

# Case Study

## Batter Solutions To Better Breakfasts

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### Introduction

The making of traditional south Indian breakfasts or tiffins mainly comprising of Idly, Dosa and Vada are slowly becoming rare in the urban homes of many nuclear families. This is because these traditional foods require time, effort and skill in the preparation. In many south Indian homes, the recipe for preparing the batter and the art of making Idly, Dosa and Vada has been passed on from generation to generation through mothers and grandmothers. However, the tedious labour and the mess involved in the preparation of the batter in a wet grinder was a pain point that has perhaps put off many of the modern working women from cooking these items at home. Given the demand for idly, dosa and vada in commercial eateries, iD Fresh Foods, addressed this issue and came up with the solution of ready to cook, nutritious, fresh, packaged batter, with no preservatives akin to home made batter. The USP of brand iD, where iD not only stood for idly and dosa but served as a differentiating factor in the market place in identifying and positioning the brand. In 2005, Mustafa with his four cousins, Abdul Nazer, Shamsudeen, Jafar, and Noushad, co-founded iD Fresh Foods Private limited and established a small manufacturing unit in Hoskotte, Bengaluru. In Mustafa's opinion, if the working women could be convinced on the USP of the brand, then it would unleash a huge business opportunity. This intuition made Mustafa take the risk and plunge into the business of making idly dosa batter on a commercial scale.

### Mustafa's School and College Days

Mustafa was son of a rubber plantation daily wage worker. He grew up in a remote village in Wayanad District of Kerala. The village had no electricity or roads. As a school going young boy, the entrepreneurial spirit was deeply entrenched in Mustafa and manifested early in his life. At the tender age of 10, he balked at the thought of asking his poor father for pocket money. So he set up a make-shift mithai shop selling chocolates and sweets in his village, to make some pocket money to meet his daily needs. "Father was struggling to make ends meet and life was very tough", says Mustafa, reminiscing his childhood days. As a kid, Mustafa assisted his father in his labour jobs after school and during weekends. In school, Mustafa was an average student and faced difficulty in some of the subjects. When he failed in class six, his father wanted him to stop studying and start working with him full time. Mustafa begged his father not to take this drastic step. It was at this crucial moment that his maths teacher Mathew came to his rescue and forced his father to give him one more chance, remembers Mustafa with gratitude. As a result, Mustafa repeated class six sitting with his juniors. He was good at Maths, but weak in both English and Hindi. His teacher Mathew took personal interest in him and taught him after school. With true grit and determination, a self motivated Mustafa studied hard and surprised all his teachers and friends by coming first in Class. This was perhaps the turning point in Mustafa's life. With confidence, he went on to further excel in his studies. No force could stop him. He was the topper in his tenth class and repeated

this performance in the twelfth class board exams, and went on to get admission in NIT Calicut. There too he passed out as a rank student with specialization in Computer Science, his favourite subject.

### **Work Life, Personal Obligations and Post Graduation**

After completing his engineering in 1995, Mustafa got placed at a start-up in Bengaluru for a salary of around Rs 6,000 per month. Two months later he got a job offer in Motorola with a salary of Rs 15,000 per month. The company later sent him on an IT assignment to Ireland, where he worked for a year and a half. While in Motorola, he applied and got a job in Citibank, Dubai, where his salary crossed Rs 1 lakh. He sent his first month's salary of Rs 1.3 lakhs to his father through a friend of his to clear all his debts. His father had a debt of around one lakh rupees. This was an emotional moment for Mustafa when he came to know through his friend that his father could not believe that his son's monthly salary was more than his lifetime debt. Holding the money in his hand his father had wept uncontrollably, recalled Mustafa. With his earnings in Dubai, Mustafa as a duty bound son, constructed a house for his parents in his village and got his three sisters married. Mustafa got married in 2000 and has three sons. He worked in the Middle East for seven years and returned to India in 2003 where he pursued his ambition to do a post graduate degree in Management. He cracked the CAT to join IIM Bangalore. He completed the degree in 2006.

### **The Batter Business**

While doing his MBA, Mustafa was clear that he would start his own venture after his MBA. He would go regularly to his cousin Nazer's kirana shop in Indira Nagar. There he would spend time brainstorming with his cousins discussing the scope of various businesses. Mustafa felt that the business idea should meet the four criteria that he had set in his mind : i) If the product was already in the market, its present consumers must have quality issues which his company could set right by providing an

alternative ; ii) No MNC or any other big player must be involved in currently making the product so that he could capture a large share of the market and also gain first mover advantage ; iii) The product should have substantial market opportunity for growth ; and iv) The product must offer huge employment opportunity.

One day his cousin Shamsudeen said he had seen unbranded dosa batter being sold in plastic bags in nearby stores that had quality issues. Mustafa investigated the business idea and found a huge market potential for the product in Bengaluru alone if high quality parameters could be set for manufacturing the product. The idea appealed to Mustafa. He decided to give it a try and invested Rs 25,000 to start the batter business. With inputs from CFTRI, Mysore, to meet food safety standards and obtain FSSAI license, he went further to create and promote the batter as a natural product with no preservatives just like home made batter. Operating from a 550 square feet space with two grinders, a mixer and a sealing machine iD Foods initially supplied the batter to 20 retail stores in Bengaluru. In the early stages, the company focused on only one product, idly and dosa batter and worked out ways and means of bringing efficiency and quality to the production process. He promoted the product as fresh and natural in order to be consistent with his brand philosophy. It was profit from day one of the business with cash flows from known retail outlets helping the company meet running expenses.

### **Investment and Expansion**

Soon Mustafa invested another Rs 6 lakhs to add more machines with larger capacities custom made to meet the production requirements of the company. The expanding operations required larger space to operate. They moved to a bigger space of 800 sq ft. In two years, the company was making 3,500 kg of batter daily. The number of stores they partnered with also increased to around 300. In 2007, Mustafa officially joined as the CEO in charge of marketing and finance in iD Fresh, while his cousins took up other key positions in the company, and

worked as a team. As the demand for their product increased, Mustafa invested another Rs 40 lakhs in 2008 and bought a 2,500 square feet shed in the Hoskote Industrial Area. In 2009, he sold his property in Kerala that he had purchased while working in Dubai and pumped in an additional Rs 30 lakhs into the business.

In 2014, Mustafa raised Rs 35 crore in the first round of large scale funding from Helion Venture Partners and utilised the funds to add more products and scale-up the business. In the second round of funding, the company was looking at raising Rs 150 crore to expand in other cities within and outside the country. The company expanded its product range to include 'just heat' parotas and chapattis, and curd and paneer. The company, which made 10 packets of one kilogram batter a day in 2005, manufactured 50,000 packets a day now and had grown into a team of 1,300 employees who worked at the iD units in Bengaluru, Chennai, Pune, Mumbai, Delhi, Hyderabad and Dubai. iD Fresh raised the required Rs 150 crore from PremjiInvest, the private investment arm of Azim Premji. PremjiInvest had picked up a 25% stake in iD Fresh at a post-investment valuation of Rs 600 crore. Helion Ventures, which invested about Rs 35 crore in iD Fresh in October 2014, held about 24% stake in the company. The moves manifested the investor confidence that the company was gaining in the business environment. By these manoeuvres, Mustafa had transitioned the company from a family run business to a professionally run organisation in order to support the expansion plans and still hold the controlling interest. Fifty per cent of iD's business came from idli/dosa batter, 35 per cent from parotas, and the rest from chapattis, curd and paneer. Today, iD Fresh products are sold in 16,000 stores across nine cities. The company's main unit in Bengaluru currently operates in a 15,000 square feet space. The company planned to come up with a world class manufacturing plant on a sprawling 75,000 square feet space near Hoskote in a year's time, tentatively, by the end of 2018.

### The Marketing Strategy

The production operations were totally automated and was technologically-driven, explained Mustafa in a press interview. The product was natural with no preservatives and required refrigeration till the point of purchase at retail. The packaging had a zip lock that advised the consumers to retain the batter in the packaging under refrigeration till it was fully consumed. The distribution network under cold chain was totally company driven in all the cities that gave one week shelf life to all the products. The direct marketing and the CRM were personally monitored by Mustafa. The growing sales in the different markets indicated that the pricing was consistent with the quality of the product and reflected consumer value in the acceptance of the price. The promotion was restricted to POP displays in most cities. The major share holder in the company PremjiInvest had Rahul Garg, an industrialist, in the iD Fresh board. He was of the opinion that the venture was a billion-dollar opportunity where iD Food had a clear market leadership due to its first-mover advantage.

### The Global Expansion

iD Fresh Food which achieved a turnover of Rs 100 crore in 2016-17 aimed to finish at Rs 160 crore in 2017-18 and was keenly looking at international markets. In 2013, iD started operations in Dubai to cover UAE markets, and the efforts were successful. The company's packaged batter, Indian breads and other foods were gaining popularity in the United Arab Emirates, which had large populations of Indians, and was serviced by its Dubai manufacturing plant. Mustafa in a press interview revealed that the company's manufacturing capacity for batter and parota would increase almost six-fold to 300,000 kg from four large plants in India and one in Dubai. He enthusiastically stated : "We see a huge market in the US. We are also planning to get into Singapore, Malaysia and the UK next year in order to cater to the teeming Indian diaspora in those countries. We will be looking to build smaller units overseas and scale them up based on market demand. We will be test marketing in the US and UK markets. We will also

be sending products to Singapore from our Chennai facility for test marketing".

### Innovation

Vada is not usually made in Indian homes because of the difficulty in preparing the batter. Recently, iD Fresh marketed its vada batter in Bengaluru in a special pouch with a spout, which would squeeze out the batter in a round shape with a hole in the middle. Innovation had played a major role here. "The pouch comes with a spout, which will squeeze out the batter in a vada shape. So there won't be any messing up of hands and the vadas will come out in a perfect round shape. We have acquired a patent for this. Marketing of vada batter was a huge success in Bengaluru and we hope to repeat this in other cities", informed Mustafa in his recent presentation at Harvard University.

The company experimented with another concept called iD Trust Shop, wherein the company kept iD products in a cooler in apartment complexes and encouraged the consumers to self purchase the products by taking the products from the cooler and paying for it by placing the money in the till. Mustafa said this move encouraged the trust relationship between the company and its consumers. This earned many accolades in the marketing circles for innovative marketing.

### Conclusion

iD Fresh has demonstrated that startups can be successful if they are clear about what they want to achieve and how they want to achieve it in order to make the business a commercially viable proposition. They identified the right business based on pre-determined criteria. There was clarity in thought about the USP of the product. They studied the consumption pattern and estimated the market potential of the business. They started small by supplying the local market and learnt the art of running the business as a profitable venture from day one. They gradually expanded their production facility based on the new markets that they had identified.

Family bonding and team spirit gave the business a strong foundation. The company has also shifted its focus from family run business to professionally run business. Thus, it can be reiterated that Mustafa's vision, calculated risk taking, growth strategy, and commitment has made iD Fresh a market leader today

iD's success is likely to attract competition mainly from many local players. While this cannot be avoided, it is brand loyalty that can sustain the business of iD Fresh in the long term. This requires building strong rapport with its consumers.

In iD Fresh, there is a lurking suspicion that Indian women still think that packaged food contains preservatives and therefore, not safe to consume. This has been confirmed in many public presentations of Mustafa. This mind set can only be changed through promotions at POP that emphasises on the brand's USP. iD Fresh must organise several POP campaigns at its points of operations. This move can build personal rapport with its consumers and convince them about the product's freshness and safety.

iD's target market is the modern Indian housewife, both in India and international markets, who is probably qualified professionally, working, and takes pride in managing her home. Hence, iD products should continue to be a facilitator in aiding the Indian housewife as a home maker. The promotional campaigns can emphasise on her concern to give tasty and nourishing food and how iD Fresh can support her culinary skills to meet these needs.

iD Trust Shops in apartment complexes is an excellent move to establish contact directly with consumers in the target market. iD Fresh must seriously consider expanding this trust concept to many apartment complexes. This would certainly be an unusual strategy to expand the target market base both in Indian and foreign markets.

iD's distribution network under cold chain gives a one week shelf life to its products. Since the distribution network is company driven, the trust that is

associated with the shelf life of the product has to be strictly maintained in order to sustain customer confidence.

With the captive market in place, iD Fresh can think of expanding its product range to offer a wider variety of traditional foods. This would help in sustaining its market leadership.

The company is ambitiously targeting a turnover of Rs.1,000 crore by 2021. This would be an achievable target if iD Fresh is prepared to learn from its market experience and adapt this knowledge in its new markets.

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