

COLLABORATION FOR GROWTH

FRANCHISING - THE WAY FORWARD FOR RETAILERS

From fashion retailers to salons and even restaurants, the franchise business model has been in existence for a period of time now. However, what remains imperative to realise is whether this business model is apt for your brand to grow. In this New Year special issue of IMAGES Retail, we have analysed that how brands across categories that have expanded using this business model are fairing in modern retail scenario.

By Zainab S Kazi

No Franchise Queries please!", reads the WhatsApp status message of Srinivas Kamath, the young and dynamic scion from Kamaths Ourtimes Ice Creams Pvt Ltd. which is better known for its brand - Natural Ice-cream. The revelation further is more surprising - in 2015, according to Kamath, they did not give any new franchisee rights but have gone ahead to enter new markets with their company own and company operated stores in the country. This is worth taking note of since so far, the company was operating with just one company owned and company operated store and had more than 100 franchise store. The case of Natural ice-cream accentuates the potential franchise business has in India and this is our theme for the story to follow.



Aptly encapsulating the dynamics of franchising business as seen in India, Ravi Kant, CEO- watches and accessories division and Executive VP- Corporate Communications, Titan Company Limited shares, "When you break it down to basics, franchising is an asset light model that enables a retail format to expand quickly using multiple partners. While the franchising model has been thriving for years in Europe and other western countries, India has been bitten by the bug in the last decade or so. In the West, many retail formats have spread effectively through organized and professional master or regional franchisees. However, it is a challenge in India - to find the right master-franchising partner with the mindset, resources and the ability to work across diverse markets and geographies that this country affords."

According to Kant, this has been the main reason for Indian retailers to appoint multiple franchisees - from store to store or city to city and this has contributed to a slower pace of development. Kant elaborates, "However, because it is not easy to run retailing businesses in India - it is a good model for international brands to enter and expand quickly. Formats like QSR have taken the lead and India is already home to more than 3,700 brands that use the franchise model. With the economy poised for another growth cycle and consumption expanding to newer markets, franchising will develop, mature and be an important driver to grow reach / access and realize this potential." Anupam Bansal, Executive Director - Liberty Shoes agrees to the point raised by Kant. He shares, "Europe and western countries are mature markets, with laws and regulations being more flexible. In the European and western markets, there is a strict adherence to rules, law and regulations and minimal deviation from company standards due to the maturity of the market. But in India, the scenario is different. Indian franchisee market is at a nascent stage and not so

Franchising is a good model for international brands to enter and expand quickly. **India is already home to more than 3,700 brands that use the franchise model.**

matured observing certain deviations from the company standards."

Hitting right on target with the dynamics of franchising in India, Hemang Bhatt, managing director, HAS Lifestyle Ltd. shares, "The franchising and entrepreneurial business has hardly completed 10 years in India. Our country is 2 per cent organized in franchise arena as compared to the developed western countries where its organized up to 52 per cent. We do face a few challenges as a whole compared to other developed nations as they enjoy sole language, religion, culture. India emerges as a bouquet of different traditions, languages changing every 100 kilometres etc. We are coming out of the mentality of shortcuts to success themes and programs and moving towards consistency and stability. Financial status has improved and a lot of change can be seen in brand awareness."

Adding to the numbers, Ashok Mukhi, MD - Solar Group shares, "Over the last 5 years, franchising in India has been growing at a rate of 30-40 per cent annually driven by factors such as opening up of FDI in retail, young demographic, expanding working class leading to improvement in disposable income and widening penetration of banking infrastructure especially in tier 2 and 3 cities thereby creating additional opportunities for franchising in smaller towns. With respect to the breadth too, franchising in India has mainly spread across only fashion, QSRs and the education sectors and largely in only the tier 1 and 2 cities viz-a-viz several more categories and across the smaller towns in the developed world."

SB Dey, MD - Sreeleathers makes a valid point when he shares, "USA has European companies have written the books in franchising. It will take a couple of decades for us to reach to their level in terms of infrastructure to support. Be it in terms of taxation or building enough roads throughout the country."

Advocating the advantages of having a franchise of a brand, Anurag Poddar, Director - Presto rightly points out that in this business model of operation, the individual is allowed to start his own businesses without



DYNAMICS AND NUANCES OF FRANCHISING BUSINESS IN INDIA

Licensing in India is still evolving, is in a dynamic state and the story is yet to unfold.

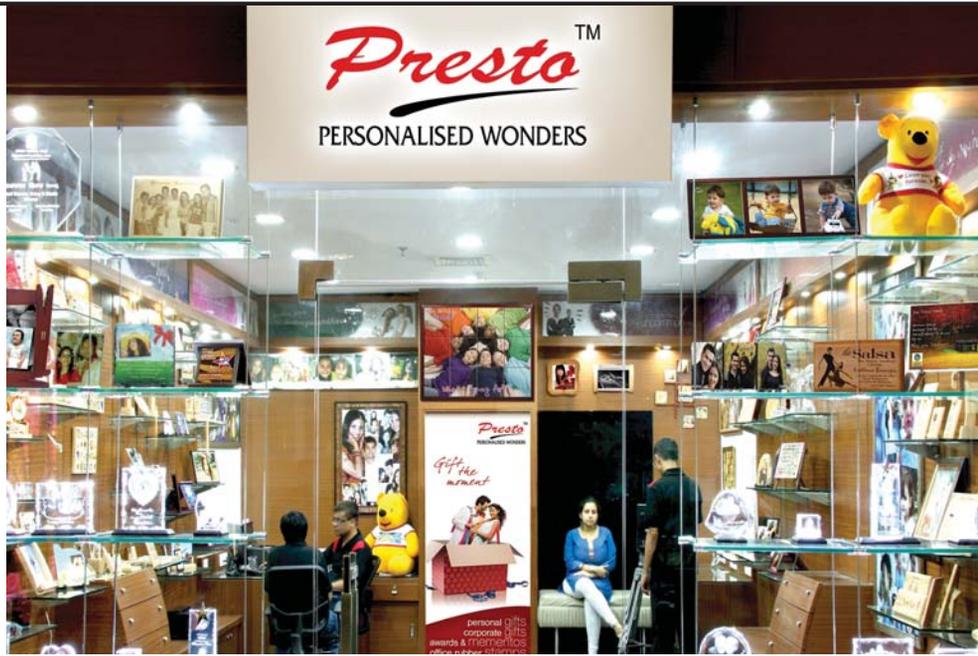
The lifestyle apparel category tends to be marked by relatively evolved franchising trends within the Indian retail sector. Within the category, the initial stages were marked by mid-level international brand allowing only brand logo rights against a royalty fee. The assortment development, and sourcing were lent by the India partner. Design and marketing support were key responsibilities of the international brand, with the primary objective of the international brand being only to earn royalty fee.

The above model, however, allowed the India partner to gain synergies and keen understanding of franchising and licensing models.

As the lifestyle segment evolved, super premium and luxury brands forayed into the geography. They sought India partners who primarily had a) access to retail points b) prior family associations from partnerships in other countries or c) disconnect in objectives emerged from erstwhile partners leading to fresh partnerships. The objective of this stage was only to test and assess the India market

As the market gained traction, and brands across all segments and categories forayed into country, business groups that had built wide brand portfolio were sought as they offered consolidated synergies across the supply chain, design, product development, and sourcing and market access. International brands were increasing evaluating the market for strategic growth, commensurate scale and were focusing further on made for India, made in India model

Pakhie Saxena, Associate Vice President, Retail at Technopak



▲ PRESTO

the sweat equity and headaches associated with starting a business from scratch. Perhaps that would explain the growing interest that franchise business operation is showing in the country.

The potential of the business can be accentuated by the fact that there are companies which act as a mediator between the franchisor and franchising to take care of find the right association. Way2Franchise is one such company that introduces itself as, “Way2Franchise is an online match-making site amongst franchisors and franchisees,” as shared by Dhawal Shah. Based on his experience and expertise of ‘franchise match-making, Shah shares, “Franchising in India shall continue to grow over the next few years. You would see an increasing amount of collaboration between new age startups and traditionally franchised owned businesses. e-commerce will continue to grab market share from traditional retail stores. Startups such as FoodPanda and TinyOwl will contribute to F&B franchised businesses such as Subway, KFC and so on. Retail companies must have strategies to work in sync with the online industry. A few franchisors have successfully offered the same price as available online and their franchisees have done well. Certain



▲ SREELEATHERS

sectors such as education face enormous threat from disruptive education startups.”

Brand Speak

When Dheeraj and Reeta Gupta launched the concept of Jumbo King vada Pav in Mumbai, it spread its wings like a wild fire. Jumbo King vada pav booths were seen across the length of Mumbai. Gupta took pride in accepting that he worked at McDonald’s to learn and understand how best professionalism could be adopted to serve vada pav and position this humble fast food for people on the move. Gupta’s Jumbo King is now present across 14 cities in India with more than 91 franchise stores. Pulling a page from his experience book, Gupta shares,

“Franchising in India is at a very nascent stage. The reason for this is that most homegrown brands in India are at a nascent stage. There is huge potential.” On the current dynamics, he strongly feels that the new generation is missing the point that franchising is not compromising on being an entrepreneur. He explains, “Millennials in India are not yet very excited about franchising. There is more glamour associated with your own idea. As franchisees become a wealth class of their own, franchising will become aspirational. I can see this beginning to happen. As an industry, we need to tell millennials and the youth that - franchising does not mean consigning your entrepreneurial spirit to an assembly line, franchising does not entail the same risk-reward ratio as a startup as franchising is safer, franchising – when done right – draws on the initiative and creativity of the franchisees.”

In the year 1998, Prem Sagar Dosa Plaza started off as one man’s dream. Ganpathy, the man behind the creation of India’s only most popular venture for south-Indian cuisine, launched a well-polished open restaurant. In the years 2003 Dosa Plaza opened its first franchise outlet.

Talking about franchising business, T. Ganpathy - Founder & MD, says, “Franchising in India is still in a growth phase, most of the people in India are still not aware about the franchising method of business.

Retail companies must have strategies for the online industry also. The franchisors those who offer **the same price as available online, they and their franchisees have done well.**

However, slowly and steadily the awareness is increasing, more people are encouraged to become entrepreneurs and the best way to be one is via the franchise method. Basically the franchising is already a set method of business, hence all the operations, procedures and activities are streamlined and standard operating procedure is in place.”

Where fashion retail brands and fast food chains have been forerunners for franchise business in India, the business of beauty is seen catching momentum as well. Naturals salons is one such name that has seen an exponential growth in the number of franchise operations. The South India based salon chain is now present almost across India. A promising name from East India, Club Salon is seen grabbing franchisee eyeballs as well. Aninda Banerjee, MD – Club Salon shares, “We are the fastest growing salon brand in Eastern India. Franchisee business is a very booming and lucrative business prevailing in India. It has picked up pace from 2014. In 2015, India had experienced huge profits from retail sector. Moreover, with increased globalization people are getting

more aware about all the sections of lifestyle and hence franchising business is the latest new buzz.”

Another promising industry is that of education. Be it pre-schools or vocational training institutes, franchising opportunities in this category has grown manifold. EuroKids International has added a whopping 180 new outlets in the last 12 months alone. Prajodh Rajan shares his perspective on franchising in India, “I would say that franchising in India is still evolving; a lot of learning, unlearning and re-learning is still happening; many brands took to franchising only because they thought it was the easiest method of expansion however many of these franchisors miss the support and service part of franchising. In absence of a robust support and service model the franchisee does not succeed leading to franchisors reinventing the model and retrying.”

The journey for HAS Lifestyle Ltd. began in 2007. 2009 saw the brand adopting to some changes based on the experience they gained in their two year journey. The major focus for them in 2009 was to concentrate on visual effects of the stores and



▲ HAS JUICES



▲ JUMBOKING



Challenges associated with franchising in India is **that there is no single framework within which one can operate.**

products and improvisation of their systems and processes. Rigorous and serious training of the staff, found the necessity for training manuals and implementation. From the year 2007 to 2013, they were not too strong with franchise operations though the last one year proved to be a milestone year for the brand. As of now, they have 5 franchises out of 15 operational stores. And each one is planning to open their next HAS Store very soon.

Manoj C Dalal from Star Vada Pav shares, “We have lots and lots to learn from the Developed nations in terms of packaging, branding, brand positioning and supply chain. People are still skeptical about taking a franchise and they feel they could probably start replicating the concept on their own. They still have to be educated about the huge advantages they would get by opting for a franchise operation like support for branding, marketing, staff training, SOP and consistent supply and unaltered uniformity of product.” Kolkata’s Star Vada Pav is known for its invention of a non-vegetarian vada pav in India. Dalal shares, “It was a very major decision that we had to take as traditionally a vada pav is a vegetarian cuisine and entering an uncharted route was challenging

as no one had done it earlier. We hired a research agency and our team interacted with hundreds of our customers before launching the non-vegetarian variety. But someone has to make the first move. It was a calculated risk but was worth it.” The brand shall soon spread its wings across the country with branches in Mumbai, Aurangabad, Nasik, Amravati, Pune, Kolhapur and also in Delhi, Noida, Gurgaon and Goa.

Home interiors as an industry has caught momentum thanks to the growing demand for real estate. This

eventually has given an opportunity for well established and out of the box brands to extend franchising rights. SPACIO Décor & Accessories which launched its first franchise store in Chandigarh at the end of 2014 has a presence in Surat as well through a franchise store. Navin Kanodia, Creative Head and MD, SPACIO Décor & Accessories shares, “Though the brand has been on an aggressive expansion mode since 2014 however, in 2015 the brand shifted its focus more on opening stores at strategic locations with long term

Dhawal Shah from Way 2 Franchise, has some strong words of advice for a franchisor and franchisee before they go ahead to ink the association, “Research, Research and Research, one of the biggest mistake a potential franchisor or franchisee makes is not spending enough time on research. Before taking up a franchise and parting with your life’s savings, research about the company, the promoters, their franchisees, how well they are doing. Are they flexible enough to accommodate your business interests. Certain retail companies conduct their franchise business in a manner that has an inherent conflict. Retail companies continue

to encourage online sales, since it only increases their top-line, without adequate consideration for their franchise partners. The importance of research cannot be understated, nor can it be outsourced, franchise brokers and consultants have a biased interest in offering their services, besides an incredible amount of useful information is available online.”



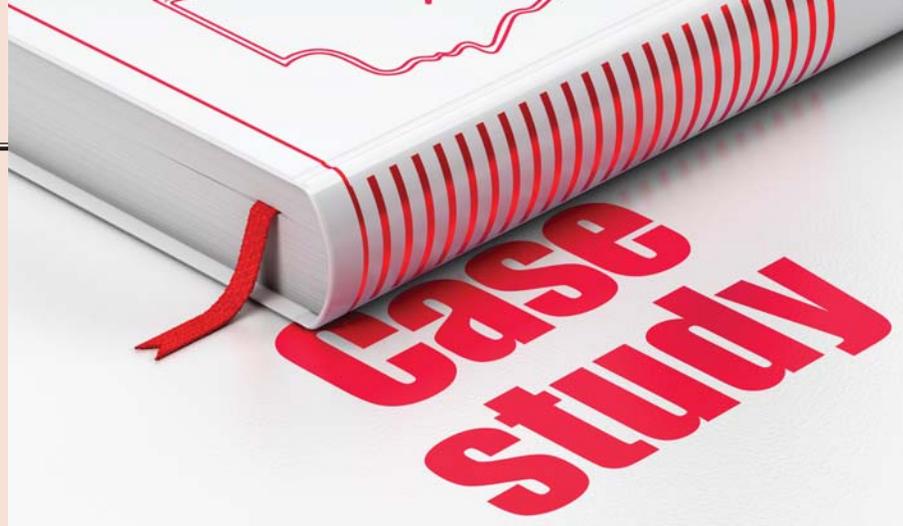
sustainability rather than opening up stores across locations in a spree. Instead of looking at expansion in metro cities with a conventional approach, we have expanded our horizon to emerging cities with strong GDP. Therefore Surat was a choicest location for us as the city has a strong customer base with high disposable income. The city has a modern outlook and people aspire for quality brands.”

Model India Pvt. Ltd. which has under its portfolio the furniture store Mobil Furniture has a strong chain of stores across East India and the brand has recently entered Bangalore as well through a franchisee. Their biggest store is a franchisee owned store in Bihar. Arun Biyani from Mobil India Pvt. Ltd. shares, “One of the key highlight of our brand is we are a home grown brand of Eastern India and we never realizes the power of our brand until we have opened our franchisee business. We hardly put any advertisements and really did not market our franchisee opportunity. But the moment people came to know about it, we got tremendous response. In fact there are a couple of people in the same business who have been doing our furniture trade and have converted their stores into our brand franchisee.”

Franchising Journey Encapsulated by Major Brands in India

Titan Company is a pioneer in franchising with the first franchised store of “World of Titan” opened over two decades ago. Today, Titan family includes 300+ franchisees many of whom have multiple stores across formats - World of Titan, Tanishq, Eye Plus, Helios, Fastrack, Mia, Zoya and Gold Plus. The ability to create franchising models and make them work effectively over time is a capability that helps all retail formats of Titan expand to newer markets. It also enables newer formats like Mia, Helios and Fastrack scale up quickly.

In 2015, the company has set up 91 new stores with a total carpet area of 84,360 sq. ft which includes 85 franchise stores amassing carpet area of 80,584 sq. ft. Apart from this, by the



A FIRST PERSON CASE STUDY OF AMIT MEHTA, INDIA'S FIRST FRANCHISEE FOR CARTRIDGE WORLD

“Cartridge World, an international brand with over 2000 stores worldwide and present in 51 countries”. That line on their website caught my attention. Impressive! This, coupled with the fact that Cartridge World was yet to appoint its first Franchisee in India. Back then, there were no organized players in the business of Cartridge Re-manufacturing. It meant I would have to consider investing in a completely new idea, unproven in India. I was coaxed ahead with assurance from my friend and mentor, Naveen Rakhecha, then CEO Cartridge World, India to sign up and become their first franchisee. I did.

It was a lovely journey that enriched me with great experiences on the way. I exited the business when I moved permanently to Mumbai but carried with me considerable learnings and experiences.

Learning's:

Being a franchisee owner of a successful Business that has 2000 stores worldwide and a presence in 51 countries immediately transfers the legacy of their success to us. We can use the success stories worldwide to communicate our offerings to local customers. This made it considerably easy for us to sell this completely new product and service in India.

The experience of an international brand across multiple nations cannot be matched by an individual or local brand. The fact that Cartridge World was present in 51 countries exposed them to various cultures, sensibilities, governments, etc and this in turn taught them to be flexible! Experienced companies will hear, rather want to hear what you have to say. They are flexible.

The collective volume of the experiences of their stores worldwide

was at our disposal - we had the re-manufacturing techniques and step by step instructions for each and every cartridge ever produced! Something impossible for a small unit to achieve.

Being present across the world also gave Cartridge World an opportunity to stay updated with the latest news and technology and also allowed them to upgrade as and when required. The task of staying updated was made easy by Cartridge World as they would collate international and national developments and forward concise news capsules to us.

Partnering with a good international brand as a franchisee allowed me to concentrate on the fundamental objective of the partnership - making money. I obviously do not mean to say that they did everything and I could relax at home. Rather, having been provided a strong, robust and dependable infrastructure, I could concentrate my energies where they were needed most, on strengthening my relationships with my customers and on building my business.

Key Do's and Don'ts a Franchisee should keep in mind before opting for an Association.

Check if the Franchisor is easily accessible. Ideally, he should have an office in your city. Meet as many employees from the Franchisor's office as possible and talk with them. They will add something to what you've already learnt.

You should feel comfortable with the Franchisor's team. You will be working closely with them for some years at least.

If the business involves a technical product, insist on meeting the technical support people and understand the challenges of the business from them, while also assessing their support capabilities.

Franchisors will want to portray a rosy business plan. Please do a thorough due diligence before putting in money. Any money.

Take your time to understand the business that is being offered before taking the final plunge.

Understand that most of the money paid to the Franchisor is towards fees, furniture and things that are not refundable. Do understand that your hard earned money can go down the drain in a flash.

The Do's a Franchisee should keep in mind AFTER binding with an Association.

A Franchisee knows the business. Trust him.

A Franchisor has probably resolved the issue in the past. Share your issues with him and ask what should be done. That is why you've joined hands! Ask about every little thing.

A Franchisor is an elder brother. Treat him like one.

Things that a Franchisor Needs to understand and not take for Granted.

A Franchisee should understand that this is a partnership. He needs to put in his bit by way of providing a strong infrastructure for the Franchisor to operate within and take support from.

He is expected to maintain clearly defined processes and maintain exemplary standards of transparency.

In case of technical products, a Franchisor should have a strong team for providing support and upgrading the expertise levels of the Franchisors and their employees through training programmes.

Franchisors have to gain the trust of the Franchisee and stand by him and help him in his journey. Every successful Franchisee will be a mouthpiece of the Franchisor and so will a failed one. Failure of stores will tarnish the brand but be a huge blow to the Franchisees.

The onus of making the business of the Franchisor grow and be successful lies heavily with the Franchisor. He cannot forget that the Franchisee has invested his money and faith in his Brand.

end of November, the company has successfully relocated 19 stores with a total carpet area of 36,253 sq. ft which includes 14 franchise stores with carpet area of 23,902 sq. ft as well.

Liberty is expanding tremendously on the Franchisee front. Having approximately 128 COCO stores out of 500 exclusive showrooms, remaining stores are FOFO stores. The brand is on a consistent and persistent spree of expansion. In the FY 2015, Liberty has launched 50 stores from the period of January to September which comprises of 30 franchisee owned franchisee operated stores and 20 company owned company operated stores. In the month of October and November, Liberty has opened approximately 10 stores which comprise of both FOFO and COCO stores.

In the upcoming future, Liberty contemplates opening of 100 stores in every fiscal year, improving the product range, bringing in more coherence and uniformity amongst all the stores and providing the best training to the franchisees to maintain that brand value pan India and across all our stores.

EuroKids is one of the fastest growing franchise networks in the pre-school education in India. They started with their first pre-school in the year 2001. Post starting franchising system in 2001, EuroKids touched the first 100 centres with over 10000 students in 2003. Within a span of next 5 years, they added another 400 centres taking

the total count to 500. Today, the brand has a spread of 950+ centres across 320 cities of India and also have presence in Nepal and Bangladesh.

Presto, the 'World's Largest Retail Chain of Personalized Gifts' has a store count of 165+ stores covering 60 cities across India, Nepal and Fiji. The brand opened 14 national and one international outlet in 2015. Locations covered have been as follows – Calicut, Pollachi, Kolkata, Chennai, Pune, Bangalore, Udaipur, Vadodara, Raghunathganj, Jamshedpur, Haldwani, Kottaya, and Kathmandu.

Neeru's long journey which began in 1979 is a saga of grit, hard work, determination, creativity and innovation. Neeru's started with a small shop and grew to a chain of fashion stores which is a hot favorite for the best sarees, lehngas and ghagras, suits, mix n match, kids wear and fashion accessories. The brand is planning and implementing expansions all around India to various malls for a seamless single stop shopping experience. Neeru's shall soon be opening another exclusive outlet in Hyderabad at an Up-market location. Neeru's has a store at the International Departure Lounge and is opening a new store at the Domestic Lounge of the Rajiv Gandhi International Airport, Hyderabad. Neeru's is looking towards more expansions and has created a Franchise Module for its brand expansion in India. They recently



▲ SPACIO SURAT

opened their fifth franchise store and first store in Guntur. The brand is now spreading its wings in tier 2 cities. Tirupathi and Kurnool would be their next destinations.

Pabrai's Fresh and Naturelle Ice creams were founded in the year 2008 in Kolkata by brothers Kunal and Nishant Pabrai. Adding to this mix is the company's chief mentor and advisor Anuvrat Pabrai. As a family, the Pabrai's have been in the ice cream industry for more than 30 years. The brand operates through a mix of Company-owned-Company-operated (COCO) and franchisee outlets wherein the franchisees can choose to have either Standalone shops or Kiosks. The ice cream chain is presently available through 22 outlets in 10 cities - Kolkata, Delhi, Bangalore, Chennai, Mysore, Gurgaon, Bhubaneswar, Ajmer, Coimbatore and Siliguri. The company hopes to close the financial year with 30 outlets.

It also has tie-ups with some of the top hotels and restaurant chains in the country. With one manufacturing plant located in Kolkata, a second bigger plant with a production capacity of 2.5 million litres of ice cream with an investment of ₹80 million is under construction in the same city and is expected to get operational before the end of 2016.

Combating Challenges

Kant aptly states that any other market, there are certain challenges that we see in India with respect to the franchising business. The most significant of these is the ease or difficulty of doing business and setting up new ventures. He elaborates, "In comparison, to most other countries, the process in India is rather cumbersome, involving multiple licenses and clearances that is required at various levels. It is often a very long process that involves permissions and approvals from various levels and different state-bodies. Sometimes this results in investors and entrepreneurs losing interest in the project." He further throws light on related tax and licensing issues stating, "The business

also encounters challenges like getting tax clearances and licenses related to real estate. Efforts should be taken to simplify these laws to enhance the process of venturing into a business smoother. Further to these, there are other challenges like, being relevant to the Indian customer, differentiating from other brands in the category and dealing with unexpected events and working in an unregulated environment."

According to Banerjee, economic fluctuations, different operating modules adopted by different brands and a highly political and legal system sum up the nuances that are typical to franchising operations in India. According to Biyani, if GST comes into play it will be much easier for the franchising model of operation in India. He adds on the challenges, "In India, the laws towards patenting and trade mark is not strong and not so well applicable and not respected."

Kanodia hits the nail right on the target in highlighting the most important set of nuances associated with the business of franchising in India, "Primarily it is the traditional mindset one has to deal with and it is often driven by calculations on ROI. However the finer details get missed out in the process. The traditional approach of franchising does not encourage innovation. Whereas there has been a drastic change in our lifestyle and outlook which has paved way for brands like NeXtime or Tothora or Maleras to

come into a market like India. Our age old franchising system refuse to acknowledge the need of innovation in our business approach which we are trying to overcome by sharing our exposure of working with international brands with the industry here."

Reiterating on the fact that franchising in India is still at a nascent stage hence the nuances associated with it are typical for any business at that stage, Gupta highlights, "As the industry is not mature, franchisors need to focus on nuances like strengthening their systems. Good franchisees should be rewarded and mediocre operators should be made to comply. The franchisor should focus on their core product proposition and invest ahead of the curve in marketing."

Ganpathy from Dosa Plaza, says, "The franchising journey in 2015 was good, we had a good opportunity to expand our brand internationally in Abu Dhabi, Singapore and Australia. Due to the slow economy in India we were mostly concentrating on expansion in overseas market. In India we opened 11 outlets and overseas we opened 6 outlets."

Discussing about the challenges, Ganpathy, adds, "Well, every business has its own challenges, to be specific about Franchising. The most difficult part is to provide the technical know how of the business to the franchisee. It is assumed by the client that if they take a franchisee of a brand they won't have to do anything, however on



▲ DOSA PLAZA



▲ EUROKIDS PRESCHOOL



▲ NATURAL ICECREAM

the contrary every business whether organized or non organized required proper management and execution. Here in the franchise business clients expects everything thing to be worked on by the brand, hence management of the brand by the franchisee is the biggest challenge in the franchise business.”

Aptly encapsulating all the challenges that franchising in India goes through, Poddar explains, “While India is the easiest country to begin franchising in, it is possibly the most complicated country in the world to franchise.’ Challenges associated with franchising in India is that there is no single framework within which one can operate, business could be subject to a wide ranging set of laws, regulations and compliance which might have to adhere to whilst doing the business itself. We have to deal with different cultures, different regions, different tastes, different languages, habits, preferences and so on. The diversity is just too much, to fit into one business model. We need to be very careful of the religious sentiments on one side and there is a threat of unorganized market on the other.” Mukhi from Solar Group, makes an interesting observation, “Real estate, a crucial ingredient for any retail operation, has a fragmented ownership pattern in India and is governed by several archaic laws. Therefore, it becomes

For any franchisee to be successful, it is of paramount importance **that there is complete support given from the franchisor.**

essential for franchisors in India to work with local partners who have better understanding and access to local real estate. Large heterogeneity across the country leads to more localized retail plans and merchandising needs thus resulting in more localized operations.”

Creating Success Stories

For any franchisee to be successful, it is of paramount importance that there is complete support given from the franchisor. At Natural Ice-cream, the franchisee is akin to being a part of the family. The existing franchisees are given opportunities for expansion in new markets that the brand enters (within the city) before inking deals with new franchisees. There is no fee taken from the franchisee and everything is put up black and white on the website for everyone to read and understand. The team has cut down any chances of misunderstandings that may arise. All o this put together, goes a long way in establishing trust and confidence

for the franchisee thus eventually resulting in better output and a sense of belongingness to the brand.

Accentuating the importance of this and how it has helped Titan, Kant shares, “People have always been and will continue to be at the heart of our success at Titan. We have always believed that no entity can evolve in isolation and this has defined our ‘people first’ approach towards business. Using franchising as a business model has helped us establish mutually beneficial relationships with stakeholders across the country. Not only do we benefit by tapping into the best local resources to enter a particular market, but we help them build their businesses as an extension of our own. We work closely with franchisees, listen and solve their issues and go the extra mile in supporting them. Titan’s transparent policies and open culture helps in creating trust and belief that gets franchisees keen to stay invested and expands the relationship with multiple formats of the organization.”

Rajan strengthens the point related to having a people centric approach when he shares, “Our fundamental belief that we will be successful only if our franchisee is successful first has built a great franchisee- franchisor relationship. “ At EuroKids, they have formed the EuroKids Advisory Committee (EAC) at various locations. The committee comprises of members from of EuroKids and leading franchisee of that area who on an ongoing basis mentor other franchisees and this helps in building a very effective and successful network. Rajan elaborates, “Handholding in early years with ongoing one to one interaction, motivation and guidance coupled with ongoing innovation, rewards and recognitions has helped us build stronger relationship with our partners.”

Talking about Liberty, Bansal highlights the support given to its franchisee partners with signage’s, visual merchandise and POP material, nationwide and country centric

promotions and advertisements, staff training, overall training over products, their features and other significant issues pertaining to successful functionality of the business. On the support extending during the initial phase, Bansal shares, “We provide hefty assistance to the franchisee partners in the initial phase and over the period of association. Assisting them with the designing of the outlet, equipment sourcing at the best possible prices, production, staff recruitment, extensive training programs and various marketing programs, signage’s and the overall visual merchandise support, ERP software (SAP and RPRO. The former being for the primary billings and latter for secondary billings), the POS material and backend support. We assist them with the mundane business operations. The marketing programs and brand development programs are programmed at the national level for all the exclusive stores (COCO and FOFO). However, the local advertisements and promotions are carried out by franchisee owners themselves with support and inputs from the management.”

Rajan aptly lists the three most important points for a healthy franchisor – franchisee relationship - “Trust between franchisee- franchisor, transparency in transactions, consistency in policies and effective communication are key element for any franchising business to succeed.”

Relationship Building

Elaborating on the marketing spend that needs to be in place, Gupta shares, “If we have to talk about the contribution a brand needs to make in marketing and communication to support the franchisees, it is a chicken and egg situation. Should the brand wait for scale to start advertising adequately or should advertising ahead of the curve bring the scale. This is the mind-set of the management team. My guess is that people are trying to build scale first and waiting too long to advertise while

SOME UNIQUE CHALLENGES ARE FACED BY INDIAN FRANCHISORS VIZ-A VIZ FRANCHISORS FROM EUROPE OR WESTERN COUNTRIES:

Reluctance to follow systems and standard operating procedures

Reluctance to take ownership of business and to think that franchisor will deliver everything on a platter

Inadequate educational qualifications rendering them incapable of having a mature overview of their business

Lack of quick resolution of legal matters through congested legal system.

Lack of hygiene due to lower strata staff not being able to comprehend need for strict personal and workplace hygiene.

Kunal Pabrai, Partner - Fresh & Naturelle

some are advertising too aggressively and not reaching scale which is also very dis-heartening for investors.”

An initiative that is carried out to have a personal rapport with the franchisees and extending a sense of ownership towards the brand, Liberty Shoes meets with its franchisee partners twice a year during the seasonal launches, spring summer

and autumn winter collection. Bansal shares that it translates into being an excellent platform where all the franchisee partners come together and share ideas regarding the improvement in products and services, customer service, customer orientation and other crucial factors pertaining to the same. Approximately 380 franchisee partners along with the Liberty team share their ideas and comprehensions from the market perspective. He adds, “Along with this, we have all the franchisee partners present at one common ground, where everyone can share their ideas related to technologies, product enhancements, giving feedbacks on their regions, customer tastes and preferences in their particular regions, discrepancies with the system, complete overhaul of the business leading to formulation of appropriate strategies to eliminate the hindrances and augment the business performance. Ideas are shared to learn the business skills and practices being followed by every partner, sharing the ideas over marketing techniques, how to utilize the advertisements opportunity in the most beneficial manner, scientific approach towards data analysis and other significant issues. We do dispense off the desired recognition to the best performing franchisees and reward the ones with an outstanding performance.”

On the USP that helps Pabrai’s Fresh & Naturelle a hit with its franchisees’,



▲ LIBERTY



The franchising business is perceived as an inheritance from an older generation **to the next and allow it to prosper in its own pace.**

Pabrai shares, “We follow a unique inventory system which is probably one of our most effective offerings to our franchisees. We have developed in-house, using a string of algorithms, the most ideal stock levels based on dynamic sales at each outlet and for their logistic supporter. As a result thereof, our franchisee stocks between 7-10 days stock and logistic supporter is required to stock approximately 15-21 days stock. All stocks are either air-freighted or sent by superfast trains to their destination. This translates into very low inventory for our franchisees and logistic supporters. An additional twist is that our first franchisees in an area/city are also given the exclusive right of logistical support provider for future franchisees and for the Horeca segment. This gives them an edge in terms of better margins and also a strong recognition that we, at Pabrai’s give long term benefit to first franchisees that risk their finances and are the first ones in a city /area to join hands with us.”

Pabrai further adds, “By relentlessly focussing on elimination of unproductive works and providing clear Operational instructions through our Manual, we have ensured that the energy of Franchisee is totally laser beamed on providing a great customer experience to our customer. We do not buy on credit- which makes our suppliers very happy. We do not give any credit in our system – either to

Franchise Plus, Franchisees or Horeca clients. So Zero credit, a very unique inventory system, easy monthly P& L calculators are some of the steps we have taken to keep unproductive work load to zero.”

Like Natural Ice-Cream, Pabrai’s Fresh and Naturelle too seemed to have gone slow with franchising its brands in 201. Parbai reveals, “Our COCO outlets have out-performed franchisee outlets very significantly and we are now trying to assimilate our learning from running our own counters to franchisees so that they can also gain from our learning. Strategically, the biggest policy change in 2015 for Pabrai’s was to get into Company Owned Company Operated outlets. In 2015, we opened two outlets in Kolkata. We are prepared to learn and absorb the operational problems of running our own outlets. For this reason, we actually went slow in Franchisee operated outlets in 2015. Another change is that we are now looking at bigger more elaborate outlets as customer feedback reveals that the difference in experience is what customers want. Refurbishing our older outlets is also underway. In numbers, we added a total of 5 outlets to our chain in 2015 out of which 2 were COCO and 3 were franchisees.”

A Sneak Peek into Things to Expect
Sharing a projection on what can be expected in the next 10 years,

Gupta shares, “According to him, what we are going to see over the next decade are very strong Indian brands who will keep fine tuning their franchising policies and will evolve into large brands. Indian and western franchisee brands will co-exist in India. We will also see a lot of Indian franchisee brands enter the western markets, however that will take time.”

According to Banerjee, with dense population, benign legal environment and disposable income, the franchise of luxury and premium sectors are performing much better. Banerjee shares, “While India being a slow paced market, has started gaining pace and hopefully will experience better results by the end of 2019-2020, as per the recent market and economic trends.”

Aptly concluding the story, Bhatt points out, “Technology is proving to be a game changer with a plethora of apps, devices, softwares to enhance this experience of connectivity. Technology is growing rapidly to prove a backbone and it is filling all the necessary gaps. The franchising business is perceived as an inheritance from an older generation to the next and allow it to prosper in its own pace where the franchisor will provide all the parental guidance including brand, promotional strategies, goodwill, etc.” **IR**