

IMAGES

Retail

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FRANCHISING

THE RETAIL WAY FORWARD



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- INDIA FOOD PARK BY FUTURE GROUP: FUTURE IN FOOD
- WITH FDI WHAT IS THE WAY FORWARD FOR RETAIL REAL ESTATE IN INDIA IN TIMES TO COME
- STAYING RELEVANT IS VITAL FOR THE CONTINUED SUCCESS AND PROFITABILITY OF RETAIL BUSINESS



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Much has been said about the many benefits that franchising a retail business brings to the owner. Access to fertile locations perhaps being the most important. But what of the franchisee? What are his compelling reasons to be a partner? There are many pitfalls for a franchisee. The franchisor could place restrictions on how one runs the business and not allow a franchisee to make changes to suit a local demographic.

When, we talk about India, even though retail is enjoying the status of a sunrise industry, franchising systems are still not in place to safeguard the interests of either party or the brand itself. According to retail industry veterans, franchising should be considered only when a brand has sound processes and systems, which can be replicated elsewhere. Also, a brand must master the business before it ventures into seeking franchisees. Hence, it's extremely critical to lay out control mechanisms and standard operating procedures before taking the franchising route. A strict set of do's and don'ts need to exist and be audited continuously.

In the November issue of IMAGES Retail, we have tried to empirically study the viability of franchising in retail sector and what is the future franchising model in India. What kind of cautionary measures should be taken by both franchisor and franchisee before getting into the alliance.

In this cover story, we have analysed that franchising in India still has a long way to go. For the model to continue its growth run, the many stumbling blocks need to be removed. Also, we need to analyse that is there a large enough pool of capable and committed franchisors to take India's retail story forward?

At IMAGES Retail, we got the feedbacks of many retailers and analysts on the aspect of franchising and the point everyone zeroed down upon is that to up the ante in retail franchising the focus should be more on transparency and trust between the franchise partners.



Amitabh Taneja

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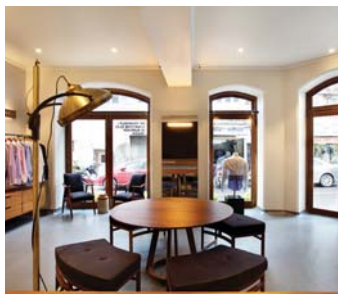
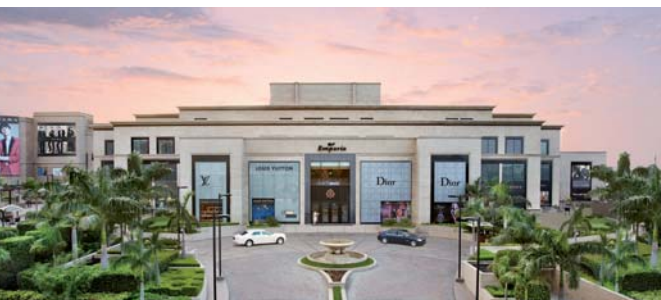
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CREATING PLUS-SIZE STYLE

By Shipra Srivastava

A plus-size brand launched in 2005, 'aLL - A Little Larger' format has managed to carve a niche for itself in the plus-size clothing category. Highlighting the brand's origin, Manish Aziz, Chief - aLL informed that the rationale behind aLL was to treat plus-size customers as any regular size customers and make the same variety of fashion merchandise available to them.

Moreover, data from a recent study suggest that 46 million people are overweight in India, which means 46 million people would need to wear plus size clothing. This is a huge number in terms of potential for readymade players. The potential is immense and taking this into account, many well-known brands are foraying into the plus size arena.

Market evolution

Plus-size fashion has evolved tremendously in the last couple of years. Highlighting the market growth, Manish Aziz, Chief of aLL quoted: "In the last 5 years it has doubled to US\$ 1.8 billion and is expected to be double in the next 4 years."

He also shared that demand for plus-size fashion depends on the awareness and presence created by brands. "Some of our best stores are in tier-II cities like Indore, Baroda and Lucknow, and they are buying high fashion designs and silhouettes," he said.

INDIA FOOD PARK BY FUTURE GROUP

FUTURE IN FOOD

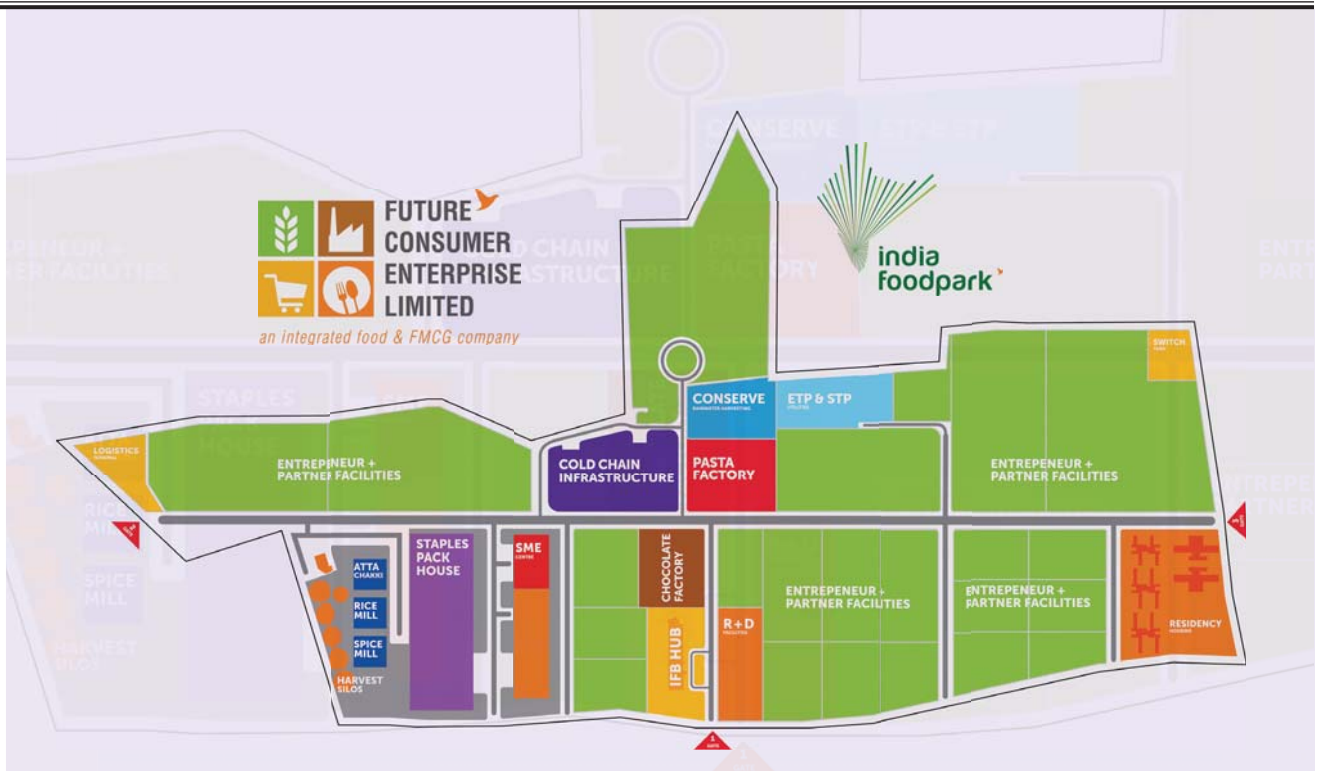


Future Group has launched India Food Park, an avant-garde, large-scale food processing facility, under PPP model in Tumkur, Karnataka that integrates entire food value chain from farm to fork under the same roof. While the group stands to gain immensely, it will also offer great value to farmers, other food manufacturers including MSMEs, agri-entrepreneurs, traditional as well as modern retailers, and eventually consumers.

Founded over 20 years ago, Future Group, India's ace business conglomerate, has been a trailblazer in its own right ever since. Today, apart from operating well-known retail chains namely Big Bazaar, Central, Foodhall, Planet Sports, Brand Factory, Home Town and eZone, its allied businesses include lifestyle fashion, food and FMCG, insurance, logistics infrastructure, supply chain, and skill development. From the outset, Future Group has been focusing on developing delivery formats, creating retail realty, making consumption affordable for every consumer segment – for classes as well as masses. Food, one of the biggest consumption categories in India, invariably finds a prominent place in its business portfolio. The group's food-led FMCG business, operated by its subsidiary Future Consumer Enterprise Ltd (FCEL), spans sourcing, processing, manufacturing, brands, retailing and distribution of food products.

Stepping up to a bigger game, FCEL has now come up with "India Food Park" (IFP) in Tumkur, near Bengaluru city in Karnataka under public-private partnership (PPP) model. It is a first-of-its-kind integrated food park to be commissioned and has been developed with close partnership and support of Union ministry of Food Processing Industries and the state government of





Karnataka. Recently inaugurated by Prime Minister Shri Narendra Modi, IFP integrates the whole food value chain-- from farm to fork-- under the same roof with exceptional infrastructure and technology. The facility has already started production.

Kishore Biyani, Group CEO of Future Group, states, "India Food Park is an ambitious project that has the potential to aid thousands of farmers, directly employ 10,000 people and quadruple the value of the food products that enter through the gates. It is one giant Rasoi (kitchen), where the golden harvest of Indian farmers will find new value in the hands of Indian consumers."

What's Inside?

FCEL-owned India Food Park is a sprawling 110-acre world class facility which boasts of cutting edge cold chain infrastructure, pulping and IQF lines, spiral freezers, mechanised sorting facilities, packaging and quality testing centers. It also houses rice, spice flour mills, grain silos, warehouses and R&D centers. Committed to environmental sustainability, IFP has built up rain water harvesting capacity of 4.5 million metric tons.

India Food Park is a sprawling 110-acre world class facility which boasts of cold chain infrastructure, pulping and IQF lines, **spiral freezers, mechanised sorting facilities, packaging and quality testing centers.**

Notably, the park has 7500 square meter of earmarked MSME facilities for entrepreneurs and food producers, a plug and play facility, with flexibility and inbuilt modularity, and packaging units. Several home-bred and multinational companies will also be establishing own production facilities at the park. After completion, IFP will have close to 50 units for food processing and exclusive plants for manufacturing of Indian savories and snacks, frozen food products, chutneys, pasta, dry fruits and nuts, chocolates, etc.

For procurement of agri-produce, collection centers are being established a number of locations as in Kolar, Chikkaballapur, Doddaballapur, Chamaraanagar, Chikmagalur and Shimoga to facilitate farmers to directly sell their produce to the units operating from the park. Products developed at IFP will be retailed via Future Group's retail formats viz. Big Bazaar, Food Bazaar, Foodhall, KB's Fairprice, Big Apple and Aadhaar. They will be also sold through general trade as well as other modern retailer platforms.

Value For All

Experts believe that public-private partnership is the way forward to improve quality as well as affordability of food in a developing nation like India. India Food Park-like initiatives are also expected to provide the much needed boost to country's food manufacturing industry. Additionally, it will help tame supply chain costs and wastage, thereby making the entire food value chain more robust and efficient. The common infrastructures at IFP will benefit medium and small scale enterprises as well as foodpreneurs with limited capital but seeking state of art manufacturing facilities. Echoing premier Modi's "Make in India" sentiment, Future Group will



To put things in context, it will be interesting to go back a bit in history to understand what led to the inception of franchise business model. The origins of franchising can be traced back to America's Issac Singer, the man behind the world-famous Singer sewing machine. Post the US Civil War in the 1860s, Singer had achieved the ability to mass-produce his famous sewing machines, but he lacked an economically viable way of repairing and maintaining them across the US. Thus, he then began to license out servicing and repairs to local merchants around the country, who were later permitted to become regional salespeople for the machines too. Singer's use of a contract for this arrangement introduced the earliest form of franchise agreements, leading to the inception of the first modern franchise system.

FRANCHISING

THE RETAIL WAY FORWARD

From fashion retailers to salons and even restaurants, the franchise business model has been in existence for over a century now. However, what remains imperative to realise is whether this business model is apt for your brand to grow. We speak with brands across categories that have expanded using this business model and also those who chose to grow organically.

By Zainab S Kazi

Franchising became more widely used in the US as a way to standardise products and standards from one coast to another. First was the car dealership model pioneered by General Motors in the early 1900s, granting exclusive rights and territories to franchise business owners; then oil companies and grocery stores took advantage of a business model that offered them a route of fast growth towards national distribution with reduced risk. As we notice, in its earliest avatar, it was usually the franchisor looking out for an expansion and risk mitigation to have a broader brand presence to take care of customer service. However, the trend became a two-way phenomenon gradually, where it was not just a franchisor looking for franchisees for their business but also where individuals were seeking franchise rights of reputed brands or brands that were seen to have a long-term potential.

The India story

Rajeev Manchanda, Director, Inventure and VP, Franchising Association of India (FAI) talks about what makes India an apt market for the franchise model: “Franchising is apt for India due to its sheer geographical size. Penetrating markets on its own can be an arduous task for brands. Further, the country is so diverse in culture that a franchisee is better placed to do business with their local connect, understanding and familiarisation with local conditions. Also, they offer a better commitment towards running the business (as it becomes their own business) rather than an employee working for a brand at the same location. This business model offers an inorganic growth, which can bring excellent results with minimal capital infusion – something very important for any brand.”

Manish Shukla, Founder, Retailscape well explains the benefits this type of business model has for the franchisor as well as franchisee: “It is not only a great way of growing your business, it is also a great way for first-time entrepreneurs and prospective franchisees to de-risk their plunge into the world of entrepreneurship, by learning the ropes of an operational and tested business, within an established framework.”

In India, perhaps one of the most successful brands running on franchise operation would be Naturals Ice Creams and Naturals Salons, and both of them are not related though.

Out of the 120 stores that Naturals Ice Creams has, 117 are franchisee driven yet the very essence of the brand is well-preserved over the years. Also, such is the demand for the franchise of Naturals Ice Creams that the WhatsApp status of Srinivas Kamath, Director, Kamaths Ourtimes Ice Creams Pvt. Ltd. reads: ‘No franchise enquiry please!’ Sharing the brand’s journey, Kamath says: “The challenges for us have always been at the production level. There was always a huge demand for our product and franchise but we did not want to expand at the cost of quality so we were very selective and opened few

stores that we could manage within the production level. I would say that the earliest challenges were to control huge franchise demand.”

Another heritage brand that chose to opt for the franchise brand model is North India’s Chhabra 555. Sharing a brief history, Asheeta Chhabra, Head – Business Development, Chhabra 555 divulges: “The genesis of Chhabra 555 dates back to more than half a century. Growing popularity among the customers inspired us to expand our network of outlets and in the late 90s, we opened our second showroom. Taking cue from the changing credit scenario and the domestic retail growth story, we took a strategic decision in 2005 to shelve our wholesale operations and step into the retail segment in a big way. Soon people started approaching us for dealership in various parts of the country and in 2010, we reached a store count 50 across the country. Our aim now is to reach 100 in the next 5 years. More than 90 per cent of our stores follow the dealership model. We only have a couple of company-owned showrooms.” Chhabra adds that tier-II cities like Noida, Amritsar, Kochi and Ghaziabad, are emerging as the favoured destinations for retail franchises due to the huge growth potential they offer.

Franchising became more widely used in the US as a way to standardise products and standards from one coast to another. **First was the car dealership model pioneered by General Motors in the early 1900s.**



IRF 2014: EXHIBITORS & PARTNERS

The 11th edition of India Retail Forum held at Renaissance Hotel, Mumbai from 17 to 18 September 2014, saw leading retail real estate, retail support players gather under one roof to partner with the most influential retail show of India and to reach out to the leading retailers who were the visitors and conference attendees.



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