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9B21M047

iD Fresh Food: Scripting a Fresh Story

Tulsi Jayakumar 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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In May 2020, amid the lockdown in India brought about by the novel coronavirus (COVID-19) pandemic, P.C. Musthafa, chief executive officer (CEO) of iD Fresh Food (India) Private Limited (iD), was preparing for a virtual meeting with his co-founders. iD was a food company located in Bengaluru, India, manufacturing ready-to-cook and ready-to-eat food products.[[1]](#endnote-1) The company’s flagship product was its batter for preparing popular Indian breakfast dishes⎯idlis[[2]](#endnote-2) and dosas.[[3]](#endnote-3) The company also manufactured and sold cottage cheese (paneer); curd; parathas and chapatis, which were ready-to-heat Indian flatbreads; filter coffee decoction; tender coconut; grated coconut; and batter for making vadas.[[4]](#endnote-4) The company was set up in 2005 by Musthafa and his cousins and had weathered many storms since its inception. Creating a position for itself in the unorganized business of idli-dosa batter had not been easy. iD offered a unique value proposition to its customers⎯that of freshness, which resonated with customers. The company had grown in revenue from a mere ₹0.8 million[[5]](#endnote-5) in 2005 to ₹2.385 billion in fiscal year 2020. The company’s vision was “to grow into a ₹10-billion market leader, admired and trusted the world over,” in addition to being one of the best and most sought-after companies to work for. Musthafa and his co-founders wished to achieve the ₹10-billion turnover mark by 2023.

As Musthafa mulled over issues that had arisen on both the demand and the supply side of the business, his thoughts were on how iD could achieve its vision amid a pandemic. The pandemic had brought about production and logistics challenges, besides a dip in demand brought about by the fear of the virus itself. How could Musthafa and his team ensure that iD continued to produce amid the disruption of supply chains all over the country? With the logistics sector disrupted due to COVID-19, how could iD ensure that its products maintained the promised value proposition of “freshness”? How could he and his team ensure that wary customers continued to trust iD and not switch to home-made batter or to competitors’ products?

iD Fresh Food

The Genesis

iD was started by Musthafa and his four cousins, Abdul Nazer, Shamsudeen TK, Jafar TK, and Noushad TA. Hailing from a small village near Wayanad, Kerala, a state in the south of India, the cousins had migrated to Bengaluru, another South Indian state, where all of the cousins (except Musthafa) engaged in running a small retail grocery store. One of the products sold in the grocery store was locally packaged batter for making idlis and dosas, a staple breakfast among South Indians.

Idlis and dosas originated in the Indian state of Tamil Nadu.[[6]](#endnote-6) The batter for idlis and dosas was simple to make. A certain proportion of rice and a kind of black gram, called urad, was soaked, ground, and fermented before being used to make idlis and dosas. Indians had been preparing this batter in their homes for centuries using manual stone grinders (and later electronic mixer-grinders). However, with more and more women joining the workforce, the search was on for convenient alternatives, and ready-made batter was one such alternative. Such batter as was sold in grocery stores across India mostly came packed in plastic bags sealed with a rubber band, having been prepared by women as part of small home-grown enterprises and supplied locally, given the perishable nature of the product. This batter was often perceived as unhygienic, with regard to both the quality of water and raw materials that went into it, and the manufacturing process itself. Other brands of batter were sold at the grocery stores that came in better packaging and that, through the use of preservatives, offered slightly longer expiry dates, of up to two weeks. These brands were slightly more expensive than the batter in plastic bags. All batter, however, was priced within a narrow range of ₹20−₹30, which included the local grocery store’s margins. Consumers would purchase such batter for regular use based on considerations of price, hygiene, or total shelf-life.

As Nazer complained about the batter sold in their local grocery store, Musthafa, a computer engineer who had pursued his management degree from a well-known Indian business school, noticed that consumers who bought the product often provided negative feedback on it, since there was no consistency in the quality of the batter. Musthafa, who at the time was employed with Fair Isaac India Software Private Ltd., a data analytics company, decided to venture into the business of manufacturing batter with his cousins. The enterprise was initially called Best Food Enterprises.

Distinguishing Itself from the Competition

The ready-to-cook batter segment belonged to the unorganized market, which was localized and extremely fragmented, with neighbourhood grocery stores stocking the batter. Even as other brands were engaging in research and development to extend their products’ shelf lives, iD decided to adopt and offer to customers the value proposition of freshness, with batter that was made with fresh raw materials of a specific quality. The iD founders, who themselves had little knowledge of this business, arrived at the right mix of rice and urad by speaking to various customers who were experienced at preparing such batter. This was a 5:1 proportion of rice and the gram respectively, together with a .03 per cent portion of fenugreek seeds, which was to be blended to make a distinctive batter. In keeping with its unique selling proposition of being 100 per cent natural, iD’s batter did not contain any chemical preservatives or additives to make the batter soft and fluffy and instead relied on the traditional fermentation process. Further, the batter contained low-sodium salt and used water purified by the reverse osmosis method. With no added preservatives, the batter had a use-by-date of seven days from the date of manufacture. Similarly, the paneer launched later by iD was made using the traditional method of adding lime to milk instead of the commercial method of adding citric acid.

While its recipes were simple, iD innovated around packaging and distribution. In 2014, iD introduced idli-dosa batter packaging in the form of a sealed pouch⎯which when opened took the shape of a small tub with a boat-shaped bottom⎯that Musthafa termed the “transformer pouch.” While the cost of the packaging was slightly higher, it gave customers the convenience of storing the batter in the pack itself, which could be reused, instead of having to transfer the contents into a bowl after cutting the packet open. Another packaging innovation was for the vada batter, which was made available in a pouch with an attached spout through which customers could squeeze a perfectly shaped vada, with a hole in the centre, out of the package and into a frying pan. iD was thus able to bring science into the art of making vadas, which otherwise likely would have remained restricted to those who would have received this knowledge and skill passed down through the family.

Early Years

In 2005, with an investment of ₹50,000, the cousins rented a shop in Bengaluru’s Tippasandra locality; they bought a grinder, a mixer, a sealing machine, and a second-hand scooter and started their batter business. The idea was to offer hygienic, well-packed, preservative-free batter to Indian households by supplying it to retail outlets personally from their 50-square-foot kitchen. The target was to sell 100 packets per day at over 20 stores in the city.

Reminiscing about the initial days, Musthafa recalled,

We would buy the grains, clean them, soak, grind, [and] package [them], and then load the packets in the evening. I would personally load these packets on my scooty [a two-wheeler] and go [from] store to store in Bengaluru. However, the initial months were those of struggle and sales did not pick up for a good nine months.

The packets that were not sold and had not yet expired were supplied to business-to-business (B2B) stores at a reduced price in the initial months, which helped iD stay afloat until retail sales picked up. It took the cousins nine months to achieve the target of selling 100 packets daily. The fact that many of the grocery stores in Bengaluru were run by people from Kerala, known as Malayalis, also helped the business by allowing the cousins to forge immediate social connections.[[7]](#endnote-7)

The founders knew nothing of breakfast food, let alone food technology. They spoke to older women who were responsible for the family cooking in order to get the batter right. They focused on sourcing the right quality ingredients from the same farms and mills in order to maintain consistency in quality. However, such focus on quality did not prepare them for the unexpected challenges that arose. In April 2006, the cousins found themselves in an ugly situation—one that could possibly damage iD’s credibility—when the batter packets supplied to a grocery store that did not possess adequate refrigeration facilities became over-fermented and resulted in the packets bursting. This was an important lesson for the team and, accordingly, they began to focus only on larger stores that had refrigeration and that did not turn off the electricity at night. The team learned that of the 65,000 retail stores in Bengaluru, 12,000 had refrigeration. These became the target segment for iD, and Musthafa and his co-founders decided that they would need to get their product into as many of these stores as possible.

By 2007, the company was selling 3,500 kilograms (kg) of batter per day. Musthafa decided to quit his job and officially join iD full-time as CEO in 2008. He also sold his land in Wayanad and used the money to set up a 2,500-square-foot factory in Hoskote, Bengaluru. As the company scaled up its operations, it was clear that the existing machinery would not be sufficient. The small grinders the founders had procured from vendors in Coimbatore could grind only 1.5 kg per hour. Nazer thus designed a unique machine (which the cousins had manufactured by their vendors) that helped them scale up.

As the company grew to ₹5 million turnover by 2008, Musthafa decided to explore new markets. In 2009−2010, the company decided to set up operations in Chennai⎯the so-called “Mecca” of idlis. Of the foray into the Chennai market, Musthafa said:

We decided to plough all our profits into setting up a plant in Chennai and launched the product in 2010. Only after we launched it did we realize what a tough market it was. For one, we couldn’t compete with the local players on price. They were buying rice subsidized by the state government at ₹1 per kg, to make the batter. So, they were able to supply batter at ₹20 per kg, and iD batter at ₹45 per kg was way too expensive. Secondly, since the subsidized rice was not really suitable for the batter, they would add loads of [baking] soda to it and that would make their idlis softer than ours. Therefore, for the Chennai customer, not only was our batter much more expensive, the quality didn’t meet their expectations. But we didn’t want to compromise on our product quality.

Meanwhile, business in Bengaluru had begun to slip because the core team was focused on setting things right in Chennai. The cash flow was impacted as a result since iD was losing money in the new market. The founders had put their entire profit into setting up the infrastructure in Chennai. For nearly six months, they were not able to pay salaries on time. Although a few of the employees left, most stayed. The business was proving to be a costly journey. Finally, the only option for preventing further losses was to shut down the Chennai operations, sell the assets, and use the money to pay salaries. iD decided to exit the Chennai market in early 2012. The foray into Chennai had cost iD’s founders about ₹3.5 million⎯a huge loss for an entrepreneurial venture in its early phase.

The Chennai debacle had taught the founders that even more than a food business, iD was a logistics business. Poor quality refrigeration and air-conditioning facilities had also been responsible for the failure in the Chennai market. The founders also learned that it was important to find a target group that valued the company’s positioning.

iD decided to look at other geographical locations and grow business elsewhere (see Exhibit 1). The company also decided to pay attention to logistics and technology. iD set up operations in Mumbai and Hyderabad in 2012 and in 2013, respectively, and ventured onto foreign shores when it commenced operations in Dubai. The founders also decided that it was time to diversify their product offerings. Nazer, who understood people’s palates and their tastes and preferences better than his co-founders, created additional products such as flatbreads⎯parottas and chapatis. In late 2012 they again tapped the Chennai market with their other products, especially parottas, selling only these in Chennai for more than a year. When the team was convinced that they had created a brand and retail presence in Chennai, they relaunched their batter there.

In 2014, the company was renamed as iD Fresh Food (India) Private Limited. While Musthafa had the word “identity” in mind for the acronym, his cousins were thinking of iD as standing for idli-dosa. A logo and the packaging were designed. As the company expanded its operations, it searched for better machines—ones that could help it scale up and become profitable. In 2014, Musthafa visited Germany with the intent to purchase better machinery. While he could not find a machine that could make the batter for the Indian breakfast items by grinding rice and pulses, he did find a machine that the Germans used to make mustard paste. With the help of the German machine manufacturer, Musthafa adapted this machine into a heavy-duty grinder that worked as an idli-dosa batter making machine. It cost the iD owners around ₹10 million, but it also helped them to increase their capacity dramatically. With its capacity of 5,000 kg batter per hour⎯almost 100 times the capacity of traditional machines⎯the machine helped iD to scale up and leverage costs, as well as maintain hygienic practices. The company was able to service its stores across 45 locations, including eight in the United Arab Emirates (UAE), through its five plants⎯two in Bengaluru and one each in Hyderabad, Bhiwandi (Mumbai), and Ajman (UAE).

**Challenges and Early Lessons**

The company faced several challenges in its journey. In the initial days, even as the founders struggled with finances, the company received an order from a reputed five-star hotel chain to supply it with thousands of packets of “diamond cuts,” a popular Indian snack. Musthafa approached the hotel’s chef to understand how the diamond cuts would be used. When he was told that the hotel chain intended to use the product as a bar snack to accompany the liquor served in the bar, he rejected the offer, since it contradicted the cousins’ value system. The initial days of the company was also when the company’s vision was crystallized⎯not to just make money by any means but to assist cooking in kitchens across India. The goal was to complement households in taking care of the family by providing them with fresh food and not compete with the cook. The company also did not want to be acting as third-party manufacturers for restaurants and hotels. Musthafa and his co-founders realized that products such as rose cookies and diamond cuts were not in line with their value proposition. The company believed it should stick to its core strength⎯making products with a short shelf life.

However, as testified by a veteran of the Indian food industry, the fresh-food business was risky because of the products’ short shelf life as well as the problem of logistics.[[8]](#endnote-8) With a three-to-seven-day shelf life for its products, iD could not have used the traditional fast moving consumer goods (FMCG) distribution model, with its time lag of two to three weeks for products to reach the retail stores post-production.

Musthafa and his co-founders made two fundamental decisions. One was to create a zero-inventory business model and the other was to create their own distribution model, called the DSD (direct store delivery), which used a DCS (driver cum salesperson). Every day, the DCS would load the truck with an approximate quantity of idli and dosa batter, visit each store, take the order, supply the quantity then and there, create the invoice, and collect the payment. Unsold goods were exchanged daily. With this model the company had 600 salespeople visiting close to 30,000 outlets every day. The model had its challenges; for instance, it was extremely important to get the volume right, as Musthafa explained:

It was a magical balance. To give you an example, imagine a store which can consume only 50 packs a day. If I supply 60 packs, I lose 10 packs as wastage. If I supply 40, then it is an opportunity loss for me and the store. So, I had to get the magic number of 50 right. When we started iD, we focused on availability and supplied more. This resulted in huge wastage as high as 24−25 per cent. We had to get the ideal mean between ensuring availability and minimizing unsold inventory.

The founders then made their third fundamental decision. They started investing in technology. Musthafa’s information technology (IT) experience helped them to develop an application (app) to capture data on a real-time basis, reducing their wastage by 1.6 per cent. In 2012, using a Nokia phone, they started capturing store-, item-, and day-wise sales and wastage data. They then used data from the previous eight years to predict demand and plan their daily production accordingly to supply the magic number to the right store on the right day.[[9]](#endnote-9)

Musthafa explained the use of technology as follows:

Our day starts early, when we ensure that batter is made, seal-packed, and loaded into chiller vans by 5:00 a.m. We supply this batter to stores across Bengaluru and other cities we operate in by 2:00 p.m. [at the] latest. We have geo-tagged every store and optimized the routes so that our representative reaches [them] in the shortest time. And to ensure that the salesman actually visits the store, we invented geo-fencing. This means he has to reach the store to do a transaction.

iD managed to create a large data bank through this process and reduce wastage. Previously, 90 of the 100 packets it sent out to the market would come back unsold. When iD started sending out 4,000 kg of batter, 500 kg would come back. The company could not have grown a profitable business with such wastage. The mobile app helped iD track store-wise and item-wise sales and wastage data on a daily basis. The data helped the company to predict the right demand for a store on any given day.[[10]](#endnote-10) Musthafa proudly said,

Today, with our intelligence-using technology, my warehouse manager hands over the precise stock along with a pre-printed invoice to the DCS. This invoice is not based on a pre-order and is accurate 99 per cent of the time. Today in a matured city and [with] a matured product, we run at less than 2 per cent wastage. Techies call it analytics, we call it common sense. iD runs on IT. We have transformed into a logistics company, besides being a fresh food company.

As an entrepreneurial venture, the company had faced challenges with raising capital in the initial years. Islamic religious principles forbade iD from taking loans. For the first 10 years, then, the company relied on re-ploughing its profits for financing its expansion plans. In 2014, iD raised ₹350 million from Helion Ventures Partners, a venture capital fund, to “modernize its [iD’s] factories, expand its fleet, and for marketing and R&D [research and development],” in addition to receiving mentoring support.[[11]](#endnote-11)

The company also undertook aggressive distribution. As was attested by the chairman and managing director of an advisory firm, “Wherever there are stores selling bread, milk and butter, you can find iD Fresh Food. They are not restricted to just the supermarkets. This has put them in pole position.”

iD Tastes Success

The company grew its product portfolio to include curd and paneer in 2016 as well as other products such as ragi idli and dosa batter, introduced in 2017, and its innovative vada batter and filter coffee decoction packs in September 2018 (see Exhibit 2). Simultaneously, iD explored newer channels of delivery through partnerships with grocery delivery portals such as BigBasket, Grofers, DMart, and others. Musthafa realized that while such portals were great for customers to order what they needed on demand, online sales were still a small fraction of iD’s overall sales. The company, which had relied on right product packaging, right store placement, and word of mouth in its initial days, started in 2015 to communicate its success through mainstream media campaigns, including print, out-of-home, and radio advertising.[[12]](#endnote-12) In 2017, iD raised US$25 million from Wipro Limited chairman Azim Premji’s family office, PremjiInvest, which led to PremjiInvest acquiring a 25 per cent stake in the company at iD’s valuation of US$100 million.[[13]](#endnote-13)

In 2019, iD decided to launch an economical variant of the idli-dosa batter, *Daileez*, in the relatively price-sensitive smaller towns and rural areas. The primary objective of this flanker sub-brand was to create demand for quality products in markets that were traditionally considered as not being brand-conscious, without damaging the existing flagship product. *Daileez* was launched at a price point of ₹49 for 1.2 kg, as opposed to the regular variant priced at ₹70.

In 2019, iD also launched its filter coffee decoction across 600 stores in the United States after receiving clearance by the U.S. Food and Drug Administration. Between September 2018 and March 2019, the company earned ₹60 million through the sale of its coffee decoction pouches in India, the UAE, and the United States. The company aimed to achieve sales across 5,000 US stores in six months and reach monthly revenues of about ₹10 million, even as the Indian sales of coffee alone were expected to reach ₹3 billion by mid-2020.[[14]](#endnote-14)

In February 2020, iD launched its tender coconut and fresh-grated coconut products. The grated coconut was put back in the coconut shell and sealed, while the exterior of the tender coconut was shaved off to bring down its weight to only 600 grams.[[15]](#endnote-15) The company ended fiscal 2020 with a revenue of ₹2.5 billion, of which 50 per cent came from the batter; 35 per cent from parottas, which had a three-day shelf life; 10 per cent from cottage cheese; and 5 per cent from filter coffee decoction.[[16]](#endnote-16)

Going Organic

In March 2019, with its eye on sustainability, iD announced its intent to transition into a completely organic brand.[[17]](#endnote-17) An industry chamber report published in 2018 had estimated the size of the organic products market to reach ₹871 million by 2021, up from ₹533 million in 2016, growing at a rate of 17 per cent. Such an increase was expected to be buoyed by trends such as “an expanding urban population base, rising health concerns, growing consumer spending on food products, and deterioration of food quality.”[[18]](#endnote-18) iD wished to make organic foods mainstream, starting with the Bengaluru market.[[19]](#endnote-19)

An “organic” label came with challenges. A company could label its products as organic provided no chemicals had been used on the land for the previous three years. Organic farming itself posed further challenges: on the supply side, a change in mindset was required for farmers to adopt the required bio-pesticides and bio-fertilizers. This was made more complicated by the low yield associated with organic farming, as well as a lack of certifying agencies in India. On the marketing side, higher perceived prices of organic products leading to lower expected profits prevented the adoption of organic farming.[[20]](#endnote-20)

iD partnered with three vendors who were working with over 1,000 farmers, and offered these farmers a 25−30 per cent premium for the organic crops they grew.[[21]](#endnote-21) The company had been working on the requisite technology and supply chains to transform itself into an organic company for the past two years. The ingredients for iD’s products as well as its processes⎯from suppliers to storage facilities and manufacturing units⎯had all been made compliant with organic certification norms.[[22]](#endnote-22) It also obtained certifications from the Agricultural and Processed Foods Export Development Authority, the National Programme for Organic Production, the United States Department of Agriculture, and Jaivik Bharat under the supervision of the Food Safety and Standards Authority of India.[[23]](#endnote-23)

The organic food business itself posed three challenges: affordability, availability, and trust. Most organic foods were priced at a high premium of 80−90 per cent compared to regular products. The availability of organic foods also posed a challenge, as Musthafa explained: “Of the 65,000 outlets selling food products in the Bengaluru market, [fewer] than 1,000 stores would have organic products available. Unless these products are made available, the demand for organic won’t grow.” The final challenge was to ensure consumers trusted the claims of organic food and that the company met the need for adequate certification agencies that could provide credible certifications of organic.[[24]](#endnote-24)

iD commenced its phase-wise transition of iD products into the organic mode by making its flagship batter, Malabar parotta, and wheat parotta available in the Bengaluru market. These products were available across 25,000 stores, with iD planning to increase this number by 10,000 based on product demand. iD also planned to convert its other offerings into organic over the next year, thereby converting 50 per cent of its consumers’ daily food intake into organic since it believed idlis, chapatti, and coffee constituted 20−30 per cent of consumers’ daily consumption. The company also planned to offer the organic range at 25 per cent less than the price of the processed organic range available in the market at the time.[[25]](#endnote-25) Musthafa stated in an interview that iD would charge ₹80 for an organic parotta (the regular variant cost was ₹70), while there would be no change in the prices of the chapattis.[[26]](#endnote-26)

**India and the COVID-19 Pandemic**

On December 31, 2019, the World Health Organization (WHO) received an alert from China regarding several cases of an unusual pneumonia in Wuhan, a city in China with a population of 11 million, with several of those infected reported as working at the city’s Huanan Seafood Wholesale Market. The market was closed on January 1, 2020. On January 11, 2020, China reported the first death due to the coronavirus, a 61-year old man who had purchased goods from the seafood market.[[27]](#endnote-27)

India’s first COVID-19 patient was reported on January 30, 2020, who, coincidentally, was from the same state, Kerala, as the iD founders. The patient was a 20-year old medical student who had returned from the Wuhan district in China. Meanwhile, on February 11, 2020, the WHO announced that the disease caused by the new coronavirus would be called COVID-19. The new coronavirus was named SARS-CoV-2. Exactly a month later, on March 11, 2020, the WHO declared COVID-19 a pandemic. On March 12, 2020, India reported its first fatality due to COVID-19, when a 76-year-old man from Kalburgi, Karnataka, died.[[28]](#endnote-28)

On March 22, 2020, Indian Prime Minister Narendra Modi called for a 14-hour voluntary lockdown—the “Janata curfew” (the people’s curfew). This was followed by a nation-wide lockdown imposed until April 14, 2020, with only essential services kept outside the purview of the lockdown. By April 14, 2020, more than 10,000 confirmed cases of COVID-19 were reported in India and the lockdown was further extended to May 3, 2020. The lockdown was further extended by two weeks on May 3, 2020, and further extended again later, until May 31, 2020.[[29]](#endnote-29)

At a press conference in May 2020, India’s central bank, the Reserve Bank of India, stated that the gross domestic product growth in fiscal year 2020−2021 was expected to remain in the negative territory, with economic activity⎯and, as a result, growth⎯having slumped due to the lockdown. Most of the slump in economic activity on the demand side was on account of the drop in private consumption, while on the supply side there had been contraction in the service sector even as agricultural growth offered a glimmer of hope.[[30]](#endnote-30)

The COVID-19 pandemic had the potential to cause severe business disruption on a large scale, impacting multiple stakeholders systemically, with a long duration and intense velocity, as it could spread like a market contagion and have long and severe cascading impacts. It could also lead to shortages in the availability of workers and infrastructure, as companies would be impacted simultaneously⎯in addition to being affected by changes in the behaviour of customers, suppliers, competitors, and so on.[[31]](#endnote-31)

**The Ready-to-Cook Food Category amid COVID-19**

As the pandemic spread in India and as working from home became the norm, consumers started seeking convenient food options even as there was a decline in eating out. A study by an Indian consulting company found there was a 60 per cent increase in consumer spending on home cooking during the pandemic. The ready-to-cook market in India, which was at ₹21 billion in 2019, was expected to grow at a compound annual growth rate of 18 per cent to reach ₹48 billion by 2024, while the organized ready-to-eat category, which was at ₹80 billion in 2019, was expected to double in the next five years.[[32]](#endnote-32)

iD’s competitors included companies such as MTR Foods and Maiyas in addition to a host of local players, who had introduced a variety of breakfast mixes, including idli and dosa, as part of their offerings.[[33]](#endnote-33) Some of these companies, such as MTR Foods, had differentiated themselves by offering a range of breakfast mixes with the value proposition of being “easy-to-cook” and “instant” since they required only hot water to be added and would be ready in three minutes.[[34]](#endnote-34) The pandemic and the resultant opportunities led to the entry of new companies into the ready-to-eat and ready-to-cook categories, including Jubilant Foodworks, Veeba Foods, Adani Wilmar, Licious, and Cure.fit. Amul, one of the well-known Indian brands in the dairy industry, entered the ready-to-cook segment with frozen products such as parottas, patties, and potato wedges, even while it expanded its ready-to-eat portfolio. These frozen foods had been expanded across 60−70 per cent of the company’s retail network.[[35]](#endnote-35) Companies like Adani Wilmar had entered the ready-to-cook category with competitive ready-to-cook products such as khichdi (porridge). Licious had entered both segments with its meat-based products and sought to tap modern trade stores⎯besides its own app and e-commerce platforms such as Dunzo, Swiggy, and Amazon Fresh⎯for retailing its ready-to-eat products.[[36]](#endnote-36)

Even traditionally, the biggest challenge for the ready-to-cook and ready-to-eat categories was to maintain taste since these categories encompassed processed foods and depended heavily on the use of preservatives. One analyst explained the challenge as follows: “These companies have to match the individual taste preferences of consumers, which vary throughout the country and, at the same time, keep economics in mind and do it profitably.” Another analyst had referred to the risk associated with the frozen foods category, where temperature control was a challenge. Scaling up in the category was also difficult, since doing so would require a lot of capital, being a “fairly complicated category.” [[37]](#endnote-37)

**Managing Supply Chains**

iD had drawn on rural youth from across India to work in its manufacturing plants. A large part of its 2000-strong workforce had been with the company for a long time, with the workforce being at iD an average of 6.5 years. It was important to put human resources policies in place to ensure that production carried on unhindered and that workers and other staff also felt safe psychologically.

The iD team took many steps towards ensuring workforce safety and smooth production amid the pandemic. It created an air bubble for its manufacturing team to ensure their safety, while at the same time implementing temperature screening, sanitization of the premises, and the use of masks and sanitizers by employees to ensure safety and hygiene. Health camps and one-on-one sessions were held from time to time by doctors and medical professionals at the units to promote awareness regarding the pandemic as well as to manage employees’ well-being. Such training, involving workplace etiquette and safety measures, was undertaken to prepare for the new normal.

As an organization, iD had to adapt to the changing reality to re-emerge stronger. Given the challenges in the procurement of raw materials and the transportation of products to some regions, iD decided to scale down its production and provide only key products, including idli-dosa batter, parottas, filter coffee decoction, and paneer, to limited stores in certain markets. iD stopped supplying to upcountry and smaller markets, as this not only involved extra transportation time for logistics and distribution but also posed challenges for ensuring employee safety and well-being. Instead, it decided to focus on the main cities and supply enough product to meet the increased demand for iD’s products, keeping the interactions and exposure of its salesforce as minimal as possible. iD also decentralized the decision-making process in order to cope with the changing dynamics of each region.

The COVID-19 pandemic had triggered layoffs and pay cuts across industries in India.[[38]](#endnote-38) The iD team could see that building a robust and responsive supply chain held the key to success, especially during the pandemic and the uncertain times. This in turn depended on building the right human resources. The team decided to work on developing existing talent even as they minimized lateral hiring. Even as iD scaled down its production, it decided against taking drastic measures, such as job cuts or pay cuts, as these would demotivate staff. A comprehensive insurance policy covering pandemics like COVID-19 was introduced for all employees. iD built a system of regular employee communication in order to keep morale high. The company also undertook initiatives to reskill employees through functional online training while at the same time encouraging staff to participate in cross-functional tasks and assignments, which helped in reinvigorating teams in the organization.

Delivering Trust and Convenience

In 2016, Musthafa had experimented with a “trust-based” model called Trust Shops, which were unmanned kiosks launched on an experimental basis in four cities⎯Bengaluru, Chennai, Hyderabad, and Mumbai. Thirty-seven such trust kiosks were installed across apartment complexes and corporate offices in these four cities, with people expected to deposit the exact value of the products and pick them up on their own (see Exhibit 3). There were challenges and malpractices, however, with people depositing fake currency coins⎯even Monopoly coins—to pick up the products. The experiment was continued for a year, with the same shops displaying better results after a few months.

In April 2020, amid the pandemic and with retail stores shut, it was time for “Trust 2.0.” Musthafa spoke of the thought process behind this initiative: “We received a lot of calls from customers in Mumbai, especially in the red zone areas, saying that they were unable to step out of their homes to buy food.” With retail stores shut or open only for limited hours, and with people fearful of going out or facing long waiting periods if they did step out, iD realized that it would not be able to attend to such calls and consumer concerns given supply chain disruptions and shipping delays. The company decided to reach out to customers directly, especially those living in gated communities without a grocery store or shopping complexes.

The trust-based model experiment of 2016 was reinstated in 500 resident welfare associations (RWAs) across Mumbai alone. However, there was a challenge with this. RWAs were not sure about being able to collect and reconcile payments from the large number of residents in these apartment complexes. Musthafa knew that with the lockdown, trust was the only currency that would work. iD decided to trust the customers to pay for the products they had taken.

The RWA representative would coordinate with iD and place the order on behalf of the residential society through WhatsApp or a phone call. Residents could collect the products upon delivery, and pay at their convenience through e-wallets. The company based its relationship with each RWA and its members on trust with no calls for payment made to individual residents and no keeping tabs on how much each resident bought.[[39]](#endnote-39)

Additionally, given the overall supply chain issues, iD realized that consumers were facing challenges in locating and purchasing the products. For this reason, it rolled out a new feature on its website called the iD Store Finder. With this feature, customers could easily identify open stores near them and find out the exact quantity of fresh iD products supplied on that day.

iD also partnered with Supr Daily, a subscription-based delivery service for daily consumable goods in Mumbai. This allowed consumers with Supr Daily subscriptions across Mumbai to place orders for iD batter and other products in advance so that the products could be delivered on the day they were required, along with the milk delivered in the morning.

Would iD’s product ideas, logistics and distribution advantage, and strong employee base help it in scripting a fresh story amid uncertainty? Would it be able to withstand the competition from existing and new players emerging in the ready-to-cook and ready-to-eat segments? How could iD reach its vision of becoming a ₹10-billion company by 2023, despite an economy ravaged by the pandemic?

EXHIBIT 1: iD fresh food TIMELINE

Note: ₹ = INR = Indian rupee; US$1 = ₹75.5132 on May 31, 2020; CEO = chief executive officer; kg = kilograms; B2B = business to business.

Source: Company files.

EXHIBIT 2: iD fresh food Product line

* Idli-dosa batter
* Rice rava idli batter
* Whole wheat parotta
* Naan
* Rice idiyappam
* Garlic naan
* Curd
* Ragi idli-dosa batter
* Whole wheat chapatis
* Malabar parotta
* Mini parotta
* Kulcha
* Paneer (cottage cheese)
* Tender coconut
* Vada batter
* Grated coconut
* Filter coffee decoction

Source: Company sources.

EXHIBIT 3: TRUST KIOSKS

**A person standing in front of a store

Description automatically generated**

Source: Company files.

ENDNOTES

1. Food products that required some preparation, such as heating or boiling before consumption, fell under the ready-to-cook category, while the ready-to-eat category comprised packaged food items that were ready for consumption. [↑](#endnote-ref-1)
2. Idlis were savoury rice cakes made by steaming a batter composed of fermented black lentils and rice. This was a popular breakfast dish in India, especially South India. [↑](#endnote-ref-2)
3. Dosas were pancakes made from a batter composed of fermented black lentils and rice. This was also a popular breakfast dish in India, originating in South India. The same batter could be used for making both idlis and dosas. [↑](#endnote-ref-3)
4. Vadas were a savoury fried snack from India in the shape of a doughnut with a hole in the centre. [↑](#endnote-ref-4)
5. ₹ = INR = Indian rupee; US$1 = ₹75.5132 on May 31, 2020. [↑](#endnote-ref-5)
6. The co-founders were better aware of a dish called “appam,” which was a batter-based breakfast dish from their own home state of Kerala. They toyed with the idea of selling appam batter but dropped the idea since commercially-sold appam batter had to have preservatives, which was against their proposed value proposition of freshness. Anshul Dhamija, “iD Fresh Food has Built a Brand out of Ready-Made Idli-Dosa Batter,” *Forbes: India*, Aril 22, 2017, accessed November 2, 2020, www.forbesindia.com/article/work-in-progress/id-fresh-food-has-built-a-brand-out-of-readymade-idlidosa-batter/46717/1. [↑](#endnote-ref-6)
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17. A company could label its products organic if no chemicals had been used on the land from which it sourced its raw materials for the previous three years. [↑](#endnote-ref-17)
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