukaram Narayan Shinde

Publisher
Mrs.Laxmi Ashok Yakkaldevi

Associate Editor
Dr.Rajani Dalvi

Honorary
Mr.Ashok Yakkaldevi

Welcome to GRT

RNI MAHMUL/2011/38595

ISSN No.2231-5063

Golden Research Thoughts Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

International Advisory Board

Flávio de São Pedro Filho Federal University of Rondonia, Brazil	Mohammad Hailat Dept. of Mathematical Sciences, University of South Carolina Aiken	Hasan Baktir English Language and Literature Department, Kayseri
Kamani Perera Regional Center For Strategic Studies, Sri Lanka	Abdullah Sabbagh Engineering Studies, Sydney	Ghayoor Abbas Chotana Dept of Chemistry, Lahore University of Management Sciences[PK]
Janaki Sinnasamy Librarian, University of Malaya	Ecaterina Patrascu Spiru Haret University, Bucharest	Anna Maria Constantinovici AL. I. Cuza University, Romania
Romona Mihaila Spiru Haret University, Romania	Loredana Bosca Spiru Haret University, Romania	Ilie Pinteau, Spiru Haret University, Romania
Delia Serbescu Spiru Haret University, Bucharest, Romania	Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Xiaohua Yang PhD, USA
Anurag Misra DBS College, Kanpur	George - Calin SERITAN Faculty of Philosophy and Socio-Political Sciences Al. I. Cuza University, IasiMore
Titus PopPhD, Partium Christian University, Oradea, Romania		

Editorial Board

Pratap Vyamktrao Naikwade ASP College Devrukh, Ratnagiri, MS India	Iresh Swami Ex - VC. Solapur University, Solapur	Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur
R. R. Patil Head Geology Department Solapur University, Solapur	N.S. Dhaygude Ex. Prin. Dayanand College, Solapur	R. R. Yalikal Director Management Institute, Solapur
Rama Bhosale Prin. and Jt. Director Higher Education, Panvel	Narendra Kadu Jt. Director Higher Education, Pune	Umesh Rajderkar Head Humanities & Social Science YCMOU, Nashik
Salve R. N. Department of Sociology, Shivaji University, Kolhapur	K. M. Bhandarkar Praful Patel College of Education, Gondia	S. R. Pandya Head Education Dept. Mumbai University, Mumbai
Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai	G. P. Patankar S. D. M. Degree College, Honavar, Karnataka	Alka Darshan Shrivastava Shaskiya Snatkottar Mahavidyalaya, Dhar
Chakane Sanjay Dnyaneshwar Arts, Science & Commerce College, Indapur, Pune	Maj. S. Bakhtiar Choudhary Director, Hyderabad AP India.	Rahul Shriram Sudke Devi Ahilya Vishwavidyalaya, Indore
Awadhesh Kumar Shirotriya Secretary, Play India Play, Meerut (U.P.)	S. Parvathi Devi Ph.D.-University of Allahabad	S. KANNAN Annamalai University, TN
	Sonal Singh, Vikram University, Ujjain	Satish Kumar Kalhotra Maulana Azad National Urdu University

Address:- Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.aygrt.isrj.in

FRANCHISING ENTREPRENEURSHIP – FUTURE PROSPECTS



J. Arun Kumar

Faculty member, Department of commerce and Business Administration,
Acharya Nagarjuna University.Ongole Campus, Ongole.



ABSTRACT

The main aim of this paper is to discuss the franchising strategies, and study the link between Franchiser and Franchisee, Customer relationship Strategies, and Problems & Prospects of Franchising Entrepreneurship.

Due to Globalization, there has been a several changes in Financial Resource revenues. The developed Nations Promoters striving to develop new financial Products and Services. To promote the new companies, one among them is Franchising Entrepreneurship. Through this new investment technique, amazing the wealth is a new business concept. But, this is not an easy as we think.

The promoters need to meet the customers, demonstrate it, through that they need to motivate them towards the new mode of entrepreneurship goals. In this regard, several strategies has been incorporating into the financial product marketing.

KEYWORDS : *Shortcomings , Tax System , Developed countries , inefficient tax authorities .*

INTRODUCTION :

Entrepreneurs who are looking at innovative growth strategies may consider the possibility of “franchising” their business. The following outline a few of the issues and decision points associated with embarking on such a strategy. The list is not complete and is not a substitute for professional advice, but optimistically will needle some thought on the issues involved.

WHAT IS FRANCHISING?

Franchising is an established business expansion strategy that has proven to deliver rapid growth – with arguably reduced risk. Some popular examples consist of MacDonald’s, Singer and Coca Cola, KFC etc.

Typically, a franchising company (a ‘franchisor’) licenses its Trademarks, Copyright, knows how and established business model to ‘franchisees’. These franchisees adopt that business model, including the brand and then operate in new markets. The franchisor’s business model changes subtly

to a “support” rather than “operational “ model and market share, brand recognition, and revenues grow as a result.

For franchising to be a success there must be mutual benefit.

Franchising is a long term partnership and companies who wish to be successful must recognise the true nature of the relationship, and the responsibilities on each partner.

Typically a franchisee will pay a franchisor:

- a license or purchase fee
- a percentage of the sales or profits
- an annual fee

In return, the franchisees would typically receive:

- initial training
- operations manuals
- a start-up package
- a ‘territory’
- on-going support
- national and/or regional marketing support (including possibly leads and opportunities)
- a trademark license

Depending on the type of franchise, the arrangement may also include provision of product, raw materials or supplies.

Franchising is not appropriate for all types of company. The following guidelines will help you identify whether a franchise strategy might be suitable for your business.

Typical characteristics of a company that is suitable for franchising

Brand: The core of a successful franchise operation is the brand. Franchisors must have a brand that people wish to buy and be associated with. The brand should be recognisable, respected and appropriate for use across different geographic territories. There should be a strategy for continued investment in the brand.

A Compelling Sales Proposition: A company should have a clear sales proposition that is understood and easily communicated. Whether it be based on price, quality, service, availability or whatever - the proposition must be able to be consistently deliverable.

Business Processes: A business that has developed quality, consistent and documented processes for creating or delivering its products and /or services.

Product and Service Consistency: The products or services themselves do need not be unique or even best in class but they do need to be consistent in the quality v price v availability v desirability attributes that they possess and that are reflected in the brand.

Repeatable Model: Franchisors are not just selling a product or service, but a way in which business is carried out against a proven business model. A business that does not take decisions or implement

activities consistently against agreed methods of working will find it difficult to satisfy the needs of a franchisee. As such start-ups, some creative businesses or businesses that haven't developed their detailed business processes will struggle to find and then manage franchisees.

Proven Track Record: Although not impossible, selling a "concept" to a potential franchisee is a more complex task. Desirable franchisees will likely want to see a proven product or service delivered to a proven market before investing their money.

Geographic Location: If a business is already able to operate independently in different locations, whilst using common processes and methods, then there is the basis to extend that model to a franchise operation.

Franchising is a proven business model that can bring about accelerated growth and fast-track market penetration. However, it is a strategy for businesses that clearly understand the basis of their success and are able to repeat that model again and again. For businesses whose success is based on brand development, consistency and organisational or process excellence franchising could well be the right strategy for growth.

FUTURE PROSPECTS OF FRANCHISING ENTREPRENEURSHIP:

The franchising model of business is swiftly gaining exposure in India because of its ability to provide instant growth to businesses, at all level. Since liberalization, the Indian economy has witnessed steady evolution. The macro statistics reveal that agriculture is no longer the chief contributor to the Indian economy. Consequently, retail and service sectors are expected to play a major role. The country is gradually heading towards being a manufacturing and service based economy in the last two decades. Over the last decade, franchising has surfaced as one of the most prolific and feasible ways of expanding businesses in India. Several industry verticals such as food and beverage, education, fashion, tourism and hospitality are leveraging their growth by franchising their products under various formats.

Operating via franchise, a business structure where companies licence out the right to sell products or provide services in their name, allows businesses to expand rapidly. A report suggests that total sales made through franchisees in India, valued at \$13.4bn in 2012, will quadruple by 2017.



Over 3,000 brands currently operate via franchise in India, according to research released this week by KPMG, the Confederation of Indian Industry and the Franchising Association of India. And it is estimated that the industry – measured by the sales made through the franchisee route rather than the company operated route – will contribute up to 4 per cent of India's GDP by 2017, up from 1.4 per cent currently, creating 11m jobs.

There are several factors that are making this an increasingly attractive way to run a business in India.

Firstly, an expanding middle class with increased purchasing power are driving spending in India. And Indian consumers are increasingly looking for quality products and aspirational, global brands. Consumption-based businesses want to grow quickly to capitalise on the demand and setting up a franchise is a fast way to do that.

“Companies are now entering India with a long-term perspective and franchising is an easily scalable model,” Anand Ramanathan, associate director of KPMG's management consulting practice in India, told beyondbrics. He adds that Indian companies in the consumption sector are often funded by private equity firms, which provide further pressures for rapid scaling up.

There are also other advantages to franchising that make it popular with businesses in India. Firstly, for foreign investors looking to enter this peculiar market, licencing out operations means you can benefit from local entrepreneurs' knowledge – that was one of the main reasons why McDonald's, selling cheap burgers to a largely vegetarian population with very different tastes to the US, opt to license out operations.

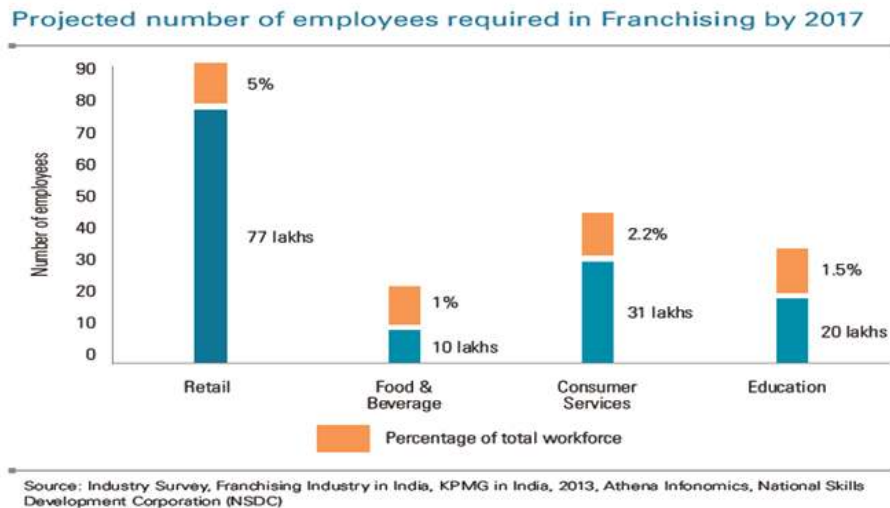
And secondly, franchisees can be better at keeping costs low. “A small entrepreneur manages overheads better where a large company has administrative overheads,” says Ramanathan.

In retail, the government's decision to loosen restrictions on foreign direct investment creates a further driver for franchising in the single-brand sector. The report says:

Existing retail majors are under pressure to consolidate and increase their franchise network reach. Meanwhile, several multinationals such as IKEA, Wal-Mart are looking to set up their brands in India. Franchising is expected to continue to be one of the most popular business formats among organized retailers to tap the emerging consumption boom, exclusively in the tier 2, tier 3 and smaller cities.

The report also says there are more opportunity-driven entrepreneurs around now than ever prior to, set to play franchisee. For them, this is a low-risk way to hit into a increasing market segment with the support of a bigger brand.

KPMG mentions that franchising is projected to continue to be one of the most popular business formats among organized retailers, especially to attain the tier II and III cities. The key industries that possess high prospects for the successful franchise opportunities in India are Retail franchising, Food and beverages, Health, beauty and wellness, Consumer services and Education and training. The individual growth and potential of these industries are driving the growth of the overall franchise sector in India.



Thus, with a variety of sectors opening opportunity gates of franchising, entrepreneurial talent in young minds is getting an exciting platform to explore. It is perhaps boosting the earning capabilities of youth in India, helping them to get independent with their own ideas and skills. As per the estimates by KPMG India, the franchising industry is expected to quadruple between 2012 and 2017. There is scope for franchising industry to contribute almost 4% of India GDP in 2017, growing from a current estimated contribution of 1.4 percent of GDP. This is also expected to create job opportunities for an additional 11 million people by 2017.

CONCLUSION:

The definition of entrepreneurship has evolved over time as the world's economic structure has changed and become more complex. It is rightly believed that India has an extraordinary talent pool with virtually limitless potential to become entrepreneurs. Therefore, it is important to get committed to creating the right environment to develop successful entrepreneurs. Further, India today does not have any franchising specific laws; however various generic Indian laws such as Competition laws, Indian Contract Act etc are applicable on franchising operations. Any future consolidation with formulation of franchise specific regulations in this area should allow conducive growth of franchise systems along with protection of franchisee rights. Government should play a key role in supporting all the franchise industry stakeholders including franchisors, franchisees, financial institution, banks and industry associations. It should encourage banks and financial institutions to increase financial incentives to support innovative franchise models in India. Thus, a collaborative approach involving Franchisees, Franchisors, Financial institutions and industry associations is the need of the hour.

Publish Research Article

International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Book Review for publication, you will be pleased to know that our journals are

Associated and Indexed, India

- ★ International Scientific Journal Consortium
- ★ OPEN J-GATE

Associated and Indexed, USA

- EBSCO
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database
- Directory Of Research Journal Indexing

Golden Research Thoughts
258/34 Raviwar Peth Solapur-413005, Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.aygrt.isrj.in