A GOOD FIT

A young Victorian couple has seen its workwear clothing franchise flourish by not being slaves to fashion.

Report: Jane Lindhe

AUSTRALIA'S FASTEST GROWING FRANCHISES

As a third-generation rag trader, Hip Pocket Workwear & Safety founder Hugh Norris understands the importance of having the freedom to make his own business decisions. By giving franchisees a long leash, Norris says, his business has grown beyond his wildest expectations.

Over the past decade, 38-year-old Norris and his wife Renee have developed Hip Pocket, which debuts at 35 on this year's *BRW Fast Franchises* list with revenue of $17.18 million in 2008-09, from one franchisee to a network of 26 stores throughout Australia and Papua New Guinea.

The number of outlets has doubled in the past three years, and the Norrises have agreements to open another store in PNG and two more in Australia, with a further four outlets planned.

Growing up selling suits to businessmen and uniforms to schoolchildren at his family's menswear store in Bendigo, Norris was determined to break away from the business and cut his own teeth in retail. At the age of 19 he had the idea of taking the family business's small workwear division – which now ranges from worksite wear to hospitality and sports uniforms – and developing it into a stand-alone company.

"I was young, stubborn and proud and I wanted to do it on my own terms," Norris says. "I saw how difficult fashion was and how reliant it was on trends and discretionary spending. Workwear was a nice, almost recession-proof model."

Raising start-up capital from their savings and credit cards, the Norrises built their business slowly over 10 years. In 1998, in their late 20s, they started researching franchising as a means of expanding the business beyond Bendigo.

"I found as a single-store business owner we were constantly hitting our heads on the glass ceiling in terms of buying power," he says. "We could have opened up stores on our own but we didn't have the resources and I didn't want to tap into the family company."

Norris appointed his first Hip Pocket franchise in Ballarat. At first he was conscious of his age, 28; however his family background assisted in building his credibility. "I thought, 'What can this guy, who was in his 40s, learn from a young whippersnapper like me?'"

His unconventional, non-cookie cutter approach to franchising has attracted quality franchisees, Norris says.

The franchisees are a mix of new business owners and existing retailers. For existing businesses, Norris says the franchise model appeals because it provides them with greater buying power and security in an increasingly competitive retail environment.

Those businesses wanting to become Hip Pocket franchisees are given 12 months to co-brand the store and inform their customers of the change. Franchises cost between $180,000 and $240,000, which includes store set-up and fees.

"Because the system allows the franchisee to have a lot of input into the development of their own business, we are more of a business mentor and coach," Norris says. "I don't want my franchisees to be robots. I want them to make decisions and think for themselves.

"I appoint master franchises to replicate me, ensuring we have a high level of mentoring to support the other stores."

Norris also believes in allocating franchisees generous territories in which they can open up to three stores. He says franchisees who are given a degree of autonomy are usually the ones who want to expand their businesses.

"We don't want to provide them just with a wage," he says. "This is a real meat-and-potatoes business in which you can have a lot of input and benefit in the growth."

Hip Pocket's exposure to the global financial crisis last year was limited because of the business-to-business nature of the company, Norris says. While fashion retailers are dependent on trends, whims and consumer spending habits, much of Hip Pocket's stock – such as protective clothing and eyewear, helmets and work boots – is required under health and safety laws.

"Friends in fashion retail have had a disastrous six months," Norris says." Retail sales over Christmas flatlined but we went up."

This financial year Norris predicts turnover will rise by 20 to 30 per cent as Hip Pocket builds store numbers in Australia and PNG. BRW

HIP POCKET WORKWEAR & SAFETY

Rank: 35
Chief executive: Hugh Norris
Founded: 1998
Revenue 2008-09: $17.18 million
Growth: 27.55%*
Secret of success: Treat franchisees as business partners, not employees

* Average annual revenue growth in the three years to June 30, 2009

Photograph by James Davies

There are many ways to describe the approach the Cohen family has taken to achieve continued business growth. Risk taking is not one of them.

Headquartered in Melbourne, the owners and operators of Matchbox, the kitchen and homeware supplies franchise, describe their strategy as "cautious, considered and selective".

The story began in 1996 when Ross and Fran Cohen bought a 20-year-old business which was then under administration. The purchase gave them two stores in suburban Melbourne, the Matchbox brand name and stock. They set about building a family business and revitalising the Matchbox brand which had taken a battering through the administration process.

The company has now embraced a franchising model with 19 stores, 13 of which are franchised outlets and the remaining six company-owned. Management and control of the chain has been passed to the Cohens' sons David and Charles in a seamless process of succession.

"When our parents bought Matchbox they had two stores, Chadstone [shopping centre] and High Street, Armadale, and they grew the chain to four or five shops," managing director David Cohen says. "The family – mum, dad, our sister Annabelle and Charles and I – then grew the business to seven shops, and in 2003 we were looking at our options. We had to expand, consolidate or even diversify a bit."

It was at that stage that David says he decided to give franchising a go. With hindsight it was an inevitable decision. "The bigger we grew the less love we could give [the business] from a hands-on perspective," Charles says. "If you had a franchise, you could take it to the next level."

The decision paid off and Matchbox enters this year's *BRW Fast Franchises* list in fourth position with revenue of $14.82 million for 2008-09 and an average annual growth rate over the past three years of 194.79 per cent.

NO SECRETS

A cautious approach and family support formed the basis of a successful formula for homeware supplier Matchbox.

Report: Tony Blackie

David admits that they have had some help along the way. He brought in franchise consultants DC Strategy to help put together the modelling for the new structure of the company. "It really forced us to nail down our systems," David says.

The brothers also outsourced the selection and leasing of sites, and they brought in a specialist to recruit the franchisees.

"We went slowly at the start. It was a very nervous experience but we wanted to be selective in franchisees and locations," he says. "It has been a big cultural change. You go from owning your store where you can tell the people what you want and when you want it, to a situation where you have to be collaborative."

The rigorous selection of people and property has paid off, and as David says, happy franchisees make for a healthy bottom line. "We have high performers with multiple stores but every one of our franchisees is an owner-operator. They are not purely looking to buy a job."

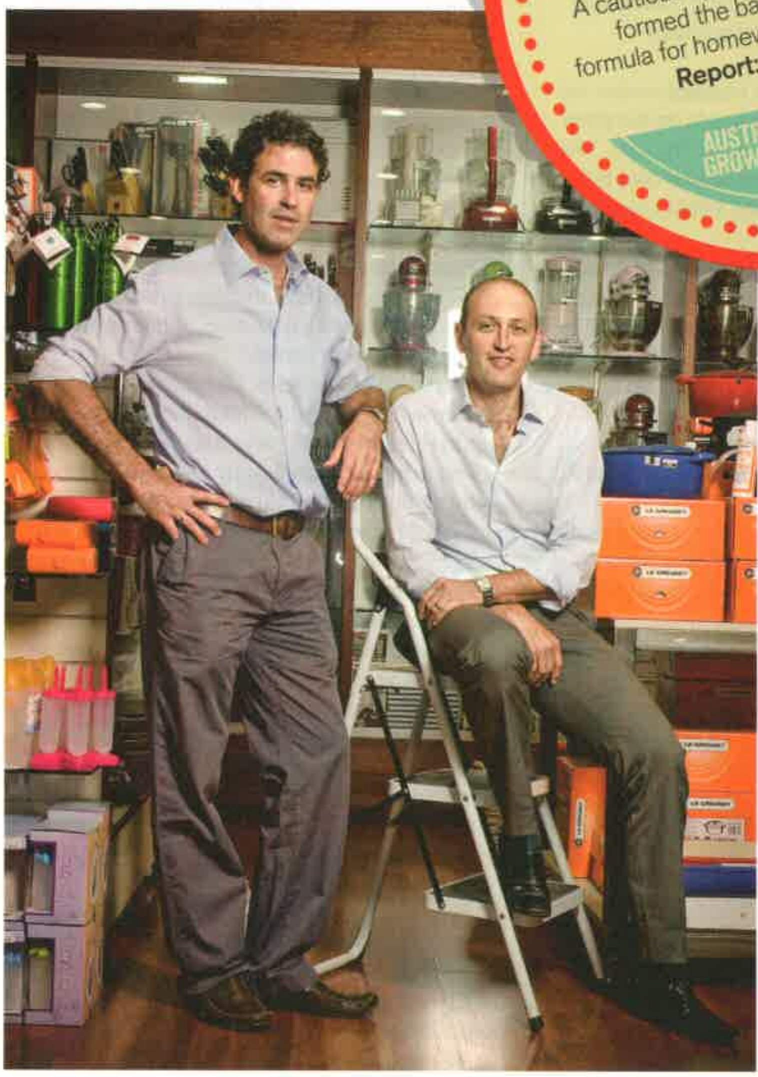
The growth of Matchbox has meant expansion outside Victoria with two stores being opened recently in Queensland and two to three more planned before the end of the year. There are four stores in Western Australia and David says it is likely that three more stores will open in WA in the next 12 months. Expansion into New South Wales is also being planned, which will result overall in the introduction of 10 new stores by the end of the year.

"We are looking at a network of 50-plus stores over the next few years," David says. "We are now reasonably confident with our model."

Matchbox had originally focused on giftware, but over the past few years the emphasis has changed to a greater specialisation in quality cooking utensils. The company recently embarked on an extensive marketing campaign, which involved the revamp of its image with a new livery and website, plus the tag line "Matchbox – The Secret Recipe". The image change which also included changing the look and feel of the stores, aimed to better reflect the company's specialisation in the cooking, kitchen, dining and entertainment markets, David says.

The Cohen brothers agree that they are achieving a satisfying level of success but they sound a note of caution for new entrants into franchising. They firmly believe that any success they have achieved is due in large part to taking a considered approach and listening to their advisers.

"The key to success is to be cautious, selective and patient," David says. "It would have been very easy to rush ahead and try to get a return on our investment fast but we held off to make sure that it all worked." BRW



MATCHBOX
Rank: 4
Chief executives: Charles Cohen (left), David Cohen
Founded: 1976
Revenue 2008-09: $14.82 million
Growth: 194.79 per cent
Secret of success: Be cautious, selective and patient

Photograph by James Davies