

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA Semester –IV Examination Dec. - 2011**

**Subject code: 849901**

**Date: 21/12/2011**

**Subject Name: Retailing-II**

**Time: 02.30 pm – 05.30 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** VLCC: Growing through a Healthy Franchisor – Franchisee Relationship

**14**

“We are encouraged by the overwhelming interest in the franchise model, which the organization has recently launched. The model will enable the company to scale up operations to 300 centers by the end of year 2009”, said Yogesh sethi COO, VLCC Health care LTD, speaking on inauguration of its first franchised centre of VLCC at centre of VLCC at Yamunanagar on February 17, 2007.

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

Background of VLCC

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

Today it is India’s large beauty brand and the single large player in the organized sector with pan India presence of 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 its other brands- VLCC Heath care Ltd and VLCC institute of beauty, Heath and Management.

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

“to ensure a better quality of life for everyone, by adopting and pursuing ethically socially relevant business practices aimed at shaping up peoples’ confidence and making fitness, Health and Beauty Care accessible to all section of society”

Recognition and Awards

VLCC was the worlds’ first health and fitness service provider to have obtained the ISO 9001:2000 certification. It has been awarded the SA 8000(Social

Accountability) certification for implementing corporate responsibility standards. It is very sensitive to environment and it has been awarded ISO 14001 certification for meeting global environment standards.

VLCC has to its credit various awards and accolades for excellence over the years such as the 'superbrand' status- one of most recognized 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 Rajiv Gandhi Woman Achiever award 2008. Mrs. Vandana Luthra has been member of the task force on woman entrepreneurs set up by the department of Policy and promotion, Ministry of Commerce and Industry, Government of India.

### VLCC Franchise

VLCC looks forward to franchise business partners who can be the integral part of the business expansion plans. It looks for three Cs-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 standards operating procedure set by VLCC.

VLCC charges various fees and requires its franchisee to make investment based on very simple and transparent calculation. It charges an upfront franchising fee of Rs 8 lacs to 14 lacs depending upon the territory potential. This is one time fees for a period of 5 years and covers the cost of approving a location and training management of the franchisee. Franchisees are required to pay royalty, at the rate of 12% in the first year, 14 % in the second year and then 17% of the revenue collection, on monthly basis. Typically a franchisee is expected to make an investment of Rs 35 to 60 laces for a VLCC centre. The franchisee gets a well established and reputed brand name, assistance in setting up of the business, and ongoing support.

Potential franchisees are required to apply in standard format designed by VLCC which is available on its website. It basically involves sharing of business- critical information between 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 a 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 prefer to interact personally with the applicants. During an interview, VLCC explain it business model in detail and invites question related to the intricacies of doing business in partnership with VLCC. After complete understanding, an intensive interactive session with CEO is arranged where the brand permissions are granted to the franchisee. A potential franchisee is then introduced to the 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 equipments required to run a centre along with a list of vendors who supplies it. It ensures the perfect balance between space utilization 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 staffs of the franchisees. Regular training programs including training in the area of new products and skill enhancement. It helps franchisee to launch centre as it believes that the future of centre largely depends on its launch. VLCC has a team of experts such as pool of dieticians, beauticians other technical staffs who help franchisees meet customer expectations by paying regular visits to the centers.

VLCC strongly believes in the power of interpersonal communication and implements it in all communications with the clients and franchisee alike. It believes that mutual trust and faith can be nurtured through open communication and it ultimately helps franchisee's performance.

### Corporate Social Responsibility

For VLCC well-being of society is the well-being of the organization. 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 organizations that are committed to uplift the general well-being of the under privileged section of the society. VLCC foundations works towards the social cause. Its several initiatives includes providing vocational training to the women in shelter homes to make them employable in beauty industry in association with Ministry of Women Child we fare, Government of India, imparting skills to under privileged women under KHUSHII initiative, financial support to children education under TAMANN and Amar Jyoti initiatives and education package for wellness of elderly people 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 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, modeling and other customer interface sectors have made them extremely conscious about their physique, figure and beauty. With limited or no alternatives available amongst these small town or city dwellers, there has been a huge demand gap for holistic fitness services as these small towns and cities offer fragmented services offered by beauty parlors and gymnasiums. VLCC plans to plug this gap with world class technology and quality of products through franchisee channel.

According to Mr. Sethi –'Research indicates that small towns increasingly mirror the life style 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 customer base which still remains unexplored in these cities and towns.

VLCC's franchising model focuses on towns with population between 10 million to

50 millions, such as Rohtak, Karnal, Phagwara, Moga, Udaipur, Ajmer, Meerut, Muzaffarnagar, Jhansi, Roorki, Dhanbad, Jamnagar, Ranchi, Kolhapur, Kozhikode 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.

Questions:

C 1 . Evaluate the franchising strategy of VLCC.(3)

C 2. VLCC chooses thru franchising route to expand after establishing 100 centers in the country. Do you think this is the right strategic approach for the service provider such as VLCC?(4)

C 3. Describe some of the essential characteristics of VLCC business model that makes franchising more attractive option.(4)

C 4. How VLCC does attempts to nurture mutual trust and faith amongst the franchisees? (3)

- Q.2 (a)** In merchandising management, retailer has choice either to opt for national brand or go for private label. From retailer point of view what are the advantages and disadvantages of both? **07**
- (b)** Describe different methods of communication used by retailer to communicate with customers. **07**
- OR**
- (b)** Explain open to buy planning in retail business. **07**
- Q.3** Explain the factors leading to the growth of category management in retail management. **14**
- OR**
- Q.3 (a)** Differentiate between merchandising plan and assortment plan with suitable examples. **07**
- (b)** Explain relevance and importance of atmospherics in retail business. **07**
- Q.4 (a)** Describe in brief, different types of technologies used by retailers inside the store for store operation. **07**
- (b)** Describe the role of Point of purchase communication in retail. **07**
- OR**
- Q.4 (a)** 'Natural' is Mumbai based commodity trader specializing in naturally grown herbs, spices and grains. Considering the people interest in organic products, they plan to start operation in all the suburbs of Mumbai. What are the factors they need to consider while opting for franchising operation? **07**
- Q.4 (b)** For ease of operation, franchisor provides manual to a franchisee. Which are the aspects covered in it? **07**
- Q.5 (a)** Which are the laws applicable for franchising business in India? Describe in brief. **07**
- (b)** Explain the issues involved in termination of franchises. **07**
- OR**
- Q.5 (a)** What are the factors one need to consider while estimating the cost of entry for a franchisee? **07**
- (b)** Prepare guidelines for assessing a potential franchisee. **07**

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