

Franchise and Business Administration

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Abstract

Franchise is becoming popular in India among both new entrants to the business and those who have been in business for generations. For the new entrants is attractive because franchise offers one stop service to setup a new business. The Franchisor company itself sets up all the necessary interior and exterior and also guides them with needed documents and processes for the registration of the business according to existing laws. In this paper, a discussion on licensee-licensor model that still exists is presented. The notions of agents/agencies and chain stores are also briefly discussed. The paper focuses on the intricate business administration steps and relations involved in setting up a franchise in Indian contexts. A minimum guaranteed business will result in franchisee's prosperity through gradual progress.

Keywords: Franchise, Franchisee, Franchisor, franchise administration, chain stores, licensee-licensor, agency.

Family-owned Business

Family-owned business is the most commonly found model in India. Street corner shops to large corporate businesses may come under this category. While the street-corner shops may not have their own formal trademarks, many family businesses create and use their own trademarks. Family-owned business could include other relatives and/or friends as owners of the business.

When families get divided, the business may be also divided or left to one of the dominant members of the family, with others getting compensation, etc. Recent history of the Ambani family is very significant for an understanding of the processes adopted in dividing family business, and to learn how one part of the original family prospers extremely well, while the other party continues to struggle to survive and prosper.

Street Corner Shops

New businesses, especially street-corner shops, come into existence with individuals' initiative. A street corner shop may start as a source of livelihood, but soon it could go beyond the street corner function to serve the whole town.

Trademark and Agents

Trademark is an important aspect of Indian businesses. The companies which produce popular consumer goods may or may not open their branches all over the state, etc. They may appoint sellers, often called as agents in the past, who alone would be authorized to sell these goods. Some agents may be appointed as the sole distributors of the goods. Trademark or brand name becomes very important when the product attracts customers in great numbers.

Most Prevalent - Branch or Chain Stores of the Same Business

Many successful companies often open their own stores with their own brand and trademark. Such stores become chain stores of the company. The hotel chain Saravana Bhavan with headquarters in Chennai or Sri Annapoorna chain of restaurants in Coimbatore, Tamilnadu may be cited as examples. Saravana Bhavan has established its own restaurants all over the world. Sri Annapoorna chain of restaurants have a main kitchen in which some food items are prepared and distributed to its chain stores afresh. Another well-known chain in Tamilnadu is Salem RR Biryani. Every state and union territory in India has its own popular food chain stores.

Many residential hotels are run by the same company with the same or different names/trademarks, for example, the hotels run by ITC Hotels, Ltd. Establishments such as Sri Annapoorna may have a common kitchen for some items, but may not lend their name as a franchise to the other stores which may look or sound or even taste similar! But imitations flourish all over, not only in terms of the goods produced and sold but also through unlawful or closely unlawful name imitations of the businesses!

In most well established family businesses, retaining the brand name/trademark and preserving its family honor and privilege becomes very important.

Chain Stores

Chain stores owned by families and friends of families have become very popular and have established their continuity with strong economic success. These often follow the Walmart model in some sense. They open stores in cities and towns with goods from all over the world and people with salaried income often become the customers of such stores. For example, Saravana Stores is a well-known chain of retail stores in Chennai and in some Tamilnadu cities, with plans to open such retail stores in major cities in several states. It is a family-owned business.

There are many success stories of businesses in India which cater to customers/consumers. These retail stores focus on families and individual customers, with a variety of goods for sale under single roof. Just as they retain the value of their trademarks. Franchises also depend on the popularity of the trademarks and the goods they produce and sell.

Franchise

There are several types of Franchising. Among these franchises, the franchise type that focuses on product distribution/sale is most widely noticed. In the franchise process, an entrepreneur who seeks to open a store with the name and products of a company (**Franchisor**) is required to pay an initial fee to the franchisor. The entrepreneur (**Franchisee**) is also required to pay royalties every year which may be charged monthly. The franchisee uses the trademark established by the franchisor. He or she gets regular support from the franchisor. He or she will follow and use the method and process of doing business established and supervised by the Franchisor and sell the Franchisor's products or services.

Franchisors would have carefully developed their trademarks, business models, operations of the business, products, etc. and usually announce their system requirements explicitly in the public. The following links may be cited as examples:

<https://www.subway.com/en-IN/OwnAFranchise/FranchisingFAQs#a1>
<https://www.vegetablemartfranchise.com/>

Like starting any business, getting a franchise and subsequent arrangements and organization do need money, often ready cash. Often the entrepreneur may be asked to find a location to start the franchise. The Franchisor will come and help arrange and organize the store. The franchisor supplies the necessary tool and other equipment, etc. However, depending upon the franchise the entrepreneur seeks, the amounts may vary for the franchise.

For example, Subway Sandwich corporation invites entrepreneurs to join their team in this manner: "Joining the Subway® team gives you the great opportunity to own your own business, but not just any business, a proven business with a low investment, simple operations, flexible floor plans, national and local support, national and regional advertising, a two week training program, ongoing learning for our owners and their staff, store development assistance, design support; lease negotiations, construction guidance and much, much more. The cost of getting the franchise is given as follows: "The investment can range from INR 6,098,000 to INR 11,979,400. This includes the initial franchise fee of INR 650,000." (<https://www.subway.com/en-IN/OwnAFranchise/FranchisingFAQs#a1>)

Modern Popularity of Franchise Stores

Leading brands such as Subway, Burger King, McDonald's, KFC, etc. have become very popular in India. Customers come to these stores in Malls or in independent stores from long distance to enjoy the fast food offered by these franchises. In recent years, clothing sector seems to attract franchise forms of stores, for example, Peter England.

Social Contexts

Following social/religious practices and compulsions these franchises do not offer pork and beef sandwiches, etc. This is yet another important characteristic of franchises. They strictly follow the social and religious compulsions of the countries in which they are located. Individual restaurants may have their own menu, which may or may not offer pork or beef, but franchises carefully follow the social and religious conventions not to offend customers, and to attract them to their stores.

We come across several franchise ice cream parlours both in Malls and as independent stores. These parlours cost less. For example, “a Naturals Ice Cream parlour franchise ranges from 12 to 20 lakh rupees (<https://cdacmohali.in/naturals-ice-cream-franchise/>).

Plentiful Variety of Goods

Petrol bunks owned by individuals or families have been in existence in India as franchise long before the term *franchise* came to be used widely for licensor-licensee relations. In other words, franchising is not a new process or phenomenon in India. However, the kinds of products produced and sold to customers through modern franchising are unlimited. One of the more recent franchising effort is running a vegetable store as a franchise. <https://www.vegetablemartfranchise.com/> informs us “Vegetables mart is a place where you get all kinds of vegetables, foreign vegetables, fruits, milk, curd, butter, eggs, breads, frozen items. Vegetables mart has 70 plus stores in India.”

Business Administration

For franchise stores, the products are supplied in different forms and different levels of finished products -- sometimes fully finished products, but many a time unfinished products that must be prepared by the Franchisee in the store daily as per the demand and need. Franchisee is expected to offer the finished product with the pre-established quality for all the franchise stores. Trademark for the product is established by the corporation. Rules and regulations for running the business are also established by the corporation. Assistance in terms of how the product, for example, sandwiches or cakes or ice creams, etc. must be produced and packed, what shall be the price for the product, are all provided by the corporation. Corporation officials are entitled to make visits and check whether the franchisee store follows their requirements adequately. They can also do the inspection without any prior notice and also incognito pretending to be a consumer or even as a government official.

In essence, business administration of a franchise is two-tiered: Franchisor’s administrative role that controls, guides and regulates the conduct of the franchisee as well as the store run by the franchisee. It includes financial matters as well. Secondly, the day to day administrative responsibilities of the franchisee to supervise and guide the employees and get work done by them to achieve customer satisfaction, maintaining the quality of the product, swift supply of the product to the customers, etc. Thus, the labour needs to be constantly trained and watched. Immediate presence of the entrepreneur Franchisee always helps the growth of the franchise store. It is also more profitable if the entrepreneur Franchisee herself or himself is part of the labour force supervising the labour as well as the preparation of the product, etc.

An important feature that may be forgotten or ignored is the communicative skill of the store employees as well as the franchisee. Success of a franchise depends on increase in the number of customers and how soon and how often they return to the store. Even as the quality of the

product has an important role to play in this, the work efficiency of the employees and how they treat the customers through their verbal and nonverbal behaviour are very important.

To Conclude

To conclude, success of a franchise depends not only on the goods it intends to sell but also on the trademark or the brand of the goods it sells. In addition to these features, geographical location of the store is very important too. Also how the hall within the store where customers sit and enjoy the food is kept clean, neat and tidy is another important factor. As already pointed out, trained labour and their communicative skills also will help achieve success and maintain the solid income the franchisee expects from the franchise.

References

<https://www.subway.com/en-IN/OwnAFranchise/FranchisingFAQs#a1>


<https://www.vegetablemartfranchise.com/>

<https://cdacmohali.in/naturals-ice-cream-franchise/>

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