

BUSINESS SERVICES FRANCHISING

FAST FORWARD

The Business Services Industry that encompasses many different categories of business operations and caters to entrepreneurs, business owners and small and medium enterprises has adopted franchising as a growth strategy, that in turn has created immense opportunities for budding entrepreneurs. By **Priyanka Kapoor**

Growing a thriving business can never be a solo enterprise. Successful businesses always lean on other institutions and companies for support and provision of services that allow them to run smoothly. From staffing and manpower to various other services, including printing to logistics to laptop to imaging, and online trading services, India has a plethora of support-service companies which can provide the kind of assistance businesses require in order to ensure that their day-to-day operations run smoothly and their business needs are met consistently.

Printer Cartridge Re-filling industry

Cartridge re-filling, despite being a nascent industry in India, has come a long way and is currently estimated at Rs 3,000 crore, recording 30 per cent

annual growth. This segment is still highly fragmented with almost 40,000 small re-fillers and only a few major players in the organised segment. But industry experts predict high growth in this sector because of the increasing awareness for using cost-effective and environment friendly refilled cartridges. Moreover, with the intensification of electronic transactions, the current demand for cartridges has gone up to 30 million in the Indian market.

This industry is poised for robust growth in future and several players are grabbing the opportunity to expand their networks across the country through franchising. Most organised players such as Print Studio, Re-feel, Cartridge World, Desmat Cartridge Xpress and AbbeeFill have adopted the franchise model to expand pan-India.

Says Naveen Rakhecha, CEO, South Asia, Cartridge World, "The opportunities in India are huge and franchising is picking up not just in traditional sectors

like education but also in our sector with the opening up of new avenues in franchising. We have been growing at 50-55 per cent annually. Within two years of starting our operations, we have opened 80 stores in 33 cities and plan to add another 50 stores by the end of this financial year." At present, Cartridge World has around 2,000 stores in 51 countries with a turnover of \$500 million.

In India, 75-80 per cent of the market is still dominated by OEMs (original equipment manufacturers) whereas other players such as compatible cartridge manufacturers, remanufacturers, and refillers comprise 20-25 per cent of the market. However, projections show that the market share of these players is set to rise.

Growth drivers

One of the main drivers for growth in the industry is the price difference. According to Gartner's recent user-survey analysis of customers in India, cost saving is the most important factor influencing the decision to purchase refilled or remanufactured consumables—other factors being local availability and delivery, etc. Nearly 40 per cent of the respondents said they believed that refilled cartridges are as good as those that come from original manufacturers.

"Consumers often focus on value, that is, the cost of the pages printed, hence refilled cartridges, which cost just 20 per cent of the original price of the cartridge, often prove to be a cheaper option for consumers than OEM cartridges", explains Alkesh Agarwal, CEO, Re-feel.

According to Agarwal, the economic slowdown, which had a negative impact on most industries, was a 'blessing in disguise' for this industry, as it fuelled demand for use of non-OEM cartridges thereby opening more opportunities in this sector. The eco-friendly nature of non-OEM cartridges has also contributed significantly to the growth.

The entry of organised retail chains has lent credibility to this largely unorganised industry, thereby helping to drive out the negative perception consumers have due to the presence of the unorganised sector.

Franchise network

The cartridge re-filling business offers huge potential for its franchisees with low investments usually ranging from just Rs 2 lakhs to Rs 10 lakhs for different brands. The space requirement a low - 150 sq ft onwards on an average. This makes it an attractive deal for most budding entrepreneurs.

Inspired by the success of global franchisee chain, such as Cartridge World, a lot of local re-fillers have also pumped up their expansion plans. Bangalore-based Print Studio, printing and cartridge refilling service provider, has plans to open 70 franchised outlets across the country by March 2011. According to Rajesh C. P., MD of Print Studio, "We have been in this industry for the last four years but we started franchising only from October last year. In a short span we have already opened 12 franchised outlets which clearly reflects the growth opportunities in this industry."

With biodegradable cartridges gaining momentum, nurtured by an environment-conscious consumer base, Kolkata-based printer cartridge refiller chain Re-feel, in its endeavor to crack open the 'green' segment, has set up 107 franchise stores till date across 77 locations in India since its inception in 2007. The company now plans to open 300 franchised stores

by March 2012 and may even venture into direct marketing at consumer level. Primarily into inkjet and laser refilling, Re-feel also sells OEM cartridges, specialty paper, fax supplies, printers and office supplies through its outlets. Recently, it has also introduced pre-ink and self-inking office stamps. According to Alkesh Agarwal, refilling services offered by the company enable customers to save up to 75 per cent on print costs as well as provide quality printing equivalent to original cartridges.

Des'mat Cartridge Xpress that started its operation in 2008 plans to open 250 stores by 2012 covering over 45 cities. Comments Ashish Gupta, MD of Des'mat, "We think this is the right time to cash-in on the opportunity and expand our network across the country. We are focusing on Tier I, II and III cities in India and Tier I cities in neighbouring Sri Lanka, Nepal, Bhutan, Maldives and Bangladesh."

Pune-based Abbee Consumer and Peripherals Shope is also in expansion mode and now plans to open several retail stores (under the name of Abbeefill Cartridge Refill Stations) across the country within the next one year. The company already has more than 150 stores across various cities.

"With this new breed of players entering the Indian market, the refilled and remanufactured cartridge segment has started to behave in a more matured and organized manner, especially with customers now becoming quality conscious and cost conscious," says Agarwal.

According to Rajesh of Print Studio, smaller and local refillers are slowly being marginalized and those who are offering quality products and services and work in an organized manner are gaining ground. "With organized players such as Cartridge World, Re-feel and Print Studio spreading their wings and refiller's associations like ICRA, CRTAI coming to the fore, this sector is emerging as a strong contender in the Indian consumable market and with the prospects of high growth."





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Inevitable challenges

A large part of this industry still remains unorganized and is ruled by refillers and remanufacturers who use low-quality inks and remanufacturing methods. Many OEM vendors such as Canon and HP have used this to negate the use of non-OEM cartridges for their printers. OEM vendors say that non-OEM cartridges can cause harm to their printers, and these vendors also run campaigns which state that their cartridges last more than a refilled or remanufactured one. This led to a negative impact on the industry which a lot of refillers and remanufacturers are finding tough to shake off.

“Other than the cost factor, many consumers are not even aware of the benefits of getting a cartridge refilled or remanufactured,” complains Ashish Gupta. “This has been heightened by the negative campaigns that the OEM vendors have been doing for the past few years. All we can do is to try and spread awareness through the media, and through various seminars and exhibitions.”

Associations like ICRRRA (Indian Cartridges Remanufacturers and Refillers Association) believe that with government support the industry will be able to grow and capture a larger market.

“The current law does not allow the import of empty ink cartridges as they are classified as e-waste. However, if the Indian government allows setting up of Cartridge Remanufactured and Refiller Zones (CRRZ) on the lines of China, India can become a global export hub”, says Agarwal.

However with the entry of organized players and industry bodies trying to combat the unorganized market, the industry should witness rhythmic growth in the coming years. The tremendous boost registered in this segment in recent years has generated much optimism about the future of the Indian cartridge refilling and recycling industry.

Logistics Industry

Indian Supply Chain and Logistics industry is estimated worth US\$100 billion, which is around 10 per cent of our total GDP. Though about 99 per cent of the logistics industry is accounted for by the unorganised sector, it is growing at a fast pace. Major players that dominate the organised Logistics Industry are Safexpress, Gati, TCI, etc. Small regional and local players also form a major part of the industry. The industry has tremendous growth potential in the future where franchising plays a very crucial role given the massive geographical spread of our country.

Growth Drivers

The Supply Chain and Logistics industry is the backbone of our economy. The whole economy runs on the wheels of Supply Chain. Also, the Indian economy is a consumption-led economy, due to which there is always a huge need for movement and storage of goods in an efficient manner. Hence, as our economy grows the Supply Chain and Logistics Industry also grows and vice versa.

The primary growth drivers include the huge investments in the infrastructure sector amounting to US\$ 350 billion. Increased efficiency and productivity of the transport system would result in lower transit times.

Another key factor for growth is streamlining of the indirect tax structure. The introduction of Value Added Tax (VAT) and the proposed introduction of a singular Goods and Services Tax (GST) significantly reduce the number of warehouses manufacturers are required to maintain in different states,

the country and Kodak is planning to open about 50 more stores in 2010. It offers a range of products in Digital and Film Imaging, Entertainment Imaging, Health Imaging among others.

The company operates in both consumer and commercial segments. In the consumer segment, it offers Films, Cameras and Digital Products while Professional Imaging, Health Imaging, Documents and Entertainment forms part of the commercial segment.

The major factors driving growth in the business are the increasing spends on wedding and hence on wedding photography. This area is seeing a lot of innovation and customisation that is, in turn, driving growth. "Expansion in new imaging products e.g., photo-books, merchandising, collages, etc. is also contributing to more growth in this segment.

In addition, "the increase in digital camera and cam-phone penetration is creating an explosion of images. We see that monetizing these will also lead to growth in the market," adds Raghuvir.

Kodak is looking to grow its business format called "Kodak Express Digital Solutions" through Store-in-Store (SIS) format within modern retail outlets. Kodak has tied up with major modern trade formats such as Hypercity, Star Bazaar, Croma, Easy Day (Bharti Wal-Mart), Reliance Retail, etc. to have Kodak Express stores within their stores. "As these stores expand to new locations, we can expand with them," adds Raghuvir.

The other format is the Kodak Express in malls. "If a potential partner has an outlet in a mall, or if someone is looking for a new business idea and willing to invest in a space in prime retail areas, we can offer the same program benefits as the above."

One of the major challenges for the industry is to offer professional services in an unorganised market and Kodak's "our strategy to focus on Modern Trade with Kodak Express outlets is aimed at addressing this challenge.

Future Outlook

Industry experts predict high growth in this sector, as many new players are joining this industry and looking at expanding their network pan-India. The expansion of modern trade, digital camera and cam-phone penetration, growth in travel and tourism, increase in wedding photography spending, will all contribute to speedy growth of this sector.

"Our effort is to provide a platform to enable this to happen faster and in a manner where both Kodak and our partners can take advantage of this and grow the business in times to come," says Raghuvir.

Laptop Services

Call it a new fad, or the emergence of a new breed of technology conscious IT users, or both. But a shift in working styles and the need for "anytime-anywhere" access to information is pushing laptop sales to dizzy heights in India with sales numbers expected to cross 20 lakh units in 2010 as against 16 lakh units sold in 2009.

"The Laptop sales in the last six years have seen 76 per cent growth year on year. Clearly, laptops are competing with desktops with convenience and productivity scoring high", said Samit Lakhota, Director-Business Development, ClubLaptop, adding that Laptop sales have also found their way into homes.

ClubLaptop is an initiative from India's leading printer cartridge recharging



chain, Re-Feel Cartridge Store that provides a one stop solution for laptop, laptop accessories and laptop

care. Pioneering a unique and first of its kind business opportunity, ClubLaptop was started early this year to provide complete Laptop solutions for all brands and models. ClubLaptop offers solutions at a price that is almost 40-60 per cent lower vis-à-vis the authorized service centres of Laptops.

Samit Lakhota adds, "Club Laptop is the only organized player in this segment to provide such services while others are all unorganized players. Several local players provide these services in their area but we are the pioneers and first ones to come out with this concept pan-India."

This branded laptop service retail chain offers an exciting low-risk opportunity to develop a successful business. ClubLaptop intends to open at least 100 outlets by this financial year-end and has set a target to have 350 outlets across India in the next 2-3 years time.

So what's driving this sudden demand for these services? After all Laptops are not new to Indian IT users and just like the desktops, computer makers have been providing post-sale services.

"One of the biggest factors for this demand is the increasing sales of Laptops due to the affordability factor or reduction in prices," says Samit Lakhota. But while the demand for these services remains high several challenges dog this sector. Most importantly, the presence of unorganized players in this sector dampens its growth.

Though the concept of branded laptop service chains is new, "yet there is tremendous potential in the country. Once we establish our ClubLaptop service network in India we can tie-up with Laptop



manufacturer and give them the back-end support for servicing throughout India," feels Lakhotia.

Online B2B Marketplaces

Online B2B marketplaces have also been redefining the Business to Business industry in India. Internet has proved to be a great enabler for Indian Small Medium Enterprises. Today, both Indian SMEs and MSMEs are taking centre stage on the global map and ready to break geographical barriers by using the Internet to find business partners in every nook and corner of the world. An essential tool for both the buyers and sellers, a B2B portal carry tremendous potential to take business on the upward trajectory.

According to industry estimates, over 3 per cent of

IndiaMART has a unique franchising model. There are no investments in terms of space, and money, just refundable deposit of Rs. 10,000. There are 30-50 percent margins for the reseller or franchisee.

place

trade from US alone is

more than US\$ 30 billion. There are more than 3 lakh Indian manufacturers and this number is growing fast.

"According to a recent study by IAMAI (Internet and Mobile Association India) on SMEs, 55 per cent of SMEs are already subscribing to online B2B marketplace to promote and sell their products or services," says Lalit Masta, Head-Franchise Development, IndiaMART.com.

Some of the major players in this sector are IndiaMART.com, TradeIndia.com, Alibaba.com, etc. Players like IndiaMART.com have adopted the franchise route to expand their network. It has opened opportunity to become their Reseller Partner (Franchisee) for acquiring new customers.

IndiaMART.com is India's largest online B2B marketplace connecting global

buyers with suppliers through business directories, online product catalogs, buy-sell offers, industry specific marketplaces, printed media and trade shows participation.

Founded in 1996, the company has a pan-India presence in over 100 cities. IndiaMART.com offers an extensive range of value-added products and services to its seven lakh registered members and nearly five million global buyers across various industries and verticals.

The company follows a unique franchise model wherein there are no investments in terms of space and money – only a refundable deposit of Rs10,000. There is tremendous growth opportunity in this sector because there are huge margins up to 30–50 per cent for the reseller (franchisee). There is also a minimum assured amount per new client and an additional increasing incentive for each new client.

IndiaMART.com is constantly looking for resellers and plans to add at least 50 franchisees per month pan-India. The group is targeting all cities in West, South and East India this year while Delhi and other North Indian states, such as Uttar Pradesh, Punjab, Haryana, Himachal Pradesh, etc. would be covered next year. There is special focus on Tier II and III cities in South, West and East India.

Challenges and Future

The major challenge faced by this industry is that it is still largely unorganized. Besides few organized players, a major chunk of these are unorganized and highly fragmented. Another major concern for the industry is that there is still considerably low Internet penetration in the country. SMEs are still not looking at Internet as a viable marketing tool and consider it mostly for communication purposes only.

But with changes in working style and group awareness, the future looks bright for this industry as Lalit Masta puts it, "With more than 20 million SMEs in the country, the industry can only go upwards, especially, as more and more SMEs would join the Internet bandwagon to source and supply."

Conclusion

It is only logical to assume that the business service industry will be wherever the businesses are. As more and more businesses are being created in emerging markets, such as India, the business service industry is bound to flourish. For some, particularly the cartridge refilling industry, the global recession of 2008 was a blessing in disguise as more and more corporates went in for cost-cutting methods and took their services. While for others, it had an impact on their overall growth strategy followed by consolidations and mergers. But now the market is reviving, and most companies are expanding their network pan-India through franchising.

Moreover, the industry is at a nascent stage in India vis-a-vis UK, US and other developed nations where the business services industry is very organized and highly developed. Here it is still largely dominated by the unorganized players who in turn hinder its growth. But the key factors driving its growth are standardization of quality and pricing and better reach of these services to corporates in a much organized manner. And with the industry growing at 20 per cent year on year, it is set to offer immense opportunities. ■