

**PGDM (RM), 2019-21**  
**Franchising Management**  
**RM-504**

**Trimester – V, End-Term Examination: December 2020**

Time allowed: 2 Hrs 30 Min  
Max Marks: 50

Roll No: _____
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**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

**Section A**  
**(30 marks)**

Attempt any three questions. All questions carry equal marks.

**1A** What are the different types of franchise (C/LO1) **10 Marks**  
OR

**1B** What are the pros and cons of franchising to each franchisor and franchisee? (C/LO1) **10 Marks**

**2A** Why is franchising operation central to franchise management? (C/LO 2) **10 Marks**  
OR

**2B** Explain the legal issues pertaining to franchising. (C/LO 2) **10 Marks**

**3A** Why is agency theory important in franchising? What are the key points of agency theory? (C/LO 3) **10 Marks**  
OR

**3B** Which aspects of renewal and termination should a franchisee pay attention to in the franchise agreement? (C/LO3) **10 Marks**

**4A** The vehicle that propels the majority of international expansion in franchising is master franchising. Franchisors grant contractual development rights for their concept to an individual or an organization. For example, an entrepreneur in Sri Lanka buys the master license rights for Subway and commits to develop Subway's restaurants in Sri Lanka. Subway commits to train the Sri Lankan entrepreneur – the master franchisee, to become its development agent and representative in Sri Lanka. The Lankan entrepreneur is likely to be responsible for selling Subway's franchises, and training and supporting franchisees in Sri Lanka. International franchisors have taken the master franchising route to enter into the Indian market also.

What are the motives for a franchisor to enter a foreign market through master franchising? (C/LO4) **10 Marks**  
OR

**4B** Mr. Saravana was running a restaurant (both Veg. and non-veg. food) for the past five years. His restaurant is located in Chennai and he gained the lot of popularity. Now, he wants to open a similar restaurant in the whole of Tamilnadu by means of franchising. Explain the various steps to be taken by him. (C/LO4) **10 Marks**

**Section B**  
**Case Study (20 marks)**

Answer both questions.

Read the case and answer the following questions.

Paddy had never even thought about setting up his own business. He came from a background of where entrepreneurship was not normal. Starting out on his professional career in the 80s was a

difficult time for entrepreneurial activity as not many people doing that sort of thing. *"You got an education, got paid and didn't think about anything else"*. His father was a teacher and he came from a farming background so it was never a journey that he had ever thought about exploring. It wasn't in his blood or didn't even consider it for a second. There was no business background and family entrepreneurship was non-existent. The notion of setting up a business was dormant for him.

He has worked for US and Chinese corporations for over 30 years so he had been embedded within a corporate culture environment. It was quite restrictive as he had to follow their way of doing things and was always told what to do. There was no incentive to take on the initiative because of such a restricted environment. After doing that for a long time, he spent a long time as an engineer and 15 years as a manager- so he gained a lot of good experience. It was about 5 years ago when the idea suddenly came to him to set up his own business. *"It is something that came into my head, when ideas like this pop into my mind, I work endlessly to make it happen, a lot of my own attention and focus goes into making it achievable"*. After working for somebody else, he knew that this is what he wanted to do with his life.

Undoubtedly, the freedom of working for himself and not having to obey certain rules were important factors that led to the creation of his business. Paddy wanted the flexibility of time, to spend quality family time and witness his children growing up. Working with Dell was difficult; going away on holidays was problem as you had to do it on their terms. He wanted more flexibility, time, freedom, and more control over what he does, so that there was no-one else to blame but he.

PC Pal is a "Computer repair and IT support for home and small businesses". Going into business for yourself is undoubtedly a life changing ordeal but in a positive way for Paddy. "You need to be ready for it and have thought it through extensively, need to be sure that it is what you actually want to do, accept that it is not going to be smooth sailing and that it is going to be really challenging, through good times and bad and you have to ready to accept that. It is not something that you do likely or take likely, if you're going to do it you have to give up everything that you have and devote everything you have got into it. Working on your own is a very lonely business so it's a big move. But it is very rewarding to say the least". There are many positive aspects of setting up your own business, flexibility for one, being in control and being involved in all aspects of the business. Paddy is involved in sales, marketing, the engineering side, the finance side, the whole end to end of running a business, he finds extremely interesting and challenging.

The reason he chose PC Pal was because he had looked at various options, going into garages, petrol stations, courier services, a lot of different options even pubs but then decided that why would he go into this when his area of expertise was in computer technology. He had learned a lot about that and loved it. He really enjoyed it and read about that industry all the time. This helped him to make that the decision to go down this path rather than submerge into something completely different.

Paddy has gathered vast experience through the years, the last 15 years he was a manager so he had been out of touch with how the technology market operates. *"This is a long period of time being away from this industry. Technology is constantly evolving so to spend 15 years away from practicing it, is a lifetime. I had to pretty much start from scratch but at least I had a good business to go with"*.

### **To Franchise or not to Franchise!**

This is a real franchise business; he is a franchisee and is part of a collective group of franchisees. There is a franchise business model that he follows in which he must pay monthly franchise fees and it is a traditional franchise operation. Franchising has aided his business as it has helped him to get to market a lot quicker. 'Route to Market' was achieved at a faster pace due to buying into an existing successful business operation. *"The marketing strategy was already in place which showed me how to attract customers. Marketing material was already in place, business cards, signage, branding. The website was already up and running so it helped to establish an online presence for the business and get recognition. CRM Systems were also in place, to not only attract customers but to retain them"*. Branding is huge for PC Pal, it would have taken him a long time to complete all of the above, he wouldn't have the skill set and to pay somebody to do all that work just would not have been feasible. To have the marketing and branding framework in place was of massive benefit to him. It allowed him to go to market quicker. *"The support that you get from a franchising organisation, the headquarters, is second to none. It is of huge benefit, in my industry as technology is so wide and vast and is constantly changing, so you just couldn't know everything. So it's very important to have that back up of a team in the UK to help me, so that when I get stuck they are there to call upon"*. Furthermore, the

robust support from the franchise business itself, the existing marketing and branding frameworks are the two huge benefits.

Paddy believes franchising to be an effective model *"I don't think it is for everybody, people need to understand that when they are getting into franchising, exactly what it entails and what exactly they are getting into. You may want freedom and flexibly but you do have to sacrifice some of that when you get into a franchise because you do have to go along with the business model that the franchise has come up with and you really can't deviate from that. You have got to be prepared to accept that from day one and know that you can't go and do your own thing. You may feel going your way is the right way but if it doesn't fall in with the business model of the franchise, then you are going down the wrong path"*.

The training in which he received at the National Franchise Center (NFC) in his country Ireland was impeccable, *"I have done a lot of training in 30 years; I would say that the training I received at the franchise centre was easily the best. I had clear goals that I wanted to achieve when I first came to the business centre, which was to fill the gaps around my knowledge base about sales, marketing, finance. The people involved in the training centre, the people giving the training and the mentors were real business people with real business experience, not academics that were teaching you from a text. So the people that were there, you knew that they had done it, been there and were talking from experience. What I learnt about things like marketing and finance and sales was imperative. The sales side of things was going through the psychology of sales and to just get that was great. I had always thought that sales was something you had or hadn't, that people were born as with it but from the course I learnt that sales was really just a technique and that you just apply those techniques. If you know and understand the techniques anybody can do it really, you don't have to be a great talker or an outgoing sort of person, if you know and understand the psychology of sales anybody can do it. Also, I always taught marketing was just advertising but the training really opened up my eyes to what marketing really is and I've used that a lot in my business. Marketing is almost end to end, the 4ps and all that. The finance training was facilitated by a financial controller of a big company so he really knew and understood that whole area. At the start of the course I felt that those three areas, I lacked real knowledge but by the end of the course, I had the real confidence to go ahead and felt competent in those areas, which is great and tells me that the course achieved its aims"*.

Certainly, the NFC was very important in the early development stages for his business, *"It was really good, used the time to do the ground work that I had to do and I was able to do it with a mentor so it meant that somebody was there to help me"*. When he came onto the fast programme, he knew that he wanted to go into to the area of IT but didn't know what area specifically. He used his time on the programme wisely; it has to be said, to help him identify specific areas that interested him. *"When I left the National Franchise Centre, I had identified the franchise that I wanted to go after pretty much and was almost ready to be up and running after the course concluded. I achieved that through working with the mentor, examining all aspects of setting up my own independent business or franchise business route. The mentors kind of forced, if you like, me into looking at different franchise opportunities. I may have only focussed on one whereas they advised me to look at various opportunities to get the best fit. I looked at 3 or 4 different ones, analysed the pros and cons of each one and as well as that I got a lot of good information around franchising and what I should look for in a contract. I spent the time training but more than that, coming up with the actual final outcome of where I should go with my business."*

The NFC really helped Paddy to identify the correct business for him. *"I just knew that I wanted to get into a business and that's as much as I knew so the NFC helped me to go through a process of discovery and understand what businesses I should look into and helped me to go through those and come up in the end with something that I felt was right for me"*. *I didn't see the NFC as a challenge, I saw it as an opportunity, so no challenges"*.

It is clear that many of the entrepreneurs that went through the programmes, ran at the NFC would recommend it and Paddy is no different, *"Yes, I would recommend the NFC. I don't think that anybody should be allowed to start up a business without going through something like the NFC. I genuinely and honestly believe that. So many people start up a business and they really do not know what they are getting into and don't have the skill set required to get up and running. It may take a lot of time but it's probably the best time that they will ever spend because starting up a business; you need to know everything about running a business and most people don't have that. Some people may have different aspects of it but nobody will have the full knowledge. It is not only the training that you receive, it's also the fact that you meet other people in a very similar situation to yourself, who are*

*involved in starting up a business, who have gone through difficult times and that in itself is a huge plus as it helps you to understand that you are not the only person in this situation. There are others out there in the same boat as yourself. You learn from them and I have made friends that I now to this day, continue to meet on a regular basis from the NFC. Peer learning is vital”.*

He is engaging with the centre regularly since leaving “Yes, I regularly keep in contact with the team. I’m a member of the Limerick, Ireland Chamber so I go to a lot of their events and I go to the events that are organised by the NFC. I have been back a few times to give some presentations that the NFC has asked me to do. I have done about 3 to 4 different presentations to the participants on the programmes at the NFC. So yes, I keep in close contact”.

For the most part, entrepreneurs are never satisfied with the growth of their business, Paddy believes. “I don’t think anybody can be satisfied with the growth of their business in the current climate. I am up and running a year and it’s been slow and difficult. I think 2013 was a difficult year anyway for the country so certainly in 2014, I have found a huge increase in business and a huge increase in positivity and confidence. I’m starting to see real growth now that probably wasn’t there last year”. There have been some challenges encountered along the road, “Absolutely, there are days when the phone doesn’t ring and you don’t have any work and you think to yourself was this a good idea and why am I doing this. Certainly, you have those days when you thought maybe it’s time to call it a day and then the following week the phone doesn’t stop ringing and you are so busy that you don’t have a day off. So that can be difficult. Being on your own is not easy, by any means, having colleagues to talk to; to share and help solve problems is always good. That can also be difficult and that is why I do the networking to try and keep in contact with people but starting a business is not easy, not for the faint hearted, but the rewards are more than worth it”.

The future for PC Pal in an Irish condition is this, “I’m currently trying to prove the business model in Ireland, as 2013 was a difficult year and 2014 is starting well, so I’m starting to see that the business is really picking up. I see 2014 as being a good year and I see the business model as being a good model and I want to continue to grow the business in Limerick, Ireland. The plan is to start expanding the franchise throughout Ireland. I am constantly in discussions with people, in particular a person from Cork, Ireland and a person from Dublin, Ireland so hopefully they will take on the franchise. I see it as a great opportunity to have a national brand in Ireland for computer repairs and I believe that there is an excellent growth opportunity for this type of franchise. So that is where I hope to grow the business”.

**Questions:**

- 1. What should be done by Paddy to earn? Detail his plans citing all advantages and disadvantages (CILO 4) 10 marks**
- 2. Give your own opinion on the case study the impact of a training centre on franchising business. (CILO 2) 10 marks**