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PASSING ON THE FRANCHISE LEGACY



After the successful implementation of the Franchise Development Program when every step is taken cautiously and not a single one is out of the place, it is essential to contemplate about the forthcoming relationship with the one who would make or break up for franchise: the Franchisee.

In this issue, we would bring you the following details:

	Page
Passing on the franchise legacy	01 - 02
From the Chairman's Desk	03
Licensing :A Gateway to Global Expansion	04 - 05
Fran Buzz	06 - 07
Hot Opportunity Of The Month	08
Case Study & About Us	09 - 10

PASSING ON THE FRANCHISE LEGACY

The relationship between the franchisor and the franchisee in the initial years resemble that of a parent and a child where the infant is nurtured, guided, taught and trained. However, with the passing of the years the relationship goes through a process of metamorphosis and changes to give more responsibilities to the child who now grows out of the adolescence and reaches the stage of maturity. The franchisee just like a child has now a sense of sanity and experience to take care of the operation and management of his franchise on his own. He deals with hundred of customers, employees and vendors and his views on the development of the program/franchise may differ from those of a franchisor. At this point, it could be fatal for a

franchisor to intervene in the work of the franchisee thinking that he is still a child. In fact it has often been witnessed that when the franchisor fails to recognize the psychological difference between the company's new franchisees and the older ones and treats the two with the same yardstick then the conflicts/lawsuits are more likely to occur. So, while the franchisor has the right and the authority to enforce his opinion and judgment, he also needs to balance the two thinking that every franchisee is an independent owner and has the potential to carry out his functions and responsibilities efficiently. The franchisor just cannot barge into the franchisee's office as if it were his own office and addresses him as if he were his

personal employee. His communication should come in the form of an opinion, suggestion, motivational talk or through an advice to help the franchisee increase his sales and thereby his profits.

SUPPORT is the right word. This is what the franchisee requires from the franchisor's end. When we talk about support, we refer to a regular and consistent dialogue with the franchisee. We also recommend one to two month training to the franchisee and the same for at least two of the franchisee's employees at the franchisor's headquarters. This would make them feel more connected to the business concept and its functioning. An initial visit to the franchisee's outlets and help in discharging their duties can also be beneficial to an extent. These visitations should be as consultants and not as police officials as the franchisor is there to help the franchisee and not to find faults at his business sense and working. An appointment or a formal intimation prior to the visit is positive approach towards cementing and maintaining strong relationship between the franchisee and the franchisor. Leadership and direction from time to time is what the franchisor should provide to the franchisee.



FROM THE CHAIRMAN'S DESK

BREAKING BOUNDARIES IN 2011



Gaurav Marya,
Chairman, Indian Franchise Association

Dear Friends,

Let me take this opportunity to introduce you to IFA's Newsletter - Fra(n)ews. With Fra(n)ews, we aim to bring forth the latest developments taking place in the franchise sector, thereby increasing awareness in the franchise community. This newsletter would also act as a platform for all the start-ups as well as established brands, to showcase the business potential and seek potential franchisee's attention.

It's my sincere hope that Fra(n)ews would successfully help in disseminating franchise knowledge to the entire franchise fraternity. In addition, I strongly believe that it would assist franchisors in reaching out to their potential investors, and in turn aid the aspiring entrepreneurs to get their desired brands.

Gaurav Marya
Chairman | Indian Franchise Association(IFA)



LICENSING: A GATEWAY TO GLOBAL EXPANSION

International market is viewed as an attractive destination for established domestic players. Reason is very simple – it is huge and has untapped potential. Its bountiful size in terms of population and henceforth a large per capita income makes a very lucrative opportunity for the local exporters to harness the market. A company seeking to expand in the global market can do it through various means. Manufacturing the product domestically and exporting it is the simplest and most common one. Manufacturing the product on the soil of the foreign market is another one. However, the process entails a heavy investment cost and is thus not a very often preferred option for the producer. A third option is to partner with other companies that have

the potential and capacity to manufacture and distribute your market produce or service in the foreign market. We call this as Licensing.

The word license simply means permission: one company grants permission to another to do something. In an IP (Intellectual Property) license, one company grants permission to another to use its IP, to which it has exclusive rights. In a licensing agreement there are at least two essential parties: the licensor or the party who owns the intellectual property rights (i.e. patents, trademarks, designs, copyright or trade secrets), and the licensee or the party who receives rights to use the IP under agreed conditions and in exchange for payment. The payment may take the form of a flat fee or a running

royalty which is gained from the usage of the IP rights. While an IP license grants the licensee certain rights over the IP, it does not transfer ownership of the rights: these remain in the hands of the licensor.

Licensing as an extension to International Franchising dates back to 1987 when a fast food restaurant chain in Johannesburg popularly known as Nando's Chicken spread across its 200 outlets to almost all the major parts of the world in a span of 19 years. Like many other well-known fast-food concepts, the international expansion of Nando's was based on a franchising model, which enabled it to use its trademark and successful business model as a basis for contractual agreements with local entrepreneurs.

A GATEWAY TO GLOBAL EXPANSION: LICENSING



This way we can call licensing as an appealing strategy for international expansion, depending on the sector and business strategy of your company.

A pre-requisite, however, is that your company owns valuable intellectual property rights, such as a trade secret (Nando's Chicken recipe) over useful technology or a trademark that has acquired a

certain reputation. Second, you need to have taken steps to ensure that your IP is protected in the relevant foreign markets. At the heart of any IP licensing agreement is the fact that it allows you as a licensor to obtain revenues from the licensee while retaining ownership of the underlying intellectual property right.

International franchising and licensing thus enables companies to efficiently leverage their most valuable asset, their brand and associated intellectual property (encompassing trademarks, patents, know-how, and business and

marketing systems) in return for royalties and/or products sales. It reduces the requirement to invest company resources in expansion by instead recruiting international franchise/license partners who provide the capital establish local operations. They are more motivated than employees to succeed, and have the important knowledge of their local markets. The partners, in turn, need to operate within strict brand, business and operational guidelines. The partners are then rewarded by profits and the franchisor, importantly, receives royalties and/or product sales in return.





DEVYANI INTERNATIONAL: EXPANSION VIA LOCATIONS

Devyani International, an international franchise holder for Yum! Brands, Pizza Hut and KFC concepts, plans to open 150 to 160 new locations this year in India, according to report from Franchise India.

Yum! Brands has a potential upside of 11.2% based on a current price of \$53.71 and an average consensus analyst price target of \$59.73. Yum! Brands are currently above its 200-day moving average (MA) of \$51.46 and should find resistance at its 50-day MA of \$54.95. In the last five trading sessions, the 50-day MA has remained constant while the 200-day MA has risen 0.21%.

Yum! Brands, Inc, owns and franchises quick-service restaurants worldwide. The Company develops, operates, franchises and licenses a worldwide system of restaurants which prepare, package and sell a menu of food items.



CALIFORNIA PIZZA CHICKEN OPENS ITS THIRD RESTAURANT IN MUMBAI



California Pizza Kitchen Inc. today announced the opening of its third restaurant in India. Opened by CPK franchise partner JSMGGC India Pvt. Ltd., a joint-venture between Mumbai-based JSM Corporation and Dubai-based Gourmet Gulf Company, it is located in Malad, a suburb located directly north of Mumbai.

The restaurant is on the third floor courtyard of Infiniti Mall, home to a variety of brands, from Lacoste to Zara, and several entertainment options including a five-screen movie theater, a Kids Zone activity center and India's first indoor roller coaster.

The 3,750-square-foot restaurant seats about 150 people and will be open daily from noon to midnight. The open-exhibition kitchen allows guests to watch chefs prepare food.



SPORTY BEANS TRENDS ON THE FRANCHISING PATH BY OPENING ITS FIRST OUTLET IN BANGALORE



Sport Beans, pre-school and primary school kids, is all set to embark its presence for the very first time in Bangalore with the route of franchising. From the Franchisee point of view, this is a low investment and high return business model, which a franchisee can take up as an additional avenue of income, as it requires a maximum of 3-4 hours per day at the upper end of the learning curve. SportyBeans currently has 7 centers across 4 cities in India and are in the process of taking admissions for its Whitefield Centre, at Bangalore. The company is looking towards signing up at least 50 centers in the next two years, each with average enrolment strength of 40-60 kids. The area requirement for the Sporty Beans franchise is approx 1500 sq ft with the investment of INR 5-7lakhs.



INDIAN FRANCHISE ASSOCIATION ALONG WITH FRANCHISE INDIA IS COMING UP WITH INDIAN RESTAURANT CONGRESS – 20TH & 21ST AUGUST, 2011.

Indian Restaurant Congress is an excellent platform to bring together global leaders in the food service industry to share their knowledge and vision to accelerate the growth of this sector. The Congress intends to create a symposium where industry representatives will design a roadmap to consolidate the entire food service industry. The two day event would encompass Conference, Awards Night and Exhibition.

The various facets of the industry, exploring the growth opportunities and coping with challenges will be under the purview of the conference. The Award on the other hand will recognize and felicitate Achievers, Innovators and Suppliers who have contributed significantly towards the development of Restaurants in India. Last but not least, brands hailing from Indian Restaurant convention would participate and avail of the largest footfall, which is invariably expected in the Food & Beverage Industry.

HOT OPPORTUNITY OF THE MONTH

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POWERED BY
 Indian Franchise
Association



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- ▣ Increasing sales
- ▣ Expansion of business reach
- ▣ Strengthening brand image
- ▣ Controlled Expenditures

We would help you convert your existing business into a franchise business by providing expert consulting , planning, legal, marketing and technology solution.



Strategy



Legal



Operations



Marketing



Sales



Training

For more details please contact:

Mohit Ganglani

Landline : +91 11 40556666; Extn: 572

Mob. : +91 8860090097

Email: gmo-hit@franchiseindia.org

Download Proposal

CASE STUDY



Started with a Vision to provide a Strong foundation for preschoolers from the very young age where they develop basic skills for Academic and Community Life ahead, Sunflower Preschools is a recent

endeavor by sunflower Group. The Group's foray into preschool education was a result of Lack of quality education in preschool segment where only a few organized players were actively involved, but the majority of the share was in hands of unorganized resource less Local institutions.

We, as school owner believed that strong foundation at young age of preschool can help them significantly in their smooth transit from preschool education to primary level education. We were watching the Situation keenly and wanted to develop a well-built curriculum and Skill based activities which formulate a strong base for a kid of 2-6 years.

As quality education system with emphasis on Skills development requisite for a child is very much essential today, thus, we developed our own set of preschool curriculum, worksheets, multimedia presentations, electronic Flash cards; CD's and well crafted set of Activities to match the intellectual capacity of a preschooler.

The prime focus of Sunflower preschool is to develop a strong Franchisee network where we can help Likeminded individuals/organizations to gain financial benefits out of our vision to reach and teach kids of 2-6 years with our uniquely crafted set of skill based curriculum and activities.

As a franchisor, we faced a quandary of Knowledge transformation and Implementation of our curriculum with a dearth of competent and qualified teachers in preschool segment. Also, the curriculum transition and its management were very much individualistic with a unique set of problem with each such center.

Sighting such problem, we prepared a day to day based Lesson plans and micro teaching methodology where the curriculum is micro planned on the basis

of teaching days available, skills to be covered, Learning outcome required and minimum learning rubric. We also matched it with a comprehensive and continuous training system for the teachers. The Centers are thus autonomous in curriculum transition and in turn achieve the desired Academic excellence.

Also, as a Franchisor, we examined the major players in the industry very closely and it strike to us that majority of them adopt a curriculum/ books from different publishers and that too different for different STD which generate a learning gap between two grades and the curriculum looses a flow.

Keeping this into mind we prepared our own set of workbooks with a constant flow of learning and where the child has to 'DO' and perform various tasks as instructed in the workbook. But as the workbooks we developed was in Black and White format, the major problem we faced was to deal with the traditional mind set of parents, where they believe that the preprinted colorful books are the lone resource for providing education. But gradually, when the true impact of "Do by themselves" method followed in the Workbooks came on surface and the changes were visible, the parents were more than happy to accept the changes and now a happy force of satisfied parents support us in our efforts.

The Journey which started with 20 kids at our own center at Rajkot has reached to about 550 preschool kids in our 4 preschool centers in and around Saurashtra. We wish to develop this experience and want to share our expertise with many such franchised centers across Gujarat. The Group has planned to Start 50 such franchised and owned centers in five years.

We firmly believe that to replicate our vision to provide quality and standard preschool education system will only happen by creating such self-sufficient and self-directed centers all across Gujarat with a proper and profound financial planning targeted towards financial success of each such franchised centers.

**We strongly believe -
"A child miseducated is a child lost"**
– John F. Kennedy

Ensuring Best Practices in Franchising



Caution

Advice

Research

Evolve

Indian Franchise Association is India's premier, non-political, not-for-profit body representing Indian Franchise Sector. IFA's endeavor is to promote, promulgate and popularize the concept of franchising as a mode of doing business across the industry verticals and to nurture the entrepreneurial skill of every Indian.

IFA Services

FranRecruit

India's first Professional Recruitment Service exclusively for the Franchise sector.



A bi - monthly e- bulletin covering every aspect of the franchise sector.

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For detail of Membership category and fee, contact: Richa Gupta at: contact@franchiseindia.org

For FranRecruit, a Professional Recruitment Service, please contact: Zarreen @ 9350653111 or at services@franchiseindia.org

Branding Opportunity: Outshine your competitor by positioning your brand at Fra(n)ews, IFA Newsletter or at IFA website www.franchiseindia.org

For branding Proposal, please write to pswabi@franchiseindia.org



Indian Franchise Association

F-89/11, 1st Floor, Okhla Office, Phase-1, New Delhi - 110020, India
Tel: +91-11-40665542, 40665500, 40665555
Fax: +91-11-41634543

www.franchiseindia.org