



## 2016 Top Markets Report **Franchising** Country Case Study

### India

**Franchising as a concept has been prevalent in India for a long time. Shifting consumer trends, including growing preferences for branded products; global exposure and use of international brands is driving growth in franchising.**

Overall  
Rank

**7**

According to a recent KPMG and Franchise Association of India (FAI) report, the India franchise economy has a potential to grow to \$51 billion in 2017 from the present \$13.4 billion. The franchise industry is expected to contribute almost 4 percent of India's GDP in 2017.

Increasing consumption, willingness to spend, growing preference for branded products, global exposure and use of international brands is driving the demand side of franchising. This growth has increased the set of opportunity-driven competent entrepreneurs and has grown the awareness of franchising as a business opportunity and its relatively low risk profile. This is driving the supply of new franchisee units. Franchising contributes to the economic growth of a nation in multiple ways such as job creation, access to necessary goods and services and expansion of a country's tax base. The concept of franchising in India has been growing at an impressive rate since 2008, as risk-averse Indian entrepreneurs consider it to be the most viable option to tap the nation's vast consumer market.<sup>1</sup>

India is witnessing a huge demographic transformation fueled by a consumption boom. This transformation has led to a population of over 250 million middle-income Indians with high disposable incomes, changing lifestyles, mounting aspirations, appetite for Western goods, international exposure, options for quality retail space and greater product choice and availability. The greater demand for

goods in India is in turn generating a greater demand for U.S. franchises.

The United States is a key player in India's franchise boom. Indians with growing incomes are demanding high quality products and services, which can be delivered by U.S. franchises. Simultaneously, India is witnessing huge growth in entrepreneurial energy and talent, and most franchisees are in their first decade of operations and are very receptive toward American franchises.

In India, there are no laws in place with the sole purpose of regulating the growing business of franchising. When franchisors enter India, they are governed by a number of different national and regional statutes and codes rather than a single comprehensive law. The applicable laws can vary by region and should be considered before engaging in any franchising venture in India.

Since economic liberalization in 1991, India has witnessed huge growth in the number of new businesses. As a business model, franchising is ideally suited for Indian entrepreneurs. India has a vast pool of entrepreneurial energy and talent and a pressing need for increasing self-employment and other employment opportunities.

With the Indian economy recording a sustained annual GDP growth rate of 6 to 7 percent and the burgeoning Indian middle class promising to drive up

nominal retail sales by 10 percent per year until 2020, the market is ripe for a franchising boom.

The top prospects for franchising are: education, food, health, beauty & wellness services and retail. Other industry sectors with potential are apparel franchises, travel and tourism, and business/financial services.

Despite potential challenges such as high real-estate prices, complex legal framework and regional differences, numerous U.S franchisors have been extremely successful in India. Most of them have adapted their products and services to local market preferences and have pursued effective market entry and expansion strategies.

With our partners from the International Franchise Association, DOC's Global Franchise team has scheduled a trade mission to India in December 2016, along with a stop in Sri Lanka.

### World Economic Forum's Global Competitiveness Index (GCI):<sup>2</sup>

India's ranking climbed from last year mostly due to the momentum initiated by the election of Narendra Modi, whose pro-business, pro-growth and anti-corruption stance has improved the business community's sentiment toward the government.

India	
Competitiveness Index	Score (1-7)
Government/Regulatory	4.1
Labor Force	3.9
Infrastructure	3.9
Demand/Business Factors	4.6
Industry Interest*	5.8
<b>4.46 Total</b>	
<small>World Economic Forum International Franchise Association*</small>	
Economic Statistics	
Population	1.295 billion
GDP	\$2.049 trillion
GNI, per capita (PPP)	\$5,630
Income Level	Lower Middle
Unemployment	3.6%
Inflation	6.4%
<small>World Bank (2014)</small>	

### Government/Regulatory

The quality of India's institutions is judged more favorably this year, although business leaders still consider corruption to be the biggest obstacle to doing business in the country.

### Labor Force

The inefficient use of talent has been a recurring issue, with a main problem of attracting and retaining talent.

### Infrastructure

Infrastructure has improved but remains a major area of concern with low ratings for rail and air infrastructure. In particular, the efficiency and reliability of India's electricity infrastructure is highlighted as a major concern for industry.

### Demand/Business Factors

With over a billion potential consumers, India's huge market is its main attraction for foreign businesses.

### Industry Interest

Of the top 12 markets identified by the members of the International Franchise Association as markets most valuable to them for international expansion and to have profiled in the Top Markets Report, India was ranked 12<sup>th</sup>.

### **Resources**

U.S. Commercial Service:  
<http://www.export.gov/india/>

Country Commercial Guide:  
<http://www.export.gov/ccg/india090814.asp>

Franchising Association of India:  
<http://www.fai.co.in/>

American Chamber of Commerce, India:  
<http://www.amchamindia.com/>

U.S. India Business Council:  
<http://www.usibc.com/>

**Industry Expert's Take:**

**It is not just another country but another universe with a large English speaking middle class. Franchise opportunities are many if you can find a licensee who will follow the franchise system.**

**William Edwards, Edwards Global Services, Inc., December 15, 2015**

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<sup>1</sup> <http://fai.co.in/franchising-in-india.html>

<sup>2</sup> World Economic Forum, The Global Competitiveness Report 2015-2016