

FRANCHISE BUSINESS PLAN



Abstract: This document is about franchise offerings of LA' CHEF

By:

Francorp®
The Franchising Leader

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India

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LA' CHEF
Franchise Business Plan

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UNDERSTANDING of PROJECT

LA' CHEF
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Synopsis

Objective of the Project

Establishing LA' CHEF as a leading chain multi-cuisine restaurant with Franchise Owned Franchise Operated set-ups all across the country.

Structure of the Business Plan:

We have divided the complete Business Plan into different sections which are as follows:

About the Company

In this section, we have analysed the business strength, presence, promoter's profile, vision, mission, offerings and proposition

Industry Analysis

This section details the industry study, market size, growth rate, demand & supply mechanics, key trends in food and beverage segment, growth drivers, key challenges, recent developments and future outlook

Franchisee's Perspective

In this section, we have analysed the opportunity of investment in restaurant from an Investor's perspective. We have further described the role of franchisee, parameters to select a franchisee and the characteristics of ideal franchisee for the business.

The Competition

In this section, we have given a brief overview about the competition and elements of customer experience

Franchise Model Recommendation

In this section, the recommended franchise models are discussed

Roll out strategy

In this section, roll out strategy of different franchise models is described

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About the Company

LA' CHEF is a multi-cuisine restaurant offering North Indian cuisine, fast food and specially known for innovated Chinese cuisine and authentic South Indian cuisine. LA'CHEF was established by joint effort of young professionals with extensive experience and expertise in the hotel industry which includes domestic and international stints ranging from outdoor catering to indoor facilitations. LA'CHEF come into existence under the long term vision to establish as a brand and to expand in different parts of the country.

In July 2012, the first LA' CHEF restaurant was established at Baddi, Himachal Pradesh with the vision of bringing new recipes to the place.

In 2014, LA' CHEF opened their second restaurant at Aligarh. This restaurant was inaugurated by Mr. Ajay Jadeja (Former International Cricketer).

LA' CHEF is popular amongst the teenagers, college-goers, families and ladies' social groups. The social media popularity of LA' CHEF is high amongst the local visitors. LA'CHEF multi cuisine restaurant offers finger licking food and offers different range and variations of taste and culinary experience to the customers. LA' CHEF management and employees have received praise and appreciation by visitors for the endeavour they put in the whole experience.

LA' CHEF has clear and uncompromised vision of offering Indian as well as international cuisines to provide the customers with out of the world culinary experience. It has established itself as a must-go destination for the discerning food connoisseurs. LA' CHEF offers innovative Mediterranean cuisines too that bewitches the senses and captivates the soul.

The credo of LA' CHEF is to use the finest ingredients expertly cooked with precision, flair and imagination combined with passion driven service and warm opulent ambience and guided by sincere desire to delight the guest to make dining at LA' CHEF an unforgettable experience.

About the Promoter: LA' CHEF

Mr. Govind Singh Rawat

Founder

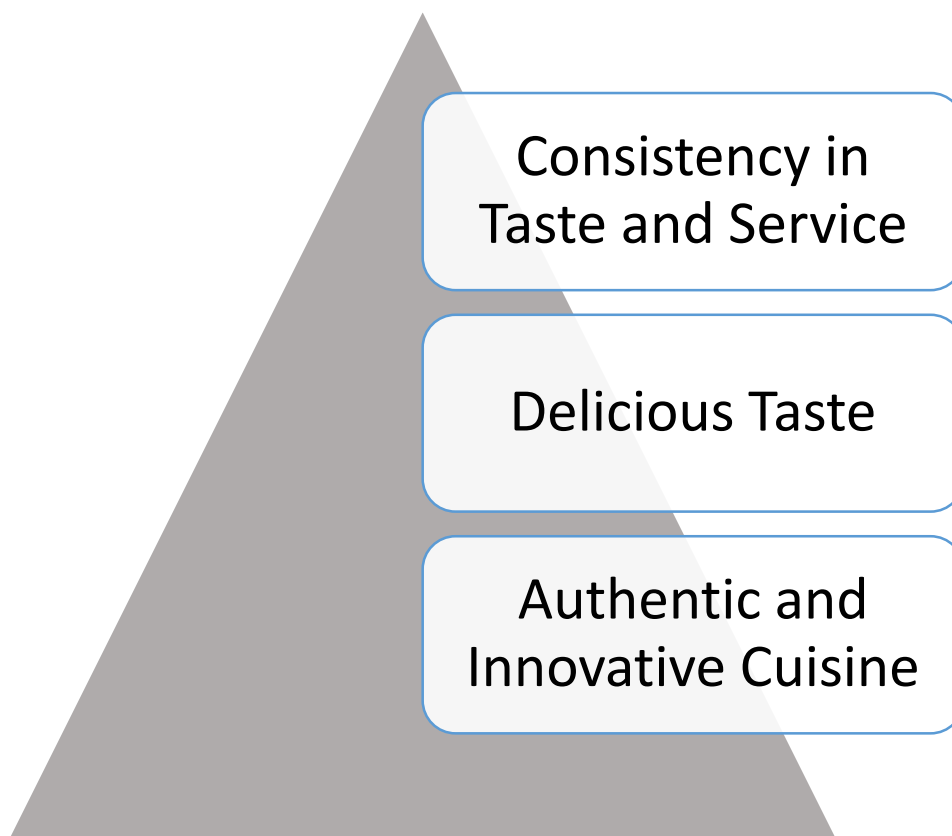
Mr. Govind Singh Rawat, a restaurant industry veteran, holds more than 14 years of food service industry experience and has very closely observed the needs of the customers. This inspired him to start his own entrepreneurial venture LA' CHEF outlets which are running successfully at multiple locations.

He has deep understanding of Food Service industry. When Mr. Govind decided to start LA' CHEF, he had a singular vision of serving delicious food and bring the utmost comfort, satisfaction, quality and price for the customers. The vision and mission of LA' CHEF is to reach vast majority of famous cities in India and bring new recipes according to the place. LA' CHEF came into existence under the long term vision of creating a brand offering the customers with finger licking food and exposure to different range and variations of taste and culinary experience

Mr. Govind has been deep diving into it to find pearls of knowledge about the Food Service industry. He has been associated with Food Craft Institute (FCI) where he has shared these pearls of knowledge with students.

Mr. Govind is also part of Delhi College of Catering and Hotel Management (DCCHM). He has been involved in mentoring and training several students here.

USP of LA' CHEF



- ❑ LA' CHEF is a multi-cuisine restaurant known for its delicious food. It has been appreciated by customers and rated high on taste by them on many online portals like foodpanda. It uses finest ingredients expertly cooked with precision, flair and imagination, passion-driven service guided by the sincere desire to delight guests. LA' CHEF also customizes the dishes on client request. LA' CHEF has won several prestigious awards.
- ❑ The LA' CHEF brand delivers great taste with consistency. LA' CHEF follows passion driven service guided by sincere desire to delight guests.
- ❑ LA' CHEF offers North Indian cuisine, authentic South Indian cuisine and innovative Chinese cuisine. LA' CHEF serves only halal chicken which adheres to Islamic law and attracts Muslim customers.

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Current Operations

LA' CHEF operates in multi-cuisine casual dining restaurant format. The positioning of the brand is for medium and above customer base. Currently, there are three outlets operating at Baddi (Himachal Pradesh) in 2012, at Aligarh (Uttar Pradesh) in 2014, at Kishtwar (Jammu and Kashmir) in 2015. For starting operations, food license, fire license, FSSAI license and trade license are required by a franchise.

The total area of restaurant at Baddi inclusive of kitchen area is 1250 sq. ft. The area of kitchen is 400 sq. ft. It is a 65 seater restaurant.

The total area of restaurant at Aligarh inclusive of kitchen is 1600 sq. ft. The area of kitchen is 400 sq. ft. It is a 65 seater restaurant

The restaurants have covered seating area only. The outlet at Aligarh was inaugurated by Mr. Ajay Jadeja (former International cricketer).

LA' CHEF offers North Indian cuisine, authentic South Indian cuisine, innovative Chinese cuisine. No alcohol is served here. The current business model involves sales by direct sales: walk-ins, take away and home delivery.

The outlet operates from 9:00 am to 11:00 pm daily. The orders are taken from 10:30 am. Customers have the facility of making table reservations on call based on availability. Teenagers, students, families, ladies' groups and working professionals are the target segments.

The location of the restaurant is recommended at prime locations like markets, proximity to colleges, corporate hubs. Free RO water is served to the customers. Gas based cooking is done at LA' CHEF.

After customer place order, food is served in 15-20 min. The footfall on weekends and holidays is higher than that on the weekdays.

The employees are all dressed up with brand uniform and shoes. The chefs wear protective covering on head to maintain hygiene standards.

LA' CHEF maintains delivery boys and pre-owned motorcycles to deliver food. Also, LA' CHEF has tie-up with foodpanda for sales via online channel.

The operations are being guided by the standard operating manual.

The seating arrangement involves combination of 4-seater and 6-seater table chairs arrangement. The customers are provided on first-come-first-serve basis. When customers arrive, they are provided with a set of tissue papers. The owner tries to bring in personal touch to service.

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Most of the raw material e.g. wheat flour, spices etc. are stocked for fortnight. Vegetables, corn and mushroom are purchased twice a day. Dairy products like milk, paneer, cheese etc. are purchased every day.

The customer base is mostly local.

LA' CHEF also accepts Sodexo food coupons for payments.

One centralized dustbin is present behind the kitchen for waste disposal. Municipality support is available for garbage disposal. Garbage is picked up on daily basis.

Food is delivered for the minimum order of ₹ 250 for delivery up to 3 km and ₹ 1000 for delivery up to 10 km.

There is an established training centre at Aligarh known as Delhi College of Catering and Hotel Management. The training period required for training is 15 days to 30 days. The training is to be imparted through faculty teaching through theory and practical. Certificates will be awarded after completion of training.

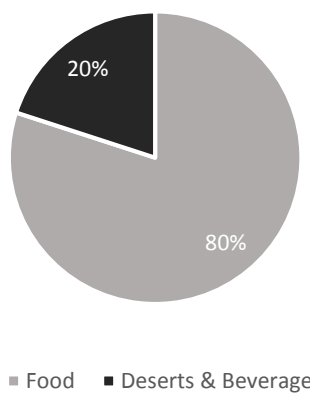
The company employs marketing tools like flyers, promotional offers, packages, food festivals, sponsoring events, social networking sites, ads in local newspapers and through word-of-mouth publicity.

LA' CHEF is destination brand popular for Butter chicken and Tikka.

Food is tested in laboratory on monthly basis and water is tested on daily basis. LA' CHEF uses ingredients of specific brands to maintain consistency in taste.

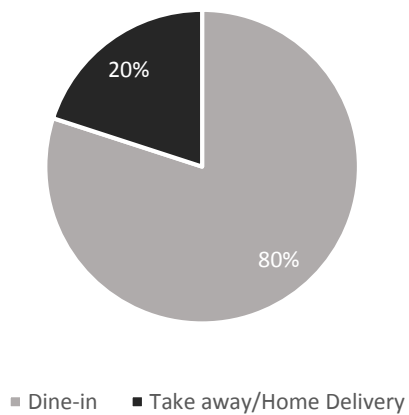
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Revenue Share



The average ticket price for couple is ₹350

Sales



Food panda is home delivery partner

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Brand Proposition

✓ **Delicious Taste:**

LA' CHEF has established itself as destination brand by focusing on offering delicious taste. Hence loved by local population especially students and families.

✓ **Consistency in Taste:**

LA' CHEF is conscious about consistency in taste hence uses ingredients of specific brands only.

✓ **Innovative Chinese Cuisine:**

LA' CHEF has innovated the Chinese cuisine by using new ingredients and is loved by the food connoisseurs.

✓ **Authentic South Indian Cuisine:**

LA' CHEF is popular for authentic South Indian cuisine and uses authentic ingredients.

✓ **Service and Quality:**

LA' CHEF brand is rated high by customers on service and quick home delivery.

✓ **Training Center:**

The brand has established training centers at Delhi College of Catering and Hotel Management to impart training to franchisee and franchise staff.

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Business Insights

Procurement

- The restaurant is focused on maintaining authenticity and efforts are taken in procuring ingredients with care and also developing internally. Food and water is tested in laboratory once a month.
- Food cost accounts for nearly 32% and the suppliers are from local market.
- Some food is procured on daily basis to maintain freshness and quality.

Pricing

- LA' CHEF follows a Market-Oriented Pricing strategy.
- The prices are decided based on the target crowd's spending potential and rentals of the location.

Operations

- Food wastage is maintained at 4%, to 5%.
- The company is looking at streamlining the processes and improving customer service through emphasis on team management and customer feedback.
- LA' CHEF has established training center to train staff and perform quality check for franchise.

Marketing

- The promoters are engaged in placement advertising and local marketing. Currently doing marketing through flyers, promotional offers, packages, food festivals, sponsoring events, social networking sites, ads in local newspapers and through word-of-mouth publicity.
- Teenagers, students, families, ladies' groups and working professionals. are specifically target market segments.
- LA' CHEF has in-house dedicated creative design team for preparing marketing communication.
- Various promotional offers and packages are offered to attract customers.

LA' CHEF SWOT Analysis

Strength

- ↑ Strong industry experience of LA'CHEF management
- ↑ Commitment of LA' CHEF management to grow the brand
- ↑ LA' CHEF focuses on consistency in taste
- ↑ Delicious tasty food is the strength of LA' CHEF
- ↑ LA' CHEF offers authentic South Indian cuisine and innovative Chinese cuisine
- ↑ Association with Ajay Jadeja (former International cricketer)

Weakness

- ↓ Brand awareness is location oriented.

Opportunity

- ✓ Being successful in Tier II cities, LA' CHEF can explore opportunities in metro cities to get a piece of bigger market pie.
- ✓ LA' CHEF caters to youth, families and working professionals which form the biggest chunk of the potential target segment with purchasing power.
- ✓ The menu of LA'CHEF caters to vegetarian as well as non-vegetarian. No alcohol is being served. There is something in the menu for all age groups and all nationalities hence maximum customer base is covered.
- ✓ Acceptance of international cuisine is on the rise. Increasing number of people are experimenting with the cuisine. They want to try new taste. Hence it creates opportunities to cater to the aspirations of customers.

Threat

- ▼ International and Indian chains establishing outlets offer competition to LA' CHEF

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Franchise Opportunity Assessment: 12 Point Analysis

Criteria	Current model	Francorp model
Credibility	4.0	4.5
Differentiation	3.0	3.5
Transferability of Knowledge	3.0	3.0
Adaptability	4.0	4.0
Refined prototype operations	3.5	4.0
Documented Systems	2.0	4.0
Affordability	3.5	3.5
Return on Investment	2.5	2.5
Market Trends and Conditions	4.0	4.0
Capital	3.5	3.5
Commitment to relationships	3.0	3.0
Strength of Management	3.0	3.5
Score for the Company	39	43
Not Franchisable	0-15	
Moderately Franchisable	16-35	
Definitely Franchisable	>35	

- ✓ We feel, the concept of delicious multi-cuisine and quality service offered by LA' CHEF to the customers along with tasty North Indian, authentic South Indian, innovative Chinese cuisine is an attractive proposition.
- ✓ The three successfully running prototype further boost the idea.
- ✓ Thus, the opportunity developed by good eating joints at affordable prices rising aspiration of youth and consciousness to bring utmost taste, quality, service and moderate price leading to customer satisfaction makes the idea definitely franchisable.

Definitely Franchisable

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Franchise Opportunity Assessment: 12 Point Analysis:

Criteria	Sub Component	Description
Credibility	Size	Each restaurant can accommodate ~65 persons in covered area. The business has been able to grow decently in a short period
	Number of units	Currently there are three units operating successfully.
	Years in operation	The business started operation in 2012.
	Publicity and consumer brand awareness	The brand is popular locally. Francorp to raise awareness about the brand in other locations.
	Management strength	The management has several years of industry experience and successfully running several outlets.
Differentiation	Differentiated products/services	Authentic South Indian and innovative Chinese cuisine.
	Reduced investment costs	The investment costs are in medium range.
	Unique marketing strategy	Marketing based on word-of-mouth publicity, local ads, flyers, sponsoring events, organizing food festivals, social networking sites. Francorp would assist in marketing strategy through its marketing tools.
	Different target markets	The target market segment is families, students, ladies' groups and working professionals.
Transferability of knowledge	Time taken for training	Time required for training is 15 days to 30 days.
Adaptability	Concept adaptable in the market	The business concept is adaptable in the market.
Refined Prototype Operations	Existence of proven prototype	Three prototypes are running successfully.
	Prototype suitability for franchise training	Established training centre. The franchisee training staff is hired.

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Documented Systems	Comprehensive documents on policies, procedures, systems, forms and business practices	Francorp would be assisting the business in preparing comprehensive documents.
	User friendliness of Operations manual or computer-based training module	Francorp would be assisting in creating Operations manual.
Affordability	Investment from franchisee	The business requires investment in the medium range hence reasonably affordable.
Return on Investment	Profitability relative to investment	The business is profitable considering the target segment is captured effectively.
Market Trends and Conditions	Market growth	The F&B market is growing at a good rate.
	Effect of market growth on business in future	The market growth will assist in growth of business as eating out is becoming popular
	Relevance of product/services in future	The multi-cuisine format offers a range of dishes for every taste buds
	Actions of franchise and non-franchise competition	There is stiff competition posed by franchise and non-franchise competition. But the focus of LA' CHEF on food quality, service, delivery, pricing and marketing can help in getting good share of market pie
	Effect of competitors on long term success of franchisee	The increasing presence of international and Indian chain and standalone restaurants offers competition to the business
Capital	Franchise expansion programme fund	The business can fund franchise expansion programme.
Commitment to relationships	Support to franchises	The business is committed to support franchisees. A training centre is being created and expansion team is being established to support franchises. However, the support level needs to be proved with the franchises
	Introduce needed changes into the system easily	The ease of introducing required changes in the system needs to be proved over time.

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	Consistent level of products and services	The franchisor is conscious of offering consistent level of products and services.
Strength of management	Experience of management	The management has experience in running the business maintaining consistent quality and service.
	Expertise in expansion	The business has been able to expand over the period. Francorp would be assisting in expanding business by franchises.

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Franchise offerings for Restaurant

Area and Interiors	<ul style="list-style-type: none"> Minimum area required for the metro city model is 1500 sq. ft. and for Tier I city model is 1500 sq. ft.
Total Investment	<ul style="list-style-type: none"> Total investment is about approximately ₹ 35 Lakhs for metro cities and ₹ 30 Lakhs for Tier I cities.
Brand penetration	<ul style="list-style-type: none"> We recommend 1% of revenue to be contributed to Central marketing fund 2% to local marketing fund to increase brand penetration.
Franchisee Fee	<ul style="list-style-type: none"> The franchise fee for metro city model is ₹ 6 lakhs and for Tier I city model is ₹ 4 lakhs
Marketing collaterals	<ul style="list-style-type: none"> To be provided by the franchisor on cost basis, brand guidelines will also be provided
Signage	<ul style="list-style-type: none"> Signage handling and installation guidelines needs to be provided by the franchisor to the franchisee and the franchise development manager (employed by franchisor) will make sure they are installed correctly before the commencement of the operations of a franchise.
Advertising Support	<ul style="list-style-type: none"> The connections through newspapers, radio, magazines and journals will be extended to the franchisee. Food festivals, sponsoring events and social networking marketing are other means of branding. Cost for the same will be utilized from the Central marketing fund
Term of Agreement	<ul style="list-style-type: none"> The agreement term will be for 3 years
Renewal term	<ul style="list-style-type: none"> The agreement to be renewed after 3 years
Training	<ul style="list-style-type: none"> A training for franchisee would be conducted for 15-30 days Training expenses for all the franchisees (boarding, travelling and lodging expenses will be borne by the franchisee)

Food and Beverage Industry Analysis

Key Highlights:

- ❖ Food & beverage sector has scope for higher value addition in terms of service and customer experience as the current level of processing is lower compared to global standards.
- ❖ Export potential is high as currently it is concentrated only on select food items.
- ❖ Food wastage levels are a key concern, especially in case of fruits and vegetables.
- ❖ Challenges in supply chain exist due to inefficiencies and inadequate capabilities. New business models and initiatives are evolved to build capabilities.
- ❖ Product development and innovation focus is lacking, changing consumer preferences are expected to drive innovation.
- ❖ Concept driven restaurants are gaining popularity.

Indian Consumer:

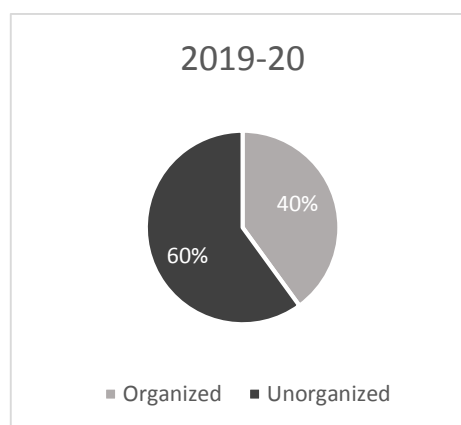
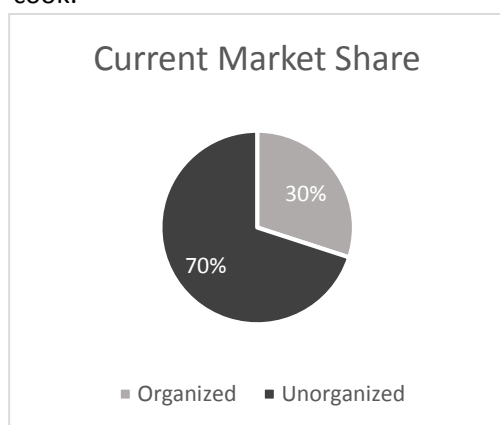
- ❖ Indian consumers are comparatively younger. More than 50% consumer base is below the age of 30.
- ❖ Indian consumer's income levels are increasing. There is change in consumption patterns due to rising dual income groups.
- ❖ With increase in purchasing power the aspiration of Indian consumers is rising. They are looking for higher standard of living – quality, variety, choices and convenience.
- ❖ More and more Indian consumers are becoming health and hygiene conscious. The consumption is shifting to protein rich and organic foods.
- ❖ With the Internet boom more and more Indians are becoming Internet savvy. Increasing number of Indians prefer shopping online for convenient and discounts. They consult sites like Zomato, TripAdvisor, Justdial, Food Panda and Groupon to learn more about restaurants and cafes.

Food Service Industry

- ❖ The food service industry is largely dominated by unorganized sector. There is a scope for brand building in the food service industry.
- ❖ Quick Service Restaurants (QSR) has emerged as the largest segment in the food service industry.
- ❖ Localization of the menu and also enriching eating out experience is key for success
- ❖ According to a Franchise India 2015 report, the Indian food services industry currently valued at USD 41.3 billion is estimated to be nearly worth USD 65.4 billion by 2018 and is growing at a healthy compound annual growth rate (CAGR) of 11%. The Organized Food Service Industry is worth \$13.79 billion (approx. 33% of total Indian Food Service Industry) and growing at 16.6% as per Grant Thornton and FICCI 2015 report. Standalone restaurants, which comprise 22% of the market, is the fastest-growing while the cafe segment with 12% market share is growing at 10.7% a year.
- ❖ The F&B service sector in India comprises two distinct market segments:

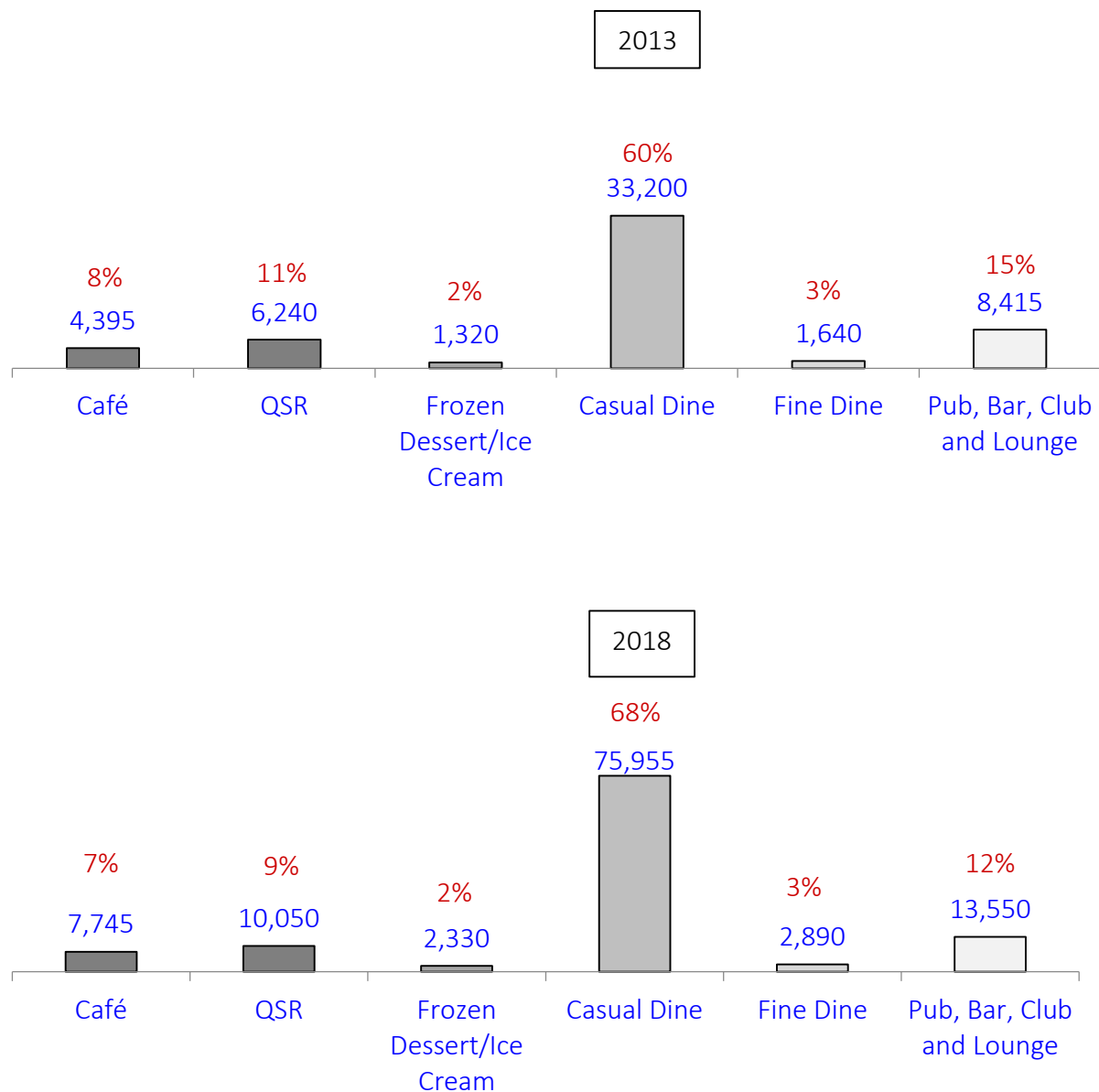
Organised – Chain and licensed standalone players across quick service restaurants, full service casual and fine dining restaurants, hotels, bars and lounges, cafes and frozen desert formats.

Unorganised – Dhabas (Roadside restaurants serving as truck stops and serving Indian cuisine), street stalls, halwai (sweet shops), road side vendors, food carts, etc.
- ❖ Another major factor propelling demand for food services in India is the growing youth population, primarily in urban regions of the country. The country has a large base of young consumers who form majority of the workforce and due to time constraints barely get time to cook.



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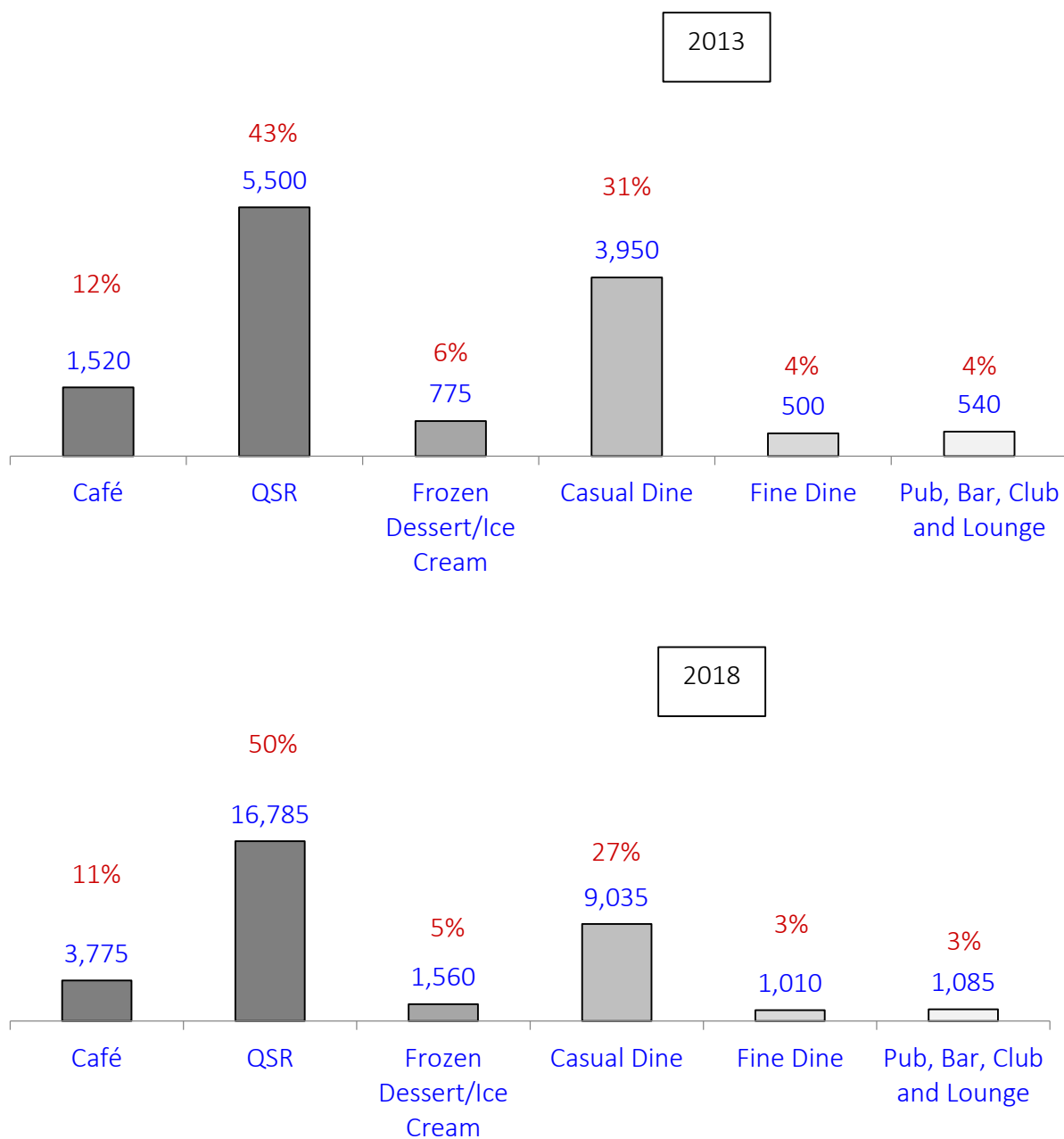
Size of the Licensed Standalone Food Service Market (in ₹ Cr)



Source: Technopak Report 2014 – The Rise of the Quick Bite

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Size of the Chain Food Service Market (in ₹ Cr)

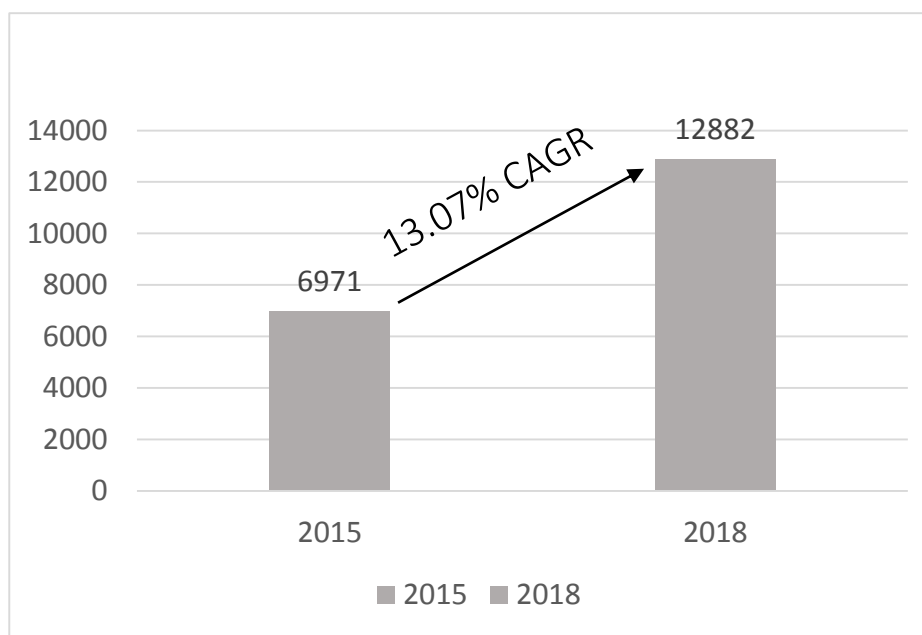


Source: Technopak Report 2014 – The Rise of the Quick Bite

Fine Dining

- A Fine Dine restaurant is either a specialty or a multi-cuisine restaurant with a strong focus on quality ingredients, presentation, ambience and immaculate service.
- Fine dining restaurant is predominantly limited to “starred” hotels chains and exclusive standalone entrepreneurial ventures.
- With over 90% of Fine Dine outlets, Metros and mini metros dominate this market as consumers in these cities have high disposable incomes with increased spending power. The chain Fine Dine market in India has ~50 players with ~150-200 outlets spread across major cities.
- Food contributes ~66% of total sales followed by beverages at 30%
- Dinner hours (7:00 PM – 12 midnight) contribute nearly 70% to sales while lunch hours contribute ~29% to total Fine Dine sales.

The chain Fine Dine market size in ₹ Crore

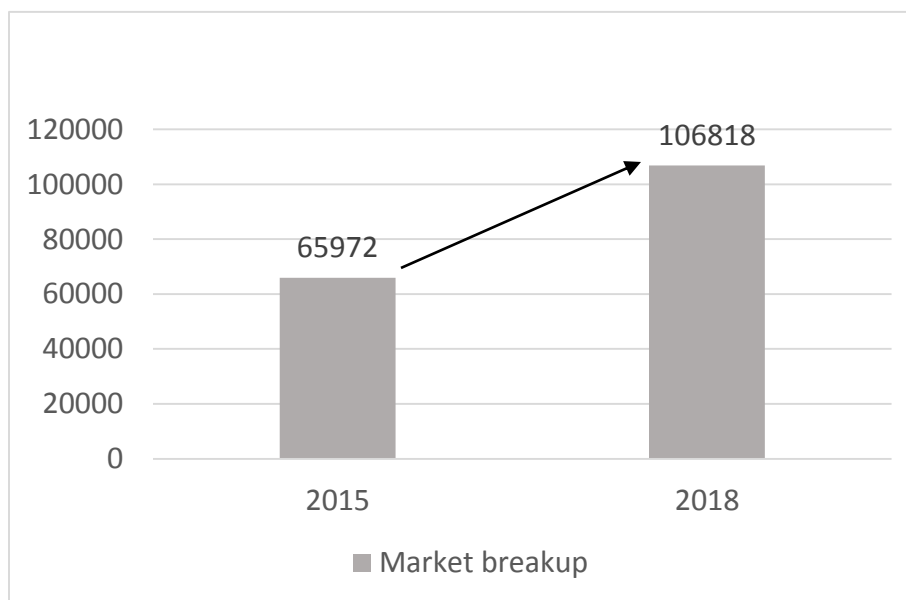


Source: FICCI Grant Thornton F&B 2015 report

Casual Dining

- Casual Dining is an exciting segment that revolves around specific cuisines or themes focusing on elaborate menus, quality of food and increased focus on presentation. On the other hand, consumer indulgence is increasingly fuelled by non-occasion outings to these outlets.
- The Casual Dine market is led by domestic players, which are largely region-specific. There are a few international players present in the space which have a PAN-India presence. With the growth in the segment, some new players have also entered the space and the existing ones have been innovating as well as expanding their operations albeit at a slow pace.
- Currently, there are ~1700-1800 Casual Dine outlets spread across India in the affordable and premium segment. The player spread is the highest in the metros at 45%, followed by mini metros with 35% of all outlets. Across Tier I and Tier II+ cities, the outlet density is low.
- Dine-in and non-Dine-in options form a good mix to sales in the Casual Dine segment. Most of the sales (60%) are through dine in, delivery services contribute a healthy 30% to sales, followed by takeaway which brings in 10% of total sales.
- The main meal times of lunch (1300-1600 hours) and dinner (1900-2200 hours) contribute to ~85% of the total sales at Casual Dine outlets. However, the peak business hours of outlets located in office complexes are more skewed towards lunch time.

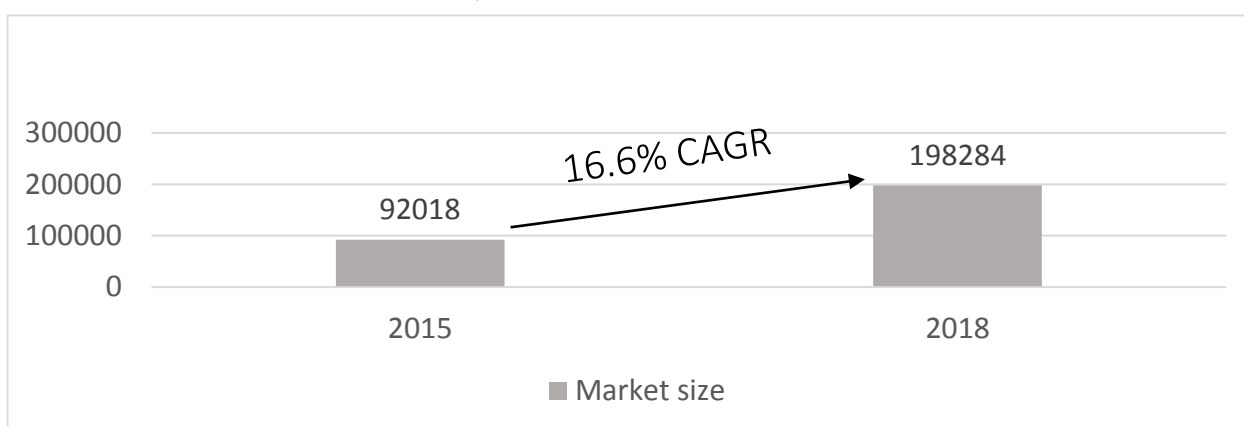
The chain Casual Dine market size in ₹ Crore



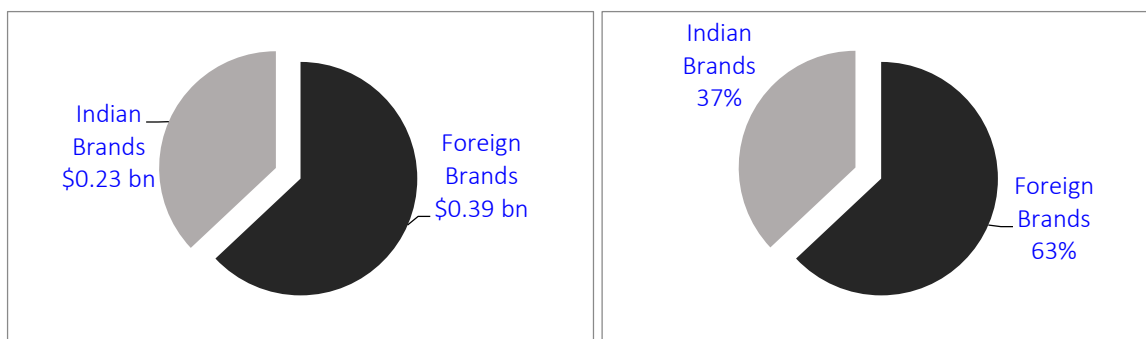
Quick Service Restaurant

- A fast food restaurant, also known as a quick service restaurant (QSR) within the industry, is a specific type of restaurant characterized both by its fast food cuisine and by minimal table service
- Largely present in metros and mini metros due to high consumption, heightened consumer awareness and exposure
- Quick service restaurants are now expanding into smaller cities with smaller formats.
- The concept of QSR has gained increased prominence in India characterized by entry of Indian and international brands into the QSR space encouraging affordable eating. The QSR segment has 90 to 100 brands with 3000 outlets.

The chain QSR market size in ₹ Crore



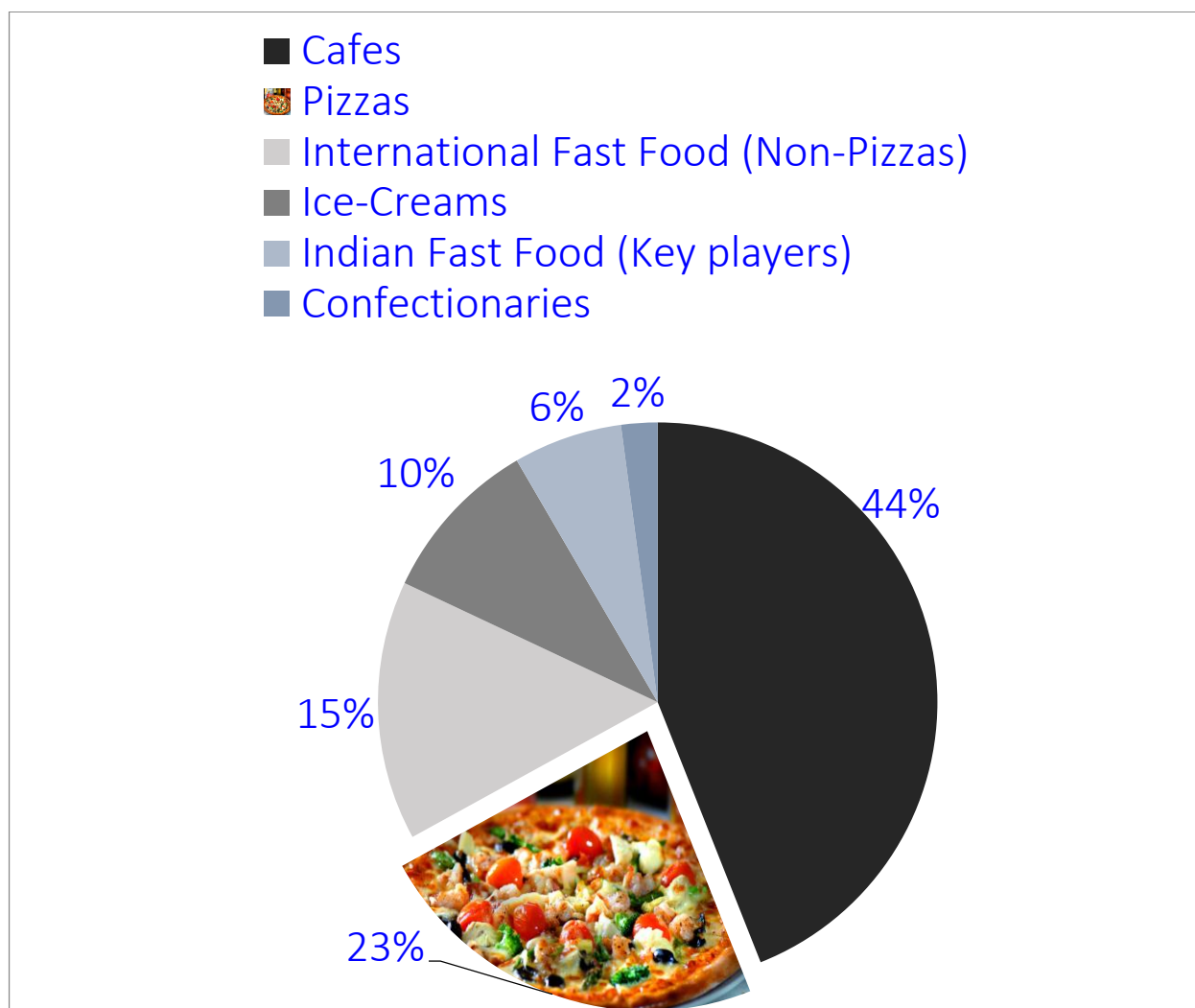
Break-up of Market Share for QSRs



Source: FICCI Grant Thornton F&B 2015 report

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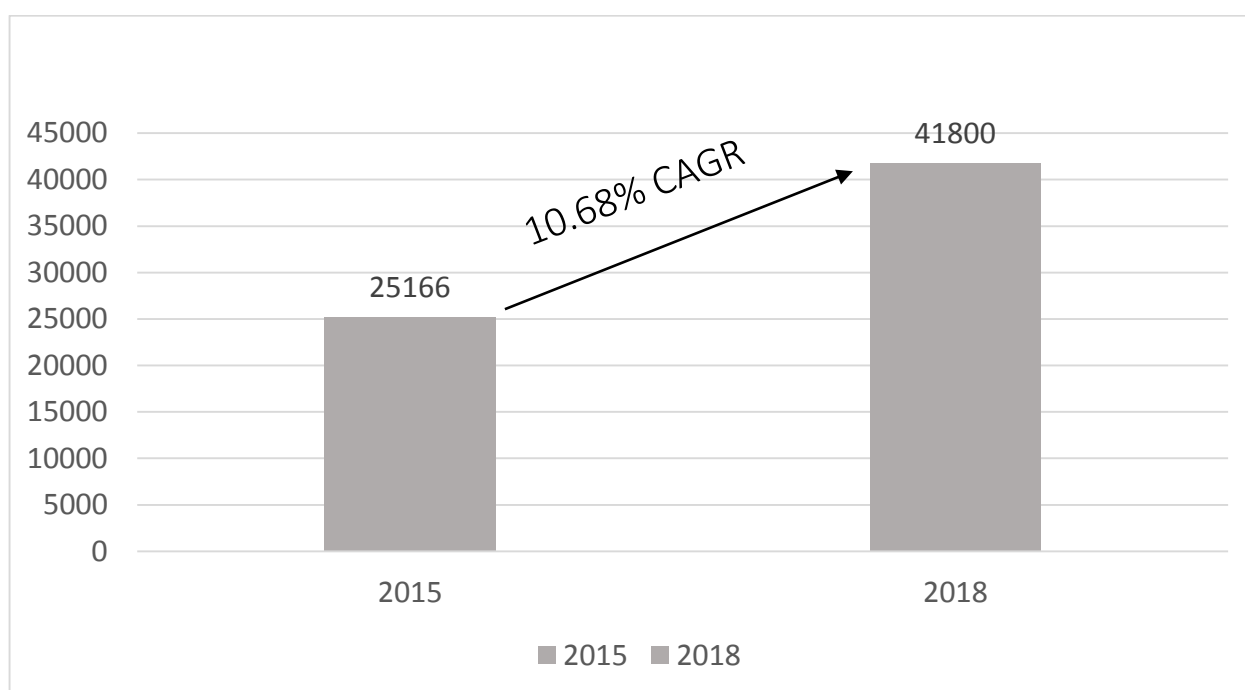
Key Quick Service Restaurants



Café

- A café is an outlet serving a range of coffee and other hot and cold drinks and quick bites such as pastries, sandwiches and breakfast.
- Coffee chains in India remained an underpenetrated market till recently
- The café market has witnessed an aggressive expansion by established brands both domestic and international.
- Over past five years, the café culture has grown with many new cafés opening across all major cities.
- Currently there are around 100 chain cafes and bakery brands with an estimated 3,100 to 3,200 outlets.

The chain QSR market size in ₹ Crore



Source: FICCI Grant Thornton F&B 2015 report

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Indian Food Brands: Think Global Act Local

- Restaurant industry in India has opened the biggest business opportunity so popular brands are gaining ground in the Indian food market.
- The hospitality of Indian food restaurants is beyond par. The enthusiastic service of waiter impress patrons and make them come back again.
- Indian food is considered good for health and wholesome.
- The blend of exotic spices and ingredients make each dish a piece of handcrafted art. The aroma is as mouth-watering as the taste.
- Indian cuisine is being experimented with food fusions and reinventing recipes.
- Traditional Indian food remains the top priority for comfort food. The familiarity and home like taste makes us partial to traditional Indian food.
- The maximum growth being witnessed is still in the standalone restaurant space where local taste along with uniqueness of concept are the key deciding factors.



Issues faced by the Food Service Industry

Food service industry is a booming sector but not without its share of concerns and challenges that industry is grappling to overcome.

- High Attrition: Food service industry suffers from high attrition rate.
- Unavailability of skilled manpower: The availability of skilled manpower is a challenge for the food service industry.
- Absence of standard certifications: There is absence of standard certifications for food service industry.
- High real estate prices: There is a requirement of prime real estate locations for food service industry hence it increases the payback period.
- Poor infrastructure: Indian infrastructure needs to improve in order to support food service industry.
- Over licensing: The existing red-tapism requires businesses to get several approvals and licenses.
- Health and hygiene concerns among customers: Hygiene is a major concern in the unorganized sector in food and service industry.
- Managing an efficient assembly line: The operations need to be conducted efficiently in food and service industry for smooth delivery.
- Building a cost effective supply chain: The supply chain needs to be efficient as food and service industry requires fresh food. But the unorganized sector faces the issue of supply chain efficiency.
- Maintaining a standardized quality of service and taste: Another issue faced by unorganized sector is maintaining same standard of food quality, taste and customer service.
- Managing third party vendors: Food and service industry requires managing several third party vendors like food supplier, dairy products supplier, vegetables supplier, vendor supporting waste disposal, water supply etc. The consistency of services by vendors is an issue in food and service industry.

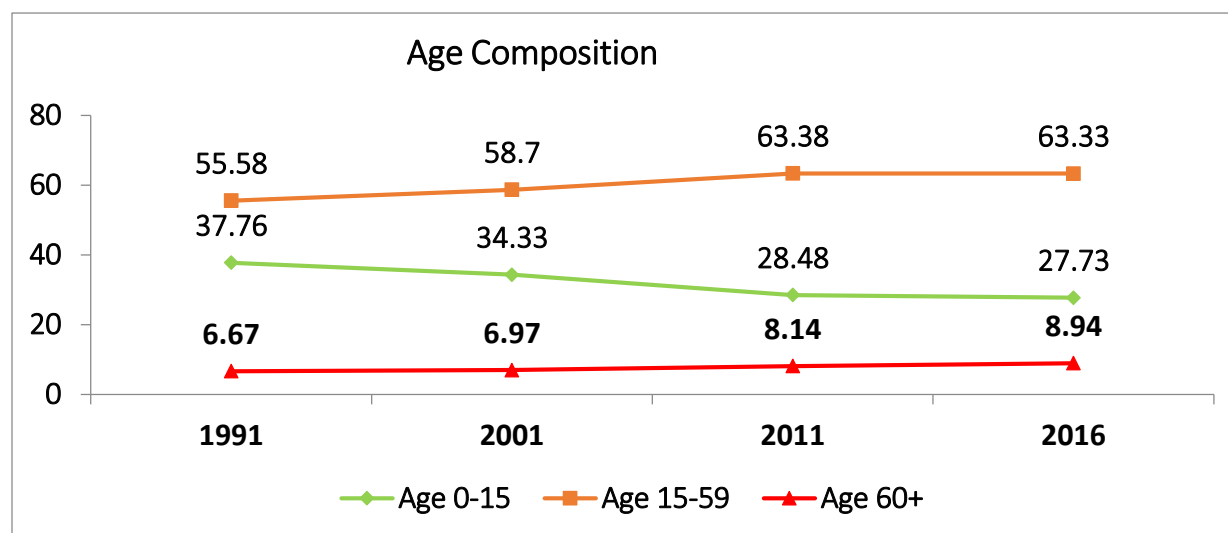
Trends in Fast Food market in India

1. Health Consciousness:
 - Increasing health awareness has forced consumers to look out for healthier options and to follow a balanced diet plan.
 - Moving in tandem with this shift, food service operators are incorporating different health food variants in their menus, either as a direct product offering or as an ingredient contributing to the final product.
2. Urbanization supports growth:
 - Increase of disposable income among young people has increased demand for dining out.
 - Nearly 34% of population dine out at least once a week and nearly 50% attribute no specific reason to dine out.
 - The annual average spending of each middle class household in India's Tier-I cities have increased by more than 35% to ₹ 6,800 on fast food restaurants between 2012-14.
3. Consumers' love for international cuisines intensifies further:
 - Chinese cuisine has the highest penetration in QSR and standalone formats followed by Italian and American cuisines
 - There has been a rise in the number of exclusive Middle Eastern, Japanese and Mexican restaurants in the past 5 years
4. Third party ordering and aggregator delivery sites gain momentum
 - Home delivery or takeaway orders placed online in India: Well below 10%
 - 80% of the Indian food industry is for Indian cuisine. 20% is for international cuisine
 - 60% of dishes ordered on Just eat are vegetarian
 - In Tier 1 cities consumer on an average orders food once a week. The average ticket size is ₹ 350-400.

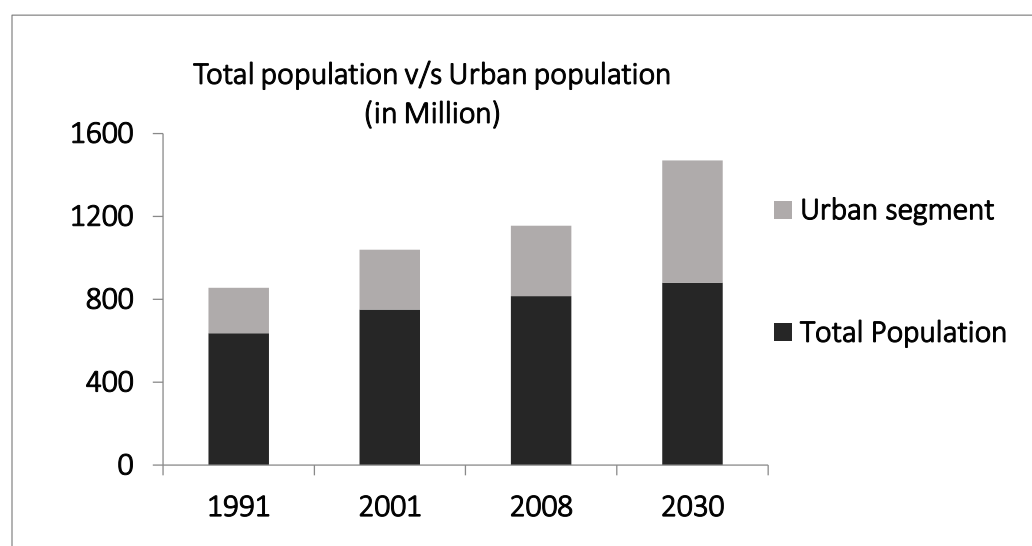
Multiple demand and supply side drivers contributing to restaurant growth

Demand Drivers:

Favorable Demographics

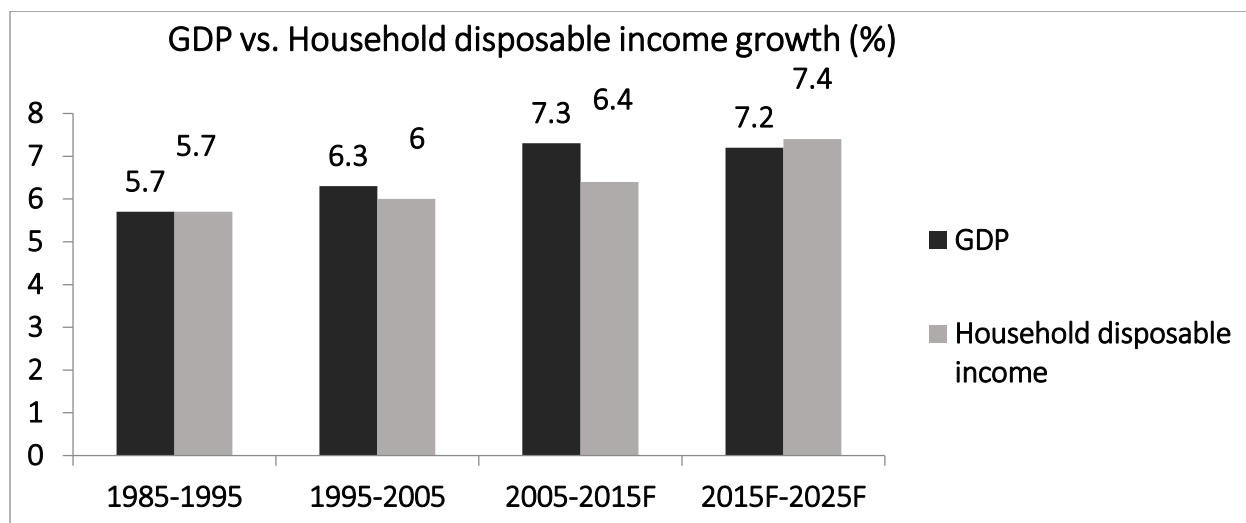


Increasing urbanization



Source: Maple Capital Advisors

Growing disposable income



Supply Drivers:



Source: Maple Capital Advisors

Franchisee's perspective

Franchising in India: Market Size and Growth

- The rapidly growing franchise industry in India is the second largest in the world - expected to grow at an average rate of 28 per cent throughout the next decade
- The Indian franchise industry stood at a staggering USD 15 billion mark in 2012, and is expected to touch USD 34 billion by 2016
- The Indian franchise eco-system today comprises of over 3700 franchisors supported by over 1,50,000 franchisees
- 69 per cent of the franchisees in India are in the age group of 18 to 35 years and 85 per cent of the franchisees hold UG/PG degree – a fast emerging trend of young & professional entrepreneurs.
- The fastest growing and top performing sectors in the Indian franchise industry are: Education, Health, Beauty and Wellness, Food and Beverages, Retail Franchising and Consumer Services.

Changing Franchising scenario

➤ Nascent Franchising Market

In 2000 franchising market was in nascent stage. Companies geared up for franchising by aligning their various functions. During this period, franchise was confused with distribution most of the franchising happened in education and IT sector.

➤ Developing Franchising Market

In 2010, there is a 360° change in franchising scenario. Franchisees seek more options. There is emergence of new segment/industries. This phase has witnessed the evolution of holistic approach towards franchising.

➤ Survival of the fittest

In 2016, the focus of franchising is on unique offerings. “Consolidation” will be the real opportunity.

Key roles of Franchisee

- **Financial**
 - To bring in investment for initial setup of the restaurant
 - To pay up the Annual maintenance fee on time, every time
- **Time**
 - Franchisee should have adequate time to invest in the restaurant
 - This is food and beverage segment & Franchisee is required to be at the restaurant for some time during the day.
- **Leadership and Partnership**
 - Franchisee should be pro-active & take initiative to understand how the system works
 - Should be able to work together, share ideas, and resolve issues together
- **Organization**
 - Be prepared to play many sub-roles including operations management, sourcing management, resolving complaints, etc.
- **Communication**
 - Effective communication with the customers, employees, vendors & other key stakeholders in the system.

Parameters to select a Franchisee

- **Ability: High ability in a franchisee means**
 - Less amount of value addition required to the current set of skills/facility to run the franchised restaurant
 - Better service orientation, maintaining customer/employee relationship
 - Better Capital resource
- **Management bandwidth**
 - Ability to manage human resource/follow guidelines/impressive interpersonal skills
 - Scale of operations managed at present
 - How systemized is the present operations
- **Experience in the similar business**
 - Prior experience of customer service industry (especially food service industry)
 - or prior experience in food and beverage sector
 - or prior experience in real estate developer/owner

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- or core investors
- **Willingness**
 - This depends on the level of success in current business
 - Will the prospective franchisee be willing to devote time in restaurant operations
 - Ease of conversion
 - Work horizon and comfort level with franchisor

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Evaluation Parameters of the franchisee by the franchisor

Strategic Parameters		
Evaluating Parameters	Rating Criteria	Mark Obtained
City population	<18-20 L - 1; between 20 -40 L- 2; > 40L – 3	
Availability of the strategic location	Low -1; Med - 2; High - 3	
Presence of restaurants around the location	Low -3; Med - 2; High - 1	
Degree of competition in the neighborhood	Low -1; Med - 2; High - 3	
Keeness in immediate roll out	Undecided - 1; Within 3-6 months - 2; Immediately - 3	
Ease in getting a location	Low -1; Med - 2; High - 3	
Socio economic profile of the location	Low -1; Med - 2; High - 3	

Operational Parameters		
Evaluating Parameters	Rating Criteria	Mark Obtained
Managerial bandwidth	Low -1; Med - 2; High - 3	
Overall experience in customer service sector/food and beverage sector/defence services	Nil -1; Med - 2; High – 3	
Willingness to comply with Franchisor guidelines	Low -1; Med - 2; High – 3	
Participation in the day to day operations of the restaurant	Low -1; Med - 2; High - 3	

Financial Parameters		
Evaluating Parameters	Rating Criteria	Mark Obtained
Revenue potential of the franchised restaurant location	Low -1; Med - 2; High – 3	
Funds availability	Low -1; Med - 2; High – 3	
Anticipated RoI from venture within the proposed plan	Low -1; Med - 2; High – 3	

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Ownership of the property	Premium rentals -1; Average rentals -2; Investor own property -3	
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Marketing skills		
Evaluating Parameters	Rating Criteria	Mark Obtained
Local network and good will in the market	Low -1; Med - 2; High - 3	
Interpersonal skills	Low -1; Med - 2; High - 3	

- It is recommended that the cut off marks for shortlisting a franchisee should be 30 (60% of the max marks)
- This will ensure that the franchisee does not get selected based on any particular parameter

Hence, Ideal franchise will be Entrepreneurs with time as well as passion for food service industry opening a unit franchise.

Ideal Franchise Profile: Option

- Customer service (especially Food service industry) professional
- Real estate developer/owner
- Core investors

Critical and Important Requirement

- Franchise owned and Franchise operated
- Fully operational control in the hands of franchisee
- Man management

The Competition

The competition is categorised into direct and indirect competition.

Direct Competition:

Players are considered as direct competition if they:

- Have similar food offerings
- Are targeting youth
- Offer pricing in the medium range

The direct competition is further categorised into:

Franchised chains: Restaurant chains which are franchising.

- a) Sagar Ratna
- b) Moti Mahal
- c) Vittal Kamat
- d) Rajdhani
- e) Shiv Sagar
- f) Nirula's

Indirect Competition:

Players are considered as indirect competition if they:

- Are present in Food and Beverage service
- Have adopted growth model
- Have targeted youth
- Pricing in medium range
- Similar in investment range

The indirect competition is further categorised into:

Franchised chains: Restaurants/café chains which are increasing their presence.

- a) McDonalds
- b) Subway
- c) Pizza Hut
- d) Domino's Pizza
- e) KFC

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Elements of Customer Experience

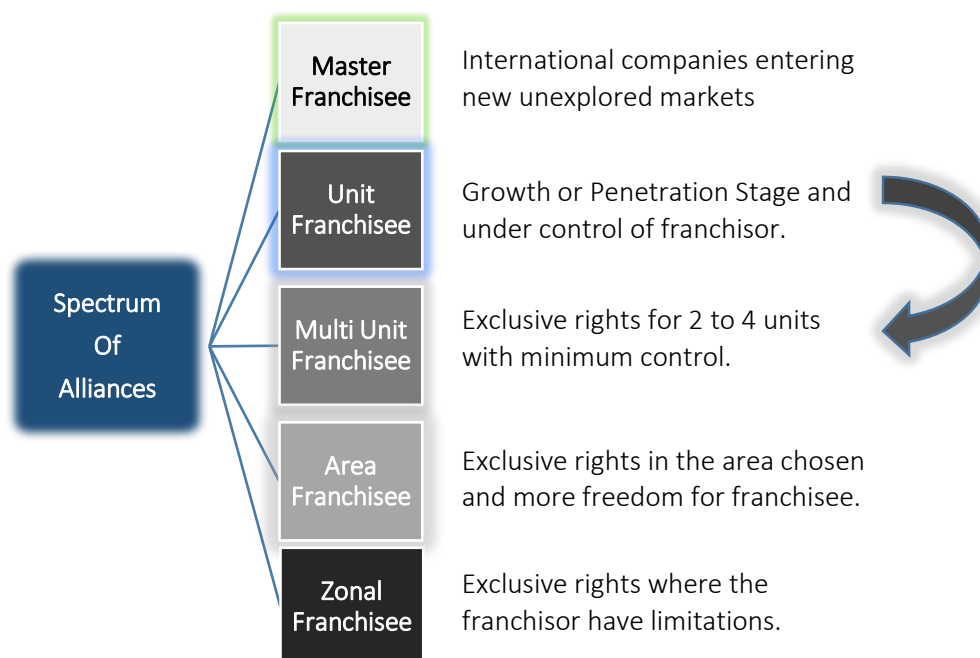
- **Location:** The location is of utmost important to generate high footfalls and provide easier accessibility to the target customers. High visibility locations in metro cities, Tier I cities and tourist destinations are to be concentrated primarily.
- **Brand:** The brand is growing steadily in Aligarh, Baddi and Kishtwar and has huge potential for operating in multi-cuisine category. Youthfulness has to be communicated well in moving to new locations.
- **Value:** Franchise network should add value in terms of enhancing convenience of ordering and improving top of mind recall.
- **Experience:** The staff at the outlets should deliver hassle free and friendly service.
- **Change:** The menu is adaptable to other regions in India. Effectiveness need to be achieved through better combo and local offers.

Customer Experience in LA' CHEF

Destination	Specialty
➤ Casual dining, non-vegetarian, multi-cuisine restaurant	➤ Butter chicken, Bhuna chicken, veg kolapuri and tikkas are their specialty ➤ Innovative Chinese cuisine and authentic South Indian cuisine
Seasonal	Value Addition
➤ Independent of season, maximum sales during weekends.	➤ Beverages/Ice Creams ➤ Target customer base is for wide range of customers. ➤ Fresh Food

Recommendations on Franchise Model

Franchise Model – Alliance options



On evaluating the LA' CHEF business model and the industry it operates in, Francorp recommends to adopt Unit and Multi Unit Franchise.

1. Francorp recommends '**Unit franchise**' as a feasible option at the growth stage of initial 2 - 3 years.
2. After initial success, the franchisor can opt for granting multi franchise to the existing successful franchisee based on location.

Francorp recommendations: We feel there exists huge opportunity to be tapped. The model is most suitable with the **Franchise Owned and Franchise Operated (FOFO) model**.

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Details of Franchise owned Franchise operated (FOFO) Model

- Franchisee brings all the investments both initial capital and also the working capital
- Since the franchisee has invested a large amount of money in the business, he/she has vested interest and stake in the business.
- Will bring in more efficiencies, better control; thus likely to have a profitable business venture
- Limited training and manpower costs to the franchisor
- The franchisee pays royalties to the franchisor
- This FOFO business model is expected to bring sustainability and independent scalability to the franchisee.
 - ✓ **Presence in strategic locations:** Need based gap: The locations where full branding capabilities can be established to improve foot fall.
 - ✓ **Pure franchise model:** Franchise is responsible for sales and motioning the customer base.
 - ✓ **Acquire operational facility:** Franchisor will assist in selecting the operational facility.

Franchise Fees and Royalty recommendations:

The methodology for fee determination calls for franchisors to look to their franchise fees primarily as a cost recovery tool and secondarily as a profit centre.

- I. Cost Plus Approach:
 - The franchisor calculates its total support costs involved in selling a franchise and adds a reasonable markup.
 - Covered costs may include marketing and lead generation expenses, site evaluation, general and administrative expenses, headquarters training, on-site training and travel
- II. Competition based pricing:
 - A "ceiling" price for the franchise by considering what the market will bear.
 - No franchisee fees (if direct competition is considered)
 - However, a 10 % of the project cost of franchise is the industry norm
- III. Perceived Value Approach:
 - Francorp uses this approach to determine where a franchisee fee should be set above the 'Floor' Price.
 - Note: Some franchisors will intentionally price above the ceiling prices to establish the "EXCLUSIVITY" of the franchise offering, while others will price well below its assumed costs in an effort to saturate the market.

Based on the competitive analysis LA' CHEF industry positioning, sales goals and the support structure it intends to provide, for a unit level, the franchise fee should be ₹ 6 lakhs for metro City model and ₹ 4 lakhs for Tier 1 city model. Agreement period could be three years with renewable for next three years both metro city and Tier I city models. However, it depends on actual paybacks of respective models.

Based on industry, competitive analysis and LA' CHEF support structure, the recommended royalty should be 8% of gross revenue.

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Recommendations: FOFO Model

Metro city model:

Parameters	Model 1 (metro city)
Minimum Area Required.	1500 sq. ft.
Set up Cost	₹ 35 Lakhs
Franchisee Fee (Excluding S.T)	₹ 6 Lakhs
Royalty	8%
Range of Infrastructure Cost (per sq. ft.)	₹ 1474 (avg.)
Marketing Cost	Local (2%) and Central (1%)
Agreement Period	3 Years
Renewal	Yes, for next 3 years
Preferred Locations	Standalone units at prime locations, corporate hubs, Hi-streets, markets in metro cities
Support	Training, Manuals, Hardware & Software, Marketing, Audit, Site evaluation/visibility, Dedicated team, Launch and Store set up.
Key Ingredients & Manpower Selection	By Franchisor

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Tier I City Model:

Parameters	Model 2 (Tier I City)
Minimum Area Required.	1500 sq. ft.
Set up Cost	₹ 30 Lakhs
Franchisee Fee (Excluding S.T)	₹ 4 Lakhs
Royalty	8%
Range of Infrastructure Cost (per sq. ft.)	₹ 1244 (avg.)
Marketing Cost	Local (2%) and Central (1%)
Agreement Period	3 Years
Renewal	Yes, for next 3 years
Preferred Locations	Standalone units at prime locations, corporate hubs, Hi-streets, markets in Tier I cities and tourist destinations
Support	Training, Manuals, Hardware & Software, Marketing, Audit, Site evaluation/visibility, Dedicated team, Launch and Store set up.
Key Ingredients & Manpower Selection	By Franchisor

Support and Capability building:

1. Initial Set up:

Once the franchisee is onboard, the responsibility of the franchisor to assist the franchisee in getting the business operational

2. Marketing during launch:

The franchisor should guide the franchisee for generating initial buzz among the population in the specific location.

3. Ongoing support:

This includes training, change communication, sharing learnings and perpetual discussion on required improvements

Human Resources Support:

- **Initial training support**

- LA' CHEF has a standard operating manual and training calendar.
- The ideal training process will be at head office during construction time as well as at the franchise site.
- The training will cover all the services offered by franchise.

- **Employee roles and responsibilities**

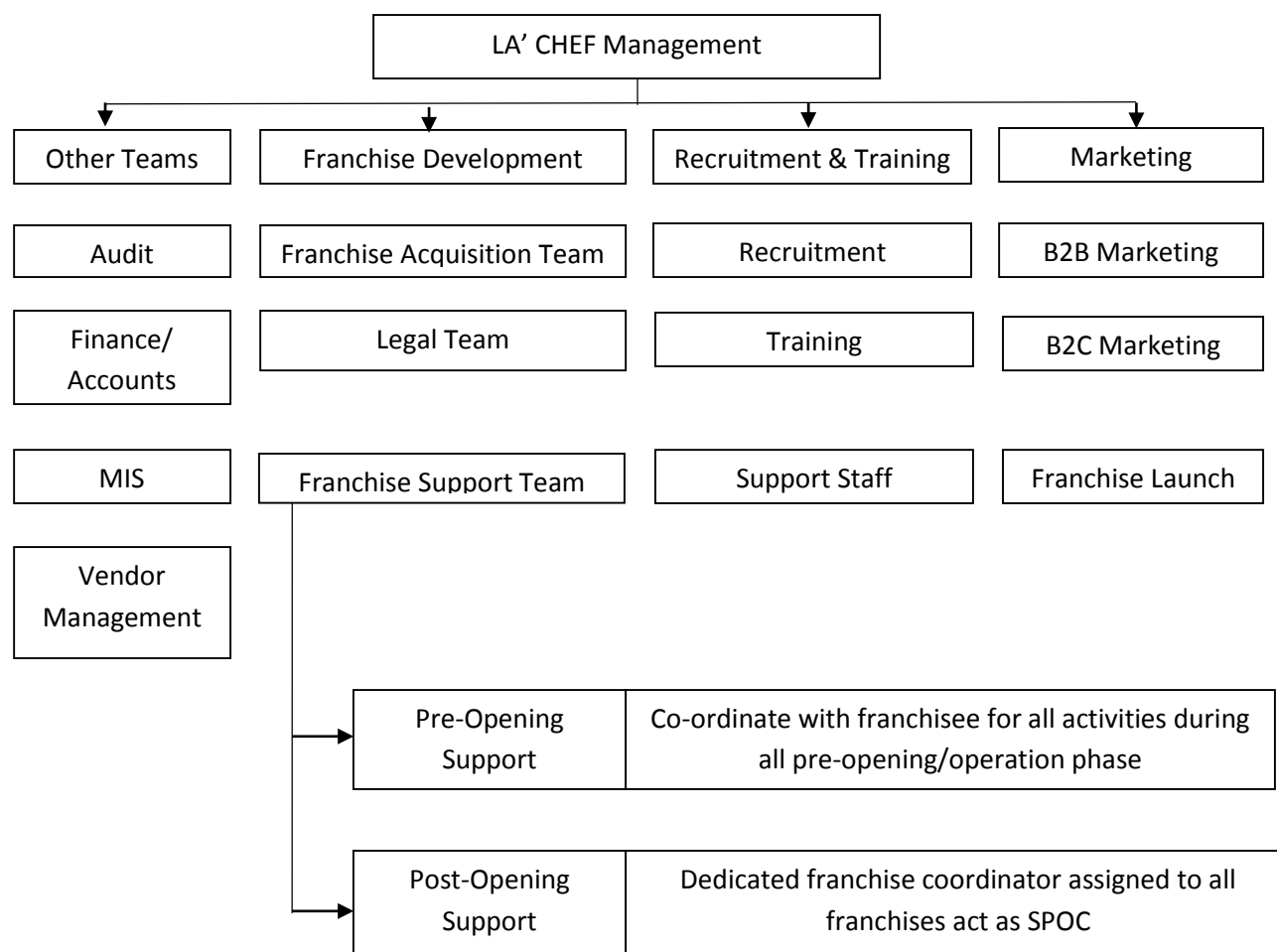
- Roles and responsibilities of all staff members are clearly defined.
- Headcount, qualifications, experience and profile are to be known and defined by the franchisor.
- The franchisor defines the Key Responsibility Areas, Profile Requirements and Job Description of each member of staff at franchise.

- **Talent acquisition support**

- The franchisor will provide assistance to the franchise with respect to effective operations.
- The franchisor should set aside marketing and talent acquisition budget to assist franchise in initial hiring and recruitment activities.

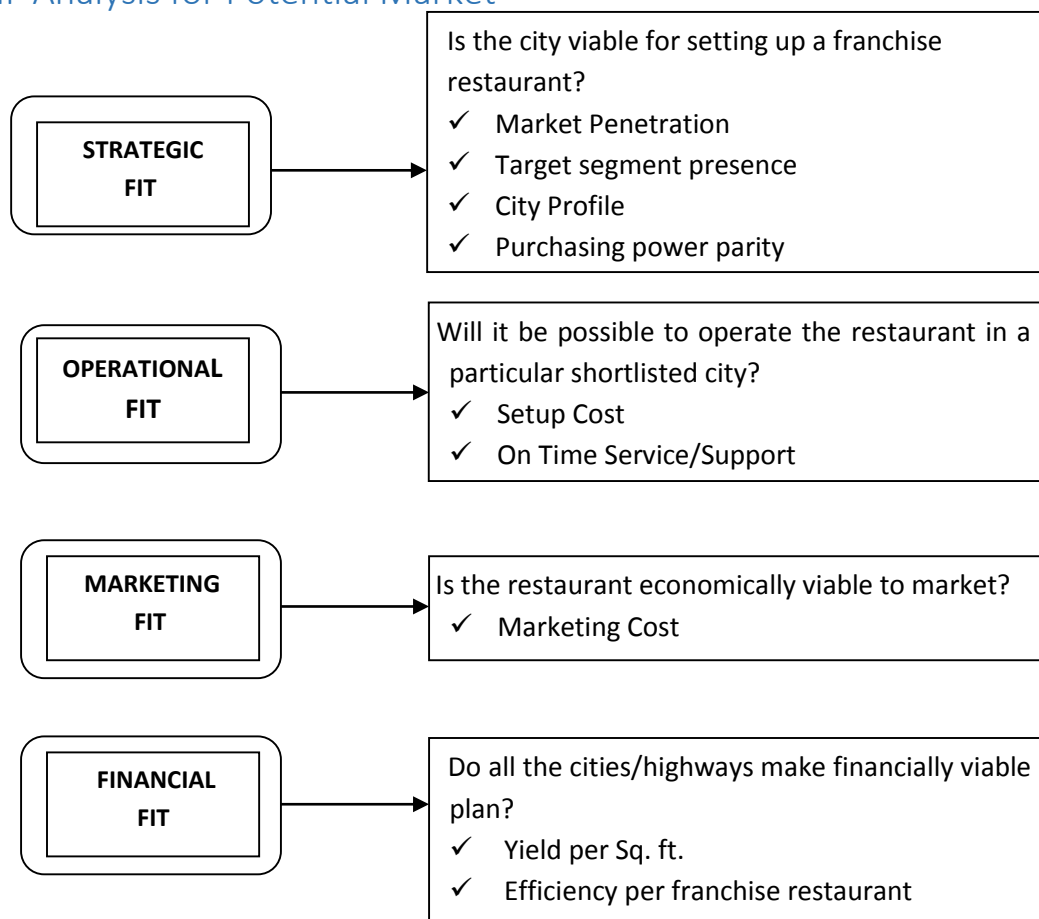
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Franchisor Corporate Structure



Roll Out Strategy

SOMF Analysis for Potential Market



Target cities for Roll-out Strategy

The target cities for roll out should be metro and Tier I cities.

Cluster approach is suggested for the roll out. The roll out is recommended phase wise.

Following are the phases suggested.

Phase I: North India: Uttar Pradesh, Rajasthan, Punjab, Delhi, Haryana, Himachal Pradesh, Uttarakhand

Phase II: West and Central India: Maharashtra, Gujarat, Madhya Pradesh

Phase III: South India: Karnataka, Andhra Pradesh, Kerala, Tamil Nadu

Following are some of the cities identified for rolling out City model.

Top 11 cities for immediate roll out in Phase I are: -

- ✓ Delhi
- ✓ Gurgaon
- ✓ Noida
- ✓ Ghaziabad
- ✓ Agra
- ✓ Lucknow
- ✓ Jaipur
- ✓ Chandigarh
- ✓ Ludhiana
- ✓ Shimla
- ✓ Kanpur

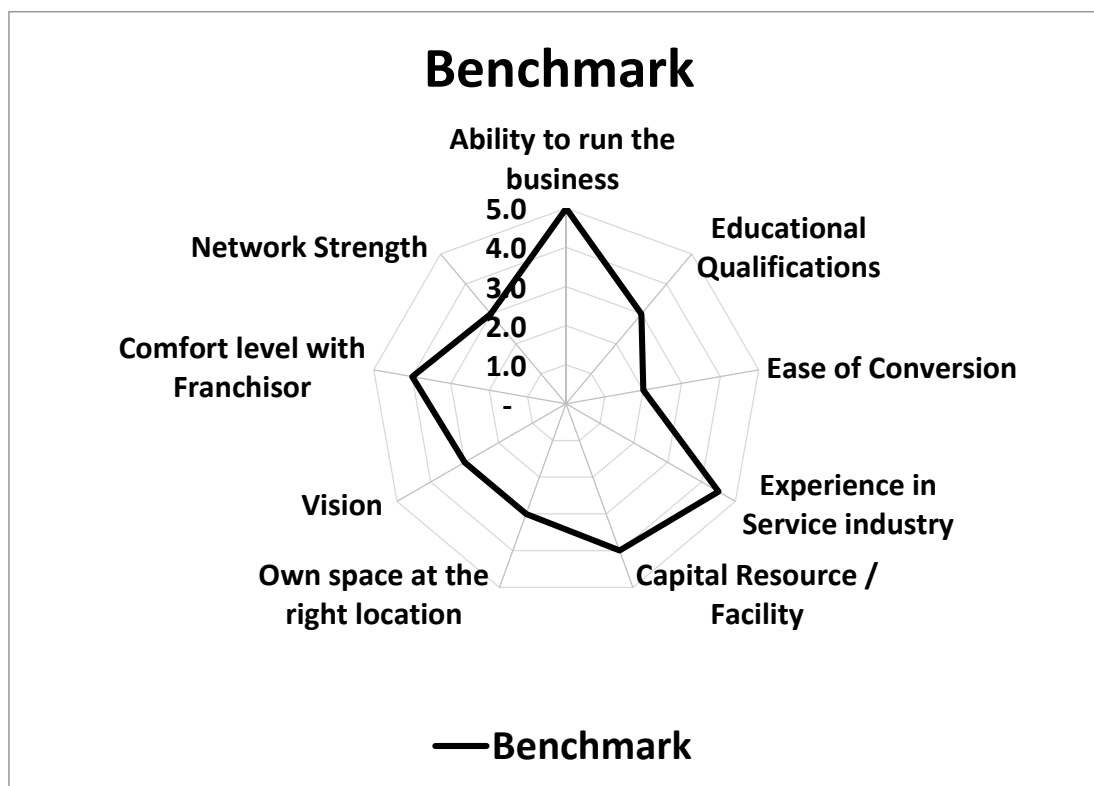
Franchise Profiling

Following are the critical parameters that cannot be compromised with and the prospective franchise must exhibit high scores on these parameters:

- ✓ Ability to operate the business
- ✓ Experience in service industry
- ✓ Capital to invest
- ✓ Comfort level with franchisor

Other parameters that can be overlooked given the franchise score heavily on critical parameters

- ✓ Own space at the right location
- ✓ Educational qualifications



Preferred Franchise Profile

On the basis of the business concept, format and ratings on the above criteria, following characteristics are recommended for a franchisee of LA' CHEF:

Existing professionals with business experience in customer service: This is recommended as a first preference because of readily available space, customers base and experience in the customer service industry that will be much needed expertise to run F&B business.

Real Estate Developers: As a second preference; a developer will have access to good location. A new restaurant in a newly developed area is a good opportunity to enter a new catchment area. This is also a good selling proposition for the developer.

Investors: As a third preference; franchisee follows the predetermined standards defined by Franchisor with sound financial backup.

Note: All the above profiles need owner/franchisee involvement in business operations.