

Happy shopping

After success in design and distribution, the logical next step for Happy House is the big move into retail. By Jacqui Walker

David Buck loves standing in his Adelaide retail store and listening to his young customers' response to the retail experience he has created. Brightly colored stationery, linen, photo frames, watches and figurines designed for girls aged between seven and 13 are laid out in a plain white store staffed by young, uniformed staff. He says: "A couple of months ago, I was standing in the store and a little girl came in with her mum and she said, 'Mum, this is the best store in the world'. I just sat there thinking, 'Cool. Good result'."

Buck and his wife Tiffany Manuell, both 35, are the founders of the design company Happy House. Their products are manufactured under licence and sold through distributors in 43 countries. International retail sales reached \$45 million in calendar 2003, up from \$32 million in 2002. They have a range of 1500 products. Buck and Manuell are embarking on a new challenge: creating a retail chain of Happy House stores through franchising.

Buck, who handles finance and administration, says his company is ready for the move into retail because the product range is large enough to support stand-alone stores. He says the decision to franchise was inspired by the fast growth of Janine Allis's franchised juice chain, Boost Juice. And after more than six months devising a franchising strategy with the professional advisers Deacons Consulting, Happy House is ready to begin applying it.

The first franchised Happy House concept store will open in Adelaide in June. A company-owned store, which has been outperforming expectations since it opened in June last year, is operating in Adelaide's Marion Westfield shopping centre. Buck says there will be three stores in Melbourne before the end of this year, and nine more are planned for the eastern states before the end of June next year. Some will be company-owned but most will be franchised. The company says 7-13-year-olds in Australia spent \$10.7 billion on consumables in 2002, and the figure is growing.

Buck and Manuell started Happy House in 1994. Manuell, a former fashion student at RMIT University in Melbourne, made a range of over-size gift tags and sold them to gift shops in Adelaide. They proved to be popular and on the strength of this interest the couple sold a house they owned in Darwin and invested \$16,000 in a print run of 15 styles of gift cards and three styles of wrapping paper, to take to a trade fair in Melbourne in 1995. "We were young and thought we would take a punt and have a go rather than sit back in 10 years and think, 'Why didn't we do that?'," Buck says. It was a success. They had aimed to sell \$7500 of products and managed to sell \$22,500.

A few months later, Buck, who had spent 12 years working his way up the corporate ladder at ANZ Banking Group from teller to commercial lender, resigned and began working in the business full-time on finance and administration. Manuell took control of product design. Initially, the company did all the manufacturing, distribution

and wholesaling, selling to gift stores and newsagencies. By 1999 it was turning over \$800,000 a year and started licensing to manufacturers and distributors. Buck says: "It enabled us to recognise that our strength was in design."

Happy House, which was already selling products in about 10 countries, including the United States and Britain, worked on expanding its range. About two years ago, a Korean businessman with retail experience who had seen the products at a trade show, wanted to open a concept store in South Korea. "We get many approaches like this but this guy was incredibly serious, as can be seen by the results," Buck says. "In two years, he has created 34 stores: a mixture of nine company stores and franchises."

Buck's desire to have more control over how consumers perceive the brand also led to the decision to go into retail. "The beauty of the shop is allowing us direct distribution points for the product," he says. "So you don't have to go out there and market to other retailers — you are marketing your brand to the end consumer. It allows us to reflect the brand in the marketplace as we see fit."

He says franchising is an attractive strategy for expansion because it allows for quicker growth. The franchisees' capital investment in the business will allow more stores to be opened in a shorter time and will reduce the amount of infrastructure that Happy House has to provide to support the retail operations. "Being an ex-banker, I'm very aware of the problems of compa-





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nies over-trading and being over-gearred, and I'm probably a little conservative."

Buck is keen to take advantage of the experience Happy House has had in licensing. He says: "We are very much into partnerships and strong working relationships. We think franchising will allow us to build good partnerships and relationships with people who share our philosophy and passion for what we are trying to do, as opposed to employees just toeing the company line."

Adrian McFedries, the strategic director of Deacons Consulting, says the challenge with fast growth in franchising is to keep development of the infrastructure slightly ahead of the company's growth. It is also critical to choose the right people as franchisees. McFedries, who has helped Happy House develop a four-stage franchisee selection process, says it is necessary to set a high standard for the capital, commitment and passion required. He says: "Capital is the most important thing in every franchise situation. If you say you need somebody with \$300,000–500,000 and you pick somebody who has \$250,000, you can be guaranteed the performance of that store is going to be marginalised." The shortfall in cash will mean the franchisee fails to put an employee on when needed, or spends too little on marketing.

Buck agrees. "Capital, commitment and passion all tie in together. Capital is the biggest commitment someone can make, and without passion they are not going to make that commitment. They need to be able to believe in our product and our brand." He will also rely on his instincts in choosing franchisees. "You have to feel happy about a partnership with this person; that you can work together to achieve these common goals."

Manuell and her staff at the Adelaide office design all the prod-

ucts. Buck says the fact that all the products are designed with a common theme from one design studio sets Happy House products apart. He says that Happy House has no direct competitor but fights for the same dollars as the surf-wear brands Roxy and Billabong, or anywhere else that girls spend their pocket money.

Happy House is in the fashion industry, and so falling out of favor with its target market is probably its biggest threat. Buck is acutely aware of the fickle nature of his customers. He believes retail outlets will help the brand stay popular. "We are very conscious of staying one step ahead. We are re-inventing artwork and products all the time to stay fresh and new."

Once the franchise retail chain is set up in Australia, Happy House plans to extend the franchise overseas. Distributors in Greece, France, Britain and other parts of Europe have expressed interest. ●

HOW TO FRANCHISE A RETAIL IDEA

- 1** Know precisely the product you want to sell, and be specific.
- 2** Get one store up and running to prove that the business is profitable.
- 3** Create strong plans, processes and systems so that, as the owner, you are leader and manager, not owner-operator.
- 4** Surround yourself with employees and advisers who are better than you at something.
- 5** Work hard to make it happen. If you have spent \$100,000 to \$200,000 devising a franchising strategy, you need more than one or two stores to make it a worthwhile investment.

SOURCE: DEACONS CONSULTING