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9B18A007

Wild Chef Limited: Scaling up A Cloud-based restaurant

Servjaeta Verma 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 author may have disguised certain names and other identifying information to protect confidentiality.

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As Aditya Agarwal, a young, first-generation entrepreneur and manager of Wild Chef Limited (Wild Chef), prepared to attend a board meeting, a flurry of thoughts ran through his mind. From running a quick service restaurant (QSR) to overseeing the pilot run of Wild Chef, his journey in the restaurant business had been a roller-coaster ride. Cloud kitchen, an online food delivery model, was an emerging concept in the food-technology (food-tech) sector, with minimal players operating on a large platform. With one central kitchen and four satellite kitchens operating in Delhi’s National Capital Region (NCR), Wild Chef was then planning to expand around the time of its first anniversary on July 10, 2017.

Most start-ups that emerged in the cloud kitchen domain had begun their operations with a metro city; start-ups with expansion plans also focused on metro cities. The majority of Wild Chef’s team members wanted to target a metro city for its expansion, but Agarwal wished to focus on the untapped potential of a Tier 2 city. Residents of metro cities were highly familiar with food-based applications (apps), but the presence of multiple players in those cities restricted Wild Chef’s chances of becoming a market leader. Residents of Tier 2 cities had minimal exposure to such food-tech apps, and the potential for growth in those cities was immense. As Agarwal weighed the pros and cons of scaling up Wild Chef, he realized that choosing the right markets to enter and choosing the right permutation of scale-up options were the key decision areas.

Background

Wild Chef came into formal existence in July 2016 with initial capital of ₹1 million[[1]](#footnote-1) (see Exhibit 1). Before the brand was introduced, Agarwal and his co-founder Nishant Tomar were managing a QSR with dine-in and take-away facilities in Noida.

Idea and Conceptualization

While Agarwal was busy managing the QSR, he realized there were many consumer pain points with limited solutions. The major issues were inconsistency in the menu–price–quantity proposition, a lack of smaller portions to target single eaters, a lack of affordable daily meal options, and the absence of a way for customers to enjoy the ease of ordering food for home delivery. Close analysis revealed that the daily meals market had the highest potential but minimal players, and that food-tech business concepts were the latest buzz in the sector. This had led to the emergence of several me-too players, all trying to build their unique points of differentiation. Agarwal looked for an innovative food-tech-based business solution that could leverage the potential of the daily meals market and address the consumer pain points. Thus, Wild Chef emerged from the current format of the QSR as a cloud kitchen aiming to address the needs of the time-tied and aspirational middle-class consumer. Agarwal explained:

I wanted to enter into a business that was unique to the food-tech sector and could connect well with the needs of the consumer. The QSR format was an experiential learning for me, but I was on the constant lookout for an innovative business model to cater to the middle-class segment, until I heard of an emerging concept—cloud kitchen. This paved the way for introducing the concept under the brand name Wild Chef. To me, Wild Chef was a solution to the increasing needs of a growing middle-class family who wanted quality, variety, and affordability in every meal that was delivered to them.

Food tech was an umbrella term that encompassed various technology-enabled business models in the food sector; a mobile app was used as an interface between consumers and service providers to facilitate business. These service providers were either stand-alone restaurants or a network of partner restaurants. Services ranged from delivering food through online ordering to availing the additional facilities of partner restaurants, such as booking a table. Cloud kitchen, also referred to as a digital restaurant, was one such food-tech concept, where restaurants had a primarily online rather than physical presence and offered food delivery services in response to demand generated by the platform.

Wild Chef was primarily a multi-cuisine restaurant that began its operations in a delivery and take-away format, embracing the concept of cloud kitchen. It started its pilot run in Noida in July 2016, and within the span of one year, it had four outlets in the NCR. In Wild Chef’s first month, it saw 20 orders per day with an average ticket value of ₹300; it reached its operational break-even point in the third month. Within a year of its launch, Wild Chef was able to manage 200 orders per day with an average ticket value of ₹347. It successfully created two different categories and innovated over 18 fusion recipes. In one year, Wild Chef was able to serve over 28,571 orders to more than 5,000 satisfied customers.

Management Team

Wild Chef was a partnership venture between Agarwal and Tomar. Agarwal had a degree in engineering and a master of business administration, and Tomar was an engineer. Both of them had worked in corporate environments to gain basic knowledge and were then associated with start-up ventures in different capacities before starting Wild Chef. Wild Chef was an early-age entrepreneurial venture for both of them, launched after about six years of work experience. While Agarwal was primarily heading the marketing and finance departments, Tomar was leading operations and strategies. Other responsibilities were shared by both of them.

Industry Overview

The food-tech market in India was predicted to be a ₹4,950 billion market, growing at a rate of 16 per cent annually, and it had evolved through different formats. Of all the take-away orders that were placed, a significant proportion were made online—either directly or through an aggregator—as opposed to through the conventional method of telephone. While tech-savvy consumers were embracing online ordering because of its ease, speed, and precision, restaurants saw in it the potential for increased revenue and fewer errors. Many start-ups had emerged, all trying to build their own points of differentiation while experimenting with different business models, the common thread being food and the online platform. Though it began as an information discovery platform by Zomato, the online food delivery market was now dominated by aggregators like Foodpanda and emerging Internet kitchens. In 2016, the market grew by 150 per cent and had an estimated gross merchandise value of ₹19 billion.[[2]](#footnote-2) Food-tech aggregators worked towards the consolidation of stand-alone restaurants and food delivery outlets, providing the facility of online ordering from partner restaurants through a common platform. In this regard, an aggregator such as Foodpanda provided a common platform where menus from various partner restaurants were available. The customer had the option to browse through the offerings of various network restaurants and order from one or many of them. The order was then passed on to an individual restaurant, where it was processed and then delivered to the end-consumer. The aggregator charged the partner restaurants a certain percentage of the total revenue for each order processed through its platform.

The next concept fascinating food-tech start-ups was cloud kitchen, or Internet kitchen. The concept was first tested and validated by FreshMenu in 2014. It was a kitchen-centric model in which the food preparation was controlled by the service provider. Many variations of this core concept were tested and adopted by various start-ups. The emergence of different models led to increased customer acquisition and order volume, but also resulted in stiffer competition and shrunken margins, demanding innovative concepts in the marketplace. Most of the start-ups faced the challenge of addressing unpredictable consumer demand, managing delivery schedules within a narrow time frame, and building efficiencies in kitchen operations. Addressing unit profitability and building operational efficiencies were key drivers in building a sustainable business.

Cloud kitchen Model

The cloud kitchen primarily worked on the concept of off-site cooking with no dine-in facilities. It was comprised of a central production unit where all of the cooking took place, and it catered to the demand generated on the platform from its immediate surroundings. The central unit was connected to distribution centres, referred to as satellite kitchens, and delivery to the end-consumer was either directly from the central unit or from the satellite kitchens. There were different variations on the model, the most common being the full-stack model, the shared infrastructure model, and aggregator services.

The full-stack model ensured complete ownership of all operations, from kitchen to delivery. The basic advantage of this model was that it provided a single window to the consumer and ensured consistency in quality. Orders could be placed by telephone, online, or through an app, and food reached the customer through the nearest servicing outlet. The full-stack model was being practised by start-ups such as FreshMenu, Holachef, Bhukkad, and Wild Chef.

In the shared infrastructure model, more than one popular restaurant shared the same infrastructure, while their individual chefs catered to the generated demand. This model was being closely followed by Swiggy and Zomato, which each executed the concept with their customized versions. The third model was aggregator services provided to individual chefs: the chefs worked in a cloud kitchen and were given the additional benefits of infrastructure and delivery. Various adoptions and versions of this model were tested by different start-ups.

Advantages

The major advantage of executing a cloud kitchen model was a drastic reduction in infrastructural and labour costs, along with the establishment of better control over inventory and food wastage, helping to realize better cost economies. With enhanced demand generation through online leads and dispersed satellite kitchens, a wider population could be served. The introduction of satellite kitchens reduced food delivery time, thus enhancing the customer experience.

WILD CHEF: A BRIEF

Agarwal and Tomar wanted fusion and innovation in the recipes they offered to consumers; they did not want to be restricted to any specific category or domain. While the “chef” concept formed the cornerstone of the offerings, the objective was to go “wild” and experiment with the recipes. The concept, coupled with the core idea of serving travel-inspired recipes—gathered while travelling to various adventurous destinations in India and abroad—led to the name Wild Chef. A few recipes were served without any variation, while fusion versions of other recipes were created to match Indian culinary preferences. Some of Wild Chef’s famous offerings included Peshawari Tandoori, PaneerMenawali Gali, Murg Awara, Malwa K Bharwan Aloo, Atrangi Kebab, Dal Chandratal, Assami Tikki, and Bengali Fish Curry. It was a food walk for avid travellers and foodies—a tour across different places, cultures, and recipes or to unsung places—where uniqueness was served at the table.

Wild Chef chose to build its differential by operating in the daily meals market and focusing on smaller portion sizes. It worked on the concept of the full-stack version of cloud kitchen, and technology integration across the entire supply chain was an important aspect. Its primary target segment was tech-savvy, middle-class consumers comprising students, single adults, nuclear families, and office workers.

Wild Chef began its operations with a team of 15 people, and by the fourth quarter it employed a staff of about 110 in different locations (see Exhibit 2). The core team was comprised of the chief financial officer, chief marketing officer, executive chefs, and unit managers. They were assisted by support staff in each department working in different capacities. A group of chefs and foodie travellers, in coordination with Marketing Head Abhishek Agarwal, formed the Alpha Team, which was responsible for the addition of new travel-inspired recipes to the menu. A significant contribution was also made by experts in food packaging, who worked towards improving the packaging component.

CLOUD KITCHEN @ WILD CHEF

Wild Chef adopted the full-stack version of the cloud kitchen model, ensuring complete ownership of operations from kitchen to delivery. The major aspects of this version were as follows:

*Central and Satellite Unit:* The initial operations began at a central unit based in Noida, which functioned as the main production unit, and four satellite units at different strategic locations. Cooking was centralized, carried out by experienced chefs at the main kitchen who were helped by skilled assistants. This ensured consistency in both quality and taste. Semi-prepared food was stored in deep freezers and transported to other satellite locations. Stringent quality control and strict adherence to hygiene practices across the entire chain, from production to delivery, was maintained. Much emphasis was put on packaging.

*Distribution Plan and Logistics:* Routing was done according to the “average daily requirement”—an approximation of the number of orders received each day from the satellite units, including a buffer inventory. Delivery to customers was carried out by delivery boys. There were about four delivery boys at one outlet, catering to 15–20 customers.

*Menu:* The menu was comprised of Indian, Chinese, and Oriental cuisines. The menu offerings included various innovative fusion flavours, and were cost-effective. The entire spectrum of food choices was grouped into two distinctive food categories: “From Our Travels” and “From Chef’s Diary.” From Our Travels had a growing list of recipes explored by the Alpha Team while travelling, while From Chef’s Diary incorporated signature dishes by chefs with varied cooking experience of more than 20 years, ranging from local eateries to fine dining. The menu was updated on a daily basis and was linked with location-based services, which enabled the consumer to view only those items available at the nearest delivery outlet.

*Order Management System:* The customer had the option of placing an order through online ordering, through an app, or by telephone through centralized interactive voice response (IVR), all of which connected the consumer to the nearest satellite unit. Centralized IVR offered a competitive edge, as the concept was not popular with small-scale food establishments. Multiple payment gateways were introduced, facilitating payment by credit card, debit card, net banking, digital wallets, and other methods.

The cloud kitchen model enabled a drastic reduction in food wastage. The consolidation of major operations in the central kitchen helped in cost containment and allowed for better control over inventory levels. All of this helped in building economies of scale.

PILOT RUN FOR WILD CHEF

The pilot run for Wild Chef began after ensuring compliance with all statutory requirements. During the pilot run, Wild Chef took many strategic initiatives to build its market presence and develop a competitive edge.

Location

The entire success of the venture rested on generating footfall; therefore choosing the right location was of strategic importance. The first unit was set in Noida, which had an average population of 50,000–70,000 within a radius of five kilometres. Similarly, all satellite kitchens were planned in areas that had high footfall and populations that tended to eat out on a regular basis.

Brand Building Initiatives

Leveraging Social Media

Since Wild Chef was a food-tech concept, social media was used to build a strong web presence. Active promotions announcing the latest happenings and developments were undertaken to build consumer connections and engagement. It gained exclusive approval for the “Wild Chef” domain on Facebook for its active promotion there.

Establishing Market Presence

Wild Chef executed a partnership agreement with marketplace aggregators Foodpanda and Zomato to establish an online market presence. It also undertook physical promotion through hoardings, flyers, and newspaper inserts. Since Wild Chef was synonymous with travel-inspired recipes, special offers on trekking campaigns in collaboration with travel companies Indiahikes and Wheelifywere rolled out under the “Wild Chef Travel” initiative to promote the brand. While Wild Chef had the benefit of visibly showcasing its brand on all trekking and motorcycle tours organized by these partners, its partners benefited from leveraging a physical presence at Wild Chef outlets.

Customer Acquisition and Retention

Customers were targeted through both conventional and digital marketing, in which social media marketing played an important role. Since the daily meals market was Wild Chef’s prime focus, individual orders and smaller portion sizes could be ordered only through the Wild Chef app, rather than through marketplace aggregators Foodpanda and Zomato. Further, any customer who placed an order directly from the app received an additional discount of 20 per cent of the bill value. This move helped to shift 70 per cent of customers to Wild Chef’s direct app for placing orders, which made customer relationship management easier. Various discounts and offers, such as a free cold drink on a minimum bill value of ₹500 or a 10 per cent flat discount for ordering online, were also introduced from time to time. All of this helped to create a loyal customer base, with whom repeat orders were built. Further, the bill amount was inclusive of taxes and had no hidden charges, and delivery was free for the first three kilometres. Feedback was invited from time to time from customers, and customers’ suggestions were noted.

Recipe Control

Tightened recipe control to preserve the innovativeness of the recipes crafted at Wild Chef was ensured by having spices used in food preparation prepared at a central warehouse.

The pilot run was full of challenges. The major challenges included the following:

*Labour Acquisition and Retention:* Though skilled labour was readily available, Agarwal experienced sleepless nights during Wild Chef’s initial days as he tried to find an experienced chef who could be motivated to be associated with a start-up. After trying for nine months, Agarwal was able to find his executive chefs, who would form part of the core operations team. The chefs based at the central production unit had about 12 years of experience and were responsible for the preparation of various menu items. Investments in the chefs were huge, as the entire success of Wild Chef depended upon the quality of food served to customers. The next challenge, given the budgetary constraints the start-up faced, was to hire and retain a unit manager. The unit manager was supposed to manage operations at the satellite kitchen. The salary offered was relatively low for an experienced hotel management graduate, but a person with lesser qualifications would not be sufficiently equipped for client interaction. Several options were considered for overcoming this challenge, and ultimately freshmen working towards a diploma in hospitality or hotel management were hired and given the appropriate training for managing their roles and responsibilities.

*Product Pricing:* Even though the target segment appreciated the concept of cloud kitchen and its benefits**,** arriving at the right price point to target the middle-class consumer was another challenge. Though the consumer benefited from quality food delivered to their home within a short time, commanding a premium would have left the market open for competitors to encroach. To overcome this, smaller portion size options with a lower ticket value were introduced, creating a win–win situation: customers could have better control over their budgets, and Wild Chef enjoyed better unit economics.

*Success Mantra:* The cloud kitchen concept had a high burn rate, and other players were struggling to be profitable. Wild Chef, with its well-crafted launch and meticulous planning, was able to achieve its operational break-even point within the third month of its launch and was a profitable venture from the second quarter (see Exhibits 3 and 4). Its success mantra rested on building operational economies. The prime focus on small portion sizes with a lower ticket value resonated well with the targeted middle-class consumer who had budgetary constraints. Lower ticket values helped in building repeat orders, resulting in better unit economics and increased profit margins for Wild Chef.

COMPETITORS

Indirect competition for Wild Chef came from QSRs and other outlets that catered to home delivery, while direct competition came from other start-ups following a similar model. A couple of the major competitors were Swiggy and Zomato; others with a noticeable presence were Holachefand FreshMenu,while emerging competitors included Uber Eats and Google Areo. The toughest competition came from FreshMenu, Swiggy, and Zomato, as these had been expanding aggressively in the online food delivery space, all of them backed by funding.

FreshMenu was a Bengaluru-based start-up also working on the full-stack version of cloud kitchen. It had well-defined processes, and managed end-to-end control over the supply chain. Rashmi Daga, founder of FreshMenu, stated, “Unlike most food-tech companies that are fundamentally delivery-only platforms for existing networks of restaurants, we additionally cook our own food, giving us end-to-end control over its quality, thereby improving customer experience. This also helps us manage orders better and trim costs.”

Swiggy rolled out its cloud kitchen in Bengaluru under the name “The Bowl Company.” It worked on the concept of providing shared kitchen services to partner restaurants at locations where they had no physical presence but customer potential was high. Multiple brands could operate from a single kitchen.

Zomato had rolled out its cloud kitchen operations under the name “Zomato Infrastructure Services,” setting up its first pilot kitchen in Dwarka, Delhi. It offered fully equipped shared kitchen infrastructure services, along with delivery personnel, to partner restaurants at a nominal percentage of their revenue. Operating in this format not only reduced infrastructural costs but also offset logistics costs. Zomato was planning to roll out about 100 kitchens by 2018, and its major target was Tier 2 cities.

the WAY FORWARD

Having been relatively successful in the pilot run of Wild Chef and having achieved his operational break-even point in only its third month of operations, Agarwal was looking forward to scaling up his venture and was considering the following options for doing so:

*Introducing Satellite Kitchens*: More satellite kitchens could be introduced in Delhi’s NCR to cater to a wider population, thus expanding the scope of operations. Since the NCR was a geographically vast territory and there were many areas where Wild Chef did not yet have a presence, potential markets existed.

*Having a Customer-Centric Approach as a Differentiator*: Wild Chef was also planning to roll out customized offerings, in which micro specifications, such as the quantity of salt and spices or the complete avoidance of a specific ingredient, could be incorporated into the menu offerings as per the customer’s preference. Agarwal explained, “I feel that a general taste does not appeal to all consumers at times, especially if they have dietary restrictions. The option to have major ingredients customized can be an important differential.” This would require increased preparation and delivery time; pre-ordering would be a prerequisite.

*Building a Physical Presence*: This could be done through introducing eating establishments under the name “Wild Chef House” with an aim to build better consumer connections with the target audience. This would warrant investment in infrastructure, but at the same time, Wild Chef could convince people of its service quality proposition.

*Introducing Conceptual Offerings*: Wild Chef could build its presence in the fine dining segment through introducing conceptual offerings such as a “Wild Chef Bar & Lounge,” and by catering to parties for special occasions and social and ceremonial gatherings. These fine dining outlets would be spread across a vast area and would provide a premium dining experience to customers along with a fully functional bar and dedicated smoking area.

*Expanding to 24/7 Operations*: Since the NCR is a hub of many round-the-clock organizations and home to a huge student community, night-time operations could be started as an additional source of revenue.

*Pursuing Corporate Tie-Ups*: Wild Chef could initiate satellite kitchens on the premises of corporations with more than 500 employees, helping to create a strong brand identity. Agarwal said, “Corporate employees are the biggest consumers of online food ordering services. Building connections with them would help in leveraging the equity of availing the nearest servicing outlet’s services beyond office hours.”

*Adopting a Franchise Model*: To scale up the business in other cities, Wild Chef could consider a franchise model. This would provide easy entry to other cities without requiring much investment in infrastructure, but the key challenge would be to protect the brand identity and deliver the same customer experience delivered by the parent company.

Several scale-up options were under consideration, but the key decision area revolved around developing the right permutation, combination, and sequence of the options.

Key Challenges—Issues to consider

*Expansion from Similar Start-Ups*: Though Wild Chef was planning a multi-city expansion, other food-tech-based start-ups such as Zomato and Swiggy had already started building their presence on the cloud kitchen, with Zomato especially targeting Tier 2 cities for its future expansion. The current model followed by Swiggy and Zomato was a different version of the cloud kitchen concept, but it posed competition in terms of targeting a share of the consumer’s wallet. FreshMenu was also expanding its presence in other cities, following a model similar to that used by Wild Chef. Competition from other emerging players who might choose to adopt a similar model could not be ruled out.

*Competition from Local Players*: Local players using the take-away and delivery format might choose to embrace technology to further scale up their business. Although their reach was limited for the time being, they did offer competition in terms of price points and consumer connections.

*Staff*: Although the cloud kitchen model promised better margins, investment in labour would be immense. Finding and retaining a good quality chef to maintain the essence of the brand and the food quality would be a big challenge, as would finding key support executives in operations.

*Metro and Tier 1 versus Tier 2 Cities*: According to a report by consulting firm RedSeer, “By 2020, consumers from the country’s Tier 2 cities and beyond will comprise 55 per cent of monthly online shoppers, up from 42 per cent in 2016” (see Exhibits 5 and 6). While Tier 1 cities formed the maximum current user base, Tier 2 cities had witnessed an increase in the online user base. Regarding the food-tech sector specifically, people in metro cities were highly familiar with food-based apps, but the presence of multiple players had led to immense competition in the sector, with low profits and shrunken margins. Although players could enjoy first-mover advantage in Tier 2 cities, building an online presence and developing a habit in consumers for ordering food online would be challenging in those cities, as consumers had negligible familiarity with food-based apps.

*Customer Acquisition Cost*: There were significant customer acquisition costs in both an established market and an emerging market. In an established market, the cost of customer acquisition revolved around direct competition from established and me-too players and around indirect competition from generic players. In an emerging market, the greatest cost incurred was in educating and adapting customers to app-based food ordering and establishing an online distribution channel.

*Capital for Scaling Up and Cash Flow Management*: Capital was required for scaling up the bare minimum infrastructure, as a city-based app, IVR, setting up a central kitchen, and promotional activities all required capital funding. Apart from this, adequate cash flow management would be required to carry out day-to-day operational activities.

Conclusion

After the success of Wild Chef’s pilot run, Agarwal realized that the business model offered a lucrative opportunity to scale up further and target a multi-city expansion. The biggest decision he faced in doing so was choosing the right permutation and combination of scale-up options, depending on the opportunities at hand, the current operational capacity, and the external factors. He also had to decide whether to target the untapped potential of a Tier 2 city or simply to expand in a metro city like other start-ups had done.

Exhibit 1: Details of Start-Up Costs for wild chef

|  |  |
| --- | --- |
| **Cost Head** | **Cost Incurred (**₹**)** |
| App development, point-of-sale software, online support, IVR | 100,000 |
| Branding | 100,000 |
| Licences | 50,000 |
| Equipment (kitchen utensils, etc.) | 500,000 |
| Infrastructure (phone, air conditioning, refrigerators, etc.) | 200,000 |
| Miscellaneous | 50,000 |
| Total | 1,000,000 |

Notes: ₹ = INR = Indian rupee; ₹1.00 = $US0.02 on March 31, 2017; IVR = interactive voice response.

Source: Company documents.

Exhibit 2: wild chef Total staff

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Staff Details** | **Q1**  **(Jul–Sept 2016)** | **Q2**  **(Oct–Dec 2016)** | **Q3**  **(Jan–Mar 2017)** | **Q4**  **(Apr–Jun 2017)** |
| Executive members | 3 | 6 | 9 | 12 |
| Unit manager | 2 | 6 | 12 | 20 |
| Chef | 6 | 16 | 30 | 50 |
| Logistics | 3 | 7 | 12 | 18 |
| Support staff | 1 | 3 | 6 | 10 |

Note: Q = quarter.

Source: Company documents.

Exhibit 3: wild chef Variable CostS (in ₹)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Number of Outlets** | **1** | **2** | **3** | **4** |
| Cost heads | Q1  (Jul–Sept 2016) | Q2  (Oct–Dec 2016) | Q3  (Jan–Mar 2017) | Q4  (Apr–Jun 2017) |
| Staff salary | 363,000 | 666,000 | 936,360 | 1,297,000 |
| Promotional expenditures | 75,000 | 150,000 | 225,000 | 300,000 |
| Raw material costs | 410,000 | 960,000 | 1560,000 | 2,160,000 |
| Rentals | 120,000 | 270,000 | 420,000 | 570,000 |
| Total | 968,000 | 2046,000 | 3,141,360 | 4,327,000 |

Note: ₹ = INR = Indian rupee; ₹1.00 = $US0.02 on March 31, 2017.

Source: Company documents.

Exhibit 4: wild chef Costs versus Revenue (in ₹)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Number of Outlets** | **1** | **2** | **3** | **4** |
| Average fixed costs | 540,000 | 1,056,000 | 1,536,360 | 2,106,999 |
| Total variable costs | 360,000 | 960,000 | 1,560,000 | 2,160,000 |
| Total costs | 900,000 | 2,016,000 | 3,096,360 | 4,266,999 |
| Number of orders placed | 2,400 | 6,900 | 11,400 | 15,900 |
| Total revenue generated | 900,000 | 2,400,000 | 3,900,000 | 5,400,000 |
| Revenue through direct sales (app + IVR service) | 630,000 | 1,680,000 | 2,730,000 | 3,780,000 |
| Revenue through channel partners | 270,000 | 720,000 | 1,170,000 | 1,620,000 |
| Average ticket value | 375 | 348 | 342 | 340 |
| Average discounts and offers | 18,000 | 48,000 | 78,000 | 108,000 |
| Net revenue generated | 882,000 | 2,352,000 | 3,822,000 | 5,292,000 |
| Total profit earned | −18,000 | 336,000 | 725,640 | 1,025,001 |

Notes: ₹ = INR = Indian Rupee; ₹1.00 = $US0.02 on March 31, 2017; IVR = interactive voice response.

Source: Company documents.

Exhibit 5: Nomenclature of Indian Cities

|  |  |
| --- | --- |
| Metro & Tier 1 Cities (population of more than 5 million) | Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata, Mumbai, Pune |
| Tier 2 Cities (population of more than 0.5 million and less than 5 million) | Agra, Ajmer, Aligarh, Allahabad, Amravati, Amritsar, Asansol, Aurangabad, Bareilly, Belgaum, Bhavnagar, Bhivandi, Bhopal, Bhubaneswar, Bikaner, Bokaro Steel City, Chandigarh, Coimbatore, Cuttack, Dehradun, Dhanbad, Durg-Bhilai, Durgapur, Erode, Faridabad, Firozabad, Ghaziabad, Gorakhpur, Hubli, Indore, Jabalpur, Jaipur, Jalandhar, Jammu, Jamnagar, Jamshedpur, Jhansi, Jodhpur, Kannur, Kanpur, Kakinada, Kochi, Kottayam, Kolhapur, Kollam, Kota, Khozikode, Kurnool, Lucknow, Ludhiana, Madurai, Mallapuram, Malegaon, Mangalore, Meerut, Moradabad, Mysore, Nagpur, Nashik, Nellore, Noida, Patna, Pondichery, Raipur, Rajkot, Rajahmundry, Ranchi, Rourkela, Salem, Sangli, Siliguri, Solapur, Srinagar, Surat, Thiruvananthapuram, Palakkad, Thrissur, Tiruchirapalli, Tiruppur, Ujjain, Vijayapura, Vadodara, Varanasi, Vasai-Virar City, Vijayawada, Visakhapatnam, Warangal |

Source:“Sixth Central Pay Commission Classification of Cities," Ministry of Personnel, Public Grievances and Pension, August 29, 2008, accessed October 7, 2017, http://dispur.nic.in/sixthpay/sixth-pay-allowances.pdf.

Exhibit 6: Online shopping forecast (%)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Metro Cities | Tier 1 Cities | Tier 2 Cities |
| Overall Shoppers (2016) | 20 | 15 | 65 |
| Online Shoppers (2016) | 40 | 25 | 35 |
| Online Shoppers (2020) | 25 | 25 | 50 |

Source: Ananya Bhattacharya, “For Online Retailers, the Millions of Indians Living in Small Towns Are a Potential Goldmine,” Quartz India, August 8, 2017, accessed October 7, 2017, https://qz.com/1048708/to-grow-indias-e-commerce-players-have-to-tap-into-small-town-india/.

1. ₹ = INR = Indian rupee; ₹1.00 = $US0.02 on March 31, 2017; all currency amounts are in ₹ unless otherwise specified. [↑](#footnote-ref-1)
2. PTI, “Indian Online Food Delivery Industry Grew 150% in 2016: Report,” *The Economic Times*, February 6, 2017, accessed October 7, 2017, <https://economictimes.indiatimes.com/industry/cons-products/food/indian-online-food-delivery-industry-grew-150-in-2016-report/articleshow/57000685.cms>. [↑](#footnote-ref-2)