



INDIAN INSTITUTE OF TECHNOLOGY KHARAGPUR

Mid-Autumn Semester Examination 2022-23

Date of Examination: Session: (FN/AN) Duration: 2 hrs. Full Marks: 30
Subject No. : _ EP60025 Subject: Special Topics in Entrepreneurship
Department/Center/School: Rajendra Mishra School of Engineering Entrepreneurship
Specific charts, graph paper, log book etc., required Special Instructions (if any) :

- 01 Write in detail about the reasons for the failure of startups with examples. 8
- 02 Write in detail about different techniques for enhancing or improvising creativity in your start up 7
- 03 Read the case study and answer the following questions

Neeraj Kumar, a young entrepreneur from Ranchi, Jharkhand, moved to Maharashtra to complete his master of business administration degree at the University of Pune and then joined a multinational company dealing in fast-moving consumer goods. During a five-year career, he worked as a sales officer and brand manager, responsible for sales throughout the state of Maharashtra. Motivated by the constant demand for spices across the state, he decided to set up his own company to capitalize on this market.

He realized there was a great demand for pickles and papads: the taste for pickles varied from region to region, and there was constant demand for papads. In 2010, he founded Kumar Food Corporation (KFC) in partnership with Jain Food Products (Jain). Jain was responsible for manufacturing the products, while KFC was responsible for the marketing and sales in the city of Pune in Maharashtra. This partnership was very fruitful in Rajasthan, which was well-known as one of the most popular tourist destinations in India. The majority of people in India preferred snacking on pickles while they travelled. Even students going to schools and colleges preferred to have pickles with their lunches and snacks. One of the largest customer segments for KFC was passengers travelling by train; according to Indian railways, approximately 23 million passengers travelled daily via railway. Pickles were also part of combo packs designed by sweet shops selling other snacks like samosas and kachori. Sweetshops needed to avoid pickles being mixed with other food, so they required small sachets of pickles that could be added separately in their combo packs.

KFC added other food products, such as papads and spices, to its product portfolio. India had a few national brands, but the market was predominately driven by local brands. Though the company's first launch was pickles, papads took precedence in the market by 2017, and the demand for papads increased

Demand for Papad increases in winter by 10-15%

from 10 to 15 per cent during the winter season. The company also entered into a strategic partnership with Shri Rajlaxmi Agro Industries, which manufactured and sold high-quality food products such as soya sauce, green chili sauce, and tomato sauce. This partnership would enable category expansion and distribution of KFC products in other parts of the country, as Shri Rajlaxmi Agro Industries had a strong foothold in a few other Indian states. Established as a tiny firm with an investment of a few million rupees, KFC had come a long way and was now planning to invest ₹100 million to expand its business.

- The distribution network managed the way a product was made available to consumers, through either nearby convenience stores or some other channel.
- The type of distribution network a manufacturer chose depended on both the
 - nature of the goods and the buying process by which consumers sought them
 - out.

Kumar followed a hybrid approach to deliver his products to his customers. The company operated from Pune and supplied its products to Western Maharashtra, Marathawada, and Khandesh, using direct and indirect distribution channels for its business-to-business (B2B) customers. He also appointed some strategic suppliers for business-to-consumer (B2C) customers. The company had 16 distributors who were responsible for delivering its products to canteens across the cities and states and another 14 distributors for delivering to 500 retail outlets in Pune City.

Kumar also appointed an exclusive distributor to deliver his products to modern trade retailers. The company also had some seasonal distributors who worked during the winter and wedding seasons when there was an increase in the demand for his products, and this contributed substantially to its profits.

In January 2016, the company added 16 more dealers to its Mumbai market, even though product distribution had not started. The Marathwada region had 22 distributors catering to 11 districts. Kumar was also about to launch ₹2 and ₹5 sachets of pickles to attract travellers, students, and office staff. To strengthen the KFC distribution channel and promote its upcoming small sachets of spices, Kumar was in discussions with a few well-known franchisees who sold non-vegetarian food like chicken and mutton in Maharashtra, as 59.4 per cent of Maharastrians and approximately 70 per cent of Indians preferred non-vegetarian food.

Quality and taste were prerequisites at KFC, and the company was determined to maintain both at all costs. While the company had technical parameters to measure quality, it also mandated taste checking: every lot of papads was tasted by Kumar and his team. The company had tie-ins with some restaurants that used KFC spices in their preparation, and after every new production lot, Kumar and his team visited these restaurants to sample the foods prepared using KFC spices. Suppliers for raw materials were also managed for quality. For example, pulses such as lentils formed the prime raw material for papads; however, an increase in the price of lentils did not lead to a decrease in product quality. Kumar also placed great emphasis on hygiene and ensured that all

the company's products were manufactured in a clean environment, meeting high standards at all times.

According to Kumar, "A standout amongst the most important elusive resources of a firm is its brand." He believed that "brands are not worked by publicizing. Clients come to know a brand through a scope of contacts and touch points, and he strove to create all such touch points. Deriving brand names from founders' names was a common branding practice followed in the spice segment, for example, MDH, Pravin Spices, and Ravi Spices. Diverging from this practice, Kumar wanted a brand name that would be universally accepted by all his consumers. After several brainstorming sessions with his team, he arrived at the name Shagun, which translated to "an auspicious start for any occasion." The company's red logo further strengthened this meaning

Though KFC was a first-generation partnership firm, it still managed its finances manually. The profit-sharing ratio between the partners was usually determined and recorded in the partnership deed, and profits were shared accordingly. In the absence of such an agreement, there was no indication or provision for how profits would be shared between partners. In all such cases, profits were usually shared equally. Profits were also shared by partners according to the ratio of their capital contribution, and the same ratio that was determined for profit sharing also applied to losses.

It was not compulsory for all partners to contribute capital—one partner could enter into a partnership with a minor capital contribution but with excellent technical or managerial capabilities and stand to share equal profits if it was so determined in the partnership deed. Kumar possessed strong professional and managerial capabilities, and he was determined to steer the Shagun brand from a new market entrant to an established brand in the spices and pickles category. His partners were only responsible for contributing capital and took no part in the management and control of the business.

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| A. | Discuss and design the future distribution channel for KFC | 3 |
| B | Should Kumar pursue Market development or Category development? | 3 |
| C | Describe the Step the KFC has taken for online presence | 3 |
| D | Draw a Business Model Canvas for KFC based on the Information Provided in the case | 6 |