

Spilling the 'secret sauce' of a good franchise business model

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Deriving inspiration from his home-grown Marwari furniture business, 28 year old Adarsh Manpuria spoke to Entrepreneur India on how he was implementing his understanding of entrepreneurship into a franchise model-based Fab Hotels.

FabHotels was started by Vaibhav Aggarwal and Adarsh in 2014 and follows the franchise -based model in the budget hotels category. The company so far has raised, \$10 million plus in funding from Accel Partners, RB Investments, Mohandas Pai's Aarin Capital and Qualcomm Ventures.

As a kid, Adarsh would often see his parents travel to Delhi every month and stay in local three-starred, unbranded hotels in areas like Paharganj and Karol Bagh. Hence he was totally aware of the key pain points in this system and it was easier for him to convince himself to innovate something in this space.

While conducting a thorough research in this category, Adarsh and Vaibhav realized that there wasn't any consistency in brand experience in the category of budget hotels, priced between Rs. 1500 to Rs. 2500 range in India. At FabHotels, they aim to build the most preferred hospitality brand in India for the average Indian travel that frequently travels for work. This traveller mostly looks for basic amenities like a good sleep and shower, easy to commute and good staff courtesy.

The Difference of a Franchise Model

Speaking about the key metrics one needs to follow in a franchise model of business Adarsh said, " We work on a global, hospitality model of a franchise,

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wherein as a brand you are required to provide three things to the unit to perform well. First, a brand itself wherein you are required to provide them the Standard Operating Procedures (SOPs) which they need to adhere to. Second is the technology; if you need to build any scalable franchise model you need to have good technology to make things easy on the operations side of the business and finally the demand generation. These are the three things that we focus on."

Adarsh, who has also attended The Wharton School, said that his company gives special attention to staff training to provide the best in class guest experience.

Target Customer and Competition

According to Adarsh, in every country business travel makes up for a majority of the travel that happens on a regular basis. " In India, for us the target customer is the 25-45 year old, male business traveller. We also focus on the SME business traveller, because India is an SME market much like China. In China much of the business travel came from the SME business market and we are going after the same business market; people who travel twice a month.."

" When I say travels for work it not only includes an MNC employee but also a trader from Surat who travels to Mumbai every month or a furniture trader like my father who travels from Ranchi to Delhi every month," he adds.

Adarsh said that FabHotels is unaffected by the emergence of an international brand like Airbnb in India. He claims that even internationally

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Airbnb does not cater so much into the business travel aspect of the market. " They have recently taken some initiatives to attract business travellers but in India, you cannot imagine a business traveller stay in somebody's house," he adds.

What has been my learning from our business model

Adarsh said that critically tracking data is one of the key things his brand makes sure to adhere to. The company tracks data across various category of its own brand as well as that of its peers like Ginger and Lemon Tree and strives to deliver better experience to its customers.

Secondly, being in the budget segment and an early-stage of a startup, one needs to be super cautious about how one can cut costs across categories and how to use technology to provide better experience.

The third part of the learning was that businesses need to make very India-centric solutions because everything that works in U. S. and UK might not work in India. Citing an example, Adarsh said that in Europe one of the most important criteria in this segment was the availability of hotel services, whereas in India this comes lower in priority and staff courtesy tops the list. Hence in India a hotelier can make up for the absence of a service by having a very courteous staff.

FabHotels closed its Series A round earlier this year. Adarsh believes that the 'secret sauce' in a franchise model is that you always have two parties to take care of. " You have to be as mindful of the supply-side, their success and their needs and wants as well as on the guest side. You cannot be

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building just for one part of the business. Also, you don't get many chances as a brand to build your persona for what you are known for. The brand cycle gets defined very early and you don't get many chances to change that. It's very important to define what you stand for very early on!" he adds

Adarsh said in India the sub-four star category the largest brand has been Lemon Tree and Fab Hotels aims to be larger than its top rival by the end of the year. It aims to be the most preferred budget hotel brand for all Indians.