

iD FRESH FOOD: A COMPLIMENT TO HEALTHY HOMEMADE COOKING

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CASE DESCRIPTION

The case discusses the unique ideas and various marketing strategies adopted by the first mover iD Fresh Food on its journey to gain huge customer base in the Indian market. The case study examines the thought-provoking factors that have contributed to the victory of iD Fresh in gaining a remarkable success. The underlying issue of the case is to examine how far the close-knit management style is going to sustain its market leadership position in future. The case is aimed at students studying MBA and other related business management courses such as Entrepreneurship Development, Strategic Management, Brand Management, Marketing Communication and Marketing Management curriculum.

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The Spectacular Backdrop of iD Fresh Batter

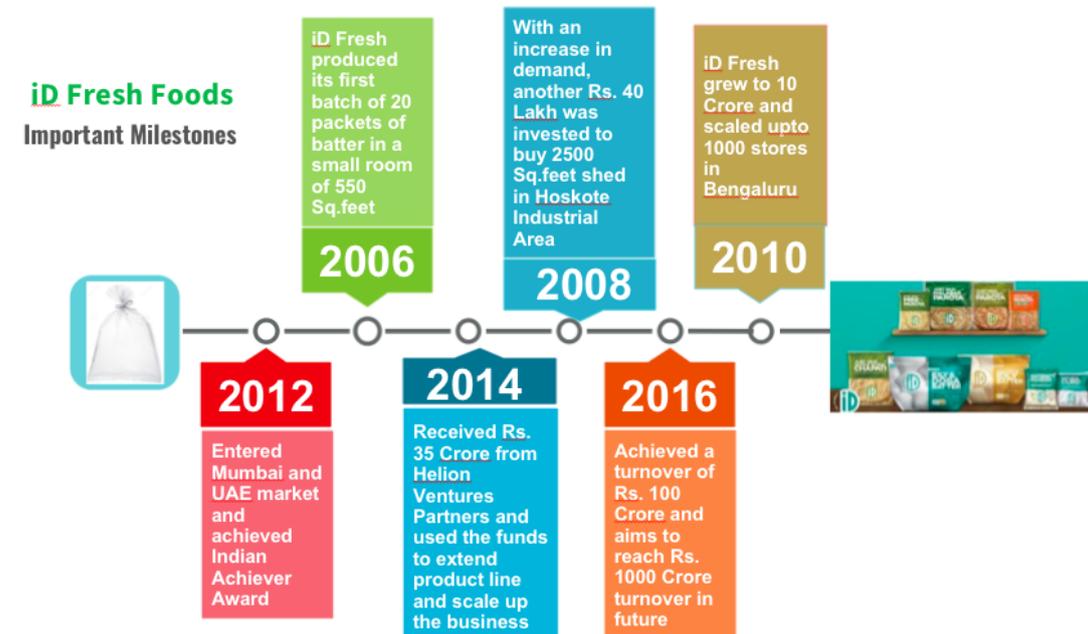
iD fresh food was founded in the year 2006 by an IIM-Bangalore alumnus PC Musthafa and his cousins, Shamsudeen TK, Abdul Nazer, Jafar TK and Noushad TD. P C Musthafa is the Chief Executive Officer. The idea was introduced by PC Musthafa when his cousin, who had a kirana store constantly complained about the quality of *dosa* and *idli* mixes produced by the local vendor. During the time which Musthafa had spent on weekends in the kirana shops he noticed that the idly dosa batter which were sold in transparent unbranded polythene bags and tied with a rubber band used to sell out very quickly (Bureau, 2017). That was when the new business idea emerged. iD Fresh Foods was started in a 550 sq.ft room with one batter grinder and a packaging machine. The name iD was suggested by one of the cousin as an acronym for idli dosa (Anon, 2017). Eventually, the venture was named “iD Fresh” indicating an identity for fresh idli and dosa batter.

PC Mustafa, the CEO of iD fresh foods was a son of a coolie hailing from a distant village of Kerala, India. Mustafa was a sixth grade failure, but continued to pursue his studies and graduated from the National Institute of Technology, Calicut and IIM Bengaluru. Musthafa’s contribution to the initial investment was of Rs.25,000. Today, Mustafa heads a Rs. 1,000 million company, iD Fesh Foods whose products are sold in important Indian cities and in a few overseas locations also.

iD Fresh’s Growth Momentum

The complexities of the dual income group and the hurly-burly urban life have greatly encouraged the entry of class of foods called Ready-To-Cook (RTC). iD fresh foods are known for their traditional recipes and high standards of hygiene. The batter is freshly ground and packed every single day. The batter is made by grinding the finest quality of rice, split black lentil, fenugreek seed and RO purified water and low sodium salt. The batter is completely free from preservatives, chemicals and artificial flavors. The conventional ratio of 1:4 proportion of lentil to rice and a 0.01 portion of fenugreek seeds are maintained. The

product is in semi-solid state, which is the correct consistency to make idlis and dosas. The product has an aroma like that of homemade batter.



Source: Secondary study

FIGURE 1
iD FRESH FOODS MILESTONES

The batter is neatly packed and sealed in such a way that it facilitates the batter to be easily transferred to a bowl. Until 2014, the batter use to come in a sealed pack where the customers had to cut open the pouch and transfer the contents into a bowl to store it. Later, with a packaging innovation they introduced a special type of packaging called “transformer pouch”. This is a sealed pouch, when opened takes on the shape of the container and can also be stored in the same pack. Customers are assured that they can make both idlis and dosas with the same batter by mixing water in it.

The Take-Off

Starting from wet idly dosa batter, the company currently offers a wide range of products to its customers. With its wide array of products, the company seeks to customize its products to cater to the Indian palate. The company has introduced some of the Indian breads like “just heat” whole wheat parota, “just heat” whole wheat chappathi, “just heat” malabar parota, “just heat” whole wheat parota junior, “just heat” mini parota, besides udupi style idly-dosa batter, natural gms-Rs.30 (a cottage cheese) traditionally made by adding lemon to it unlike commercially available cheese made with citric acid and natural curd. However, the main focus area for the company remains idly dosa batter which contributes to a lion’s share of 55% to its total revenue, parotta contributing to 30%, chapathi 7% and the rest from dairy products. This wide array of products has helped the company to compete in a market that had a variety of ready to cook items in different flavours and SKU (Stock Keeping Unit). The CEO of the company claims that iD fresh products are only helpful aids to the homemaker and their products will always remain ready to cook and not ready to eat. The products are intended to reach the kitchen first and not directly onto the dining table.

iD fresh food share value based pricing strategy to capture the largely unorganized Indian market. They believed in the philosophy that “if the products are worth, the price is always right” even for price conscious consumers. The company launched idly dosa batter in 1 kg packets for Rs.70 and 2 Kg for Rs.140, 1 Kg Udupi style idli batter Rs.65, 1 Kg ragi idli dosa batter Rs. 80. The SKU’s price of iD Fresh product mix are: Just heat Malabar parota–350 gm–Rs.70, Whole wheat parota–350 gms–Rs.70, whole wheat chapathi–Rs.60, natural curd–400 gms–Rs.30, Paneer 200gms Rs.90. The company has also introduced combo packs. The price of the product was fixed on par with the competitors. The product meets the needs of middle class therefore the demand for the product is inelastic.

When the master plan of making 50,000 Kg of batter/day happened, the cousins divided the work among themselves. Each one of them took a task, which they were best at. One took care of grinding while another who had his well-established network at Malyali Kirana shops took the charge of delivery, which was done with his own scooter. Mustafa took care of the entire operations. They started by making 10 packets of batter of 1 Kg each in a day that was delivered by second hand TVS scooter in Bangalore, India.

Based on the customer feedback and demand, iD Fresh reached out to 20 stores in Bangalore gradually. The main distribution problem was logistics issues due to the perishable nature of the product. The other major problem which had surfaced was lack of facilities to store the unsold items; resulting in wastage and loss due to excess inventory. Efforts were put to strike a balance between availability and loss due to unsold inventory. The CEO’s IT expertise came handy and app Bizom was developed with the help of Mobisys Technologies. With the app; information could be captured on a real-time basis. This enabled iD Fresh to work on Just in Time inventory model that helped to forecast the sales, returns and optimize production. The software features geo-fencing that uses RFID technology or GPS. It was developed to identify geographical boundaries thereby helping to connect with their staff and customers. This technology helped to track their supplies and to ensure that their timely availability and decision-making based on the updated sales data.

In order to scale up their manufacturing capabilities, they tied up with a German manufacturer, which could churn out 50,000 kg of batter every day. This required an investment of Rs. 10 million. For parattos, they developed their own machine with the help of a fabricator.

Currently, iD Fresh enjoys a market share in Bangalore, Mangalore, Mysore, Hyderabad, Pune, Sharjah with semi-automated manufacturing plants and ISO certification. They are locally based in each city to replenish products on a daily basis. With a team of 500 workers, the company manages to serve 5,000 retail outlets through 86 delivery routes (Anon, 2017). The company focusses on establishing its own distribution channel (trucks & salesman), maintaining close relationship with retailers and exercising strict control on product quality and service level to enhance productivity and maintain orders on a daily basis.

In an interview; CEO Mr.P.C. Musthafa says, “Batter is made, seal packed and loaded into chiller vans as early as 5.00 A.M. Further, the batter is supplied to stores across Bangalore and other cities. The firm has partnered with thousands of retail stores and the supply to all the areas is completed before 2:00 PM”. In order to maintain the customer base, they supply directly to some of the largest Indian retailer chains viz., Reliance Fresh, Food Bazaar, Spencer’s, Nilgiris, Heritage, Total, Smart, Safal and others.

Its products have reached more than 5000 retail outlets across eight cities. The company has also partnered with leading grocery delivery portals like Bigbasket and Grofers. The CEO strongly feels that online sales are still only a fraction of the overall market. iD now employs 650 people, touching more than 10,000 stores a day to cater to customers at residential complexes, corporate offices and software parks. In the B2B business, they have a

dedicated sales force that caters to hotels such as Taj, Lemon Tree and Marriot, restaurants such as Adiga's and Empire outlets and caterers and airline kitchens such as obero flight kitchen and Skygourmet.

iD Fresh adopts a 360-degree marketing and branding approach that includes ATL (Above The Line Advertising) and BTL (Below The Line Advertising). The ATL strategies have been planned to enhance brand recall and visibility among Mumbai customers by using medium such as bus shelter campaign, gantry advertisement, attractive digital screen at airports and metro stations. The other ATL strategies includes digital print, radio, social media, public relations etc with a major focus on OOH (Out Of House) advertising to encourage people to eat healthy preservative- free food and to cease the stereotype related to packaged food. The BTL strategies include the launch of viral advertisement on YouTube, social media marketing, newspaper and magazine advertisements. With the aim of creating awareness about the difficulties of the families of Indian martyrs and to motivate the common people to contribute to their families, the company has tied-up with the Directorate of Indian Army Veterans and has created a digital campaign.

To lock in "price-sensitive" customers, many sales promotion tools like Rs. 20 Paytm recharge on purchase of iD fresh batter and Rs. 60 Freecharge offer are being used consistently.

Using the digital medium is key to its marketing mix strategies as the focus is to create awareness, build trust and maintain relationships. Keeping "low cost of operation" in mind, social media is used to directly approach customers and handle queries and complaints in real time. A disruptive marketing strategy was adopted by installing 'Trust Shops' in few apartments in Karnataka, Tamil Nadu and Kerala called as "iD Trust Shop". The firm has installed visi-coolers" which are more like a vending machine and installation of these vending machines has helped to build trust and connect with the target group as there are no cameras to monitor the buyers and check whether they drop cash for whatever they pick from the 'Trust Shop'.

Looking Ahead

As the Ready to cook food segment is still in its nascent stage, there is a scope to penetrate into other potential cities with both its current product range and through customized products. The company is targeting its expansion to ten Middle East cities and specifically Muscat and Kuwait. Currently, the Indian cities Bangalore, Mumbai and Hyderabad contribute to 64% of overall revenue followed by Dubai with 20% and the other cities contributing to remaining 16%. The company has planned to expand its business to the international geography such as US, UK and Singapore. In the coming months, the company expects to start selling vada batter and millet based dosa batter. Being the "first mover" in the market, the company has already created an entry barrier by taking patents for its batter, vada packaging, Parota machine and grinding techniques. The company has also experimented with other products such as appam batter and snacks like rose cookies, but they haven't done very well in the market. The company has planned to introduce a packaging innovation for its proposed vada batter. The product will be available in a pouch with an attached spout through which one can squeeze out a vada into a frying pan and it will be a complete vada with a perfect hole in the middle. Presently, the brand has morphed into a multi-product brand with a range of products. The company continues to be managed by close-knit family members with control residing in the hands of a few individuals in the family. They largely manage the various locations centrally. However, it may be difficult for the firm to achieve the projected growth if they continue with the same management style. There is a threat of competition from other brands and private labels too.

Continuing to maintain global standards of food safety would be a big challenge due to diversifying its product mix and entering new geographies. Besides, creating awareness in these new geographies, infrastructure backup as well as effective distribution networks might be another challenging task. To increase brand awareness in global markets, the advertising budget for the year 2017 is Rs. 250 million as against Rs. 80 million in 2016.

This might also lead to losing the first mover advantage that iD enjoys. Owing to the fast changing lifestyle in the metropolitan cities and other tier I and tier II cities could lead to changes in eating habits also. The threat looms large that preferences might shift to western breakfast instead of the traditional foods. The company aims to become a “Rs. 10,000 million company” in the next five years.

EPILOGUE

Launched in 2006 as a small store in Bangalore, iD’s growth trajectory looks very promising. The company aims at a Rs.1,000 million revenue by 2020 with exports to the US and UK. With a diverse product portfolio and the fact that they are fresh and 100% natural and are part of the health-food segment iD is positioned well to take on the markets worldwide.

iD Fresh now intend to experiment with wet sambhar and chutney pre-mixes to the ready-to-cook batter as complementary products. The traditional meals have now truly come of age with a convenience and easy access to all who seek healthy home-made meal options.

With investors galore iD plans to build category awareness, scale up geographic expansion, capacity expansion with state-of-the art plants, establish new distribution networks, R&D, marketing and strengthen the team, there exists a billion-dollar opportunity.

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