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## IMPACT OF FRANCHISING BUSINESS ON QUALITY OF PRODUCT AND PROFITABILITY OF COMPANY

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### Abstract|:

In 21<sup>st</sup> century, concept of Business becomes dynamic. Every company wants to reach their product and services all over the world and earn maximum profit to sustain in competition. Hence they have to expand their business worldwide by starting new branches, outlets, export of product and services, diversification of investments. Some people has potential to run business in different places effectively, but they can't operate it properly because of manpower, lack of customer retention, marketing in new areas, where as some people want to do business but they don't have potential to run business like, initial capital, space, knowledge of process of production, market structure, marketing, pricing. Franchising is a type of licensing arrangement, where a business owner, distributes or markets his trademarked product or service through affiliated dealers. There is a legal agreement between franchisor and franchisee related to franchise of product or services. Franchise business run on legal bindings and mutual understanding, loyalty of franchisor and franchisee. Some Franchisor is profit oriented, they have to expand their business and earn more profit. Those prefer profit instead of customer satisfaction. Some Franchisee use famous brands, trademark and goodwill of franchisor by paying royalty and operate business. Some Franchise badly impacted on quality of product and services. If customer are nor satisfy, they don't purchase a product or service and it customer satisfaction. That directly impacted on sales and profitability of company.

**Keywords:** Business, Quality, Franchisee, Royalty,

### Introduction to study:

Business is an economic activity of buying and selling of goods and services for the motive of earning profit. Business Expansion is need of today's world for growth and development of an economy of nation because Competition is increasing in every field at national as well as international level. Entrepreneurs are starting new organizations by identifying new opportunities and need of society and revitalizing mature organizations. Management of entrepreneurship also a challenging works because it involves risk and



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uncertainty. If entrepreneurs wants growth and expand his business he has to use strategies to attract more customers and increase sales. Franchisee is one of the best options for them, who want to expand their business in different places, regions, states, countries because it provides safety to their business secret, recipes, production, marketing and pricing strategies of the Franchisor. Many people want to start new business or any business to earn money but they are not getting finance for business, they don't know how to make business? How to advertised product in market? How to treat customer? How to satisfy and retain the customer? By using franchising business model new businessman can solve all above the problems by accepting various types of franchisee of any reputed business and take financial benefits. They should be aware about how to make business, what are the strategies uses for market expansion. But many people from rural area not aware about franchisee business model and its characteristics. Many people adopt reputed and well known franchisees only for earning profit; they don't maintain quality in products and services. Hence it's become a big problem in front of franchisors and customers who use their product and services. This study is analyses impact of franchisee business model on quality of product and services. Franchisee business model helps to the companies for profit maximization.

Following are some concept related to franchising business model:

- i. **Franchisee:** "A contractual relationship between the Franchisor and Franchisee in which the Franchisor offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as knowhow and training; wherein the franchisee operates under a common trade name, format or procedure owned by or controlled by the Franchisor, and in which the Franchisee has made or will make a substantial capital investment in his business from his own resource."
- ii. **Franchisor:** A person or group of people who grant their right to market product or service using the trademark or trade name to another business.
- iii. **Royalty:** "A Royalty is an ongoing payment that franchisees make to franchisors after buying in to a franchise."

#### Statement of problem:

In 21<sup>st</sup> century, India facing a lot of problems likes Poverty, unemployment, regional imbalance, Social injustice, Black money, inflation etc. One of the best ways to solve those problems is creating more business opportunities for youth and unemployed person. As per report of International Franchise Association, May 2024, Franchise contribution in GDP is 1.5 % to 2 % to overall economy of India decreased from 3% in year 2022. Franchisee provides employment opportunities to 4.5 million people. We can minimize and solve these problems of unemployment through Entrepreneurship Development among the people. But it is not easy task. It required lot of money. If we have to start business, it required lot of capital for formation of business, run the business activity effectively. At initial stage people don't have lot of capital to run business hence they think about starting business but not implement their business idea

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because of unavailability of capital. Franchisee is one of the best solutions for this problem. But Franchisor has to adopt culture and business procedures and policies of franchisor otherwise in impacted on quality of product and services. That will create bad impact on sale and profitability of business.

**Aim of the Study:**

The main aim of the study is to create awareness about franchising model's benefits for new entrepreneurs and companies for growth and expansion and find drawbacks of franchising.

**Objectives of study:**

1. To understand the various concepts of Franchising.
2. To study the contribution of Franchising on Indian economy.
3. To evaluate utility and drawbacks of Franchisee model.
4. To analysis financial position of franchisor and Franchisee.
5. To study impact of franchisee on Quality of product.
6. To understand Relationship between Franchisor- Franchisee.

**Scope:**

The study mainly focused on various types of franchisee business models. This will focused on utilities and drawbacks of franchisee business to franchisor, franchisee society and Government. The relevance of study is only limited for Pune district of the state of Maharashtra.

**Period of the Study:** 6 months

**Significance of study:**

1. The study will provide in-depth knowledge of the concept of Franchisee. This will helpful for those who want to do business of Franchisee.
2. This research is fundamental research which having purpose of gathering knowledge for knowledge. This will add the new knowledge and explore the term Franchisee.
3. This research will helpful for franchisor to take decision related to business expansion whether urban area or Rural area.
4. The study also find out drawbacks of Franchisee business model which helps to people who want to entre in this business,
5. This study provides a guideline to the entrepreneurs who want to start a business.
6. This study evaluates the financial position of Franchisee and Franchisor whether they making profit or loss.
7. The study also analyses customer satisfaction about Franchise product or service.

**Research Methodology:**

**Data Collection:**

**A. Primary Data:**

- i. **Collecting data through Questionnaire:** For this research primary data has to be collected from franchisors and Franchisee form selected sample size through visiting and filling Questionnaire from the franchisors and Franchisee.



- ii. **Observation Method:** It's a survey type of research. Hence researcher has to observe Franchisee located in different places, regions.
- iii. **Interview Method:** Researcher has to take interviews of Franchisors and Franchisees of various type of product.
- iv. **Depth interview of consumer:** The depth interview will conduct to check whether consumer are satisfied with product and service quality or not.
- v. **Case Study Method:** It will use for qualitative analysis of Mrs. Swati Waydande, Founder and CEO of Kekiz become successful through Franchising.

**B. Secondary Data:**

- i. Review of various books, magazines, Journals, , Annuals related to the Franchisee.
- ii. Reports and publication published by particular Franchisee.
- iii. Reports prepared by research Scholars.
- iv. Review of internet source, websites for data collection.
- v. Review of financial statements of franchisee and Franchisor.

**Research Method**

This is **descriptive** and **Qualitative** type of research where researcher elaborates impact of franchisee on Quality of product and profitability of business.

**Sampling:**

- 1. **Universe:** Maharashtra State
- 2. **Population:** Pune District

Following Table showing Details of sampling:

Sr. No.	Respondent	No. of the Respondents
1	Franchisor	20
2	Franchisee	20
3	Customer	10
	<b>Total</b>	<b>50</b>

- 3. **Type of sample: Non probability sampling** method is being used for sampling.

**Data Analysis and interpretation**

- 1. Types of franchisee are job, business format, product and distribution conversion, investment franchisee. As per the view of respondents business format franchisee and product and distribution franchisee are mostly preferred by franchisor.
- 2. Master franchisee arrangement is too costly. Where single unit or multiunit franchisee arrangement is useful in urban areas.
- 3. As per view of customers FMCG, cosmetics, pharmacy, automobile, education sector products sustain quality of product. Some lively goods like cloths and Fashion accessories; food industry doesn't sustain quality in product in franchising.



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4. Franchisee business not performed well in rural, undeveloped areas, because of lack of product identification and customer retention.
  5. Franchisee owned Company Operated model is best because in this type of business both franchisor and franchisee actively involved in process of production and operation, marketing and distribution. They equally responsible for quality of product. Both are responsible for success of business.

### **Finding**

1. There is significant positive impact of Company owned Company Operated (COCO) franchisee model on quality of product and services.
2. There is significant relation between Quality of product and profitability of franchise business. Customer always value quality product. If they don't get quality product they could not retained. That directly impacted on sale and profitability of business.
3. Franchisee business is profitable only in urban areas. Because in urban area. Population is high so there are huge customer with good per capita income, availability of all facilities like Transportation, electricity & Water.
4. After globalization, Franchise is best way to grow business in each and everywhere. Many Foreign companies are started new branches in many countries and expand worldwide. But some companies not sustain their quality.
5. Franchise business creates employment opportunities all over the world.

### **Suggestions**

1. The companies have to adopt company owned company operated model to sustain quality and goodwill in market. In this model major decisions are taken by franchisor and have control on overall production and operations of company.
2. Franchisor has to evaluate performance of franchisee and take care of procedures of production to maintain quality of product and services.
3. Franchisee owned franchisee operated business model is useful for franchisee but risky for franchisor because franchisor don't have control on business. They licensed their business, trademark and take royalty.
4. Franchisor should be follow ethics by providing quality product to customers and satisfy their needs.
5. Franchisee should respect goodwill and reputation of franchisor and improve financial performance of company.
6. Franchisor has to operate their business by educated people who have knowledge and potential to do business in an effective way.
7. Franchise business will help in growth and development of economy of nation hence government have to support that franchisee business.



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### Conclusion:

Business plays vital role in economic development by increasing per capita income, providing employment opportunities to unemployed which improve standard of living of people. Those people having new idea of business called Entrepreneurs and well established businesses who want to expand his business can do business effectively with the use of Franchisee business model. Franchising is lawful consideration among franchisor and Franchisee under which franchisor grants franchisee a business product and procedure, brand, trademark in exchange of fee or royalty. Hence there is a legal binding among both organizations. People expand his business with use of franchisee and achieve his visions of doing business and maximize profit. This Study is a deep overview on impact of Franchisee business model on quality of product and services and sale and profitability of business

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