CHAPTER 3 - METHODOLOGY

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3.1 - Introduction

“In Business for yourself, but not by yourself – Ray Kroc, Mc Donald’s”

The researcher has chosen this Topic of Franchisee Viability with a valid reason and his experience of long 8 years into franchising domain. It is the need of the hour to test the waters of the so called Ready to do Business Model –“Franchising” . Even though we know that the Indian Franchise business space is witnessing robust growth, now it is the time to check for the gaps, revive systems and renew business goal for making franchising into long term profitable business partners.

A Franchisor may be having firm business idea, appropriate location and well trained work force, yet a franchised outlet may not be successful owing to various other reasons related to Franchisee or franchisee related parameters. Prominently a franchise business suffers a down fall due to a dis-satisfied franchisee.

In order to come up with a detailed analysis on the gap areas, the researcher has attempted to do an in-depth study on various aspects of a franchisor- franchisee relationship and business dynamics of any franchised outlet in a City of Pune.

Responses of the franchisees and investors across categories was collected via a questionnaire and in-person survey , based on which, the various parameters affecting the business relation between a franchisee and franchisor was collated.

Franchisee satisfaction index provides detailed information on how the franchisee business is doing in Pune and as well as it will highlight the positive and negative trends affecting the franchisee’s perspective.
3.2 Purpose of the study

Research Questions:

1. 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 of the city of Pune.

2. Thought Franchisee is gaining fast popularity in the Indian Market it is very crucial to understand the profitability of these models and the actual implication of the business onto the profitability, ROI, BEP analysis in necessary.

3. Analyse whether lower failure rates of franchises are one of the main selling arguments for attracting potential franchisees to the system. But, are the failure rates really lower? Is the franchising promise true? The empirical evidence is not clear.

3.3 Specific Objectives of the study

The main purpose of the present study was to find out whether the Business model Called “Franchising “was successful or not. A clear attempt was to make to reach to all possible existing franchisee business owners and understand from them their views and opinions. Therefore the specific objectives of the study were:

Specific Aim :

The proposed study will attempt to address the following objectives in order to contribute to the knowledge about Franchising Business Models for both Readers and New Franchisee Takers :

a. To study various franchisee models currently prevailing in the market of the sample size selected for study.

b. To personally meet the actual franchisee owners and collect primary data for analysis and analyses it to generate expected outcomes.

c. To check the success and failure factors for the franchisee.

d. To generate Franchisee buying guide for layman who aspires to buy an new franchisee.
3.4 Statement of Hypothesis

a. Definition of Hypothesis

As per Wikipedia, it defines that people refer to a trial solution to a problem as a hypothesis, often called as “educated guess” because it provides a suggested solution based on the evidence. A researcher tests and rejects several hypotheses before solving the problem. Thus a hypothesis is a proposition made as a basis of reasoning without the assumption of its truth. Since it is a supposition, it can only be the starting point of an investigation based on known facts and a hypothesis has to be validated empirically. Every Hypothesis can thus be proved or disproved.

For the present study on Viability of Franchisee Business, the following hypotheses were formulated:

Hypothesis Statement:

1. Franchisee based business models are not successful

2. Majority of the Franchisors sell their franchisees with false commitments without considering ground reality

This kind of research study is not done or published anywhere as per the search on offline as well as online sources. This research is going to be an aid for the new franchisee takers to decide wisely and do not fall prey to gimmick of marketing and business promises given by the Franchisors.

An unbiased opinion and view of existing franchisees shall be depicted in the report which shall portrait real life situation of franchisees.
3.5 Design of the Questionnaire

Questionnaire method of data collection was adopted which is quite popular. In this method a questionnaire was designed and was filled by the persons concerned in our scenarios the Franchisee owner with a request to answer the questions and return the questionnaire. A questionnaire consists of a number of questions printed in a definite order on a form or set of forms. The respondents were expected to read and understand the questions and write down the reply in the space meant for the purpose in the questionnaire itself. The respondents have to answer the questions on their own and we explained them the details and we filed for few who were busy to fill themselves. Understanding that no survey can achieve success without a well-designed questionnaire, the following points were considered while framing the questionnaires: More details on design of the questionnaire are given on the following pages.

1. Deciding on the information required on Franchising:
   The information required was to focus on Viability of franchising business and the parameters related for determining success or failure of franchise business we kept in mind as priority and primary concern

2. Defining the target respondents:
   The respondents defined as:
   - Franchisee Owners
   - Master Franchisee or Unit Franchisee Unit holders and majorly Businessmen who had invested in Brand for running a Unit franchisee.
   - Franchisee owners who have shut down the franchisee outlets but have experienced the entire life cycle of a franchisee unit from opening to shut down and their implications.

3. Choosing the method(s) of reaching the target respondents:
   To reach the target respondents, the method chosen was the questionnaire method. However, it was difficult to get 100% positive response from respondents due to their busy schedule and long distance locations. So, researcher had to follow up through telephonic interviews, personal interviews and emails.
4. **Deciding on question content:**
The content of the questions were decided to be on effective communication of Franchisee Business, how was their Franchisee Business experience and their opinions, hard facts and true business numbers were sought.

5. **Developing the question wording:**
The wording of the questions was kept simple so that respondents could easily understand and respond. It was kept as short as possible and very crisp to avoid making the respondents bored.

6. **Putting the questions into a meaningful order and format:**
A proper sequence was followed with the order of the questions so that it progressed gradually from easy to more difficult.

7. **Checking the length of the questionnaires:**
The length of the questionnaires was not too much. Only 25 questions were asked in set. These enabled respondents to quickly complete give the answers.

8. **Pre-testing the questionnaire – (Pilot Study):**
Pilot study was conducted to pre-test the questionnaires and this has been explained in the following pages.

9. **Developing the final survey form:**
Based on the results of the pilot study, final questionnaires were developed. Earlier the questionnaires had all Franchisee personal financial questions which were not responded by the respondents and it demanded a change. On the basis of the pilot study the researcher realized that flexibility should be given the respondents answers. Hence Likert scale was used for major question, which ranged from respective ranges as appropriate to each questions.
3.6 Pilot Study

As a part of the pilot study,
The samples of the final questionnaires are attached in Appendix ‘B’.

Pilot study refers to so-called “feasibility studies”, which are "small scale version[s],
or trial run[s], done in preparation for the major study" (Polit et al., 2001: 467). However, a pilot study can also be the pre-testing or 'trying out' of a particular research instrument (Baker 1994: 182-3). One of the advantages of conducting a pilot study is that it might give advance warning about where the main research project could fail, where research protocols may not be followed, or whether proposed methods or instruments are inappropriate or too complicated. In the words of De Vaus (1993: 54), "Do not take the risk. Pilot test first."

As a part of the pilot study, the “trial questionnaire” explaining therein the purpose of the research study was administered to 5 franchised outlets in Pune City region. Even Senior Franchisor from Cartridge World & Impulse imaging world was met to discuss the Questionnaire correctness and incorporate their views for any corrections. Trial interview was conducted with all the franchisee owners and attempt was made to fill the format. The Trial questionnaire is attached in the Appendix ‘A’. Even the format was discussed for appropriateness and few questions that were directly attempting to ask the owners their personal financial status were changed. In the light of the experience gained, valuable opinions/suggestions received during the pilot study, the trial questionnaires were reviewed and edited and technical flaws / inconsistencies were removed making it more comprehensive, compact, meaningful and purposeful. A sample of the final questionnaire is attached in Appendix ‘B’.
3.7 Selection of sample

Once the questionnaires were finalized, the researcher started establishing contacts with unit franchisees operational in the target area. A rough mapping of the Franchisee business was shortlisted and then their existing operational franchisee outlets were determined. Also the route plan was decided to utilize maximum time in Data collection rather than travelling from one Franchisee outlet to other. The detailed list of franchisee with their present address, contact phone number was prepared and same was mapped with the route plan which was duly executed at time of data collection. Subsequently, the researcher began with Tele-calling for appointments explaining the objectives of the present study and subsequently questionnaires were administered. There being inherent fear and hesitation on the part of Franchisee owners to share the information, especially in respect of sharing their issues and problems with Franchisors. The researcher was often required to meet personally and assure that all the information sought would be kept strictly confidential and would be used exclusively for the research study. Besides, it was also suggested that they could take the liberty to contact the researcher to seek any clarification/clear doubts about the content of the questionnaire.

The researcher regularly followed up over the telephones and personal visits was continued. Quite often, some details were required to be noted on the back sides of the questionnaire. Interestingly, a few franchisee owners’ contacts suggested by existing other area franchisee were contacted immediately quoting the earlier ones reference to ascertain the authenticity and followed them promptly without delay. Many of them, evinced keen interest to offer additional information, discussed certain points out of the topic.

The sample study bears the following characteristics:

1. Different category of franchisee business was targeted like Cartridge Refilling, Computer Training Institutes, Car Care, Inter Cyber Café business etc.
2. The nature of firms includes both Master Franchisees and Unit Franchisees. COCO – Company Owned Company Operated Units were not studied in this survey.
3. Region of Pune City and PCMC was only considered for survey.
3.8 Collection of data

Primary Data
This is data which is collected afresh and for the first time, and thus happens to be original in character. Primary data is first-hand information collected through various methods such as observation, interviewing, mailing etc. Primary data is directly collected by the researcher from their original sources. The researcher has collected the required data precisely according to his research needs.

For the present study, the primary data was collected through list of franchisee outlet list, existing franchisee operating addresses and location details. A questionnaire method was adopted for collecting data by distributing and administering from the various unit franchisee business models currently prevailing and operating in Pune City region. Total Sample size of 146 was found out and attempt was made to contact all of them via phone, email, personal visits. Out of 146 only 55 could be contacted and they responded properly. They gave valid information required for the questionnaire for analysis and study. The researcher by profession was into franchisee business jobs for past 6-7 years and he himself has opened more than 100+ Franchisee all over India thus he was proactive enough to spend some time with the respondents before the respondents actually filled up the questionnaire and could gather some information and reactions of the respondents which were very useful for the research as a whole.

Secondary data
These are sources containing data which have been collected and compiled for another purpose. It is data that already exist and do not have to be collected by the researcher. This is data which have already been collected by someone else and which have already passed through the statistical process. Other types of written information, such as Franchisee Business Exhibitions, Franchisee meets, Franchisee association of India Conferences, Chennai Conferences were attended to understand more about the core concept and assist the researcher in the research.
This was collected from
i. Franchising Magazines published by Indian Franchising were subscribed for 2 years and the details data of existing franchisees relevant to our selected category was found out and the information was sought from them.
ii. Various articles which are published in journals, magazines, research papers published in research journals.
iii. Web sites were also picked up as a major source to provide valuable and important data for research and literature review.
iv. Researcher has 7 years of rich experience in Franchising Industry and has been working for more than 3 Franchisors. He himself has appointed more than 100+ Unit and Master Franchisees in the region of Maharashtra, Gujarat, Goa, Madhya Pradesh and Karnataka Sates of India. More than 30+ Cities have been successfully opened up for franchisee appointments under various Franchisor Business Models in the span of career in Franchising Industry.
3.9 Analysis of data

1. The field survey and personal interviews techniques have been adopted in elucidating responses.
2. The data collected has been tabulated and presented in the form of tables, charts and graphs.
3. The Karl Pearson's correlation coefficient test was applied to the variables of the Quantitative data and the correlation between +VE and –VE variables were established. Details of the same are given in Appendix.
4. Descriptive Data was formulated in tables and was analyzed for results and outcomes.
5. Each Question of the Questionnaire was tabulated w.r.t Likert Scale and descriptive data analysis like mean – median.
6. Pie charts, Bar Graphs, Line Graphs were generated to see the behavior of the data collected against the total sample n = 55 respondents.
7. Hypothesis was tested using statistical tool like Karl Pearson’s coefficient of correlation.

Figure 5 –Flow Chart of Data Collection and Analysis
3.10 - Statistical Tools used for Analysis of Data

a) Descriptive Data Analysis
Descriptive statistics is used for the analysis of data that helps describe, show or summarize data in a meaningful way such that, for example, patterns might emerge from the data. Descriptive statistics was used because if we simply presented our raw data it would be hard to visualize what the data was showing, especially if there was a lot of it. Descriptive statistics has therefore enabled the researched to present the data in a more meaningful way, which allows simpler interpretation of the data.
Answers from the Questionnaire were organised as Quantitative Data, which was then put into a framework. Then data was sorted into the framework and that framework was used for descriptive analysis.

b) Karl Pearson’s coefficient of correlation
We shall be using Karl Pearson’s coefficient of correlation (or simple correlation) which is the most widely used method of measuring the degree of relationship between two variables. We have identified two major variables from our Questionnaire which shall be studied for their relevance and correlation.
Question No – 14 Break Even Happened – Shall be termed as Success Factor for Franchisee Question No 18A - Business and Marketing Support from the Franchisor (Local Level) shall be the dependant factor. We shall try to check the correlation between these two parameters in the survey study.
This coefficient assumes the following:
(i) That there is linear relationship between the two variables;
(ii) That the two variables are casually related which means that one of the variables is independent and the other one is dependent; and
(iii) A large number of independent causes are operating in both variables so as to produce a normal distribution.
Karl Pearson’s coefficient of correlation can be worked out thus.
Karl Pearson’s coefficient of correlation (or \( r \))

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Karl\ Pearson's\ coefficient\ of\ correlation\ (or\ r) = \frac{\sum (X_i - \bar{X})(Y_i - \bar{Y})}{n \cdot \sigma_X \cdot \sigma_Y}
\]
As per the Karl Pearson’s coefficient of correlation we shall test the value of ‘r’ which should lie between ± 1. Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the statement direction), whereas negative values of ‘r’ indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of ‘r’ indicates that there is no association between the two variables.

If the value of $r = (+) 1$, it indicates perfect positive correlation and when it is $(-)1$, it indicates perfect negative correlation. We can also say that for a unit change in independent variable, if there happens to be a constant change in the dependent variable in the same direction, then correlation will be termed as perfect positive. But if such change occurs in the opposite direction, the correlation will be termed as perfect negative. The value of ‘r’ nearer to +1 or –1 indicates high degree of correlation between the two variables.

Hypotheses testing shall be done using the same analytical tool and an attempt shall be made to find the strong correlation between independent variable and the dependant variable.
3.11 Limitations of the study

The following are the limitations of this research study.

We have tried to cover one segment of the Franchise Business which is prevalent within the demography considered for research. Full attempt has been done to give justice to the Franchisee Chains and outlets. As 100% coverage is not possible due to limitations of Time, Funding, Scope and other obligations. These are brief limitations which are stated below w.r.t the research carried out under this Title of work.

Limitations:

1. We have studied only Technical Category Franchisees like Cartridge Refilling, IT Products, Car Care, Internet Café Franchisee, and Computer Teaching Training Institutes only. There is more scope for research to study the QSR (Quick Service Restaurant Franchisee Businesses), Casual Dining, Food Courts, Hotels, Play School Franchisees, Cafes and Parlours, Jewellery, Books and Gifts etc.

2. Due to limitations of the Time and wide spread of Geographical Area and spread of the demographic of the Region, the researcher has limited the scope of Franchisee Selection to Pune City Area only. PMC and PCMC (Pune Municipal Corporation and Pimpri Chinchwad Municipal Corporation Limits have been covered) Total Area of approx. Length wise 72Kms and breadth wise 30 Kms (2160 Sq KM) area is been covered.

4. Only franchised business models have been studied; there is scope for more study for COCO –Company Owned Company operated Models too.

5. New Franchisee models which are trying to establish in the market and international chain of franchisees also call for the need of research and analysis of their business models.

6. Methodology used for data collection is vide Questionnaire and their analysis is done – the Responses given the franchisee owners is subject to their understanding, education level and the environmental factor in which the Interview was taken and data was recorded.