

RETAIL FRANCHISING

A GATEWAY OF BUSINESS EXPANSION

Franchising is gaining popularity among the retailers in India, more particularly in the areas of fashion & lifestyle, food products and beverages, restaurant chains, consumer goods and computer training centres. Franchising is one way in which a company can take advantage of India's vast market with a degree of control that other traditional forms of distribution can't match

By Parama Sen

In the emerging economies, millions of new consumers are being created as jobs in manufacturing and service businesses are increasing average incomes. This growing middle class is creating a boom in retail activity and retail franchising opportunities are being established to service these emerging markets. Retail, food and service businesses are feeling the benefit of this economic momentum and franchising is surfing this wave as the need for motivated owner-operators grow. The 21st century will see the evolution of the franchised owner-operator as the most efficient last-mile-to-market business model yet developed, combining the service ethics of an individual who understands that the centrepiece of his or her goodwill is the lifetime value of each customer, with the strategic planning capability, buying power and marketing muscle of bigger networks and brands.

Franchising business in India is expected to witness CAGR of 30% over the next 2 years. This is also expected that franchising industry will create job opportunities (including both direct and indirect) for an additional 11 million people by 2017. So, franchising is indeed a game changer policy which assures growth not only for franchisors but franchisees as well.



► PRESTO [OPERATING INDUSTRY: RETAIL]

This first-of-its kind concept-store opened in Kolkata City Centre I, in 2005 and was an instant success and here begins the successful journey from one to 165+ across country. In a short few years, it has become a recognized brand. The franchising strategy of the brand is very simple. It provides 360 degree support, which begins from day 1 of joining hands. The brand makes it a point that the price of all the products is the same across the country. Presto has an e-catalogue that makes sure there's no product differentiation between franchisees.

Criteria to select a franchisee: The two most important things that the brand look at while selecting a franchisee is the location where the store would be, and of course self entrepreneur.

Preferred location and average store size: The preferred locations should be places with high footfalls. This would include places such as Shopping malls. The average size of a franchisee is 250 sq ft. The company operates in three business modules - SIS, KIOSK and EBOs. So wherever there's high cost it prefers Kiosk/SIS, to make the project viable.

Cities with multiple franchising initiatives: The major cities where Presto has multiple stores are Kolkata, Pune, Bengaluru, Chennai and Mumbai. The largest region that it has covered is East with 90 stores, then comes South with 50, West with 15 and North with 10.

Ratio of company owned store and franchise stores: 25% of Presto stores are COCO and 75% are FOFO.

Expansion Plan: Presto is trying to go global. The target is to be present in South East Asia Pacific region in the beginning and then spread wings across the world. Presto will open three international stores at Nepal and Fiji in this financial year.

► HAS JUICES & MORE [OPERATING INDUSTRY: F&B]



HAS Juices & More is in retail format since nine years. However the juice bar is a new segment. They have received good response from the market in last 3 years.

USP of the franchising strategy: The brand believes in maintaining good relationship with the franchisees, which yields good results in a specific period of time. Its belief in commitment, insistence on fair practices, and proper set of guidelines for the franchisees makes them a better choice for the potential franchisees. The brand also

believes in initiating more outlets with the same franchises at the same time.

Win-win for both franchisor and franchisee: Both should make money following the correct business ethics that is the bottom line strategy of the brand. In case a franchise is facing any inconvenience, problem, issue of any sort, the brand does stand by them.

Criteria to select a franchisee: The background and location of the candidate applying for franchisee play a major role in selection. High Network Individuals are preferred rather than people with short capital or business loans. An investment of approximately 20 lakhs is needed in the beginning.

Preferred location and average store size of the franchise: Malls, High end streets, already having prominent brands of ice creams; Petrol pumps, Hospitals, Multiplexes, Airports, premium large corporate parks are preferred locations. Average store size will vary from 150 sq. ft. to 500 sq. ft. ROI period is expected to be 12-18 months, while the expected break-even comes from within 2-3 months from commencement of business.

Present network of stores: It has 3 franchise stores and 5 Joint Venture Stores in Mumbai, 1 franchise in Raipur and 1 in Bengaluru.

Ratio of COCO & FOFO: The brand has 25 COCO stores, while 4 FOFO stores and 6 JVs. 3 more FOFO stores are coming up shortly.

Future expansion plan: They have a target of opening 50 more stores in Mumbai, 7-8 stores in Pune, at least 1 store in Nasik, 10 stores in Gujarat, 3-4 stores in Goa and around 10-12 stores in the southern part of the country.

► CHANDRANI PEARLS [OPERATING INDUSTRY: RETAIL]

Chandrani Pearls, a well known name in Bengal, is the retailer of fresh water pearl jewellery and is targeting the middle income household with a perfect fashion accessory that is classy to wear and at the same time is a good option for gifting.

Franchising strategy: One of the key differentiators is that we are so confident of the brand, that we offer our franchisees the option of returning stock back to us, thus giving them the confidence of no dead stock. We work on a very efficient store model allowing them to be operational in a short time frame. We have an extensive training program that gives the owner knowledge of their store, even if they are not physically present. We promote our brand heavily thus ensuring that the customers confidence stays with us.

Win-win situation for both-franchisor and franchisee: We offer a full return of stock, thus reducing the actual risk of the dealer. We have a stock rotation policy that allows us to keep liquidating stock including the ones that are returned back from the franchisee. This confidence allows us to make new dealers, and at the same time the dealer is satisfied that their risk is low.

Criteria to select a franchisee: They generally look for stores in high footfall areas like market places and high streets and the typical store size is 200 sq ft. Chandrani Pearls looks after all promotional expenses of the franchisees, and in certain high potential areas, they even agree to bear a portion of the cost of the rental, until franchisees reach break even. An investment about 10 lakhs is necessary to be a CP franchisee. Expected break-even period will be 2-3 years.

Region-wise break-up of franchise stores: East is the core strength area of the brand, which has 57 stores, North has 5 and South has 1 as of now. The brand has 15 franchisees in Kolkata city, 15 in Kolkata suburbs and 2 in other big cities of West Bengal. They also have 2 Franchisees in Delhi and 2 in Guwahati. If the COCO & FOFO ratio is concerned, out of 63 outlets, 10 are COCO and the rest franchised.

Future plan: East will remain the main focus area, this includes, West Bengal, Assam, Orissa, Jharkhand, and Bihar.

► EXPRESS CAR WASH [OPERATING INDUSTRY: CONSUMER SERVICES]

Express Car Wash is the brain child of Manmachine Group, the most successful organization in professional mechanized cleaning solutions and services.

Franchising strategy: Franchising for them is like a marriage and both the partners have to invest equally for it to work. People trust the brand because the brand has complete faith on the franchisees.

Innovations: ECW updated their software and machines according to the changing technology. Latest, they have introduced steam technology to save 80% water and 50% electricity. They are also launching the first car wash App.

Win-win for both franchisor and franchisee: The margins that ECW offers are very high. The franchisee can earn up to 70% net profit from this venture.

Criteria to select a franchisee: That will be three fold, area (800- 100 sq. ft.), investment capacity and passion toward cleanliness and cars. Location-wise mall, market, industrial area or a petrol pump, any place where the car flow is good will do. The franchisee needs an area of 80,000 sq. ft, the ROI is 100% and break-even can be reached in the very first month.

Dealing with high rentals/real estate costs: ECW is trying to tie up with petrol pumps on a sharing revenue pattern to combat that problem.

Region-wise break up of franchise stores: In North 20, West & South both has 10, In East there are 5 so far. Vadodara, Surat, Rajkot, Delhi/NCR, Guwahati and Mumbai are the cities, where ECW has multiple franchisees. The ratio of COCO & FOFO is presently 1:3. The brand has set a goal of having 100+ running outlets by 2018.



Key Parameters to be considered

There are some key parameters which the franchisees should consider before selecting a particular franchise model.

Check for Proven Systems: Always opt for a proven business model. There should be systems for everything from payroll and marketing to client services.

Examine Earnings Potential: It can be tricky to evaluate the profitability of a franchise, because profitability from other franchise locations can't be relied on. Get a comprehensive list of the financials from other franchises, investigate how the successful ones became profitable, and find out whether other franchises have recently failed.

Acquire Territory Exclusivity: If that's not possible for whatever reason, it makes it much tougher to build and defend a profitable niche.

► DEAL JEANS [OPERATING INDUSTRY: CLOTHING & APPAREL]

The product portfolio of Deal Jeans consists of 14 categories like fashion tops, dresses, tees, tunics, jumpsuits, skirts, jeans, pants, leggings, shorts, jackets, coats, sweaters & knits. The Brand targets women customers in the age group between 18-35 years, who appreciate quality, are fashion conscious, well travelled and who have had exposure to global fashion.

Development of the franchising network: They have established the brand equity with MBO Trade partners over the last 15 years which has been a key tool for developing this channel.

Franchising strategy: Their policy is very competitive and is designed in a win - win manner for franchisee and brand. It helps the franchisee to keep the store fresh and stock the latest merchandise because of the end of season sale support and stock correction



Know the True Costs of Being a Franchisee:

Carefully review franchise agreements. There are often hidden fees in addition to the royalty payments, such as required marketing fees or training. Be sure to know the true cost of being a franchisee to make sure the franchise opportunity is the best one.

Analyse Market Opportunity: Check whether that particular model has potential to be a successful one. The geographical factor has to be considered as well.

Get Comfortable With Company Operations:

Quite often, franchises have strict rules on how to operate the business — often not allowing innovative franchisees to explore new marketing strategies or product positioning.

mechanism. Our EBO policy ensures a level playing field for all sales channels.

Innovations: They have used IT to ensure the franchisee is connected to all company operations. They are implementing SOP's for every store they are opening. Apart from that, a team from HO supports the franchisee in his operations and with data analysis. Also, initiatives are taken to offer best visual merchandising as per brand standards.

Criteria to select a franchisee: While location of the property still remains a very important criterion, Deal Jeans appoints retailers who have expertise in retail and are well versed in their city as our franchisee, so that they implement the process to achieve the desired ROI. However the preferred location could be a mall or a high street and average store size is 400 to 600 sq. ft. The investment amount will be 15-20 lakhs and expected break-even is within 12-18 months.

Supports provided to the franchisees: The business supports which are provided to the franchisees are as follows: Exclusive marketing support for store launch, store set up assistance, staff training and development, substantial VM support, stock correction, dedicated support in monitoring and managing business.

Future expansion plan: 15-20 stores in this fiscal year.

Franchising: market potential

The franchising industry is expected to quadruple between 2012 and 2017. There is scope for franchising industry to contribute almost 4% of India GDP in 2017 growing from a current estimated contribution of 1.4 percent of GDP. While increasing consumption, willingness to spend, growing preference for branded products, global exposure and use of international brands are driving the demand side of franchising, increasing set of opportunity-driven competent entrepreneurs, growing awareness of franchising as a business opportunity

and its relative low risk profile are driving the supply of new franchisee units. Services sector, which includes Consumer services such as Financial Services, Courier Services, Health & Wellness and Food Service sub segments, is expected to contribute to majority of the growth in franchising in the next half decade. Franchising in Health & Wellness sub-segment is expected to grow to almost 6 times the current penetration. Retail (which includes sectors such as Apparel, Jewellery and Food & Grocery) and Education are expected to be the other major areas where there is huge

► FERNS N PETALS [OPERATING INDUSTRY: RETAIL]

Ferns N Petals has become the biggest Flower Retail Chain in the world with the only brand which has 216 running boutiques and 15 more new outlets in pipelines. Started with a single store in 1994 in Delhi, the brand today in 85 cities nationwide and delivers across 155 countries worldwide. With the boom in Indian online retail industry, FNP is consciously foraying into small towns and every nook and corner of the country to mark its presence.



Franchising strategy: FNP's vision has always been very clear, what they commit, they deliver. They believe that the moment this healthy approach in building of the brand is applied from both the end the brand will always be successful.

Win-win situation for both-franchisor and franchisee: The low cost business attracts and encourages more and more people to take up the opportunity. They have equipped the partners with exclusive merchandise & presentation skills, regular inputs on innovative gift options and presentations to create a difference from the local competition which is indicative in the form of 75% repeat customer base. Business is also generated from FNP's website and the same is delivered through franchise network in the form of regular monthly business.

Criteria to select a franchisee: In a prospective Franchisee, FNP looks for the following attributes, shared vision, entrepreneurial spirit, community orientation, ability to devote time to the store, quality and brand consciousness, ability to meet financial requirements and capability to motivate the staff.

Preferred location and average store size: The ideal premises required shall be of 150-300 sq. ft. of usable area, located on the ground floor of a good quality building in a prime retail location in the city/town/colony. The location should have good visibility with a minimum frontage of 10-12 feet and should be easily accessible with adequate parking facilities. An investment of 7-9 lakhs will be adequate to own a FNP franchise. The ROI period is 12-18 months and expected period to reach break-even is 3-4 months.

Region-wise break up of franchise stores: FNP has pan India presence with 98 stores in North, 41 in South, 28 in West and 37 in East. They have multiple stores in Delhi, Faridabad, Ghaziabad, Ludhiana, Chandigarh, Meerut, Lucknow, Varanasi, Agra, Kanpur, Gwalior, Jabalpur, Indore, Raipur, Ahmedabad, Surat, Baroda, Nagpur, Mumbai, Pune, Goa, Bhubaneswar, Hyderabad, Mangalore, Bangalore, Chennai, Cochin.

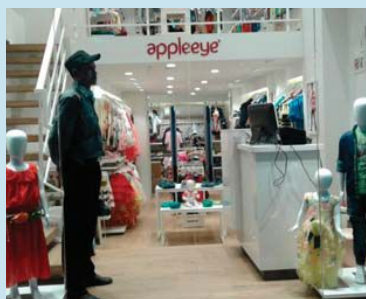
Future expansion plan: The brand is exploring the markets in Tier II & Tier III cities. At the same time they are ready to spread the same impact and magic in neighboring countries as well. They are very keen on international expansion too.

► APPLEEEYE [OPERATING INDUSTRY: CLOTHING & APPAREL]

As the kids of today are becoming more & more fashion conscious, Appleeeye, which is into Kids fashion, are gaining strong foothold in this sector. The product portfolio includes especially designed includes Kid's garments for a wide age group ranging from New Born to 16 years with full range of boys and girls. The range includes Casual wear, Party Wear, Club wear and Ethnic wear.

Franchising strategy: The network has been developed with their own Multi Brand Outlet network. These MBO's have taken their own store franchises & directly from malls. They have a low investment mode. Secondly we provide stock on SOR basis so that the franchisee does not have the liability of stock on them.

Criteria to select a franchisee: Focused people, who should be Owner Driven Franchisee i.e. who themselves should sit in the store for further operations, are chosen. Preferred locations are Market places and Malls where we get abundant amount of footfall. An investment of Rs. 12-15 lakhs and carpet area of 500-700 sq.ft. are needed



to be an Appleeeye franchisee, while the expected break even is 1.5 years.

Present franchising network: With 50% CoCo and 50% FoFo, the brand is present with multiple outlets in Jamshedpur, Bhubaneswar and Patna.

Future Plan: The primary focus area is still east but from this season they will be moving towards Andhra Pradesh, Karnataka, Tamil Nadu and Kerala i.e. South India and the extreme West India like Punjab, Rajasthan and Gujarat.

► MANISH CREATIONS [OPERATING INDUSTRY: CLOTHING & APPAREL]

Manish Creations, with its exquisite collections of sherwani, Indo-Westerns, Suit and Kurta has revolutionized the ethnic wear category. The last two years has seen the brand almost doubling their number of stores across 16 cities in India with plans of even further extending their reach.

Franchising strategy: The network of the existing franchisees was developed by selecting the store locations with extreme caution and pre-selected criteria. The brand always ensures that their franchisees are directly engaged in the process of sales to the end customer and personally select merchandise for the store. MC wants to provide the best customer service and thus the franchisees work on a model which presents the customers with personalized efforts to further enhance the buying process.

Win-win situation for both-franchisor and franchisee: Appropriate merchandise from the brand's end & footfall conversion from franchisee's end balances the situation.

Criteria to select a franchisee: The brand looks forward to prime locations in the market for their presence with carpet area between 800 sq. ft. to 1,200 sq. ft. with a minimum investment of 25-40 lakhs. At the same time, they want the franchisee



to be engaged with the customer, to make the customer's buying process an unforgettable experience which ensures customer satisfaction and retention.

Region-wise break up of franchise stores: Since Kolkata is MCs base, all stores in the city are managed from company's end. Other stores outside the city are managed by the franchisee. Right now it has 32 franchised Stores. In the Eastern Zone, the remaining stores in Bhubaneswar and Patna are managed by the franchisee. The entire Northern and Southern zone is managed by the franchisee. The cities, where the brand has multiple franchise initiative are Kolkata, Hyderabad & Bhubaneswar.

Future expansion plan: MC is looking forward to penetrate nascent markets in Tier II and Tier III cities in UP, Bihar and Orissa. They look forward to multiply the chain of stores to 60 by the end of the next year.



scope for franchising to succeed. Though Indian Govt. has modified FDI regulations in single and multi brand retail, but that will not affect the booming franchising market in India, as most of the international brands are still preferring to operate through franchise mode, rather than opening their own company outlets.

Growth Drivers of Franchising in India

Burgeoning consumer class with an increasing appetite is considered as the biggest growth driver, both by the franchisors and the franchisees. Franchising based business models are preferred by people with strong entrepreneurial drive and risk taking abilities, especially from the no-specific business backgrounds. This model is readily accepted because it helps increase the scale of operations while reducing the time to market. This also aids in brand building process through value creation. It is often the uniqueness of the concept and value of the brand of the franchisor business that attracts franchisees to invest in them. Besides these, availability of investments and increased investment capability has also been a key factor driving the growth of the industry, especially when investment support from franchisors is minimal.

Regulatory Scenario

While franchising sector in India, per se is not regulated, there are multiple laws which have an impact on franchise operations. Any future regulations in this area should allow conducive growth of franchise systems along with protection of franchisee

► MOBEL FURNITURE

[OPERATING INDUSTRY: **RETAIL**]

Mobel furniture mainly deal in home furniture, office furniture, modular kitchen, interiors etc. Their TG is middle class, upper middle Class and upper class people.

Development of the franchising network: They started with this model of expansion in smaller towns and districts in Eastern India. The brand is now popular in the East and the economy of running stores is good in small towns.

Win-win situation for both-franchisor and franchisee: They are offering an assured margin on Sales, a low initial investment towards fixed cost, a very simple and easy exit plan to make the Franchisee feel comfortable and full support on advertising and marketing. In return, they want 100% exclusivity, min 3 Years lock in and sincere effort to make the store a success.



Criteria to select a franchisee: The investment required is 20-100 Lakhs and the showroom space should be 2,500 to 10,000 sq. ft. on Ground, 1st or 2nd Floor with good visibility. Preferred locations are Tier II and Tier III cities and towns in Eastern India and Karnataka. They currently have two models, Entire Product range - 2,500-10,000 sq. ft. and Only Modular Kitchen and Wardrobes - 500-1,000 sq. ft.

Region-wise break up of franchise stores: Right now, they have 9 franchise stores, all in East. However, the brand has a pan India presence with 14 stores.

Future expansion plan: 40 stores in East within next 2 years and 100 stores across India is the plan right now. The brand is ready to explore opportunities in the South Indian Market too.

► THE JUTE SHOP

[OPERATING INDUSTRY: **RETAIL**]

The brand has Jute, cotton and Juco bags

Franchising strategy: Any small, willing entrepreneur.

Criteria to select a franchisee: Retail background is the primary focus area; preferred Location is tier ii towns. Small kiosk size 4x4 sq. ft. in a mall or cooperative society will be okay. A primary investment of Rs. 1 lakh is necessary.

Present franchising network: They have multiple outlets in Kolkata. South Indian cities like Chennai, Coimbatore and Bengaluru also have the jute shop outlets..



rights. The regulatory parameters should include,

Specific franchising laws: rules and regulations focusing on this industry are expected to send a positive message to both national and global franchising community about the seriousness of government promoting this concept as a mainstream sector

Pre-contractual disclosure norms: This will ensure that only serious players consider franchising as a business model

Control on royalty payments and franchisee fees: Free market pricing should be encouraged while ensuring royalty and fee payments as per industry standard

Conflicts resolution and intellectual property protection: Intellectual property rights of all the franchisors should be protected to discourage counterfeiting brands

India, attractive market for global franchisors

Many international brands have already entered India and are adopting the Franchise route towards growth. Global F&B brands such as Domino's, KFC, Pizza Hut etc and apparel brands like Louis Philippe, Adidas, Reebok, Nike, UCB, Allen Solly etc have adopted variations of the franchise models to grow in India. However, India's growing but fragmented market can seem chaotic and difficult to deal with. Due to no specific rules or laws promulgated in India to address

MAJOR INTERNATIONAL BRANDS IN INDIA IN F&B SECTOR

International Brands	Time of Launch	Country of Origin	Indian Company/JV Partner/Franchisee/Licensee/Distributor/Retailer	Company Operating Structure
Pizza Hut	1996	USA	Yum Brands India/ Sapphire Foods/Devyani International Pvt. Ltd.	Wholly owned subsidiary/Licensed
McDonalds	1996	USA	CPRL/Hardcastle Restaurant Pvt. Ltd.	Licensed
Subway	2001	USA	Subway System India Pvt. Ltd	Wholly owned subsidiary
KFC	2009	USA	Yum Brands India/ Sapphire foods/Devyani	Wholly owned subsidiary/Licensed
Dominos	2011	USA	Jubilant FoodWorks Ltd.	Licensed
Starbucks	2012	USA	Tata Global Beverages	Joint Venture (JV)
Dunkin Donuts	2012	USA	Jubilant FoodWorks Ltd.	Licensed
Burger King	2014	USA	Everstone Group	Licensed

the functioning of franchisors and franchisees, international players perceive a higher risk to business continuity. It also becomes a challenge for an international franchisor to understand all diversified tastes and preferences, to establish and expand business in India.

Key Highlights of the industry

While every other study by different market research analysts has shown favourable pictures about the franchising model of business expansion in the country, there are some findings which need to be discussed in this regard, which will help both the franchisors and franchisees to understand the pros and cons of this expansion model in a better way. Franchisors believe that they are providing adequate support to their franchisees; however the latter are expecting more support particularly in

MAJOR INTERNATIONAL PLAYERS IN INDIA IN APPAREL SECTOR

International Brands	Time of Launch	Country of Origin	Indian Company/JV Partner/ Franchisee/Licensee/Distributor/ Retailer	Company Operating Structure
Louis Philippe	1989	UK	Madura Fashion & Lifestyle, a division of Aditya Birla Fashion & Retail Ltd.	Brand acquired-licensed to Madura Garments
United Colors of Benetton	1989	Italy	Benetton India Pvt. Ltd.	Wholly owned subsidiary
Van Heusen	1990	USA	Madura Fashion & Lifestyle, a division of Aditya Birla Fashion & Retail Ltd.	Brand acquired-licensed to Madura Garments
Arrow	1992	USA	Arvind Lifestyle	Licensed
Allen Solly	1993	UK	Madura Fashion & Lifestyle, a division of Aditya Birla Fashion & Retail Ltd.	Brand acquired-licensed to Madura Garments
Lacoste	1993	France	Sports and Leisure Apparel Ltd. (Turner Morrison Group)	Licensed
Levis	1995	USA	Levi Strauss India Ltd.	Wholly owned subsidiary
Reebok	1995	USA	Reebok India Pvt. Ltd.	Wholly owned subsidiary
Nike	1995	USA	Nike India Pvt. Ltd.	Wholly owned subsidiary
Adidas	1996	Germany	Adidas India Marketing Pvt. Ltd.	Wholly owned subsidiary in 2002

► HOFFMEN [OPERATING INDUSTRY: CLOTHING AND APPAREL]

The first Hoffmen store, comprising an area of 200 sq. ft was opened in Kolkata in the year 2004. Currently they are a 70 EBO brand now. The product portfolio comprises of entire western wardrobe for men and women. Hoffmen has been basically a denim brand, but over the years the brand vintage has grown and other products have been appreciated alike. The target audience is any upwardly mobile individual who appreciates value for money.

Franchising strategy: The overall objective has always been to formulate a strategy which gives a win-win situation both to the brand and to the franchisee, which is again a reason why Hoffmen has 68-70 stores, majority of which being franchised. But they only have a handful of franchisees. The reason being every franchisee is typically running 3 to 4 stores.

Challenges faced: Finding a good property at a good price has its own challenges. The share of capital expenditure (Capex) has also grown or rather multiplied in the past few years.

Ensuring uniformity: To ensure uniformity amongst all the franchisees, the brand has a business model to which it sticks. All the

franchisees are treated equally. They are given same privileges. The brand does not have different privileges for a company owned EBO in comparison to a franchised EBO.

Win-win situation for both-franchisor and franchisee: The brand tries to make the franchisee feel comfortable commercially by undertaking a lot of monetary risks.

Criteria to select a franchisee: The first and foremost criteria are that the franchisee has to be a locally known individual. He should be adept to the normal organized retail terms. He should be having a team of 3-4 educated individuals with some kind of work experience in the same industry. He should definitely meet the minimum requisition monetarily as required by the company and etc. Obviously he must be having a good real estate space for the franchise to be established. And finally and most importantly, he should be highly passionate towards retailing. An investment of approximately 20-25 lacs is needed in the beginning and the expected break-even may be reached within 2 years.

Preferred location and average store size: They generally look at tier 2 tier 3 cities with a minimum population of 8 to 10 lakhs. Average store size of brand franchise has



to be 500 to 600 sq. ft. with a minimum frontage of 12-15 feet. It has to be a ground floor property. The brand generally prefers stores to be on the high streets rather than being in the malls.

Region-wise break up of franchise stores: Hoffmen has 24 franchisees running more than 50 stores, mostly in the Eastern part of the country. The brand currently is operating via 70 stores. 50% of them are company owned stores and 50% of them are franchisee stores.

Future expansion plan: We are looking 8-10 stores a year. Bihar, U.P, Chhattisgarh and Andhra Pradesh would be our targeted states.

► PABRAI'S FRESH & NATURELLE [OPERATING INDUSTRY: F&B]

The brand has started its retailing journey in 2008 in Kolkata and has slowly expanded to 10 cities across India. As a company, they have focused only on ice creams. Within ice creams, we have a diverse portfolio of flavours like Indian range of flavours, Fruit range of flavours, Chocolate ice cream flavours, Exotic flavours, Sugar free range with pro-biotic sweeteners etc. The brand has specialised in Cuisine specific ice creams wherein they make special flavors for Thai, Vietnamese, Chinese, South African, Mexican, Italian, Japanese, South Indian cuisine and Bengali cuisines. Apart from retailing, Pabrai's also target the institutional business through supplies to about 85 hotels, 250 restaurants and over 75 caterers across India.

Development of franchise network: It has started with the first franchisee and is built from there. It has been close to 5 years since they have started franchising and

This is usually followed up by a revision training a month or so later. This helps ensure that franchisees have completely understood and are following the basic tenets of the franchise system.

Win-win situation for both-franchisor and franchisee: Transparency is one of the biggest win-win measures adopted by the brand. The brand takes its franchise fees and thereafter focuses on helping the franchisee reduce costs as much as possible while ensuring that everything that is to be done is done.

Criteria to select a franchisee: There are several factors that go into selecting a franchisee like, Passion for the product & confidence in the franchisor & the Pabrai brand, ability to follow systems and processes, understanding their role and mindset, investment requirement etc. An investment of 15-17 lakhs is needed to start



have realised that there is no such thing as a perfect franchise model. Currently Pabrai's have 23 Parlours in 10 cities. They hope to have a steady growth of at least 2-3 outlets every month.

Challenges faced: The biggest challenge that they are facing is having franchisees follow the systems and processes of the business. A lot of time and energy gets spent on reinforcing the basics and pushing franchisees to keep relentless focus on the KPIs. According to them, in 90% of the cases when franchisees close, not focusing on the systems and processes are one of the major reasons for lack of continued success. There are other reasons for failure as well, but following the advice of the franchisor is a key aspect in it all.

Ensuring uniformity: One of the key innovations is the personal training given by the owners to each new franchisee at the time of starting each new counter.

a Pabrai franchisee; while the ROI will be at least 60% and break even can be reached between 7 months to 1 year.

Preferred location and average store size: The preferred location is high street. Visibility is important. The rent revenue ratio must also make sense. The average store size ranges from 250 sq. ft. to 700 sq. ft.

Region-wise break up of franchise stores: It would be as follows, North (1) Delhi :West (1) Ahmedabad: South (11) - Bangalore (3), Chennai (4), Hyderabad (1), Mysore (1), Coimbatore (2):East (10) Kolkata (7), Siliguri (2), Bhubaneswar. South and East India have a higher concentration of Pabrai parlors.

Future expansion plan: The brand is looking to have at least 1 Parlor in most Tier-1 and Tier 2 cities in India. They are also prepping the back end operations with a new factory unit which will be our first step towards international operations.

SUCCESS STORIES

PABRAI'S FRANCHISEES

Ronald Shalo of Coimbatore is running two franchise units of Pabrai Fresh and Naturelle in the city. As a regular customer he fell in love with the brand and wanted to start one of his own in his hometown. He follows the brand authority's advice thoroughly and believes that is the reason of his success. On the other hand, P. Krishnakumari has 3 franchise stores of the brand in Chennai. According to him, management help for 24x7, excellent logistics support and above all good quality product are the reasons, for which he has chosen this brand over and over. On the other hand, Harshitha Nalam from Hyderabad has said that, commitment and support they have received directly from the company owners are really exceptional and helped her a lot in expanding the business.

MANYAVAR'S FRANCHISEES

K Shakeel Ahmed of Bengaluru started business as a Manyavar Franchisee with one store at Jayanagar in the year of 2010. Now he has 9 Manyavar franchisees with 3 flagship stores. According to him, the brand has a transparent way of working and a robust operational style. Ashwani Naveen & Preeti Naveen have a Manyavar franchisee in Lajpatnagar, New Delhi. After 6 years of association with the brand, they are happy with good business and the respect they receive from the customers as a Manyavar franchisee. They said that the authority is so very well organised, technically supported and latest equipped, that business is bound to be good with them. The owner of the Santa Cruz, Mumbai franchisee of Manyavar Vikram Saraf is associated with the brand for past 5 years. According to him, what sets this retail brand apart from others is, it has the most organised setup, strong back end team, dedicated staff, defined verticals, strong network, periodical reviews, realistic targets, rewarding the performers and support for the under performers too. Kishan Jain, the brand's franchisee in Chennai is of the opinion that, Manyavar's immense strength lies in Inventory Management. It is at par or even better than any world class Business House. The way technology is used to track stocks and refill at the right times at all the stores - is according to me the backbone of Manyavar. And this of course makes the Franchisee to concentrate mainly on Sales and Customer Service.



the post launch phase of operations. Survey reports show that the existing franchisees are not willing to take additional franchisees because they are somehow dissatisfied with the franchisors. Many entrepreneurs are opting for the franchising route as it primarily offers a safe and relatively easy way of establishing business and is expected to offer higher than market levels of profitability. However sectors such as jewellery where payback periods could range between a minimum of four to five years are particularly vulnerable to such mismatch in outlook. Franchisors have to educate the

franchisees beforehand on potential profitability and investment returns from the business.

Conclusion

Franchising is clearly a rapidly growing model for business expansion in the retail sector and is going to be an increasingly important part of the growing services sector of the Indian economy in the years to come. Changing dynamics in franchising industry would warrant a mindset change as well. To summarise, a collaborative approach involving Franchisees, Franchisors, Financial institutions and industry associations is the need of the hour. **IR**

► MANYAVAR

[OPERATING INDUSTRY: **CLOTHING & APPAREL**]

Manyavar is the pioneer in reinventing Men's Ethnic wear since 1999. In vogue Kurtas, Sherwani statements are echoes of its impact. Today, Manyavar is an abbreviation for Men's Ethnic Wear. The brand dresses the world's elite with finest Indian elegance. The collections include exquisite Sherwani, fine Indo-Western, and royal Bandhgala, Jacket, Kurta and matching accessories for life's celebrations. Kid's Ethnic and Fusion wear are also on offer. This year is monumental for all at Manyavar as they present Mohey, celebration wear for women. The label is backed by years of collective experience, values and passion. Handpicked lehengas, sarees, suits and gowns are now available in this collection.

Franchising strategy: It started with the MBO network and Company owned stores after studying the market. Gradually the chain grew with location wise associates. Today they have over 250 franchise partners. They focus on the location and the franchisee both equally and intensely. A good combination of both gives birth to a store. Innovations introduced: The brand covers various avenues ranging from Software & system like ERP, process driven technology based communications tools to employee training in soft skills imparting our values i.e. M Culture in consensus with our company motto 'Earn Your Respect'.

Criteria to select a franchisee: People having experience in the field of Retail, having minimum carpet area of 1,000 sq.ft. and willingness to invest Rs.40-50 lacs as initial investment. The ROI period varies from 2 to 2.5 years, whereas the expenses vs sales ratio will be 1:3.

Preferred location and average store size: Minimum carpet area of 1000 sq.ft. with 20 feet frontage area and all geographies & Local or Global from metropolitan cities to Tier III towns.

Region-wise break up of franchise stores: They have a pan India presence with 56 stores in North, 75 in East, 67 in West and 85 stores in South India. The ratio of CoCo & FoFo is 1:2.

Future expansion plan: Cities and Towns located in Western India with focus on Maharashtra and Gujarat.

► THE CHOCOLATE ROOM

[OPERATING INDUSTRY: **F&B**]



The Chocolate Room was launched in 2007 October in Ahmedabad and it hit a chord with the customers. They are the first company who created a new chocolate culture in India. The brand has 16 flavors of hot chocolates, world's most famous chocolate shakes and choctails, chocolate shots and chocolate pizzas. Their crockery and merchandise is also unique and was launched in India for the first time.

Criteria to select a franchisee: Young entrepreneurs, experienced hospitality group and sometimes guys who are passionate enough to run the show, the brand always opt for a one on one chat with the potential franchisees and try to select the best ones out of all the enquiries. Prior experience is not a 100% necessity.

Preferred location and average store size: Preferred location would be high street or Malls. Average size of take away kiosk for malls and multiplexes is 100-300 sq. ft. and for the compact model store the average size is 400-600 sq. ft. However stand-alone store model will require a space of 1000 sq. ft onwards.

Cities where the brand has multiple franchising initiatives: They have a pan India presence with 72 stores in West, 65 stores in South, 54 in North and 10 in East. Ahmedabad, Vadodara, Hyderabad, Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Surat, Bhopal, Goa, Pune and Amritsar have multiple stores of the brand.

Ratio of company owned store and franchise stores: 6 company owned stores and 196 franchisee owned stores. The brand is now planning to open around 20 more company stores by 2017.

Areas selected for expansion: Delhi, Maharashtra, West Bengal, Orissa & Karnataka are the areas, where the brand is planning to strengthen its position. The target cities for expansion will be Mumbai, Pune, Delhi, Kolkata and Bangalore. At the same time, they plan to expand in tier 3 cities and have kiosk and compact models with low investment in those cities to match up the affordability and investment range of franchisees.