



Franchising and e-commerce a realistic business option: An analytical study of Intex Smart World

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Abstract: In today's era of cut throat competition and a host of branding offering nearly identical products it has become very difficult for the companies to establish their presence in the market and to position their products as per their plans. The ever increasing disposable income of middle class India and its growing materialistic attitude has toughened the scenario for the companies as they are fighting tooth and nail with each other to grab the maximum market share. Companies want to ensure that their products are available throughout the length and breadth of the country. As an idea it seems very lucrative business proposition but the execution is a huge challenge especially for upcoming brands with limited resources but a desire to have a pan India presence. One viable business option available to such upcoming brands and companies is to go the franchisee route. This paper attempts to highlight and bring forward the role that franchisees can play in ensuring the achievement of a company's long term business objective and realism of this franchise a mode as a viable business model.

Keywords: component; franchiser, franchisee, materialism, business development, e-commerce

I. INTRODUCTION

Intex Technologies (India) Ltd., incorporated in the year 1996 is a major player in India in mobile handsets, consumer durables and IT accessories. A pioneer in technology, the company's flagship brand is 'INTEX'. Intex Technologies has established itself as a trusted name in the industry. The Brand exhibits an exhaustive portfolio of 16 product categories ranging from mobile handsets, mobile accessories, multimedia speakers, LED TVs, washing machines and wearable.

The company has witnessed accelerated growth in last few years and at a CAGR of 69% over the past 3 financial years, the company has reached a turnover of INR 4000 Cr (\$600 Million) in FY 14-15. The company gives employment to 13000+ people across the country. The mobile business has been a key driver of growth and Intex became the No. 1 Indian mobile handset brand as per IDC Q3 2015 report.

The company has diversified in the sports management sector, with acquiring of the Rajkot IPL team in December 2015, christened as GUJARAT LIONS.

The company has a PAN-India presence through its wide network comprising 30 stock and sales offices and over 1500 service touch points. Sales are routed through a distribution network comprising 1100+ distributors and 80,000+ dealers spread across the country. Intex has strong retail presence in the country through its standalone brand stores - Intex Smart World. Products are also available at more than 250 dedicated counters of reputed chains of hyper markets and specialty stores across the country, on TV shopping channels and e-commerce sites.

An Indian company with global ambitions, Intex Technologies, diversified into international business in 2013. Began its spread of footprint from South Asia with Nepal as the first destination, marketing Intex mobile phones. In less than three years, brand Intex has established presence in SAARC, ASEAN and Middle-East region and a number of African nations. In all, Intex is present in nearly 70 countries today.

The company has Research and Development facilities in India and China that are well-equipped with modern equipment and are managed by highly qualified and experienced professionals looking after product design & development. These facilities ensure products are offered in line with latest global standards.

Intex has been a front runner in domestic manufacturing and currently operates four state of the art manufacturing facilities that are based in Jammu, Baddi in Himachal Pradesh and Noida in Uttar Pradesh that manufacture diverse products. The company has recently acquired 10 acres land in Greater Noida to set up its fifth and largest state-of-the-art facility and is targeting an investment of about INR 1500 Cr to create a world class manufacturing hub catering to domestic and export markets.

The company's operations are managed on a world-class collaborative business solution – SAP on a Virtual Private Network. Intex is an ISO 9001:2008 certified company.

FRANCHISE

A form of business organization in which a firm which already has a successful product or service (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name and usually with the franchisor's guidance, in exchange for a fee. Some of the most popular franchises in the India include Subway, McDonalds, KFC, Dominos, Adidas, Apollo Clinic, Intex, Samsung Smart Café.

FRANCHISING

Arrangement where one party (the franchiser) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains [11]

FRANCHISEE

A franchisee is an individual who purchases the rights to use a company's trademarked name and business model to do business. The franchisee purchases a franchise from the

franchisor. The franchisee must follow certain rules and guidelines already established by the franchisor, and in most cases the franchisee must pay an ongoing franchise royalty fee to the franchisor.

FRANCHISOR

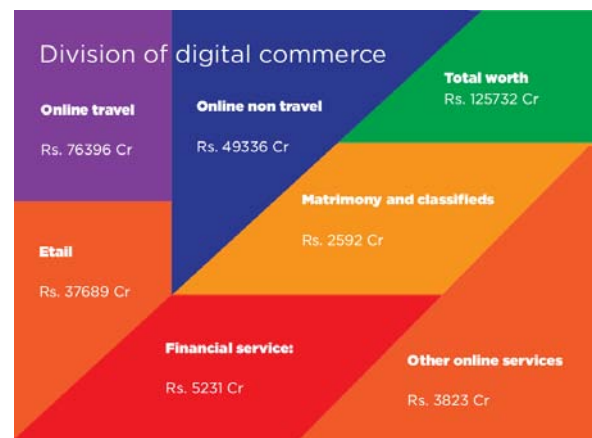
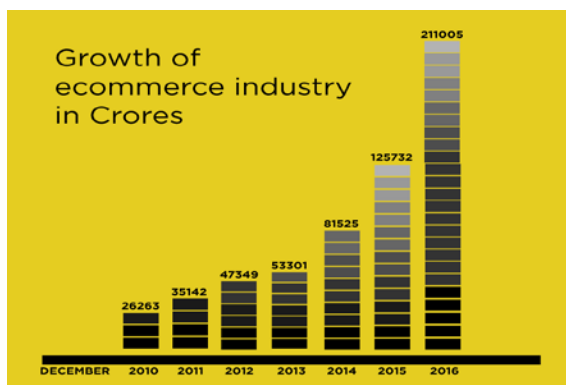
The franchisor owns the overall rights and trademarks of the company and allows its franchisees to use these rights and trademarks to do business. The franchisor usually charges the franchisee an upfront franchise fee for the rights to do business under the franchise name. In addition, the franchisor usually collects an ongoing franchise royalty fee from the franchisee [11].

II. E-COMMERCE

Electronic commerce or e-commerce as is generally referred to be to act of selling goods and services through the electronic medium over the internet. In the recent times it has gained immense popularity and brought about a marked change in the entire value chain of selling and delivery of products, from grocery to household and white goods all categories of items are today available online to the buyer and comfort, availability, price, know how of technology have added as a catalyst for this growth. Digital media strategies have become a major tactical tool for any company and even Intex in the recent times has adopted an aggressive approach towards use of this platform. Intex has witnessed a significant growth in its online business, today most of its products across verticals be it mobiles, smart wearable, air conditioners, speakers IT peripherals are sold through the e-commerce platform.

The online space has become very vital for any company today and going by the statistics it could play a critical role in the growth of an organisation, some key statistics are indicative of it all [9]

- The Indian online business is expected to cross more than 2.1 lakh crore for the current financial year.
- The online market is expected to grow at an overall rate of more than 12 percent.
- India has more than 300 odd million internet users.
- 100% growth has been witnessed in the sale of smart phones online.
- More than 48% of the shoppers browse information online before deciding upon a product. [9]



(Source [9])

III. REVIEW OF LITERATURE

When a hotel or company decides to franchise a brand the first reason they give is usually to have access to capital to finance the growth of the brand- the resource scarcity theory. Then there is a second set of reasons to franchise based on having better and more motivated managers in the different properties – the agency theory. And finally franchisors tend to explain the desire to franchise as having both uniformity and adaption within the change- the plural organisation theory. [1]. It is generally believed that franchisees have a greater probability of surviving for the first five years than independent SBs. [8]. [5] Illustrate that the franchisee's perception of the franchisor's level of cooperation, communication, coordination, and commitment can reduce the incongruence of their goals and the level of conflict.

Power is also a central dimension in the literature on franchising. The power asymmetry between the franchisor and the franchisee has been discussed with the objective of promoting and developing legislation to protect franchisees from abuses of power by the franchisor [12]. The franchisee's dependence on the franchisor confers upon the latter a source of power to control the franchisee and obtain his or her cooperation. [2] point out that the franchisee's cooperation can be achieved in three ways: (1) persuading the franchisee of the value of their relationship with the franchisor, (2) using coercive power to manipulate the franchisee's actions, or (3) using noncoercive means, such as franchisor support.

[7] Indicate that the ability of the franchisor to maintain good relationships with its franchisees over the long term

has an important influence on the success of the system. [3] contend that developing a quality relationship between the parties is not only important for the survival of the system but also is a difficult asset to copy, as well as an intrinsic source of value for the organization.

[13] Following the quality of the relationship between the franchisee and the franchisor can be defined through four key dimensions: (1) long-term focus on the relationship, (2) appropriate use of power, (3) flexibility in the relationship, and (4) mutuality in the relationship.

[4]The behavioral concepts of power and conflict commonly are encountered in the study of channels of distribution. Theoretical and empirical investigations of these constructs in the marketing literature typically concern power

[6] The government has allowed 100% foreign direct investment (FDI) in online retail of goods and services under the so-called “marketplace model” through the automatic route, seeking to legitimize existing businesses of e-commerce companies operating in India.

It also notified new rules which could potentially end the discount wars, much to the disappointment of consumers. This is because the rules now prohibit marketplaces from offering discounts and capping total sales originating from a group company or one vendor at 25%.

This could, however, level the playing field with offline stores, which have witnessed a slump in footfalls corresponding to the increase in e-commerce.

IV. OBJECTIVES OF THE STUDY

- To estimate the role of franchise in business development and factors impacting it
- To understand the demographic profile of the franchisee owner and preference of market.
- To estimate the relationship between type of franchise business and factors affecting it.
- To understand the preference for exclusive retail outlets, multi brand or e- commerce model.
- To understand the brand awareness for Intex smart world

V. RESEARCH METHODOLOGY

Research design

Descriptive Research

Sources of Data

- Primary data
- Secondary data

Tools Used for Data Collection

Questionnaire

The questionnaire contains three parts; Part A, Part B & Part C. Part A contains questions related to franchisee business they are dealing into. Part B contains questions related to Intex i.e whether they have knowledge of Intex.

Sampling Area

Delhi NCR

Sample size

The sample size of total number of population [franchise outlets and single brand outlets] is 75.

Selection of Sample Respondents

Simple random sampling

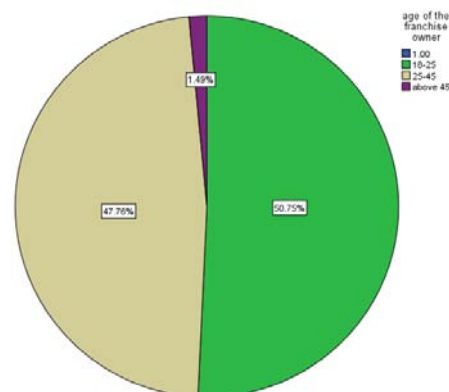
Tools Used for Data Analysis

Pie charts, bar diagram.
Chi square

VI. DATA ANALYSIS AND INTERPRETATION

1. What is the age of Franchisee owner

- Below 18
- 18-25
- 25-45
- Above 45

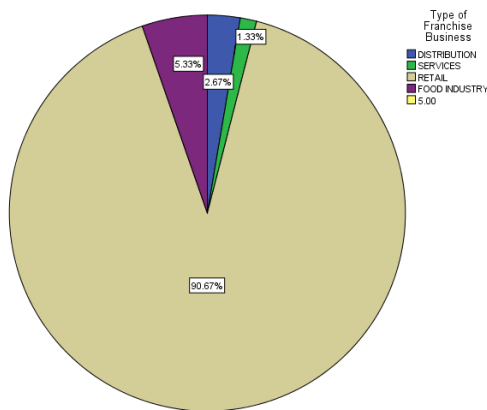


INTERPRETATION

From the pie chart above, the majority age of franchise owner or store manager is between 18-25 which is 50.75%. While the least age bracket is below 18 which is 1%. While, percentage between age bracket of 25-45 is 47.76% .and above 45 in age is 1.49%.

2. Which type of franchise business they are currently dealing into?

- Distribution
- Retail
- Services
- Food industry
- Others

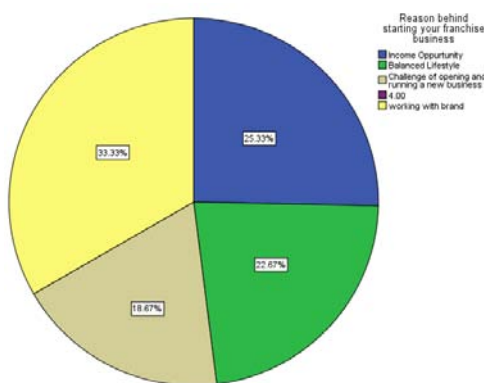


INTERPRETATION

From the pie chart above, it can be seen that the majority of Franchise Business is of Retail which is 90.67%. While least majority of franchise Business is services which is 1.33%. While Franchise Business of Food Industry is 5.33% and Distribution is 2.67%.

3. Reason behind starting a Franchise Business

- Income opportunity
- Working with brand
- Balanced lifestyles
- Challenge of opening and running a new business
- Others

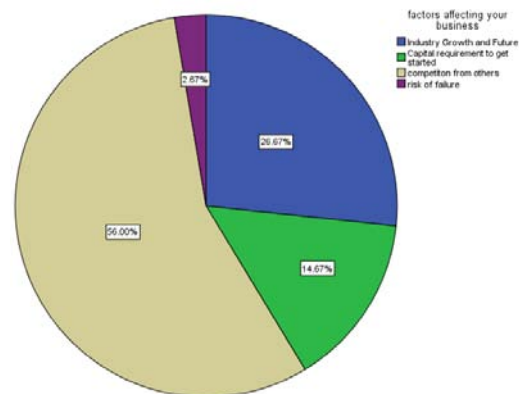


INTERPRETATION

33.33% of Franchisee had started a Franchise Business because they are Working with a Brand. While 25.33% feels that due to income opportunity they have started a Franchise Business. 22.67% feels that they have started a Franchise Business because of their balanced lifestyles i.e they can give time to their relative family and friends& 18.67% franchisee feels that there is a challenge of opening and running a new business.

Factors affecting Franchise Business

- Industry growth and failure
- Capital requirement to get started
- Competition from others
- Risk of failure

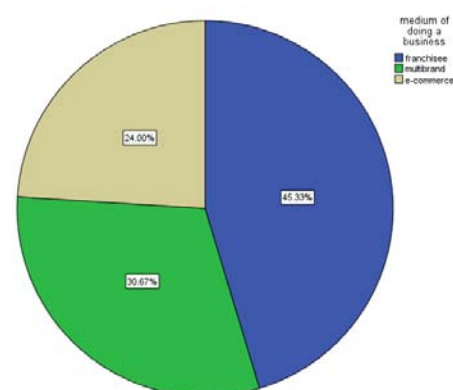


INTERPRETATION

56% of franchisee feels that factor which is affecting their business is Competition from others, while 26.67% franchisee feels that Industry Growth and Future is the factor which is affecting their business because if industry will grow their will be new challenges and threats and competition will also increase. 14.67% franchisee feels that the factor which affect the business was that they were not able to find the capital to start business. While 2.67% franchisee feels that risk of failure is the factor which is affecting their franchise business.

4. Better Medium of doing a business

- Franchise
- Multi-brand
- E-commerce

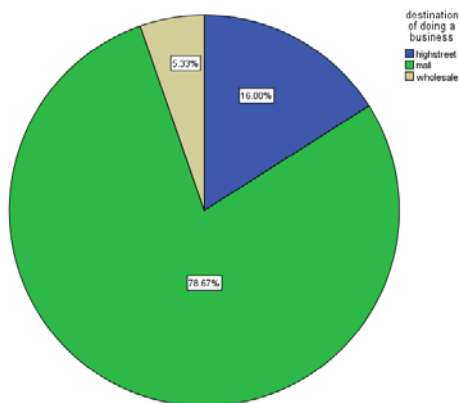


INTERPRETATION

45.33% franchisee believes that better medium of doing a business is Franchise, while 30.67% franchisee believes that Multi brand outlets are the best medium of doing a business. 24% franchisee believes that e-commerce which is again an emerging trend is better way or medium of doing a business

5. Destination of doing a business

- High street
- Mall
- Wholesale

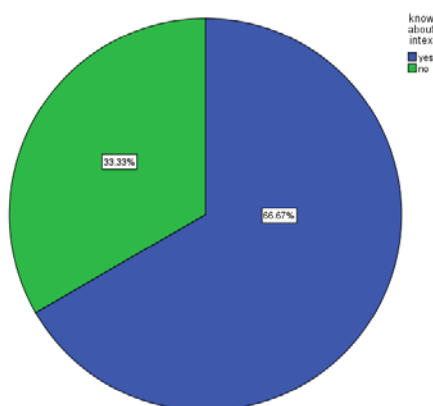


INTERPRETATION

78.67% franchisee says that better destination of doing a business is Mall while 16% franchisee says that better destination is high street. And 5.33% franchisee says that better destination is wholesale market.

6. Do you know about Intex

- Yes
- No

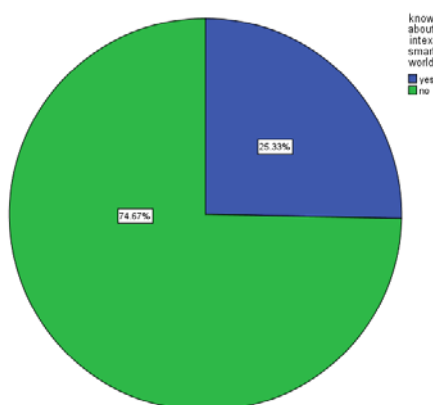


INTERPRETATION

66.67% franchisee knows about Intex Company while 33.3% franchisee does not know about Intex.

7. Do you know about Intex Smart World

- Yes
- No

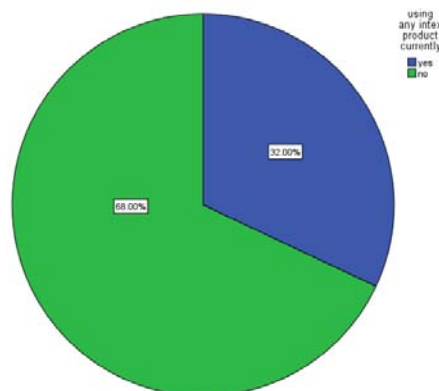


INTERPRETATION

74.67% franchisee were not knowing about Intex Smart World which is a exclusive brand outlet of Intex in which all the products of Intex are sold under One roof. While 25.33% Franchisee were knowing about Intex Smart World

8. Are you using any Intex Product

- Yes
- No

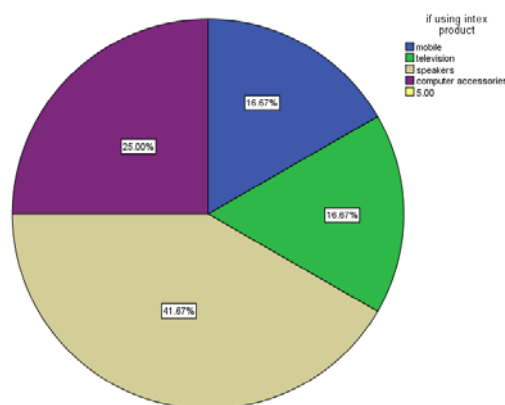


INTERPRETATION

Only 32% Franchisee or store managers were using Intex Product while 68% franchisee were not using Intex Product.

9. If yes, which Product

- Mobiles
- Television
- Speakers
- Computer Accessories
- Others



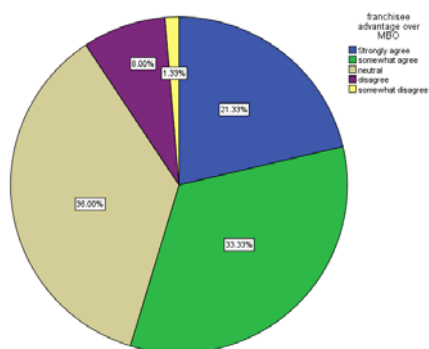
INTERPRETATION

The franchisee who were using intex product out of them 41.67% franchisee were using speakers, 16.67 % franchisee were using televisions, 16.67% franchisee were using mobile phones and 25% of franchisee were using computer accessories

10. Franchise gets advantage over MBO

- Strongly Agree
- Somewhat Agree
- Neutral

- Disagree
- Strongly Disagree

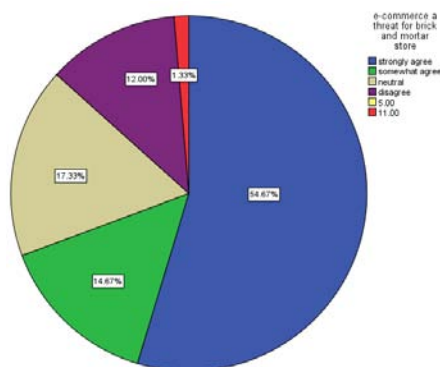


INTERPRETATION

36% of the franchisee says that they feel neutral about franchise gets advantage over MBO, while 33.33% franchisee somewhat agree that Franchise gets advantage over MBO. 8% disagree, they don't believe that franchise gets advantage over MBO, while 21.33% strongly agrees that franchise gets advantage over MBO & 1.33% somewhat disagrees.

11. E- Commerce threat for Brick & motor stores

- Strongly Agree
- Somewhat Agree
- Neutral
- Disagree
- Strongly Disagree

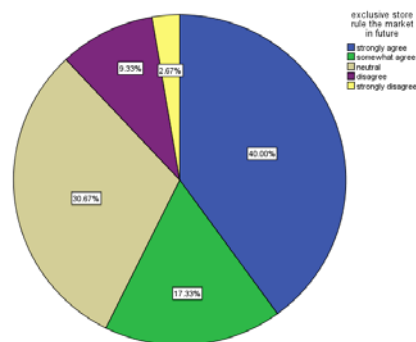


INTERPRETATION

54.67% franchisee strongly agrees that E-commerce is a threat for them. While 12% disagree from this phrase. 1.33% strongly disagree that E-Commerce is a threat for them. 17.33% feels neutral about it. While 14.67% somewhat agrees.

12. Exclusive store rule the market in future

- Strongly Agree
- Somewhat Agree
- Neutral
- Disagree
- Strongly Disagree

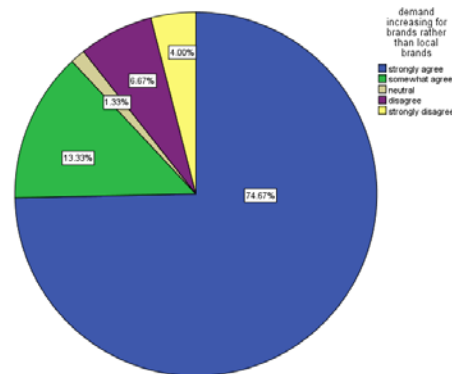


INTERPRETATION

40% of the franchisee strongly agrees that exclusive store will rule the future while 17.33% somewhat agrees. 30.67% neutrally believes that exclusive store will rule the future. 9.33% disagree from the fact that exclusive store will rule the future while 2.67% franchisee strongly disagree from this phrase.

13. Demand increasing for brands rather than local brands

- Strongly Agree
- Somewhat Agree
- Neutral
- Disagree
- Strongly Disagree



INTERPRETATION

74.67% franchisee strongly agrees that demand for brands is increasing while 13.33% somewhat agrees, 1.33% neutrally feels about the same. 6.67% franchisee disagree from this phrase & 4% strongly disagree from this phrase that demand for brands is increasing rather than local brands.

VII. HYPOTHESIS TESTING

1. Factors Considered:

HU (Null): There is no relationship between Age and Reasons for starting a Franchise Business

HA (Alternate): There is relationship between Age and Reasons for starting a Franchise Business

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Perc ent	N	Perc ent	N	Percent
age of the franchise owner * Reason behind starting your franchise business	67	89.3 %	8	10.7 %	75	100.0%

age of the franchise owner * Reason behind starting your franchise business Cross tabulation

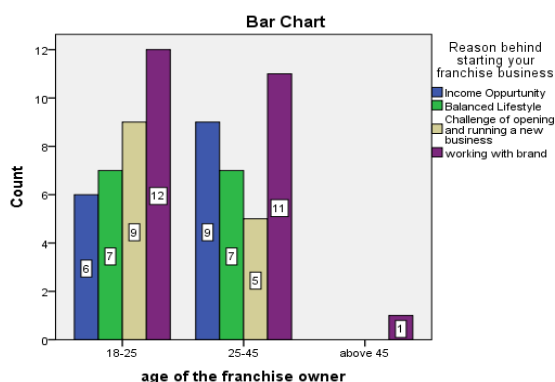
Count

		Reason behind starting your franchise business				Total
		Income Oppor tunity	Bala nced Life style	Challeng e of opening and running a new business	wor king with bran d	
age of the franchise owner	18-25	6	7	9	12	34
	25-45	9	7	5	11	32
	above 45	0	0	0	1	1
Total		15	14	14	24	67

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.572 ^a	6	0.734
Likelihood Ratio	3.826	6	0.700
Linear-by-Linear Association	0.022	1	0.882
N of Valid Cases	67		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .21.



INTERPRETATION

Since the p value (.882) is greater than the significance level (.05), the null has been accepted, which means there is no relationship between age of franchise owner and reasons for starting franchise business

2. Factors Considered:

HU (Null): There is no relationship between age of the franchise owner and medium of doing a business

HA (Alternate): There is relationship between age of the franchise owner and medium of doing a business.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
medium of doing a business * age of the franchise owner	67	89.3%	8	10.7%	75	100.0%

medium of doing a business * age of the franchise owner Cross tabulation

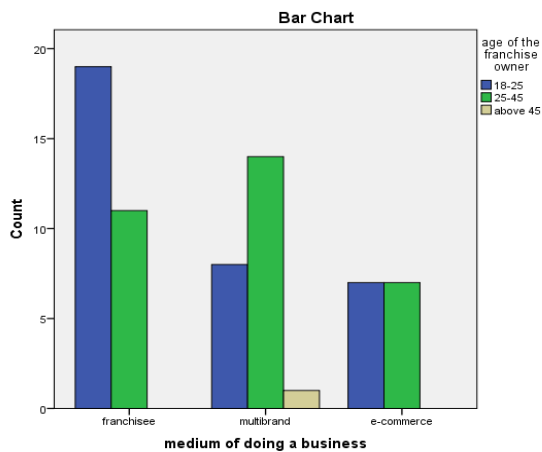
Count

		age of the franchise owner			Total
		18-25	25-45	above 45	
medium of doing a business	franchisee	19	11	0	30
	multibrand	8	14	1	23
	e-commerce	7	7	0	14
Total		34	32	1	67

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.622 ^a	4	.229
Likelihood Ratio	5.924	4	.205
Linear-by-Linear Association	1.487	1	.223
N of Valid Cases	67		

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is .21.



INTERPRETATION

Since the p value (.223) is greater than the significance level (.05), the null has been accepted, which means there is no relationship between age of the franchise owner and medium of doing a business.

3. Factors Considered:

HU (Null): There is no relationship between type of franchise business and factors affecting franchise business
 HA (Alternate): There is relationship between type of franchise business and factors affecting franchise business.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Type of Franchise Business* factors affecting your business	75	100.0%	0	0.0%	75	100.0%

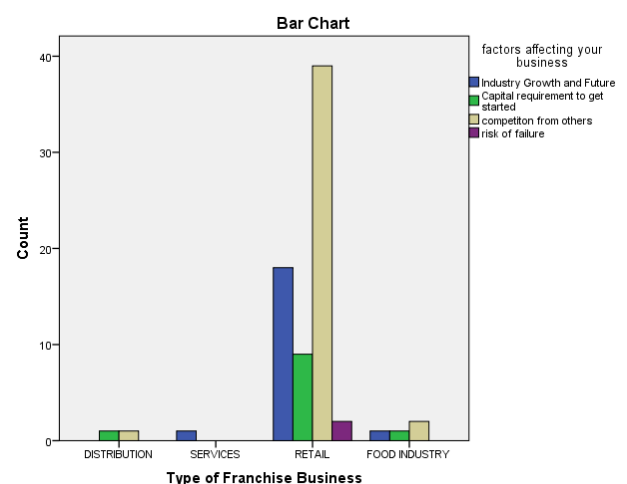
Type of Franchise Business * factors affecting your business Crosstabulation

Count		factors affecting your business				Total
		Industry Growth and Future	Capital requirement to get started	competition from others	risk of failure	
Type of Franchise Business	Distribution	0	1	1	0	2
	Services	1	0	0	0	1
	Retail	18	9	39	2	68
	Food Industry	1	1	2	0	4
Total		20	11	42	2	75

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.617 ^a	9	.778
Likelihood Ratio	5.494	9	.789
Linear-by-Linear Association	.011	1	.916
N of Valid Cases	75		

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .03.



INTERPRETATION

Since the p value (.916) is greater than the significance level (.05), the null has been accepted, which means there is no relationship between type of franchise business and factors affecting franchise business.

VIII. FINDINGS

- The majority age of franchise owner or store manager is from 18-25, which is 50.75%.
- It can be seen that the majority of Franchise Business is of Retail which is 90.67%.
- Majority of the Franchisee had started a Franchise Business because they are working with a Brand while less number of Franchisee feels that there is a challenge of opening and running a new business.
- Majority of franchisee feels that factor which is affecting their business is Competition from others. While less number of franchisee feels that risk of failure is the factor which is affecting their franchise business.
- Majority of franchisee believes that better medium of doing a business is through Franchise, while 30.67% franchisee believes that Multi brand outlets are the best medium of doing a business. 24% franchisee believes that e-commerce which is again an emerging trend is better way or medium of doing a business

- 78.67% franchisee says that better destination of doing a business is Mall while 16% franchisee says that better destination is high street. And 5.33% franchisee says that better destination is wholesale market
- Majority of franchisee knew about Intex Company, while majority of franchisee did not know about Intex Smart World and did not know about majority of Intex products.
- The majority of Intex products used by the franchisee or store manager were speakers.
- Majority of the franchisee says that they feel neutral about franchise gets advantage over MBO.
- Majority of franchisee strongly agrees that E-commerce is a threat for them and that exclusive store will rule the future and they also strongly agrees that demand for branded products are increasing as compared to unbranded products.
- There is no relationship between age of franchise owner and reasons for starting franchise business
- There is no relationship between type of franchise business and factors affecting franchise business.
- There is no relationship between age of the franchise owner and medium of doing a business

IX. RECOMMENDATIONS

- Intex should promote their product more frequently, as many people were not knowing about various products segment which are there of intex like Washing Machines. People were not aware about Washing Machines of Intex.
- Intex should promote through advertisements, newspaper, Hoardings, In Metros, companies should think of various new ideas to promote the product. If people will not be aware of the same. There will be fewer sales of the products.
- Similarly like products, people were not aware about Intex Smart World which is the exclusive store of Intex. Under which all the products of Intex comes under one roof. People were not aware about this store. Although, company is using various techniques to promote the store through events, but still it is not promoting store on grand level. So company should adapt various techniques to promote the store as well as the products.
- Intex should research more on target markets as what are their needs and preferences as there are lot of competitors in the market like lava micromaxgioneeetc and product of these companies are much more popular than the product of Intex.
- The company is conducting event to promote store only in a month, it should conduct the same activity more often.

X. CONCLUSION

One of the successful strategic ways of organic growth is through the franchise route. Intex is expanding its business through Franchise Development. It is offering an investment plan for Franchisee which is of Rs 16-17 lakhs and in this amount Intex is opening an exclusive store known as Intex Smart World. [10] Under which all the products of Intex are in one roof. The brand will leverage the exclusive outlets as the single touch-point for customers and will be a mix of company-owned and franchised outlets. They will also act as reference points for its service centres

in case of advanced help. Intex Smart World, the exclusive brand retail channel of Intex Technologies (I) Ltd, has made a strong hold all over the country with its massive presence in past 1 years.. Intex Smart World has seen a tremendous growth through their stores since opening in April 2015 and has received wonderful support from its customers in every city it has embarked in however Intex should promote their products and outlets more aggressively as awareness of its new venture is limited amongst the masses specially for new products segment like washing Machines, refrigerators.

The company has ambitious targets for the future and it plans to achieve those targets as the investment proposition offered by the company to its franchisees is way less than of competing brands and also the company is providing extensive marketing and service support[14].

The company is involved in BTL activities but it can be safely concluded that in order to upscale its business and increase its growth trajectory the company needs to go all out for ATL activities as the scope of business development through franchise route is appealing and attractive and the right strategy can see the company achieving stupendous growth going forward[14].

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