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GREEN CHILLYZ: REDEFINING MARKET BOUNDARIES

Subrat Sarangi wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may had disguised certain names and other identifying information to protect confidentiality.

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It was the summer of May 2016 in the temple city of Bhubaneswar on the eastern coast of India. Three brothers—Keshav, Jayaprasad, and Tejeswar Rao—and their six outlet managers had gathered at the head office of Green ChillyZ(GCZ) on Lewis Road, Bhubaneswar. The eldest brother and managing director, Keshav, set the meeting to discuss and plan the company’s 19th anniversary celebrations on July 23, 2016. The goal was to set plans that could be made public, announcing anniversary celebrations in the markets of Bhubaneswar, Berhampur, Cuttack, and Bengaluru. The two younger brothers, Jayaprasad and Tejeswar, and the managers were barely able to contain their excitement. Their minds were flooded with ideas for everything from the menu, to loyalty programs, to pan-India expansion plans.

If there was one fast food joint that had redefined the food business in the state of Odisha, it was GCZ, given the way GCZ had established itself as the market leader and achieved the highest turnover grossed by any fast food restaurant in the state. How had GCZ penetrated the fast food business with its well-defined market structure and boundaries in consumption patterns, menu spread, and buying behaviour? The three brothers had created a disruption and redefined the evening snacks market space in a vibrant and growing town. What was their secret recipe for success, and what enabled them to reach this position after 19 years of struggle and hard work? How could the brothers continue with their approach to be even more successful in this market?

DOWN MEMORY LANE: A MODEST BEGINNING

The Rao brothers came from a very modest background. Their father died when the eldest brother, Keshav, was still young. Being responsible for his family, Keshav was unable to pursue higher education. Work was difficult to find in the family’s home town of Berhampur, a commercial town in the southern part of Odisha, making it difficult for Keshav to earn a living for his entire family. In search of better prospects, the three brothers set off for the young and emerging city of Bhubaneswar in 1997.

In 1999, the brothers took the first step to what would become a leading fast food chain. The two years between 1997 and 1999 were arduous yet inspiring, and draining but enlightening, on their journey to be entrepreneurs, but in January 1999, the brothers finally secured a licence from the Orissa State Poultry Products Co-operative Marketing Federation Ltd. (OPOLFED), a state-level apex poultry marketing organization (see Exhibit 1). The licence was for an outlet of about 50 square feet right in the Master Canteen Square of Bhubaneswar, adjoining the main railway station. OPOLFED granted the licence for an outlet that was supposed to be marketing poultry products (such as eggs and dressed chicken) to consumers at a reasonable price. The outlet was also expected to generate employment opportunities for educated, unemployed youth.

Although the Rao brothers were from a business family, this was their first foray into the food business. Nonetheless, they trusted their instincts, and on July 23, 1999, the brothers opened their first outlet in Bhubaneswar, under the name OPOLFED. It was the beginning of a great success story in the fast food business.

THE INITIAL YEARS: EVOLUTION OF BHUBANESWAR

In 1999, Bhubaneswar was a young and fast-growing metropolitan city. With a population in excess of 600,000, the city grew at a rate of 59.75 per cent between 1991 and 2001 (see Exhibit 2). The city was best known as a tourist destination due to its temples and caves from the period of the Mauryan Empire, and as a gateway to the holy town of Puri; however, the city was also becoming a destination for the booming information technology (IT) industry. Infosys Limited was the first IT giant to enter the city.[[1]](#footnote-1) In 1997, Infosys set up an office barely three kilometres (km) from the Master Canteen Square that housed the brothers’ OPOLFED outlet. Other notable companies soon followed and also established a presence in the city, including ESSPL in 1998, and Versatile IT Services Pvt. Ltd. in 1999.

The Orissa Information Technology Society had been founded in 1997 by industry and academia to facilitate growth of IT in the state, but the society was not the only proponent of growth in Bhubaneswar. In the early and mid-1990s, Odisha had state and central government technical colleges spread across the state, but just one government college was located in Bhubaneswar, along with the state’s only private graduate technical college. The education sector was evolving quickly then to keep pace with the booming dot-com and IT services sector. IT professionals were needed for employment in companies such as Wipro Limited, Tata Consultancy Services Limited, Infosys, and IBM Corporation. In particular, technical graduates were needed for deployment to projects in Europe and the United States.

Bhubaneswar was an ideal location for an educational hub in Eastern India. Kolkata was still struggling with frequent closures of institutions there due to student and political unrest, and the states of Jharkhand and Chattisgarh did not yet exist.[[2]](#footnote-2) Bihar, one of the other eastern states, had its own share of issues and concerns that prevented it from providing an environment with the needed ambience for technical education to prosper, and for companies to visit and recruit employees. Bhubaneswar’s location on the main train route between Chennai and Howrah and its decent overnight travel options to major locations in neighbouring states also made the city a sweet spot for prospective students. Thus, Bhubaneswar emerged as an educational hub in the late 1990s, meeting the aspirations of thousands who wanted to be a part of the vibrant IT services industry and become global citizens.

KIIT University, which began humbly in the early 1990s as Kalinga Institute of Information Technology, became a fully-fledged technical institute in 1997, along with the Institute of Technical Education and Research. The two institutes pioneered technical education in Eastern India, after which many other technical and professional institutions opened in Bhubaneswar. By 2016, the city boasted more than 70 technical colleges, headquarters for at least eight universities (both government and private), and several notable central government institutes. This small town, previously noted only for hosting the state secretariat, had transformed itself into an IT and educational centre, as anticipated in the state’s “Vision 2020” goal of transforming the temple city into an international-level knowledge hub modelled around the San Francisco Bay Area and Boston’s Hub.[[3]](#footnote-3) This was the environment in which the Rao brothers would pursue their dream to redefine the fast food business in Bhubaneswar.

A FOOT INSIDE THE DOOR: UNDERSTANDING THE DYNAMICS OF the FAST FOOD BUSINESS

The brothers used their own financial resources for the initial investments in the business, combined with some assistance from their immediate family. They opened their outlet with a modest investment of ₹25,000.[[4]](#footnote-4) As entrepreneurs, the Rao brothers handled the outlet themselves; the eldest brother managed the cash and the other two took orders and managed the kitchen. They hired only one cleaner. The three brothers worked constantly to stabilize their venture, which had to evolve in terms of offerings and variety in food in the fast food market of Bhubaneswar.

They restricted their menu to evening snack items that were prevalent and popular among the floating population in the station area, and appealing to people from the surrounding areas. The popular fast food items included egg rolls, noodles, and pakodas. Although there was competition from other OPOLFED outlets in the vicinity and from roadside stalls set on pushcarts in the evenings, the Rao brothers differentiated their business by offering dishes that appealed to the customers’ palates. Over time, they developed a loyal customer base.

With the brothers working in the outlet, they overheard discussions among their regular customers. More than half of their customers included young technical college students, IT professionals, and other students who had come to Bhubaneswar from different parts of Odisha and adjoining states to prepare for competitive examinations, mainly in engineering, medicine, and banking. This segment of young college students and professionals became the brothers’ target for their fast food business.

Astute marketing skills and an understanding of consumer behaviour gave the Rao brothers an idea: if they wanted a sustainable competitive advantage, their menu needed to be a bit different from the competing fast food outlets in the vicinity. They realized they could grow if they were able to seize this opportunity. The idea involved more than just catering to the current needs of their customers; they needed to redefine the boundaries of the fast food business by providing customer- and market-oriented offerings that other fleet-footed players would be unable to match.

Biryani as a Fast Food Item: The Game Changer

Fast food outlets started their preparatory work for the kitchen by 4:30 p.m. Customers would begin arriving between 5:30 and 6:00 p.m. on week days, and usually slightly later on a weekend. The peak business times for fast food outlets were between 6:30 and 7:30 p.m. During the winter months, when it would get dark by 5:30, business timings would start about 30 minutes earlier.

Competition for the Rao brothers was not only from the fast food outlets selling similar items, but also from the small restaurants and roadside stalls that offered snac items, such as samosas, bondas, cutlets, dosas, and to a great extent, traditional pani-puris. The entrepreneurs quickly realized that competition was anything that could sell as an evening snack to be consumed before dinner. They had also observed that their loyal customers, which included the young crowd, were always talking about their evening dinner, which they would have in a couple of hours. The Rao brothers understood that while fast food joints and roadside stalls met the crowd’s snack demand, there was still the unaddressed dinner meal—a much greater opportunity in the offing. Was this the opportunity for them? Could their outlet become a one-stop shop for the hungry office-going professionals, college students, or married couples heading home from a long day’s work?

It was evident to the brothers that if they wanted their venture to take off, they had to be game changers. The brothers observed and discussed the nuances of the fast food business, not just among themselves, but also with their staff. About half of their customers were young students and working professionals in the age group of 18 to 27 years. Their consumption habits were different from those of the traditional and middle-aged consumer group. The brothers concluded that biryani[[5]](#footnote-5) would fulfil the demand gap of an early dinner or takeout meal for this set of buyers. After six months of observing and thinking, the brothers took the first step. They changed the name of their outlet to “Green Park” in early 2000, and added an indigenous biryani dish to their menu.

To begin, the brothers cooked two to three kilograms (kg) of rice daily for biryani. However, their initial euphoria was deflated; their customers were not ready to even think about biryani in early evening hours when they were accustomed to eating noodles, egg rolls, samosas, or pani-puri. For the first 12 to 15 months, the losses were immense; the brothers could hardy sell four to five plates of biryani a day. In addition, Mondays, Thursdays, and Saturdays were complete non-performers for biryani because those days of the week were considered to be vegetarian days; even the younger crowd was unable to shake this convention. However, this was not to be a permanent situation. The evolving business environment in Bhubaneswar and the inflow of younger people from the neighbouring states of Jharkhand, Chattisgarh, West Bengal, and Bihar in search of jobs and higher education were changing the geodemographic makeup of Bhubaneswar. Consumption patterns were changing.

After 2000, sales at Green Park started picking up; in addition to demand for the standard evening snack items, demand for biryani increased. Typical customers were groups of IT professionals returning home from their offices, and students stepping out of classes, stopping at the glittering and upbeat Master Canteen Square that was completely lighted in the evening. These customers would order a roll or half-plate of noodles as an evening snack and biryani as a takeout meal for dinner. Green Park was becoming a one-stop shop for evening snacks and dinner. The brothers set their prices based on a typical combined budget for snacks and dinner of ₹50–100 per customer. They also kept their prices at least 20 per cent lower than those of fine dining restaurants in the city.

By financial year (FY) 2004/05, the Rao brothers cooked about 20 kg of rice for biryani on a daily basis, and on most days (especially Wednesdays, Fridays, and Sundays), they would run out before 8:30 p.m. They added soups, kebabs, and tandoori items to their menu, which were targeted at those who were loyal biryani eaters and came only for biryani (not for snacks and biryani). While they waited for their biryani, customers would sip a hot soup or have a hot kebab or tandoori piece as an appetizer. The kebabs and tandooriitems also gained favour as snack items among the younger generation, who had seemingly grown tired of the deep-fried foods that were offered by other fast food outlets. The entrepreneurs also considered the portions they offered, adding smaller portions for every item on the menu.

TRANSITION FROM “GREEN PARK” TO “GREEN CHILLYZ” RESTAURANT CHAIN

By positioning biryani as a fast food item, Green Park had redefined the boundaries of the fast food business in Bhubaneswar and made a name for itself as a biryani specialist. By FY 2006/07, the company had a strong and loyal customer base that included both the younger set and families. Sales growth had been good: 20 per cent between 1999 and 2003, which increased to about 30 per cent between 2004 and 2010. Revenue earned from biryani sales alone—which had been meagre at about ₹500 per day during FY 1999/00 changed the fortunes of the Rao brothers significantly over the next decade (see Exhibit 3). The gross profit margin as share of revenue averaged about 15–20 per cent. By 2010, with more outlets added, the biryani sales alone accounted for 100 kg of rice per outlet, especially on Sundays, Wednesdays, and Fridays. By 2016, the entrepreneurs proudly reported that their current sales of biryani amounted to almost 200 kg of rice per outlet per day on the days that were typically considered non-vegetarian.

In FY 2006/07, the brothers rechristened Green Park as “Green ChillyZ” as part of a re-branding exercise (see Exhibits 4 and 5). Over the next few years, GCZ’s popularity among biryani lovers in Bhubaneswar began to spread to other parts of the state and India. By 2016, GCZ had a chain of nine outlets, six of which were in Bhubaneswar, one in Cuttack (the largest commercial town of Odisha, about 25 km from Bhubaneswar), one in Berhampur (a commercial town in the southern part of Odisha, bordering Andhra Pradesh), and one in Bengaluru (at Koramangala, the heart of food chains and malls).

Referring to the brothers’ journey of expansion and their future plans, Keshav stated, “We have a passion for the Indian way of life and want to share it with people, no matter where they’re from. [It is] just good food for everyone.” The brothers had drafted plans to expand to other parts of the state, including Balasore, Jajpur, and Angul. The plans also included expanding GCZ’s presence outside of the state, not just in Bengaluru, where they already had an outlet, but to other cities as well, such as Pune, Mumbai, and New Delhi. The brothers were always watching for franchisee applications.

While the brothers had successfully expanded the presence of their GCZ brand, they had experienced a couple of failures as well. They had opened a full-fledged multi-cuisine restaurant in Rourkela (an industrial town in the western part of Odisha) but had to close it due to issues in managing the business. In addition, the brothers realized that the customer base in Rourkela was mainly composed of middle- to upper-aged people with fixed routines, rather than young, mobile office-goers. The brothers then had to foreclose a franchisee outlet in Angul (an industrial town about 100 km from Bhubaneswar) because the franchise owner would not co-operate. In Bhubaneswar, the brothers were forced to close an outlet in Bapuji Nagar (an upscale mixed commercial and residential area) because of parking problems; they also had to shift their first outlet at Master Canteen Square by about 50 metres due to the same problem. These failures made the brothers cautious about selecting locations for geographical expansion. In 2016, they used robust market research when choosing places for expansion.

The KEYs TO SUCCESS

GCZ succeeded as a fast food brand by creating a niche market for itself in biryani and tandoori items in Bhubaneswar, winning several awards along the way—an outcome of the company’s customer- and market-centric approach. From a small OPOLFED stall in 1999 to a chain of outlets in 2016, GCZ transformed the snacks and fast food business by providing options for hungry college students and young IT professionals looking for something quick, filling, and tasty that would meet their food needs for the night.

The Rao brothers managed the GCZ outlets. The youngest brother looked after the operations in Bengaluru and dealt with GCZ’s promotion and media activities. The other two brothers handled the outlets in Bhubaneswar and other parts of Odisha. The structure was very simple, with the brothers leading from the front of the outlet with two managers, each with distinct responsibilities. Each outlet had a head chef and two assistant chefs, and depending on the location, a team of four to five waiters and cleaners. For smooth operations and management, GCZ invested about ₹1 billion in the latest technology for electronic billing and an outlet operations management system. Using live video feed, the brothers could view operations in all outlets (both in Odisha and Bengaluru) from their head office at Lewis Road, Bhubaneswar.

Labour and procurement had been the other key ingredients to GCZ’s success. The brothers took great care when hiring chefs for their outlets. The process of selection included a personal interview to determine what the applicant needed so GCZ could design a compensation structure that would reduce attrition. The interview was followed by a demonstration of the applicant’s culinary skills, after which offers were made. Before they were assigned jobs in the kitchen, the chefs were trained in using GCZ’s proprietary recipes, ensuring quality and taste were standardized across outlets. GCZ had managed to avoid poaching of its staff and kept its attrition rate to 10–15 per cent, which was much lower than the industry average of 25–30 per cent. In addition to providing an attractive salary package, the brothers ensured that GCZ staff had accommodations, food, soft loans to meet personal exigencies, and, from time to time, bonuses and incentives. With well-trained staff who stayed with the outlets, GCZ provided consistent quality and taste for its customers, adding to the company’s success.

Purchasing the rice and masalas for biryani and tandoori dishes was also critical. The Rao brothers went to great lengths to keep their source of masalas secret, even from GCZ’s chefs. The brothers handled the sourcing themselves. They procured the masalas (especially the dry spices) from South India, where the available quality was unmatchable. The brothers firmly believed that their masalas gave GCZ a clear advantage over other biryani makers in Bhubaneswar, especially BJ’s Tandoor Delights (BJ’s), GCZ’s closest competitor. Similarly, the brothers searched across India—including Hyderabad, Chennai, and Lucknow—to find their source for the long-grain basmati rice that GCZ used. In FY 2007/08, they finally settled on a source in Delhi. The rice was procured through a trader from Delhi, and a monthly consignment was delivered to Bhubaneswar.

GCZ refined its menu to meet the changing tastes and needs of customers in its target markets segments. By 2016, the menu was significantly different from the one offered in 2008. The brothers had added a number of items, such as tikkas, kebabs, parathas, and different biryanis (e.g., tangri and kebab biryani) (see Exhibit 5). These were GCZ innovations, but they were subsequently copied and offered by competitors like BJ’s, Mughlai Roast, and other roadside stalls. GCZ also served a special chili-based sauce, which had a large fan following and was a crowd puller for kebabs and pakodas. As GCZ continued to grow, it constantly looked at adding new items and making changes so that its food items did not become predictable and customers stayed engaged.

Over the years, GCZ earned respect and accolades in the form of awards from prestigious bodies, government entities, and trade associations. Some of the notable awards that the company received included the “Rotary Interface Best Food” award in 2011, “TiE Entrepreneur of the Year” in 2013, the “Jhatpat Fast Food Centre RED FM 93.5” award in 2013, and the “Youth Entrepreneur Interview Times” award in 2014. Still looking to grow and succeed further, the three Rao brothers envisioned becoming a multinational enterprise with outlets in Europe, the Middle East, and the United States, making GCZ a global brand.

EXHIBIT 1: OPOLFED’s MAJOR ACTIVITIES

* Organization of Primary and Women Poultry Co-operative Societies
* Supply of inputs to poultry farmers
* Marketing of eggs, packet eggs, dressed chicken meat, poultry feed, etc.
* Supply of poultry products to consumers at reasonable rates
* Supply of eggs to school children in different districts of the state under the Midday Meal Scheme
* Self-employment opportunities for educated but unemployed youth
* Implementation of Odisha Women Poultry Project (OWPP) in Khurda and Angul districts

Source: OPOLFED, accessed September 22, 2016, www.opolfed.com/index.php.

EXHIBIT 2: POPULATION OF BHUBANESWAR

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Population** | **Growth Rate (%)** | **Density (persons per square km)** |
| 1981 | 219,211 | 107.80 | 2,359 |
| 1991 | 411,542 | 87.74 | 3,299 |
| 2001 | 657,477 | 59.75 | 3,500 |
| 2011\* | 1,314,954 | - | - |
| 2021\* | 2,629,908 | - | - |
| 2031\* | 5,259,816 | - | - |

Note: \* = predicted population.

Source: Created by the case author, based on “Chapter 4: Social & Economic Aspects,” Odisha Government, accessed October 3, 2016, www.odisha.gov.in/forest\_environment/pdf/Chap\_4.pdf.

EXHIBIT 3: GREEN CHILLYZ REVENUE CONTRIBUTION FROM BIRYANI

|  |  |
| --- | --- |
| **Period (fiscal year)** | **Revenue Contribution**  **(₹ per day per outlet)** |
| 2000/01 | 500–1,000 |
| 2002/03 | 10,000 |
| 2004/05 | 25,000–35,000 |
| 2008/09 | 45,000–55,000 |
| 2015/16 | 100,000–120,000 |

Source: Created by the case author based on company sources.

EXHIBIT 4: GREEN CHILLYZ LOGO



Source: Company sources.

EXHIBIT 5: GREEN CHILLYZ MENU, Excerpt

|  |  |  |
| --- | --- | --- |
| **Item** | **Full Plate (₹)** | **Half-Plate (₹)** |
| **BIRYANI** |  |  |
| Chicken Biryani | 260 | 130 |
| Mutton Biryani | 280 | 140 |
| Special Leg Biryani | 300 | 150 |
| Kebab Biryani | 300 | 150 |
| **TANDOOR AND KEBAB** |  |  |
| Tandoor Leg | 180 | 90 |
| Chicken Tikka | 160 | 80 |
| Chicken Hariyali Kebab | 180 | 90 |
| Chicken Stick Kebab | 160 | 80 |
| **GRAVY** |  |  |
| Chicken Leg Butter Masala | 220 | 110 |
| Chicken Tikka Butter Masala | 220 | 110 |
| Chicken Butter Masala | 200 | 100 |
| Vegetable Noodles | 90 | 45 |
| Egg Noodles | 90 | 45 |
| Egg Chicken Noodles | 110 | 55 |
| **PAKODA AND CHILLY** |  |  |
| Chicken Pakoda | 160 | 80 |
| Chilly Chicken | 220 | 110 |
| Prawn Pakoda | 200 | 100 |
| Prawn Chilly | 260 | 130 |
| Chicken Manchurian | 220 | 110 |

Source: Created by the case author based on company sources.

1. “The Best IT Companies to Work for in Bhubaneswar,” Discover Bhubaneswar, April 10, 2012, accessed October 5, 2016, http://mybhubaneswar.com/it-companies-bhubaneswar. [↑](#footnote-ref-1)
2. The states of Jharkhand and Chattisgarh were created in late 2000; Swaminathan S. Anklesaria Aiyar, “The Economic Case for Creating Small States,” Swaminomics, December 20, 2009, accessed November 6, 2016, http://swaminomics.org/the-economic-case-for-creating-small-states. [↑](#footnote-ref-2)
3. “Higher Education in [Odisha],” World eBook Library, accessed December 1, 2016, www.worldlibrary.in/articles/higher\_education\_in\_orissa. [↑](#footnote-ref-3)
4. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified. [↑](#footnote-ref-4)
5. Biryani was a South Asian mixed rice dish made with spices, rice, and meat. Ingredients varied by region and according to the type of meat used. [↑](#footnote-ref-5)