

# TRANSFORMATION SUCCESS STORY

HAVING BEEN ACQUIRED BY A PRIVATE EQUITY GROUP, FRIVEN & CO. REVERSED A \$10 MILLION LOSS TO RETURN TO PROFIT TERRITORY WITHIN A FULL FINANCIAL YEAR. **RIDWAN ABBAS** TALKS TO ITS EXECUTIVE CHAIRMAN GARY LOH ABOUT THE GROUP'S TURNAROUND AND HIS BIG PLANS TO RESHAPE THE BUSINESS.







Concept store at Jalan Kilang

When Gary Loh and his private equity partners acquired Mayfran International Limited in August of 2006, he had in hands a company with no working capital to develop its products and was nursing four consecutive years of losses. Though it had no debt, Mayfran was bereft of a strategic direction having diversified into menswear fashion alongside its core business of bed-linen and bedding accessories. Ultimately, the loss-making men's fashion and apparel division took a heavy toll on the company's balance sheet.

"There was a lack of focus from the (previous) management as to what the company really wanted to become," relates Mr Loh. He immediately sold off the menswear division and saw the bed accessories business as a focal point from which the company could grow. From the start, the Group had in its stable five in-house bed-linen brands - Relax At Home, Friven, Perrin, DS and also Allegoria. With a new management helmed by Mr Loh, the Group decided to rename itself Friven & Co., adopting it from one its most recognizable brands.

One of its major successes to date has been the restoration of the Group's balance sheet, which shows more than a six-fold jump in revenue to \$78 million for the financial year ended March 31. The Group had also managed to turn in a net profit of \$172,000, reversing a \$10.3 million loss from the previous financial year.

A major factor in the turnaround has been the astute acquisition of Hong Kong-based home décor sourcing company, Eagleton. As of the last financial year, its home-ware business attributed for about 80 per cent of the Group's turnover.

"When we took over Friven & Co., it had only one business which isn't going to grow very far if you only looked at the business itself.

So what we needed was to use our cash and offer shares to buy another company, which is now a 100 per cent owned subsidiary called Eagleton and basically what you have right now is the putting together of these two companies," says Mr Loh.

It was essentially a move in-line with the management's vision of moulding Friven & Co. into a lifestyle business providing for soft home furnishings. Eagleton's core competency of sourcing and producing quality home-décor products was a perfect fit with Friven & Co.'s bed-linen and bedding accessories line and this combination seemingly puts the Group in a unique position.

"If you put Friven and Eagleton together and you look around the region, there isn't really a company like this. But if you were to go to Australia, the US or UK, there are a few of them like Zara Home, Linen n Things, Bed Bath & Beyond, Habitat and so on," he says.

### CONCEPT STORES

While the Group used to distribute their products via department stores, the current management has set their lifestyle concept in motion by opening up nine Friven & Co. concept stores since December 2006 - three in Singapore, four in Malaysia, two in Indonesia and one in China. The Group plans to open up two more stores by the end of the year, one in Jakarta and another in Singapore to be located at Tampines.

To facilitate its expansion plans, Friven & Co. executed a private share placement last September, raising \$6.3 million from two institutional investors. The proceeds were used not only for the setting up of its concept stores but also in expanding its collection of soft home fashion furnishings that includes bed-linens, beddings, quilt and quilt covers, bedroom, kitchen and bathroom accessories.

"We were cutting down losses and also expanding aggressively so we were concurrently doing two things. So having done this successfully to reach where we are, we should start seeing the benefits

**"If you put Friven and Eagleton together and you look around the region, there isn't really a company like this..."**

### FRIVEN & CO.'S EXECUTIVE CHAIRMAN GARY LOH.

starting to come in from the stores which we have opened in the past year," says Mr Loh.

Of the three Friven & Co. stores in Singapore, the most eye-catching would likely be Friven & Co. @ Tanglin which is due to open this month. Located at the old Tanglin Post Office site, it goes beyond concept stores to offer customers with a lifestyle and retail hub spanning 18,000 square feet. Aside from housing the largest Friven & Co. store worldwide, the other major tenants include HSBC, Denise The Wine Shop and SunMoon, which offers groceries and gourmet meat for purchase.

"This flagship outlet will embody Friven & Co.'s core values and when completed, it will be a place for our customers to shop for qual-





Friven & Co. kitchenware

ity products, run their little errands and then rest for a cuppa," says Friven & Co.'s chief executive officer Roy Ng.

As part of a holistic lifestyle offering, the flagship outlet will not only stock an extensive range of home and living accessories but also cater to children's products. The Group has already secured an exclusive distribution right for a new-to-market label called "Honey Berrie", a brand which carries quality baby and children products imported from the United States and Japan. As part of its product expansion plans, Friven & Co. is paying close attention to its kids offerings, having started its own "Friven Boys & Girls" line of bed sheets.

"When you get married, the next thing you'll have is kids and your kids will occupy a large part of your life. When we talk about lifestyle, as a person goes into the different chapters of their life, our store remains relevant to them.

So if we want to do all this, we can't ignore the kids' side. When we open Tanglin, this is something that we want to expand on," explains Mr Loh. He added that the company would consider all angles in which to further grow its kids range, including mergers and acquisitions.

#### CREATING MORE DISTRIBUTION POINTS

After turning its balance sheet around, the focus of the group naturally gravitates towards margin expansion. To that effect, it is opening up more distribution avenues for its products. As it complements its traditional distribution in department outlets with its very own Friven & Co.

concept stores, the Group is also looking at the hospitality industry and the internet as two potential revenue generators.

Referring to the Group's strategy in the hotel market, Mr Loh says, "Instead of going to them and selling a duvet or a bedsheet, what we want to tell hotel owners is that we'll do the complete room. We have certain projects which will be announced soon where we'll convert certain hotels...and we'll show the ability of this company to expand its revenue without having to reinvent itself again."

For hotels, the Group uses its DS brand of bed-linen, characterised by its clean lines and high thread count of Egyptian cotton. The company also has plans to utilise its high-end Allegoria brand to cater to the luxury market. Plans are afoot to establish an office in Italy later this year, where it hopes to leverage on Italian expertise to bring the brand up another notch in terms of manufacturing, quality and packaging.

Aside from Southeast Asia, Friven & Co.'s physical presence outside the region is currently limited to only Shanghai, China. Hence, the Group sees the internet as a viable distribution platform to widen its customer base. Since May, Friven & Co.'s products have been available for purchase online.

"With the internet, we're going to the markets which we are traditionally not big in. What we need to do is to make sure we can deliver and we have offices in the UK, we have offices in China, so we see this as a big area for us," Mr Loh points out.

The Group, in fact, views its future growth markets as those in North Asia and also the Middle East. It explains that penetration into these regions would ideally be done through a franchise model of its stores.

Evidently, the way Friven & Co.'s fortunes has completely turned on its head is quite remarkable. The next step now lies in the successful execution of its growth strategies; something if done right, would definitely surpass its previous feat. **SI**



DS line of bed-linen: Plans are being rolled out for Friven & Co. to enter the hospitality industry with its DS collection.