

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

M.B.A -IVth SEMESTER-EXAMINATION – MAY- 2012

Subject code: 849901

Date: 22/05/2012

Subject Name: Retailing-II

Time: 10:30 am – 01:30 pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 Read the case given below and answer the questions:

For the first time, VLCC choose the franchising route to fuel its growth through geographic expansion. The opening of its first franchise at Yamunanagar marked the beginning of its first phase of expansion, shifting away from its current strategy of operating through company-owned centres. At the time of opening of its first franchised centre, it already has 100 centres up and running at various locations in India.

Background of VLCC

VLCC was founded by Mrs. Vandana Luthra with a mission of 'transforming lives' by transforming the self and thus forayed into wellness market at the time when it was a highly unorganised sector way back in 1989.

Today it is India's largest health and beauty brand and the single largest player in the organised sector with a pan-India presence of nearly 150 outlets across 70 cities, one in Kathmandu, eight locations in UAE and one in Oman.

The VLCC Group, a 'Superbrand', serves as an umbrella for all its other brands— VLCC Health Care Ltd., VLCC Personal Care Ltd. and VLCC Institute of Beauty, Health and Management.

It has committed to restore peoples' confidence by making them fit, healthy and beautiful and is reflected in its vision statement:

'To ensure a better quality of life for everyone, by adopting and pursuing ethically and socially relevant business practices aimed at shaping up people's confidence and making Fitness, Health and Beauty Care accessible to all sections of our society. '

Recognition and Awards

VLCC was the world's first health and fitness service provider to have obtained the ISO 9001:2000 certifications. It has been awarded the SA:8000 (Social Accountability) certification for implementing corporate social responsibility standards. It is very sensitive to environment and has also been awarded the ISO: 14001 certification for meeting global environment standards.

VLCC has to its credits various awards and accolades of excellence over the years such as the 'superbrand' status—one of the most recognised brands in the country, Images Retailer of the Year Award 2004, 2005 & 2006 (Health & Beauty category), ICICI Bank Retail Excellence Award 2005 (Health & Beauty), and the prestigious Rajeev Gandhi Women Achiever Award 2008. Mrs. Vandana Luthra has been a member of the Task Force on women entrepreneurs set up by the Department of Policy and Promotion, Ministry of Commerce & Industry, Government of India.

VLCC Franchise

VLCC looks forward to franchise business partners who can be the integral part of its expansion plans. It looks for three C's—capital, commitment and competence. It expects its franchisees to be financially capable, committed to the wellness business and should be competent enough to run the business according to the standard operating procedures set by VLCC.

VLCC charges various fees and requires its franchisees to make investment based on a very simple and transparent calculation. It charges an upfront franchise fee of Rs. 8 lacs to 14 lacs depending on the territory potential. This is a one-time fee for a period of five years and covers the cost of approving a location and training the management of the franchisees. Franchisees are required to pay a royalty, at the rate of 12% in the first year, 14% in the second year and then 17% of the revenue collection, on a monthly basis. Typically, a franchisee is expected to make an investment of Rs. 35 lacs to Rs. 60 lacs for a VLCC centre. The franchisees get a well established and reputed brand name, assistance in setting up of the business, and an ongoing support.

Potential franchisees are required to apply in a standard format designed by VLCC, which is available on its website. It basically involves sharing of business-critical information between the potential franchisees and the franchisor, in order to define mutual expectations. VLCC strongly believes that if their expectations are aligned, a mutually beneficial relationship is more likely.

Franchisees are selected and appointed in an extremely meticulous manner. The applications are reviewed by business development team of VLCC. The review goes beyond just looking for suitability of location, business acumen and financial soundness. It looks forward to a long-term relationship based on mutual trust and faith, for which the VLCC team prefers to interact personally with the applicants. During an interview, VLCC explains its business model in detail and invites questions related to the intricacies of doing business in partnership with VLCC. After complete understanding, an intensive interactive session with the CEO is arranged where the brand permissions are granted to the franchisee. A potential franchisee is then introduced to key personnel in the corporate office and the final agreement is signed. Standard Operating Manual is given to the franchisee at this point of time.

After the franchisee is appointed, VLCC team carries out site development as per its project implementation guidelines. It provides a list of equipment required to run a centre along with a list of vendors who supplies it. It ensures a perfect balance between space utilisation and

customer service. Once the advertisement is released for the recruitment, initial screening is done by the franchisee. However, the interviews are conducted by the team of experts of VLCC.

VLCC provides extensive training to the managers and staff of the franchisees. Regular training programmes include training in the area of new product and skill enhancement. It helps franchisees to launch the centre as it believes that the future of a centre largely depends on its launch. VLCC has a team of experts such as pool of dieticians, beauticians and other technical staff who help franchisees meet customers' expectations by paying regular visits to centres. VLCC strongly believes in the power of interpersonal communication and implements it in all communications with the clients and franchisees alike. It believes that mutual trust and faith can be nurtured through open communication and it ultimately helps franchisees perform better.

Corporate Social Responsibility

For VLCC, well-being of the society is well-being of the organisation. The interdependence between the business and society is reflected in its corporate social responsibility initiatives. According to an estimate of the World Health Organization, there are close to 50 million obese Indians.

VLCC discharges its social responsibility through two different approaches. It directly attempts to eradicate obesity and educating people about the curse that it is. Secondly, it provides support to the organisations that are committed to uplift the general well-being of the under privileged sections of the society. VLCC foundation works towards the social cause. Its several initiatives includes providing vocational training to women in shelter homes to make them employable in beauty industry in association with Ministry of Women and Child Welfare, Government of India, imparting skills to under privileged women under 'KhushiC initiative, financial support to children education under ' Tamanna' and Amar Jyoti' initiatives, and an education package for wellness of elderly people under "Help Age' initiative.

The Path Ahead

There has been a growing health consciousness among the working executives, businessmen, and professionals as there have been visible benefits of staying fit and healthy even for their career advancement and growth. Indian middle class is not an exception to this fitness revolution happening in India. Aspirants to great professional careers in hospitality, tourism, fashion, film, modelling and other customer-interface sectors have made them extremely conscious about their physique and figure and beauty. With limited or no alternatives available amongst these small town or city dwellers, there has been a huge demand gap for a holistic fitness services as these small town and cities offer fragmented services offered by beauty parlours and gymnasium. VLCC plans to plug this gap with its world-class technology and quality of products through the franchise

channel.

'Research indicates that smaller towns increasingly mirror the lifestyle and awareness trends of the metros. We have seen huge interest in the services offered by VLCC and therefore feel certain that our entry into this segment will be met with great enthusiasm. We believe that the franchisee channel is the correct approach to tap the huge consumer base which still remains unexplored in these cities and towns.'—according to Mr, Sethi.

VLCC's franchising model focuses on towns with a population between 10 million to 50 million, such as Rohtak, Karnal, Phagwara, Moga, Udaipur, Ajmer, Meerut, Muzaffanagar, Jhansi, Roorkee, Dhanbad, Jamnagar, Rachi, Kolhapur, Cozhikode to name a few. With the franchising channel, VLCC plans to extend the professional approach to more players in the market and also make the industry more organized.

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|------------|-----|--|----|
| | (a) | Critically analyze the VLCC franchising strategy. | 07 |
| | (b) | Highlight some of important features of VLCC business model that are suitable with franchising options. | 07 |
| Q.2 | (a) | “Visual merchandise brought the customers inside the stores.” Discuss. | 07 |
| | (b) | Evaluate various communication methods for new electronic store. | 07 |
| | | OR | |
| | (b) | Discuss the pros and cons of private label brands for retailer. | 07 |
| Q.3 | (a) | “Effective customer service leads to reducing retailers cost.” Discuss. | 07 |
| | (b) | “There is no single layout available for retailer.” Discuss. | 07 |
| | | OR | |
| Q.3 | (a) | Discuss various customer loyalty programmes can be followed by different format of Retailer. | 07 |
| | (b) | What is pilferages in retail and discuss how technology can help in reducing the same for retailer. | 07 |
| Q.4 | (a) | Discuss different types of franchising techniques utilized by retailer as growth mode with their merits and demerits. | 07 |
| | (b) | Discuss the process of carrying out franchising feasibility study. | 07 |
| | | OR | |
| Q.4 | (a) | In comparison to growth of franchising in retail world over, in India, it is primitive stages- Discuss the reasons for it. | 07 |
| | (b) | Design a franchise system for spa and saloon chain. | 07 |
| Q.5 | (a) | Discuss the law applicable to franchising in India. | 07 |
| | (b) | Explain how we can measure the financial performance of franchise. | 07 |
| | | OR | |
| Q.5 | (a) | Discuss the process of termination of franchise. | 07 |
| | (b) | Discuss the effect of cultural factors in developing and maintaining relationship between franchisor and franchisee. | 07 |
