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Price Factor

If a person shares a love for pastries and wants to invest money in a bakery, then this is the right place for them. People around the world love to eat pastries and cakes. In India, when it comes to bakeries, there is one name that stands out from the rest. And that name is 'Monginis'.

By providing products of high quality and superior taste to its customers for decades, Monginis has made its way to the hearts of the Indian citizens. No matter the occasion, people celebrate by ordering cakes and pastries from Monginis. Apart from being supremely convenient and easily accessible, another thing that attracts the customers to Monginis is that the company offers the option of customization to people. No two people have the same experience with Monginis.

Every customer gets a personal touch as he or she can place an order according to their preferences and can also have some type of message or a wish written on the order. The company is also popular for providing catering services at parties, birthdays and other events.

Joint Venture

Monginis should look for joint venture like other food beverages companies.

For Example, Monginies should tie or have a joint venture with companies like Mcdonalds, Pizza Hut, Dominoes in their Desert Outlet.

This will help customers to know about the flavours of Monginis and will be able to explore the best part of Monginis.

Monginis Keeps Up with Changing Affordability

The numerous Monginis cake shops that dot Kolkata are distinctive in a number of ways. First, the brand straddles two defining aspects of the city's personality - a liking for bits of western lifestyle inherited from its colonial past and a need for what is affordable given its present economic condition. Hence, the attempt to position Monginis as a "modernized bhadralok brand, more Bengali than international or premium".

Second, behind the facade the business is organised in an unusual way. The brand Monginis is owned by a section of the Mumbai based Khorakiwala clan (other sections run businesses like Wockhardt and Akbarallys) and is used by the business in eastern India for a fee. So ironically, the brand is rather strong where it is not owned by those who run it. Conversely, a customer can pick up a Monginis product in say, western India, only to realise that it is not what he is used to in eastern India.

Monginis' business in eastern India is run through two separate operations -- industrial (long-life products) and retail (the fresh stuff you get in the shops). While Taizoon Khorakiwala is the majority partner, Arnab Basu (the two are long-term associates) is the director who set up the business in eastern India in 1991. Today, Monginis in eastern India has a turnover of above Rs 300 crore, up from Rs 8 crore in 1997 when Khorakiwala came in.

The two operations together employ around 2,000 and, as Khorakiwala puts it, "earn an EBIT margin in the high teens. We used to be much cheaper but believe in protecting our margins." Adds Basu, "We don't make the same margin in all products and a large selling item which earns a low margin can be great for the brand" and even pull in the high-value-high margin clientele.

In the bakery business in eastern India, Monginis claims a market share of 40 per cent in the retail segment and a quarter in the industrial segment. Among brands popular with the middle class, Monginis shares the same space as Kathleen's and Sugar & Spice. Khorakiwala and Basu have another, somewhat novel, way of describing their market share. "We pay as much taxes as the other bakery players in the state put together and there was a time when we paid nearly all the taxes coming from the bakery business in the state." Khorakiwala has a thing about paying taxes and claims it makes as much business sense as maintaining multiple books of accounts has its own costs. "We are very un-Indian in some ways."

What sets Monjinis apart in eastern India is the value-for-money, fresh bakery products it delivers to the customer. "Our pricing is similar to our competitors but in retail, with 140 outlets and three factories serving Kolkata, we score on freshness as we deliver twice a day and take back unsolds. 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," asserts Khorakiwala. Basu says, "Our USP is value for money and we want to keep it that way."

Monginis' pursuit of its brand attributes, while making money is best illustrated by the story of its Rs-3 cupcake. It was introduced in 2000 and still sells at that price but a lot has happened in between. Thirteen years ago, most of the equivalent local products were priced at Rs 2.50 and Monginis actually offered a far-better packaged product with a longer shelf life which was costlier and aspirational. With it, Monginis introduced the unique format of the single-serve packed cake, which was Khorakiwala's idea.

In a few years' time there were many competitors offering the same 35-gm product, a margin war started and the Rs-3 cake became a commodity. To preserve margins, Monginis made it first into a 25-gm product, which is now 20 gm. Realising that the cupcake was essentially an entry-point for customers, in 2006, it came up with the Rs-5 cupcake with cream injection and thereafter, the Rs-7 'choco delight' cupcake. Today the Rs 5-7 range sells 300,000 pieces daily and the Rs-3 cake 30,000. To the customer with rising incomes, the equivalent of the the Rs 3 cupcake of 13 years ago is a Rs 5-7 cupcake, capturing the crux of Monginis' success over the years.

How does Monginis manage to deliver good value while making good money? Here is paraphrasing what Khorakiwala said over a long freewheeling conversation: "We have a good team at the top which has been with us for 20 years. So we have retained the knowledge base which would not have happened if there was high turnover.

"We buy the best equipment, never economise on it. This gives us better yield. We also design some of our own machinery which costs a fraction of similar imported ones. We have carefully located the manufacturing facilities to facilitate delivery and now put GPS sensors on all our delivery vans to track them and were the first to introduce refrigerated vans.

"As for our employees, we have never had a strike. We trust our workers, recruit them locally from around our factories, give them security. Indians are some of the easiest people to deal with. They are so exploited that if you treat them with respect they will return that respect. At the plants, industrial relations is handled by not very high level officials. There was one instance when some local politicians tried to implicate us in an environmental issue. It is the workers who chased them away." With some of their historic low-cost products no longer being promoted, and with both costs and consumer incomes rising, I point to the phenomenon I have personally observed. The upper-middle-class people like to tuck into a Monginis product in the privacy of their homes but at a birthday party where guests ask where the cake is from, it does not do to say that it is Monginis. So where does the brand go from here?

It has the desired effect. Khorakiwala gets irritated. "We are dynamic, not boring. We keep monitoring consumer trends and the pricing ambiance. But we do not care for the chatterati, its upper-class values. Monginis represents my personality and ethos -- quality at affordable prices. People think it is an oxymoron. But it is the essence of good business. The brand will never travel up-market."

Monginis Clients

1. Indian Railways
2. Titan Industries
3. Wipro Tata Group
4. Tata Group
5. GTL
6. Pantaloon Retail India Ltd.
7. TCS 8. Alkem Factories 9. Kores India ltd.