

Betting on breakfast

After McDonalds and Barista, Dunkin Donuts is next in line to try and shore up business in the morning lean hours. What's making everyone enter a niche market that is still full of challenges?

For Rakesh Sharma, who works in Gurgaon and stays in Delhi, the choice is between having breakfast at home or starting 10 minutes early to beat the morning traffic. Sharma prefers to reach office early and have breakfast at a Barista Cafe nearby.

Steve Clarke is an expat manager working in Delhi while his family is in Australia. On his way to work, Clarke stops by at a McDonald's outlet in central Delhi to have breakfast. Giving him company are foreign tourists staying in nearby hotels.

Food services companies like Barista and McDonalds, who added a breakfast offering to their menu in the last few years, are betting on customers like Sharma and Clarke to add a strong layer to their sales. Next in line is Dunkin Donuts, which will open its first store in mid-2012.

What began as an attempt to shore up business in the morning lean hours (8-11 am) is slowly gaining traction. "We as a cafe start early in the morning; most stores start at 8 am. Depending on the location, we try and offer the breakfast option, which can help us tap into the morning day part," says Saurabh Swarup, head-marketing & product development, Barista Coffee Company Ltd, a fully-owned arm of Lavazza, Italy.

"If we have an offering available to the customer that is hygienic and fitting into what he consumes on a regular basis, we have addressed a need," says Swarup.

Indeed, quick service restaurants (QSRs) and cafes are not the only ones offering Western breakfasts. Many metros in India have joints popular for breakfast: the Crepe Station at Carter Road, Flury's in Kolkata, Koshy's and Egg Factory in Bangalore or the American Diner in Delhi's Habitat Centre, where you may have to wait for half an hour on a weekend to find a place. Yet, it's a niche market full of challenges.

Harish Bijoor, a brand strategy specialist feels that breakfast is a reasonably sacred item in Indian homes by being the first meal of the day and in terms of its nutritional value. "There are certain meals you don't want to compromise. When you want to shake up such basic habits, you can't make fast inroads. This is best attempted when there are drastic lifestyle changes, everyone in the family is working, and Indians cannot afford maids and cooks. Our support system run very deep," he said, citing the challenges.

Interestingly, Jubilant Foodworks, the franchisee for Domino's in India, which will bring in Dunkin Donuts, would like to offer all-day menu options with hot sandwiches, besides donuts,

bagels and beverages. “People are not going to come to us only for breakfast; some have tried to do this for years and have only been partly successful,” says Ajay Kaul, CEO, Jubilant Foodworks. “We will extend our offerings so that we have some solutions all-day part for the customers,” he says.

Swaraup agrees and says having breakfast outside home is still an alien concept for India. So, Barista doesn’t offer breakfast across the 170-odd cafes it has in the country, but only in 21-odd Creme stores and in some of its Espresso Bar stores, depending on the requirement of the trade area, and the customer profile. These stores are located in places like Khan Market in Delhi or Colaba in Mumbai.

However, McDonald’s, which began offering breakfast in 2009, doesn’t see any constraints. Sales from breakfast have shown a 20 per cent increase year on year wherever it has introduced it, and contributes 7-9 per cent of the store revenues. “Breakfast is a strong offering and great platform for McDonalds globally. It contributes 22-25 per cent of the sales in many developed markets,” says Vikram Bakshi, MD, McDonald’s India.

Bakshi says in metros like Mumbai, where you have long distance to travel, already many people are having breakfast at some dosa-joint or the other. “As the economy grows and people are pressed for time, young working adults (age group of 21-35 years), tend to eat out. We saw an opportunity for a western QSR. It’s a need and we would like to build on this platform,” says Bakshi

Thanks to a good response, McDonalds went aggressive with its rollout last year and now sells breakfast in a quarter of its outlets across the country (60 out of 230 outlets in the country). “It’s a new business channel for us and an area of focus. The opportunity is to go from 9 per cent to 25 per cent (breakfast’s contribution to store sales). It makes a lot of sense as we are using the same assets,” says Bakshi.

McDonald’s stores that offer breakfast have also started home delivery. This is likely to further help as home delivery generates 16 per cent of its sales. But Bakshi agrees that breakfast will still be a metro phenomenon, though McDonalds offers it at its stores on highways and on special locations like airports and railway stations.

Taking a cue from McDonalds, Barista has started promoting its breakfast through below the line activity like weekly listings in newspapers. Encouraged by its success (a store on the Jaipur highway already accounts for 20 per cent of sales), McDonald is bringing the breakfast menu as soon as it launches a new store rather than wait for the store to stabilise. Will Indians give up pahas and dosas and settle for muffins and donuts?

Answer each of the following questions (approx. 300 to 400 words)

- 1.** *“There are certain meals you don’t want to compromise. When you want to shake up such basic habits, you can’t make fast inroads”.* In light of this statement, highlight the challenges faced by the food joints in adding a breakfast offering in a strong value driven country like India.
- 2.** Discuss the threats posed by the competitors in the existing arena.
- 3.** Device a strategy to deal with the above mentioned challenges and attract more customers.