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Factors influencing the adoption of FOCO model by potential franchisees in redential landscaping services in Hyderabad

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Abstract

This study investigates the factors influencing adoption FOCO model of franchising by potential nursery owners in residential landscaping services in Hyderabad.

This study focuses on a franchiser, a limited liability partnership (LLP) based in Hyderabad, established in 2017 by its founder, Mr. Anil Kondunti, who holds degrees in horticulture and management. The firm has successfully provided large-scale landscaping services throughout Hyderabad and other regions in Telangana and Andhra Pradesh. It has reached significant milestones by serving major clients such as Indian Oil, the Sumadhura Group of Constructions, Piramal Groups, as well as public areas managed by GHMC and extensive estates at Prof. Jayashankar Telangana State Agricultural University in Hyderabad. Now, the company aims to expand its services, prompting this study to explore and develop an effective expansion strategy through detailed analysis. The firm wants to expand its services by adopting FOCO (Franchisee owned company operated) model.

Keywords: FOCO model, potential franchisees, redential landscaping

Introduction

The FOCO model is a business expansion strategy which focuses on existing customers, optimization for efficiency, concentrate on nearest adjacent markets, bypasses the competitors through innovation and adaptability. The FOCO model helps businesses to achieve sustainable growth by, building existing strengths and customer loyalty, improving operational efficiency and reducing costs, expanding into new markets with minimal risk, supporting a culture of new innovation and adaptability. By following the FOCO model, businesses can create a solid foundation for growth, minimize risks, and maximize opportunities for success.

Limitations of the study

The study was conducted in six zones of Hyderabad city of Telangana state and the researcher completed this study under certain limitations which were as follows;
Despite taking all possible precautions to ensure the study's precision, specificity, and reliability, time constraints posed a challenge for the investigator. The study, conducted under unique socio-economic conditions, relied on individual perceptions and memory-based opinions, which introduces potential biases and limits the ability to generalize results universally. Additionally, gathering primary data from companies regarding financial accounts and confidential

business information proved difficult, with some firms hesitant to disclose sensitive information due to concerns about competitive disadvantage. Furthermore, the study was restricted to a limited geographical area, focusing solely on Hyderabad and excluding customers from outside the city.

Materials and Methods

Data for the study was collected using purposive sampling from Hyderabad city, selecting three well-established landscaping firms and ten nurseries from each of the city's six zones, totalling sixty nurseries. The analysis utilized descriptive statistics, Likert scales, and tabular methods, covering the period from August 2023 to October 2023. Hyderabad, located at coordinates 17° 23' 2.58" N and 78° 27' 22.896" E, spans 1005 square kilometers. Although it is the smallest district in Telangana by area, it has the highest population density with 1.08 crore residents. The district is bordered by Medak and Sangareddy to the north, Vikarabad and Mahabubnagar to the west, Rangareddy to the south, and Yadadri-Bhuvanagiri and Nalgonda to the east.

Results and Discussion

Demographic details of nursery owners

The details regarding the age, education and business experience of respondents, one-time lumpsum payment to

franchiser, transportation and material handling cost, period of agreement and sign up for legal validity of agreement has been collected and analysed the influence of these factors on FOCO model and are arranged in the following sub headings.

Age of the nursery owners

Nursery owners' ages influence their decision-making and risk-taking abilities, as well as the adoption of technology in business. Data regarding the age of 60 sample nursery owners was collected and the details were tabulated in Table. Among the sample 62 percent nursery owners were middle aged group with 31-50 years of age, followed by young age nursery owners with up to 30 years (26% of sample). Only 12 percent of Nursery owners were above the age of 50 years. It is concluded that, middle age nursery owners are more enthusiastic in running the nursery business. Landscaping has been an issue of importance since a decade, therefore most of the nursery owners might have adopted this business in their late adult ages, thus these were of middle-aged group now, followed by young age nursery owners who are excited in this business in the recent technology growing era.

Table 1: Age group of the sample Nursery owners

S. No.	Age of nursery owners (Years)	No. of Nursery owners	Percentage
1	25-30 years	16	26.6
2	31-50 years	37	61.7
3	Above 50 years	7	11.7
	Total	60	100

(Primary data, 2023)

Educational status of respondent farmers

The education level of responded nursery owners was collected and classified into three major categories viz, illiterate, 10th to 12th, and 12th above (graduate). In Table 3.9. Out of 60 sample nursery owners, 36.7 per cent had completed their graduation, 63.3 per cent, relatively a larger portion of the respondents had their high school education of 10th standard and none of the respondents were illiterate in our study. From this it can be interpreted that, larger fraction of the sampled nursery owners had only high school education and above, according to their educational status. This was clearly indicated that most of the sampled nursery owners are literate enough to run the business, however it doesn't need a graduate to run the nursery. The education level of the nursery owner is not a barrier to adopt the nursery business.

Table 2: Educational status of respondent farmers

S. No.	Particulars	No of Farmers	Percentage
1	Illiterate	0	0
2	10 th -12 th	38	63.3
3	12 th and above	22	36.7
	Total	60	100
	Literacy rate		100

(Primary data, 2023)

Business experience

The business experience of nursery is regarded as one of the critical aspects in adopting the expansion model as it forces the nurseries to grab additional business orders following an expansion of landscaping services. In this scenario, it is vital for both the parties i.e., franchiser and franchisee to have business vintage. The franchiser firm is loaded with responsibility to provide back end technical support to the franchisee and execution with accuracy is the sole responsibility of the franchisee after the agreement. It is noted from the Table 3.5, that from the total of 60 samples, 18 nurseries had more than 3 years business experience and 36 nurseries had more than 8 years of business knowledge and 6 nurseries had more than 10 years of experience.

Table 3: Business vintages of various nurseries and their proportions

S. No.	Business experience (years)	No of Nurseries	Percentage
1	3-5	18	30
2	5-7	36	60
3	10+	6	10
4	Total	60	100

Hence, it is observed from the study that, among sampled respondents, 70 per cent of nurseries, which have more than five years our business experience is available for this study.

One-time payment

In FOCO model of expansion, the aspiring firm i.e., the franchiser is always very concerned to draft the terms and conditions. The lumpsum onetime payment was the amount decided by the franchiser firm for pre-agreed period.

One-time payment is the lumpsum amount payable at a single instalment that a franchisee has to pay for brand to the franchiser for a pre-agreed period. It is the royalty that a franchiser expects from its franchisee. By paying this one-time payment franchisee is authorised to run its business on the name of franchiser's brand

In this study, out of total sampled 60 nurseries, only 3 respondents agreed for the lump sum amount to be decide by the Franchiser firm. These respondents were mostly those, who had been experiencing good returns over the period of past five years. In addition, 11 of them had been undecided with this factor as it provided uncertainty in calculating the returns for the responded nursery owners. Among total respondents, 39 respondents were disagreed clearly but ready for further negotiations, and another 7 respondents were strictly opposite regarding lump sum amount to be decided by the franchiser. From this, it can be interpreted that nursery owners always keener while dealing at one time lumpsum amount. Hence detailed negotiations were the need of the hour for the agreement of FOCO model of expansion.

The responses were analyzed below in Table 4.

Table 4: Attitude scores of respondents for the one-time payment to be decided by the franchiser

S. No.	Perception	No. of respondents	Percentage	Score	CAS
1	Strongly Disagree	7	11.6	1	7
2	Disagree	39	65	2	78
3	Undecided	11	18.3	3	33
4	Agree	3	5	4	12
5	Strongly Agree	0	0	5	0
		60	100	15	900

Transportation cost by firm

Transportation costs are another key factor influencing the adoption of the expansion model discussed. In this study, the franchiser firm agreed to cover all transportation costs up to the completion of landscaping services for the end customers. Respondents' perceptions of this were also assessed. Out of 60 participants, 37 strongly agreed with the importance of this factor, 11 agreed, and 12 remained neutral, noting that their perception was shaped by additional factors in the agreement.

Table 5: Attitude score of respondents for the transportation cost to be bear by the franchiser

S. No.	Perception	No. of respondents	Percentage	Score	CAS
1	Strongly Disagree	0	0	1	0
2	Disagree	0	0	2	0
3	Undecided	12	20	3	36
4	Agree	11	18.3	4	44
5	Strongly Agree	37	61.7	5	185
		60	100	15	900

Labour cost by nursery

The data reflects the respondents' perceptions regarding bearing labour costs for material handling, broken down into five categories. A significant majority, 39 respondents (65%), strongly disagreed with the proposal, scoring the lowest with a CAS (Cumulative Agreement Score) of 39. An additional 13 respondents (21.6%) disagreed, yielding a slightly higher CAS of 26. Only 2 respondents (3.3%) remained neutral, contributing a CAS of 6. Meanwhile, 6 respondents (10%) agreed with the proposal, scoring a CAS of 24. Notably, no respondents strongly agreed, resulting in a total CAS of 900, with the majority opposing the labour cost arrangement.

Table 6: Attitude scores of respondents for the labour costs to be bear by the franchisees

S. No.	Perception	No. of respondents	Percentage	Score	CAS
1	Strongly Disagree	39	65	1	39
2	Disagree	13	21.6	2	26
3	Neither	2	3.3	3	6
4	Agree	6	10	4	24
5	Strongly Agree	0	0	5	0
		60	100	15	900

Period of agreement

While framing this model, period of agreement was crucial as it builds the business relationships and limitations between the parties. While discussing their perception with respect to the temporal length of agreement, we have

received mixed varieties of opinions from the respondents.

A major portion of 33 respondents had disagreed this factor as this business is seasonal and occasional and moreover landscaping products are not push products. In addition, a lot of respondents 18 in number had dilemma about the period of sustainability of this agreement and had not decided yet. Hence, the survey had received most of the unwilling responses from the sampled respondents.

Table 7: Attitude scores of respondents for the period of agreement to be decided by the franchiser

S. No.	Perception	No. of respondents	Percentage	Score	CAS
1	Strongly Disagree	2	3.3	1	2
2	Disagree	33	55	2	66
3	Neither	18	30	3	54
4	Agree	7	11.7	4	28
5	Strongly Agree	0	0	5	0
		60	100	15	900

Sign-up for formal agreement

A legally valid and binding agreement on both parties i.e., franchiser and franchisee were crucial in maintaining the business relationship in line for a longer period of success in agreement. In this scenario the aspiring firm, the franchiser wishes to well organise this agreement through a legally valid memorandum of understanding between the both parties and it to be registered. Hence this study needed their perception, thus was recorded and analysed.

Out of total 60 respondents, major fraction of 57 per cent of respondents with 34 in number had disagreed with justification i.e., just disagreed. In addition, 17 respondents of them were with neutral opinion. Furthermore, 8 of them had agreed, however one and only respondent had strictly condemned the formal agreement, that was to be drafted by the franchiser firm.

The same was tabulated and analysed below Table 3.8.

Table 8: Attitude scores of respondents for the terms to be drafted by the franchiser

S. No.	Perception	No. of respondents	Percentage	Score	CAS
1	Strongly Disagree	1	1.7	1	1
2	Disagree	34	56.7	2	68
3	Undecided	17	28.3	3	51
4	Agree	8	13.3	4	32
5	Strongly Agree	0	0	5	0
		60	100	15	900

Conclusion

The study conducted in Hyderabad, Telangana, reveals that landscaping is primarily viewed as a domestic industry with

opportunities distributed evenly across the city. However, the sourcing of landscaping products is largely localized within Hyderabad. The industry has fostered numerous complementary businesses and holds significant potential for commercialization and corporatization. It is feasible to establish partnerships with nursery owners through effective Standard Operating Procedures (SOPs). Age and education are not barriers to running a nursery business, as the majority of nursery owners surveyed were neither graduates nor horticultural specialists. The study also emphasizes the need for careful drafting of terms related to one-time payments and agreement durations, as these aspects are closely interconnected.

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