From the left: franchisees Uday Shankar Sethur Raman; Shankar Arunachalam; and Raman Swaminathan

UDAY, SHANKAR AND RAMAN

PACK & SEND

Three friends got together and thought about a new future for themselves and their families. Now it's a reality. Raman Swaminathan, Shankar Arunachalam and Uday Shankar Sethu Raman have turned their backs on corporate Australia.

Friends and colleagues in the Nielsen Group and IBM, the three of them have turned idle talk into a multi-unit franchise success.

Uday takes up the story.

"Getting into business started with a casual chat. We were just friends. After a few talks it came a bit serious [and we said] 'Let's look at some options in 2010'."

Once the idea had been tossed around for a while, the trio of corporate professionals visited the Franchising & Business Opportunities Expo.

Raman says, "We started to look around at the franchise expo in Sydney. We went round exploring options, we looked at petrol pumps and food businesses. We looked at our skillsets, where we could make a difference."

Because the trio had no experience of business ownership they felt comfortable with the franchising model.

"We realised many businesses require a lot of work during weekends. We were looking for something similar to our job, with work–life balance and time for family," says Uday.

The solution was Pack & Send, which the trio found through searching online.

"The model is crystal clear, there are not too many things to get involved in but there are no limits to what you can do to get the business," says Raman.

Uday admits he had conflicting emotions about the huge leap into business ownership before taking the plunge.

"For me the biggest challenge was the fear of failure. In a job there's a lot of security – you get your salary," he says.

That it was a brand new experience also made Uday nervous. He questioned whether or not he was making a big mistake.

"I also had a really good job offer that I was considering. But I thought if I don't do it now, when will I? What's the worst than can happen? I lose money and go back into the workforce."

However the franchisees each had wives still working, so they were not entirely dependent on the new business for survival.

Raman could see the risk but was ready to take action and get stuck in to the new project.

"Whatever we had to do would be rocking the boat. We had to decide who would step in and run the business. I had done a lot in my career – sports journalism, TV, diplomacy and corporate. I decided, I'll take the plunge. I've succeeded in everything I've done."

However it didn't go quite according to plan, he admits. "It wasn't a great start."

The first job resulted in a customer claim, not through any fault of their actions, but it set the business back.

And there were other errors that strained the business.

"

WHATEVER WE HAD TO DO WOULD BE ROCKING THE BOAT. WE HAD TO DECIDE WHO WOULD STEP IN AND RUN THE BUSINESS.

"We made some mistakes, like over-extending on the rent. The due diligence process doesn't tell you everything, the amount of work it takes to achieve the returns is not visible," he explains.

It is crucial for the business to generate profit, and to be able to pay and sustain employees, so keeping costs under control in the initial stages, and growing your business, is important. Raman points out that it's not always possible to concentrate on all aspects all the time.

What got them through the early tough times was a commitment to and passion for customer service.

"Success, as I see it, is to have a customer focus. View the problems from customers' shoes, see what you would expect. Don't underestimate any customer. A $20 or $30 job, these customers will come back to us, and they don't mind spending extra. What mattered to them was the kind of response they got instore. Service will get you repeat business in logistics.

"In certain areas we promised the world to customers but sometimes things fall apart. But then it's understanding how to fix it, so you have to know what they really need. Diplomacy and tact is what works. We walk that extra mile; don't charge extra for service."

What they did discover is how varied two neighbouring stores can be. The first store in North Sydney had an established pattern of servicing local business requirements when the second outlet at nearby Crows Nest was opened and turned out to have a totally different set of demands. Most of the business was event-based and delivering pallets.

Each of the three franchisees today is managing a single store, and each store is a profit centre operated independently. The three outlets are combined for the group to view strategy and financials.

"Everybody has access to MYOB reports. Each one of us, we are across the business on a daily basis. We've dropped our margin levels and seen how it impacts bottom line. It took us a few errors to get the right mix," says Raman.

It took the three franchisees four years to start seeing returns on their investment. Last year they took out the coveted Pack & Send Franchisee of the Year award for two stores.

The North Sydney business grew at 24 per cent while Crows Nest, which had a higher starting point, grew at about 13 per cent.

Not only are the three friends and colleagues, Shankar and Raman are brothers-in-law.

Despite this, Shankar says, "We do things a bit differently – we're not a family business, it's corporate run. We have to account for everything. We formed a board that meets every three months for normal business. I'm the chairman.

"I look over the whole business from a financial perspective, for growth. The board is the three franchisees and the financial advisor. We discuss the plan and the weekly sales report."

The franchisees apply any one of 20 different ratios to analyse growth and predict trouble spots.

"Being in corporate business helped us," admits Shankar. "We're accountable for everything."

They spent five years consolidating because they built the business to be long term.

Shankar reveals there are five Cs that nurture and shape the business: character, caring of business, commitment, confidence to scale and drive the business, and communication.

"We had a financial goal that within 10 years each of us would have a business with no debts. We are about 80 per cent there."

Recently acquiring an outlet in Castle Hill has given them another loan to repay but makes the portfolio stronger and will help them reach their financial goal, says Shankar.

"We had a $500,000 target, it took three years to do that. You have to build a new customer base. We knew what we had to do, how to scale. We've taken a careful, methodical approach."

The ex-corporates have discovered more benefits to running their own operations: for one, there is an absence of office politics.

"We've never had any ego issues, we've had our pressures and heated discussions. We knew each other socially but got to know each other as individuals, and we knew what we had at stake. That's been a driving force," says Uday.

He believes the complementary skills the three bring to the business help their success. "Raman and Shankar have commerce backgrounds, they are qualified accountants. I wasn't very good with numbers. I am a qualified engineer, and worked in business and marketing.

"I used to work in a market research company. They've been operational. We complement each other.

"The franchisor thinks we are doing well. We have to thank a lot of people, customers, family, friends, employees for sticking by us." ■

LESSONS LEARNED:

- Don't overextend on rent
- Customer demographics drive the business
- Staffing levels are critical
- Customer service brings repeat business