

<PGDM-RM, 2021-23>
< Franchising Management >
<RM-404>

Trimester – IV, End-Term Examination: September 2022

Time allowed: 2 Hrs
Max Marks: 40

Roll No: _____

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
(20 marks)

Attempt all four questions. All questions carry equal marks.

1A What are the different types of franchise (CO1) **5 Marks**

OR

1B What are the pros and cons of franchising to each franchisor and franchisee? (CO1) **5Marks**

2A Why is franchising operation central to franchise management? (CO 2) **5 Marks**

OR

2B Conflict in a franchise system between the franchisor and franchisee is inevitable. Mention critical areas which a franchisor should recognize and understand that typically give rise to litigation. (CO 2) **5 Marks**

3A Why is agency theory important in franchising? What are the key points of agency theory? (CO 3) **5 Marks**

OR

3B Which aspects of renewal and termination should a franchisee pay attention to in the franchise agreement? (CO3) **5 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? (CO4) **5 Marks**

OR

4B Mr. Madhukar was running a restaurant (both Veg. and non-veg. food) for the past five years. His restaurant is located in Chennai and the restaurant has gained the lot of popularity. Now, Mr. Madhukar wants to open similar restaurants in the entire state of Tamilnadu by means of franchising. Elaborate the various steps that should to be taken by him. (CO4) **5 Marks**

Section B
Case Study (20 marks)
Answer both questions.

Read the case and answer the following questions.

Jollibee, a fast-food chain headquartered in the Philippines, has been expanding internationally. It was in 1975 that Mr. Tony Tan and his family opened a Magnolia ice cream parlor at Cubao, which later became the first Jollibee outlet. The first franchised store opened in 1979. It is currently the largest fast-food chain in the Philippines, operating a nationwide network of over 750 stores.

It has grown to be one of the most recognized and highly preferred brands in the Philippines. The company has embarked on an aggressive international expansion plan including countries such as the U.S., Vietnam, Saudi Arabia, Qatar, and Brunei. Its expansion is also prompted by Filipino diaspora and expatriates living in different parts of the world who would love to see their hometown restaurant chain in their neighborhoods. In fact one of the criticisms aimed at the chain is that it looks for opening in areas where there is large Filipino population. In 1986 it opened its first international store in Taiwan, followed by a store in Brunei in 1987, a year which marked its formal entry into the global market. In 1995, Jollibee opened stores in Guam, Dubai, United Arab Emirates, Kuwait, and Saudi Arabia. In 2007, Jollibee opened a store in Las Vegas, which marked its entry into the United States. Jollibee's menu line-up has products that have a different taste and variety, such as Chickenjoy, Yumburger, Champ Hamburger, Jollibee Spaghetti, and peach mango pie, to name a few.

Its Aloha Burger is popular with the distinctive pineapple topped burgers. It has mainly benefited primarily from the increased demand for fast food in Southeast Asia. With the globalization of food, in 2008, Jollibee was Southeast Asia's biggest fast food chain and was pushing to expand overseas to ease the impact of soaring agricultural prices on its profits at home. Jollibee Foods Corporation, an icon in the Philippines for outselling McDonald's Corp. and Yum Brands Inc.'s KFC in a country obsessed with American-style fast food, was operating some 1,400 stores in the Philippines, compared with 280 run by McDonald's, its next largest local rival. However, the Philippines was the world's largest importer of rice in 2010, the price of which has nearly tripled in the global market that year because of poor harvests, growing demand, and rising fertilizer costs. Apart from its large presence in the Philippine market, Jollibee had taken an extra hit because rice is a key ingredient in many of its most popular dishes, such as fried chicken and rice. Jollibee started looking overseas, considering the fact that there were about a million expatriate Filipinos in the Middle East and in the U.S., where generations of Filipino migrants have settled. Both overseas markets could support higher retail prices than the Philippines, where the average per capita income was around \$1,400 a year. On the other hand it reduces Jollibee's dependence on the rice-sensitive Philippines. Philippine fast food chains began offering half servings of rice in a move to help the government ease demand for the staple and avert a possible shortage with global rice inventories sitting at 25-year lows. Jollibee's Chinese fast food unit, Chowking, was set to offer half portions of rice, whereas McDonald's was also considering serving half portions in more than 250 stores in Philippine. McDonald's and Jollibee both began by selling mostly hamburger sandwiches, but some of their best-selling products were meals eaten with rice, such as fried chicken, chicken fillets, and breakfast sausages. Rice is the staple food for eight in 10 Filipinos, who eat it for breakfast, lunch, and dinner.

Jollibee had to struggle in the U.S. for quite some time. In 2015, it is planning to open units in Toronto, Canada. Apparently Jolibee's has been very slow in expansion because it mostly was confined in areas with large Filipino populations. After opening its doors in Toronto, it hopes to expand to other cities in Canada, particularly where there are high Filipino populations, such as Vancouver and Winnipeg. Unlike in the Philippines where Jollibee is a franchise, all of its North American stores are company-owned. Although Jollibee has been successful in areas with Filipino communities, breaking into the mainstream can & prove hard, as witnessed by its limited success. Perhaps a "reverse diaspora" strategy was suggested as one of the paths to follow. Jollibee competes with McDonald's on the basis of price, local product offerings, and national identity.

JFC, known distinctively by its red and yellow bumble bee mascot, operates a number of concept restaurants. The firm has a pizza restaurant chain called Greenwich and a bakery chain called Red Ribbon, as well as its Chinese-themed Chowking. Jollibee is looking for greater expansion opportunities by planning more stores in emerging markets, like India. Although it has experienced great success in its relatively short history, it faces a number of challenges. Rising food and fuel costs, tightening consumer disposable income, and competition from chains like McDonalds are some of the challenges it is facing at home as well as in its expansion plans. In Jersey City, New Jersey, Filipinos turned out in droves when a Jollibee restaurant opened in 2011. The debut offered a coveted chance to eat the crispy fried chicken and sweet spaghetti of home. It was also a sign of their community's rising stature in Jersey City, which had sworn in its first Filipino councilman. The debut of their store in Woodside, Queens, also had long lines often stretching out the door and down the block, with many youthful diners speaking the country's dialect. The company spent two years planning for the restaurant at the Jersey City location, spending \$1 million to remodel an old gym. The chain had plans to expand with a branch in Virginia Beach, Virginia, set to be the third on the East Coast. Jollibee outlets are located largely in city centers, and they target the younger populations and workers. In some countries, such as in Vietnam, they are positioned as a place for consumers to appear stylish and relaxed in an air-conditioned setting. A weekend visit to such fast food outlets is also considered a good family bonding activity. The localization of menus at affordable prices helps in penetration into such countries. Some consumers also look for internationally renowned food chains for assurance and safety due to their ISO (International Organization for Standardization) and HACCP (Hazard Analysis and Critical Control Point) certifications due to concern of food standards and hygiene.

During economical or pandemic stressful times, ethnocentric feeding places like Jollibee have special appeal. The Philippines' fast food scene presents a compelling model of how Western market forces such as globalization and neoliberalism can have positive impacts on local populations. For example, competition between multinational brands (McDonald's) and their local counterparts (Jollibee) increasingly informs Filipino cultural/political identity.

Jollibee's favorable position in the country's thriving fast food trade had become an intense source of national pride. Innovative menu items, aggressive marketing, and subtle expressions of postcolonial resistance all contribute to Jollibee's dominance over foreign companies, especially McDonald's, within a home market.

Questions:

1. Considering very little presence of Filipino, what should be done by Jollibee to enter Indian market? Detail plans citing all learnings from opening up in the United States of America (CO 4) **10 marks**
2. Should variety of food offerings should be planned within the franchise concepts for competitive advantage. (CO 2) **10 marks**