

SOCIAL FRANCHISING



SOCIAL FRANCHISING FOR 100% ENROLMENT AND 100% RETENTION



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Glossary of Key Terms

Social Franchise: A social innovation model that involves the replication of a proven model/product to attain a socially beneficial goal with a target population through a contractual relationship between the Social Franchisor and Social Franchisee.

Social Franchisee: The key implementing organization of the social model/product created by the franchisor, usually has the organizational capacity to attain the common impact goal.

Social Franchisor: The developer of the social model/product who further enables the franchisee to replicate and scale the model through transfer of knowledge and offers continued support to attain an impact goal.

Social Franchising Organization : An intermediary or coordinating organization that brings together social franchisors and franchisees under a contractual agreement to replicate and scale proven social models/products in a target location or with a target population. The social franchising organization also helps in building an ecosystem of social franchisees, NGOs, Government Stakeholders and private partners enabling each other to attain common goals.

Civil Society Organizations (CSOS): They are non-state, not-for-profit entities that are formed by people in the social sphere separate from the state and the market. This includes community-based organizations or Non-governmental organizations.

Social Franchising

The Franchising model, with its origins in the United States, has fast become one of the most popular methods for businesses to attain quick expansion and distribution in today's world. It seems that there is no end to the concepts that can be franchised; from fast food chains to fine dining restaurants, from cleaning services to courier services, there is an abundance of franchise systems operating in the world today. As an expansion mechanism, franchising has the absolute benefit of reduced capital investment for the franchisors. And on the other hand, franchisees have access to business systems and concepts that have been tried and tested over time¹.

Nowadays a relatively new concept in franchising is social franchising. Social franchising, also commonly referred to as not-for-profit franchising, involves the franchising of goods and services for social good rather than commercial goals/profit. The 'First-generation' social franchises were funded by the United States Agency for International Development in Mexico in the early 1990s². The interest in social franchising is slowly gaining momentum around the world, as more and more non-governmental organizations (NGOs) and governmental organizations are realising the impact that can be achieved through franchising as a mechanism to deliver services/products in low-resource settings. The core benefits of franchising, including expansion with reduced capital and the replication of a proven business system, are attractive to practitioners in the not-for-profit sector.

1.1 Definitions of Social Franchising

Social franchising can be defined along similar lines as commercial franchising, where a proven business model is 'boxed' up and passed on to franchisees for them to replicate with appropriate support and training. It has been noted that the social sector needs to be more flexible than the commercial sector in its definition of franchising, given the additional challenge of not necessarily generating profit. Hence, social franchising can be simply defined as "the application of commercial franchising methods and concepts to achieve socially beneficial ends"³. It is largely used to increase access to products/services across a range of socially oriented industries (e.g., education, health, agriculture, water, sanitation, clean energy), with its target market being underserved populations in low to medium-income countries around the world. The goal of most social franchisors is to largely provide access to socially beneficial products/services to

¹ Alon, Ilan, ed. (2014). *Social Franchising*. Basingstoke: Palgrave Macmillan.

² Montagu, D. (2002). *Franchising of health services in low-income countries*. *Health Policy and Planning*.

³ International Franchise Association Task Force, 2014

low income communities and in the process empower communities by creating employment opportunities or encouraging local social entrepreneurship . A popular example of a successful social franchising model is The BlueStar network, a 160-member social franchise network of Marie Stopes International Organization (MSI) that leverages existing health care providers as franchisees to form sexual and reproductive health clinics. BlueStar aims to increase access to sexual and reproductive counseling and services across the world by franchising BlueStar outlets to existing health care providers.

1.2 Social and Commercial Franchising

In commercial and social franchising there are two key role-players: The Franchisor and Franchisee. In social franchising, the roles of the franchisee and franchisor are based on similar principles as the commercial sector, with the franchisor providing support and training and the franchisee operating according to standards set by the franchisor. The table below provides a preliminary comparison between the characteristics of commercial and social franchising:

Commercial Franchising	Social Franchising
Stakeholders: Franchisee and Franchisor	Stakeholders: Franchisee, Franchisor, Social franchising organization and Donors
Commercial Goals: Profitability of Franchisor & profits to shareholders and Franchisees to make profits for individual wealth gain	Social Goals: Sustainability and scalability of Franchisor's product/model and Franchisee's investment in the community to achieve set social goals.
For profit sector	Non profit sector
Mostly provides consumables and consumer products including food and services	Mostly provides social services/products within health, education and other socially relevant sectors.
The financial arrangement involves the franchisor investing capital for the operations with a share of profits given to the Franchisor.	The financial arrangement (non profitable arrangement) involves zero to low cost investment by the Social Franchisor and 70%-100% implementation costs are taken by the Franchisee.

Table 1.1: Commercial Franchising vs Social Franchising

There are several more relevant comparisons that can be made between social and commercial franchising in terms of their organizational structures, expansion models, stakeholder relationship management etc⁴. Some common factors of comparison are stated below:

- 1) **Selection of the Right Franchisee:** This is a critical factor in both commercial and social sectors, although with some key differences. Social franchisers seek individuals/organisations that are more aligned with their impact goals and values. Commercial franchisors tend to have very formal processes and strict recruitment criteria for their potential franchisees.
- 2) **Support and Training for Franchisees:** In both commercial and social franchising sectors great emphasis is placed on support and skill development of the franchisees. Most often, large commercial franchisors have better resources to offer continued support to ensure their franchisee's development. Within social franchising, the focus is limited to offering skill building to the organization's personnel or tools for effective impact measurement.
- 3) **The Network:** Both social and commercial franchises recognise the power of an expansive network of franchisees. The network plays a key role in strengthening and encouraging innovation within franchisees. Social franchising networks of franchisees often creates an ecosystem rooted in implementation efficiency and appropriate addressal of key social issues.

1.3 Social Franchising: Key factors for Success

- **Choosing the Right Franchisee:** This is the first key element to be considered during social franchising. The preliminary criteria of choosing a social franchisee involves aligned impact goals and values at an organizational level. The next set of criteria looks at organisational capacity for implementation of the product/model. Organisational capacity is often measured by skill of on-field personnel, M&E systems, financial bandwidth etc
- **Choosing the Right Franchisor:** This is another important piece of the puzzle, selecting a Social Franchisor who has a viable product/model that is both scalable and replicable. The selection criteria also looks at the organization

⁴ Anita du Toit (2014). *Social Franchising as an Organizational Format*. Basingstoke: Palgrave Macmillian.

capacity of the Social Franchisor to offer effective knowledge transfer through training and mentorship during parts of the implementation phase.

- **Working with a Social Franchising Organisation:** An intermediary organisation that can create an implementation ecosystem for the social franchisors and social franchisees to come together to achieve similar impact goals. Apart from being a coordinating agency between the social franchisor and social franchisee, a social franchising organisation also offers support in terms of organisational capacity building, impact evaluation support, increase in fundraising efficiency to the franchisees and facilitation of seamless knowledge transfers between the involved stakeholders.
- **People Development:** The social franchising model is people centric in every which way, it provides scope for investing time and resources into consistent professional development of personnel within franchisees, people within target communities etc
- **Expansive Network:** A conscious attempt to build a network of social franchisees and franchisors all working towards common social goals often fosters innovation and collaboration in implementation and strengthens grassroot level non-governmental organisations.
- **Sustainable Financial Model:** It is extremely critical that the financial model is clearly understood and stress-tested. Most models of social franchising are designed as low cost, high impact models, but it is still important to adhere to certain measures of financial sustainability.
- **Standardisation with Scope for Adaptability:** Another key element for successful social franchising is being able to standardise or codify the program design with all the key operational details, but also leaving room for adaptability where it is necessary, e.g., in a diverse demographic context. The strongest franchises are those that manage to walk this fine line and instil a rigorous understanding of the process and its flexibilities in franchisees.

1.4 Social Franchising : Key Challenges

- **Maintaining and protecting quality standards:** This can be largely achieved through effective internal communications and monitoring systems. The challenge here, then, is ensuring that the right franchisees are selected from the start, who will truly buy into the values of the organisations and adhere to its operating mechanisms⁵
- **Capacity to manage the franchise network:** A certain level of support and mentoring needs to be provided by franchisors or Social Franchising organisations to franchisees. The challenge here, especially for the franchisor, is to achieve the right balance between managing the franchise and supporting franchisees, and simultaneously progressing with their own work.
- **Funding:** The funding for Social Franchising is a more complex field to navigate than commercial franchising, as the latter typically require franchisees to raise their own capital. Financial support for social franchising is still an unfamiliar field to investors and other funding sources (such as grant-giving organisations and public sector commissioning bodies). In addition, social franchises themselves may not need to raise the same level of start-up capital as a commercial franchise. To that end, the challenge sometimes lies in the social franchisor supporting the franchisee to source funding, either by helping them write grant bids, or by funding them partially from the beginning itself.
- **Recognising real need:** For social franchises, a key challenge lies in recognising who is truly in need of their services within the community and how best to respond to this need, while also maximising available resources and ensuring that what is delivered goes to those who truly are in need.

⁵ Berelowitz, D. (2012). *Social Franchising Innovation and the Power of Old Ideas*. The Clore Social Leadership Programme, the International Centre for Social Franchising and Social Enterprise UK.

1.5 Financial Sustainability in Social Franchising

The conversation around financial sustainability in the social franchising context goes way beyond finances and looks at strategies for programs to become cost-effective, reach an impactful scale, and all while ensuring program longevity. To increase the financial success of their programs, social franchises are using two main approaches:

1) changes to their organizational model, such as offering an expanded set of services;
 2) changes to their financial model, such as modifying the financial arrangements between franchisors and franchisees. These strategies have the potential to increase the financial sustainability of the franchisor and the franchisees⁶

1.5.1 Strategies to Increase Financial Sustainability

- 1) **Increase Program Cost Effectiveness** : It is simply an effective approach to ensure financial sustainability, a cost-effective operations model enables us to scale-up, to more successfully contract with partners, and to maintain donors.
- 2) **Diversification of Funding Sources**: To ensure financial sustainability and to facilitate growth social franchises need to diversify their funding sources. Reliance on a single donor is a huge risk during financial challenges or may even compromise the program when the donor's priority shifts. Having a diverse set of donors funding the core operations of the franchise helps mitigate this risk.
- 3) **Innovate and Adapt**: The most successful franchises are flexible and innovative, and able to adapt to the context in which they operate and hence attain financial sustainability by leveraging existing resources in some contexts.
- 4) **Goals aligned with State Priorities** : If the operational model and goals of a social franchise is aligned with the priorities of the state/national government it definitely gives the program more state resources to leverage for impact.

⁶ Beyeler, N., Briegleb, C., Sieverding, M. (2014). *Financial sustainability in social franchising: promising approaches and emerging questions*.

Social Franchising in Developing Countries

Social Franchising often has different meanings and connotations in various parts of the world. In Europe, the social franchising concept refers to the replication of a social enterprise, a charity or a social project through a franchise agreement. In the United States, social franchising usually refers to a means of fund-raising used by nonprofit organizations. In most social franchising formats in developing countries, the primary focus is to provide an opportunity to a certain segment of the society to escape poverty or to alleviate pressing social issues within education, healthcare, etc.

In developed nations, education, health and rural development has been effectively taken care of by the state but in developing nations the inefficiency of state systems often leads to a huge gap in access to essential facilities like education and health. Therefore, social enterprises, ventures, non-profit organizations have partially taken over the responsibility to fill this gap. Among these entities, social franchising is reigning as a successful method to effectively replicate and scale up proven or tested models or products. In Brazil, Wizard idiomas⁷, Escolas Fisk⁸ and CCAA⁹ are some examples of social franchising in the area of education, healthcare and family planning. In South Africa, Sport For All¹⁰ and The Shaftesbury Partnership¹¹ are examples of social franchising mainly focused on child development, youth employment and the empowerment of minority communities. In Pakistan, Green Star¹² and UmeedSay are two examples of successful social franchising in the health sector.

2.1 Social franchising in the Indian Context : Improving Access to Reproductive Services

Social franchising is still a relatively new concept within the Indian subcontinent. NGOs, State stakeholders and private players are yet to fully realize the potential of social franchising for low-investment high-impact large scale projects to address key social issues. However, social franchising as a model has made headway in India within the health sector in an attempt to improve access to reproductive health services and products.

⁷ <http://www.wizard.com.br/>

⁸ <http://www.fisk.com.br/>

⁹ <http://www.ccaa.com.br/>

¹⁰ <http://www.sportforall.co.za/>

¹¹ <http://www.shaftesburypartnership.org/>

¹² <https://www.greenstar.org.pk/>

2.1.1 “SURYA” by DKT International

DKT International¹³ who works through dynamic social marketing, to provide couples with affordable and safe options for family planning and HIV/AIDS prevention. By increasing the availability and affordability of modern birth control methods. DKT runs its own network of clinics, providing services like vasectomy and tubal ligation. Janani, DKT’s affiliate in East India, implemented DKT’s flagship Social Franchising program SURYA in Bihar, Jharkhand and Uttar Pradesh, three of India’s poorest states. SURYA, considered a “classic” social franchising model, provides products and services through franchised and DKT clinics¹⁴ as well as rural medical practitioners. It sells SURYA brand condoms, oral contraceptives (OCs), intrauterine devices (IUDs) and other contraception, and conducts female and male sterilizations as well as abortions. DKT also partners with the government to strengthen service delivery at public health facilities. A unique feature of the SURYA franchises is that they do not charge for sterilization, which is subsidized by the Government.

2.1.2 “DIMPA” by USAID

The DIMPA program began as a pilot activity of training doctors in the provision of DMPA based contraception, offering the method as a contraceptive option along with other methods to appropriate clients, with following all the required medical protocols for screening, counseling, injection, follow up and product stocking.¹⁵ Project started in 3 cities of Uttar Pradesh—Agra, Kanpur, and Varanasi, initiated by the USAID funded Commercial Marketing Strategies project. Beginning in 2004, Abt Associates led the implementation of the DIMPA program for the next 11 years. The DIMPA program was scaled in phases, with each phase building upon the momentum and learning from the previous phase. Through support from USAID, the DIMPA program was scaled up to a network of more than 1,600 clinics which was a small facility with two or three rooms and a waiting area¹⁶ covering 45 towns in Uttar Pradesh, Uttarakhand, and Jharkhand by 2012. With additional support from the Packard Foundation starting in 2012 and the Bill and Melinda Gates Foundation starting in 2014, the DIMPA program was expanded into Bihar. Today, the DIMPA program covers 108 towns of Uttar Pradesh

¹³ <https://2umya83uy24b2nu5ug2708w5-wpengine.netdna-ssl.com/wp-content/uploads/2011/04/social-franchising-and-networks-white-paper.pdf>

¹⁴ <https://www.dktinternational.org/services/clinic-networks/>

¹⁵ https://www.shopsplusproject.org/sites/default/files/resources/Expanding_Family_Planning_Options_in_India-Lessons_from_the_Dimpa_Program.pdf

¹⁶ https://www.youtube.com/watch?v=D_daLnNvzhE

and Bihar, has more than 2,200 clinics in the network (Figure 3), and serves a population of 28 million people.

2.2 First Franchising in Education in India: EUROKIDS International

Euro kids has been one of the leading players in education for more than 15 years. They have more than 1000 centers across 350 cities and are one of the most preferred pre-school franchise partners across the country. With the mandate of Investment of nearly 20 lakhs and commercial property of 2000 square feet and a promising return of 50% of the invested capital in one-ten years. EuroKids has a partnership with SBI which provides collateral-free loans. This loan is provided for a maximum tenure of 5 years and with a moratorium period of three months for payment of principal and interest. Euro Kids in return provides the Design manual of the school, furniture, library, and all the required school equipment. They also provide their curriculum, do capacity building for the teachers, provide training materials, teaching plans, and workbooks to help a child learn and develop holistically. Franchise owners receive expert guidance from Head Offices in opening unit franchisees, through formal induction programs and training that explains the finer aspects and challenges involved in operating a franchise.¹⁷

2.3 Social Franchising in Education : A Case Study on Pakistan

With Pakistan's constitutional mandate to compulsory education and the rise of private institutions in the education sector, Social franchising looked like an approachable and affordable option towards increasing the accessibility of education. Not only it became one of the most successful options in Pakistan but set up an example in whole South Asia. Currently there are 22 education franchises active at all education levels.¹⁸ Dar-e-Arqam is one of the leading franchises with a presence in 164 locations and 4127 schools having approximately 1,310,200 full-time students. Several international franchise chains have also been operating in primary, secondary and higher secondary education. Such as American Lyceum International School, PakTurk International Schools and Colleges from Turkey and The International School of Choueifat from Lebanon.¹⁹

¹⁷ <https://www.eurokidsindia.com/>

¹⁸ <https://tel.archives-ouvertes.fr/tel-01723627/document>

¹⁹ <https://www.socialsectorfranchising.org/news/franchising-in-the-education-sector-the-case-of-pakistan>

The growth of franchising in the education sector in Pakistan is similar to the growth of franchising in commercial sectors. These schools have greater visibility and reach by having schools in remote areas and a higher quality product for education. To strengthen non-governmental educational companies, such as franchise chains, in order to make education accessible for everyone, International organizations like The World Bank, UNESCO, and some foreign governments, have also started to invest in the education sector in Pakistan. To keep the running cost low, many franchisees leave the running school to the coordinator they hire.

However, the franchising concepts in the education sector in Pakistan are mostly domestically operated by private educational companies, private universities and public sector universities. There is clear evidence that the expansion of franchise chains in the education sector has made affordable education more accessible to various sections of the society.

TAP India Foundation (TAPIF) : Social Franchising for Retention and Enrolment of Out of School Children in India

TAP India Foundation is a non-profit entity that has taken social franchising as an approach to help accelerate the identification, enrolment and retention of 3.22 Cr+ OoSC while enhancing the implementation capacity of the non-profit ecosystem. Our larger mission is to build a network of Franchisors and Franchisees for Social Franchising, which is dedicated to ensuring that all children in the age group of 5-14 years are enrolled and retained in schools. We are committed to the Government of India's goal of achieving 100% Gross Enrolment Ratio from Pre-school to Secondary grades, by 2030. We have set ourselves an ambitious goal of identifying, enrolling and retaining 150k out-of-school children in Haryana's bottom 20% districts vis-à-vis literacy and dropout rates, by 2026.

3.1 The Challenge : Out of School Children in India

The state defines out of school children as children who have never been enrolled in school or have not been to school for more than 45 days without prior notice. We have about 3.22cr Out of School Children in India as per the NSSO 2017-18 survey. In the last two years, about 1.6 billion children have been out of school worldwide (UNICEF) and 16% belong to India due to nationwide lockdowns caused by the pandemic. Many of these children may not return to school leading to an exponential increase in the no. of dropouts.

As per NSSO 2017-18 Survey the key reasons for children dropping out of schools pre-covid are: a) Engagement of children in economic activities to supplement the household income (esp. male children) or domestic activities due to gender stereotypes (esp. female children) b) Financial constraints c) Lack of interest in learning. The last two years of battling a raging pandemic has aggravated these factors. Financial insecurity caused by unemployment and forced migration has caused parents to withdraw children from schools. The abrupt switch to remote learning and virtual classrooms has resulted in aggravated learning gaps due to inadequate access to digital infrastructure. This has greatly affected children especially from economically weaker sections of society who have not been able to access learning spaces due to financial constraints. The longer the children are outside of schools the more vulnerable they become to child labour and abuse and lesser are their chances of coming back to schools.

3.2 Why Social Franchising?

- The availability of replicable and scalable models/products that have successfully achieved impact at scale, especially in the area of mainstreaming out-of school children.
- There is an opportunity for accelerating beneficiary coverage pathways for both mature and early-stage CSOs by building on proven products and models of impact at scale, applying principles of franchising.

3.3 Our Social Franchising Model

TAP India Foundation has set out on a journey to codify a template for social franchising in Education and to aid ecosystem implementation efficiency by building a coalition of Social Franchisors and a network of Social Franchisees. The larger mission is to ensure 100% enrolment and 100% retention of Out of School Children through Social Franchising. The Social Franchising model adopted by TAPIF is illustrated and explained below:

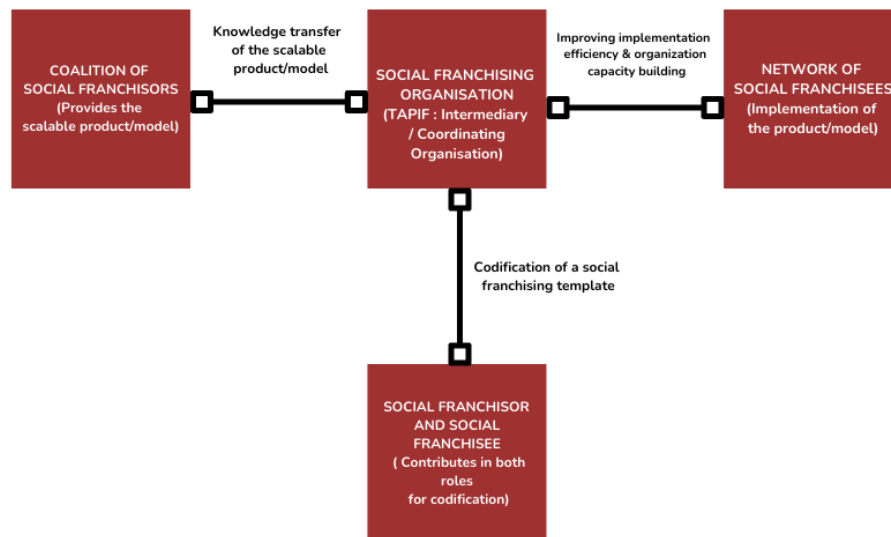


Figure 1.1: The TAPIF Social Franchising Model

In this Social Franchising arrangement, the coalition of Social Franchisors are organisations with proven products or models of impact and they will be contributing to the key knowledge components of the program. The Social Franchisors will be

responsible for a one-time knowledge transfer of all key knowledge components required for identification, enrolment and retention of out-of-school children (OoSC). The network of Social Franchisees are registered non-profit organizations focused on mainstreaming out- of-school children, they will be responsible for the implementation efforts in the field.

The Social Franchising Organisation (TAPIF) will act as a coordinating agency responsible for the selection and onboarding of Social Franchisors and Social Franchisees to eventually build a Social Franchising network. The Social Franchising Organisation will act as the single representative of the Social Franchisor coalition and Social Franchisee network and serve as a liaison between the two. It will also serve as the single point of contact for complete knowledge transfer and operational support on behalf of the Social Franchisor coalition. It will also be supporting the Social Franchisee Network in improving organisational efficiency and fundraising efforts with careful data-backed insights. Further down the line TAPIF, as the Social Franchising Organisation will design and maintain a robust Social Franchisee Performance Index to inculcate a culture of meritocracy and transparency within the Franchisee network. The index will serve as a benchmark for implementation standards within the ecosystem. TAP India Foundation also aims to achieve codification of this Social Franchising template by spending 30-40% of its efforts as a Social Franchisor and Social Franchisee. TAPIF as a Social Franchisee will support implementation efforts and set operational standards for the Franchisee network and as a Social Franchisor will contribute to the Franchisor coalition by owning some key knowledge components.