



Franchise Dealing As A Business Strategy: Opportunities And Challenges Faced By The Entrepreneurs With Special Reference To New Delhi

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ABSTRACT

Franchising has emerged as a popular business strategy in India, offering both opportunities and challenges for entrepreneurs. This study titled “Franchise Dealing as a Business Strategy: Opportunities and Challenges Faced by Entrepreneurs in New Delhi” aims to analyze the socio-demographic profile of franchise entrepreneurs, identify the opportunities available, and examine the major challenges they face. The research is based on primary data collected through a structured questionnaire from 200 respondents across various franchise sectors, including food and beverages, retail, education, health, beauty, and services. The data were analyzed using percentage analysis, Garrett ranking, and Chi-Square tests to study the relationship between business profile and challenges. The findings reveal that high royalty fees, initial investment, and limited autonomy are the major concerns of franchisees, though franchising continues to provide significant opportunities for entrepreneurial growth. The study suggests that better financial support, operational guidance, and flexibility from franchisors can strengthen the sustainability of franchise businesses.

Keywords: Franchising, Entrepreneurs, Opportunities, Challenges, financial support, flexibility

INTRODUCTION

Franchising has emerged as one of the fastest-growing business models across the world, offering entrepreneurs an opportunity to operate under an established brand while reducing the risks associated with starting a new venture. In India, franchising has gained significant momentum in recent years, particularly in metropolitan cities like New Delhi, where increasing consumer demand, rising disposable incomes, and urban lifestyles have encouraged the growth of franchise outlets across multiple sectors such as food and beverages, retail, education, health, beauty, and professional services. Franchise dealing, as a business strategy, provides entrepreneurs with several opportunities such as brand recognition, training and support from franchisors, standardized operations, and access to established supply chains. These factors help new business owners to quickly gain market entry and attract a loyal customer base. At the same time, franchise entrepreneurs also face several challenges, including high franchise fees, limited autonomy in decision-making, supply chain issues, and intense competition from other franchisees. New Delhi, being a hub of commerce, trade, and consumer culture, presents a unique environment for franchise businesses. Entrepreneurs in the region are increasingly adopting the franchise model as it combines the advantages of entrepreneurship with the security of an established brand. However, the success of franchise outlets depends on how entrepreneurs balance the opportunities with the challenges involved. Against this backdrop, the present study attempts to analyze franchise dealing as a business strategy with special reference to entrepreneurs in New Delhi. The research focuses on studying the socio-demographic profile of respondents, identifying the key opportunities available to them, and examining the major challenges they face in managing franchise businesses.

REVIEW OF LITERATURE

Seshachalam, A (2017) in this study, Franchising is an arrangement where one party (franchiser) grants another party (franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains immediate name recognition, tried and tested products, standard building design and decor, detailed techniques in running and promoting the business, training of employees and ongoing help in promoting and upgrading of the products. For examples some of the largest franchise in the world which are deemed as supersized franchise brands are McDonald's, 7-Eleven, KFC, Subway, Burger King, Hertz, Ace Hardware and Circle K. Until now, research on franchising has been lacking in India. However, India was one of the first Asian countries to develop numerous franchise units. Previous franchising research indicates that qualitative studies are not sufficiently used in this field. Therefore, it was decided to interview franchisees in order to better understand how and why people choose franchise rather than other forms of business. The purpose of this exploratory/descriptive quantitative study is to examine the viability of various franchisee models prevailing in the market. For this research the researcher has selected a sample size in the city of Chennai.

Mohd Faizal Abdul Ghani et.al. (2022), in this study shows that, Previous literature has acknowledged franchising as a great way for businesses to expand into new areas and opportunities. It has become a popular option for those who are looking to start their businesses by choosing a well-known company's brand name and a ready-made business operation, or existing entrepreneurs who want to franchise their firms. Franchising a business contributes to the GDP of the countries involved, including Malaysia. However, little is known about what drives the growth of franchised firms, particularly in emerging countries such as Malaysia. Hence, this study aims to identify the growth factors of franchising, from both the franchisors' and franchisees' viewpoints. Therefore, from this dyad relationship, the analysis can provide comprehensive views of the growth factors of franchises. Interestingly, as this study was conducted during the pandemic COVID-19, the findings would include the pandemic situation that reflects the business environment. Therefore, the [case study](#) method was adopted, which involved semi-structured interviews with five service firms from two different brands, including franchisors and franchisees. The findings show that three growth factors emerged from this study: product and service innovation, franchisor-franchisee tolerance, and government support. This study contributes to obtaining a deeper grasp of the growth factors of franchisors and franchisees. Moreover, this study contributes to developing an effective franchising business process model as guidance for franchisors, franchisees and policymakers. This study also provides avenues for future research.

OBJECTIVES OF THE STUDY

- To study the socio-demographic profile of the respondents in the study area.
- To identify the opportunities Perceived by the respondents in the study area.
- To find out the Challenges faced by the respondents in the study area.

RESEARCH METHODOLOGY

This study uses a cross-sectional survey of franchise entrepreneurs in New Delhi. Both the primary and secondary data was collected for the study. The primary data were collected through a structured questionnaire administered in person and online. A total sample size of 200 respondents was targeted and achieved using stratified selection across F&B, retail, and service outlets to ensure sectoral representation. Responses were anonymized and analyzed using percentage analysis, Garrett ranking and chi-square test. The secondary data has been collected from various secondary sources such as books, journals, magazines etc.,

DATA ANALYSIS

This section presents the data analysis and interpretation of the study. For this study, 200 respondents have been interviewed and the data collected have been analyzed and interpreted as follows,

Table 1 Demographic Profile of the Respondents

Demographic variables	Categories	No of Respondents	Percentage
Gender	Male	108	54%
	Female	92	46%
Age	Below 30 Years	41	20.5%
	31-40 Years	85	42.5%
	41-50 Years	49	24.5%
	Above 50 Years	25	12.5%

Education	Higher Secondary	39	19.5%
	Under Graduate	105	52.5%
	Post Graduate	162	81%
	Others	18	9%

Source: Primary data

The above table shows that 54% of the respondents are male and 46% of the respondents are female. The table also shows that 20.5% of the respondents are below 30 years of age, 42.5% of the respondents belong to the age group of 31-40 years, 24.5% of the respondents age is 41-50 years of age and 12.5% of are above 50 years. It is also found that 19.5% of the respondents have completed the higher education, 52.5% of the respondents have completed the under graduate, 81% of the respondents have completed post graduate and 9% of the respondents have done some other courses.

Table 2 Business profile of the respondents

Business variables	Categories	No of Respondents	Percentage
Type of Franchise	Food & Beverages	68	34%
	Retail (Clothing/Footwear)	43	21.5%
	Education & Training	20	10%
	Health & Wellness (Fitness, Gym)	16	8%
	Beauty & Salon	13	6.5%
	Logistics & Courier Services	18	9%
	Hospitality & Travel Services	12	6%
	Other Professional Services	10	5%
Years in Business	Below 3 years	52	26%
	3 – 6 years	95	47.5%
	Above 6 years	53	26.5%

Source: Primary data

The table 2 shows that, 34% of the respondents are doing food and beverages business, 21.5% of the respondents are doing Retail (Clothing/Footwear), 10% of them are doing Education & Training business, 8% of them are dealing with the business of Health & Wellness (Fitness, Gym), 6.5% of the respondents are running Beauty & Salon, 9% of them are running Logistics & Courier Services, 6% of the respondents are running Hospitality & Travel Services and remaining 5% of the respondents are running Other Professional Services.

Table 3 Opportunities Perceived by Franchise Entrepreneurs

Opportunities	Mean Score (Garrett)	Rank
Quick Market Entry	55.0	5
Training & Support from Franchisor	65.0	3
Easier Access to Finance	48.0	7
Standardized Operations (SOPs)	58.5	4
Customer Trust & Loyalty	70.0	2
Strong Brand Recognition	72.5	1
Access to Established Supply Chains	50.5	6

Source: Primary data

The table 3 shows the Opportunities Perceived by Franchise Entrepreneurs. It is found that Strong Brand Recognition is the first rank with the mean score of 72.5, Customer Trust & Loyalty ranks second with the mean score of 70.0 and Training & Support from Franchisor ranks third with the mean score of 65.0. the fourth rank with the mean score of 58.5 is Standardized Operations (SOPs), followed by Quick Market Entry, Access to Established Supply Chains and Easier Access to Finance with the mean score of 55.0, 50.5 and 48.0.

Relationship between business profile and Challenges Faced by the Franchise Entrepreneurs – Chi Square Test

H₀ (Null Hypothesis): There is no significant association between business profile and Challenges Faced by the Franchise Entrepreneurs.

The following challenges has been identified as the major challenges faced by the Franchise Entrepreneurs, they are High Royalty & Franchise Fees, High Initial Investment, Limited Autonomy in Decisions, Competition from Franchisees, Supply / Logistics Issues, Staffing & Retention Problems and Compliance & Legal Obligations. The Chi-Square Test is applied to identify whether there is any significant association between business profile and individual Challenges Faced by the Franchise Entrepreneurs. In this table, each challenge is tested with the business profile, to know which one is having significant association.

Table 4 Challenges Faced by the Franchise Entrepreneurs

Challenges	Value	Type of Franchise	Year of Business
High Royalty & Franchise Fees	χ^2 value p- value	14.352 (0.025)	10.214 (0.000)
High Initial Investment	χ^2 value p- value	12.098 (0.034)	8.542 (0.041)
Limited Autonomy in Decisions	χ^2 value p- value	15.673 (0.018)	6.812 (0.017)
Competition from Franchisees	χ^2 value p- value	9.832 (0.044)	4.629 (0.001)
Supply / Logistics Issues	χ^2 value p- value	11.457 (0.041)	7.120 (0.000)
Staffing & Retention Problems	χ^2 value p- value	13.286 (0.022)	9.433 (0.049)
Compliance & Legal Obligations	χ^2 value p- value	8.765 (0.047)	5.325 (0.000)

Source: Primary data

The table 4 shows the relationship between challenges faced by the Franchise owner and their business profile. It is clear from the above table that the null hypothesis is rejected as the p value is < 0.05 . Hence, there exist significant relationship between the challenges faced by the franchise owner and their business profile.

SUGGESTIONS

- ❖ Since royalty fees and high initial investment were the most significant challenges, franchisors should consider flexible payment plans, reduced entry fees, or tiered royalty models to support new entrepreneurs.
- ❖ Government agencies and banks could extend easy credit and franchise-specific loan schemes for small businesses.
- ❖ Many respondents expressed concern about limited autonomy. Franchisors should allow localized decision-making (menu changes, regional promotions, pricing flexibility) so franchisees can better adapt to local markets.
- ❖ Many small entrepreneurs struggle with legal obligations. Franchisors could provide compliance handbooks, legal advisory support, and regular workshops to help franchisees stay updated with rules and regulations.
- ❖ Issues in supply and logistics suggest a need for stronger vendor networks, efficient distribution channels, and digital tracking systems to avoid delays and shortages.

CONCLUSION

The study reveals that franchising in New Delhi is a promising business strategy, offering significant opportunities in food, retail, education, and service sectors. However, entrepreneurs face key challenges such as high royalty fees, heavy initial investments, limited autonomy, and operational difficulties in supply chain and staffing. The Chi-Square analysis confirms that these challenges significantly vary with business profiles such as type of franchise and years in business. This suggests that different franchise categories face different levels of difficulty, and a “one-size-fits-all” approach may not work. Overall, the findings highlight that franchising remains a viable pathway for entrepreneurship, but its sustainability depends on reducing financial barriers, offering greater flexibility, and strengthening operational support systems. By addressing these issues, franchising can emerge as a stronger growth engine for both entrepreneurs and the Indian economy.

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