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TAKING PAPPARICH OVERSEAS

BY Alexis Lee

Building a brand locally is tough, what more to take it overseas. Launching a business abroad requires careful planning and financial foresight. While the rewards can be potentially higher in terms of demand and market size, expanding beyond our shores can turn out to be costly, complicated and, if unsuccessful, a loss.

However, this does not mean that venturing into the international market is always a bad move. One of the Malaysian companies that have successfully expanded overseas is PappaRich, which opened its first restaurant in Australia in 2012.

As at February 2014, it had eight outlets there — five in Victoria alone — and plans to open nine more in other states by the end of the year.

PappaRich Australia is a joint venture between master franchise holder T G Saw and the PappaRich group in Malaysia.

Saw tells *#edGY* that PappaRich chose Australia for its expansion for several reasons.

"There are a lot of Malaysians residing there and there's a steady inflow of students every year," he says. "We also feel that Australia is an untapped market for QSRs, or quick service restaurants. Malaysian eateries in Australia are mostly family-run businesses, small in size, and don't offer much in terms of ambience.

"Besides that, we specifically picked Melbourne for our first outlet because it has a higher number of Malaysians and is known as the food capital of Australia."

Before the joint venture, Saw had been running a food and beverage business for 11 years in Melbourne.

The PappaRich team spent six months on market research and planning the expansion.

"In terms of law, franchising in Australia is very transparent," Saw says. "Owning a franchise business is also well accepted because the franchising model there is a mature one."

Acquiring a PappaRich franchise in Australia costs A$1.2 million to A$1.5 million (RM3.5 million to RM4.39 million), depending on the size of the outlet and its location. The average return on investment for an outlet is between 25% and 50% per annum, depending on the location. Saw adds that due to strict confidentiality clause, he is unable to disclose how much was paid to bring PappaRich to Australia.

Considering Australia's strict business laws, setting up shop there shows that the brand has reached the top level of franchising. Of course, PappaRich Australia faces many challenges in maintaining a high standard.

Saw lists stringent regulations, expensive labour cost, difficulty in hiring workers and sourcing ingredients, and high rent, logistics cost and standard of quality control as among the major problems.

"Supplies in Australia are not only expensive but some items that are integral to Malaysian cuisine are also very difficult to source. So, we get the fresh produce locally, and items that cannot be found there are sourced from the PappaRich group in Malaysia."

To ensure the consistency of the food, a 1,200 sq m central kitchen was set up in Port Melbourne, Victoria.

Saw says main dishes such as Pappa cham, nasi lemak, Hainan bread and mee goreng are served at every PappaRich outlet there while satay and roti canai are added to the menu to suit the local palate.

He adds that PappaRich Australia is always on its toes as other big Malaysian brands are also planning to expand in Australia.

"As it is, we are already facing competition from other restaurants like Chillipadi and Killiney Kopitiam. That is why we are continually improving and innovating our systems and procedures."

Constant improvement is crucial to ensure the customers return. Saw says that when PappaRich first opened, its customer base was around 80% Asian, but this has gradually shifted.

"We have reached a point where only 65% of our customers are Asian. This is something that we are proud of as it means that the locals are more aware of us and they enjoy eating our Malaysian-style food."

PappaRich is not stopping at Australia. When asked what's next, Saw says 2014 will be a year of international growth for the brand with the group looking to expand to New Zealand, Indonesia, the US, India, South Korea, Hong Kong and Macau. E

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