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Patel Brothers Case

Part I: Case Summary

Patel Brothers is a family-owned grocery chain and wholesaler specializing in Southeast Asian cuisine. It opened in the 1970s when Indian and Asian cuisine options were difficult to come by in the United States. Their target market, the Indian diaspora and other Southeast Asian diasporas, has grown since the 70s. The Indian diaspora is loyal to their cuisine and is economically stable, with average income levels higher than other immigrant groups in the USA. Patel Brothers makes assortment levels based on local population demographics and preferences. They aim to be a weekly destination for their customers, demonstrated on their focus towards fresh produce. In the last few years, the company has pivoted from relying on print and TV advertising to more experiential advertising such as event sponsorships and sampling. They have two store layouts, 20,000 square feet and 15,000 square feet. The designs have varied throughout the years, with many sites currently designed with more modern aesthetics.

Patel Brothers also owns a wholesale division called Raja Foods. There are several brands under the Raja Foods umbrella, covering many categories from fresh produce to packaged goods. Like the Patel Brothers store's localized decision making, many of the Raja products are from store employee or customer recommendations. Raja foods is supplies not only Patel Brothers but also other smaller South Asian grocers. Their economies of scale made them competitive. They partner with third party manufacturers to create the products.

Part II: Problems/Opportunities

Patel Brothers has several problems and opportunities mentioned in the case. The first problem is their failure to capturing meaningful market share in the West Coast, which also happens to be one of largest geographics for the Southeastern Asia diaspora. This problem presents their biggest opportunity, capturing the West Coast market. The West Coast is dominated by competitors who are smaller in footprint.

Another opportunity is to increase the average spend per trip and trips. Exhibit 6 case shows that the average number of trips for American Express card members is 4.5 in 2023 with an average basket of \$59. These figures are likely higher than the average for all customers, given the fact that American Express card members are typically higher income which could skew the data. These figures are far from Patel Brother's goal of once-a-week trips for customers. The basket size also implies that most of the food purchased by Patel

Brothers customers occur outside of Patel Brothers. They should prioritize increasing their share of their customers' food spend.

The last opportunity is to adjust marketing and assortment to adjust to changing demographics. This is primarily the increase in South Indian populations across various cities in the United States. It also includes capturing younger generations. It is unclear if Patel Brothers wants to expand their non-South Asian population customer base, but it is certainly an opportunity. The only reference to this was attempting to sell their brands at larger grocery chains, which failed due to the pay-to-play model of these chains.

Part III: Marketing Alternatives

One marketing alternative is to **fully enter the digital age by adopting a loyalty card program and embracing e-commerce**. It is no secret that data analytics is becoming increasingly important in business. Grocery is no exception. A loyalty card program would allow Patel Brothers to know their customers even better. This is especially important, given the company's expertise in assortment decisions based on local demographics. The data they would collect would allow them to supercharge these assortment decisions. A loyalty card program would also give Patel Brothers to better communicate with their customers as well as promote more efficiently. It would allow them to more easily send their customers coupons or other promotions. This would increase trips, which is a core focus of Patel Brothers demonstrated by their desire to bring customers in weekly. It would also reward loyalty, decreasing the chances their customers try a competitor. Current loyal customers are usually more valuable than a potential new customer.

The way customers shop has changed dramatically since the 2020 COVID pandemic. Customers are now buying more things online to be delivered to their homes as well as using options such as curbside pickup. Many customers leverage multiple modalities in a given week. Patel Brothers should absolutely embrace this by offering online ordering for pickup or delivery. Services like UberEats and Instacart allow for delivery without the overhead of owning delivery vehicles (although bringing delivery in-house will likely be more profitable). These options will especially resonate with Gen Z and Millennial customers. One immediate benefit of establishing e-commerce presence is that it seamlessly increases membership for the loyalty program, if implemented. Customers are accustomed to needed to set up an account to buy goods online.

The second marketing alternative is to **expand into foodservice, both as a supplier as well as in-store restaurants**. Various grocery chains are starting to expand their offerings to include ready-to-eat food. The ingredients are already there, and it provides customers an excuse to spend more time (and money) in the store. These margins are also often stronger than that of traditional grocery. It would allow customers to sample various products that go into the recipe, all of which can be purchased on location. This is also aligned with their more experiential marketing strategy, specifically sampling.

Expanding to foodservice with Raja will allow them to unlock an even larger customer base. There are certainly more Indian or South Asian restaurants than there are Indian or South Asian grocery stores. Raja already has strong relationships with manufacturers, so expanding into foodservice would be relatively simple.

The third marketing alternative would be to **lean more into partnerships**. While opportunities for partnerships are plenty, two potential partnerships come to mind. The first is entering a partnership with a national or large regional grocery chain. The case mentions that Patel Brothers attempted to sell their brands in large chains but stopped due to the fees, hassle, and “pay-to-play” way of doing business with these companies. However, the grocery market has changed in several ways. While these fees have not gone away, many grocery chains are looking for any way to drive households into their stores and are increasingly more flexible with dealing with suppliers. Many of these, such as Kroger, also have DEI initiatives in place to waive things like slotting fees for companies that fit Raja’s profile. The grocery industry has changed enough that it is worth attempting to restart a relationship with one of these large grocery chains, especially if it were in the West Coast. The level of this partnership could vary. It could involve assisting larger grocers with assortment decisions for their South Asian sections based on local preference or demographics, something that Patel Brothers has excelled at. This could include the larger chains leaning into Raja’s branded items. It could also be Raja producing private label for a larger national chain. A more dramatic way this partnership could come to life is to execute a “store within a store” concept. This would entail a section that is brand blocked with Patel Brothers’ brands. It would almost emulate the small format stores that dominate the target market in the West Coast within the walls of the larger stores that shoppers are already shopping in.

The second partnership possibility is to partner with the newly formed Major League Cricket. Most teams are based in the West Coast. It is also aligned with their experiential marketing strategy, like their sponsorships of festivals or events. Cricket is the most popular sport in India and sports are growing more and more each year within the United States. Establishing a strong partnership with this growing league that is targeting the same growing audience as Patel Brothers has the potential to expand their reach.