

[TEACHING INDIA]

LEARNING CURVE

Franchising in the private education sector is a good business opportunity for entrepreneurs to capitalize on

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There is little doubt that India's education sector is booming, regardless of the larger macro-economic winds.

According to India Ratings, a Fitch Group company, the Indian education sector's market size is likely to increase, by FY15 due to a strong demand for quality education. In FY12, the Indian education sector's market size was estimated to be ₹3,41,180 crore.

An opportunity

Despite opportunities in the sector, the education system in the country is plagued with problems. The country has a Gross Enrolment Ratio (GER) of 18.8 percent, which is one of the lowest

in the developing world. GER is often used to measure the access to higher education and is the total enrolment in higher education as a percentage of the population in the eligible age range of 18 to 23 years.

A survey on Skill Gap Analysis conducted by the National Skill Development Corporation (NSDC) in 21 sectors, found that industry, at the height of recession in 2009, needs 240 million people in the next 12 years to maintain the current growth rate.

"The education system in India produces about 12 million people as graduates and another four million who are skilled. If we multiply the number of people passing out by 12, we are woefully short to even maintain

the growth rate," says Dilip Chenoy, Managing Director and CEO, NSDC.

While state-run education institutes have tried to plug the gap, private sector participation is a must.

In the last two decades, private players have been making a mark in the field of education.

There is no doubt that the zest for making money and delivering quality can go hand in hand, and so the private sector has picked up aspects of education like finance, engineering and computer sciences. Their favorite model of business delivery is the franchising route.

A tale of three

From a room in Delhi, Satya Narayanan

R created Career Launcher to help students clear competitive exams. He has led a team of IIT-IIM alumni to shape the lives and careers of millions of students in the eighteen years of its existence.

Known as CL Educate Ltd. today, it is one of Asia's leading corporates in the education sector with focus on varied segments of education, and across learners of multiple age-groups. In almost two decades of its existence, the CL Educate brand has diversified and effectively established itself as a household name in India. The company operates across a broad range of segments in the education sector, including test preparation, K-12 education, higher education and vocational training. CL Educate started franchising as early as 1995. The company has franchised the test preparation vertical, while new business segments have been retained.

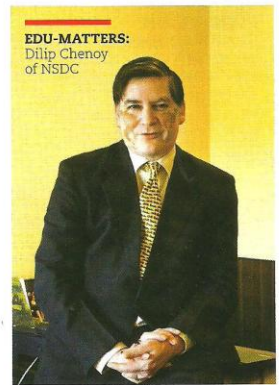
The time spent on choosing a franchisee is of importance at CL Educate, says Satya Narayanan R, Chairman. He says, "We partner with an individual not only because of the investment that he brings, but also for the intellectual and ethical value that he would bring to the CL Educate ecosystem,

which is much more valuable than any monetary investment."

NIIT Ltd., the global talent development firm, set up nine centers in India by 1987. NIIT arrived on the Indian education scene in 1981, when the IT industry was still a fledgling one. The nascent sector was in dire need of specialized and skilled manpower to fuel its growth and NIIT was created to fulfill this critical requirement.

"Even though franchising in education was unheard of and no one thought it was possible to standardize learning delivery, the company decided to go ahead," says Amitabh Lahiri, President, Individual Learning Solutions, NIIT.

One of the newest on the block, EduKart.com, which was started in November 2011, started franchising soon in October 2012. EduKart was started with an intention of creating an online education platform where students from across the country have a choice of doing a course in multiple subjects across multiple industries. The company provides industry relevant online degree and certificate courses, so that working professionals and students pursuing higher education can easily learn relevant industry



EDU-MATTERS:
Dilip Chenoy
of NSDC

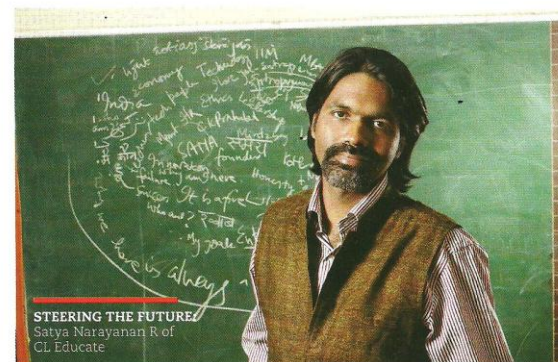
skills and become part of a more valuable workforce.

"We deliver high quality degree programs such as online MBA, MCA and BBA and relevant certificate courses in areas of retail, finance, digital marketing, programming languages and project management," says Ishan Gupta, CEO of EduKart.

The fine print

The three companies have a different approach to franchising.

For CL Educate, the franchisee is mainly taken on board to conduct test preparation coaching. The average time taken to appoint a CL Educate franchisee is anywhere between 60-75 days. "This ensures that the individual is quality-driven and ensures

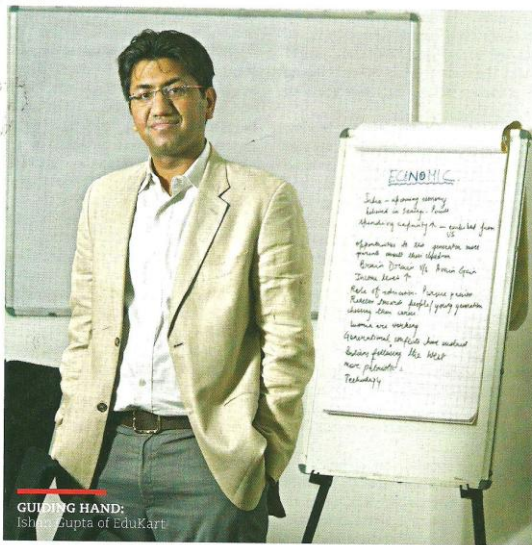


STEERING THE FUTURE
Satya Narayanan R of
CL Educate

CL EDUCATE LTD
STARTED FRANCHISING: 1995
NUMBER OF FRANCHISES: 150
REQUIREMENT: Investment ranges between ₹6-10 lakh, and total project investment, including interiors and infrastructure, would be in the range of ₹15 lakh. Space required is about 1,200-1,500 square feet

EDUKART.COM

STARTED FRANCHISING: 2012
NUMBER OF FRANCHISEES: 25
REQUIREMENTS: The company charges a one-time administration fee of ₹40,000 and security deposit of ₹55,000. No criteria for office space



GUIDING HAND:
Ishan Gupta of EduKart

that he safeguards the brand," says Narayanan. According to Narayanan, the franchising concept helps in rapid expansion provided the franchisor's systems, policies and practices are in place, tried and tested to deliver returns to the franchisee. "The franchisee simply needs to replicate those systems and practices at his respective location and, most often than not, he will be able to set up a long-term business and realize his entrepreneurial dream," says Narayanan.

EduKart started franchising as Gupta realized that while the deliveries were online, there were many students across the country who would like to enroll for an online course and still have a touchpoint for counseling. "Franchising made sense so that we enroll the right kind of partners to provide the support that students need across the country," says Gupta.

For EduKart, the franchisee undertakes local marketing activities in its area—be it talking to corporates and colleges, organizing seminars and local marketing campaigns on radio and television, or generating enquiries when students reach out to them. The franchisee helps them get the information on courses, and counsel them.

An EduKart franchisee does not conduct classes and all courses continue to be delivered online. "We are using the franchising way to increase our reach. Despite the prevalence of internet in the country, buying decisions in India continue to be offline. Franchisees that have local knowledge about the area can effectively set up the business and go about enrolling students," says Gupta.

Want to be an edu-franchisee?

To become a franchisee with CL Educate, the investment criteria ranges between ₹6-10 lakh and return on investment ranges from 20 percent to 40 percent over a 10-12 month period, depending upon the city. The total project investment, including interiors and infrastructure, would be about ₹15 lakh. In terms of space, a franchisee would need about 1,200-1,500 square feet and any city which has at least three colleges and

five senior secondary schools qualifies to have a CL franchisee.

In the case of royalties, which depends from product to product, a franchisee will have to pay between 15-30 percent on net collections. The company has about 150-plus franchisees and considers franchising a vital route for further expansion.

NIIT, on the other hand, looks for franchisees who understand what academics is all about and who are not there just for business gains.

"Aspiring franchisees should consider that they are going to partner a talent development organization. People with strong ambition and a burning desire to help students make their career and grow as entrepreneurs are welcome," says Lahiri.

Primarily, the investment required to set up an NIIT franchise is on

infrastructure. This ranges between ₹20-45 lakh, depending on the location. In terms of space, the requirement would be about 1,200-3,500 square feet with a provision for future expansion.

According to Lahiri, the franchise fee depends on the center's configuration and returns would be based on multiple factors. The company does not charge any royalties.

To determine the city or area for setting up a center, NIIT conducts a study to identify the population, literacy levels, number of schools and colleges, number of students studying and passing out each year, along with the demographic profile.

NIIT currently has more than 1,000 education centers in over 40 countries. Relatively new on the scene, EduKart has 25 franchisees pan India. The company charges a one-time administration fee of ₹40,000 and a security deposit of ₹55,000.

"After this, we expect franchisees to conduct offline marketing and the expenses can range between ₹20,000-₹50,000. We do not charge a high franchising fee and would rather have them spend that money for the marketing in their areas," says Gupta.

"The franchisees make money for every course they are able to sell. There is no criterion with regard to office space.

"We are more interested in the profile of the franchisee so that they can understand the local market well, execute well and not dilute the brand. An EduKart franchisee can operate from his house," explains Gupta.

Support systems

One of the benefits of buying into a franchise is the support that is assured with it, which nurtures the entrepreneurial experience.

For example, CL Educate conducts regular training programs at zero cost to the franchisee. There are structured and formal training programs and also non-structured, informal ones. The

NIIT LTD.

STARTED FRANCHISING: 1987
NUMBER OF FRANCHISEES: Plus 1,000
REQUIREMENTS: Investment ranges between ₹20-₹45 lakh
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training programs pertain to various areas of center operations such as faculty training, sales and marketing, and technology.

CL Educate has been self-reliant with regard to content which it develops in-house and offers to all its franchisees. The company says that its programs are contemporary and high quality in both content and printing.

CL Educate also has a franchise support team which helps the franchisee on various aspects like site selection, lease agreements, infrastructure and design of outlet, marketing, staff hiring and training, curriculum design and teaching.

The company also aggressively focuses on direct marketing and on ground marketing strategies.

There are also regular visits by CL Educate personnel and regular student feedback—offline and online—which ensures quality is being monitored and supervised.

Each franchisee center gets visited regularly by the support manager and the top executives, irrespective of how far or how near the location of the center is.

Every new franchisee with NIIT is extended a professionally designed handholding program titled 'BabyCare'. BabyCare is a detailed and rigorous process of inducting a Business Partner (BP) into the NIIT family.

Through this program, the BP is made aware of the processes and roles and responsibilities in an NIIT center. From location, center set-up, infrastructure and people, the BP is guided on every factor to help him shape up as a successful entrepreneur.

"They are trained on each and every aspect of the education business. NIIT has ensured uniform quality in its centers by standardizing the teaching method and providing objective-oriented course material designed to be delivered across different cultures and audiences," says Lahiri.

NIIT provides the guidelines and norms for establishing the education center. It also lays down the norms for space, furniture, lighting, equipment and other facilities in the center.

Regular and strict quality audits are carried out to ensure that these norms, systems and processes are implemented and complied with.

The quality of the level of teaching and learning effectiveness is maintained through periodic assessments and continuing education of the faculty.

"We support our business partners in terms of technology, marketing, business operations, and faculty skills. Through our contact center, we also assist our partners in enquiry generation and business development. We have student scholarship programs for the benefit of franchise centers," says Lahiri.

EduKart provides complete training and marketing support to its franchise partner.

It also supports its partners with the initial setting up of the business and execution of operations through an exhaustive franchisee kit.

The franchisee team of EduKart ensures seamless functioning of business and also helps franchisees in the recruitment of manpower and in national level online marketing.

They also help in the drawing up and implementation of business plans.

While there are many opportunities for taking the education franchise route, it is imperative that business does not remain a money-oriented goal. Only if students are successful, will their results—and positive word-of-mouth—bolster the edu-centers. ■