

**Developing a Franchise Model for
Setting-Up a Physical Store**

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Comments by the Faculty

This Summer Internship Project involves a variety of activities by the intern to result in a business plan for a fledgling area of business in a relatively new model of retail. Ifotos is a firm which creates original digital photos in house employing artists, computer graphics designers and software writers located in a tier 3 city of Karnataka and does direct sales of these renderings to users who may be individuals wanting to decorate their residence or office and corporate entities.

Drawing parallels with the existing art and painting which uses paper, canvas and paints is obvious and the question may arise in the mind of the reader as to how digital art can be original? These doubts can be put to rest once we see the business model of Ifotos. This startup even designs photo framing machines to save money against buying expensive similar imported machines available off the shelf.

This project covers a wide requirement by Ifotos including an in-depth understanding of the business model, the marketing requirements, operational needs and suggesting the capital requirements by the franchisee. Thus, the project gave the intern an opportunity to learn strategizing end to end solution for the franchisee model and study on ground the customer relation, financial and infrastructural aspects related to establishing a retail outlet for a brand which has no precedence or template available to follow.

Another characteristic specific to this case is the audacity of Ifotos in planning for franchisee model while there is no brand presence of its products in the market. The survival of the franchisee model will be solely on the creativity, contemporariness and the aesthetic appearance of the art pieces produced by the Ifotos.

The intern was also given the task of designing and suggesting the location, internal and external appearance, size and factors of creating ambience to sell art designs. This involved interacting with the prospective customers, potential customer groups and firms.

Designing the brochure and catalogue of the on sale art works was also a part of the internship. Acceptance of the Ifotos management of the designed brochures and catalogues to represent the ethos and vision of Ifotos was the key for the intern to produce results.

Ifotos being the manufacturer and direct seller of the products intending to expand by franchisee model without any consolidated presence in the market was a challenge for the intern while going through the processes.

It can be stated that this internship has given the student an overall picture of developing a framework for establishing franchise network in a new business, relatively unknown product environment.

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Developing a Franchise Model for Setting-Up a Physical Store

Introduction

This project titled 'Developing a franchise model for setting-up physical store for ifotos.in, an online store for digital paintings' was carried out at ifotos.in, Hubli, Karnataka.

Concepts from visual merchandising was used and a plan regarding the store design was created to help the franchisee in deciding the exterior of the store, the interior and the store design. The franchisee was given the freedom to either refer to this plan or create own plan.

Following the business plan and the store design, brochures and catalogs were created to provide primary information to the potential investors about the shop brand "De' Galleria", the products and the capital required.

Overview of Art Market

Indian art Market

The latest annual figures estimate that the Indian Art market is worth \$400 million against the worldwide figure of \$65 billion. Art being an asset of passion has a unique market that has not been affected by the weakening of the rupee or any other outside influences. Earlier in 2014, sales at the India Art Fair (IAF) had registered a growth of nearly 25-30 percent with more collectors, institutional and corporate buyers from around the world looking to invest in art. (Raina, 2014)

Global art Market

Sales of art and antiques has increased from 8 percent from 2013 to 47.4 billion euros (\$65.9 billion), according to a report compiled by Arts Economics and published by the European Fine Art Foundation in Maastricht, Netherlands. U.S. with an increase in sales by 25 percent is the international art market leader, representing 38 percent of the market by volume, a 5 percentage point increase from 2012. China accounted for 24 percent of the market, a 2 percentage point decline from 2012 and the U.K. was third, with 20 percent. Online sales, a small but rapidly growing segment of the market, generated more than 2.5 billion euros in 2013. It is estimated that the online art market, including online sales by auction houses, dealers and online-only companies, could grow at a rate of at least 25 percent per annum, meaning that they could exceed 10 billion euros by 2020. (Kazakina, 2014)

Company Profile

ifotos.in is a start-up digital painting store with headquarters at Hubli, Karnataka. ifotos.in is expected to capture the interest of loyal and new art patrons with its variety of digital products. The company expects to build a strong market position in the next five years by using the opportunity that the untapped digital painting market is currently providing.

ifotos.in houses new age techno artists who have incorporated the new technologies to create digital paintings that are strikingly similar to the creations done by traditional methods of painting. ifotos.in operates an online shop at www.ifotos.in which houses the various paintings that the in-house artists have created along with an option to order for customized digital art forms. ifotos.in also has a stand-alone franchise shop “De’ Galleria.” located in Hubli, Karnataka. The company intends to set up a physical franchise store in the current year.

ifotos.in currently has three products to offer in its portfolio. They are Digital Paintings, Creative Photo Art and Photo Books.

Introduction to the Products

- **Digital paintings:** While traditional art methods requires a canvas and a colour palette, digital painting requires only a computer graphics software program that uses a virtual canvas and colours (Digital painting, n.d.). ifotos.in has in-house artists, image technicians and a solid infrastructure and equipment to create original paintings, digitize it and print it on a media which is durable, inexpensive and a lot less time consuming.
- **Creative photo art:** ifotos.in believe that memories need to be cherished. For this sole purpose ifotos.in offers Creative Photo Art. Creative Photo Art takes those precious captured moments and gives it a perfect shape that can be used as a wall décor. The design concept can be viewed, verified and finalized by the customer before it is made.
- **Photo books:** ifotos.in gives its customers an opportunity to capture precious memories in a durable form without blemishes or yellowing of the pictures album called Photo Album.

Business Model for a Franchisee of ifotos.in

Marketing Plan

1. **Market Segmentation:** The focus of ifotos.in is on the middle class and the upper middle class income group.
2. **7 P’s of Marketing: Product:** Digital art, creative photo art, photo book are available; 3D art is in development

Place: ifotos.in has its headquarters at Hubli, Karnataka it also has a physical franchise store named “De Galleria” in Hubli, Karnataka and is looking for prospective investors to open another physical store

Price: ifotos.in wants to price its products in such a way that it is affordable to the majority of the population.

Promotion: it has tie ups with the online shopping portals like shopclues.com, tradius.com and HDFC smart buy to promote their product. Promotion also happens through Facebook page ifotos.in.

Physical Environment: The store is designed as a gallery with an array of products displayed on the walls of the entire 20x20 store. A customer can just walk right in and look at the products that are displayed, he/she can order from the ones displayed or can order for his own personalized product

People: the current store has two attendants, one to make the sales and another one to assist at the counter. Apart from them, there is another person who is in charge of the cleanliness and maintenance of the store.

Process: The art is first created by the in-house techno artists and then printed on a variety of mediums that is durable, inexpensive and faster than the ones created by the conventional method. It is then either taken to the store for display or dispatched to the customer.

Operation plan

- 1. Core Competency:** The core competency of ifotos.in lies in its highly developed technology which can blend art resulting in striking resemblance to the original paintings.
- 2. Keys to Success:** Ifotos.in can attribute its success to its competitive price and state of art technology
- 3. Labour:** Ifotos.in would require two personnel in the stores. One to man the counter where the exchange takes place and another personnel to make the sales. Both should be equally knowledgeable about the products on display, how the paintings have been created and other essential facts about the painting. In addition to the two personnel ifotos.in will also require delivery personnel who would deliver the products to their homes, office or any other given addresses.
- 4. Materials Required:** The new physical store would require: Furniture- Wooden Counter, chairs, display counter and fixtures on Wall, IT infrastructure- LCD Screen (39") and laptop/desktop, machineries - cutting machine and pinning machine, display of various products, cutting and pinning machine.

Financial Plan

A financial plan was required to have two parts:

- Total capital which is the summation of the investment that an investor had to make initially.
- Total working capital which mainly consists of the day-to-day capital requirement of the store.

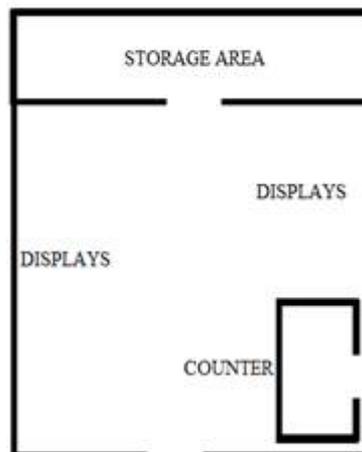
Serial No.	Particulars	Rate/Unit	100 Sq. Ft. Units	Amount	350 Sq. Ft. Units	Amount
1	Furniture	10,000	1	10,000	2	20,000
	Wooden Counter					
	Chairs	2,500	3	7,500	4	10,000
	Display Counter	3,500	1	3,500	2	7,000
	Fixtures On The Wall	5,000	1	5,000	3	15,000
2	It Infrastructure	20,000	1	20,000	1	20,000
	Lcd Screen (39")					
	Laptop/Desktop	25,000	1	25,000	1	25,000
3	Branding Board	15,000	1	15,000	1	15,000
4	Machinaries	30,000	1	30,000	1	30,000
	Cutting Machine					
	Pinning Machine	30,000	1	30,000	1	30,000
5	Display Stocks (Samples)			50,000		75,000
	Total Capital Required	2,00,000				2,50,000
1	Rent		10 Months	1,00,000		2,50,000
2	Salaries		3 Months	30,000		60,000
3	Administrative And Miscellaneous		Variable	10,000		20,000
4	Consumables(Optional)		Variable	15,000		25,000
	Boards		Variable	10,000		20,000
	Frames		Variable	2,000		2,000
	Pins And Nails		Variable	5,000		10,000
	Packaging Materials		Variable			
	Total Working Capital Required			2,00,000		4,00,000
	Area		350 sq. ft.			
	Operating expense		71,000			
	Profit percentage		30%			
	Break even sales		2,40,000			

Assuming that the physical store is situated in a tier I or tier II city in a posh or upscale location, preferably in the center of the city next to an art gallery or camera store or shopping malls with good footfalls the expected time for the store to break even can be 13-14 months.

The Store

Here, I took the help of visual merchandizing concept to explain the various aspects of the store. The purpose of visual merchandising is to attract, motivate and engage the customers towards making a purchase.

- **Exterior of the Store:** The exterior appearance of a store silently announces to a customer what he/she can expect inside. The exterior presentation can offer a conservative, lavish, or discount image to the customer.
- **Exterior Sign:** A part of the shopper's first impression is the sign. It tells the customers what the business is and what he/she has to expect and what the store sells. A store's sign is always considered as its signature. It should be personal, and should create an image that is carried throughout the remainder of the store and its business.
- **The store Layout:** The store layout should be such that the customers have enough space to choose and select with an ease. The following layout is what is currently used by ifotos.in in the current physical store:



- **The Atmosphere:** The inside of the store should be as aesthetic as the exterior. The atmosphere inside the store plays a major role in improving or deteriorating the image of the store. The visual communications, lighting, color, sound, scent factors should be kept in mind while thinking about the atmosphere that the franchisee wants to create inside the store. All these factors stimulate the emotional responses and ultimately influences the customers buying behavior.

Brochure and Catalogue

A brochure is a pamphlet or booklet that describes a firm, a facility or a service. It is an advertising tool for businesses and other organizations, and is used to sell the business to potential customers.

A catalogue is a list containing short and crisp details of all the necessary information. It is usually used for exhibition or for a sale.



Conclusion

Digital creation of art work and their sales as a stand-alone business being new to India, there are no available data or a model to work upon. Selling locally created digital art forms in the highly unorganized Indian art market is a new business opportunity that is untapped. This report provides an overview in terms of marketing plan, operational tasks, financial considerations and store design (external and internal) when planning for a franchise model. This report envisages itself as the starting point for a new franchisee model and this may be worked upon in the future as the business in this area flourishes. Since, there is no reference material or data available for this type of franchise model the expected time for breakeven may not be met within 13-14 months.

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