



MASTER FRANCHISOR

At this company, franchising is a matter of prestige. K G George Senior Vice President - Retail, TTK Prestige shares the recipe behind the company's resounding success in retail through the franchise route

■ *Interviewed by Shiv Joshi*

It is said that necessity is the mother of invention. That was indeed the case with TTK Prestige when it decided to venture into retail. From a single product company, TTK Prestige Limited has emerged as not just India's leading Kitchen Appliances brand but a leading retail player in the category.

The secret to Prestige's success in retail lies in the fact that the company goes out of the way to help its franchisees. Be it technical knowledge, commercial know-how or compensation for difference in stock prices, the company takes care of its partners.

TTK's outlook towards franchise partners has inspired many a sales people from the company to leave their jobs to start their own Prestige Smart Kitchen stores. "In whatever we do, we take care of our franchise partners' interest. We look at it as our investment in them. When they feel good, they will do better business with us," said K G George, senior vice president, retail, TTK Prestige explaining the company's philosophy. Excerpts from an interview...

WHAT PROMPTED TTK PRESTIGE ENTER RETAIL?

Till the 1990s, we were largely a single product company. We then started launching more products in

different product categories. By 2003, we had around 300 stock keeping Units (SKUs) but the multi-brands outlets we were retailing at, weren't doing justice to the sales. We wanted our new products to get a place of pride and we wanted to have an accelerated launch of new products. And we had a wide range of products to make stores viable. Therefore, in 2003 we launched our first Prestige Smart Kitchen (PKS) store.

Today, when we launch a product we can put it in 531 outlets spread across 290 towns in India.

HOW DID IT AFFECT THE BUSINESS?

The decision worked in our favour—because we had more stores, we could launch more products, and because we had more products, we could open more stores. There was a direct co-relation between the two. Although it constitutes only 15% of the company's business, retail acted as a catalyst for the accelerated growth of the organisation.

The stores allowed us to create new categories and compelled all other channels to fall in place. We could fill gaps in our distribution. For instance, before we opened our own store in Aizawl, the capital of Mizoram, about 7 – 8 years back, we were doing a business of Rs 10 lakh per annum in that city. Today, the store clocks a business of over Rs 1 crore in a year. Since we had a store, we were forced to keep all our products there, which helped in making the brand stronger.

AT WHICH POINT DID YOU ADOPT THE FRANCHISING MODEL?

Right from the beginning, all our stores are franchised. But that was more out of necessity than design. When we opened the store, the company was just coming out of a difficult situation —our turnover was Rs 110 crore and losses around Rs 50 crore. We didn't have the money to launch our own stores. What we had was a wide range of great products, expertise and distribution network. So franchising was the only option, but a good one as franchise owners, being entrepreneurs, are more passionate about growing the business as opposed to employees running stores.

FRANCHISING: THUMB RULES FOR SUCCESS

- The most important thing is that franchisors should consider the franchisee's business as their own. Today, a lot of franchisees are successful because we work like that for them.
- Having a long-term perspective when giving franchising is critical. There are many franchise models that promise the moon but deliver less. We promise less but deliver more. When we open a store we look at its long-term viability. We have had to turn down many people who wanted to take our franchisee even though it appeared lucrative in the immediate term, but had no long-term potential.
- Treat them like you would like to be treated. We have supported even our salesmen who wanted to open their stores, by supporting them in terms of investment in furniture; they could pay in instalments, we let them buy stock on credit and later convert it to cash. Some of our retired employees have come to us to start stores and they are doing very well, they are earning much more than they could have ever earned while working here.

TELL US ABOUT YOUR MODEL

The franchisee makes all the investment in the store — the capex, opex — and we market the brand.

To help the franchisee make money, we maintain a uniform market operating price (MOP) – the price at which every product should be sold. Nothing is ever sold at MRP; everything at a discount. However, that price is fixed; it is locked in the software we provide so a product cannot be sold at a higher or a lower price. We call this the honest price. Typically, a store gets a gross margin of 20% on this price.

We also help attract footfall to a store through advertising. This accounts for 60% of business generated in the store. The balance 40% comes from a number of non-price related promotions we do to acquire customers.

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CAN YOU ELABORATE ON THE NON-PRICE PROMOTIONS?

One initiative is Prestige Gift Cards, a robust gift card programme. We sell gift cards at our stores just like any other product. In addition, we also sell them on various marketplaces and to a number of resellers who manage loyalty programmes, where our card is one of the redemption options. The cards help create new customers because the person who has been gifted the card has no option but to come to our store to redeem it. Last year, we got around 40,000 new customers through our gift card programme.

Then, we have the Smart EMI programme which helps us increase our average ticket size. We have tie ups with a number of finance companies such as Bajaj Finance for this. When a customer buys something with such cards, the principal is divided into equated instalments which the customer has to pay and the interest is covered by us. While our normal ticket size is Rs 2500, my ticket size through a Bajaj card for

instance is Rs 12000. We sell products like Chimneys on the card.

We also have a loyalty programme, which rewards customers reaching the top slab with additional 6% discount.

WITH SO MANY FRANCHISES, HOW DO YOU ENSURE THAT THE QUALITY IS MAINTAINED?

We have a retail team in place whose only job is to ensure that the quality and the experience in stores is not diluted. We ensure getting the right location — always close to friendly neighbourhood areas with no kitchenware stores and never near multi-brand outlets. Typically, we prefer extension areas of the city where housing projects are coming up or neighbourhoods that are just developing. Also, we do not open a store near our dealer.

In addition, we conduct training programmes in all of the seven zones in which we operate. We train them on product, marketing, commercials, store operations and soft skills.

We also have an ELMS (Electron-

WOMEN POWER

TTK Prestige has several women entrepreneurs on board as franchise partners, especially in small towns. It works well for the brand as its primary target group are women. Our number one store in the country is run by a lady in Coimbatore. It's a 400 sq. ft. store and does Rs 4.5 crore of business in a year. She works from 9 am to 11 pm all seven days a week. There is another lady in a small town in Tamil Nadu who does business of Rs 75 lakh a year.

ic Link Management System) which is a test related to our POS. Incentives of store employees are linked to their performance on the test.

WHAT WERE SOME OF THE CHALLENGES YOU FACED?

At one time, dealers were not interested in stocking our products because they couldn't compete with multi-brand outlets who used to sell them at a discount and make money selling related products. Once Prestige Smart Kitchens launched, we could show dealers that we could sell at a good price and make a good retention of margins.

Today, the biggest challenge is e-commerce because of show-rooming. So there's a need for our physical stores to offer a better shopping experience so that they don't lose their relevance. To counter, the challenge, we are



looking at launching a click-and-collect model soon.

In the last three years, we have been closing more number of stores than we are opening as they had become unviable in big cities. We have 60 stores in Bengaluru, 40 in Hyderabad and 40 in Chennai because e-commerce is very strong in these cities. To slow down the closures, we have raised the entry barriers and put several checks and balances in place. This also ensures that we get the correct people.

HAVE YOU HAD TO CHANGE YOUR MODEL OVER THE YEARS?

When we started, the store size was 400 sq. ft. Since we kept adding 100 new products every year for several years, the minimum size now is 800 sq. ft. However, there are still many stores of 400 sq. ft. and even 200 sq. ft., especially in small towns. So we started a programme in 2015 called Smart Buy, which enables stores that have

rationalised SKUs to order from our website, collect money from the customer, and the product is shipped directly to the customer. The store gets a 7.5% margin on it. We do many such things to give a better ROI to the store and not lose customers.

Earlier we had a uniform model. Now, we have come up with a low-cost model for C-class towns. In A or B class town, one needs Rs 25 lakh investment to open a Prestige Smart Kitchen store; in C-class town Rs 8 lakh is enough. The interiors are stripped down and the investment in stock is only the running items to start with and then build on it looking at the response.

WHAT'S NEXT?

The brand is very strong in South India. Out of the 500 stores, 300 are in the South —100 stores in Karnataka, 100 in Tamil Nadu and 95 in Andhra Pradesh and around

40 stores in Kerala. We are reasonably strong in the West and the East, not so strong in the North, which is an area that we will be working on.

This year, we are looking at expanding in a number of smaller towns as the response from these markets is good. Our infrastructure is in place; we have 28 warehouses so that will help.

We are in talks with some leading marketplaces for coming up with innovative models of delivery. For instance, a partner for pick-up of products, which will save a lot of expenses on failed delivery attempts.

Our turnover from retail in 2016-2017 RS 302 crore, and we are aiming for Rs 350 crore. We want to make Prestige Smart Kitchen the best destination for kitchenware. It should be a catalyst to increase consumption of kitchen ware in India. 😊