

Trimester – V, End-Term Examination: December 2018

Time allowed: 2 Hrs 30 Min  
Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 marks	20
		<b>Total Marks</b>	<b>50</b>

**Section A**

Q1. Many MNC companies in food retail (McDonald's, Domino Pizza, KFC etc.) have taken the franchising route for growth in India. Why? Explain using three non-food examples to illustrate that success in franchising is not industry dependent. (7+ 3)

Q2. Successful entrepreneurs are not cut out for franchising. Why? Explain with 3 examples. (7+3)

Q3. Explain the legal safeguards a franchisee needs to take to protect their interest when taking a franchise. (10)

Q4. Explain the most commonly used profiling system franchisor's use for selecting a prospecting franchisee. What are its limitations? (2x5)

Q5. (a) What is the best way to select a franchisee in India: Setting up a firm in India / partner with firms like Franchise India or Franchiseasia / any other? (5)

(b)

The Top 100 Franchises in India 2017

Position	Franchise Name	Country of Origin	Years Franchising in India	Industry
1	Subway	USA	16	Food & Beverage
2	Aloha India	Malaysia	15	Education & Training
3	Baskin-Robbins	USA	24	Food & Beverage
4	Kidzee	India	14	Children's
5	US Dollar Store	India	13	Retail

6	McDonald's	USA	21	Food & Beverage
7	Khadim's	India	22	Retail
8	Prestige Smart Kitchen	India	14	Retail
9	Domino's Pizza	USA	21	Food & Beverage
10	Bachpan (A Play School)	India	13	Children's
11	Jawed Habib Hair & Beauty	India	11	Health & Beauty

<https://india.franchiseasia.com/information/thetop100franchisesinindia2017/>

Based on months of research, the list was calculated using information gathered only from **reliable resources** including the Franchising Association of India, data submitted by companies, franchise disclosure documents, and published industry sources. The information used for the ranking included the following:

- How many franchise units the company has in India and abroad.
- Whether the company was founded in India, elsewhere in Asia or further afield.
- How long the franchise system has been operating in India.
- Stability and growth.
- The cost of a franchise package.
- The franchisee's annual revenue.
- Whether or not the franchisee is offered financial aid to start up.
- Franchisee training.
- And more.

The above table which gives the list of top 11 out of the 100 franchises ranked in India for the year 2017. What's the pattern you note on the type of franchisee? Is there more scope in service franchising? Comment. Are the parameters used for ranking sufficient or is there a gap? (1 + 1 + 3)

## Section B

### Case study: Archies Gifts & Greetings

It was set up in 1979 as a partnership firm to carry out the business of manufacturing and marketing of posters and greeting cards. The company pioneered the concept of branded retailing in India. The first exclusive store of the company was opened in 1987. In 1990, the business of the partnership firm was taken over by Archies Greetings & Gifts Pvt Ltd and the company was incorporated as a public limited company in 1995. Today Archies Gifts & Greetings is the market leader in the Gifts & Greetings business.

### **Do you perceive a threat from the e-greetings business?**

The penetration of computers is very low. Five years down the line we definitely see it growing and we have to be there in that media also. E-greetings will be a support for our industry. But it will not replace the physical choosing and sending of cards. E-greetings have a different feel altogether. Also, if someone receives 100 e-cards, he will not be able to open each greeting and enjoy it. E-greetings can only be a 'last minute' activity on people's minds. The physical sending of cards will remain. Even if you look at the European and American greeting card market, you will realize that e-greetings are not a major threat to the paper greetings market. The year 1995 was a full Internet year for the US market and greeting card sales were \$6.5bn, which grew to \$7.2bn in 1997. With these figures, one can easily estimate the growth of paper cards versus e-greetings.

### **What are your plans for the online business?**

We have launched our dot-com company. It is not going to be yet another website, but an interactive e-gifting vertical portal, with the primary focus on third party gifting. This will serve as a complete one-stop shop for the browser, to fulfill and satisfy his emotional needs of "meet, greet and gift". The site will have three main functional areas -- meet, greet and gift, which will have various e-centric services and intelligent storefront along with a shopping engine. Our e-shopping model will be different from the current set-up of various e-enabled dot-com companies. We will focus on single point sourcing and single point fulfillment in the first phase and multi-point sourcing and multi-point fulfillment in the second phase. Our forte lies in the fact that we are not dependent for warehousing and sourcing on other vendors.

### **How will the physical distribution be enabled?**

As you are aware, we have a strong network of over 400 franchise stores and apart from this we have six branch offices and 55 distributors located at 120 locations across the country. Initial fulfillment will be taken care of from Delhi and this will subsequently, in a phased manner, be extended to our branches, distributors and franchise outlets. This whole network will come in place anywhere between one and three years based on the market response to our vertical gifting portal.

### **Do you see your product mix changing in future?**

The market is changing drastically every year and we have to move with the times. We have been doing that and wherever we see the thrust we will move in that direction, of course, keeping our consumer base the same. We will not move to any other trade because we already have a marketing set-up. Any other product that we sell will be within that customer profile.

### **How many Vision 2000 stores are being planned? What is the investment in real estate for these Vision 2000 stores?**

At the moment we have 17 stores. They are mainly located in Delhi, Bombay, Bangalore and Nagpur. We have a plan to set up six such stores every year. They are huge in size; they display and justify all our products -- whatever we have created. We are taking all these stores on lease or on rent. Also, we are converting existing franchisees into Vision 2000 stores. About 50% of these are going to be company owned. Under the franchise arrangement, Vision 2000 stores get some kind of support from us because they stock everything that produced by us. Support will be in terms of changing the dead products, replacement facilities, new schemes, new merchandise,



**Anil Moolchandani, Managing Director, Archies Gifts & Greetings,** hails from a business family originally engaged in the business of sarees. Discontented with his family business, Moolchandani commenced the business of selling posters and greeting cards through mail order. His sharp acumen, keen sense of observation and ability to predict future trends has helped him grow the business from a small beginning to the current size of Rs700mn today.

In an interview with Toral Modi and Satish Koneru of Indiainfoline, Mr. Anil Moolchandani articulates his vision for the company.

#### **How did you start the business of Gifts and Greetings?**

This business was started as a hobby. We were all doing our family business of sarees. From there we started the business of songbooks -- the lyric books of English songs. So we sold all this stuff through mail orders at that time. Then we started making posters which were also distributed through mail order. Subsequently, we started getting queries from retailers that they wanted to resell them so the wholesale network was started. We then got feedback about the demand for cards, so we went on to greeting cards also. After that, we started opening exclusive stores because cards had limited appeal at the time. The business was started in 1979 and the first store set up in 1987. We then made our own model suitable for Indian conditions. We created a branded franchise. Now the scenario has changed in India and everybody talks about franchising.

But we were the first to do that kind of stuff. We then went in for tie-ups so as to get a greater range to support these stores because these were exclusive stores. Earlier the cards were sold in shoeboxes in bookstores or stationary stores. So we have provided a comfort level and an ambience to the customer who shops for greeting cards. Generally a customer goes to a store to buy, say, 'X' card, and he starts picking up many other things.

#### **You have several JVs for sourcing designs.**

We have an exclusive arrangement with the world's largest publicly owned company - American Greetings. We reproduce their designs in India keeping in mind the Indian environment. Then we have couple of other tie-ups -- just to increase the range. We pay 5% royalty on the designs we choose from our principals. In certain JVs, we buy at one fixed price and then reproduce it.

#### **When was the Gifts business started?**

Once we started franchising we realized that 50% of sales come from these gift items. Earlier, these franchisee outlets used to source these gift items themselves, because we were not producing them. Four years back, we launched a gift division to source and make exclusive gifts. We see the gift line as having great potential for the future.

#### **Is there a conscious focus to increase sales from gifts and stationery products because of the danger of low growth in cards?**

Gift is one thing that you have to update every day. And once you are sourcing and creating gifts exclusively with different raw materials, it is not that easy to enhance its revenues from the day one, like in greeting cards. So, setting up a gifts business takes time. We definitely see it as a fast moving thing and in terms of value also it is much higher than greeting cards.

new packaging. Everything about the Vision 200 stores is unique. Even the neon signs are different than the existing franchisee.

**How would you see your business growing in terms of top line growth?**

We are expecting around 15-20% growth. We have three main categories -- greeting cards, stationery and gifts. We are trying to put more efforts in the gifting area. The gift business is growing by 30% and the card business is growing by 15%. Music and perfumes are included in gifting. Stationery is growing at around 10-15%.

**What kind of advantage do you hope to gain from the conversion of distributors to C&F agents?**

One advantage is that C&Fs display and stock everything that we produce, while distributors pick and choose. So the retailers will get a range to choose from. Also, the percentage of sales C&Fs are paid is less. So the company gets a better margin.

**Are all distributors being converted to C&F agents?**

Not all. We are going step by step. Today, we have converted four states to this system. We are learning from experience and gradually all will be converted to C&Fs. Seeing the volumes, everybody wants to become a C&F, but it is not an easy task. We have to be practical and we have to be geared up by creating that kind of inventory for C&F. So it has to be done step by step. The entire conversion will be completed two years down the line.

**What is your vision for the company?**

We would like to be what we are -- the leader for years to come. We will be responsible for creating new 'days' so that people will find a reason to greet each other and keep in touch. It is very essential that everything we create becomes an example for others to follow. We created Valentines 14 years ago. Nobody knew what it was then. With the satellite boom, everybody has participated in that occasion and have made it a big event. This year, Valentine's Day contributed 7% to total sales. It was only 1% of sales four years ago. Similarly we created a Friendship Day four years ago and in the years to come it will become very big.

**Where do you see the company five years from now?**

Five years from now I think we will have 100 Vision 2000 stores, which will contribute at least 40% to sales. C&Fs will contribute 40% to sales and the balance 20% will come from distributors. And, if the dot-com takes off, then you never know.

**What has been the key factor behind Archies's success?**

There is no one particular reason. There are many. The first is that you have to create a product which is innovative, which is price sensitive and of a good quality and then this has to be supported by retail branding. That's the success. You create an excellent product but you don't have a retail, it will not be noticed.

Q1. How has Archies Cards scaled up using a combination of franchising and C&F? (10)

Q2. Extending the product portfolio from cards to gifting has worked wonders for Archies. (10)  
Comment.