

The background features a dark blue gradient with faint technical diagrams, including circular gauges with numerical scales (40, 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, 260) and arrows. At the bottom, there is a silhouette of a mountain range under a starry night sky.

MONGINIS

THE SLOWING GROWTH CURVE OF THE
CELEBRATION KING

UNIQUE IDS- VED10107, VED10137 AND VED10144

BASE ASSUMPTIONS AND FACTS OF THIS CASE

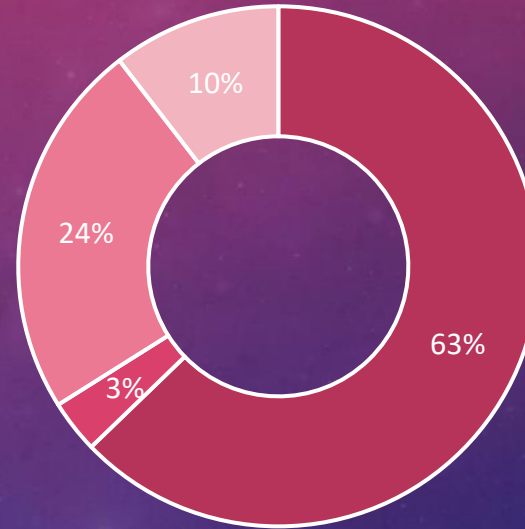
Monginis Foods Pvt Ltd was founded in Mumbai and is currently run by the Khorakiwala family. It is headquartered in Mumbai and follows the franchise model. The company is a part of the Baking Industry and specializes in cakes and packaged food items. Currently it has two primary SBUs, one with products which have shelf life of 1-2 days and the other one with a shelf life of approximately 40 days.



- Products like fresh cakes and other fresh food items
- Shelf life is 1-2 days
- Competitors for this business unit include Ribbons & Balloons, Theobroma, Birdy's etc.
- Follows franchise business model

- Packaged products like slice cakes, muffins and mava cakes
- Shelf life is approximately 40 days
- Competitors for this business unit include Britannia, Parle etc.

Percentage of Monginis Cake Shops in each state



- Maharashtra
- Orissa
- Gujrat
- Goa

650+ Cake Shops in India

EXPECTED INDUSTRY CAGR IS 12.5 % FOR THE PERIOD 2016-2026

The industry has also witnessed increased participation from local bakeries. The pandemic has catalyzed the sector and that has led to creation of various home-made confectionary portals.

Major players in the Indian Cake Market:



SWOT, SOCIAL AND TECHNOLOGICAL ANALYSIS



Strengths

- Approximately 500 retail stores across India
- Legacy of 4-5 decades
- Prices are extremely reasonable
- Has an online presence by offering home deliveries and online booking



Weaknesses

- Fewer varieties as compared to its competitors
- No consistency because of franchise model
- Limited control over stores
- Less aggressive marketing techniques as compared to its competitors



Opportunities

- Expansion by establishing multiple retail stores in tier 2 and 3 cities
- Introducing new SBUs and offer a wider portfolio of products
- Use of efficient marketing techniques for better sales and customer retention



Threats

- Competitors like Iyengar's, Theobroma, Birdy's threaten market share
- New entrants in market due to the current pandemic
- Lack of innovation
- Franchise model might tarnish brand image

Monginis having technologically well equipped for early 2000's does not suffice the purpose today. With the enhancement in technology, it is possible to provide custom made fresh Monginis products the same day, with supportive help of its logistics becoming more better and strong. A systematic technological examination shows that Monginis need to have better production technology and distribution chain.

Technological Analysis



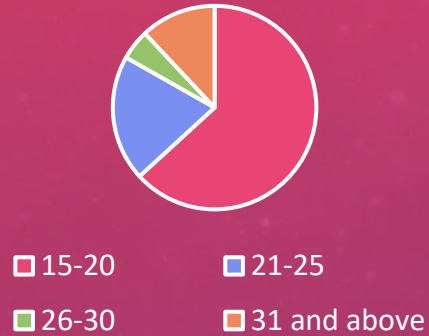
Social Aspects

Monginis is an established and accredited cake shop brand with its current product line. Enjoying increased growth in the FMB (Family Managed Business) until the saturation point faced in the recent times. A systematic social examination shows that Monginis faced saturation because of large number of competitors, which have an edge over their New Menu, Taste, Marketing initiatives, Visibility and Quality per say.

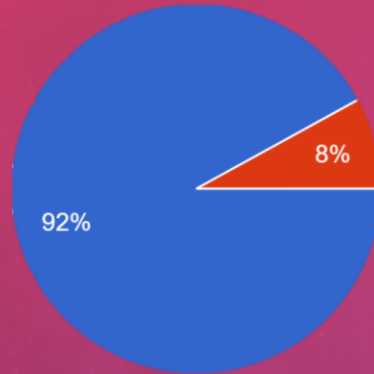
PRIMARY DATA AND INTERPRETATION

A market research survey of 125 respondents was conducted to understand the consumer behavior and also to make key assumptions before formulating a strategy. This primary data can be summarized to understand and formulate growth strategies for MFL.

Age of Respondents



● Yes
● No



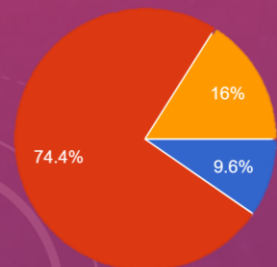
Consumers of MFL's products

Here, it can be concluded that MFL has been quite popular, especially among the younger generation.



From the pie-chart below, majority of the respondents had an outlet near their residence, however a considerable amount of people did not have access to a MFL outlet.

Evidently, the most popular product on MFL's catalogue is from its SBU-I. Fresh Cakes and other fresh food items like puffs, rolls etc. are quite popular.

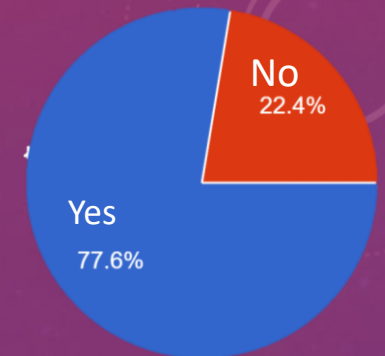


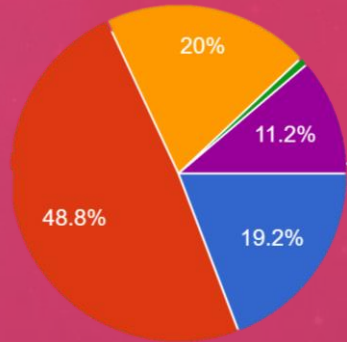
● Packaged Food
● Fresh food
● NA

Most Recent Purchase

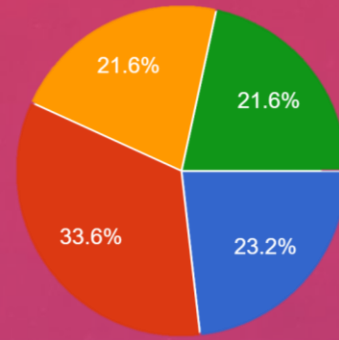


People were asked if they had a MFL outlet near their residence

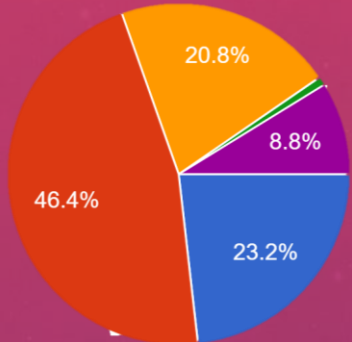




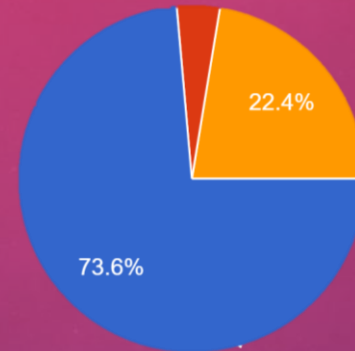
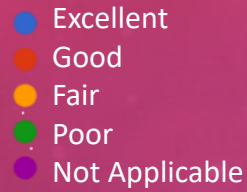
Ratings: SBU-I



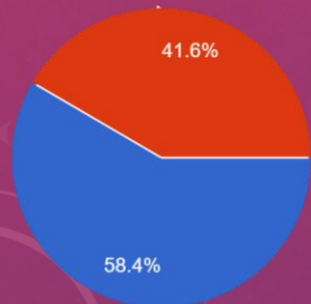
One thing people would like MFL to change



Ratings: SBU-II



People were asked if MFL should start a new vertical catering items like waffles, pancakes, shakes etc.



People were asked if they would prefer any other confectionaries for fresh cakes



From the primary data we collected, it can be concluded that people are satisfied with the current offerings of both the SBUs (fresh cake and packaged items) from MFL, however, they are looking for some changes and expect the company to innovate and offer a wider portfolio of products.

The following pointers summarize the primary data:

- Innovation and better utilization of resources with quality checks needed
- Research and Development must be prioritized
- New portfolio of products must be introduced in the market
- Expansion in terms of number of outlets required
- Aggressive marketing strategies must be implemented to mitigate the threat of competitors and new entrants

SOLUTION #1

- MFL can begin with centralizing their operations for both the SBUs.
- This would lead to better inter and intra SBU functioning



- Work on quality and conduct regular quality checks
- Setting up a code of Quality Standards called the MFL Standards and use it to conduct regular quality checks



- Investing in Research & Development to research more on the taste requirement of the customers and changes in consumption pattern.



- Expanding by exploiting and maximum utilizing of its wide spread century old food chain and good will.



THE FOLLOWING MARKETING INITIATIVES CAN HELP MFL TO PERFORM BETTER THAN ITS COMPETITORS:

Having Digital presence by SEO and SEM to be more visible to the customers and save times more than traditional advertising strategies.

Making the website more equipped

- To handle more traffic,
- To allow customers order online with better payment options,
- Allowing them to add any customization as per need,
- Website compatibility with smartphones, tabs and P.C

- Digital Marketing by setting up an active social media team. Using the right social media marketing techniques to build a loyal consumer base.
- Use automation (e-mail and text messages) and occasional discounts for customer retention.

Adapting aggressive marketing strategy through being digitally active. Capitalize on the 'Celebrations' tagline.

SOLUTION #2

This part of the solution consists of the expansion initiatives which should be implemented by MFL. This would work very well in line with the growth strategy. It can be said that MFL is in between the growth and maturity stages, hence aggressive expansion strategies must be implemented to counter the competitors.

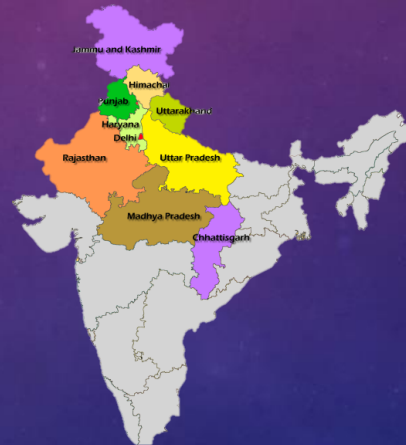
For SBU 1

- Since MFL does not have a strong foothold in North India, expansion strategies should be framed around that region.

Since MFL already has a strong foothold in this segment, it should focus on developing its supply chain management and collaborations with various retailers.

For SBU 2

- Expansion should begin with introducing retail stores in tier 1 cities in North India like Delhi, Jaipur, Lucknow etc. Multiple retail shops can also be set up in one city
- Tier 2 and Tier 3 cities like should also be included for expansion
- Expanding the horizon by having all factories non-franchised which will allow MFL to generate more revenue and have a check on quality parameters



- Collaborating with shops in railway and bus stations to sell all the products of shelf life more than a month. This will increase visibility and free advertisement of SBU-II product line. MFL can also collaborate with various gifting retail stores.
- Acquiring more general stores and supermarket chains in to have our SBU-II products by giving a better profit margin to the retailers compared to competitors.

SOLUTION #3

The third possible solution for the growth of MFL is the introduction of another Strategic Business Unit with an enhanced portfolio selling various food products in Cafes. The introduction of a new SBU-III will refresh the brand image of MFL while also making use of its legacy to increase its consumer base.

Launching a new SBU of MFL named as 'Monginis +'



- This SBU will sell a new variety of product lines such as Waffles, Pancakes, Shakes and Cheesecakes in Cafes;
- This SBU will consist of Cafes with aesthetic ambience and will also house seating facilities;
- This SBU would also be Franchised with compulsory listing on food delivery partner apps;
- The franchised outlets will be having celebration areas which can entertain minimum of 10+ customers (these spaces can be rented for parties, birthdays, anniversaries, et cetera)



- Digital Marketing by calling food bloggers and vloggers to visit the Cafes, factories and outlets (which sell most or all the products of SBU-I, SBU-II and SBU-III product line);
- Adapting aggressive marketing strategy through being digitally active
- Focusing on customer retention by offering them first time discounts/offers.

FINANCE FOR GROWTH-STABILITY STRATEGY

Finance is vital for the growth-stability strategy for the expansion and enhancement of MFL's businesses and also for launching the new SBU. Raising finance is extremely important here for funding new investments and acquiring new assets for operations.



Private Equity

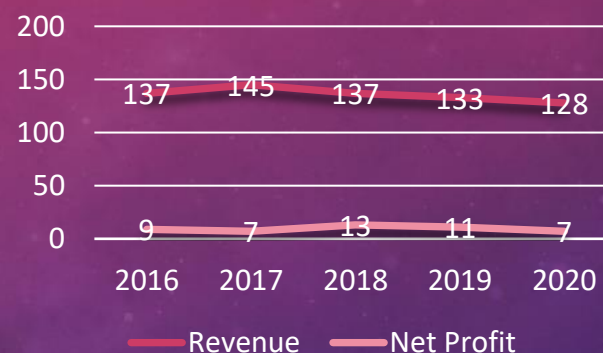


DEBT

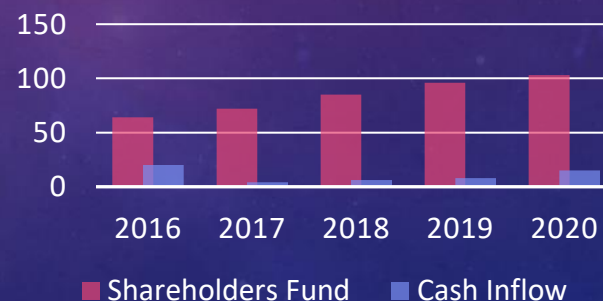
The internal restructuring costs should be covered with short term debt financing. MFL has huge general reserves and an increasing cashflow since 2015. However, the revenue and net profit is declining.

Considering the long history of Monginis and its legacy in India, securing private equity post the Covid-19 pandemic for financing the new SBU as well as for the expansion plans will be critical. Debt financing must be deployed for improving and restructuring the current business as mentioned previously.

Sales vs Net Profit (in Crore)



Shareholders Fund vs Cash Inflow



- The current debt to equity ratio of Monginis is 0.26 which is quite low. Britannia, which is a peer in the industry has a Debt-Equity Ratio of 0.35
- For MFL, short term debt of up to Rs. 10 crore must be raised for restructuring. This will not have any adverse effect on the debt to equity ratio and improve the overall operations.
- Additional finance can be raised through private equity. However, proper valuations must be carried out before proceeding with raising equity. An IPO can also be considered after the revenue and net profits both start increasing.

SUMMARY

- Internal Restructuring will lead to better quality products and more efficient business operations
- Expansion into tier 2 and tier 3 cities will lead to better revenues. MFL should capitalize on its legacy of providing good quality and inexpensive cakes
- Establish itself digitally as India's favorite bakery products destination
- MFL has been experiencing stagnant growth in net profits and revenue, hence with proper strategies and adequate financing, it can expect a turnaround in the coming years. Aggressive growth strategies as mentioned earlier, will impact the revenue in a positive manner.
- MFL has huge reserves, which will help the company to expand aggressively without the risks faced by other smaller companies.
- The SBU-III will play an important role in the long run. Monginis is a household name, and hence, credibility will never be a problem for Monginis.

REFERENCES

- Financial Data from Moneycontrol and www.tofler.in
- Product and Geographical data from <https://www.monginis.net/>
- Other Data from <https://www.mordorintelligence.com/industry-reports/india-cake-market>

APPENDIX

Primary Data has been collected from survey. The link for the excel sheet is given below.

Link for the Excel Sheet:

https://docs.google.com/spreadsheets/d/1nOaLnMkNXUQEYWFdTe1nCgX0OspUs2wCKmg_wvqTzAs8/edit?usp=sharing



THANK YOU!