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# Problems and Challenges Faced By Franchise Model

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**Abstract:** *This research report titled "Problems and Challenges faced by Franchise Model" delves into the intricacies of the franchise business model, it is aiming to know the problems and challenges faced by franchisee, to know how franchisee taker tackled problems and challenges, to know which kind of strategy use franchise taker for marketing and improvement. The study employs a descriptive and research design with a focus on individual franchise holders in Ahmedabad, utilizing primary data collection methods such as Google Forms and personal interviews. Secondary data from previous research papers and magazines supplements the analysis. Statistical tools like Microsoft Excel 2021, SPSS, and Google Forms aid in data analysis. Despite constraints like limited time and geographic scope, the study offers valuable insights for stakeholders in the franchise industry. Findings from this research can enhance operational efficiency, inform decision-making, and contribute to sustainable growth within the franchise model. In conclusion, while operating a franchise presents various challenges, strategic focus on areas such as maintaining consistency in quality, investing in training and skill development, and enhancing online presence can greatly contribute to success. Franchisees who prioritize adherence to brand standards, adaptability to local markets, and foster strong relationships with both franchisors and employees stand a better chance of overcoming barriers and thriving in their businesses.*

**Keywords:** *Franchise Model, Challenges, Problems, Franchisor, Strategy*

## I. INTRODUCTION

Franchise has become an increasingly popular business model around the world but with great things comes problem and challenges. There are many problem and challenges faced by the franchisee holder like reduction in profit , high operating cost , meeting customer expectation. However, like any business model, there are several problems and challenges that franchisees may face when operating within a franchise system. In the study we will take swot analysis of the franchise taker and we will find the solution for the franchise taker. One common challenge faced by franchisees is the lack of control over certain aspects of their business. Franchise agreements typically include strict guidelines and operational procedures that franchisees must adhere to in order to maintain consistency across the franchise network. This lack of autonomy can be frustrating for some franchisees who may have different ideas or approaches to running their business. Another challenge faced by franchisees is the financial investment required to start and maintain a franchise. While franchising offers the advantage of a proven business model and brand recognition, franchisees often need to pay significant upfront fees, ongoing royalties, and other costs associated with operating within the franchise system. This financial burden can be a barrier for some potential franchisees, especially for those looking to start their first business. Additionally, franchisees may face challenges related to competition within the franchise network. Depending on the size and structure of the franchise system, franchisees may find themselves competing with other franchisees for customers, resources, and territory. This can create tension and conflict within the network, making it difficult for franchisees to thrive and succeed. Finally, franchisees may also face challenges related to support and communication from the franchisor. Effective communication and support from the franchisor are essential for franchisees to succeed, but some franchise systems may lack the necessary resources or infrastructure to provide adequate assistance to their franchisees. This can leave franchisees feeling isolated and unsupported, making it harder for them to navigate the challenges of running a franchise business. Overall, while the franchise model offers many advantages, it is important for potential franchisees to be aware of the potential problems and challenges they may face when entering into a franchise agreement. By understanding these challenges and taking steps to address them, franchisees can increase their chances of success within the franchise system. The journey of a franchisee is a multi-faceted expedition, marked by financial considerations, brand alignment, competitive dynamics, and external uncertainties. Successful franchise ownership requires a nuanced approach, blending entrepreneurial spirit with a commitment to the established framework.

As franchise takers navigate these challenges, they contribute not only to their individual success but also to the resilience and evolution of the broader franchise ecosystem.

## II. OBJECTIVES

- 1) To know the problems and challenges faced by franchisee
- 2) To know how franchisee taker tackled problems and challenges
- 3) To know which kind of strategy use franchise taker for marketing and improvement.

## III. LITREATURE REVIEW

The literature review on problems and challenges faced by the franchise model highlights key issues such as lack of control over business aspects, financial burdens, and operational constraints within franchise agreements. Franchisees often struggle with maintaining consistency, high operating costs, and meeting customer expectations. Research emphasizes the need for understanding franchisee challenges to enhance operational efficiency and sustainable growth. Studies like Mohd Faizal Abdul Ghani et al.'s exploration of franchising growth factors provide valuable insights for both franchisors and franchisees in improving performance and overcoming obstacles in the franchising industry. In a recent study, Pethers and colleagues (2021) utilized simulation techniques to tackle operational issues in a franchise resale store, focusing on issues like long queues and customer dissatisfaction. The research involved surveying 176 individuals and analyzing data to improve operational efficiency. Sonali Deepak Raje (2022) delved into the world of food franchising in Mumbai, examining both the positive aspects and challenges faced by franchisors and franchisees. By employing a mix of research methods, the study provided valuable insights into the food franchising industry in Mumbai, offering suggestions for enhancing performance and addressing challenges.

## IV. RESEARCH METHODOLOGY

Research Methodology is a way to explain how a researcher should carry out his intent research. It's a logical, systematic plan to resolve a research problem. A researcher's details found out through the research methodology on a particular concept selected must be valid and reliable towards its aim and objectives. It is important to ensure that what data is going to be collected and from where, and also how it's being collected and analysed.

### A. Scope of the study

The scope of the study is Franchise Takers reciting in Ahmedabad City. We will contacting them, who purchase a franchise within year it will be beneficial for franchise takers. The research will give an insight about problem and challenges faced by franchise model.

### B. Need of the study

Studying problems and challenges faced by the franchise model is crucial for businesses and researchers to understand potential pitfalls, enhance operational efficiency, and devise strategies for sustainable growth. It helps identify issues such as franchisee dissatisfaction, inconsistent brand representation, legal complexities, and market competition, ultimately contributing to the development of effective solutions and informed decision-making within the franchise industry. Studying problems and challenges faced by the franchise model is crucial for businesses and researchers to understand potential pitfalls, enhance operational efficiency, and devise strategies for sustainable growth. It helps identify issues such as franchisee dissatisfaction, inconsistent brand representation, legal complexities, and market competition, ultimately contributing to the development of effective solutions and informed decision-making within the franchise model.

- 1) Research design:- Descriptive research design

#### Sampling design

- population elements : individual holding any type of franchise
- elements: one franchise holders
- Sampling frame: franchises from Ahmedabad
- sampling size: 150
- Sampling method: non-probability convenience

**C. Data Collection Sources**

- 1) Primary data is collected through google forms and personal interviews of the samples.
- 2) Secondary data is collected from previous research papers and magazines.

**D. Statistical Tools**

Microsoft Excel 2021, SPSS and Google Forms is used for data analysis. For the measurement and analysis of the information gathered, appropriate mathematical and statistical techniques used.

**E. Limitation of the study**

- 1) Limited time:- The most unavoidable limitation lies in this study is the limited time constraint for conducting the research, as we got a time limit of 2 months it was not possible to conduct a detailed collection of data from throughout India.
- 2) Lack of respondents:-The major another problem is lack of respondents it is hard to get the respondents for the survey and it is the long process to convince respondents.
- 3) Limited geographic **area**:- The study is limited to the city of Ahmedabad.

**V. ANALYSIS**

Q1. Which industry does your franchise belong to?

Table 5.1.1 Franchise sector

Sector	Frequency	Percentage
Food and Beverage	110	73.33%
Retail	9	6.00%
Clothes	12	8.00%
Education	4	2.67%
Health and Fitness	5	3.33%
Jewellery store	3	2.00%
Opticals	3	2.00%
Hair & Beauty	1	0.67%
Shoes	1	0.67%
Securities and financial	1	0.67%
Electronics	1	0.67%
Total	150	100.00%

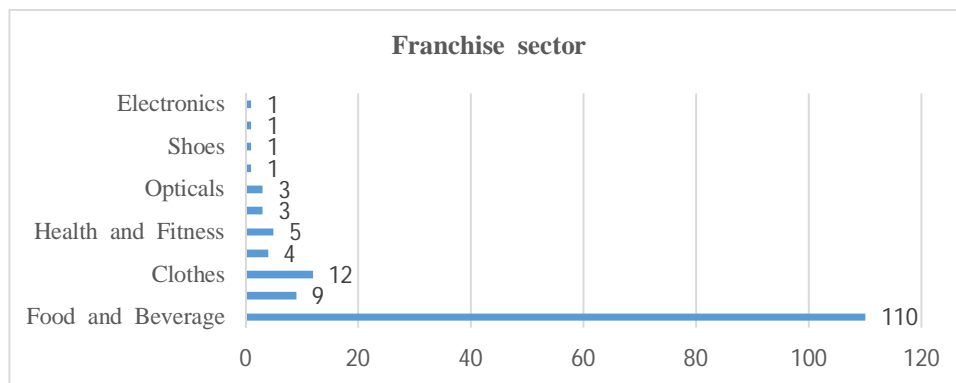


Fig 1: Franchise sector



Interpretation: from the graph we can see that most of the franchise are of food and beverage, then clothes are the second and the third one is retail stores, sectors like education, health and fitness, jewelry stores, optical, etc. have not so much significance.

Q2.How long have you been a franchise taker?

Table 5.1.2 Franchise taken time

	Frequency	Percent	Valid Percent	Cumulative Percent
1-2 year	33	20.9	20.9	20.9
3-5 year	89	56.3	56.3	77.2
6-8 year	24	15.2	15.2	92.4
more than 8 year	12	7.6	7.6	100.0
Total	158	100.0	100.0	

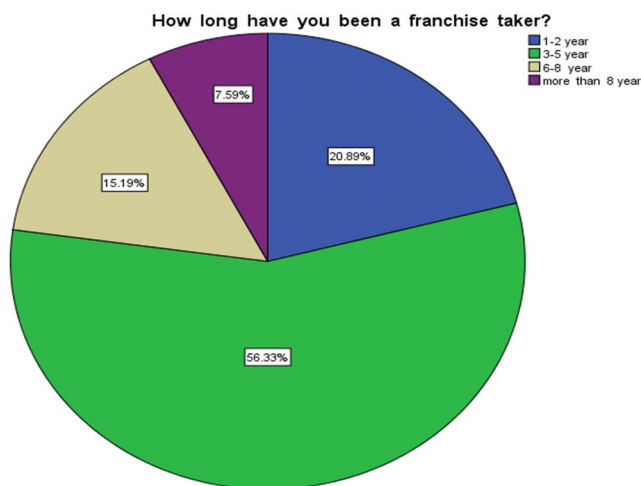


Fig :2 Franchise taken time

Q 3. Why did you select the franchise brand that you decided to take on?

Table 5.1.3 Reason behind taking particular franchise

Aspect	Frequency	Percentage
deep research and analysis	67	22.00 %
Recommendation from a trusted source	67	22.00 %
Personal interest in the brand	95	31.00 %
Available opportunities in your target market	76	25.00 %
Total	305	100.00 %

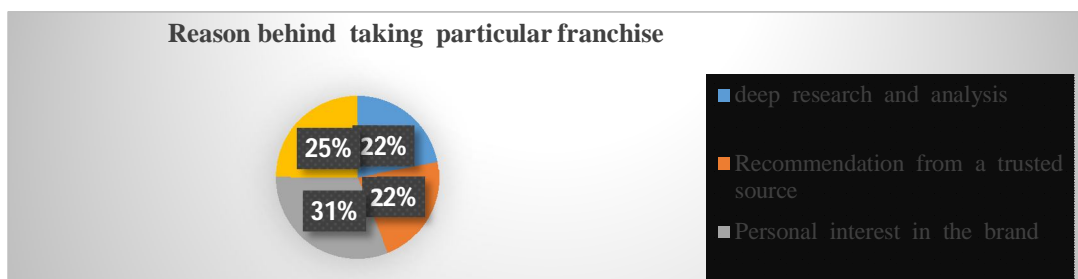


Fig 3 : Reason behind taking particular franchise

Interpretation: from the above data it is found that 31% of franchise takers before take franchise do deep research and analysis, 25% of franchise takers before own franchise take recommendation from a trusted source, 22% of franchise takers take franchise Reason is personal interest in the brand and 22% of franchise takers take franchise for available opportunities in target market.

Q4. What do you perceive as the biggest challenge when starting a franchise?

Table 5.1.4 The biggest challenge when starting a franchise

Challenges	Frequency	Percentage
high startup costs	70	24.48%
Finding suitable location	94	32.87%
Building brand awareness	67	23.43%
Competing with other businesses in the same industry	55	19.23%
Total	286	100%

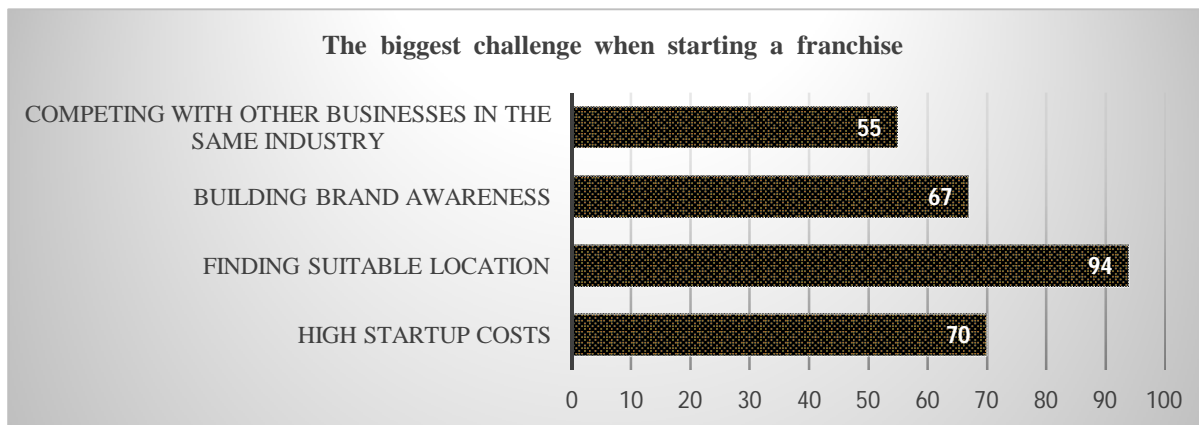


Fig 4 : The biggest challenge when starting a franchise

Interpretation: from the above data it can be interpreted that out of 150 franchise takers 94 franchise takers experienced that finding suitable location is the biggest challenge when starting a franchise, 70 franchise takers experienced that High startup costs is the biggest challenge when starting a franchise, 67 franchise takers experienced that building brand awareness is the biggest challenge when starting a franchise.

Q5. What are the major financial challenges you have encountered as a franchise taker?

Table 5.1.5 Major financial challenges

financial challenges	Frequency	Percentage
Initial Investment Strain	68	22.67%
Profitability Concerns	97	32.33%
Operational Costs	84	28%
Royalty Fee Pressures	51	17%
Total	300	100%

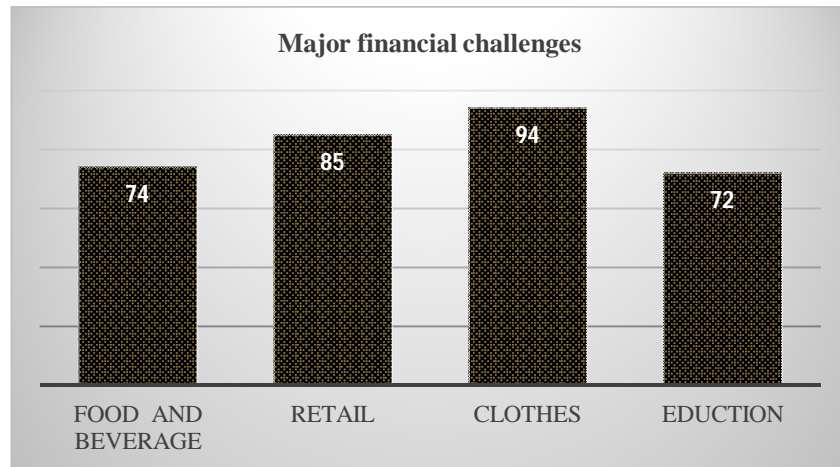


Fig 5: Major financial challenges

Interpretation: from the above data it can be interpreted that out of 150 franchise takers 97 franchise takers said Profitability concerns is the biggest financial challenge, 84 franchise takers said Operational cost is the biggest financial challenge, 68 franchise takers experienced that Royalty fee Pressures is the biggest financial challenge.

Q6.What challenges have you faced in staffing and hiring suitable employees for your franchises?

Table 5.1.6 Staffing and hiring challenges faced by franchiser

	Frequency	Percentage
Hard to find the right franchise takers	78	28%
Keeping employees around	71	26%
Other business snatching talent	63	23%
Making sure new hires fit in	65	23%
Total	277	100%

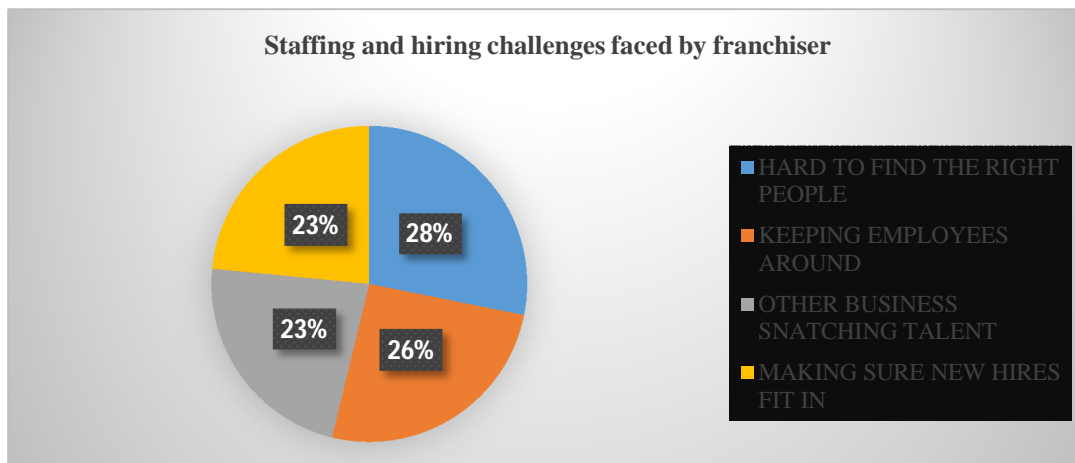


Fig 6: Staffing and hiring challenges faced by franchiser

Interpretation: from the above data showed that out of franchise takers 28% franchise takers said hard to find the right people is the staffing and hiring challenge, 26% franchise takers said keeping employees around is the biggest staffing and hiring challenge, 23% franchise takers said other business snatching talent and making sure new hires fit in business is the biggest financial challenge.

Q 7. How have you tackled the challenges faced with franchisor support?

Table 5.1.7 tackled the challenges faced with franchisor support

Aspects	Frequency	Percentage
Communicating concerns directly with the franchisor	91	40%
Taking advice from other franchisor	67	29%
Taking external professional advice	70	31%
Total	228	100%

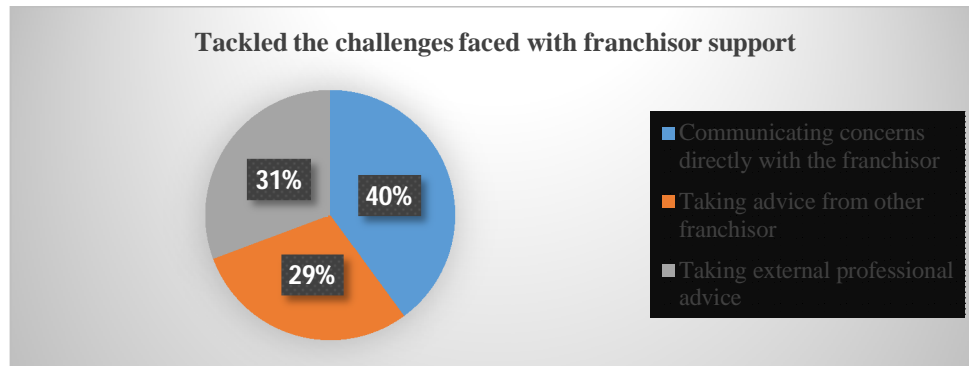


Fig 7: Tackled the challenges faced with franchisor support

Interpretation: from the above chart it is seen that 40% franchise takers tackled challenges faced with franchisor support with the help of communicating concerns directly with the franchisor, 31% franchise takers tackled challenge with the help of taking advice from other franchisor, 29% franchise takers tackled challenge with the help of taking external professional advice.

Q 8. How do you handle the pressure of meeting sales targets and revenue goals set by the franchisor?

Table 5.1.8 Handling the pressure for meeting goals

Taking steps	Frequency	Percentage
Strategic Planning	73	23.93%
Collaboration and Teamwork	75	24.59%
Continuous Training and Skill Development	81	26.56%
Effective Time Management	76	24.92%
Total	305	100%

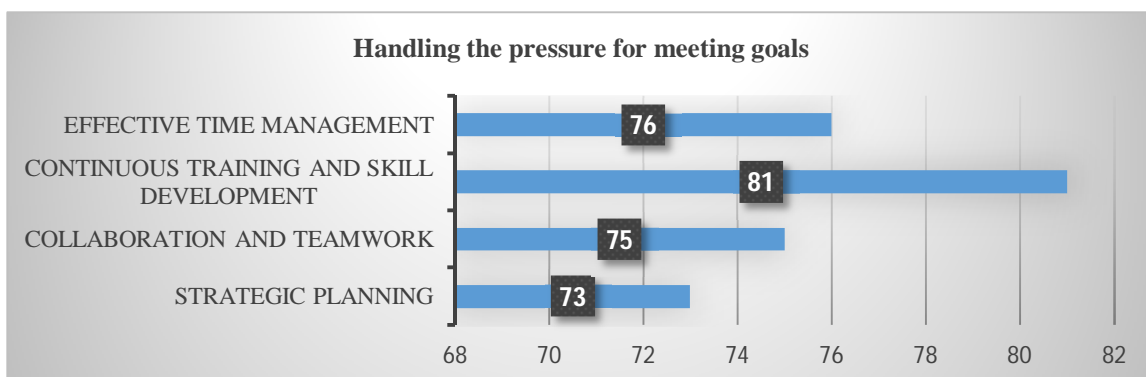


Fig 8: Handling the pressure for meeting goals



Interpretation: from the above chart showed that 81 franchise takers handling the pressure for meeting goals with the help of continuous training and skill development, 76 franchise takers handling the pressure with the help of effective time management, 75 franchise takers handling the pressure with the help of collaboration and teamwork. 73 franchise takers handling the pressure with the help of strategic planning.

Q.9. How do you handle competition from other franchise businesses in the same industry?

Table 5.1.9 Competition from other franchise

Steps	Frequency	Percentage
Unique Value Proposition	69	24.04%
Customer Service Excellence	99	34.49%
Regular Market Research	80	27.87%
Strategic Marketing	39	13.59%
Total	287	100%

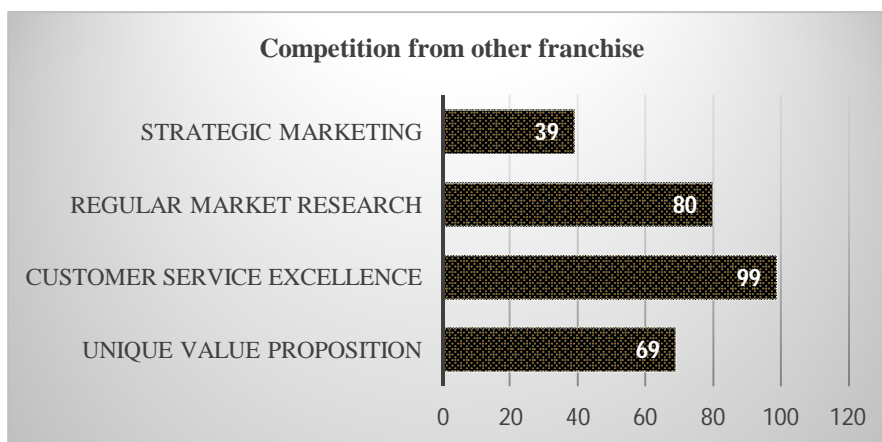


Fig 9: Competition from other franchise

Interpretation: from the above chart showed that 99 franchise takers handle competition from other franchise with the help of with help of customer service excellence, 80 franchise takers handle competition with the help of Regular market research, 69 franchise takers handle competition with the help of Unique value proposition. 39 franchise takers handle competition with the help of strategic marketing.

Q.10 Rate the level of difficulty in maintaining consistent quality standards set by the franchisor.

Table 5.1.10 Difficulty in maintaining consistent quality standards

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	39	24.7	24.7
	2	24	15.2	39.9
	3	35	22.2	62.0
	4	46	29.1	91.1
	5	14	8.9	100.0
	Total	158	100.0	100.0

Rate the level of difficulty in maintaining consistent quality standards set by the franchisor.

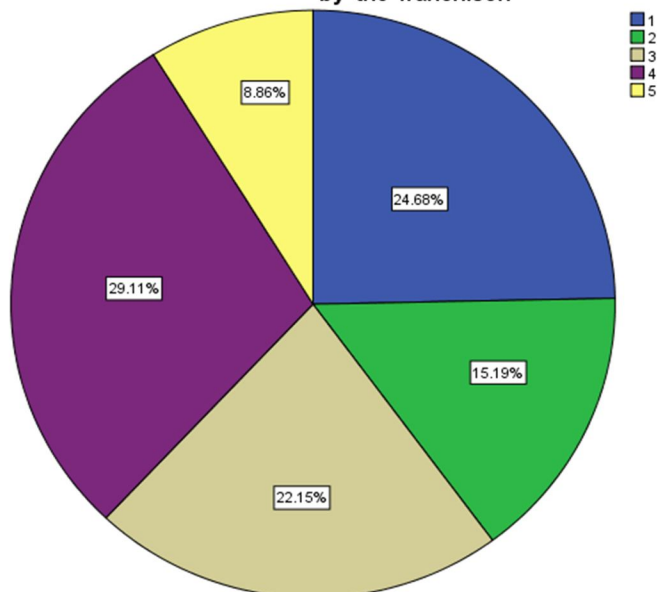


Fig 10: Difficulty in maintaining consistent quality standards

Interpretation: from the above data we can see that 24.7 % of franchise takers has given 1 rating, 15.2 % of franchise takers has given 2 star, 22.2 % of franchise takers has given 3 star, 29.1 % of franchise takers has given 4 star, 8.9 % of franchise takers has given 5 stars.

Q11. What strategies do you use to continuously improve and innovate your franchise businesses?

Table 5.1.11 Strategies used for improvement and innovation

Different strategies	Frequency	Percentage
Feedback Loops	74	27%
Market Research	99	35%
Innovation Workshops	78	28%
Pilot Programs	27	10%
Total	278	100%

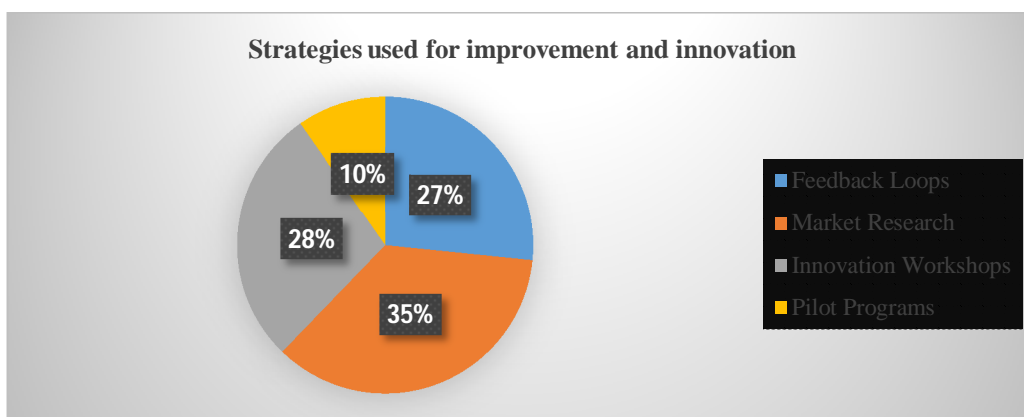


Fig 11: Strategies used for improvement and innovation

Interpretation: from the above data showed that 35% franchise takers do market research for improvement and innovation, 28% franchise takers conducted innovation workshop for improvement and innovation, 27% franchise takers consider feedback loops for improvement and innovation and 10% franchise takers conducted pilot Programs for improvement and innovation.

Q12.What marketing strategies do you use to promote your franchise business?

Table 5.1.12 Marketing strategies used for promoting the product

Promotional medium	Frequency	Percentage
Local Advertising	76	25.25%
Online Presence	87	28.90%
Partnerships and Collaborations	60	19.93%
Promotional Offers	78	25.91%
Total	301	100%

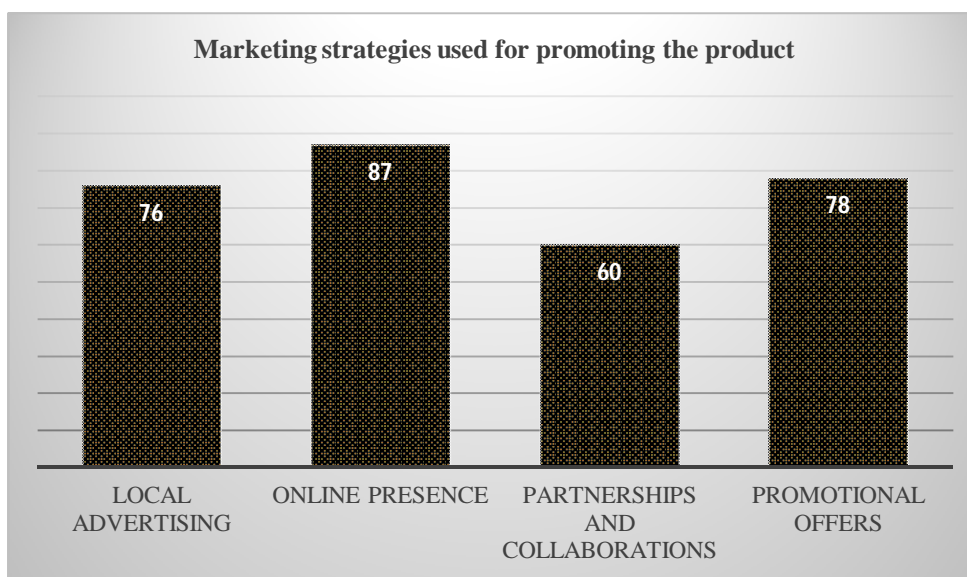


Fig 12: Marketing strategies used for promoting the product

Interpretation: from the above data showed that 87 franchise takers create online presence for promoting the product, 78 franchise takers give promotional offers for promoting the product, 76 franchise takers give local advertising for promoting the product and 60 franchise takers partnerships and collaborations for promoting product.

Q13.In your opinion, what is the primary problem faced by franchisees in meeting customer expectations?

Table 5.1.13 Primary problem faced by franchisees to meeting customer expectations

Problems	Frequency	Percentage
Inconsistent product/service quality across locations	80	33%
Difficulty in adapting to changing customer preferences	94	39%
Inadequate marketing and advertising support from the franchisor	66	28%
Total	240	100%

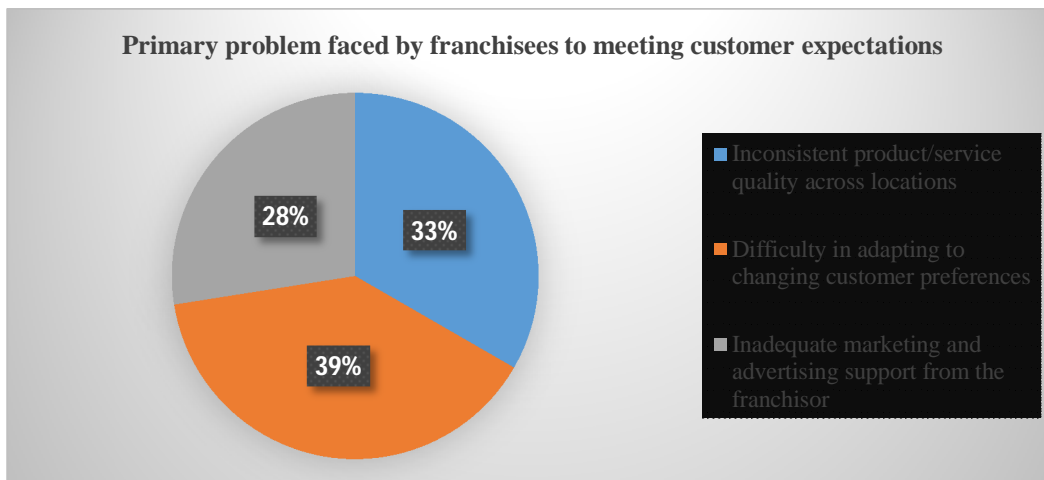


Fig 13: Primary problem faced by franchisees to meeting customer expectations

Interpretation: from the above data show that 39% of franchise takers primary problem faced by franchisees to meeting customer expectation due to inconsistent product/service quality across locations, 33% of franchise takers primary problem faced by franchisees to meeting customer expectation due to difficulty in adapting to changing customer preferences, 28% of franchise takers primary problem faced by franchisees to meeting customer expectations due to inadequate marketing and advertising support from the franchisor.

Q14.How would you rate your overall satisfaction with the franchisor's support, guidance, training and programs?

Table 5.1.14 overall satisfaction with the franchisor's

	Frequency	Percent	Valid Percent	Cumulative Percent
2	6	3.8	3.8	3.8
3	33	20.9	20.9	24.7
4	45	28.5	28.5	53.2
5	74	46.8	46.8	100.0
Total	158	100.0	100.0	



Fig 14: overall satisfaction with the franchisor's

Part - B

Cross-tab with chi-Square

Variable 1 :- Overall Satisfaction of franchisor

Variable 2 :- Franchise taken time

Table 5.2.1 Normality test

	How long have you been a franchise taker?	Cases					
		Valid		Missing		Total	
		N	Percent	N	Percent	N	Percent
How would you rate your overall satisfaction with the franchisor's support, guidance, training and programs?	1-2 year	33	100.0%	0	0.0%	33	100.0%
	3-5 year	89	100.0%	0	0.0%	89	100.0%
	6-8 year	24	100.0%	0	0.0%	24	100.0%
	more then 8 year	12	100.0%	0	0.0%	12	100.0%

Table 5.2.2 Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
How would you rate your overall satisfaction with the franchisor's support, guidance, training and programs? * How long have you been a franchise taker?	158	100.0%	0	0.0%	158	100.0%

Crosstabulation :-

Table 5.2.3 How would you rate your overall satisfaction with the franchisor's support, guidance, training and programs? \* How long have you been a franchise taker?

Count	How long have you been a franchise taker?				Total	
	1-2 year	3-5 year	6-8 year	more than 8 year		
How would you rate your overall satisfaction with the franchisor's support, guidance, training and programs?	2	0	4	1	1	6
	3	7	16	5	5	33
	4	8	29	7	1	45
	5	18	40	11	5	74
Total	33	89	24	12		158



Table 5.2.4 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.878 <sup>a</sup>	9	.546
Likelihood Ratio	9.051	9	.433
N of Valid Cases	158		

- 6 cells (37.5%) have expected count less than 5.
- The minimum expected count is .46.

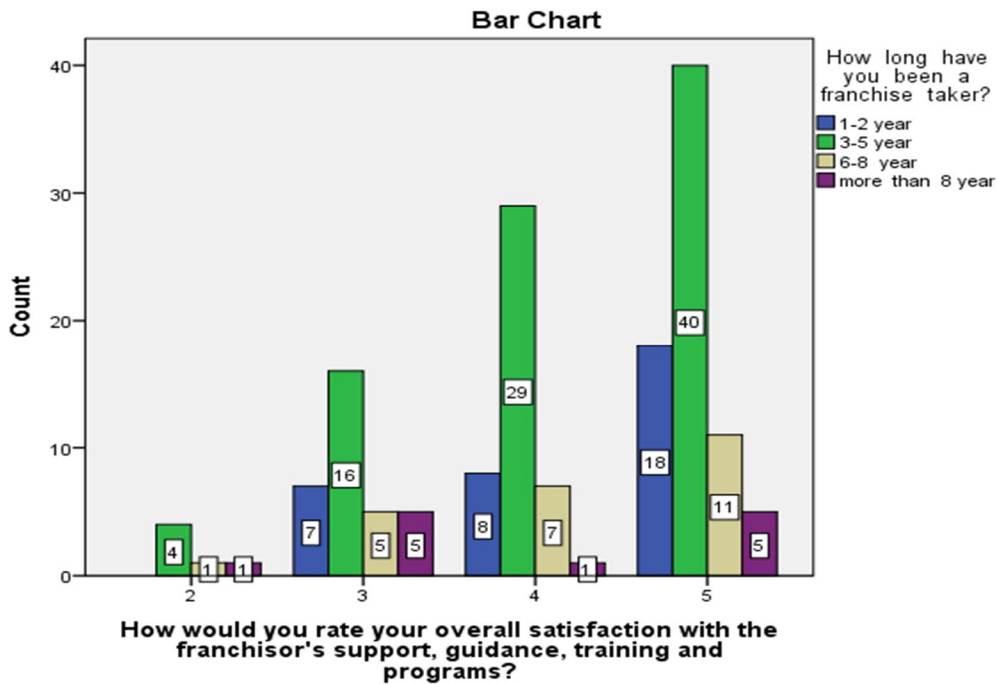


Fig 15: Franchise taken time

The above crosstab is also taken as Chi-square.

Table 5.3.1 Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
How long have you been a franchise taker? * Rate the level of difficulty in maintaining consistent quality standards set by the franchisor.	158	100.0%	0	0.0%	158	100.0%

For that hypothesis are

Hypothesis H0 : There is no Significant association between Franchisor overall satisfaction and franchise taken time.

Hypothesis H1 : There is Significant association between Franchisor overall satisfaction and franchise taken time.

Interpretation :- The test shows that significance value is more than 0.05 that's why we Accept H0(null hypothesis). That's means there is no significant association between Franchisor overall satisfaction and franchise taken time.

Part-C:- CHI- SQUARE TESTS

Variable 1 :- Franchise taken time

Variable 2 :- Maintaining consistent quality standards

Hypothesis H0 : There is no Significant association between Franchisor taken time and Maintaining consistent quality standards.

Hypothesis H1 : There is Significant association between Franchisor taken time and Maintaining consistent quality standards.

Table 5.3.2 How long have you been a franchise taker? \* Rate the level of difficulty in maintaining consistent quality standards set by the franchisor. Crosstabulation

		Rate the level of difficulty in maintaining consistent quality standards set by the franchisor.					Total
		1	2	3	4	5	
How long have you been a franchise taker?	1-2 year	9	5	7	12	0	33
	3-5 year	23	11	17	30	8	89
	6-8 year	4	6	7	3	4	24
	more than 8 year	3	2	4	1	2	12
Total		39	24	35	46	14	158

Table 5.3.3 Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.066 <sup>a</sup>	12	.238
Likelihood Ratio	18.469	12	.102
N of Valid Cases	158		

- 8 cells (40.0%) have expected count less than 5.
- The minimum expected count is 1.06.

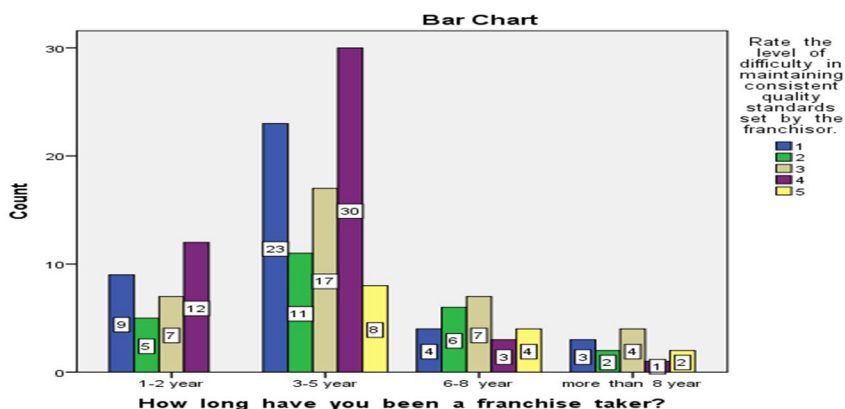


Fig 16: Maintaining consistent quality standards

Interpretation :- The test shows that significance value is more than 0.05 that's why we Accept H0(null hypothesis). That's means there is no significant association between Franchise taken time and Maintaining consistent quality standards.

ANNOVA TEST

Null Hypothesis (H0):

There is no significant difference in the maintain quality standards across elements of believe contribute to a satisfying franchise experience.

Alternative Hypothesis (H1):

There is a significant difference in the maintain quality standards across elements of believe contribute to a satisfying franchise experience.

**Hypothesis Test Summary**

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Rate the level of difficulty in maintaining consistent quality standards set by the franchisor, is the same across categories of What strategies do you use to continuously improve and innovate your franchise businesses?.	Independent Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Table 5.3.7 ANNOVA non parametric

Interpretation :- The test shows that significance value is less than 0.05 that’s why we Rejected H0(null hypothesis). That’s means there is significant association between maintain quality standards and continuously improve and innovate franchise business.

## VI. FINDINGS

Data clearly show that most of franchise taker take Food and Beverages franchises.

Survey data show that commonly franchise taken time is 3-5 years and 7.6% franchiser holding franchise more than 8 years. Opportunity for growth and profit is most motivational factor taking franchise and also 31% franchise taker motivated to Desire to be their own boss. Franchiser to select particular brand franchise before some aspect to be consideration such as Available opportunities in target market, Personal interest in the brand, Recommendation from a trusted source and do deep research and analysis. the biggest challenge when starting a franchise is Finding suitable location and high startup costs. Major financial challenges in franchise models include is Profitability Concerns, Operational Costs and Initial Investment Strain. Major challenges in staffing and hiring suitable employees for franchises are hard to find the right people, keeping employees around and other franchisers snatching talent. Most of franchise taker tackled challenges by Communicating concerns directly with the franchisor and Taking external professional advice. Most of franchise taker handle the pressure of meeting sales targets and revenue goals by continuous training and skill development, Effective time management and collaboration & teamwork. franchise business taker deal with economic fluctuations and market uncertainties by monitor market trends and Flexible budget plan. Franchise taker handle competition from other franchise businesses in the same industry by customer service excellence, Regular market research and unique value proposition .Franchise taker faced difficulty in maintaining consistent quality standards. Market research, innovation workshops and Feedback loops this strategies uses by franchise taker to continuously improve and innovate their business. Most of the franchise owner use online presence, promotional offer and local advertisement for promoting there franchise and it is the efficient way for it. The mostly primary problem faced by franchisees in meeting customer expectations are Difficulty in adapting to changing customer preferences and Inconsistent product/service quality across locations. Most of franchise have problem with limited funds for marketing and advertising, reduced ability to invest in necessary equipment and resources while giving high franchise fee. advantages of choosing a franchise model for a business are Access to an established brand and customer base are Ongoing support and training from the franchisor. High-quality products or services, Convenient location, Excellent customer service and Competitive pricing are the elements contribute to a satisfying franchise experience. Most of the people are overall satisfied with the franchisor's support, guidance, training and programs.

## VII. CONCLUSION

Having a franchise means you are in the business by yourself, but of course, it is not without its difficulties. The franchisees encounter difficulties in several fields that include finance, management, and brand management. Even though these barriers are great, their understanding and being strategic about them may be of great help to the franchisees in reaching success.

The findings revealed that franchise taker focused on such area as consistency in quality, training and skill development and online presence.

Through rigorous evaluating of franchise openings, getting enough money, following brand standards while adjusting to local markets, and building strong links with both franchisors and employees, franchisees can increase the prospect of overcoming these difficulties and having successful businesses.

## VIII. ACKNOWLEDGEMENT

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