

M.O.D. A SUCCESS STORY

Mamta Chawla*
Arnab Chakraborty**

LOKESH Bharwani, the Mumbai based business man is well convinced with the principle, which he learned in his school of “slow and steady wins the race”. It was in March 2008, when he took the courage to bring Mad Over Donut (M.O.D.), a Singaporean brand of donuts in India. The popular western fast food was initially seen as cousin of South Indian vada, which was termed as sweetened version falling into sweets category. The brand applied “out-of-the-box” ideas to adapt the product to Indian culture by experimenting with the top chefs to develop its eggless version for Indian customers. In the first four years M.O.D. opened 35, of its stores and then remained focused, more upon promoting the brand and making each of its stores profitable. From its first outlet in Noida, brand has been snail-paced, but with calculated steps, reached to the current status of 65 outlets. With its latest opening of four stores in 2019, the brands started operating in its fifth city-Chennai, with other four cities- Delhi, Mumbai, Pune and Bengaluru. Today the brand is the top most brands in the donuts category. The brand employed various consumer engagement programs and marketing initiatives on PR (partnerships with food journalists, food & lifestyle influencers, celebrities and food connoisseurs), Social Media, Print and Online. Entry of American brand “Dunkin’ Donuts and More” (Jubilant Foodworks) in 2012 and Krispy Kreme (Bedrock Foods Pvt Ltd.) in 2013 intensified the competition. It’s been a long journey of the brand to reach to current status of the top most brands in the donuts brands in India, specifically against the toughest completion of fast-paced, multi-optioned American brand Dunkin Donuts.

Case Study

Singaporean company Mad Over Donuts (MOD) was the first donut brand to enter India. Against its global competitors the brand expanded with a slow pace of an average six stores each year. From present five cities it planned to open its stores in 15 more cities with increased revenues of Rs 250 crore by 2020. The brand focused on achieving targeted profits through innovation in products, making a core team for streamlined operations, and inducting online delivery to customers. “Most of our key ingredients and equipment have been sourced from Singapore. While we recently adopted a Make In India initiative for some of our equipment, our proprietary technology and ingredients will continue to come from Singapore,” says Bharwani(Singh, 2017). The brand categorized its offering into- Gifting Festivals Corporate-Party and operates in Mumbai in 26 stores, Pune-14, Delhi NCR- 11, Bengaluru-15, Chennai-one in VR Mall and planned to start in Hyderabad in 2020.

Journey of M.O.D. in India was not smooth. Dunkin Donuts started its operations in India with opening

* Ph.D., Department of Business Administration, FMSR, Aligarh Muslim University, Aligarh, Uttar Pradesh, India.

Assistant Professor, Amity Global Business School, Amity University, Noida, Gautam Budh Nagar, Uttar Pradesh, India.

** Assistant Professor, Amity Global Business School, Amity University, Noida, Gautam Budh Nagar, Uttar Pradesh, India.
Research Scholar, NAS College, CCS University, Meerut, Uttar Pradesh, India.

its first store in Delhi in the year 2012 and within just 5 years it registered its strong presence by opening 77 outlets in 23 cities. This journey of success didn't last long though as the American giant shrunk its India operations to just 30 outlets in 10 cities. It was far more less in comparison to MOD which had 60 outlets in 4 cities by then. It made MOD the biggest player of donuts in India.

Donuts World

A donut or doughnut is a type of fried dough, which is basically a confectionery or dessert food and cooked at home and available in the bakeries, food outlets, supermarkets and specialty vendors who take franchises of known brands. Donuts are generally deep-fried and typically either ring or round-shaped with/without a filling. It can have various toppings and flavorings. Doughnuts are most popular in North America, United States, Canada, Mexico, Brazil, European countries (Germany, France, UK, Italy, Russia) and in the last decades reached across Asia Pacific countries (Australia, South Korea, China, Japan, India, Philippines, Indonesia, Vietnam and Malaysia). Sales of this new snack topped in the countries like Korea, Japan, Taiwan and Australia. Markets like China and India are among the fastest growing markets of the product. Worldwide major players in the category are Dunkin' Brands, Krispy Kreme Doughnuts, Doughnut Time, Mister Donut, Mad Over Donuts, McDonald's, etc.

India as a Destination

Indian demographics, consistent urbanization, increased mall-culture and eating-out culture with higher disposable incomes have attracted number of MNCs in the fast food business. Especially, the aspiring younger generation, which is no longer hooked to prefer home-cooked food, attracted the international brands. There are young Indian travelers who are open to accepting changes, appreciate quality over prices.

M.O.D. Roll Out in India

International brand M.O.D. accessed India for its market potential as a mass market with quality conscious and rich urban population. Moreover, there was no one in the country in the doughnuts which meant first-mover advantage was there. Yet, it was a challenge to launch a product that didn't have a product category in the country; on the top of it targeting Indians, who are price-conscious and conservatives against western consumers. The donut was an alien and non-mainstream product. The concept of breakfast-on-the-go was missing, and the donut was, at best, a snacking option.

Lokesh Bharwani, the founder, decided to start first with a small selected category of consumer also termed as niche. So initially, in 2 to 2 and a half years, he kept calm and moved slowly in terms of store opening. He worked on a hub-and-spoke model, one big store catering to rest of the smaller formats. M.O.D opened its first outlet in 2008 and it selected the Indian Capital city of Delhi as the location of its store. It expanded to 51 stores in only 4 cities. The founder studied the market in depth and made realizations. He was sure that in contrast to the western market, donuts don't have the potential to replace the traditional Indian breakfast. The brand learnt from its early mistake as well. Initially, the brand opted for 'takeaway' as a business model instead of dining. Due to the smaller store sizes the operational costs reduced by a great deal, but it has its own disadvantage also. The realisation came than that, Indian consumers like store experience also for hangouts. This made the founder shift to business model of opening new stores which can accommodate 10 customers.

Profitability through its Store & Operations was the main concern for Bharwani- "Making each outlet cash positive before moving to the new one was a trick that worked." M.O.D. operates as model of satellite store with a mother-kitchen. This model works with a mother kitchen making & supplying donut to 6 to 7 satellite stores and the finishing and toppings are done in satellite store in front of the customers to get better attraction.

Product Development through Market Testing

Considering Indian consumer taste buds, a lot of trials were conducted with top Asian chefs before M.O.D. arrived at its proprietary eggless recipe for doughnuts (Singh, 2018). Basically, doughnut was a cold dessert, but Indian customers wanted it to be served hot. They didn't want it as an option in the breakfast but as a snack and expecting different savory taste. It includes Savoury flavors like Mmama Mia (herb and cheese) and Spice-Surprise (with cheese, chilly and spicy salsa). It was also positioned in a way that customers purchase a complete box of donuts for gifting purpose. Mad Over Donuts also rolled out waffles, cupcakes and eclairs, but the focus remained on the donuts. It believed that it's the onus of the main products to ensure consumption.

Store Formats Adopted-Small

Store location was also a challenge. Against 3000 square foot stores of Krispy Kreme's, the average store size of M.O.D. was 335 sq. foot per store with a supporting mother kitchen of an average 670 square foot. even the smallest store was of 140 square foot at R City, Ghatkopar, Mumbai. MOD generated around 25% revenue of its delivery business by using the services of Swiggy, Zomato etc. along with its own channel for delivery to customers.

Customer Engagement through Social Media Marketing

M.O.D. understood it well that India was a country of people with money, they are taste conscious and well aware as travel all over the world. International brands like Barista, Star Bucks etc. entered and grown into India, that M.O.D. realized the success mantra of "customer engagement".

For "customer engagement" the requirement to get closer to the people was not difficult, social networking platforms- facebook and twitter were the most suitable platform for the brand. Against traditional ATL (above-the-line) marketing e.g. mass media or BTL (below-the-line) marketing e.g. niche marketing. Social networking platforms gave access to the direct feedback to the brand. The whole idea of the brand was on "meet, mingle and celebrate".

Customer Engagement Programs- organizing Flavour-festivals, in a time period of once in a couple of months and annual festivals twice a year is a regular customer engagement strategy of the brand. The brand celebrated five years in India with a campaign hi5. an innovative, fun and rewarding social media- based program. World Donut Day campaign is the most important and successful customer engagement program of the brand, which is an annual Campaign since 2008/ All outlets witnessed quest outside its door.

Market Strategy

With a clear positioning as a doughnut brand, M.O.D. followed "focused" market strategy. It focused on the single offering, adapted for Indian consumers, which resulting into its reputation of first mover. Therefore, the strong point for MOD was that it stuck to its strengths and did not try to innovate too much. Other offerings of the brand, he explains, may support generating sales revenue but the focus remain 'donuts' only. "We never competed with a pizza or burger brand."

In the long run the strategy benefited the brand against its major competitors Dunkin, which shifted its position by focusing on burgers in India. M.O.D. entered through kids in Indian household slowly entered desirous list of teens and young adults.

All the groundwork and endeavors of M.O.D. helped the head-on competitor to launch aggressively e.g. Krispy Kreme and Dunkin Donuts. But, initial learnings of M.O.D. from Indian market, remaining small helped it to innovate and adaptation of situation quickly, and with faster response. Entry of the competition was considered as a healthy sign by the M.O.D. As the brand is determined and it's sure that with the entry of competition doughnuts can come into Indian mainstream like pizzas and burgers.

Competition

Entry of other players was a signal of success for M.O.D., which brought the niche brand to a mass brand.

Dunkin Donuts

American doughnut brand, Dunkin Donut with operations in almost 46 countries in more than 12,600 stores, entered in India in April 2012 through its master franchisee distributor Jubilant Food Works. Adopting product adoption strategy, the brand localized its doughnuts with flavors like- motichoor ladoo and gulab jamun. Moreover, it added burgers and other snacks along with drinks to its menu. In first five years the world leading brand, Dunkin aggressive added new stores in the major PAN Indian cities. The unprofitability of the stores due to high operational cost was a direct result of shift in positioning from doughnut to burgers. In the third quarter of fiscal 2017 Dunkin reduced 44 stores in 12 cities and towns from 73 outlets across 23 cities and towns (Singh, 2018). Simultaneously, the brand decided to bring back focus on doughnuts. An emphasis on beverages and donuts along with closure of unprofitable stores very soon helped Dunkin to control costs and drive efficiencies. In 2019 Dunkin's footprints reduced to only 10 cities with 30 stores whereas, MOD did well more than half a century outlets in four cities.

Krispy Kreme

Another major American doughnut brand, worldwide popular for its quality products and with its operations in 21 countries, Krispy Kreme also targeted India at the same time. Krispy Kreme Doughnut Corp, the MNC entered through franchisee Bedrock Foods Pvt Ltd. for north and Citymax Hotels (the Dubai-based Landmark Group) for the South and West India. The brand entered in India in January 2013 with eight franchised stores in Bangalore and opened ninth in the same year in Delhi. Initially, the aggressive international brand planned to open 35 stores in north and 80 in south and west in the first

five years of its launch in India. The brand learnt fast and slowed down its pace. It equipped its factory style outlet with imported fast -doughnut-making machine with "Doughnut Theater" viewing area, where customers can witness the quality product making by watching the doughnuts being cooked, filled and topped. Brand also considered other choices for future store- café-style stores and kiosks. Krispy Kreme offered eggless doughnuts, understanding the Indian consumers yet it didn't Indianised its basic offerings. It gave head-on competition to the Indianised brand, M.O.D. through positioning its doughnuts in the same price range against premium priced Dunikin Donuts. Krispy Kreme started each new store with a grand launch and sending samples in the store-neighborhood via a doughnut drop activity. This was a major strategy of the brand to witness the quality of its offering against the competition. Further, for increased customer engagement, it arranged its store in such a manner that children can tour its donuts making facilities and decorate their doughnuts. The brand grew to 24 stores across Delhi, Mumbai, Chennai and Bengaluru in 2018.

Growth Strategy

Founder decision to go for controlled growth in only four cities instead of opening everywhere, paid its dividends in the long run (vertical expansion). In vertical expansion, the company focuses its operations in fewer locations with more number of stores rather than expanding horizontally. And in almost the chain grew to 46 stores in one and a half year of its start. Expansion was planned for since originally planned but in other countries- Vietnam and Thailand. In 2012, the brand made a huge investment in the ERP [Enterprise Resource Planning] technology in order to increase the market share. In the initial 4 years it opened only 35 stores and doing so, M.O.D. always focused on its core processes and local consumer behavior carefully, instead of faster expansion. They first ensured the profitability of their existing stores and then only think of expanding the network.



MOD: Slow and Steady

2008

Opens first outlet in India in Delhi.
By the end of the year, MOD had three stores in two cities, including Mumbai

2018

51 stores across 4 cities; added just two more cities—Pune and Bengaluru—over a decade

...and now the Ramp-up

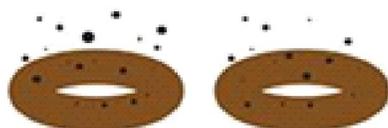
2019

58 outlets in 4 cities; rolling out in Chennai this year, and Hyderabad next year

2020 (Projected)

100 stores across 6 cities

(Note: All years are March-ended)



What worked for MOD...

VERTICAL EXPANSION: The chain opened more outlets in a few cities rather than spreading horizontally across multiple cities

STAYING TRUE TO CORE: The focus was always on donuts, not burgers or other unrelated products

FOCUS ON OPERATING METRICS: Making existing stores cash positive and then opening new ones

<https://www.forbesindia.com/media>.

The vertical, ‘go-deeper’ strategy of M.O.D. was a success because Indian consumer is unique. Bharwani strategy of market penetration was backed by four rationale- firstly, to have better customer understanding, secondly, multiple exposure points in one city resulting into increased brand familiarity. Thirdly, it meant targeting metro- international traveler who would have been familiar with the product and this familiarity resulting into better chances of consumption. Moreover, he played side of caution as Bharwani “I wanted to be profitable before scaling,”.

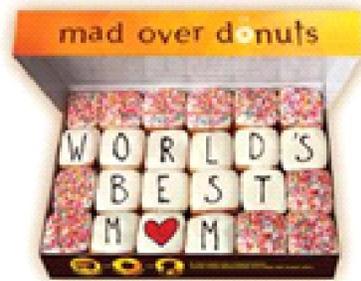
References

- Bhattacharya, T. (2013) *What Mad Over Donuts Learnt From India* | *Forbes India*, *forbesindia.com*. Retrieved from <https://www.forbesindia.com/article/my-learnings/what-mad-over-donuts-learnt-from-india/35301/1>. Accessed on 25 May 2020.
- EconomicTimes.indiatimes.com (2013) *Krispy Kreme opens first doughnut retail outlet in Delhi*, *EconomicTimes.indiatimes.com*. Retrieved from <https://economictimes.indiatimes.com/industry/services/retail/krispy-kreme-opens-first-doughnut-retail-outlet-in-delhi/articleshow/27362007.cms>, Accessed on 9 May 2020.
- Exchange4media (2019) *Mad Over Donuts tastes huge success with 'The World Donut Day' Campaign*, *exchange4media*. Retrieved from <https://www.medianews4u.com/mad-over-donuts-tastes-huge-success-with-the-world-donut-day-campaign>, Accessed on 9 May 2020.
- Glynda, Alves (2013) *Krispy Kreme's entrance threat to existing doughnut brands? - The Economic Times*, *EconomicTimes.indiatimes.com*. Retrieved from <https://economictimes.indiatimes.com/magazines/panache/krispy-kremes-entrance-threat-to-existing-doughnut-brands/articleshow/44907509.cms>, Accessed on 9 May 2020.
- Majumdar, M. (2019) *Mad Over Donuts comes to Chennai - The Hindu*, *thehindu.com*. Retrieved from <https://www.thehindu.com/life-and-style/food/mad-over-donuts-in-chennai-review/article30402611.ece>, Accessed on 25 May 2020.
- Mathur, C. (2017) *Going beyond your average doughnut - The Financial Express*, *The Financial Express*. Retrieved from <https://www.financialexpress.com/industry/going-beyond-your-average-doughnut/830146/>, Accessed on 9 May 2020.
- Menon, B. D. (2013) *Mad Over Donuts bakes plans to scale up biz - The Hindu BusinessLine*, *theHinduBusinessLine.com*. Retrieved from <https://www.thehindubusinessline.com/companies/mad-over-donuts-bakes-plans-to-scale-up-biz/article23101227.ece>, Accessed on 25 May 2020.
- Singh, R. (2017) *Can Mad Over Donuts capitalise on its early mover advantage to take on global giants? - The Economic Times*, *The Economic Times*. Retrieved from <https://economictimes.indiatimes.com/can-mad-over-donuts-capitalise-on-its-early-mover-advantage-to-take-on-global-giants/articleshow/57871560.cms>, Accessed on 9 May 2020.
- Singh, R. (2018) *Doughnut celebrates a decade in India, but how glazed is the future? - The Economic Times*, *The Economic Times*. Retrieved from <https://economictimes.indiatimes.com/industry/cons-products/food/doughnut-celebrates-a-decade-in-india-but-how-glazed-is-the-future/articleshow/63060371.cms>, Accessed on 9 May 2020.
- Singh, R. (2019) *The Story Of How Mad Over Donuts Pipped Dunkin* | *Forbes India*, *Forbes India*. Retrieved from <https://www.forbesindia.com/article/work-in-progress/the-story-of-how-mad-over-donuts-pipped-dunkin/55527/1>, Accessed on 8 May 2020.
- Turner, A. (2018) *Where Dunkin' went wrong in India*, *cnbc.com*. Retrieved from <https://www.cnbc.com/2018/10/26/dunkin-india-coffee-donuts-restaurants-krispy-kreme-mad-over-donuts.html>, Accessed on 25 May 2020.
- V, N. (2019) *Now, Chennaiites can really go Mad Over Donuts - The Hindu BusinessLine*, *The Hindu Business Line*. Retrieved from <https://www.thehindubusinessline.com/news/now-chennaiites-can-get-mad-over-donuts-as-it-rolls-south/article30151577.ece>, Accessed on 9 May 2020.

Mamta Chawla and Arnab Chakraborty

Appendix

MAD-OVER-DONUTS-Tastes-Huge-Success-With-The-World-Donut-Day-Campaign in 2019 (Jun 14)



Cities: Four- Delhi NCR, Mumbai,

Outlets: 58

Date: on 14th June 2019 Offer-entire range of donuts at a price of Rs. 40/-.

Patrons: over 20,000

Advertising and Marketing Strategy: awareness, boosted sales, campaign- wider and deeper

PR Tools: partnerships with food journalists, food & lifestyle influencers, celebrities and food connoisseurs to leverage more visibility.

Social Media and Online: Multiple posts and videos on Facebook, Instagram, YouTube, and Twitter. Over 3,60,000 people being targeted on Facebook and over 65,000 people responded.

Top performing platform Instagram 'Emoji Activity' asked the followers to "Reply with a Gif" and "Ask us anything". Over 13,000 profile visits on the Instagram page from 8th – 14th July.

Instagram alone reached out to over 8,00,000 people, leading to over 1,50,000 people engaging real time on posts and stories. YouTube unskippable ad resulted in 7 lac impressions from over 12,000 audiences alone. Twitter performed better, hike in retweets per day during the period of seven days. **Print and broadcast-** radio jingles

Store Promotion: Visual Merchandise, standees, tent cards, SMSs, emailers, tray liners for mall stores **Cross promotions-** Ads on Zomato, displayed the Donut Day message on their in-store screens, Mall LCDs, and mall social media pages.

Tarak Bhattacharya, COO, Mad Over Donuts, said, *"We are delighted by the response we have received yet again this year on World Donut Day. We'd like to sincerely thank all our patrons for their love. We offered our variety of donuts at less than half the price on World Donut Day with the idea of spreading joy and happiness – the qualities that our brand is deeply associated with and creating memories that will be cherished for long. World Donut Day has become a festival that we look forward to each year. It's more than just a campaign for us. We take this as an opportunity to engage with our customers and show them that we value their patronage."* (Exchange4media, 2019)