

News and analysis of the international market

Italy's Vision Group strengthens franchising, too

It is just a year since an Italian equity fund, Arcadia, acquired 46 percent of the capital of Vision Group, an Italian optical buying group with some 1,500 retail members. Arcadia was set up by Guido Belli, one of the founders of Bridgepoint, an international investor with a strong presence in the eyewear market. In addition to a major stake in Alain Afflelou, Bridgepoint owns Rodenstock since 2007. Vision Group was entirely owned by the management and members of the group, and they still have the majority of the shares.

According to analysts, Arcadia has pumped in €7 million in new equity to support Vision Group's recent growth, which has taken it from 922 to 1,500 sales points in three years, an increase of almost 75 percent.

Arcadia's investment will help the group to finance a process of integration and centralization among the retail members. Vision Group wants to encourage them to increase their commitment by becoming franchisees, adopting its banner. To help them make this costly step, the holding company of the group invests in the stores, acquiring a minority share and forming a sort of joint venture with the retailer.

For the members, becoming a franchisee involves a higher degree of centralization in terms of purchasing and other aspects of the management. The group has a strong influence on what the retailers will buy, guaranteeing on the one hand that unsold inventories may be returned. This gives the Vision Group a much stronger position when negotiating prices with suppliers.

Such an extensive operation required serious funding, to increase the number of members moving from traditional membership to franchise status under the VisionOptica banner. The Arcadia deal was the solution, but should it decide to pull out of Vision Group in the future, the alternative would be to look to the stock exchange to recapitalize.

Out of the 1,487 optical retail outlets affiliated with Vision Group, 214 have joined VisionOptica, a banner that is positioned at the top end of the market as compared to the original Vision Group banner. They get assistance in the selection of brands, as well as with accounting and fiscal issues.

The total number of outlets affiliated with the group remained stable in 2014 but the number of VisionOptica franchises increased and the group's current objective is to reach a total of 250 franchises. The number of directly owned stores should increase from 9 to 16.

The group cannot provide precise figures for the members' retail sales. It estimates that they fell by 3 percent to €380 million in 2014. The retail members bought 5 percent less merchandise in terms of value, but volumes increased in spite of the decline in the Italian market. After years of recession in the market, the group succeeded in attracting new consumers in the lower price bracket with its value propositions.