

Project Dissertation Report on

**Comparison between Starting an Independent
Quick Service vs Buying a franchise**

Submitted By

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DECLARATION

I, Aayush Kathuria student of Delhi School of Management, Delhi Technological University hereby declare that the Major Research Project on Comparison between Starting an Independent Quick Service vs Buying a franchise submitted in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (MBA) is the original work conducted by me.

I also confirm that neither I nor any other person has submitted this project report to any other institution or university for any other degree or diploma. I further declare that the information collected from various sources has been duly acknowledged in this project.

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Executive Summary

This research paper conducts a comprehensive financial comparison between fast food franchise startups and independent Quick Service Restaurant (QSR) startups. The study aims to provide insights into the financial implications of choosing between franchising and independent ownership in the fast-food industry. Qualitative evaluation, key financial metrics including initial investment, operating costs, brand recognition, support and training, profitability, and growth potential are examined.

The research utilizes industry data, financial reports, and case studies to analyze the differences in initial investment requirements for both types of startups. It investigates the impact of franchise fees, royalties, and ongoing operating costs on the financial performance of franchise ventures compared to independent QSR establishments. Additionally, the study assesses the influence of brand recognition on customer acquisition and revenue generation for franchise and independent restaurants.

Furthermore, the research evaluates the level of support and training provided by franchisors to franchisees and contrasts it with the autonomy and flexibility enjoyed by independent QSR owners. Through comparative analysis, the paper elucidates how these factors affect the operational efficiency and long-term viability of fast food businesses.

Moreover, the study explores the profitability dynamics of fast food franchise startups versus independent QSR startups, considering factors such as overhead costs, revenue streams, and profit margins. It also delves into the growth potential of both types of ventures, examining the scalability, expansion opportunities, and market penetration strategies available to franchise and independent operators.

By synthesizing empirical findings and industry insights, this research contributes to a better understanding of the financial considerations involved in choosing between fast food franchise startups and independent QSR startups. The findings offer valuable guidance to entrepreneurs, investors, and industry stakeholders seeking to make informed decisions in the competitive landscape of the fast-food industry.

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Introduction

Background

Introduction to the hospitality business encompasses a diverse industry that revolves around providing services to guests, customers, & travellers. It covers a broad spectrum of industries, including as amusement parks, cruise lines, hotels, restaurants, resorts, & event planning.

The hospitality industry is broad & dynamic, catering to various needs & preferences of guests. It focuses on providing experiences rather than just products, emphasizing customer satisfaction & loyalty.

Hospitality businesses can be categorized into several segments, including:

Accommodation: Hotels, motels, resorts, hostels, vacation rentals, etc.

Food & Drink: cafes, restaurants, bars, caterers, etc.

Airline, cruise line, tour operator, travel agency, etc. are examples of travel & tourism.

Entertainment & Events: Theme parks, theatres, casinos, & more.

The food & beverage (F&B) sector within the hospitality industry focuses on providing culinary experiences & beverage services to guests.

Fast-food & quick service restaurants (QSRs) are types of food business establishments that specialize in providing convenient, fast, & often affordable meals to customers. While they share similarities, there are some distinctions between the two:

Fast-Food Restaurants:

Fast-food restaurants are renowned for their uniform menus, prompt service, & high standards of quality. Usually, they have a small selection of rapidly produced, easily consumed foods that are presented in single-use containers.

Fast-food restaurants often have drive-thru windows, allowing customers to order & receive their food without leaving their vehicles.

Quick Service Restaurants (QSRs):

Quick service restaurants offer a similar fast & convenient dining experience as fast-food restaurants but may have a broader menu selection & a slightly higher quality of food.

They may offer a mix of freshly prepared items alongside pre-packaged or partially prepared options.

QSRs may include a variety of cuisines & concepts, such as pizza chains, sandwich shops, salad bars, & coffee shops.



Starting an independent food business:

When you start an independent food business, there are several key steps & considerations to keep in mind:

1. Focus on consistency and quality: Use superior ingredients, follow strict hygiene and food safety standards, and make sure your food tastes and looks reliable.
2. Create a strong brand image: A strong brand image will help you stand-out your business from those of your competitors and attract customers.
3. Hire a skilled team: Train your workers to provide exceptional customer service, maintain high standards of hygiene and food safety, and manage inventory efficiently.
4. Secure financing: Consider self-financing, take a loan from a financial institution, or ask for investment from venture capitalists or private equity investors.

5. Develop a business plan: It should include statistics about your menu, pricing strategy, marketing plan, staffing requirements and financial predictions.
6. Register your business: Obtain licenses and permits from the Food Safety and Standards Authority of India (FSSAI), your local health department and your municipality.
7. Do market research: It helps you develop a Unique Selling Proposition (USP) and differentiate your business from your competitors.
8. Consumer feedback: Use customer feedback to improve your menu, customer service and overall experience.

Franchising

A franchise, also known as franchising, is a method of product or service distribution in which a franchisor creates the brand's trade name & trademark as well as the business system, & a franchisee pays an initial fee & a royalty in exchange for the right to operate under the franchisor's name & system.

What often occurs when you take a food brand franchise:

1. Documentation: The first step is to complete the necessary documents with the franchise service provider.
2. Create a legal entity: Once all the documentation is ready, it is important to create your own legal entity to avoid potential problems in the future.
3. Signing the Franchise Agreement: Since you will be filling out the licensing documents, this is one of the most important steps in this business plan.
4. HRM (Human Resource Management): You must consider and identify the different types of workers needed at each stage.

5. Tax and other regulations: This is where you can gain control and increase your chances of tax savings.

7. Marketing & Advertising: It might be important for you to make a contribution to a marketing funds or take part in joint advertising campaigns as a franchisee.

A food brand franchise can be a turnkey solution for would-be business owners, giving them access to already tested business plan, well-known brands, training, & support from the franchisor. Before committing, it's critical to fully investigate, comprehend the terms of the franchise agreement, & determine whether the opportunity fits with your expectations, goals, & resources.

Problem Statement

The decision to buy a franchise or start an independent food business is a difficult situation faced by aspiring upcoming entrepreneurs in the food industry. A franchise has the advantage of an established brand, support and greater success, while independent businesses offer flexibility, unlimited growth potential and higher profit margins. Understanding the pros and cons of each option is important to making an informed decision that matches individual goals, resources, and preferences. Ultimately, success is about choosing the path that best suits the entrepreneur's skills, desires and risk appetite.

Following is the breakdown of the key aspects & considerations associated with buying a franchise vs starting your own food business:

1. Initial Financial Investment

- Many business owners use their personal savings and the sale of stocks, bonds, etc. to pump start-up cash into their business. Just make sure you have enough savings to sustain you until you have an income for your business and start making a profit.
- Starting your own food business may require less upfront capital comparatively, as you have more flexibility in sourcing equipment, supplies, & location. Nevertheless, you will still need to consider startup costs such as lease agreements, equipment purchases, permits/licenses, & initial inventory.

2. Brand Recognition

- Franchises have the benefit of well-established consumer loyalty & brand awareness, which helps to draw customers & speed up revenue generation.
- Starting your own food business allows you to build your own brand identity from scratch, giving you creative control over branding, marketing, & positioning in the market. However, building brand awareness & gaining customer trust may take more time & effort comparatively.

3. Business Model & Support

- A franchise offers a tested business plan, operating formats, & continuous assistance from the franchisor in the form of marketing, supply chain management, company development, & training.
- Starting your own food business requires you to develop your own business model, systems, & formats. While this offers higher flexibility & autonomy, it also requires more large-scale planning, research, & resource allocation.

4. Market Opportunities

- Franchises may offer entrance to prime locations, market data, & insights into consumer preferences, helping you identify money-making market opportunities & potential areas for growth.
- Starting your own food business allows you to explore niche markets, innovate with your own unique concepts, & differentiate yourself from competitors. However, you need to conduct thorough market research to assess demand, competition, & trends of market.

5. Risk & Return

- Buying a franchise may provide a lower risk compared to starting your own business, as you are leveraging an established brand, proven business model, & support network. Whereas, franchise success is not guaranteed, based on factors such as market conditions, location, & management which can still impact profitability.

- Starting your own food business involves greater risk but also undoubtedly higher returns, as you have higher control over your business strategy, operations, & growth path. Success depends on factors such as market demand, execution, differentiation, & adaptability to changing as dynamic market conditions.

6. Personal Preferences & Goals

- Your personal skills, experience, & long-term goals should also influence your decision-making. Review factors such as lifestyle flexibility, passion for entrepreneurship, desire for creative control, tolerance for risk, etc.

Objectives of the study

Objectives for a study comparing the decision to buy a franchise versus starting an independent food business:

1. To determine the primary factors affecting the Decision-Making Process
 - Determine the essential factors that entrepreneurs consider while evaluating the choice between buying a franchise vs starting their independent food business.
 - Explore the importance of factors such as initial financial investment, brand recognition, risk assessment, market opportunities, business model & personal preferences.
2. To examine the need for initial investment & other financial considerations
 - Both an independent restaurant and a franchise business require large investments. When you own and operate your own restaurant, you are responsible for all necessary overhead costs such as marketing, inventory, raw materials and equipment. However, the difference is that you are free to decide how much to invest, when to invest and in which area to invest.
 - However, when you invest in a franchise, there are certain one-time fixed costs and certain recurring costs that are non-negotiable. These are onetime franchise fees, fixed license fees, marketing and advertising fees, etc.
franchisor.
3. To assess return on investment & risk factors

- The main goal of any business is to make money. Franchise model and independent business model differ in terms of daily operating costs, marketing costs, fixed costs and also profitability. It is very important to evaluate and compare the ROI of both models and make sure it meets your financial goals. This should be the biggest factor in deciding whether to choose a franchise or an independent business.

4. To Assess Brand Recognition & Market Positioning

- Study the role of brand recognition in identifying consumer perspective, market competitiveness, & revenue generation for franchises vs independent food businesses.
- Ascertain strategies for building brand awareness, customer loyalty & market differentiation for both buying franchise & starting your own independent food businesses.

5. To Study a Business Models & Operational Support

- To maintain a favorable brand image in the market, the franchise restaurant receives continuous support from the franchisor. The parent company also offers a franchise training program that helps franchisees understand the business model and acquire the knowledge and skills needed to successfully operate a franchise location.
- However, starting a business from scratch is not an easy task, especially if it is an entrepreneur who has no previous knowledge and experience in managing a business. This requires you to research on current market trends, conducting a competitive analysis, defining your target market, and developing an effective marketing plan.

6. To Examine Market Opportunities & Competitive Landscape

- Analyse market trends, consumer preferences, & competitive dynamics in the food industry to identify potential opportunities & challenges for franchises & independent food businesses.
- Explore niche markets, emerging trends, & innovative concepts that may favour one approach over the other in terms of market penetration & growth potential.

7. To Provide Recommendations & Guidance for Prospective Entrepreneurs

- Synthesize research findings into actionable results, recommendations, & best practices, to guide prospective entrepreneurs in making informed decisions about franchising versus independent food business ownership.

- Develop practical strategies, decision-making frameworks, & resources to help entrepreneurs study their options, evaluate trade-offs, & navigate through the complexities of starting & growing a successful food business.

By addressing the above specific objectives, this study hopes to give entrepreneurs thinking about whether to create their own food business or purchase a franchise intuitive advice that will ultimately allow them to make decisions that are in line with their dreams & goals.

Literature Review

1. **According to**(Gandhi Mahavidyalaya, 2022)

The difficulties & opportunities of creating & running several fast-food restaurants under an area development agreement are the main topic of **Dr. Alexey Nabatov's (2014)** reference, **"Challenges & Opportunities of Multi-unit Franchising in Fastfood Industry: Franchisee's Perspective."** She also pointed out the concerns that a potential franchisee needs to have in order to run his mini-chain profitably. The majority of the flaws discovered in the study's results are those that were anticipated. Proposals on unit allocation, outlet closeness, free-riding issues, product uniformity, knowledge transfer, & local advertising techniques are among the research's outputs that have received support. The study began by outlining the advantages & limitations that influence a franchisee's decision to choose this form of ownership. It then went on to discuss the potential & difficulties involved in creating & managing a number of locations. Several assumptions were formed for this study based on earlier research, & these assumptions were then put to the test by collecting & evaluating data through interviews with big area developers. The results show that franchisees with area development agreements are not always confronted with the agency issues that arise from their store managers. Another significant consideration in allocation selections is the proximity of adjacent units. Furthermore, an area development agreement allows a mini-chain to maintain its positive reputation by managing every restaurant in the market & preventing issues with other franchisees taking advantage of their free rides

In 2017, **Guillermo Navarro Sanfelix & Francisco Puig** published a reference titled **"New challenges in franchisor-franchisee relationship: An analysis from agency theory perspective"** This article focused on agency theory, which examines the contractual relationships between principal & agent & has primarily been used in traditional industries where standardisation of processes & procedures is possible, such as restaurants, retail stores, & travel agencies. Researchers have also discussed the agency issue & risk sharing in franchising. The more conventional franchise approach is predicated on the idea that the principal & agent have a symmetric & constant relationship over time; however, the emergence of new industries & realities highlights an agency problem (AP) that stems from discontinuities & asymmetries that call into question the model's efficacy. Later in the relationship, it may be

more profitable to take advantage of the entrepreneur franchisee's resources & unique qualities on their own, as these can be challenging for the franchisor to standardise.

Using The San Francisco Coffee House as a reference case, **Dr. Ilan Alon & Mirela Alpeza** (2007) focused on issues pertaining to the implementation of franchising business models in Croatian companies in their reference work "**Opportunities & Threats Regarding the Development of the Franchising Business Model in Croatia.**" The study examined the advantages, disadvantages, & implications of microeconomic franchising concept adaptation. In addition to adding to the body of knowledge regarding Croatian franchising, this study 6 investigated the state of franchising in Croatia & advanced theoretical research on international franchising. Consequently, a wide range of stakeholders—including managers, investors, prospective business owners, service providers (financiers & consultants), legislators, & theoretical researchers—benefited from this study. The main obstacles Croatian businesses must overcome in order to create their own networks are exemplified by the obstacles the San Francisco Coffee House had when developing a franchise network.

In her 2021 reference, "**Challenges faced by the food industry under franchising sector**" **Susan Chacko, R. Sumathi** concentrated on the difficulties faced by food franchisees in the Chennai area. Researchers, academics, & business executives participated in semi-structured interviews to determine the issues that seriously jeopardise food franchises. In their research findings, they discovered the data collected led to the identification of nine difficulties. Customer satisfaction, human resources, the economy, the competitive environment, integration, innovation, resources & capabilities, supply chain management, & ecosystem & government regulations were the issues that were noted as problems.

Lee Kyuho (2010). The author of the reference "Critical Issues & Challenges in the Management of International Restaurant Franchises: Franchisee Perspective" concentrated on important topics such as restaurant site selection, franchisor selection criteria, & training requirements that impact foreign franchisees running foreign franchise restaurants in Korea. The study's findings showed that the two most crucial aspects that respondents take into account when choosing an international franchisor are a highly effective franchise system & a fair franchise contract. The study's findings also showed that department shops & malls were the locations of choice for restaurant franchises. Based on the findings of this study, restaurant

executives in the United States who are involved in international restaurant franchising or who are seeking to establish international restaurant franchises in Asian nations can create a competitive international franchising strategy.

2. According to (Zdenka Hostová,)

This thesis seeks to educate the reader on the procedures, advantages, & challenges associated with launching a retail food business in the hotel sector. The majority of us operate in free market economies, & there are a variety of factors that influence our decision to conduct business in this manner. With an emphasis on the retail food market, I have written about two distinct business organisations in my thesis: a franchise & a privately held company. The catering needs of businesses such as restaurants, cafés, & bars will receive the most attention.

Firstly, I define the term "franchising," which is quite new. I then provide some historical context, describing how franchise firms came to be, how they have evolved, & how things stand now in the Czech Republic. I've gone into great depth on the advantages & disadvantages of each kind of business. I'll focus on the information that each of them provided, information that applies to restaurant & retail food businesses in general, & I'll also highlight the ways that they differ from one another. I have made an effort to assess which kind of business has the best chance of succeeding throughout the entire thesis. A solid franchise model for one business might not work for another, & the retail food & restaurant market is a largescale industry with many variables, thus the answer to this question may not be conclusive. As you will see in the next sections, the expertise of the individuals running a firm plays a critical role in its success. This study compares all aspects of starting & operating a retail food business—private & franchised—with reference to a few well-known, already-existing companies. I'll also concentrate on the potential causes of small independent firms' failures & possible solutions for them to contend with the influx of well-established franchise enterprises in the Czech Republic. Additionally, I want to demonstrate that independent, distinctive, small, & large retail food businesses can still succeed & that little people can take on the major players in the industry.

Franchising in Czech Republic

Following the political & economic upheavals in the Czech Republic in 1989, franchising began to take root there. The most well-known fast-food chain in the world, McDonald's, YVESROCHER, which offers French natural cosmetics, & OBI, which provides building

supplies & do-it-yourself stores, are the oldest franchises in operation in the Czech Republic. Because the economy was not conducive to operating these kinds of firms, they were not particularly popular at the start of the 1990s. People who owned their own small businesses were either ignorant of the franchise model or lacked the necessary funds or skills to invest due to the unfavourable state of the banking system.

An important event was the establishment of the Czech Association of Franchising in 1993. Its main role is to support franchising especially by promoting the franchises existing on the Czech market.

3. According to (Shah et al.)

Given how quickly the world is changing in the modern era, it is imperative to adapt to current trends. It is necessary to stay up to date with the ever-evolving markets & societal conditions. In our nation, more recent innovations like franchising are highly well-liked; yet, Nirula Foods' first franchise debuted in or around 1977. Since then, as a result of globalisation, India was opened to the outside world in 1991, & international businesses like McDonald's & Dominos entered the Indian market, escalating the level of competition overall. Establishing a successful franchising company involves many decisions.

The Founder, which provides a particularly clear feel of the corporate methods employed to control the present economy, does a wonderful job of depicting these concerns. However, as we all know, a customer's perspective of anything determines its reality, thus all they know is accurate. Modern consumers have higher expectations, & in order for these fast-food restaurants to continue operating, they must meet this demand. Numerous issues have surfaced with this competition; these are covered in the report that follows. Let's talk about how the franchising system works & how people profit from it before we go on to these difficulties. Launching a food company is the first step. However, it takes years of effort to develop a recognisable brand name that draws clients from all over the world. Franchising could make sense as a starting point for someone wishing to get into the restaurant business. The journey is expedited by the addition of a recognisable brand name. Now, a crucial query to consider is, "Is franchising a profitable business in India?" Restaurant India estimates that the Indian franchising market is worth \$24 billion, & by 2020, it is projected to grow to \$35 billion. Thus, there is a great deal of room for expansion & opportunity for this business to gain market share. Let's start by examining the operation of a franchise company model.

The goal of this research is to examine the operational constraints & difficulties that franchisors & franchise holders encounter. This study also demonstrates the great potential for these kinds of franchise outlets, given the competitive environment & the large number of eager consumers who are eager to test out novel ideas in the real world.

**4. According to (TC Okeke & MC Muo, ECONOMIC DEVELOPMENT
ORGANISED BY FACULTY OF MANAGEMENT SCIENCES, NNAMDI AZIKIWE UNIVERSITY)**

A scenario known as franchising occurs when a manufacturer, or franchiser, provides a retailer or wholesaler, or a structured way of doing business, along with preestablished plans for place, advertising, pricing, & goods. In this arrangement, a larger company permits smaller companies to operate under its brand while the larger company provides the necessary products in accordance with the terms specified in the franchise agreement. It is predicated on the goodwill, product, service, or business model that the franchisor has established. The idea, which enables a manufacturer to create & maintain a cooperative distribution network in addition to a number of independent business operators, seems to be among the best tactics hatched during the 1970s.

A manufacturer only needs channel cooperation when setting up a channel system since he is fully aware that cooperative channel members can more successfully serve target markets. Customers want to feel confident in the products they are purchasing, & this is best accomplished when the system is perceived as a whole. According to Mc-Cammon (1965), who defined franchising as "a professionally managed & centrally programmed networks, pre-engineered to achieve operating economics & maximum market impact," franchising serves this aim as a marketing technique. The purpose of franchising was to regulate channel behaviour & remove the friction that arises when autonomous channel members follow their own goals. Although fast food chains like McDonald's & Kentucky Fried Chicken, among others, have benefited from this tactic recently, franchising as a marketing & entrepreneurship strategy may seem novel given the advent of these businesses. However, the idea dates back to the early days of the First World War, when car dealerships were established (Hesket, 1976, p. 288). He continued by pointing out that in 1970, franchising accounted for more than one-fourth of all retail sales in the United States. The American economy greatly benefits from franchising. According to estimates from the International Franchise Association (IFA), the

U.S. economy has benefited from franchising to the tune of \$1.5 trillion (Entrepreneur-Com, 2006). As a result, the idea is thought to be the most intriguing & quickly expanding retailing trend of the past few years. Cars, petrol, fast food, rental services, & other items are among the many retail-level products & services offered under franchising agreements. This suggests that almost every product is a good fit for franchising. The idea was introduced to Nigeria in the late 1970s with the establishment of the Independent Petroleum Marketers Association & during the oil boom. The right to open stores & participate in the distribution process is given to these independent marketers.

Some fast-food chains in Nigeria, such as Mr. Biggs & Chicken Republic, have also adopted this idea. Peugeot Automobile of Nigeria, on the other h&, gives independent company owners the sole right to deal with them for sales in specific regions.

3. Research Methodology

A. Type of study

An exploratory study is a kind of research design that looks into a topic or phenomenon in a very basic way. Its primary objectives are to gather information, come up with theories, and to understand the nature of the topic being studied. When there is little current information or understanding of the subject field, exploratory studies are typically done, in order to investigate and discover novel and innovative viewpoints, concepts, or connections.

Significant characteristics of exploratory studies include:

1. **Flexibility:** As exploratory investigations are designed to be flexible, researchers may alter their methodology, techniques, and objectives of study in response to new information and preliminary results.
2. **Qualitative Research Methods:** Focus groups, interviews, observations, case studies, and other qualitative research techniques are being commonly used in exploratory investigations to collect accurate, descriptive data and analyse the diverse subjective experiences, opinions, and behaviours of participants.
3. **Open-Ended Research Questions:** The focus is on understanding the underlying phenomenon in depth rather than confirming predetermined notions or hypotheses.
4. **Inductive Analysis:** Data analysis in exploratory studies often involves inductive reasoning, where several patterns, themes, & relationships that emerge from the data through a process of coding, categorization, & thematic analysis. Researchers seek to identify recurring themes, trends, or patterns that may inform further research or theory development.

Exploratory studies are commonly used in the early stages of research projects, especially in fields where the phenomena under study are complex, multifaceted, or poorly understood. They can help researchers explore new research areas, refine research questions, & inform the design of subsequent studies, including descriptive, correlational, or experimental research designs.

B. Data Type & Collection Method

Primary Research:

In primary research, you gather information through personal observations or surveys.

In this case, the primary research has been done by forming a questionnaire & getting it filled from some independent restaurant owners as well as some franchise restaurant owners.

Secondary Research:

In secondary research, you examine data that has already been collected by other researchers from sources like national statistics, government publications, or scholarly journals.

- **Case Studies:** A case study is an in-depth analysis of a specific case in a real-world setting. Researchers can examine current cases related to the research subject they are examining with the help of this secondary data source.
- **Literature:** Information for literature study is gathered from government publications, periodicals, newspapers, websites, library books, articles, yearly reports, & public records & statistics.
- **Online Resources:** Almost any topic can be found with a wealth of knowledge on the internet. It is among the quickest & most economical methods of obtaining information. It may, however, also include a great deal of inaccurate information. Therefore, when employing this technique of gathering data, researchers need to confirm the legitimacy & dependability of the sources they are using.

D. Data Analysis:

Survey & Questionnaire:

Develop structured surveys & questionnaires to collect quantitative data on the working of an independent food outlet & a franchise food outlet.

Reporting & Recommendations:

- Summarize research findings & draw conclusions about the impact of different factors on both the types of businesses.
- Provide actionable recommendations for independent startups & franchise holders on the research findings.

Data Analysis

STRUCTURAL ANALYSIS (Porter's Five Forces Model)

Independent Fast-food Restaurant:

1. Threat of New Entrants

- An entrepreneur needs complex permits to open a restaurant. In addition, good infrastructure must be built. Then it is necessary to make unique products that differentiate the restaurant from its competitors, which may include international chains.
- Every trader refuses the opportunity to enter this business. The low threat of new entrants is determined by the requirement of multiple licenses (high entry barriers) and established products. Therefore, this is an advantage of a fast-food restaurant.

2. Bargaining Power of Suppliers:

- The main suppliers to the fast food industry are sellers of pasta, milk and meat. Their bargaining power is low because there would be several suppliers of their products.
- The determinant of low bargaining power of suppliers here is the lack of product differentiation of suppliers (having several reliable suppliers). So this is an advantage for a fast food restaurant or chain.

3. Bargaining power of Buyers

- Buyers have a lot of bargaining power in a place where there are many fast-food restaurants because they can choose any of them.
- For example, if the line is too long at one location, the shopper will probably go to another store across the street. The determining factor for the high bargaining power of buyers in this case is the large number of sellers serving buyers. But the high bargaining power of the buyer is a disadvantage for the fast-food restaurant operating there.

4. Threat of Substitutes:

- Restaurants and other eateries are able to sell products sold in fast food, such as hamburgers or sandwiches. The risk of substitute products is therefore quite high for fast food.
- The main factor in the threat of substitutes is the lack of differentiation of the available products (except perhaps in the case of McDonalds or KFC, whose products are considered unique) - an obvious lack of the fast-food business

5. Intensity of Competitive Rivalry:

- The industry is full of competitors, with big brands like McDonald's and KFC, as well as medium and smaller brands like local restaurants and bakeries that sell a variety of snacks and fast food.
- The high number of restaurants selling high quality products is the decisive factor for the close competition. This situation is a disadvantage for fast food.

Fast-food Franchising:

1. Threat of New Entrants:

- Barriers to entry: Fast food franchises often have moderate to high barriers to entry due to factors such as high start-up costs, well-known brands and access to desirable locations.
- Franchisor Dominance: Since established franchisors have extensive marketing experience and a well-known brand, it is difficult for new competitors to compete successfully.
- Franchise Agreements: Franchise agreements typically impose certain restrictions on franchisees, limiting their autonomy and ability to differentiate themselves from existing competitors.

2. Bargaining Power of Suppliers:

- Ingredient suppliers: As the industry relies on standard products and the number of available suppliers is limited, ingredient and equipment suppliers can have bargaining power, especially for smaller franchisees.
- Franchisors Influence: Franchisors often enter into large purchasing agreements with suppliers on behalf of franchisees, using their collective purchasing power to obtain better terms and prices.

3. Bargaining Power of Buyers (Franchisees):

- Limited Bargaining Power: Individual franchisees have limited bargaining power vis-à-vis the franchisor because their franchise agreements are standard and dependent on the franchisor for brand recognition, marketing support and operational assistance.
- Franchise Agreement Terms: Franchise agreements typically define the terms of the franchisor-franchisee relationship, including fees, royalties and operating standards, leaving little room for negotiation by franchisees.

4. Threat of Substitutes:

- Direct Substitutes: The fast-food franchise is threatened by direct substitutes such as independent fast food chains and emerging food trends that offer similar menus and convenience.

Indirect Substitutes: Examples of indirect substitutes are alternative dining options such as take-out, home cooked meals and delivery services. These options may appeal to different customer segments, depending on variables such as cost, quality and health considerations.

5. Intensity of Competitive Rivalry:

- High level of competition: The fast-food franchise industry is characterized by intense competition between large chains, local brands and independent operators, as well as between franchisors and franchisees.
- Market saturation: Some markets may be saturated by fast food, which leads to price competition, brand extension and challenges to gain market share.
- Innovation and Differentiation: Franchisees must innovate and differentiate themselves from competitors through unique offerings, local marketing strategies and exceptional customer service to attract and retain customers.

PESTLE Analysis

1. Political Factors

- The independent fast-food restaurants may find their operations & costs impacted by labor laws, food safety regulations, & licensing requirements.
- Fast-food Franchising Startup: Compliance with franchising laws, regulatory standards, & taxation policies impacts the establishment & expansion of franchise operations.

2. Economic Factors:

- Independent Fast-food business: Economic conditions such as GDP growth, inflation rates, & consumer behavior may affect demand for their fast-food offerings.
- Fast-food Franchising Startup: Economic factors influence franchisee borrowing costs, consumer spending patterns, & profitability.

3. Social Factors:

- Independent Fast-food: Menu varieties, strategies for marketing, and consumer experiences are all influenced by shifting demographics, health consciousness, and lifestyle changes.
- Franchising: Cultural diversity, consumer preferences, & health trends impact franchisee operations, menu customization, & brand localization.

4. Technological Factors:

- Independent Fast-food: Digital advancements that increase customer convenience and operational efficiency include automated technology, online platforms, and mobile applications.
- Fast-food Franchising: Technological advancements include franchisor support systems, data analytics, & digital marketing tools to allow franchisees & improve overall performance.

5. Legal Factors:

- Independent Fast-food: Compliance with food safety regulations, employment laws, & intellectual property rights safe-guards the business from legal liabilities & ensures brand integrity.
- Fast-food Franchising: Franchising laws, contract agreements, & intellectual property protection govern the relationship between franchisors & franchisees, protecting mutual interests & rights.

6. Environmental Factors:

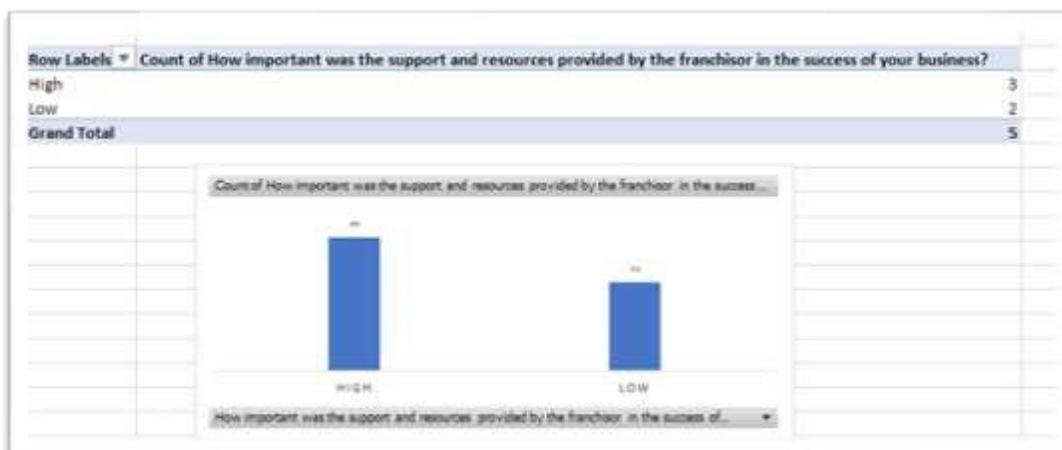
- Independent Fast-food: Sustainable sourcing, waste management practices, & energy-efficient operations contribute to the environmental sustainability & brand reputation.
- Fast-food Franchising: Incorporating sustainable practices, green initiatives, & eco-friendly supply chains enhances the environmental performance & corporate social responsibility of franchise systems.

Quantitative Analysis (based on questionnaire)

1. Resources & Support required to start the business



Independent Business

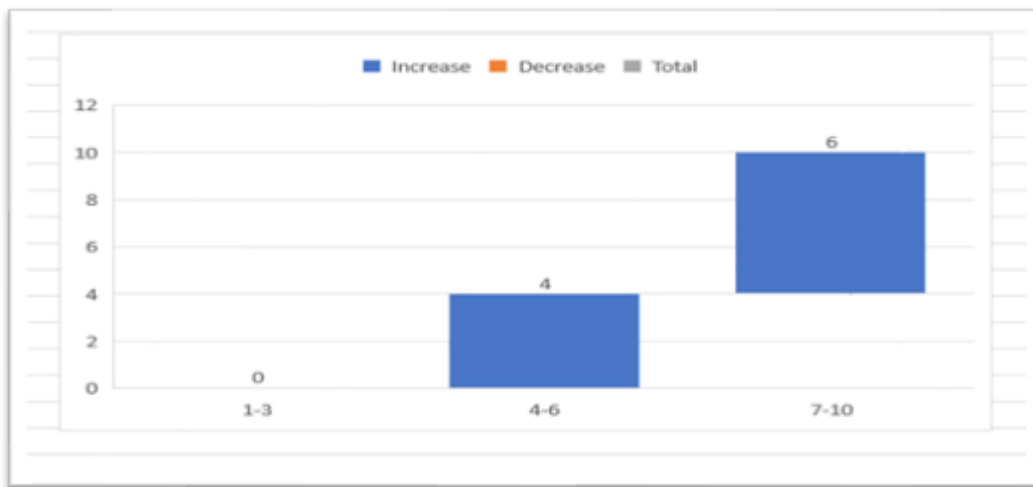


Franchise Business

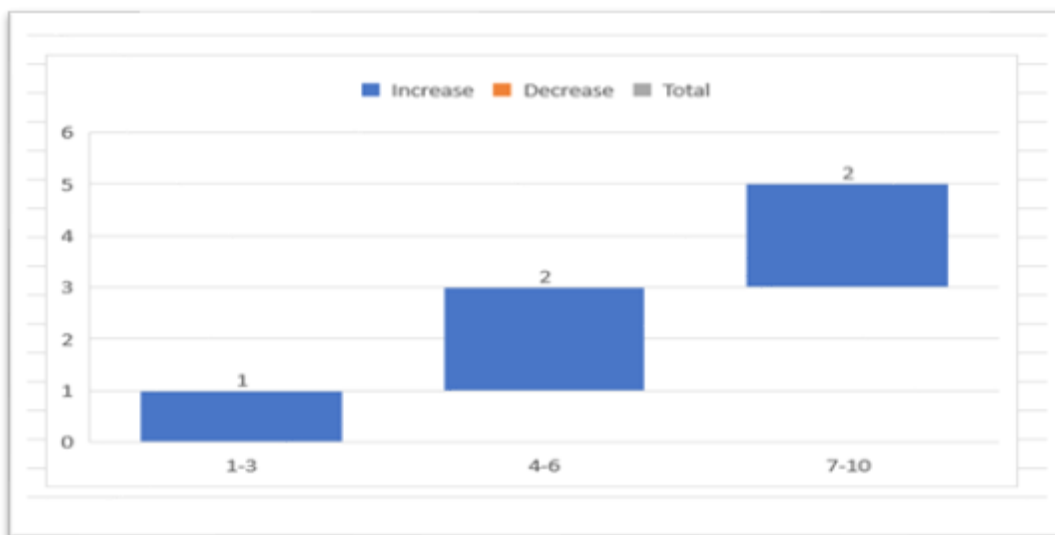
According to the above chart it is clearly visible that either it be independent business or a franchising business, both require higher support & resources for setting up new business. In accordance, in a franchise outlet, the franchisor provides support & resources for the business. In the case of independent business, there are 6 yes & 4 no's which depicts that a hefty amount of resources & support to start the business.

In the other case of franchise system there are 3 yes & 2 no's which depicts that they also require higher support & resources but they are being helped by the franchisor in this case.

2. Independence of decision-making authority



Independent Business



Franchise Business

According to the above data it can be predicted that independent business owners have a higher independence & decision-making authority as compared to a franchise owner.

As the above data is divided into 3 different criterias of 1-3, 4-6 & 7-10;

In the case of independent business mostly owners fall in the category of 7-10 which depicts that they have higher independence of decision-making authority

Whereas in case of franchise system, the owners are equally divided in the range of 4-6 & 7-10, which depicts somewhat lower independence of decision-making authority.

3. Marketing



Independent Business



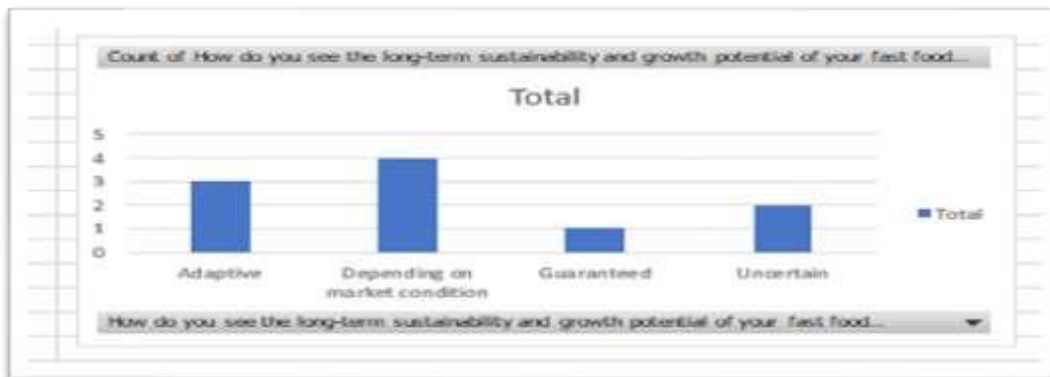
Franchise Business

According to the above survey it can be clearly noticed that independent business owners think that brand recognition is an important factor. It can also be accompanied by the survey of owners having franchise that marketing & brand name creates a higher work support

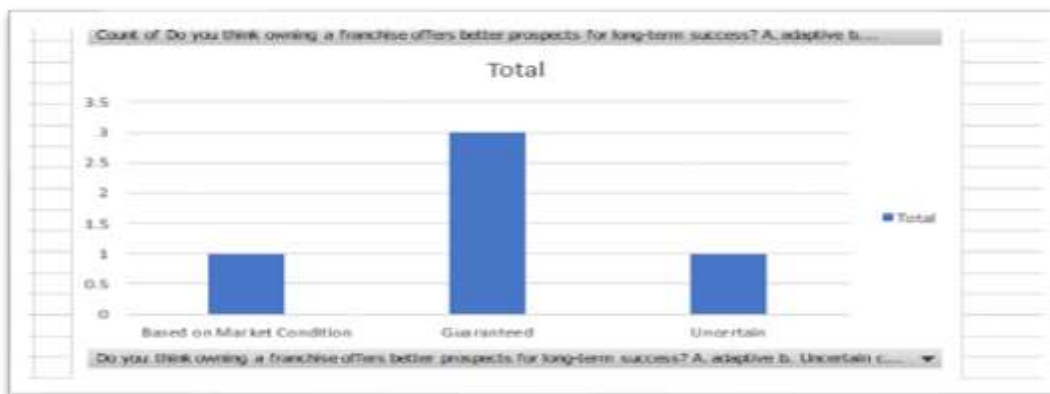
In the case of independent businesses it can be seen that they consider making their independent business as a brand.

Whereas an owner of a franchise thinks that the brand value he has purchased helps him grow with higher benefits.

4. Long term success



Independent Business



Franchise Business

After the above analysis it can be clearly seen that independent business owners are dependent highly upon the market conditions whereas franchisee owners are in favor of brands guarantee of long-term success.

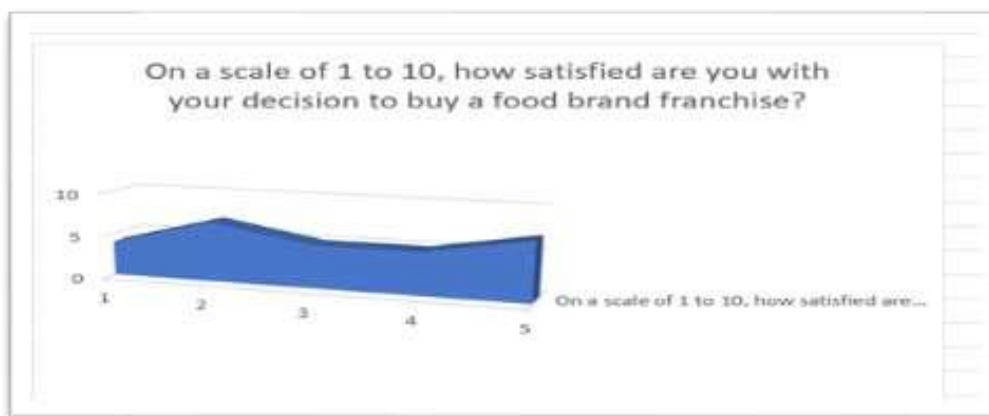
From among the 4 options for long term stability, independent business owners adapt to change along with change in dynamic market. According to their thinking, adapting with new trends would turn out to be feasible for their businesses.

Whereas in case of the franchise, the owners are highly dependent on the brands guarantee for their long-term success.

5. Satisfaction with business



Independent Business



Franchise Business

According to the above graphs it is clearly visible that independent owners are highly satisfied with their business as in with comparison to the franchise owners.

In the case of independent business owner it can be seen that most of them have given a rating of more than 5 which displays that they are happy with the decision of starting an independent business.

Whereas in case of a franchise outlet the rating shows an average between 4 to 7 which shows that they are not much happy with their decision of owning a franchise outlet.

6. Future recommendation



As from the survey of 15 samples it can be clearly seen that 9 out of 15 samples suggest of starting their own independent business instead of franchising with any brand.

Spearsman Rank Correlation Analysis

Independent Business

How do you value the freedom and flexibility of being independent business owner? (0-10)	How would you rate the financial performance of your fast food business compared to your initial investment?
8	4.5
6	8
10	5.5
4	10
9	3
7	6
5	8
8	4.5
10	5.5
6	8
5	3.5
7	5.5
8	7.5
9	6.5
7	5.5
8	7.5
9	6.5
4	1.5
5	3.5
Correlation	
0.36338	

According to the above data, the correlation of 0.36 it depicts that there is a positive correlation between the two variables decision making(independent) & financial performance(dependant) of the business. This implies that decision making power of the owner of independent business impacts the business in a positive way.

Franchise Business

How satisfied do you feel with the level of autonomy and decision-making authority you have as a franchise owner?	Do you believe the initial investment in a franchise was justified by the returns?
8	4
4	2
9	5
2	1
5	3
9	5
Correlation	
-0.4617	

According to the above data, the correlation of -0.46 it depicts that there is a negative correlation between the two variables decision making(independent) & financial performance(dependent) of the business. This suggests that the owner's decision-making authority has a negative impact on the company.

Findings & recommendations

Findings:

After analyzing the data, some findings may include:

1. **Startup Costs:** Independent businesses often incur lower startup costs as compared to starting a franchise, which most importantly involves paying for the brand name fees.
2. **Marketing and Advertising:** Franchisees benefit from the various national, regional marketing and advertising campaigns done by the Franchisor's. This can save franchisees time, efforts and money in marketing and advertising. On the other hand, the startups must plan, develop and implement their own marketing and advertising strategies.
3. **Brand Recognition:** The franchisee benefits from the franchisor's brand which is already familiar to customers, making it easier to attract new and retain existing customers. On the other hand, a startup business has to build its brand from scratch, which can be very time-consuming and expensive.
4. **Support & Training:** Franchisor's provide training and support to franchisees, including assistance with preferable location, negotiations, marketing and operations. On the other hand, the startup itself must rely on its own resources and expertise in these.
5. **Flexibility:** Independent businesses have more flexibility in adapting to dynamic market trends & preferences compared to franchises.
6. **Proven Business Model:** Franchisors have a proven business model that has been tested and refined by the franchisor. This means that franchisees can invest their time and money on something different and appealing to the customers. On the other hand, a startup company has to create a business model and strategies, which can be risky and time-consuming.

Recommendations:

1. **Market Research:** Try to grasp the demographics of the place, competition and consumer preferences. It helps in understanding the demand for your offerings and potential barriers in a competitive marketplace.
2. **Evaluate Resources:** Thoroughly assess your abilities, resources and experience.
3. **Study Risk Tolerance:** Franchising is generally considered less dangerous than starting a business because the franchisee benefits from the franchisor's reputation, customer base and proven systems. In contrast, a startup faces greater uncertainty and competition.
4. **Seek Mentorship:** Converse your business model and agenda with experienced mentors in the food industry who can provide guidance & insights based on their experiences. Their advice may help you to better navigate through the challenges & opportunities.
5. **Understand Branding:** Recognize how important is branding to you. The franchisee benefits from the franchisor's established brand. On the other hand, a startup has to build your brand from scratch, which can be time-consuming and expensive.
6. **Develop a Business Plan:** Create a detailed business strategy that outlines your goals, target market, marketing strategy, action plan and financial projections. This will guide your business and help you get funding if needed.
7. **Continuous Learning:** Stay aware of dynamic industry trends, consumer preferences and new technologies related to the food industry. Continuous learning and adaptation are key factors in maintaining competitiveness and responding to changing consumer demands.

By following the above recommendations and findings, you can make an informed decision that puts you on the road to success in the food sector. The above factors should be carefully studies and should be kept in mind in order to take any decision of starting a food business whether independent or franchise.

Conclusion

In conclusion, there are a number of aspects that are to be considered when deciding between opening your own food business or purchasing a franchise. Both the choices present have certain benefits and difficulties:

- Independent Food Business: It offers higher independence, originality, flexibility in operations, and branding. However, it requires substantial extra effort to establish brand awareness, market presence, & systems. Entrepreneurs with a strong vision, readiness to take risk, & competence to adapt to dynamic market conditions may boom in this model.
- Food Outlet Franchise: It provides the advantage of a proven business model, well-known brand value, & assistance from the franchisor in areas such as training, marketing, & operations. Franchises offer a finite risk of failure compared to the independent ventures but involve high startup costs, ongoing fees, & less independence in decision-making.

In the end, the final decision has to be determined by personal preferences, available funds, risk tolerance, and long-term objectives. Before making a choice, entrepreneurs should carry out a detailed market research, evaluate their own capabilities, resources, look for mentorship, and create a complete business outlay. Entrepreneurs can set themselves up for success in the competitive food sector by carefully considering the advantages and disadvantages of each option and matching it to their desired goals.

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Annexure

Name:

Name of your outlet:

Tenure of your outlet:

Franchise or own setup

Own setup

- How would you rate the financial performance of independent your fast-food business compared to your initial investment? (1-10)
- Would you say that starting your own fast-food business required more or fewer resources & support? (Yes/No)
- How do you rate the freedom & flexibility of being independent business owner? (1-10)
- How significant do you think brand recognition is in attracting customers to your fast-food business? (High/Low)
- How do you see the long-term sustainability & growth potential of your fast-food business?

Adaptive

Based on Market conditions

Guaranteed

Uncertain

- Based on your experience, what advice would you give to aspiring entrepreneurs considering entering the fast-food industry? (Start own business/ Buy a franchise)
- On a scale of 1 to 10, how satisfied are you with your decision to either buy a food brand franchise or start your own fast-food business? (1-10)

Franchise

- Do you believe the initial investment in a franchise was justified by the returns?
- How important was the support & resources provided by the franchisor in the success of your business? (1-10)

- Do you feel satisfied with the level of autonomy & decision-making authority you have as a franchise owner? (Yes/No)
- Did owning a franchise with an established brand help you attract more customers compared to starting your own brand? (Yes/No)
- Do you think owning a franchise offers better prospects for long-term success?
 - Adaptive
 - Based on Market conditions
 - Guaranteed
 - Uncertain
- Based on your experience, what advice would you give to aspiring entrepreneurs considering entering the fast food industry? (Start own business/ Buy a Franchise)
- On a scale of 1 to 10, how satisfied are you with your decision to either buy a food brand franchise or start your own fast food business?

