

# Franchising in the Education Sector: How Do Pakistani Customers Perceive This New Phenomenon?

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**Abstract** The literature on franchising is growing. However, the customer perceptions regarding franchising have rarely been explored, and the few existing studies deal with developed markets, e.g., the UK and the USA. The aim of this research is to assess how customers perceive franchising in the education sector in Pakistan. More specifically, our research questions are the following: (1) According to the customers, what are the differences between franchised schools and public schools? (2) What are the customer perceptions regarding the main characteristics of franchising in the education sector? (3) What are the customer perceptions regarding social achievements of these franchised schools and chains? (4) According to the customers, what are the opportunities and challenges associated with franchising in the education sector? We adopt a qualitative approach with 17 face-to-face interviews conducted with customers of franchised schools in Pakistan, including parents and students.

## 1 Introduction

Despite the growth of franchising in most countries and most industries, there are only a few studies looking at perceptions regarding franchising. In France, a few authors have explored perceptions regarding specific aspects of franchising. Perrigot and Herrbach (2012) analyzed franchisee perceptions regarding the existence of company-owned units within their chain. Perrigot et al. (2017) studied franchisee perceptions regarding resale pricing practices within their chain. Perrigot et al. (2015) assessed the perceptions of independent small business owners regarding the relationships that franchisees have with their franchisors, their fellow franchisees, their employees, and their customers.

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As far as Watson and Kirby (2004) are concerned, they explored public perceptions regarding franchising in the UK. We think it is relevant to focus on customer perceptions regarding franchising because it is thanks to a better understanding of customer perceptions and expectations that franchisors can better adapt their concept and business models and franchisees can better adapt their local offers. As a result, armed with such better knowledge of customer perceptions, these chains will be able to attract more customers on a long-term basis, expand their activities with the opening of new stores, and succeed.

In this paper, we explore this question of customer perceptions regarding franchising in the education sector. The education sector is believed to be part of social welfare for society. In many countries, the government is seen as responsible for providing essentially free education for children and teenagers. Indeed, many constitutions recognize free access to primary and secondary education as a fundamental constitutional and enforceable right of every child (i.e., Brazil,<sup>1</sup> Pakistan,<sup>2</sup> Germany,<sup>3</sup> etc.). However, additionally to this public schooling system, franchising has appeared in many emerging as well as developed markets (i.e., Canada, Malaysia, South Africa, the USA, etc.). Franchising is often limited to after-school learning centers such as tutoring given by instructors at students' houses or in private centers, centers for students with learning difficulties, etc. (i.e., *Kumon*, *Huntington Learning Center*, etc.), but in some countries, such as Pakistan and South Africa, franchising is mainly used for full-time studies from preprimary to higher secondary schools. These franchised chains are often committed to serving as substitutes for public schools.

The aim of this research is to assess how customers perceive franchising in the education sector in Pakistan. More specifically, our research questions are the following: (1) According to the customers, what are the differences between franchised schools and public schools? (2) What are the customer perceptions regarding the main characteristics of franchising in the education sector? (3) What are the customer perceptions regarding social achievements of these franchised schools and chains? (4) According to the customers, what are the opportunities and challenges associated with franchising in the education sector?

The paper is organized as follows. Section 2 briefly reviews the literature on customer perceptions regarding franchising, franchising in emerging markets, and franchising in the education sector. Section 3 presents franchising in the Pakistani market. Section 4 describes the research methodology. Sections 5 and 6 present and discuss the findings, respectively.

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<sup>1</sup>The constitution of Brazil, Article 206, defines that every child holds a right to access free primary and secondary education in Brazil. <http://www.loc.gov/law/help/child-rights/brazil.php>

<sup>2</sup>The constitution of Pakistan, Article 25-A, recognizes free education access for every primary and secondary student. <http://unesdoc.unesco.org/images/0022/002297/229718E.pdf>

<sup>3</sup>The legislative and executive power under article GG, art. 7 allows children to access free primary and secondary education. <http://www.loc.gov/law/help/child-rights/germany.php>

## 2 Literature Review

### 2.1 Customer Perceptions Regarding Franchising

The franchising literature dealing with customer perceptions is very limited despite the fact that it is important for franchisors and franchisees to assess these perceptions to better attract, serve, and gain the loyalty of customers and then expand their activities. First, Watson and Kirby (2004) examined public perception regarding franchising in the UK. They concluded that the franchise sector had potential for development in the country and that chains could expand more by improving public awareness toward franchise opportunities, i.e., self-employment and small business development. Second, through a questionnaire-based survey, Grünhagen et al. (2012) explored Chinese customer perceptions of the US franchise brand McDonald's. They mentioned that Chinese customers now prefer local brands because of the extended variety and uniqueness of their products. Nevertheless, they also perceive that these local brands will not be able to compete with international franchised chains in terms of quality and consistency of the offer in the long run. International franchised chains, and more specifically McDonald's, are then expected to sustain and grow in China. Third, Jeon et al. (2014) examined the influence of credence and experience services on customer perceptions of quality in franchised and non-franchised chains in the US market. They found significant differences in terms of customer perceptions regarding quality among experience and credence-based services. Fourth, Jeon et al. (2015) investigated McDonald's customer perception in China and India. They examined whether the universal culture of McDonald's and the social values of egalitarianism and democratization enshrined in the chain were linked to customers' patronage of McDonald's. They asserted that, for a better customer perception, franchisees in both markets would have to be given enough autonomy from the franchisor to adapt to their local markets. Fifth, Dant and Meiseberg (2015) measured customer perceptions regarding franchising using a cross-national comparison in the BRIC countries and the USA. They concluded that the importance of customer satisfaction decreases if customers have formed a habit of patronizing a particular franchised chain.

### 2.2 Franchising in Emerging Markets

Emerging markets represent about 80% of the world's total population (Dant and Grünhagen 2014; Preble and Hoffman 2006; Welsh et al. 2006). The population is continuously growing in emerging markets, at a faster pace compared to the case of developed markets. Similarly, consumption in emerging markets is growing and contributes to fueling the success of new businesses. Customer expectations in these emerging markets increase vis-à-vis new products and services. The World

Bank recently anticipated that, over the next 5 years, economic growth in emerging markets will be twice that of developed economies (World Bank 2014).

All these elements offer opportunities for franchisors as recognized in the franchising literature. Emerging markets have been declared the fastest growing markets for international franchising in the academic literature (Alon and Welsh 2002; Welsh et al. 2006). While franchising is becoming popular in emerging markets, franchisors have to face various challenges in these markets, such as unstable political systems, insufficient domestic infrastructures, variations in foreign exchange rates and liquidity risks, etc.

Examples of topics that have been explored in the franchising literature include the development of franchising in China and the associated opportunities, challenges and future development for domestic as well as international franchised chains (Doherty et al. 2014), and the adoption of franchising to modernize the retail sector in Singapore and develop Singaporean franchised chains in foreign markets (Li Choy and Goh 1997).

### ***2.3 Franchising in the Education Sector***

Education is believed to be one of the important factors in the development of economies and societies. It creates opportunities for socially and economically deprived segments of society (Brown and Lauder 1996). However, very few authors have explored franchising in the education sector. Among them, Casson (2011) pointed out the impact of franchising on elementary and secondary education in the USA, concluding that franchising improved the quality of education and became a positive competitive force for the public educational system. Davies and Aurini (2006) explored the increasing demand for private tutoring in Canada that is being successfully provided by franchised chains.

After having briefly reviewed the literature on customer perceptions regarding franchising, franchising in emerging markets, and franchising in the education sector, the main research question we investigate in the empirical study is the following: “How do customers (students and parents) perceive franchising in the education sector?” More specifically, (1) according to the customers, what are the differences between franchised schools and public schools? (2) What are the customer perceptions regarding the main characteristics of franchising in the education sector? (3) What are the customer perceptions regarding social achievements of these franchised schools and chains? (4) According to the customers, what are the opportunities and challenges associated with franchising in the education sector?

### **3 Franchising in Pakistan**

#### ***3.1 Commercial Franchising in Pakistan***

Pakistan has been chosen for this empirical study due to the development of commercial franchising with foreign (mainly the USA) and domestic chains in the country since the 1990s. A US franchised chain, i.e., Pizza Hut, opened the doors for commercial franchising development in Pakistan in 1993 (Augment 2015). Following the success of this chain, many international franchised chains from different sectors entered the Pakistani market. We can mention Avis and Hertz for car rentals; Debenhams, Mango, and Mothercare for clothing; Next, Nine West, Nike, and Adidas for shoes; Best Western, Marriott, Ramada, and Sheraton for hotels; Domino's Pizza, Fatburger, Hardee's, KFC, McDonald's, Pizza Hut, and Subway for restaurants; Butler's, Cinnabon, and Gloria Jean's Coffees for coffee shops; FedEx and TNT for courier/postal services; Carrefour/Hyperstar, Metro, and Macro for hypermarkets; and Telenor, Warid, and Zong for telecommunications. Today, the growth of commercial franchising is not limited to international chains but also involves domestic franchised chains, such as ChenOne, offering a wide range of products such as clothing, furniture and kitchen accessories, etc.; Coco in clothing; and Pakistan Telecommunication Company Limited (PTCL) in telecommunications. As a conclusion, the presence of famous international chains and various domestic ones significantly shows that the phenomenon of commercial franchising is a growing trend in Pakistan.

#### ***3.2 Nontraditional Franchising in Pakistan***

The growth of franchising in Pakistan is not limited to the so-called "traditional" sectors such as hotels and restaurants, clothing, etc. This business model is also gaining popularity in several nontraditional sectors such as the healthcare sector with UmeedSey in reproductive health, Green Star in family planning, FALAH in reproductive health and family planning, and Shaukat Khanum Memorial Cancer Hospital and Research Centre as well as the Aga Khan University Hospital for their laboratory collection centers located outside their hospitals. Other examples of social franchised chains are Rural Development Foundation of Pakistan, which is a facilitator to alleviate poverty and improve the quality of life of people in rural areas, and Utility Stores Corporation which distributes food at a cheap price through a public-private partnership.

### 3.3 *Franchising in the Education Sector in Pakistan*

Article 25-A of the Constitution of Pakistan recognizes free access to primary and secondary education as a fundamental constitutional and enforceable right of every child from ages 5 to 16 (Malik et al. 2014). Nevertheless, the public schools in Pakistan are unable to provide free and quality educational services for various reasons such as inappropriate facilities for school students<sup>4</sup> (e.g., buildings, furniture), lack of resources (e.g., financial, human, in terms of real estate), political instability, issues faced in enforcing governmental policies, poor teacher performance, inadequate monitoring, increasing population, and thus an impossibility to respond to the rapidly growing demand for education. The continuous poor performance of the public education sector has now resulted in declaring Pakistan the country with the second highest out-of-school children ratio in the world, with 5.1 million children out of the school system, among which two thirds are girls (UNESCO 2012). As a consequence, many parents do not trust the public schooling system anymore and prefer to pay school fees for their children to be educated in franchised schools. Recently, well-trusted private educational companies (e.g., the Beaconhouse School System), private universities (e.g., University of Management and Technology), and public universities (e.g., International Islamic University Islamabad) decided to adopt franchising to launch schools. Parents and students already trust these branded schools because of their experience and success in educational services. These franchised schools provide better educational services than public schools and charge lower fees than private schools not using franchising.

There are now many domestic franchised chains operating in Pakistan regardless of level, whether it be preprimary, primary, and middle education (e.g., Allied Schools, The Educators, The Knowledge School) or secondary and higher secondary education (e.g., Punjab Group of Colleges and The Leadership Colleges).<sup>5</sup> There are also several international franchised chains operating in primary, secondary, and higher secondary education (e.g., American Lyceum International School from the USA, PakTurk International Schools and Colleges from Turkey, and The International School of Choueifat from Lebanon). Recently, even some public Pakistani universities (e.g., University of Sargodha and The Virtual University of Pakistan) have also started to franchise their concept. Moreover, Beaconhouse Group, which franchises some of its concepts, has developed outside the Pakistani market and expanded to several developed and emerging markets such as Malaysia, Oman, the Philippines, Thailand, the UAE, and the UK (Beaconhouse

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<sup>4</sup>School students are recognized as those students who are studying in primary to higher secondary education.

<sup>5</sup>Preprimary age group, 3–5 years; primary age group, 6–10 years; middle school age group, 11–13 years; secondary education, 14–15 years; higher secondary education, 16–17 years; and higher education, 18 years and above (Malik 2011)

School System Website 2016). Therefore, the growth of franchising in the education sector is similar to the growth of franchising in commercial sectors.

Currently, there are 22 franchised chains in Pakistan, including 2944 schools and approximately 1,050,900 students.<sup>6</sup> These franchised schools have promised to deliver greater accessibility and higher quality for preprimary, primary, middle, secondary, and higher secondary education in Pakistan.

The first franchised chain in the education sector in Pakistan, The Educators (A Project of Beaconhouse), was launched in 2002. The Educators now has 600 franchised campuses in 200 cities and villages and totals 150,000 students in urban and rural areas (The Educators Website 2015). Another example of a fast-growing franchised chain is Dar-e-Arqam which has 425 franchised campuses in 150 cities and villages and 100,000 students (Dar-e-Arqam Website 2015). Allied Schools is also a successful franchised chain. In 6 years, they opened 550 franchised campuses in 225 cities and villages and enrolled 160,000 students (Allied Schools Website 2015).

Recently, supranational organizations such as The World Bank and UNESCO, and some foreign governments, e.g., the United Arab Emirates, have started to invest in the education sector in Pakistan to strengthen nongovernmental educational companies (i.e., franchised chains) in order to make education accessible to everyone and specifically to residents of poor and rural areas (The World Bank 2015). Such growth and potential of franchising in the education sector in Pakistan have caught our attention, and we seek to explore how customers perceive this phenomenon.

## 4 Research Methodology

In order to assess customer perceptions regarding franchising in the education sector in Pakistan, we used a qualitative approach. More specifically, 17 semi-structured interviews were conducted face-to-face with customers of franchised schools (parents and students) in the province of Punjab<sup>7</sup> in August, September, and October 2014. The public and franchised schools are clearly two different streamlines in Pakistan, and customers have this distinguishing knowledge above all due to the advertising campaigns. We therefore assume that these customers know the franchised status of the school where they send their children and/or where they study. The dual approach involving parents and students is relevant because parents usually choose the school for their children, pay the tuition fees, and interact with school staff on the one hand, and students are the firsthand users by benefiting from

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<sup>6</sup>These figures are estimated by the authors based on their review of franchised chain websites.

<sup>7</sup>The province of Punjab has a leading literacy rate of 62%, followed by the province of Sindh (60%), the province of Khyber Pakhtunkhwa (52%), and the province of Balochistan (44%). Fifty-six percent of Pakistan's total population resides in the Punjab Province.

**Table 1** Information about the interviewee profiles

Interviewee	Franchised chain	Category of interview	Place of interview	City of interview	Duration of the interview (min:s)
Interviewee #1	Chain A	Parents	Home	Lahore	61:02
Interviewee #2	Chain C	Parents	Home	Lahore	47:38
Interviewee #3	Chain E	Parents	Home	Lahore	48:00
Interviewee #4	Chain F	Parents	Home	Gujranwala	45:16
Interviewee #5	Chain B	Parents	Home	Sialkot	59:08
Interviewee #6	Chain A	Parents	Home	Lahore	46:04
Interviewee #7	Chain A	Parents	Campus	Okara	47:32
Interviewee #8	Chain B	Parents	Home	Lahore	54:32
Interviewee #9	Chain C	Student	Home	Lahore	50:34
Interviewee #10	Chain E	Student	Campus	Gujarat	48:03
Interviewee #11	Chain A	Student	Home	Lahore	48:52
Interviewee #12	Chain A	Student	Home	Sheikhupura	47:36
Interviewee #13	Chain D	Student	Campus	Lahore	46:37
Interviewee #14	Chain B	Student	Home	Lahore	74:43
Interviewee #15	Chain A	Student	Home	Lahore	11:37
Interviewee #16	Chain E	Student	Home	Gujranwala	45:05
Interviewee #17	Chain A	Student	Campus	Lahore	45:33

the educational services. Their complementary perceptions are useful to better understand how customers perceive franchising in the education sector. Further, to ensure the validity of the collected data, we used an interview guide which, in addition to the introduction and conclusion, was composed of four main parts: (1) the education sector and franchising in the education sector, (2) the practices of franchised chains in the education sector, (3) the services provided, and (4) the improvements which franchising has brought to society. To increase the reliability of our approach, we selected interviewees who were costumers of several chains with different price levels and different school locations (urban and rural areas<sup>8</sup>) to gain different perspectives and perceptions. The profiles of the 17 interviewees vary in terms of age, gender, and location. Table 1 displays information about the profiles of the interviewees. All 17 interviews were conducted in Urdu,<sup>9</sup> audio-recorded and fully transcribed and translated into English. The average interview length was 49 min. The total length of recording was 14 h and 16 min and corresponds to a total of 234 transcribed pages. To abstract accurate and transparent data from these interviews, we used the qualitative data analysis software NVivo 10. The use of NVivo has been encouraged by researchers for qualitative data analysis (Hutchison et al. 2010; Siccama and Penna 2008). Indeed, coding out the text and running text queries helped us to approach interrelationships of thematic ideas.

<sup>8</sup>Sixty-three percent of the population in Pakistan lives in rural areas (Malik et al. 2014).

<sup>9</sup>Urdu is the official language in the Punjab Province.



## 5 Findings

### 5.1 *Customer Perceptions Regarding Franchising in the Education Sector*

#### 5.1.1 **Customer Perceptions Regarding Franchised Schools Versus Public Schools**

Franchising in the education sector is growing at a tremendous pace. Franchised chains offer well-trained teachers, advanced teaching and learning techniques, innovative technologies such as digital classrooms, and healthy school-family relationships. By contrast, public schools are not widely spread over the territory and are facing financial and managerial difficulties. Many families have then shown their unwillingness toward public schools and have chosen franchised schools for their children. Several interviewees explain their perceptions regarding franchised schools compared to public schools.

I prefer franchised chains for my children because they offer excellent teaching services at a low-cost fee which is indeed a very attractive feature for all parents. They use impressive advanced teaching and learning techniques that public schools are not using at all. I am completely satisfied with the performance of franchised schools. (Parents #1)

I can assert that these franchised schools are far better than public schools. All franchised schools have appropriate buildings, qualified teachers and staff motivated to educate us whereas public schools do not even have enough schools in the territory. Generally, people have totally lost their trust in public schools because of unsatisfactory educational services and consistently poor results. I will never shift to a public school. (Student #6)

Franchisee and teachers are always in contact with me. We are working like a team. I meet my children's teachers twice a month. We have detailed discussions on how to improve my children's learning and personal skills. It helps me a lot to understand my children's behavior of. Chains are doing a good job for our society. (Parents #7)

If I compare franchised schools with public schools, without a doubt, franchised chains are far better than public schools. If I compare chains to one another, each one has its own specialty. Some chains focus on low fees, others on student grooming, others adopt international curriculums. Chains offer diversified products and services. And I can confidently say that franchised schools are better than public schools. (Student #9)

### 5.2 *Customer Perceptions Regarding the Main Characteristics of Franchising in the Education Sector*

#### 5.2.1 **Customer Perceptions Regarding the Brand Names of Franchised Chains**

Brand names in the education sector are as important as in the commercial sector, e.g., food, hotel, and restaurants. They allow customers to identify the standards of the educational services and help new customers to get referrals. Similarly,

franchised chains in the education sector have implemented strong communication strategies to attract customers via different means such as TV and national newspapers. Nationwide advertisements target potential franchisees and simultaneously attract customers (parents and students) to study in nationwide standardized schools. These advertisements include slogans such as “call for franchise opportunities,” “franchise opportunity in schools,” “study in franchised schools,” “invest in franchised schools,” etc. Customers are therefore well aware that they are sending their children to and/or studying in franchised schools. Such communication strategies contribute to increasing customer satisfaction, trust, and commitment vis-à-vis the franchised schools. Further, these advertisements become a source of enhancement of public awareness of franchising in the Pakistani market. Many interviewees mention that franchise brands in the education sector attract them because they are already customers of franchise brands in commercial sectors (e.g., McDonald’s) and trust that these education brands can provide services better than public or individual schools through franchising.

Brand name is very important for me. It isn’t just about showing off, but it helps me to measure the level of the school services. I want my children to spend time with children who are from families like us. I do not want them to study with “ultra-rich” children or with children from uneducated families. In addition, when my children see TV advertisement about their schools, they get excited. I think the brand name has many positive impacts. (Parents #7)

I am studying in [Brand Name]. If I need to introduce my school in a discussion, then I simply quote my school’s brand name and people already know about it. I feel pleased and I am sure we have the same quality of education and services all over Pakistan. I haven’t been to other campuses in other villages but I assume the same standards can be found everywhere. I wish we could have more brands so that other students could also study in branded schools. (Student #8)

In contrast, a few interviewees explain that a brand name in the education sector can have negative consequences in terms of social discrimination in society.

I don’t see franchised schools as a good idea for our society. It allows children and parents to discriminate against others on the basis of their school’s brand name. I suggest that public schools should improve the quality of their education and there should only be one curriculum as well as the same facilities in public and franchised schools nationwide. (Parents #1)

I am not in favor of franchised chains, nor of promoting brand names in education. All children are equal. Those who cannot afford to pay fees in branded schools are discriminated in many aspects of life. They are actually seen as poor students. (Parents #6)

## 5.2.2 Customer Perceptions Regarding Quality in Franchised Schools

Customers are generally satisfied with the quality of educational services in franchised schools. Some interviewees explain that the competition among chains to increase the number of enrollments contributes to providing high-quality educational services. Therefore, franchisors have used curricula from international schemes (e.g., Oxford, Cambridge). These curricula help franchisees to enhance

the analytical skills of students. Moreover, the focus of franchisors and franchisees on the continuous training of teachers and on program development allows them to increase the quality of education.

The quality of education depends first on the quality of teachers and second on establishing appropriate monitoring of the whole system. I believe chains concentrate on both aspects because I have observed that my children and other students are confident enough to discuss many topics. Teachers are well-trained and children have access to all basic facilities. I am satisfied with the quality of education of [Brand Name]. (Parents #6)

Even though several interviewees seem to find it difficult to assess the quality of educational services in franchised schools, they often refer to teacher training and experience as well as student success ratio.

There are so many schools around us. School selection is indeed a difficult decision for every mother. I don't know how to measure the quality of education in these schools. I can only compare tangible items, e.g., buildings, curriculum, facilities, but as a mother how do I measure the faculty's experience and teaching abilities? It is confusing for all mothers. (Parents #8)

All chains are marketing their competitive advantages. They only advertise the attractive features but they cannot ensure teaching quality. My school has attractive facilities but some teachers are not so good. (Student #2)

### 5.2.3 Customer Perceptions Regarding Prices in Franchised Schools

Our interviewees point out the fact that franchised chains offer different fee structures; they talk about \$10–\$30 per month in primary and secondary schools and \$50–\$70 per month in higher secondary schools. Most of our respondents are satisfied and consider that the fees are adapted to their incomes.

Fees in franchised schools are low and the quality of education is satisfactory. For parents who can't even afford to pay these reasonable fees, franchisees offer them a fee reduction. Personally, I am happy with the school fee structure and also with its services. (Parents #4)

There is a wide range of fee structures within franchised chains. I am sure every chain focuses on different groups of customers according to their incomes. This is why we have diversified fee structures. It is a sad reality; we have a large number of poor people but fortunately we also have local franchised schools which are at least offering fees according to parents' spending capacity (Student #7)

I am happy with the fees of franchised schools. Fees are reasonably structured for parents. Our children are also our asset. We must invest in them and especially in their education. I am so happy that these franchised schools have offered us an affordable opportunity to improve our children's education. (Parents #6)

A few interviewees agree that fees in franchised schools are reasonable but do not like the fact that franchisees are in business to make money. Some others consider the fees to be too high and argue that franchisees are making excessive profits.

To be honest with you, I agree that fees in franchised schools are already low, but not completely justified. I am not asking franchisees to minimize their profits but as a senior citizen and a mother, I am just suggesting that education should not become an ultimate source of making money for anyone. In my view, when franchisees break even and enrolments still increase, then franchisees should reduce the fees. They would be able to

cover their expenses and have enough to live. I don't agree with educational franchisees focusing on maximizing their profits. (Parents #2)

Very few interviewees argue that there is no balance between the fees charged and the services provided by the franchised chains.

I don't see a good balance between fees and services in franchised schools. I can get the same services at a lower price in other, unknown schools. Maybe costs are higher in franchised schools because they advertise and spend money on managing the brand. But I believe that they charge more and provide fewer services than some of the other schools. (Student #3)

### ***5.3 Customer Perceptions Regarding the Social Achievements of Franchising in the Education Sector***

#### **5.3.1 Customer Perceptions Regarding the Benefits of Franchising for Society**

Several customers explain that franchising in the education sector offers multiple benefits for society, e.g., education provision, improvement of literacy rates,<sup>10</sup> creation of employment opportunities, and generation of entrepreneurial opportunities for local investors. Some respondents mention that even though franchised schools charge fees, they regularly offer scholarships,<sup>11</sup> awards,<sup>12</sup> and rewards<sup>13</sup> for bright students and students in need and/or reduce fee structures for orphans and/or even offer free education for deserving students.<sup>14</sup> In addition, the fees are designed according to the income and spending statistics of customers and are affordable for a large part of the population in Pakistan. Therefore, franchising in the education sector is serving a social cause in Pakistan and can thus be referred to as "social franchising."

Franchisors motivate parents to educate their children through TV advertisement. They are promoting education in our society. (Student #1)

Franchising has increased the importance given to education in our society. These chains are providing schools where children can study full-time. Even some famous private tutoring academies have started to franchise their concept. (Parents #8)

Teachers in franchised schools enable students to strengthen their communication skills and encourage them to interact and increase their confidence level. When a student is confident in his communication skills, he will then not hesitate to apply for jobs and he will

<sup>10</sup>Franchising in the education sector was launched in 2002. The literacy rate in the year 2000 was 42.7%, whereas in the year 2014, it was 59.90% for adults and young people aged 15 years or over by UNESCO.

<sup>11</sup>Some chains offer 100% scholarships for students who achieve 90% marks.

<sup>12</sup>Some chains give brand new cars to the top three students.

<sup>13</sup>Some chains offer financial rewards of up to Rs. 300,000 for top students along with fee reductions.

<sup>14</sup>If parents apply for a fee waiver because of poverty, some chains allow it if appropriate.

share his ideas with others and become an active member of society. In addition, he will be a model for those who don't want to continue their studies. I think many people will want to be educated because of franchising. (Student #9)

If franchised schools weren't available, then we would have no other reasonable option. On the one hand, private schools like [Company Name] are very expensive. Most people can't pay the fees they ask for. On the other hand, the performance of public schools is very poor. Therefore, I see franchised schools as a suitable alternative for good-quality education. (Parents #1)

### 5.3.2 Customer Perceptions Regarding Benefits for Students in Rural Areas (Above All Girls)

Recently, supranational organizations (e.g., UNESCO, UNICEF, USAID, and OECD) and some governments (e.g., the USA and Germany) have started making massive investments in improving the education sector in Pakistan. One of their objectives is to eliminate the discrimination toward educating girls. It has slightly shifted the cultural norms regarding girl's education. This has slightly shifted the cultural norms regarding girls' education. Along with these investments, the religious ideology/belief in Pakistan already brings a strong support to educating girls. Franchised schools have provided education opportunities for girls, especially in rural areas. Several interviewees mention that educational chains have a special impact on girls. In the past, one of the reasons for low literacy rates in rural areas was parent concerns about the safety and mobility of their daughters from the rural areas<sup>15</sup> to towns or cities. Recently, the expansion of chains in rural areas has made education accessible to girls living in these areas. Additionally, the presence of schools in rural areas has reduced education costs for students who used to travel to other cities for education. Many parents see franchised schools as an affordable and accessible education opportunity for their daughters.

There was only one school in our area; it was a public school. Now, I can't even count how many franchised schools there are in my area, and all the schools are full of students. Most of us remained uneducated because there were no schools around our village. Now, our children are educated thanks to these franchised schools. (Parents #2)

Girls in my area were totally illiterate. Even my sister hardly passed primary. We had one primary public school for girls. Our cultural and social norms don't allow young girls to travel alone for education and, nowadays, I don't know a single girl in my village who isn't going to school. Indeed, it's a new trend; more and more girls are going to school and they usually get better grades than boys. Franchising has made education possible for girls. (Student #6)

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<sup>15</sup>Sixty-two percent of the population lives in rural areas in Pakistan according to a 2014 World Bank report.

### 5.3.3 Customer Perceptions Regarding Benefits for Employment

Franchising has emerged as a positive competitive force for the economy. These chains have created numerous employment opportunities for graduates which have helped the labor market to stabilize in Pakistan. Indeed, some interviewees assert that educational chains constitute a new employment industry, with opportunities not limited to educated people (teaching staff) but also opened to untrained people (nonteaching staff, i.e., technicians).

I graduated from Lahore and I wanted to live in my village, so I applied for a job in a franchised school here and I got the job. My children are also studying on this campus. My colleagues are also from surrounding villages. Our government should be responsible for creating jobs for us. But in fact, these chains are making our dreams true, and not the government. (Parents #4)

I see chains as an emerging source of employment opportunities for fresh graduates. My teachers are young and I would love to teach in a franchised school after graduation. (Student #5)

Franchisees get returns on investments, teachers get employments and students get education. It's win-win situation for everyone. I guess there are many other microbusinesses connected to the schools such as food shops. They are all flourishing. (Student #9)

## 5.4 Customer Perceptions Regarding Opportunities and Challenges for Franchised Chains

### 5.4.1 Customer Perceptions Regarding Opportunities for Franchised Chains

The increasing population and educational demand have provided many growth opportunities for franchised chains. The public schooling sector, with very few established schools when compared to the increasing population and with a lack of financial, human, and strategic resources, is facing a severe crisis. Conversely, franchised chains are growing, and some of them (e.g., The Smart School) have recently expanded outside Pakistan into countries such as Bangladesh, the United Arab Emirates, and Saudi Arabia. According to many interviewees, franchised chains are growing fast.

Franchising will grow because it is a solution to our social pain. Our government must support these educational groups because they have experience and potential for the future. They must be encouraged to serve our society. (Parents #8)

These chains will grow fast because they know the demands of local markets and they have a lot of experience. Indeed, we will need more franchised chains in the future. (Parents #7)

Franchising is an interesting concept for everyone. It's successful in Pakistan. I think other countries facing problems in terms of education should also adopt franchising. I am sure these franchised schools will grow and never close. (Student #1)

### 5.4.2 Customer Perceptions Regarding Issues Faced by and Drawbacks of Franchised Chains

Some customers identify a few issues franchised schools have to face, e.g., teacher recruitment in rural areas, increasing competition, finding the balance between commercial and social goals, etc.

In my view, school performance depends on teacher skills. Some campuses have experienced teachers and some try to save money by hiring inexperienced teachers. (Parents #3)

Franchisees concentrate on providing facilities like beautiful classrooms and comfortable furniture instead of investing in our learning and entertaining activities. (Student #4)

I think educational chains are just like any other commercial businesses. Most franchisors are like politicians or businessmen and they simply want to maximize their investments. Anyhow, I also appreciate that they offer reasonable fees but they need to focus on education rather than money. (Parents #5)

## 6 Discussion

### 6.1 Summary of Findings

Franchising in the education sector in Pakistan is important; there are 22 franchised chains in the education sector, including 2944 schools and approximately 1,050,900 students.<sup>16</sup> Globally, our findings show that customers perceive franchising in the education sector in Pakistan as a successful phenomenon. First, interviewed customers usually consider that franchised schools are more performing than public schools. Second, the main characteristics of commercial franchising are also highlighted by our respondents, mainly in terms of the importance of brand name, the quality of services, and an adequate pricing policy. Third, interviewees also see the social aspect of franchising in the education sector, mainly in terms of the benefits of franchising for society, the benefits for students in rural areas (above all for girls), and the benefits for employment. Fourth, customers also perceive some opportunities, issues, and drawbacks associated with franchising in the education sector.

### 6.2 Contributions to Research

Our research contributes to the franchising literature in several ways. First, our findings on customer perceptions regarding franchising in the education sector in Pakistan widen the limited literature on customer perceptions regarding franchising. Second, our study builds on the franchising literature dealing with emerging

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<sup>16</sup>These figures are estimated by the authors based on their review of franchised chain websites.

markets by focusing on an underexplored market, i.e., Pakistan. Third, our research contributes to the stream of franchising literature dealing with social franchising by focusing on the education sector. Fourth, our study provides insights that can be used by other markets facing similar education-related challenges. In summary, our research contributes to better assessing the application of business strategies to social enterprises and the way customers perceive this recent trend.

### ***6.3 Contributions to Practice***

Our research contributes to the practice in a number of ways. First, parent and student perceptions regarding franchising in the education sector are important factors for franchisors and franchisees to consider. Indeed, through a better understanding and assessment of these perceptions, franchisors can better adapt their concept and franchisees their local offers to these parent and student expectations. Moreover, this research can be viewed by franchise experts, franchisors, franchisees, and various stakeholders, such as NGOs, governments and supranational organizations, and public policy organizations, as an overview of franchising in the education sector in Pakistan. Finally, our research findings could be considered guidelines for international agencies—such as the OECD, the United Nations, the USAID, and the World Bank—that invest in improving the social sector in general, and education in particular, in emerging markets.

### ***6.4 Limitations and Tracks for Future Research***

This paper has some limitations that offer tracks for future research. First, this is a work in progress and only 17 interviews with parents and students have been conducted and analyzed. Mixing this customer approach with franchisor, franchisee and employee approaches will be relevant to get a global overview of franchising in the education sector in Pakistan. Second, our empirical study deals exclusively with Pakistan. A cross-country study would be of interest, for instance, comparing franchising in the education sector in Pakistan and in India or in South Africa. Third, there is a “positivity bias” in our empirical study. Indeed, most parents and students usually say that the school they have chosen—as well as its status: franchised, company owned, public, etc.—is good and provides good-quality education. They will not admit during an interview that they have made a bad decision in choosing that particular school. Fourth, a quantitative approach at customer, employee, and/or franchisee levels could also give relevant insights on the development of franchising in the education sector. Fifth, the development of franchising in other social sectors than education could be examined, e.g., in the healthcare sector.



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