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In-N-Out Burger: Customer Value the Old-Fashioned Way

In 1948, Harry and Esther Snyder opened the first In-N-Out Burger in Baldwin Park, California. It was a simple double drive-thru setup with the kitchen between two service lanes, a walk-up window, and outdoor seating. The menu consisted of burgers, shakes, soft drinks, and fries. This format was common for the time period. In fact, another burger joint that fit this same description opened up the very same year just 45 minutes away from the first In-N-Out Burger. It was called McDonald's. Today, McDonald's boasts over 34,000 stores worldwide that bring in more than \$88 billion every year. In-N-Out has only 281 stores in five states, good for an estimated \$625 million a year. Based on the outcomes, it would seem that McDonald's has emerged the clear victor.

But In-N-Out never wanted to be another McDonald's. And despite its smaller size—or perhaps because of it—In-N-Out's customers like the regional chain just the way it is. When it comes to customer satisfaction, In-N-Out beats McDonald's hands down. It regularly posts the highest customer satisfaction scores of any fast-food restaurant in its market areas. Compared to McDonald's customers, patrons of In-N-Out are *really* “lovin’ it.” Just about anyone who has been to an In-N-Out believes it's the best burger they've ever had. It comes as no surprise, then, that the average per-store sales for In-N-Out eclipse those of McDonald's and are double the industry average.

Breaking All the Rules

According to Stacy Perman, author of a definitive book on In-N-Out, the company has achieved unequivocal success by “breaking all the rules.” By rules, Ms. Perman refers to the standard business practices for the fast-food industry and even retail in general. In-N-Out has maintained a tenacious focus on customer well-being, but it has done so by doing the unthinkable: not changing. The company's original philosophy is still in place today and best illustrates the basis for the company's rule breaking: “Give customers the freshest, highest quality foods you can buy and provide them with friendly service in a sparkling clean environment.” The big burger giants might take exception to the idea that they aren't providing the same customer focus. But let's take a closer look at what these things mean to In-N-Out.

For starters, at In-N-Out, quality food means fresh food. Burgers are made from 100 percent pure beef—no additives, fillers, or preservatives. In-N-Out owns and operates its own

patty-making commissaries, ensuring that every burger is fresh and never frozen. Vegetables are sliced and diced by hand in every restaurant. Fries are even made from whole potatoes. And, yes, milkshakes are made from real ice cream. In an industry that has progressively become more and more enamored with processing technologies such as cryogenically freezing foods and preparing all ingredients in off-site warehouses, In-N-Out is indeed an anomaly. In fact, you won't even find a freezer, heating lamp, or microwave oven in an In-N-Out restaurant. From the beginning, the company slogan has been "Quality you can taste." And customers are convinced that they can do just that.

In-N-Out hasn't changed its formula for freshness. But in another deviation from the norm, it also hasn't changed its menu. Unlike McDonald's or Wendy's, which introduce seemingly unending streams of new menu items, In-N-Out stays true to Harry Snyder's original mantra: "Keep it real simple. Do one thing and do it the best you can." This charge from the founder focuses on what the chain has always done well: making really good hamburgers, really good fries, and really good shakes—that's it. While others have focused on menu expansion in constant search of the next hit item to drive traffic, In-N-Out has tenaciously stuck to the basics. In fact, it took 60 years for the company to add 7up and Dr. Pepper to its menu.

Although the limited menu might seem restrictive, customers don't feel that way. In another demonstration of commitment to customers, In-N-Out employees will gladly make any of the menu items in a truly customized fashion. From the chain's earliest years, menu modifications became such a norm at In-N-Out that a "secret" menu emerged consisting of code words that aren't posted on regular menu boards. So customers in the know can order their burgers "animal style" (pickles, extra spread, grilled onions, and a mustard-fried patty). Whereas the "Double-Double" (double meat, double cheese) is on the menu, burgers can also be ordered in 3×3 or 4×4 configurations. Fries can also be order animal style (two slices of cheese, grilled onions, and spread), well done, or light. A Neapolitan shake is a mixture of chocolate, vanilla, and strawberry shakes. The list goes on and on. Knowledge of this secret menu is yet another thing that makes customers feel special.

It's not just In-N-Out's food that pleases customers. The chain also features well-trained employees who deliver unexpectedly friendly service. In-N-Out hires and retains outgoing, enthusiastic, and capable employees and treats them very well. It pays new part-time staff \$10.50 an hour and gives them regular raises. Part-timers also receive paid vacations. General managers

make over \$100,000 a year plus bonuses and receive a full-benefit package that rivals anything in the corporate world. Managers who meet goals are sent on lavish trips with their spouses, often to Europe in first-class seats. For gala events, managers wear tuxedos. Executives believe that the men and women who run In-N-Out stores stand shoulder-to-shoulder with any blue-chip manager, and want them to feel that way. Managers are promoted from within. In fact, 80 percent of In-N-Out managers started at the very bottom. As a result, In-N-Out has one of the lowest turnover rates in an industry infamous for high turnover.

Happy, motivated employees help create loyal, satisfied customers. In fact, words like *loyal* and *satisfied* don't do justice to how customers feel about In-N-Out Burger. The restaurant chain has developed an unparalleled cult following. When a new In-N-Out first opens, the line of cars often stretches out a mile or more, and people stand in line for hours to get a burger, fries, and a shake. Fans have been known to camp overnight to be the first in line. When In-N-Out made its debut in Texas, one woman cried. "Pinch me, it just doesn't feel real," whimpered customer Danielle DeInnocentes, overcome with emotion as the reality of her newfound proximity to the burger chain set in.

Slow Growth Nurtures Fans

Some observers point out that it's probably more than just the food and the service that created In-N-Out's diehard customer base. Because of In-N-Out's slow-growth expansion strategy, you won't find one of the famous red-and-white stores with crisscrossed palm trees on every corner. By 1976, In-N-Out had grown to only 18 southern California stores, whereas McDonald's and Burger King had opened thousands of stores worldwide. It took In-N-Out 40 years to open its first non-California store in Las Vegas. And even as the company expands into Arizona, Utah, and Texas, it sticks tenaciously to its policy of not opening more than about 10 stores per year.

The lack of access to an In-N-Out in most states has created legions of cravers coast to coast. Fans have created countless Facebook pages, filled with posts by consumers begging the family-owned corporation to bring In-N-Out to their states. But In-N-Out's policy is driven by its commitment to quality. It will open a new store only when it has trained management and company-owned distribution centers in place.

The scarcity of In-N-Out stores only adds to its allure. Customers regularly go out of their way and drive long distances to get their fix. Having to drive a little further contributes to the

feeling that going to In-N-Out is an event. Out-of-state visitors in the know often put an In-N-Out stop high on their list of things to do. Jeff Rose, a financial planner from Carbondale, Illinois, always stops at In-N-Out first when he visits Las Vegas to see his mother. “You have to pass it when you drive to her house,” he says in his defense. “It’s not like the time I paid an extra \$40 in cab fare to visit an In-N-Out on the way to the San Diego airport.”

Consistent with the other elements of its simple-yet-focused strategy, In-N-Out doesn’t spend much on advertising—it doesn’t have to. In fact, although the company doesn’t release financial figures, some estimates place total promotional spending at less than 1 percent of revenues. McDonald’s shells out 7 percent of its revenue on advertising. In-N-Out’s small promotional budget is for local billboards and radio ads. But when it comes to really spreading the word, In-N-Out lets its customers do the heavy lifting. Customers truly are apostles for the brand. They proudly wear In-N-Out T-shirts and slap In-N-Out bumper stickers on their cars. Rabid regulars drag a constant stream of new devotees into restaurants, an act often referred to as “the conversion.” They can’t wait to pass along the secret menu codes and share the sublime pleasures of diving into a 4×4 animal style. “When you tell someone else what ‘animal style’ means,” says an analyst, “you feel like you’re passing on a secret handshake. People really get into the whole thing.”

In-N-Out doesn’t use paid endorsers, but word-of-mouth praise regularly flows from the mouths of A-list celebrities. When former *Tonight Show* host Conan O’Brien asked Tom Hanks what he recommended doing in Los Angeles, Hanks replied, “One of the true great things about Los Angeles is In-N-Out Burger.” Paris Hilton famously claimed she was on her way to In-N-Out when she was pulled over for a DUI. And paparazzi have snapped shots of scores of celebrities getting an In-N-Out fix, including Miley Cyrus, Selena Gomez, Christian Slater, and Nick Jonas. The fact that such celebrities aren’t paid to pay homage to the brand underscores that In-N-Out is truly a hip place.

A Questionable Future?

Many analysts have questioned whether or not In-N-Out can sustain its unwavering 65-year run. For example, the company that had been run only by Harry, Esther, or one of their two sons for its first 58 years hit a barrier in 2006 when Esther Snyder passed away. The only direct descendant of the Snyder family at that time was 23-year-old Lynsi Martinez, who was not yet in a position to

take over the company. That left In-N-Out in the hands of Mark Taylor, the former vice president of operations. But as directed by Esther Snyder's will, granddaughter Lynsi took over as In-N-Out's sixth president in 2010 before her 28th birthday. Often described as shy, Martinez has progressively gained ownership of the company and will have full control in 2017.

The changing of the executive guard has gone largely unnoticed by customers and fans, an indication that the In-N-Out legacy carries on. With long lines still snaking out the door of any location at lunchtime, demand seems as high as ever. "The more chains like McDonald's and Burger King change and expand, the more In-N-Out sticks to its guns," says the analyst. "In a way, it symbolizes the ideal American way of doing business: Treating people well, focusing on product quality, and being very successful." In-N-Out's customers couldn't agree more. When it comes to fast-food chains, delighted customers will tell you, "There's In-N-Out, and then there's everyone else."

Discussion Questions:

1. Describe In-N-Out in terms of the value it provides for customers.
2. Evaluate In-N-Out's performance relative to customer expectations. What is the outcome of this process?
3. Should In-N-Out adopt a high-growth strategy? Why or why not?
4. With so many customers thrilled by In-N-Out's "no-change" philosophy, why don't more burger chains follow suit?

Xerox: Adapting to the Turbulent Marketing Environment

Xerox introduced the first plain-paper office copier more than 50 years ago. In the decades that followed, the company that invented photocopying flat-out dominated the industry it had created. The name Xerox became almost generic for copying (as in “I’ll Xerox this for you”). Through the years, Xerox fought off round after round of rivals to stay atop the fiercely competitive copier industry. Through the late 1990s, Xerox’s profits and stock price were soaring.

Then things went terribly wrong for Xerox. The legendary company’s stock and fortunes took a stomach-churning dive. In only 18 months, Xerox lost some \$38 billion in market value. Its stock price plunged from almost \$70 in 1999 to under \$5 by mid-2001. The once-dominant market leader found itself on the brink of bankruptcy. What happened? Blame it on change or—rather—on Xerox’s failure to adapt to its rapidly changing marketing environment. The world was quickly going digital, but Xerox hadn’t kept up.

In the new digital environment, Xerox customers no longer relied on the company’s flagship products—stand-alone copiers—to share information and documents. Rather than pumping out and distributing stacks of black-and-white copies, they created digital documents and shared them electronically. Or they printed out multiple copies on their nearby networked printer. On a broader level, while Xerox was busy perfecting copy machines, customers were looking for more sophisticated “document management solutions.” They wanted systems that would let them scan documents in Frankfurt, weave them into colorful, customized showpieces in San Francisco, and print them on demand in London—even altering for American spelling.

This left Xerox on the edge of financial disaster. “We didn’t have any cash and few prospects for making any,” says current Xerox CEO, Ursula Burns. “The one thing you wanted was good and strong leaders that were aligned and could get us through things and we didn’t have that.” Burns didn’t realize it back then, but she would one day lead the company she began working for as a summer intern in 1981. In fact, Burns almost left the company in 2000, but her colleague and friend, Anne Mulcahy, became CEO and convinced her to stay. Burns was named a senior vice president and was then charged with cleaning house.

The Turnaround Begins

Task number one: Outsource Xerox's manufacturing. An often criticized and unpopular move, outsourcing was critical to Xerox's cost-saving efforts. Burns oversaw the process in a way that preserved quality while achieving the desired cost benefits. And she did so with the blessing of Xerox's employee union by convincing the union that it was either lose some jobs or have no jobs at all. With the restructuring of manufacturing, in only four years, Xerox's workforce dropped from 100,000 employees to 55,000. Although this and other efforts returned Xerox to profitability within a few years, the bigger question still remained: What business is Xerox really in?

To answer this question, Xerox renewed its focus on the customer. Xerox had always focused on copier hardware. But "we were being dragged by our customers into managing large, complex business processes for them," says Burns. Before developing new products, Xerox researchers held seemingly endless customer focus groups. Sophie Vandebroek, Xerox's chief technology officer, called this "dreaming with the customer." The goal, she argued, was "involving experts who know the technology with customers who know the pain points..... Ultimately innovation is about delighting the customer." In the process, Xerox discovered that understanding customers is just as important as understanding technology.

What Xerox learned is that customers didn't want just copiers; they wanted easier, faster, and less costly ways to share documents and information. As a result, the company had to rethink, redefine, and reinvent itself. Xerox underwent a remarkable transformation. It stopped defining itself as a "copier company." In fact, it even stopped making standalone copiers. Instead, Xerox began billing itself as the world's leading document-management technology and services enterprise. The company's newly minted mission was to help companies "be smarter about their documents."

This shift in emphasis created new customer relationships, as well as new competitors. Instead of selling copiers to equipment purchasing managers, Xerox found itself developing and selling document management systems to high-level information technology managers. Instead of competing head-on with copy machine competitors like Sharp, Canon, and Ricoh, Xerox was now squaring off against information technology companies like HP and IBM. Although it encountered many potholes along the way, the company once known as the iconic "copier company" became increasingly comfortable with its new identity as a document-management company.

Building New Strengths

Xerox's revenue, profits, and stock price began to show signs of recovery. But before it could declare its troubles over, yet another challenging environmental force arose—the Great Recession. The recession severely depressed Xerox's core printing and copying equipment and services business, and the company's sales and stock price tumbled once again. So in a major move to maintain its transition momentum, Xerox acquired Affiliated Computer Services (ACS), a \$6.4 billion information technology (IT) services powerhouse with a foot in the door of seemingly every back office in the world. The expertise, capabilities, and established channels of ACS were just what Xerox needed to take its new business plan to fruition.

The synergy between Xerox, ACS, and other acquired companies has resulted in a broad portfolio of customer-focused products, software, and services that help the Xerox's customers manage documents and information. In fact, Xerox has introduced more than 130 innovative new products in the past four years. It now offers digital products and systems ranging from network printers and multifunction devices to color printing and publishing systems, digital presses, and “book factories.” It also offers an impressive array of print management consulting and outsourcing services that help businesses develop online document archives, operate in-house print shops or mailrooms, analyze how employees can most efficiently share documents and knowledge, and build Internet-based processes for personalizing direct mail, invoices, and brochures.

These new products have allowed Xerox to supply solutions to clients, not just hardware. For example, Xerox has a new device for insurance company customers—a compact computer with scanning, printing, and Internet capabilities. Instead of relying on the U.S. Postal Service to transport hard copies of claims, these and related documents are scanned on-site, sorted, routed, and put immediately into a workflow system. This isn't just a fancy new gadget for the insurance companies. They are seeing real benefits. Error rates have plummeted along with processing times, and that means increases in revenues and customer satisfaction.

Dreaming Beyond Its Boundaries

Riding the combination of Xerox's former strengths and its new acquisitions, Burns and the Xerox team now have a utopian image of what lies ahead. They believe the tools and services they offer clients are getting smarter. “It's not just processing Medicaid payments,” says Stephen

Hoover, director of Xerox's research facilities. "It's using our social cognition research to add wellness support that helps people better manage conditions like diabetes." Hoover adds that the future may see a new generation of Xerox devices, such as those that can analyze real-time parking and traffic data for municipal customers, allowing them to help citizens locate parking spots or automatically ticket them when they are going too fast. Already, Xerox is market testing parking meters that are capable of calling 911 or taking photos when a button is pushed. Not all products such as these will hit the market, but Xerox now has a model that allows it to dream beyond its known boundaries.

In another example of smarter tools for clients, Xerox will soon rollout Ignite, a software and Web-based service that turns its copiers/scanners/printers already in service at schools around the world into paper-grading machines. Previous automated grading technologies (such as Scantron) worked only on multiple-choice responses filled out on special forms. But Ignite will grade work where answers are written in by students—even numeric math problems. The real revolutionary potential of Ignite, however, is not just in automated grading, but in taking the results and turning them into Web-accessible data that allow teachers to identify problem areas and make improvements to their techniques.

Throughout this corporate metamorphosis, Xerox isn't focused on trying to make better copiers. Rather, it is focused on improving any process that a business or government customer needs to perform and performing it more efficiently. Xerox's new machines have learned to read and understand the documents they scan, reducing complex tasks that once took weeks down to minutes or even seconds. From now on, Xerox wants to be a leading global document management and business-process technology and services provider.

With all the dazzling technologies emerging today, Burns acknowledges that the business services industry in which Xerox now operates is decidedly unsexy. But she also points out that "These are processes that companies need to run their businesses. They do it as a sideline; it's not their main thing." But running these seemingly mundane business processes is now Xerox's main thing. Xerox provides these basic document and IT services to customers so that customers can focus on what matters most—their real businesses.

Xerox's transition is still a work in progress. Over the last four years, the company's revenues are up 47 percent and profits have more than doubled. Its stock price, however, has struggled (it has yet to top \$12), a sign that Xerox isn't doing as well as Wall Street thinks it

should be. Part of the reason is that Xerox still relies to some extent on its copier and printer products for its success, even with its recent diversification strategy. And just as e-mail and desktop software killed photocopying, smartphones and tablets are killing inkjet and photo printers. But Xerox depends much less on such products than competitors such as Hewlett-Packard and Lexmark International do. Thus, experts predict, Xerox will rebound much more quickly than its rivals. Burns and crew are also confident that as Xerox continues its transition to solutions provider, the seeds it has planted over the past few years will soon bear fruit.

Xerox knows that change and renewal are ongoing and never-ending. “The one thing that’s predictable about business is that it’s fundamentally unpredictable,” says the company’s annual report. “Macroforces such as globalization, emerging technologies, and, most recently, depressed financial markets bring new challenges every day to businesses of all sizes.” The message is clear. Even the most dominant companies can be vulnerable to the often turbulent and changing marketing environment. Companies that understand and adapt well to their environments can thrive. Those that don’t risk their very survival.

Questions for Discussions

1. What microenvironmental factors have affected Xerox’s performance since the late 1990s?
2. What macroenvironmental factors have affected Xerox’s performance during the same period?
3. By focusing on the business service industry, has Xerox pursued the best strategy? Why or why not?
4. What alternative strategy might Xerox have followed in responding to the first signs of declining revenues and profits?

Mio Amore: surviving brand change in transition economy

Nimruji Jammulamadaka, Prashant Mishra and Biswatosh Saha

Mio Amore surviving brand change in transition economy: Part A

As Arnab sat in his tastefully made office in Kasba Industrial Estate, Kolkata, several thoughts crossed his mind. Arnab Basu, Managing Director of Switz Foods Limited, an INR 4bn West Bengal-based food products company, along with his General Manager and trusted aide for 27 years Anirban Ghosh had just completed a brand-change exercise replacing the franchised brand “*Monginis*” with their own “*Mio Amore*”. The company had used the brand *Monginis* as a franchisee for 26 years, building its presence and reputation in eastern India. But by 2014, disagreements had cropped up with *Monginis Food Products Private Limited (MFPL)*, the Mumbai-based brand owner, leading to a termination of the franchisee agreement. The brand change to *Mio Amore* had to be swiftly implemented by May 1, 2015, without disrupting their ongoing operations. Would the customers react positively to the brand change? Would it impact their business? Why had they not anticipated MFPL’s reluctance in continuing the franchisee agreement?

A brief history: founding of Switz Foods

Switz Foods was set up in May 1991, following a franchisee agreement between the brand owners of *Monginis* and Arnab Basu. *Monginis* was owned by the Khorakiwala family’s Mumbai-based company MFPL. Franchising, as a mode of business, was not as common in those days in India. Khorakiwalas were highly respected players in the pharmaceutical industry and owned Wockhardt Pharmaceuticals. Arnab Basu who had returned to India after spending several years in the Middle East’s food and bakery business was introduced to the Khorakiwala family, and a simple franchisee agreement was executed on the January 24, 1989. The agreement provided Basu the right to sell cakes and other short- and long-shelf-life food products in Eastern India – the states of West Bengal, Bihar, Orissa and the North-East – under the *Monginis* brand. In return, Basu had to pay either INR 50,000 or 1 per cent of the annual turnover, whichever was higher every year. There were few restrictive conditions in the agreement – only sale of pork and liquor from the stores was not permitted.

The manufacturing facility that was set up for the purpose was initially conceived as a joint venture between the two companies Switz and MFPL. But certain family reasons prevented MFPL from taking on a stake, and their equity was converted into a loan for building the factory. The company, Switz Foods Private Limited (SFPL), was incorporated in May 1991 at Kolkata. It bought a 5,700 sq. ft. plot in the West Bengal State Industrial Corporation’s Kasba Industrial Estate in September 1991 to set up the factory. Kolkata, an old colonial city, was experiencing industrial decline, unemployment and militant trade-unionism. In this context, SFPL began operations on December 9, 1991, making it one of the earliest to start

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production in the Kasba Estate. It manufactured savouries, pastries, cakes, birthday gateaux, cookies, breads and other bakery items under the *Monginis* brand.

Evolution of the store franchisees

SFPL began franchising local stores to sell *Monginis* products, especially the fresh and short-shelf-life products and also rolled out a retail distribution network for its long-shelf-life packaged products. Kolkata and Eastern India was a traditional retail market dominated by the unorganised sector, neighbourhood bazaars and neighbourhood mom-and-pop stores with store owners living close to their shops and sharing the neighbourhood social space with both their customers and other retailers. Organised chain stores were a novelty here and in the rest of the country. However, thanks to the colonial past, consumers in Kolkata had a flavour for cakes and bakery products. Flurys, the legendary tearoom on fashionable Park Street in Kolkata founded by Mr and Mrs J Flurys in 1927, had for decades offered fine European traditional confections. During the colonial period, it was the tea-room of choice for the prosperous British and the affluent Indian alike, and the place was known far and wide for its exotic cakes, creamy pastries, rich puddings and as the Flurysindia website says: “perhaps the best Swiss chocolates outside the European continent” (www.flurysindia.com). Bakeries came to India with the British and followed the colonial officers wherever they stayed – in the presidency towns of Kolkata, Madras, Delhi and Mumbai, and at hill stations such as Shillong. By the time SFPL entered the market, two other chain stores, Kathleen Confectioners (set up in 1978) and Sugar & Spice, both of which retailed fresh confectioneries, had already been in operation in Kolkata, spreading the bakery culture wider and into middle-class localities beyond elite Part Street.

The first *Monginis* retail store was opened in 1991 in Dhakuria, a rising middle-class residential area in South Kolkata. Basu preferred *bazaar* (neighbourhood shopping areas) locations for *Monginis* franchisees. The *bazaar* was a place that local residents of the *para* (colony) frequently visited (usually on foot) to purchase their daily needs like groceries, fresh foods, stationery products, gifts, etc. *Bazaar* store owners had regular customers who patronized them over years. The storeowners had personal familiarity with the customers, and this often translated into extending credit to customers. In these *bazaars*, the quality of the product and the reputation of the person selling it were as important as the store ambience or other aspects of presentation. Explaining the rationale, Basu said:

Monginis stores should be the *para* cake/khabar shop (neighborhood food shop), just like the *para* misthi dukan (neighbourhood sweet shop that is a ubiquitous feature of Kolkata retailscape). Typically the neighborhood shop is where one goes to on the way back home from shopping in the city or from work to pick up some snacks/food items to consume at home later in the evening or to be provided in the school lunch box for children the next day.

SFPL had consciously pursued a policy of having only owners of store property as franchisees and avoided those who rented store premises. They reasoned that a property owner had a stake in making the business work unlike a tenant who could easily close shop and move out of the area. These stores were usually about 150-250 sq. ft, quite like the size of an average store in the market. However, they were quite different in ambience from what was familiar to the Kolkata consumer. *Monginis* stores were the first completely air-conditioned food stores, very clean, well-lit and inviting. The tagline adopted by SFPL – “Your friendly neighborhood cake shop” – meant a lot. A price list was displayed outside the store. The prices were also displayed prominently alongside the food items/merchandise inside the store. This practice was a departure from the conventions of haggling over price in the *bazaar* (market), where *Monginis* stores were located:

Explaining the rationale for the departure, Basu said, even though our shops had an upper-class feel because of its interiors and air-conditioning, we wanted even the middle and low income customers to know that the products sold in Monginis stores were affordable. We did not want the customer to go through the embarrassment of asking for something and having to refuse it

because he/she could not afford it. We wanted to make sure that such embarrassment did not become a reason for customers not entering the store.

The first store was received quite well and some customers who liked the cakes and savouries at the store inquired with Basu about the possibility of starting a franchise store in their neighbourhood. Thus, a second store was opened. Four stores were started in the first year and later other stores were set up in different parts of Kolkata. By the end of 2015, SFPL expected to have about 210 stores (see Exhibit 1). SFPL was the first franchisee using the *Monginis* brand and its success drew visits from franchisees in other parts of India to observe and learn from the success of SFPL.

SFPL delivered twice daily to the stores to ensure that only fresh-quality products were on store shelves for serving to the customers. In another departure from local business practice, Basu had adopted a policy of accepting “stock returns” without imposing penalties on the store franchisee. Basu believed this was necessary to ensure that only the best-quality fresh food was served to the customers and no stale items would reach a customer even by mistake. The competitors discouraged stock returns and penalized franchises by making deductions in their commissions. However SFPL was closely monitoring store-wise returns and adjusting order size after discussing with the store owners. On rare occasions where problems had persisted, the franchisee arrangement was terminated. The margins offered by Switz Foods to the franchisees were about 5 per cent less compared to competitors. SFPL believed that the slightly lower margin was justified, as the franchisees were not charged for packaging materials.

Product mix

Initially, MFPL had provided expertise and skill, sending trained baking staff from Mumbai, sharing recipes and training the employees of SFPL. But over a period of time, the product mix of Switz Foods also started evolving with savouries garnering a greater share of their offerings. The customers visited the stores for various Bengali snacks like *singara*, rolls and patties and not for just cakes. It became a part of daily Bengali life, with even contemporary Bengali songs featuring Chicken Pizza of *Monginis*! A key product innovation was a single packaged cupcake which was sold at INR 3. It proved quite beneficial in increasing footfall in the *Monginis* stores.

Growth of SFPL

SFPL experienced continued growth in its business in both short- and long-shelf-life products. Its retail business catered to short-shelf-life products mainly, and its industrial bakeries produced long-shelf-life products. SFPL had always endeavoured to keep its products affordable for the middle- and low-income groups. To improve yields and resultant economies, SFPL had invested in the best equipment, and when such equipment had to be imported^[1], and consequently expensive, it designed and fabricated its own machinery, giving them a significant cost advantage.

Over the years, SFPL expanded production capacity by setting two new industrial bakeries on the outskirts of Kolkata – Dream Bake Limited set up over six acres in 1998 in Sankrail Food Park was its largest manufacturing facility. In addition to the retail bakery at Kasba estate, they set up another one at Siliguri. At that time, the government was giving special tax concessions to new enterprises and new brands that would be set up in Siliguri, and SFPL decided to capitalise on the opportunity. It thus set up Terai Foods Private Limited and launched a new brand in long-shelf-life packaged cakes *Cakes R Us*. The group expanded by setting up other subsidiary companies Kalinga Bakery (a retail bakery in Bhubaneswar, Odisha), Bramhaputra Foods Private Limited (an industrial bakery in Guwahati, Assam) and Southern Bakery Private Limited (industrial bakery in Bangalore, Karnataka). The group had invested about INR 700m in the manufacturing and delivery

infrastructure. The group also owned 60 refrigerated vans in Kolkata alone to move their freshly baked short-shelf-life products. It was the largest fleet owned by any firm in Eastern India.

It also took on contract manufacturing of biscuits and cakes for food majors like ITC and Britannia and entered into joint venture with Bauli Croissant of Italy in 2009 to produce centre-filled croissants. They were selling about 150 tonnes of croissants per month by 2015. In 2015 it also launched the brand *Winkies* for industrial bakery products. The group also expanded into operating food plazas at railway stations from February 2005. Their food plaza at Howrah Station's Old Complex in Kolkata catered to 5,000 passengers and achieved a daily turnover of INR 500,000 by 2015. Its food plaza operations at Bhubaneswar Railway Station commenced from November 16, 2012, and achieved a daily turnover of INR 120,000 by 2015.

In the 27 years since its inception, Switz Foods had shown remarkable growth. Starting at INR 5.3m in 1992-1993, it reached INR 4bn in 2014-2015 (see Exhibit 2). The entire Switz Group network including *Monginis*, *Winkies* and *Bauli* brands, across short- and long-shelf-life products catered to over 40,000 retailers in Eastern India through a network of 400 distributors. The secular economic stagnation in Eastern India and the paucity of business or job opportunities for educated youth made SFPL's growth even more socially significant. It was the market leader with more than 40 per cent of market share. Its employment figures also grew from 50 persons in 1990 to over 2,600 direct employees by 2015. It was then providing additional indirect employment to 6,000 persons through its exclusive shops and distribution and transport systems. The group valued its ability to provide employment to so many people in a region of rampant unemployment like Eastern India. Basu also took pride in the way they treated their employees. Basu ran SFPL, as he likes saying – “like a patriarch” – taking care of his employees. Basu believed that the satisfaction and happiness of the person cooking/making the food was important. Only then would the food taste well. He therefore employed all his staff as permanent staff and gave them all necessary benefits. They recruited their workers locally from around the factories and gave them assured security of livelihoods. This was quite different from the existing industry practice where bakery businesses depended on outsourced workforce mobilized by labour contractors[2]. In a region known for militant unionism, the group had not seen a single strike in its 27 years.

Brand building at SFPL

SFPL and Khorakiwalas had positioned *Monginis* as a value-for-money brand. As Khorakiwala said, “We offer good value for money and score on quality. We are a middle-class bakery serving first-class products and we, the owners, consume and serve our own products at internal functions and meetings. We are the Marutis of the bakery world”. Basu said, “Our USP is value for money and we want to keep it that way[3]”.

Nevertheless, brand-building efforts at SFPL and *Monginis* stores were conspicuous by their absence in the early years. The store signage was the only brand-building artefact. The packing material carried the brand name. SFPL had initially chosen a yellow and black symbol for the name *Monginis*, but the brand owners insisted that their standard design and colours be adopted. Hence the yellow and black were discontinued in favour of the *Monginis* design and colours (Exhibit 3). In-store ambience of freshness and convenience was created through a price-list and display and sale of fresh foods.

Around the year 2000, SFPL started some in-store promotional activity by prominently displaying point of purchase materials like danglers. A few years later, they started newspaper advertising around the time of Christmas. The print ad provided a Bengali connect by linking it with the Bengali phrase “Moner Ginis”, meaning “close to the heart”. Soon *Monginis* – the Cake Shop had become a household name in Eastern India and a no. 1 brand in its segment. Many Bengali people believed that the brand belongs to Bengal and

is a play on “Moner Ginis”. They did not recognise it as an Italian word. They also had event-based promotions. Around Christmas time, events like sponsoring NGOs who take orphans on a day out along with Santa Claus[4], were organised. They also organized an interschool competition on Maths for high school students in Kolkata. They did this intermittently for a few years from 2000. The competition was received well and students who won these competitions eventually also became state rankers in their Board exams. This helped them build a strong connect with the younger generation who were a significant target segment for their stores. On the whole, however, it kept away from mass media advertising.

The franchisee dispute

By 2014, SFPL had paid a cumulative royalty of over INR 100m since 1989 to MFPL. In July 2014, Switz Foods suddenly received a letter from MFPL asking them to stop the usage of *Monginis* brand forthwith. MFPL claimed that Switz had expanded and was selling other products and brands (like *Winkies*) and therefore was not paying adequate attention to promoting *Monginis* brands in its stores. Franchisee agreements in India were not covered by any specific regulations as in the USA and were deemed to be like any other contract. Switz Foods approached the High Court of Calcutta for an interim stay order, claiming that the franchisee agreement was in perpetuity. It also argued that 80 per cent of their capacity was being utilised for *Monginis* products and that most of their sales was also from the *Monginis* brand. SFPL submitted that it was ready to discontinue the *Winkies* brand which it had launched to gain access to fiscal incentives provided by the government of West Bengal. While the court passed an interim order to maintain the status quo and permitted Switz Foods the use of *Monginis* brand, it also advised the contesting parties to negotiate a settlement with the help of a court-appointed mediator. By December 2014, the Court accepted the agreement and the case was closed. The settlement specified that Switz Foods would discontinue using the *Monginis* brand name from May 1st 2015 in West Bengal, Odisha, Bihar and Northeast. *Monginis* on its part agreed not to enter the territories where SFPL had held the *Monginis* franchise for a three-year lock-in period till May 2018.

Thus, SFPL was faced with executing a brand change in a four-month period. It was thrust upon SFPL at a time when it was a market leader and the food retail market in itself was experiencing great change. Several new multinational players like Subway, McDonalds and KFC had entered Eastern India in the quick-service restaurant segment. Bakery chains in the USA whose growth was displacing the stand-alone street-corner bakeries in their domestic market were also eyeing entry into the lucrative emerging markets like India. Market leader Panera, a chain of over 1,600 bakery cafes with a turnover of US\$3.7bn in 2012, had been generating healthy profits and was looking to expand into international markets[5]. Au Bon Pain, the fourth largest chain in USA, had already entered India through a franchising arrangement concentrating initially on Bangalore and Southern India[6]. The growing affluence of India's middle class had also triggered an expansion of modern-format supermarkets and malls that often carried in-house bakeries. The number of modern-format retail stores was expected to hit the 70,000 mark in 2016. But reports also indicated that the Indian consumer visited the neighbourhood store five times more than he/she visited the modern-format store[7] and that 97 per cent of the food retail sector constituted of convenience stores, neighbourhood stores, general stores and street markets[8]. Modern food retail constituted a US\$3.6bn market out of a total US\$360bn food retail market in India[9]. Overall, the retail food sector was expected to grow at 30 per cent per year. The KPMG study expected the food franchisee space to grow from US\$0.73bn in 2012 to US\$4.44bn by 2017[10]. The Eastern Region was a good bakery market[11] and SFPL had good competition from other local brands like Sugar and Spice and Kathleen, Just Baked and Cakes. Overall, although none of the competitors in the Eastern region had the product mix of SFL. SFL had a presence in 11 categories and had 168 SKUs

(Exhibit 4). On an average, its prices were lower compared to the competitors. Thus, brand change was a risky and tricky business for SFPL.

Search for a name: finalising Mio Amore

Once it became clear that a new brand had to be chosen, one of the first things that SFPL did was to look out for a new brand name. The company worked with its marketing communications consultant for this. The consultants initially brainstormed and created a list of over 100 possible names. They then searched each of these names for copyright registration. Subsequently, they developed a short list of five names – *Mio Amore*, Goldilocks, Fresh Bake, I Bake and Moner Ginis. These five names were again put to focus group discussions to get a sense of how consumers may construe their meaning. In all the focus group discussions, *Mio Amore* and Goldilocks appeared as serious contenders (See Exhibit 5). A sample survey was also done to vet these names and *Mio Amore* and Goldilocks emerged as better options in the survey (Exhibit 6). The instant associations the word *Goldilocks* evoked were about jewellery, metallic object, biscuits, hair colour, body spray, something for ladies, confectionery items, pearls, decorative items, jam, fairytale, etc. *Mio Amore*, on the other hand, evoked associations like perfume, gifts, presentations, birthday cake, cosmetics, processed packaged food, blessings, confectionery and savouries, etc.

Based on top of mind, extended and aided recall studies, several inferences were drawn about the different name options. The kind and quality of responses that surfaced in the consumer's reactions set two names apart – *Mio Amore* and Goldilocks. The interest level generated by these two names among the target audience was found to be much higher than names like Fresh Bake, I Bake and Moner Ginis. As verbal stimuli, the terms *Mio Amore* and Goldilocks had much greater suggestivity, strong emotional trappings, linkages and attachments, incited greater imagination and emotive visualisation which was completely lacking in the case of the other three names. The wide ranging and diverse spectrum of associations of the two names highlighted their strong suggestivity. Between the two names, *Mio Amore* and Goldilocks, there was a distinct perceptual variation. While *Mio Amore* was perceived to be soft, cute, romantic and euphoric, Goldilocks had an element of boldness, smartness, strength, surprise and intrigue. The other three names, FreshBake, I Bake and particularly Moner Ginis recorded very specific and limited associations. It was felt that these names were more mundane, fairly direct, straight-forward, matter of fact and completely self-explanatory with very little or no element of emotion. While I Bake and more particularly Fresh Bake squarely and directly refer to bakery items, cakes, pastries, cookies, bread, etc. with a pronounced local flavour, Moner Ginis was inseparably related to Monginis and had a strong parochial bias.

Expressing his view on the choice of brand name, Basu said, "the name was not so important. What was important was something which would be acceptable to the Bengali middle class, the middle class people whom we serve, so it must not be too ostentatious, mustn't be too presumptive. So those were the factors. In fact, I was not even majorly involved in the brand naming. I suggested a few names. A lot of people suggested names. And a survey was conducted".

Finally the brand *Mio Amore* was chosen and a new logo and colour scheme were also decided (see Exhibit 7 for brand creatives). In choosing *Mio Amore*, which in Italian means "my love", two strands of reasoning were taken into consideration. Cakes are not native to Bengalis. It entered the Bengali dish through the influence of the colonial British culture. Hence, the name had to have a European feel to it. Simultaneously, the name had to have acceptability in Bengali. Therefore, the Italian coinage of "Amore Mio" was transfigured to *Mio Amore* so as to avoid the probable Bengali association of "Amore" with phonetically similar *amare* or death and beyond (see Exhibit 7 for the new name and logo).

Basu added: "We finally chose *Mio Amore*. It was somewhat aspirational. But I think we can meet that aspiration. In fact when we chose Winkies as a brand name, it was very casual. We just searched whether it was already registered. When we realised that it was available, we just took it. With *Mio Amore*, it was quite elaborate. We spent some money on choosing the name!"

These activities were simultaneously supported by a consumer survey to understand consumer perceptions of Monginis and its offerings *vis-à-vis* its competitors. A sample survey with 600 consumers was carried out in the Eastern India markets of Kolkata, North 24 Parganas, Howrah, Siliguri and Bhubaneshwar. Monginis emerged as the clear market leader on several parameters like price, hygiene, freshness, quality, innovative product development etc. (See Exhibit 8).

These studies suggested that Switz Foods had to be careful in managing its brand-change process. On the one hand, there was Basu's sense of *Monginis* as the *para* cake shop. Following the *para* culture, the change in the name on the signage would not make a significant difference. Basu believed, "we are localized. The stores are the same, the places are the same, the people are the same, the products are the same [. . .] what can go wrong". The food products that were consumed actually did not carry any brand name or any brand reference during the consumption process. The brand name was limited to the packaging which was any way discarded during consumption. To that extent, Basu believed that as long as the quality could be retained and improved, the brand change may not make too much of a dent in the business. On the other hand, the market surveys suggested that *Monginis* had very high consumer presence and recall and thus any change would likely impact these perceptions. An option was to use the mass media to announce the brand change so as to reach the large base of consumers that patronized its stores. But that would be very expensive. Not reaching out effectively also might cause disruptions – they were after all in the food business known for consumers' sensitivity to brand reputation. This meant the brand change process had to be carefully managed.

***Mio Amore*: surviving brand change in transition economy: Part B**

After zeroing upon the name *Mio Amore*, the retail franchisee store owners were called in groups and informed about the impending brand change. Basu explained, "We called in the store owners in groups. I was a bit over confident [. . .] some people raised questions [. . .] what if our income goes down? What are you going to do? So instead of a big detailed discussion, I told them we will protect your incomes, month to month whatever you had in the previous year, we will protect that. If your commissions fall short, we will pay. End of discussion."

Anirban, added: "I am sure there was some apprehension. They might not have expressed that in front of us. Because somebody operating a shop under Monginis brand for the last 15-20 years would naturally be a little worried with changing the brand. He has like a 200 footfall every day. He is not sure whether that will continue. And in a scenario where competition like Kathleen or Sugar & Spice is close by, may be 50 meters or 20 meters or even the same wall. I think the apprehension was more from them".

Some store franchisees said: "We don't have a problem [. . .] we have to do business, but customers come in and ask, what happened, why did it change? Is it the same product? Some think some other company has bought it and that company's products are sold now"

The plan was to manage the brand name transition in a careful way without closing the store for even a single day. Having been traditionally shy of mass media, SFPL chose to tread the known path in managing the transition, working closely with its franchisees and concentrating on the store signage and displays to communicate with consumers. From 1 April onwards dangles were introduced in the stores proclaiming "*mon-er ginis notun kore*" which translates to "the desire of your heart – in a new way". Stickers with the same

message were also put on all the packing material and packaged products. In a few more days, another line was to be added on to the stickers and danglers – “*pran bhore niyo morey*” which translates as “accept me whole heartedly” (See Exhibit 9 for new brand creative).

New signages with the *Mio Amore* name were installed at all the stores, but they were kept wrapped with flex banners that retained the *Monginis* name until April 30th. They wanted to ensure that all the signages changed on the same day and no mixed messages were sent to the consumers. On 1 May at the time of the store opening, the *Monginis* flex banners were removed and left lying on the signage itself. The idea was to convey a sense of unwrapping of a new gift. Thus the project was managed so as to convey the message of an improvement – that something good had happened instead of a message of change.

The entire brand change exercise cost INR 20m, including the cost of signage and POP material. The entire cost was borne by SFPL. In addition, Mr Basu had to protect franchisee earnings. In the event of a drop in franchisee sales, Switz Foods would have to shoulder an additional burden.

Mio Amore: surviving brand-name change in transition economy: Part C

Scenario after brand-name change

After implementing the brand-name change exercise across all the stores, the next question was to wait and watch for consumer reaction. In a majority of the stores, there was an increase in average daily sales (Exhibit 10). Sales figures indicated that the brand change was received positively (Exhibit 11). Average store sales had gone up by around 2.5 per cent without any price increase. Customer perceptions of the brand change revealed that the change was being welcomed. Customer reactions posted on a popular food-ordering social media site suggested they liked the new avatar even though they had been apprehensive about the change. In general, customers perceived the change as an improvement and also expressed higher expectations from *Mio Amore*. Some even wondered whether the store was acquired by a foreign company which led to the difference. More important was the reaction of customers and their response to the new brand name. Some customer reactions are shown in Exhibit 12. SFPL also realised that while consumers were able to see that *Monginis* had transitioned to *Mio Amore*, they did not make the connection in the packaged long-shelf-life food products. They did not see that *Monginis* had changed to *Winkies*. *Winkies* for all practical purposes was a new brand. SFPL had invested in revamping *Winkies* and even adopted mass media advertising for that. But that was another story still being played out.

Basu and Ghosh wondered, could they keep up and consolidate on these early gains! Could they hold out when MFPL would enter the market again under *Monginis* brand name in 2018. They had the challenge of keeping up the innovation and quality improvement around the product to build on word-of-mouth reputation of the new brand to consolidate consumer perceptions of *Mio Amore* as a *para* shop. And they needed to consolidate their presence in Eastern India and expand for a pan-India reach for their packaged foods business.

Keywords:

Retailing,
Food marketing,
Brand management/equity,
Channel management/
relationships

Notes

1. Most of bakery equipment used in India is imported from Italy or USA (Bakery Review, April-May, 2016, available at www.bakerymag.com/home.php).
2. In Europe or the USA, where baked food is part of a long-standing food culture, baking has evolved over centuries into a large and well-organized profession, with its prestige, associations (or guilds) and training systems. According to the *Occupational Outlook Handbook* published by the Bureau of Labor Statistics of the United States Department of Labor, there were 185,300 bakers in the USA in 2014.

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4. http://articles.economictimes.indiatimes.com/2004-12-22/news/27388781_1_sikkim-45-crore-two-new-plants
5. Bakery Cafe Chain Industry Booms, Making Future of Small Outfits Uncertain at www.huffingtonpost.com/entry/bakery-chain-industry_n_3561850.html?section=india
6. US bakery chain Au Bon Pain enters India, Business Standard, December 17, 2009.
7. www.krysalisco.com/. . ./Indian%20Food%20Retail%20Industry%20-%20An%20Over. . .
8. www.krysalisco.com/. . ./Indian%20Food%20Retail%20Industry%20-%20An%20Over. . .
9. gain.fas.usda.gov/. . ./Retail%20Foods_New%20Delhi_India_12-28-2015.pdf
10. www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/. . ./BBG-Retail.pdf
11. The bakery market in India is estimated to be around US\$7.6bn. It is the third largest processed food category. Biscuits constitute almost three-fourths of the bakery market, with breads coming next. More than half of the market is with unorganized producers with low product prices and thin margins.

Exhibit 1. Details of franchisee expansion

Figure E1

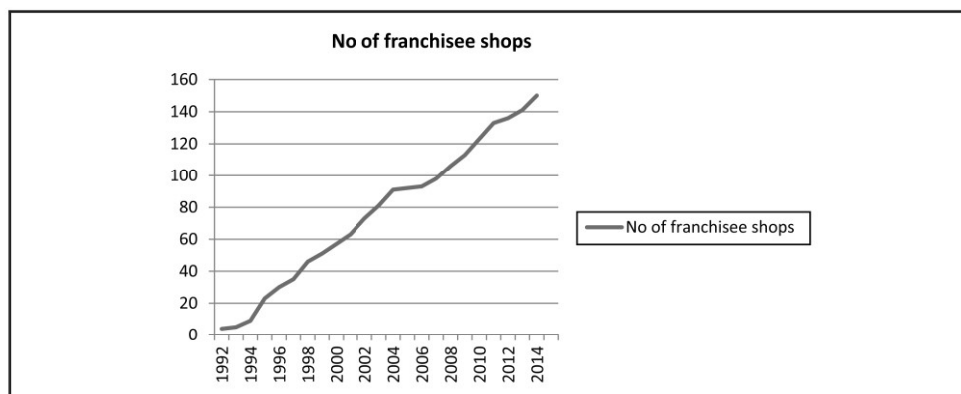


Exhibit 2. Financials of SFPL (figures in million INR)

Table E1

	2011-2012	2012-2013	2013-2014	2014-2015 (unaudited)
Sales	778	909	1,026	1,211
Profit after tax	64	77	85	110
Royalty	5	6	7	8
Excise and VAT	106	130	162	192
Salary/Wages	64	87	118	149
ROI (%)	25.93	25.54	24.87	25.9

Exhibit 3. *Monginis* design and colours



Exhibit 4. Details of product categories and SKUs at SFPL

Table EII

<i>Srl. no.</i>	<i>Category</i>	<i>No. of items</i>
1	Savouries	33
2	Bread	5
3	Packaged Snacks	4
4	Chocolate	3
5	Cookies	8
6	Cake	13
7	Cold dessert	3
8	Pastry	22
9	Gateaux	52
10	Sweets	5
11	Trading	20

Exhibit 5. Search for a new name

Table EIII

Preference ranking of five names as a name for a proposed all Indian company dealing in confectionary items and savouries

<i>Age group of customers</i>	<i>18-24 years</i>	<i>25-45 years</i>
<i>Kolkata</i>		
Mio Amore	3.36	3.76
GoldiLocks	3.60	3.20
Fresh Bake	3.48	3.00
I Bake	2.25	2.44
Moner Ginis	2.04	2.60
<i>North 24 PGs</i>		
Mio Amore	3.30	4.02
GoldiLocks	3.94	3.80
Fresh Bake	3.30	3.26
I Bake	2.74	2.38
Moner Ginis	1.72	1.54
<i>Howrah</i>		
Mio Amore	4.08	3.86
GoldiLocks	4.28	3.34
Fresh Bake	3.08	3.16
I Bake	2.36	2.66
Moner Ginis	1.20	1.98
<i>Siliguri</i>		
Mio Amore	3.81	3.92
GoldiLocks	4.12	3.86
Fresh Bake	3.67	3.72
I Bake	1.96	2.10
Moner Ginis	1.44	1.40
<i>Bhubaneswar</i>		
Mio Amore	3.84	4.24
GoldiLocks	4.04	4.00
Fresh Bake	3.00	3.12
I Bake	2.72	1.11
Moner Ginis	1.40	2.20

Exhibit 6. Search for a new name

Table EIV		
Preference ranking of five names as an alternative to Monginis		
Age group of customers	18-24 years	25-45 years
<i>Kolkata</i>		
Mio Amore	3.72	4.16
GolciLocks	3.84	3.28
Fresh Bake	3.16	2.96
I Bake	2.36	2.36
Moner Ginis	1.92	2.24
<i>North 24 PGs</i>		
Mio Amore	3.46	4.40
GolciLocks	4.04	3.60
Fresh Bake	3.40	3.28
I Bake	2.76	2.48
Moner Ginis	1.34	1.24
<i>Howrah</i>		
Mio Amore	4.52	4.08
GolciLocks	3.92	3.54
Fresh Bake	3.20	3.36
I Bake	2.16	2.42
Moner Ginis	1.20	1.60
<i>Siliguri</i>		
Mio Amore	3.84	3.92
GolciLocks	4.20	4.04
Fresh Bake	3.67	3.62
I Bake	1.56	2.06
Moner Ginis	1.73	1.36
<i>Bhubaneswar</i>		
Mio Amore	3.74	4.40
GolciLocks	4.14	4.08
Fresh Bake	3.04	3.00
I Bake	2.44	1.60
Moner Ginis	1.64	1.92

Exhibit 7. New brand name and logo of *Mio Amore*

Figure E3



Exhibit 8. Customer perception survey *vis-à-vis* competition

Table EV

Parameters	Kolkata			North 24 PGs			Howrah		
	Monginis	Kathleen	Sugar & Spice	Monginis	Kathleen	Sugar & Spice	Monginis	Kathleen	Sugar & Spice
Overall quality	4.17	3.99	3.84	4.1	3.75	4	4.2	3.75	3.9
Hygiene	4.27	4.07	4.08	4.1	3.7	3.75	4.05	3.8	4
Price	4.53	3.95	3.89	3.85	3.1	3.8	3.9	3.55	3.3
Freshness and taste	4.33	3.92	3.63	4	3.45	3.65	4.1	3.45	3.65
Variety and range of products	4.15	4.05	3.49	4.1	3.45	3.85	4.25	2.75	3.25
Opening and closure timing	4.01	3.91	4.12	4	3.9	4.15	3.85	3.35	3.35
Easy availability	4.13	3.27	3.68	4.15	3.6	3.7	4	2.35	2.75
Interior and exterior look of the shop	4	4.08	4.11	3.8	4.25	4.35	4.1	3.55	3.85
Innovativeness in product development and presentation	4.43	3.63	3.77	4.15	4	4.05	4	3.25	3.25
Well-advertised	3.27	3.37	3.49	3.5	3	3.25	3.5	3.05	3.05
Behaviour of staffs	3.85	3.89	3.8	3.85	3.35	3.8	4	3.6	3.75

Exhibit 9. New brand creatives of *Mio amore*



Figure E6 Mio amore: product posters



(continued)

Figure E6



Exhibit 10. Impact on average daily sales at franchisee stores

Table EVI	
No. of stores	Impact, % change after brand change
20 stores	More than 5% decline in sales
34 stores	0-5% decline in sales
37 stores	Up to 5% growth in sales
29 stores	5-10% growth in sales
28 stores	More than 10% growth in sales

Exhibit 11. Sales of *Mio Amore* (net of discounts and goods returned)

Table EVII			
	2013-2014	2014-2015	2015-2016
April	62792282.08	73812894.66	84987223.64
May	65681467.9	78408055.15	88706350.02
June	63544539.53	76024051.24	83187101.26
July	67513349.72	80987628.26	94229219.38
August	74610563.97	91991085.28	104240632.9
September	79098846.22	94849148.01	104961490.8
October	76940748.78	91802097.54	99581104.99
November	83183286.2	96637388.7	109601576.3
December	136687806.3	148497563	172815164.5
January	83392034.05	88454786.39	110692660.3
February	70218691.51	77047577.48	91744101.88
March	73289401.18	77349705.07	92128360.67
TOTAL	93,69,53,017	1,07,58,61,981	1,23,68,74,987

Exhibit 12. Consumer reactions to brand change

"Back in town after two years, I was surprised to not spot even a single Monginis outlet in Kolkata, until a friend pointed out *Mio Amore*. While I was sceptical about how the brand change has affected the one place I had entered unafraid in my years of low-on-cash college life, *Mio Amore* has pleasantly surprised me. While such a move is always accompanied by a commensurate increase in basic service charges as well as increase in prices, I found prices still within reach, as compared to New Delhi, where they are crazy".

"And an amazing thing. Monginis turns to *Mio Amore* on poila baisakh. The surprise for the bengalis on their new year. Particularly have been visiting this one at golpark for quite a long long time, ever since I was a kid and had to visit Gariahat quite often for my dance classes. Monginis keeps those people alive, those who want to spend less on their food. And so at times Monginis is the sole saviour. After transformation to *mio amore*, there has been subtle renovations as well, which makes this appear a bit more attractive. Well *MioAmore*, just expecting a revolution in the menu just as you revolutionised your name".

"*Mio amore* is comfort for me. They might boast of a variety of desserts now, but I stick to their muffins and butter cake slices. And they are a joy to have, in their simple avatars. Also, it's a blessing to have them all around the city. They are cheap fix to hunger pangs, anywhere anytime".

"Luckily for everyone involved the change in name was just not for cosmetic reasons. They have introduced two new items in the form of Fish and cheese burger and an Olive chicken sub. Both are rather tasty and sumptuous (especially the burger which has the quintessential Bong favourite fish fry acting as the patty) for the price they demand. The chicken samosa is a personal favourite here. The bakery offerings remain simple and standard".

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CASE STUDY - PORSCHE

Porsche: Guarding the Old While Bringing in the New

Porsche (pronounced Porsh-uh) is a unique company. It has always been a niche brand that makes cars for a small and distinctive segment of automobile buyers. Last year, Porsche sold only 29,023 cars in the five models it sells in the United States. Honda sold about five times that many Accords alone. But Porsche owners are as rare as their vehicles. For that reason, top managers at Porsche spend a great deal of time thinking about customers. They want to know who their customers are, what they think, and how they feel. They want to know why they buy a Porsche rather than a Jaguar, or a Ferrari, or a big Mercedes coupe. These are challenging questions—even Porsche owners themselves don't know exactly what motivates their buying. But given Porsche's low volume and the increasingly fragmented auto market, it is imperative that management understand its customers and what gets their motors running.

Profile of a Porsche Owner

Porsche was founded in 1931 by Ferdinand Porsche, the man credited with designing the original Volkswagen Beetle, Adolf Hitler's "people's car" and one of the most successful car designs of all time. For most of the first two decades, the company built Volkswagen Beetles for German citizens and tanks and Beetles for the military. As Porsche AG began to sell cars under its own nameplate in the 1950s and 1960s, a few constants developed. The company sold very few models, creating an image of exclusivity. Those early models had a rounded, bubble shape that had its roots in the original Beetle, but design evolved into something more Porsche-like with the world famous 356 and 911 models. Finally, Porsche's automobiles featured air-cooled four- and six-cylinder "boxer" motors (cylinders in an opposed configuration) in the rear of the car. This gave the cars a unique and often dangerous characteristic—a tendency for the rear-end to swing out when cornering hard. That's one of the reasons that Porsche owners were drawn to them. They were challenging to drive and that kept most people away, making the car even more exclusive. Since its early days, Porsche has appealed to a very narrow segment of financially successful people. These are achievers who see themselves as entrepreneurial, even if they work for a corporation. They set very high goals for themselves and then work doggedly to meet them. And they expect no less from the clothes they wear, the restaurants they go to, or the cars they drive. These individuals see themselves not as a part of the regular world, but as exceptions to it. They buy Porsches because the car mirrors their self-

image—it stands for the things owners like to see in themselves and in their lives. Most of us buy what Porsche executives call utility vehicles. That is, we buy cars to go to work, to deliver the kids, and to run errands. Because we have to use our cars to accomplish these daily tasks, we base buying decisions on features such as price, size, fuel economy, and other practical considerations. But a Porsche is more than a utility car. Its owners see it as a car to be enjoyed, not just used. Most Porsche buyers are not moved by information, but by feelings.

A Porsche is like a piece of clothing, something the owner "wears" and is seen in. They develop a personal relationship with their cars, one that has more to do with the way the car sounds, vibrates, and feels than with how many cup holders it has or how much cargo it can tote. They admire their Porsches as machines that perform without being flashy or phony. People buy Porsches because they enjoy driving. If all they needed was something to get them from point A to point B, they could find something much less expensive. And whereas many Porsche owners are car enthusiasts, some of them are not. One successful businesswoman and owner of a high-end Porsche said, "When I drive this car to the high school to pick up my daughter, I end up with five youngsters in the car. If I drive any other car, I can't even find her; she doesn't want to come home."

From Niche to Numerous

For the first few decades, Porsche AG lived by the philosophy of Ferry Porsche, Ferdinand's son. Ferry created the Porsche 356 because no one else made a car like the one he wanted. "We did not do market research, we had no sales forecasts, no return-on-investment calculations. None of that. I very simply built my dream car and figured that there would be other people who share that dream." So really, Porsche AG from the beginning was very much like its customers: an achiever that set out to make the very best. But as the years rolled on, Porsche management became concerned with a significant issue: Were there enough Porsche buyers to keep the company afloat? Granted, the company never had illusions of churning out the numbers of Chevrolet or Toyota. But to fund innovation, even a niche manufacturer has to grow a little. And Porsche began to worry that the quirky nature of the people who buy Porsches might just run out on them. This led Porsche to extend its brand outside the box. In the early 1970s, Porsche introduced the 914, a square-ish, mid-engine two-seater that was much cheaper than the 911. This meant that a different class of people could afford a Porsche. It was no surprise that the 914 became Porsche's top-selling model. By the late 1970s, Porsche replaced

the 914 with a hatchback coupe that had something no other regular Porsche model had ever had: an engine in the front. At less than \$20,000, more than \$10,000 less than the 911, the 924 and later 944 models were once again Porsche's pitch to affordability.

At one point, Porsche increased its sales goal by nearly 50 percent to 60,000 cars a year. Although these cars were in many respects sales successes, the Porsche faithful cried foul. They considered these entry-level models to be cheap and underperforming. Most loyalists never really accepted these models as "real" Porsches. In fact, they were not at all happy that they had to share their brand with a customer who didn't fit the Porsche-owner profile. They were turned off by what they saw as a corporate strategy that had focused on mass over class marketing. This tarnished image was compounded by the fact that Nissan, Toyota, BMW, and other car makers had ramped up high-end sports car offerings, creating some fierce competition. In fact, both the Datsun 280-ZX and the Toyota Supra were not only cheaper than Porsche's 944, they were faster. A struggling economy threw more sand in Porsche's tank. By 1990, Porsche sales had plummeted and the company flirted with bankruptcy.

Return to Its Roots?

But Porsche wasn't going down without a fight. It quickly recognized the error of its ways and halted production of the entry-level models. It rebuilt its damaged image by revamping its higher-end model lines with more race-bred technology. In an effort to regain rapport with customers, Porsche once again targeted the high end of the market in both price and performance. It set modest sales goals and decided that moderate growth with higher margins would be more profitable in the long term. The company set out to make one less Porsche than the public demanded. According to one executive, "We're not looking for volume, we're searching for exclusivity."

Porsche's efforts had the desired effect. By the late 1990s, the brand was once again favored by the same types of achievers who had so deeply loved the car for decades. The cars were once again exclusive. And the company was once again profit-able. But by the early 2000s, Porsche management was asking itself a familiar question: To have a sustainable future, could Porsche rely on only the Porsche faithful? According to then CEO Wendelin Wiedeking, "For

Porsche to remain independent, it can't be dependent on the most fickle segment in the market. We don't want to become just a marketing department of some giant. We have to make sure we're profitable enough to pay for future development ourselves.

"So in 2002, Porsche did the unthinkable. It became one of the last car companies to jump into the insatiable SUV market. At roughly 5,000 pounds, the Porsche Cayenne was heavier than anything that Porsche had ever made with the exception of some prototype military tanks it made during WWII. Once again, the new model featured an engine up front. And it was the first Porsche to ever be equipped with seat belts for five. As news spread about the car's development, howls of distress could be heard from Porsche's customer base. But this time, Porsche did not seem too concerned that the loyalists would be put off. Could it be that the company had already forgotten what happened the last time it deviated from the mold?

Apparently not. After driving one of the first Cayennes off the assembly line, one journalist stated, "A day at the wheel of the 444 horsepower Cayenne Turbo leaves two overwhelming impressions. First, the Cayenne doesn't behave or feel like an SUV, and second, it drives like a Porsche." This was no entry-level car. Porsche had created a two-and-a-half ton beast that could accelerate to 60 miles per hour in just over five seconds, corner like it was on rails, and hit 165 miles per hour, all while coddling five adults in sumptuous leather seats with almost no wind noise from the outside world. On top of that, it could keep up with a Land Rover when the pavement ended. Indeed, Porsche had created the Porsche of SUVs.

Recently, Porsche upped the ante one more time. It unveiled another large vehicle. But this time, it was a low-slung, five-door luxury sedan. The Porsche faithful and the automotive press again gasped in disbelief. But by the time the Panamera hit the pavement, Porsche had proven once again that Porsche customers could have their cake and eat it too. The Panamera is almost as big as the Cayenne but can move four adults down the road at speeds of up to 190 miles per hour, accelerate from a standstill to 60 miles per hour in 3.6 seconds, and still wring 23 miles out of a gallon of gasoline.

Although some Porsche traditionalists would never be caught dead driving a front-engine Porsche that has more than two doors, Porsche insists that two trends will sustain these new models. First, a category of Porsche buyers has moved into life stages that have them facing inescapable needs—they need to haul more people and stuff. This not only applies to certain regular Porsche buyers, but Porsche is again seeing buyers enter its dealerships who otherwise wouldn't have. Only this time, the price points of the new vehicles are drawing only the well-heeled, allowing Porsche to maintain its exclusivity. These buyers also seem to fit the achiever profile of regular Porsche buyers. The second trend is the growth of emerging economies. Whereas the United States has long been the world's biggest consumer of Porsches, the company expects China to become its biggest customer before long. Twenty years ago, the United States accounted for about 50 percent of Porsche's worldwide sales. Now, it accounts for less than 25 percent. In China, many people who can afford to buy a car as expensive as a Porsche also hire a chauffeur. The Cayenne and the Panamera are perfect for those who want to be driven around in style but who may also want to make a quick getaway if necessary. The most recent economic downturn brought down the sales of just about every maker of premium automobiles. When times are tough, buying a car like a Porsche is the ultimate postponable purchase. But as this downturn turns back up, Porsche is better positioned than ever to meet the needs of its customer base. In fact, its global unit sales are up by 21 percent to a company record 118,867 vehicles. Porsche is also in better shape than ever to maintain its brand image with the Porsche faithful, and with others as well. Understanding Porsche buyers is still a difficult task. But one former chief executive of Porsche summed it up this way: "If you really want to understand our customers, you have to understand the phrase, 'If I were going to be a car, I'd be a Porsche.'"

Questions

1. Analyze the buyer decision process of a traditional Porsche customer.
2. Explain how both positive and negative attitudes toward a brand like Porsche develop. How might Porsche change consumer attitudes towards the brand?

Short Case: HEWLETT PACKARD INDIA

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Hewlett Packard (HP), was jointly formed by William Hewlett and David Packard in 1938, is one of the leading brands in the computer industry which provide products for both business and personal use. It established itself in India in 1988. It provides a more personalized, better and even cheaper alternatives to the users than Apple and Dell. With its merging with Compaq in 2002, it has become one of the major players in notebooks, desktops, and business servers in large number of markets. HP's product portfolio caters to the household and business needs of government organizations, small or large enterprises, and graphic art and design industry. The main reason for its success has been the commitment of its team members towards providing solutions to the problems faced by its customers in a most effective manner and in lesser amount of time.

HP SOLUTIONS FOR BUSINESS USE

To ensure that the needs of the small and medium scale businessmen are catered to their fullest, HP offers a wide range of products such as printers, scanners, desktops, network storage solutions, monitors, notebook, scanners, faxes, etc.³⁰ HP attempts to meet the needs of small business and the needs of the large enterprises are catered too with its wide range of products like laptops, desktops, and workstations, printers, monitor and accessories, ink, toner and paper, etc.

HP believed in providing a complete solution to the users of its product. It also provides add-on benefits to the product to ensure the maximum satisfaction to the users of its product. It also provides solutions.

HP care pack services provide premium support to meet the needs of the business environment. It ensures that the call once logged in is responded the same business day and attended before the end of the next business day. HP also expands and extends standard warranties for their products. *HP Imaging Printing and Support* offer solutions related to printers right from its installation.³¹ HP has also launched a free *HP Smart Chat*, facility, where live HP representatives provide a helping hand in providing answer to the queries regarding HP products, providing expert advice on right solutions, assisting in selecting the right technology for the business, etc.³² HP also has an efficient *customer care*, devoted to provide customers' assistance, right from the purchase of the products till its end. Assistance is in the form of self help, e-mail HP, call HP and interact online with HP. The services, to mention a few include providing solutions to the pre purchase and post purchase queries, attending to the complains of the customers, giving them technical support after the purchase is made etc.³³ HP also provides some other facilities like *Creative Studio* for business, which enables discovering free templates for business use like letter heads business cards, etc.³⁴

As per Punit Chadha, the Director of Graphic Solutions Business, Imaging & Printing Group, HP India, HP has always been committed in providing the best quality products at a competitive price and performance. This allows the business to grow profitably with increased efficiency, output of high quality and reliability.³⁵ Keeping this in mind the company launched 'Trade In Trade Out' program, which enabled the corporate to exchange and upgrade their used high-end printers with new HP Designjet printer at special rates. The used products were taken back and recycled to reduce the effect of this technological product on environment.

To capture the existing demands in the verticals like educational institutes, law firm, telecom companies, etc, HP adopted a micro-market strategy. It provided solutions based on cloud computing for many key verticals. For this it has already undergone partnership with many Indian software companies.³⁶ For small offices and businesses, HP has introduced printers that enable them to produce documents of a good quality at a reasonable cost. HP's new products are made environment friendly with its Auto-on and Auto-off technology.³⁷

LOSING OF THE MARKET SHARE:

When HP entered the market and merged with Compaq in 2002, it was an unquestionable market leader for many years. However, with the passage of time, HP lost its share to its competitors Dell and Acer. In the second quarter of 2011, Acer overtook HP and secured second position with a market share of 12.1 per cent in the PC market. Dell held the first position with market share of 17 per cent. However, HP stood at the third position with a share of 11.2 per cent from 15 per cent two years ago in the PC market.³⁸ As a result, HP announced spinning off or even selling off its PC business. The decision was taken to increase the business in the service segment of HP. However, this came with a lot of retaliation from the customers and partners across the country. This was because the PC business (PCB) contributed

one third of the total revenues of HP. It was a \$40 billion business operating in more than 170 countries in the world.³⁹ Later on it was realized that the cost associated with the spinning off would outweigh the benefits of dropping the PC business. Hence, the idea of spinning off the PCB was dropped and it continued to be a part of the HP business.⁴⁰ Another recent breakthrough came when HP decided to merge its printer unit with its PC business in 2012. This was done looking at the falling profit of the HP printer market by 10 per cent last year. HP's printer market was a shining star few years back, but now the scene has changed. Ink sales fell by 6 per cent, office printers by 5 per cent and consumer printers by 15 per cent by the end of January 2012.⁴¹

FUTURE PLANS:

As for the future plans, the company is now planning to enter the small sector, in tier III and tier IV cities and is planning to invest heavily in it. Also, the company has declared to spend a sum of \$300 million in global marketing campaign.⁴² They are planning on using multiple marketing channels to market their products.

Questions

1. What do you think was the reason for HP losing its market share to Dell and Acer in the second quarter of 2011?
2. Was the company right in taking back its spin-off decision? Give justifications.
3. Would the company's decision of merging its printer market with its PC business reap the benefit it has expected?
4. Do you think the company will succeed in its plan to enter the tier-III and tier-IV cities in small towns? Discuss.
5. Apart from the branded segments there are also local players in the industry providing products at a lower cost. How can HP compete with it?

“Anjaneya” health drink: re-positioning dilemma

Aasha Jayant Sharma and Vandana Prashant Sonwaney

Rajiv Shetty, an ambitious owner and CEO of Eco remedies, based out of Nashik, India, was with his colleagues brain storming on the issue of repositioning one of Eco remedies product “Anjaneya” somewhere in January 2016. The preventive health care market in emerging markets like India is at a very nascent stage and requires thorough understanding of the consumers. Indian Consumers generally tend to prefer an all in one solution for various ailments. Anjaneya was introduced in the market as a cancer cure drink in the year 2014 and was gradually picking up but not as per expectation. Rajiv was keen on expanding the market and on reconsidering the current positioning of the product as he saw great opportunity in exploiting the growing market for health drinks. There were three options available to the team, either reinforce it as a cancer cure drink, reposition it as a preventive care health drink for all ages or re-launch it as a health drink for fitness freaks. All three options called for an understanding of the consumer. The case puts forth information gathered on target consumers through market research. The case weaves research methods used for understanding consumers and gradually builds on the premise of making informed decision by potential use of the insights captured through research.

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Background eco remedies

Rajiv Shetty, CEO and founder of “Eco Remedies” with 12 years of experience in marketing and sales domain of health care and pharmacy industry started eco remedies with the objective of building an interactive and informative community of natural health lovers to help each other grow with natural and herbal natures wealth.

Rajiv Sethi saw untapped potential in Ayurveda and herbal medicines which were not only economical but also with negligible side effects, easily available and a cheap alternative to pharmaceutical drugs. This served as an objective and goal for Rajiv to establish the firm “eco remedies”. Eco remedies offer herbal and ayurvedic [1] products prepared after many research studies and tests.

Eco remedies intend to focus its work of developing products for a better living and healthy lifestyle for patients with long term diseases or illness like Cancer, Hypertension, Tumors, Diabetes, Depression, Anxiety and so on. In the same quest, it announced anti-cancer herbal medicines which are effective in preventing and lowering the effects of cancer in one’s body. Naming it “Anjaneya”, the health drink made out of Soursop or Graviola was one such product that the company was trying to sell under eco remedies.

Graviola is a Portuguese name for Soursop, custard apple, cherimoya and Brazilian paw paw. This tropical evergreen tree produces a fruit with white flesh, with extreme sweet but acidic flavor. Because it is difficult to eat, its pulp is commonly made into juice. Not only the fruit but also the other parts of this plant, leaves, stem, bark, roots and seeds, have a long

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history of medicinal use in America. Graviola is used as a natural remedy for infections, fever, digestive problems and blood pressure.

Cancer in India

Though cancer rates in India are lower than the Western countries, they are gradually increasing . There are more than 1,300 persons succumbing to cancer every day and has become one of the major causes of death occurring in the country.

The extent to which death and illness from cancer will increase in the next 20 years depends on investments in future in tobacco control, health-care delivery, cancer research, clinical trials and increasing the public awareness. Risk of cancer can be reduced by eliminating risky behaviors such as smoking and vaccinating those at risk of cancer causing infections and by following a healthy diet and lifestyle.

Preventive health care

Preventive health care involves measures to identify and minimize the risk of diseases, and alter the course of existing ones for a healthy and productive life. This sector seems to be gaining importance lately with increasing awareness, disposable income , corporate initiatives for their employees, government support and an overall integration of health-related activities whether it is health checkups, diagnose, cure, prevention, wellness all put together. Traditional treatments, Ayurveda and alternative medicines are being confidently integrated into modern health-care system. Oral and external medicines clubbed with diet and nutrition, yoga and meditation has given way to Wellness Industry. So, overall trend is toward less harmful, organic, natural preventive care and healthy lifestyle. Consumers are conscious about what goes into making of a product specially if it is to do with food, cosmetics or medicines. This has given way to consumers' demanding healthy products in all categories.

Global health drink market

The market for energy and health drink can never be better than now, where even the fast food chains are continuously working to position themselves with nutritional benefits. Repositioning the brands positioning and image in this contest has been a common strategy across the globe.

Indian health drinks market

Growth drivers. Changing lifestyles, increased health awareness, hygiene matters, disposable incomes are the major factors identified as growth drivers for health drink Industry in India. Though Ayurveda is a long tradition in India, over the counter Ayurveda health drinks are relatively nascent category in Indian market with low penetration. The perception of organic health products is changing from being a luxury to a necessity. There are many major players in this area, these include, Ecofarms, Morarka Organic, Organic India and seasoned players like Dabur, Himalaya, Baidyanath, Patanjali and many more.

The challenge. Given the Indian market status on health drinks, Rajiv was convinced of good business opportunity in 'Anjaneya" but whether to penetrate the market with its existing status or to pitch it as health drink was the confusion . He was also aware of the idea that it was very important to pitch it just right in the Indian consumers mind. The founder faced the task to not only generate awareness but also take a decision as to retain the positioning as a cancer cure health drink targeting only cancer patients or to reposition it as an overall health drink targeting everyone who is health conscious and believes in preventive care. The primary consideration was to determine key considerations for positioning. And then design a communication strategy for the product.

The broad problems that Rajiv faced are as follows:

- Market is still not fully ripe for health drinks and specially health drinks from lesser known brands and a lesser known fruit. The fruit Graviola is otherwise known to people in tropical areas of the country but is not a very popular health fruit in India. General awareness of the benefits of Graviola and the health drink has to be done aggressively as lack of awareness and visibility is overtly seen.
- As such, there is no direct competitor for Graviola but other health drinks like amla and karela or aloevera juices are traditionally known to Indian market, thanks to Ayurveda and use of these in Ayurveda treatments. Hence, acceptance and trust is strong for these than Graviola.
- Though the product is promising and certainly a help for cancer patients and other ailments, the company lacks proper marketing and communication strategy.
- Rajesh was confused whether to penetrate with the existing positioning of cancer cure and preventive health drink or reposition it as a preventive care health drink for all ages or re-launch it as a health drink for fitness freaks to widen its acceptance and use and thus expand the market.
- To clear all his doubts he had to know more about his consumers.

Research planning and execution: phase one: understanding the consumer

Rajiv collaborated with students' team to undertake a survey of consumers in Nashik city so as to understand awareness level of consumers about not only Anjaneya but also other health drinks in the market, and perceptions of consumers with respect to health drinks, preventive health care and overall lifestyles that people have. The first phase was to know who all are the consumers of health drinks and what is their perception about it. This helped in narrowing down the actual research sample space (segmentation). The steps involved were as follows:

- understand the market by visiting different areas from various parts of Nashik and approach random segments of the society.
- get to know their awareness and perception of health drinks, pertaining to either any health ailment or for general purpose health supplement.
- get responses for their awareness level for the fruit Graviola and its benefits.
- get the consumption details and preferences about such health drinks.
- This would give a direction as to whom to approach for further research, i.e. narrowing down the potential customers.

Research methodology

Segmentation

With the above objectives in mind, the team first wanted to know consumer's unbiased perception about health drinks but the question was which segments to be surveyed?

The team first prepared a segmentation base for the city of Nasik. The bases for segmentation were Age groups, Occupation, Patients and Health Conscious Consumers. The [Figure E1](#) depicts the overall market segmentation. Segmentation would give deeper insights on devising effective communication strategies for each segment. For example a response from age group of 18-30 years may vary from a response of age group of 30-50 years. Or what may attract a working mother may not attract a fitness freak. So understanding motives, likings and preferences for each of these segments would be helpful when a common health drink is to be introduced. If it is about specific medicinal properties or health benefit to be derived special focus to that segment may be given. For

example a sugar free highlight in a print ad would make sense to fitness freaks and weight conscious prospects rather than tasty health drink for kids.

Mental maps

After segmentation was done the team went for a mental mapping of select random samples from each of the segments above. The purpose was to get an unbiased perception of what factors or attributes are important for a health drink purchase or preference. To gain consumer insights about health drink, it is important to know what strikes their mind when we talk about a health drink and the benefits they gain out of it. A sample of participants was interviewed to know about the same. Based on the responses received and the literature studies, the mental map was developed which was useful for developing the questionnaire (see [Figure E2](#)). The variables that came out of the mapping are Taste, Price, Color, Brand, Composition, Expiry period, Storage condition, Organic, Availability and Consistency Pulpiness thin liquid.

Blind taste test

The third step was to compare the available drinks in the market and understand consumers' reaction and preferences regarding taste of products in the market. The products tasted in the test were Anjaneya, Patanjali's amla and aloe vera juice, Tropicana's real fruit juice and Baidyanath's Ashwagandharishta syrup. In the blind test experiment, information about the test that might lead to bias in the results was concealed from the subject, the tester or both until after the test. This test was carried out as the first stage to understand the first reaction of consumers when they taste the product. The observations were forwarded to the team to capture insights on the preferred taste ([Table EI](#)).

Questionnaire design and consumer awareness program

Based on the requirements of the company, a set of questionnaire was developed and circulated manually among samples of the above segments. All the responses were captured either on hard-copy or electronically. These responses were further subjected to market analysis. After almost two months of efforts, the team had come together to now take a call on how to go ahead. When the responses were being gathered, the major part of generating awareness about Anjaneya and its health benefits was also carried out. Surprisingly, very few people were aware about this product and its benefits. The team also included variables extracted out of mental maps to prepare the instrument for survey. The purpose of the survey was to capture insights about consumers' likings, preferences, motivations and readiness about health drinks. The factors that were identified through survey corresponded broadly to these aspects of a health drink: composition, price, taste, brand and packaging. These insights were to be used for the positioning strategy and overall strategic move of the company.

Competitive analysis

Before launching any product into the market, it is very important to understand its competitors and its products. For this study, two companies that are prevalent in the market of Nasik city and have good penetration were considered. First was Patanjali which has the "Karela-Amla-Juice" and the next was Baidyanath which sells its "Ashwagandharishta". The comparative analysis was done on the basis of price, taste, packaging and composition of these products ([Table EII](#)).

Value propositions

To understand value propositions of various segments from the health drinks the team used the laddering technique to know what people think and perceive about health drinks and what benefits are expected out of these. Focus was to capture insights on

consumer value propositions, so that these benefits can be utilized in the marketing campaign for Anjaneya. The model called as *means-end chain model* was derived out of the responses sought of the laddering technique. There were two different groups with whom this was carried out. One group was questioned about general health drinks attributes and the other group who were existing customers of Anjaneya were questioned on the Anjaneya product attributes.

Means-end chain model

A MEC is a knowledge structure that links consumers' knowledge about product attributes with their personal knowledge about consequences and values. This model suggests that the consumers link the product characteristics with personal consequences. These can be both positive as well as negative. The tool is very helpful in understanding the motivation behind the purchasing of product and thus consumer behavior of its target market. Measuring the MEC is a sequential stage process that consists of three steps (Reynolds and Gutman, 1988):

1. elicitation of product attributes that are most relevant to the consumer;
2. an in-depth interview process called laddering, intended to reveal how the consumer links product attributes to consequences and values; and
3. the derivation of hierarchical value maps (HVM), depicting the aggregate consumer means-end-chains as expressed in the ladders, i.e. the association networks of attributes, consequences and values.

First, to extract consumer relevant product attributes/characteristics, direct elicitation or various other techniques like triadic sorting, free-sorting or ranking etc. are used. Second, a certain number of most important product attributes are retained for laddering. Consumers are asked to build their means-end ladder by just repeating an iterative simple question: Why this is important for you? In this way the interviewer speeds up connections between the various elements of the chain and consumers are driven to build up their own sequences of attribute-consequence-value. The development of such a procedure allows the consumer to naturally reveal his personal reasons, those motivating him to choose and those that otherwise it would not be possible to, bringing back to the light from the memory. The technique has, in fact, the advantage of forcing the consumer to reflect and reason about attribute consequence-value relations. The core attributes of general health drinks and Anjaneya, on which laddering questions were sequenced were organic ingredients, medicinal properties, rich in vitamins and minerals and Certifications (See Tables EIII and EIV).

Task ahead

The team was now equipped with a lot of information gathered through various techniques. The team had information on the probable segments to be targeted, unbiased perception on health drinks was gathered through mental mapping, taste preferences were identified, as well as comparative analysis on brand, price composition, taste and packaging was also on the table. All this information along with the value propositions derived out of the MEC model was waiting to be dug out, analyzed and churned to take an informed and strategic decision. The task ahead was to decide on the positioning to be taken and then designing the communication strategy for the product.

Keywords:
Product positioning,
Market research/consumer
behaviour,
Market segmentation/target
markets,
Strategy

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Available at: www.coe.fau.edu/faculty/morris/sta7114%20files/lab%209/9a%20instructions/factor_analysis_page.htm

Available at: www.buyshoppingdeals.com/stomach-health/baidyanath-ashwagandharishta-for-stress-and-strain-450ml

Available at: www.falcon18.com/Patanjali-Karela-Amla-Juice-500ml.htm?1036226/

Figure E1 Segmentation

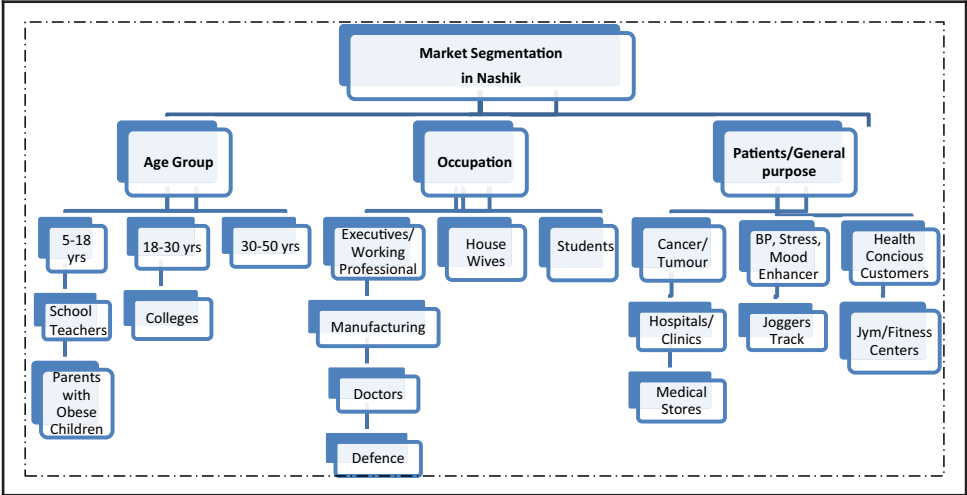


Figure E2 Mental Maps for Health drinks



Table EI Blind test results for health drinks

<i>Product</i>	<i>Taste</i>	<i>Perception</i>	<i>Purchase</i>
AnjaNeya	Sour, disliked	Weird color, for medicinal use	Not sure
Patanjali	Bitter, disliked	For medicinal use	If prescribed
Tropicana	Sweet, likable	Is made of fruits	Will buy
Ashwagandharishta	Bitter, disliked	For medicinal	If prescribed

Note: The following were the observations which were forwarded to the team to capture insights on the preferred taste

Table EII Comparison between brands

<i>Factors</i>	<i>Karela-Amla-Juice by Patanjali</i>	<i>Ashwagandharishta by Baisyanath</i>	<i>AnjaNeya by Eco-Remedies</i>
Price	Rs.75/-, 500ml	Rs.128/-, 450ml	Rs.162/-, 180ml
Brand	Well Established	Well Established	New in Market
Composition	Bitter Guard	Ashwagandha	Graviola
Packaging	Plastic	Glass	Plastic
Taste	Bitter	Bitter/Vinegar	Sour

Notes: The following images and table below gives the comparison, based on the most influencing factors that were identified for the selection of any health drink

Table EIII Means end chain model for Anjaneya

<i>Concrete attributes</i>	<i>Functional Consequences</i>	<i>Psychological consequences</i>	<i>Instrumental values</i>	<i>Terminal values</i>
Organic ingredients	Good for improving immunity	Less harmful and safe	Better performance	Healthy life naturally
Medicinal properties	Supplement for tumor and cancer treatment	Will help cure cancer	High on confidence and security	Healthy life naturally and happy family
National Accreditation Board for Testing and Calibration Laboratories (NABL) ISO and Food safety and standard authority of India (FSSAI)	Effective treatment	Trust on the brands quality claim	High on confidence No fear of false claims	Satisfaction
Rich in vitamins and minerals	Detoxifies harmful free radicals in the body	Maintain overall good health	Fit and high on confidence	Good mood and happy feeling

Table EIV Means end chain model for general health drinks

<i>Concrete attributes</i>	<i>Functional consequences</i>	<i>Psychological consequences</i>	<i>Instrumental values</i>	<i>Terminal values</i>
Organic ingredients	Good for improving immunity	Less harmful and safe	Better performance	Healthy life naturally
Medicinal properties	Helps in controlling diabetes, high blood pressure, depression, stress and nervous disorders	Will not fall ill	High on confidence	Healthy life naturally
National Accreditation Board for Testing and Calibration Laboratories (NABL) ISO and Food safety and standard authority of India (FSSAI)	Effective treatment	Increased fitness levels	High on confidence	No fear
Rich in Vitamins and minerals	Detoxifies harmful free radicals in the body	Trust on the brands	of false claims	Satisfaction
		quality claim		
		Maintain overall good health	Fit and high on confidence	Good mood and happy feeling

Corresponding author

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Short Case: GARNIER FRUCTIS FORTIFYING SHAMPOO +OIL

Prepared by
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Garnier is an old and trusted name in the Indian cosmetic industry. It is involved in selling various creams, face and body washes, haircolor, hair gels, deodorants, shampoos, etc.

Garnier Fructis shampoo is one of the leading shampoo brands in India. It has launched various types of shampoos in different ranges. It offers specialized shampoos and conditioners for long hair, curly hair, straight hair, damaged hair, dry hair, etc., and for hair problems like hair fall, dandruff, and damaged hair. Recently, Garnier came up with this really innovative product called Garnier Fructis Fortifying Shampoo +Oil. This product was created keeping in mind the Indian tradition of applying coconut oil, massaging the scalp and leaving it overnight. This was done to make hair healthy by providing it with nutrition and conditioning from the oil. Similarly, shampooing was a practice to clean the dirt and the accumulated natural oil in one's hair. Today, this tradition is not widely practiced by the people in the younger generation. People don't really have the time to oil, massage, and then leave their hair overnight, to wash it off the next morning. Garnier's

Fructis Fortifying Shampoo +Oil, 2 in 1 shampoo was created to solve this problem. Garnier claims that this product will penetrate the oil to each layer of hair and will nourish them from within. The result of using this product would be smooth and shiny hair by just spending two minutes.²⁵

The targets for this product are the people who do not have enough time oil their hair, and who did not like the practice of applying hair oil regularly. This product, if successful, could also lead to a shift from hair oil users to using the "Fructis shampoo +oil" shampoo.

Questions

1. Do you think by launching the Fructis Fortifying Shampoo +oil, Garnier is trying to compete with the hair-oil manufacturers? Do you think people will actually switch to using the shampoo as a substitute for hair oil?
2. Given that many people in India shampoo their hair to get rid of the oil in it. Do you think Garnier has the right positioning?

LICIOUS: MARKETING PLANT-BASED MEAT

Bikramjit Rishi, Sapna Popli, and Lovesh Jethwani wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Licious has announced their foray into the alternative protein sector with the launch of UnCrave, a plant-based meat brand. This launch aligns with the company's strategy of portfolio diversification, leveraging its strong core brand equity. Licious aims to emerge as a market leader within the first year of launch itself and create relevance for the larger set of meat-eating consumers who trust the brand.¹

Vivek Gupta, co-founder and chief executive officer of Licious

On October 10, 2022, many leading Indian newspapers covered the launch of UnCrave, a new plant-based meat brand by Licious, a highly successful online meat company.² Licious was already selling fresh and superior quality animal meat directly to consumers, but it was now betting on a "house of brands" strategy by launching a new plant-based meat brand called UnCrave. At the time, demand for plant-based meat was increasing, amid growing health and environmental concerns.³ Plant meat was presented as an alternative to animal meat and an everyday meal option. Licious stated that, during calendar year, there were approximately 100 days when a meat eater did not eat meat for specific reasons.⁴ Therefore, Licious specifically targeted meat eaters, rather than vegetarian consumers, who did not want to eat animal protein in certain circumstances due to health concerns or to observe special occasions and festivals.

However, was Licious right to enter a niche plant-based market, when much of the larger animal meat market was still untapped? Did Licious target the right consumer segment by focusing on meat eaters? Was it a good decision to expand the company's product mix by adding plant-based meat? How would Licious respond to concerns about the high processing and unhealthy aspects of its plant-based vegan food that was created in factories?⁵

THE COMPANY

Licious (registered as Delightful Gourmet Pvt. Ltd.,) achieved unicorn status by being India's first direct-to-consumer food start-up. The company was founded in 2015 by Vivek Gupta, Joe Manavalan, and Abhay Hanjura. Licious was launched with a vision to serve fresh and superior-quality meat directly to consumers. Its mission was to sell only meat that the founders themselves would eat. The company started with chicken products and slowly expanded to various other types of meat (e.g., red meat, seafood, mutton, prawns,

biryani) and ready-to-cook items. To make the business model successful, Licious collaborated with poultry farmers and butchers, aiming to serve fresh meat directly to consumers. The company started in Bengaluru and gradually moved into almost 20 major cities in India.⁶ However, Licious co-founder Gupta commented on the company's expansion, stating that "If we have to build Licious, we will have to put our lives in dead chicken." Licious had built up methods and infrastructure to procure, process, and serve chicken and unparalleled meat experiences. Licious slowly expanded its operations and infrastructure for other meat offerings to all poultry, eggs, and ready-to-cook products such as sausages, salami, spreads, and masala spices for meat preparation.⁷

In March 2022, Licious raised US\$150 million led by venture capital from Amansa Capital Pte. Ltd. Six months earlier, in October 2021, Licious had raised \$52 million from IIFL AMC Private Equity Fund, with one billion dollar valuation, as the company achieved unicorn status in 2021.⁸ The company predicted that it would surpass ₹15 billion in earnings before interest, taxes, and amortization (EBITA) within the next year and possibly launch an initial public offering in fiscal year 2025–26⁹ (see Exhibit 1). Licious had also acquired the pet food company Perfectly Made as its foray into new segments and as a way of leveraging its meat business.¹⁰

Product Portfolio

Licious had a wide product portfolio with several categories including raw meat, fish, poultry, ready-to-cook foods, ready-to-eat items, spreads, masalas, and its UnCrave brand of plant-based meat.¹¹ Consumers could order products online or through a mobile application (app) and delivery was seamlessly integrated. The product packaging featured interesting illustrations of happy customers.¹² Licious followed a farm-to-fork business model in which the company managed the entire supply chain, starting from procurement, and on to processing and storage, to the eventual delivery to the consumer. Generally, the company was responsible for all stages by eliminating intermediaries and directly controlling procurement, processing, and marketing.¹³ As one senior management team member noted, "I strongly believe what Amul did for milk, Licious will do for animal husbandry."¹⁴

Supply Chain and Distribution

Regarding product quality, Gupta stated, "We make sure that our processing centres are compliant with global standards so that the products reaching our customers are of uncompromised quality." To operate within strict procedures, Licious created its own supply chain infrastructure that included the farmers, intermediaries, wholesalers, butchers, and consumers. Licious standardized the butchering process to ensure global quality standards by started directly procuring meats directly from farmers and using its own butcher house.¹⁵

The Licious operational structure had a central processing unit and a network of delivery hubs at each location.¹⁶ The central processing unit was responsible for quality control and followed stringent guidelines to ensure quality of raw meat, precision cuts, and norms for fresh chain management. The products were then cured by a team of expert chefs and skilled butchers, before being moved to temporary cold storage and on to delivery hubs spread across the city. When an order was placed, the product was dispatched from the closest delivery hub.

The farm-to-fork supply chain model had given Licious various advantages and a higher profit margin by removing intermediaries and allowing the company to offer better pricing. Quality, service, and process standardization was optimized by using this model. Customer feedback could be gauged more efficiently, allowing for improvements and innovation in product offerings.¹⁷

However, despite many advantages offered by the business model, inventory management and demand prediction were two major challenges, with over 200 stock-keeping units in the company's product portfolio. Licious was operating entirely as a direct-to-consumer online platform. With customers buying directly from the website, technical support was needed to process the entire business model. Technology was used for placing orders, processing purchases, delivering items, and collecting consumer feedback. Technology and data collection were used to predict consumer behaviour and attempt to improve the consumer purchase experience.¹⁸ In June 2023, however, Licious decided to expand its physical retail presence by opening five stores in the Delhi National Capital Region of India.¹⁹

Customers

In 2019, India's meat industry was valued at US\$30–35 billion²⁰ and was growing at an annual rate of 18–22 per cent.²¹ Data from the National Family Health Survey showed that in over half of India's states and territories, more than 90 per cent of the population consumed fish, chicken, or meat occasionally or regularly.²² Overall, however, 16.6 per cent of men and 29.4 per cent of women did not eat any meat products (including eggs). The survey also showed that the frequency of meat consumption across India's states varied. In Kerala, Goa, Lakshwadeep, and Andaman Nicobar Islands, more than 90 per cent of the population consumed meat or other non-vegetable food at least once per week. In the northern states of Punjab, Haryana, and Rajasthan, however, less than 15 per cent of the population consumed meat regularly.²³

Despite the fact that most of India's population consumed meat at some level of frequency, 90 per cent of the market was unorganized.²⁴ The meat buying behaviour and experience differed considerably from one part of India to another. For example, in the eastern part of the country, where most people consumed fish as a part of their daily food consumption, the purchase of fish was an immersive experience. In fact, in West Bengal and some northeastern states, buying fish was considered imperative. In many other states (e.g., Kerala, Goa), where fish consumption was also high, it was bought from travelling vendors or local fish markets.²⁵

In the northern part of the country, men traditionally bought the family's poultry, checked for quality, and frequented a regular source. In other areas, butcher shops and the visual aspect of meats were generally avoided. In northern Tier II towns, where women were discouraged from going to markets to buy meat, gender differences were more visible than in eastern and southern regions.²⁶

Despite relatively high consumption rates, 95 per cent of meat retail was unorganized. The process of buying fish and meat from local markets required specific efforts, knowledge, and time. Many people found the purchase experience unpleasant and noisy (as indicated by the derogatory phrase, "like a fish market"). An experienced consumer could have a great deal of influence on the meat purchasing results.²⁷

The advent of e-commerce grocery shopping was an environmental shift for Indian consumers. Online ordering enabled the entire household, rather than just the men, to order from the convenience of their living rooms. Licious targeted these consumers by offering a new buying experience, product quality, and meat freshness in an organized manner. In 2022, Licious was serving 2.5 million consumers per month.²⁸ With a focus on zero inventory and a farm-to-fork approach, Licious created an organized online marketplace that delivered quality meat to the consumer's door. A market had been fragmented, unmeasurable, and lacked standardized quality seemed ready for change.²⁹ Consumers were offered a pleasant experience, prompt delivery, product freshness, and more variety. The Licious app was like a meat shop in the consumer's hand, without the unpleasant noises and smells.

Competition

In 2023, India's meat industry was valued at \$31.61 billion and was expected to grow at a compound annual growth rate of 6.23 per cent until 2028, with an average per person consumption volume of 3.9 kilograms per year.³⁰ The market was dominated by regional and local vendors (see Exhibit 2). Emerging online platforms were developing a new organized channel and capturing market share from various unorganized channels in urban areas of the country.³¹

In 2021, new meat-specific online platforms (e.g., Licious, FreshToHome, Zappfresh) were dominating 80 per cent of online meat sales, while general grocery platforms (e.g., BigBasket, Zomato, Swiggy, BlinkIt) were earning the remaining 20 per cent.³² Licious, which was considered a unicorn start-up, was earning 6.7 times more revenue than the next competitor in the online meat segment, FreshToHome. At the time, Licious had a business valuation of more than \$1 billion.³³

Licious's main competitors, FreshToHome and Zappfresh, had a similar offering structure.³⁴ FreshToHome was available in over 25 Indian cities, including recent expansion in the country's northern states. Zappfresh was limited to the areas of the National Capital Region, Chandigarh, and Jaipur. Core product offerings were similar among all three major competitors, although FreshToHome and Zappfresh did not sell spreads or masala. In 2022, investment strength was in favour of Licious, which was already receiving series F funding. By comparison, FreshToHome was earning series C funding and Zappfresh was still receiving initial seed funding of \$7.9 million to expand its business, backed by Amit Burman and SIDBI Venture Capital, among others.³⁵

All three start-ups were changing the way urban Indian consumers bought meat. They had identified a considerable gap in the market. A large number of consumers were looking for alternatives to traditional meat vendors, who had been cutting meat in public spaces with little regard for serious concerns such as hygiene, food temperature, and other factors.

THE PLANT-BASED MEAT MARKET

India was the largest producer of pulses (edible seeds of plants), but more than 80 per cent of people in India did not meet their daily protein requirements.³⁶ Deficiency was caused by a lack of awareness and low regular consumption of sufficient amounts of protein. In addition to pulses, India had abundant protein-rich food such as soybeans, legumes, seeds, nuts, milk, meat, fish, and poultry. Plant-based protein sources could play a vital role in completing the protein requirements for its vegetarian populations. People who were not vegetarian but preferred to avoid meat comprised a large segment of the population. By offering a healthier alternative, plant-based meat allowed consumers to satisfy their meat craving while making a healthier choice. Ethical consumers who were concerned about sustainability and the environmental impact of meat production were also inclined to choose plant-based meat.

Plant-based alternatives represented a highly feasible way to reduce animal product consumption by addressing the core consumer decision drivers of taste, price, and convenience.³⁷ Meat substitutes were widely consumed across most regions of the world, although in small proportions. Approximately 16 per cent of Indian consumers bought some form of meat substitutes (see Exhibit 3).³⁸ The Indian plant-based meat market was still in its nascent stage, but it was forecasted to increase dramatically and reach a staggering \$500 million valuation by 2026, from its current estimate of \$30–40 million.³⁹ For a relatively new segment, it was generating a considerable consumer base.⁴⁰

The 2019–2021 period was a thriving time for India’s plant-based industry, with the entry of five international and domestic companies and the launch of at least eight new plant-based meat start-ups.⁴¹ Some major international firms ventured into the market through strategic partnerships. For example, The Archer-Daniels-Midland Company partnered with Imagine Meats, an Indian firm that was working on developing plant-based versions of traditional Indian cuisine.⁴² Allana Group started to import Beyond Meat patties and sausages into the Indian market, with a plan to deliver these products to domestic retail outlets such as Nature’s Basket and Foodhall.⁴³

After the outbreak of the COVID-19 pandemic in 2020, the popularity of plant-based products increased with the perception of their health benefits and immunity-boosting effects.⁴⁴ Occasional vegetarian consumers (referred to as “flexitarians”), could consume meat-tasting products without any animal product content. Other urban consumers saw plant-based meat as a source of rich protein. However, plant-based meat products were generally priced 1.5 times higher than real meat products. The higher pricing had a low impact in the premium consumer segment, but it could be a key challenge in the wider consumer base.⁴⁵

In 2022, when Licious entered the plant-based meat market, several organizations already had a market presence (e.g., Good Dot, Blue Tribe Foods). That same year, fast-moving consumer goods giants such as TATA Group and ITC Limited launched their own plant-based meat products under the brand names Simply Better and ITC Master Chef.⁴⁶ Most brands had positioned themselves as a food option for vegan consumers. The main message from Good Dot and Blue Tribe Foods was about saving animals,⁴⁷ whereas Licious positioned itself as the best quality meat product with consumer experience excellence. With its new UnCrave brand of plant-based meat, Licious targeted occasional meat-eating consumers who ate meat less than 100 days per year.⁴⁸

Other competitors sold their products through various online platforms (e.g., Zepto, Blinkit, BigBasket, Dunzo).⁴⁹ The presence of many brands was limited by the availability of quick-commerce platforms, which were available only in major cities at the time. In contrast, Licious used its own supply chain to serve and reach consumers in over 25 Indian cities. The plant-based meat segment was attempting to spread across value-conscious markets beyond major urban centres with regionalized products, although the initial segment comprised affluent and health-conscious consumers. India was still a price-sensitive market with differing food consumption habits across its many regions.⁵⁰

Plant-based meats were manufactured using a wide variety of ingredients (e.g., soy, green peas, jack fruit, wheat gluten, legumes, beans, coconut oil, beet juice, vegetable proteins, nuts, seeds) to create a feel, taste, and appearance similar to real meat. The plant-based meat industry was classified based on product type, source, distribution channel, and meat type (see Exhibit 4).⁵¹ Many consumers believed that plant-based meat products were healthier, with fewer saturated fats and calories, while being rich in antioxidants, vitamins, minerals, and fibre that helped with digestion, weight loss, and muscle synthesis.⁵²

THE OPPORTUNITY FOR LICIOUS

On October 10, 2022, Licious announced its foray into the alternative protein sector by launching its plant-based meat brand UnCrave. The launch was aligned with the company’s product portfolio diversification strategy and leveraged its substantial core brand equity. Licious aimed to emerge as a market leader within the first year of its launch. Although UnCrave was hosted on the overall Licious platform, its products could also be purchased through an independent website. On the main Licious app, users could choose to buy UnCrave plant-based meat products from a selection of various categories, which also included ready-to-cook foods, fish, and chicken. For more independence, however, UnCrave established its own social media presence on Instagram with the tagline “UnCrave, a line of vegan meats introduced by Licious.”⁵³

In February 2023, UnCrave contracted Instagram influencer Vir Das, who had over 1.3 million followers, as brand ambassador.⁵⁴ UnCrave focused on consumers who chose plant-based meat alternatives but still sought a satisfying and flavourful experience. In addition to its meat products, Licious was offering a wide range of UnCrave plant-based options that were indistinguishable from their animal-based counterparts. The company's strategy was to continue increasing its portfolio. It was confident about the size and potential of this target market, which it saw as a larger segment than vegetarian and vegan consumers.

Demand for plant-based meat had been increasing across India, especially with associated health benefits. However, some concerning issues were arising. A new school of thought had started emerging among consumers suggesting that plant-based meat was highly processed food made in factories. They suggested that it could possibly be more harmful to the environment and to the human body than real meat. Others dismissed the product as "mock meat" and suggested that it was only a fad.⁵⁵

THE WAY FORWARD

Licious had entered the alternative protein industry by introducing the plant-based meat brand UnCrave to cater to a specific market. The launch was aligned with the company's objective to diversify its product portfolio and use its significant core brand value. Licious had aspired to establish itself as a dominant force in the market during the initial year of its launch and to establish a strong connection with a broader range of meat-consuming customers who had faith in the brand. However, Licious was facing many questions about the future of UnCrave. Had Licious made an error by entering the plant-based segment, when a significant portion of the traditional meat business was still available? Had the company targeted the right consumer segment? Was the decision to incorporate plant-based meat into the Licious product portfolio the right choice? How should Licious address criticism about plant-based meat being highly processed and made in factories, with a questionable nutritional value?

**EXHIBIT 1: DELIGHTFUL GOURMET PVT. LTD. FIVE-YEAR FINANCIALS, AS OF MARCH 31
(IN ₹ MILLION)**

Item	2019	2020	2021	2022	2023
Total income	859.2	2,931.7	4,304.6	7,056.5	8,074.9
Sales	763.9	1,422.8	4,154.8	6,821.1	7,463.8
Income from financial services	95.3	1,507.3	111.4	02.6	152.4
Change in stock	00.6	-00.7	08.8	03.6	05.8
Total expenses	5,247.1	4,394.3	8,011.6	15,577.7	13,333.6
Raw materials, stores, and spares	537.3	1,052.3	3,186.9	5,540.8	6,440.0
Power, fuel, and water charges	17.2	39.1	70.9	103.8	150.9
Compensation to employees	373.6	645.0	1,190.9	2,074.0	2,386.3
Interest expenses	27.7	47.0	78.2	169.8	146.1
Depreciation	42.2	98.5	150.0	251.8	367.6
Profits					
PBDITA	-529.6	17.0	-1,884.2	-4,388.0	-4,459.9
PBDITA (net of P + E + OI + FI)	-624.9	-1,338.9	-2,034.0	-4,623.4	-5,071.0
Profit after tax	-4,387.3	-1,463.3	-3,698.2	-8,517.6	-5,252.9
Profit after tax (net of P and E)	-4,387.3	-1,463.3	-3,698.2	-8,517.6	-5,252.9
Total liabilities	3,136.3	4,074.8	3,014.6	17,509.9	13,313.3
Shareholders' funds	2,759.2	3,394.2	1,338.4	15,054.0	11,265.6
Paid-up equity capital	0.1	0.2	0.2	0.2	1,014.9
Reserves and funds	-6,427.1	2,310.5	-1,330.7	8,609.1	10,078.2
Non-current liabilities (incl. long-term prov.)	124.8	330.3	894.6	1,119.4	924.5
Long-term borrowings	116.4	318.9	852.3	956.3	752.7
Current liabilities (incl. short-term prov.)	252.3	350.3	781.6	1,336.5	1,123.2
Net worth	-6,427.0	2,310.7	-1,330.5	8,609.3	11,093.1
Tangible net worth	-6,429.9	2,308.4	-1,333.5	8,598.8	11,083.8
Total assets	3,136.3	4,074.8	3,014.6	17,509.9	13,313.3
Non-current assets	352.6	697.7	1,148.4	2,062.9	2,837.8
Net fixed assets	323.2	655.5	1,055.4	1,801.9	2,005.9
Long-term investments				51.0	80.7
Current assets (incl. short-term inv. and adv.)	2,783.7	3,377.1	1,866.2	15,447.0	10,475.5

Note: Licious is registered as Delightful Gourmet Pvt. Ltd.

Source: Prepared by the authors with information from ProwessIQ Database, accessed November 23, 2023.

EXHIBIT 2: OVERVIEW OF INDIA'S MEAT INDUSTRY

Market Segment (Organized versus Unorganized)	Market Share
Unorganized Segment (i.e., Local Market)	90%
Organized (Online Platforms)	10%
- Meat-Specific Platforms (e.g., Licious, FreshtoHome): 8% - Grocery Platforms (e.g., Zomato, Swiggy, Big Basket): 2%	

Source: Prepared by the case authors with information from Kunal Manchanda and Harsh Upadhyay, "FreshToHome Spent \$79 Mn to Make \$13.5 Mn in FY22," Entackr, March 29 2023, <https://entackr.com/2023/03/freshtohome-spent-79-mn-to-make-13-5-mn-in-fy22/>; Varsha Bansal, "Why Meat Delivery Remains a Tough Market to Crack Online," Mint, November 30 2021, <https://www.livemint.com/companies/start-ups/why-meat-delivery-is-a-stiff-battle-zone-11638290982361.html>; Sindhu Kashyap, "How Licious Is Grabbing a Big Bite of the \$30B Indian Meat Market," YourStory, accessed March 15, 2024, <https://yourstory.com/2019/04/licious-growth-30billion-meat-market>.

EXHIBIT 3: MEAT AND MEAT SUBSTITUTES CONSUMPTION (SELECTED COUNTRIES)

Country	Meat Eaters (Percentage)	Meat Substitute Eaters (Percentage)
Brazil	92%	15%
China	79%	20%
Germany	88%	16%
India	53%	16%
Italy	91%	17%
South Korea	95%	9%
Spain	94%	12%
Switzerland	72%	16%
United Kingdom	86%	21%
United States	87%	14%

Source: Prepared by the case authors with information from "Meat Consumption by Country," Statista, accessed March 15, 2024, <https://www.statista.com/chart/24899/meat-consumption-by-country>.

EXHIBIT 4: PLANT-BASED MEAT CLASSIFICATION

Plant Based Meat Products, Plant Source, Type of Meat, Distribution Channel, and Region				
Product Type	Plant Source	Meat Type	Distribution Channel	Region
Burger Patties	Soy	Chicken	Restaurants and Catering Industry	North
Sausages	Wheat	Beef	Supermarkets and Hypermarkets	East
Nuggets and Strips	Peas	Pork	Convenience and Specialty Stores	West
Ground Meat	Other	Other	Online Retail	South

Source: Prepared by the case authors with information from “India Plant-Based Meat Market Report by Product Type (Burger Patties, Sausages, Nuggets and Strips, Ground Meat, Meatballs, and Others), Source (Soy, Wheat, Peas, and Others), Meat Type (Chicken, Beef, Pork, and Others), Distribution Channel (Restaurants and Catering Industry, Supermarkets and Hypermarkets, Convenience and Specialty Stores, Online Retail), and Region 2024-2032,” IMARC Services Private Limited, accessed November 26, 2023, <https://www.imarcgroup.com/india-plant-based-meat-market>.

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Company Case **Burt's Bees: Willfully Overpriced**

How much are you willing to pay for a standard-size tube of lip balm? The market leader charges just a bit more than \$1. But would you pay \$2 for a comparable product? How about \$3? When it comes to price, your first thought might be, "The lower the better." Many companies follow this reasoning and try to outdo each other by providing the cheapest option. But such a strategy can lead to razor-thin margins and even losses. And although low price might seem to be the most attractive way to lure customers into purchasing goods and

services, when it comes to actually creating value for customers, that's not always the case.

Burt's Bees is one company that understands that sometimes it pays to charge more. Just a decade ago, the popular maker of natural personal-care products was a niche brand, distributed only in boutiques and natural foods stores. But Burt's Bees sales exploded when major supermarket and discount retail chains started carrying the small company's line. And although Walmart and other national chains are

known for pressuring manufacturers to cut costs and lower prices, Burt's Bees achieved its distribution victory through a strategy that has been called "willful overpricing." In Burt's Bees' case, that means charging price premiums of 80 percent or more over comparable non-natural brands. Case in point: Burt's Bees lip balm, the brand's best-selling product, sells for \$2.99 a tube, whereas market-leading ChapStick can be had for about a third of that price. To understand how Burt's Bees has succeeded with this pricing strategy, let's look at what makes the brand so special.

From Humble Beginnings

Burt's Bees started like many entrepreneurial ventures, with founders that had a good idea but not a penny to their names. In the late 1980s, Burt Shavitz was a beekeeper in northern Maine selling honey out of his pickup truck and living in a modified turkey coop. Roxanne Quimby, a wife and mother looking for a way to supplement the family income, had the idea to buy Burt's surplus beeswax to make and sell candles. Her first venture at a craft fair yielded \$200 in sales.

A few years later, Roxanne happened upon a 19th-century book of homemade personal-care recipes and acquired a second-hand industrial mixer from a university cafeteria. That's when the Burt's Bees brand that so many people now know and love began to take shape. The main product line of natural beeswax candles was slowly replaced by personal-care products, including the brand's famous lip balm made with beeswax, coconut and sunflower oils, and other ingredients that you could just as easily eat as put on your lips.

As Burt's Bees grew, it automated its manufacturing processes one piece of machinery at a time. Yet the products that rolled off those automated lines maintained the quality and feel of natural homemade goods. Burt's Bees developed body lotions featuring natural milk and sugar enzymes, bath products made with sea ingredients, shampoos derived from soy protein and pomegranate extract, and toothpaste infused with spearmint oil and cranberry extract. The company can't claim that all of its products are 100 percent natural. But with more than half its products meeting the 100 percent mark and the rest coming very close, Burt's Bees boasts that its product lines are, on average, 99 percent natural. In fact, the company maintains a commitment to what it calls *The Natural Standard*—a set of guidelines that dictate which ingredients can be considered truly "natural."

With natural ingredients as its main point of differentiation and core values oriented around environmental conservation and social responsibility, Burt's Bees grew very quickly. Once it made the leap to the big regional and national retail chains, company sales grew by an average of 30 percent per year.

Value versus Price

In certain respects, cross-comparing personal-care products is problematic because there is so much variation in both features and price. But consider some popular Burt's Bees products. Its standard shampoos and conditioners run \$7.99 for a 12-ounce bottle, whereas you can pick up a same-size bottle with a Pantene label on it for only \$3.99. Burt's body

lotion runs \$9.99 for a 12-ounce bottle, whereas a slightly larger bottle of Nivea body lotion only costs \$5.99. Like various brands, Burt's Bees offers a line of anti-aging creams. But at \$24.99 for any one of them, the price is almost double that of similar Oil of Olay products at only \$12.99.

When making such comparisons, the choice seems obvious. How has Burt's Bees achieved such success with this pricing strategy? You might think that it does so despite higher prices. However, a closer examination suggests that success might actually be the *result* of that pricing. In some cases, higher prices merely serve as an indicator of quality level. But more important to Burt's Bees, higher prices can also peak customer curiosity. When people compare brands, a moderately higher priced option causes them to take notice and look a little deeper to understand why it is more expensive. They may learn that the product contains features that justify the higher price—features they may not have even considered before. Customers then ask themselves, "Do I need this benefit or not?" Some studies show that in such situations, customers recall nearly twice as much product information and can cite more arguments in favor of buying the products. If the price premium charged is too high or too low, however, shoppers ignore the option.

Fortunately for Burt's Bees, its strategy of willful overpricing coincided with a trend of growing consumer preference toward natural products and environmentally friendly goods. Thus, Burt's Bees natural ingredients and company values were enough to justify the brand's higher prices for many. But can a pricing strategy that relies on trends in consumer preferences work forever?

Eco-Brands in Hard Times

Last year on Earth Day, a front page of the *New York Times* featured the headline, "As Consumers Cut Spending, 'Green Products' Lose Allure." The article pointed out that during the Great Recession, the mainstream consumer's love affair with green products faded like a cheap t-shirt. When times are tough, the very features that seem to justify paying a higher price during good times lose their importance as budgets tighten.

But within that economic dynamic, researchers found an interesting exception. "Dark green" consumers—who are more educated, committed, and affluent—don't drop higher-priced green products as quickly as "light green" consumers do. As a result, sales of brands perceived to be less authentic when it comes to eco-friendliness decreased, whereas sales of brands deemed more authentic remained firm. It's a perception of value *and* values. Brands such as Method and Seventh Generation are top on the list of those benefiting from this "authenticity gap," whereas S.C. Johnson's *Nature's Source* and Clorox's *Green Works* are at the bottom.

This phenomenon creates complicated issues for Burt's Bees. The well-known creator of natural products has been a hardcore eco-brand from its beginnings. But while Burt Shavitz's earthy image still adorns the package of many Burt's Bees products, the beekeeper sold his share of the company to Roxanne Quimby more than a decade ago and returned to

beekeeping and his turkey coop. Quimby bowed out in 2007 as part of an even bigger shakeup. Clorox purchased Burt's Bees for a whopping \$925 million as part of its comprehensive strategy to become more environmentally friendly and to free itself of a chemical-polluting image. Clorox followed in the footsteps of Unilever (which purchased Ben & Jerry's in 2000), Colgate-Palmolive (bought Tom's of Maine in 2006), and PepsiCo (acquired Naked Juice in 2006). Major global players have paid big money for the image and the customer base of good green brands.

After buying Burt's Bees, Clorox immediately ran magazine ads comparing natural ingredients in Burt's Bees to chemical ingredients found in other products. At the same time, Burt's Bees's executives claimed that the brand's quality and standards would only improve. For all intents and purposes, Clorox allows Burt's Bees to operate as an independent division, remaining true to its original mission and values.

Still, many viewed the Burt's Bees acquisition as a big sellout. Fans vented their frustrations online as they created new names for the company like "Burt's Bleach" and "Clorox's Bees." Comments such as "I use lots of Burt's Bees products. I won't be buying them anymore," and "I think I'm going to have to stock up now before Clorox ruins it," indicated the potential fallout of the merger. Burt's Bees risked losing some of its authenticity as an eco-brand, thus becoming more susceptible to the effects of consumer frugality.

Pressing on with Price Premiums

Despite hard economic times and the big changes in Burt's Bees's ownership and management, Burt's Bees seems to be doing very well for Clorox. According to Clorox chief financial officer Dan Heinrich:

The Burt's Bees business remains a very solid contributor to Clorox's results, with sales growth and profit margins above the company average. Burt's Bees remains the fastest growing

business unit in the company, with double-digit fiscal-year-to-date sales growth, and our revised estimates continue to project low double-digit sales growth for this business over the next several years.

If Burt's Bees's Facebook fan base is any indication, Heinrich can be taken at his word. In little more than two years' time, Burt's Bees grew from about 100,000 fans to more than 1.1 million. The corporate buyout and economic trends appear to have had little impact on the brand. In the end, it just may be that Burt's Bees's pricing strategy proves that by leveraging a brand's strengths, a brand can persuade customers to continue to buy on value, not just on price.

Questions for Discussion

1. Does Burt's Bees's pricing strategy truly differentiate it from the competition?
2. Has Burt's Bees executed value-based pricing, cost-based pricing, or competition-based pricing? Explain.
3. Discuss how Burt's Bees has implemented product mix pricing strategies.
4. Could Burt's Bees have been successful as a natural product marketer had it employed a low-price strategy? Explain.
5. Is Burt's Bees's pricing strategy sustainable? Explain.

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