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# COOKIE MAN: EXPLORING NEW FRONTIERS

*Professors Neena Sondhi and Afsha Dokadia wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*



In 2015, Anil Pathak was appointed the new chairman of Australian Foods Private Limited (Cookie Man). The Cookie Man brand was originally franchised in 2000 to Australian Foods India Private Limited (AFI), a joint venture between Cookie Man and Paracor Capital Advisors (Paracor), an Indian private equity firm. The bakery chain began its journey in Chennai, Tamil Nadu and now operated 70 outlets in 25 Indian cities.

At Cookie Man outlets, customers could buy freshly baked treats that had been meticulously created on the basis of a 50-year history of research and development (R&D) at the head company's centre in Australia. The brand had recorded a 15 to 18 per cent year-on-year growth from 2010 to 2014, and now in 2015, it was set to expand more aggressively, not only in the domestic Indian market but also in neighbouring countries. The journey so far had been tumultuous but satisfying. Yet Pathak knew that he could not allow complacency to set in and that Cookie Man needed a profitable growth plan. "Opening stores is expansion and not growth" was his perspective. Although he had a couple of ideas about the way ahead, he knew that to connect with the Indian consumer, the brand had to maintain its image and legacy even as it explored new boundaries. As he pondered the possibilities, he knew that fine balancing was required to tackle the many complex challenges the company faced.

## THE BAKED GOODS MARKET: AN INDIAN STORY

The baked goods sector consisted of products that involved baking as the method of preparation. It was traditionally divided into two major segments — breads and biscuits — with the majority of the revenue in the biscuit segment. The sector happens to be the largest in terms of the food industry, with an average production of 70, 000 tonnes and a value of US$ three thousand billions.[1] India stood third in the processed food market.[2] However, the country stood at 2.1 kilogram (kg)/annum of baked goods consumption as compared to 4.25kg to 10kg/annum per capita in other developed countries.[3] The biscuit segment accounted for almost 72 per cent of the Indian bakery sector. However, biscuit consumption per Indian in 2014 was approximately 2.1 kg, one-tenth of the world's largest consumer (Ireland).[4] The Indian biscuit industry was estimated to be worth INR145 billion[5] in value in 2014 and was forecasted to grow at 14 per cent per annum to reach INR279 billion by 2019.[6] Of this, almost INR900 million came from the unorganized sector and local and regional bakeries.[7] In the organized sector, the Indian market was dominated by three big players: Britannia Industries (Britannia), Parle Products (Parle) and ITC. They commanded almost 80 per cent of retail sales in India.[8] However, in the freshly baked premium segment, in which Cookie Man operated, there was close to no competition as the concept of freshly baked products was common only among local bakeries or some old, regionally recognized players such as Karachi Bakery in Hyderabad and Kayani Bakery in Pune.

When it came to identifying Cookie Man's competition, Pathak had a unique perspective:

> You have to understand that Cookie Man's competitor depends on the prevailing need of the consumer at that moment. Let me explain how this happens. If I am in a mall or market and I feel like taking a sweet bite, then all savoury products, like a Dunkin' Donuts, a local or branded pastry shop or even an ice cream guy like Baskin Robbins is competition. On the other hand, if I am looking for a gift that I want to pick up for a friend or relative, then a chocolate, a pastry guy, even a mithai [Indian traditional sweet] shop is competition. But when it comes to a specific urge for a cookie or a cookie box as a gift that has a longer shelf life, there is no competition. A Cookie Man's freshly baked cookie is something that no other player is doing or even comes close to.

The biscuit industry was heavily dependent on a raw material cost and suffered considerable price fluctuation as a result of changes in the cost of raw materials, especially flour, sugar and fat (oil or butter). However, there were interesting and, at the same time, paradoxical trends in this category growth (current and expected). The Indian biscuit market, which included the popular segment (i.e., glucose biscuits, Marie biscuits), was likely to experience a low growth of 6 to 7 per cent versus the specialty segment (i.e., wafer, cream filled cookies) that was growing at 20 per cent per year.[9] While the even more expensive premium category, which currently accounted for 25 per cent of the sector, would grow at an optimistic rate of 17 per cent per annum.[10] Tejasvee Shreshta of ValueNotes research agency observed: "In the last few years, the majority of the product launches have been in the premium segment. High margins, the proliferation of modern supermarket chains and increasing affluence amongst consumers have encouraged manufacturers to introduce different kinds of premium biscuits and cookies."[11]

This trend had been astutely exploited by the existing biscuit giants as well as international players. "We have launched more products in the premium category than in any other segment," said Pravin Kulkarni, general manager of Parle.[12] Premium cookies were also the growth driver identified by ITC's food division. "In the next few years, we expect the premium category to be between 20 and 25 per cent of our overall revenue," stated Chitranjan Dhar, chief executive officer (CEO) of ITC's Food Division. Similarly, Britannia's US$1 billion biscuit division was foraying both into premium cookies as well as healthy biscuits. The group tied up with the digital online giant Amazon for the launch of the super-premium Chocolate Chunkies. Managing Director Varun Berry commented: "Digital is the emerging distribution channel. The tie-up with Amazon will give us a lot of insight as to what the channel can offer us."[13]

Unibic Australia, an Australian biscuit manufacturer, had formed a joint venture with Melbourne-based serial entrepreneur Dhruv Saxena to set up manufacturing in Bengaluru, India in 2004 and had captured a significant 10 per cent market share of the Indian premium cookie market by 2013. Nikhil Sen, managing director of Unibic India, was optimistic and predicted that the company would grow faster than the premium category, which was at 25 per cent, and be able to achieve 35 per cent market share by doing two things: getting into the health segment and expanding distribution in smaller cities and tier-II cities.[14]

## The Changing Indian Consumer

India was an interesting and lucrative market opportunity for international as well as national players. Statistics indicated that by the year 2020, 64 per cent of its population would be in the working age group, which meant a younger population and more indulgent consumer spending.[15] As per the 2011 India census, there were 500 million Indians below the age of 25 years, and interestingly the largest retail consumers included a huge age cohort ranging from 15 to 54 years.[16] Increased urbanization and double income households had also led to a considerable increase in consumer spending and indulgence. It was significant to note that this pattern of recovery and spending was higher in smaller tier-I and tier-II cities than in larger metropolises.[17] That the consumer was in the mood and had the means to spend was further supported by the increase in credit and debit card spending. While credit card spending (in terms of value) had more than doubled to INR1,230 billion between 2007/2008 and 2012/2013, debit card spending (in value) had increased by six times to INR7,440 billion during the same period.[18] To further fuel a larger adoption, cookie manufacturers had implemented another strategy to woo the Indian consumer: offering premium cookies in smaller packs to encourage consumption. This led to everyday indulgences. Harminder Sahni, founder of Wazir Consulting, a retail advisory firm, observed: "Cookies were considered a special occasion treat earlier, but now biscuit makers have flooded the market with new offerings and customers are willing to spend a little more if they find the proposition to be value-for-money."[19]

The Indian marketplace experienced simultaneous growth in its retail infrastructure. According to Jones Lang LaSalle, almost 62 per cent of the total shopping mall space in India — 87.7 million square feet (sq ft) in 2014 — was in the Delhi-National Capital Region (NCR) and Mumbai, Maharashtra, followed by Bengaluru and Chennai, which accounted for 20 per cent.[20] Both mall space and mall size were projected to grow substantially in the next few years, despite problems with delayed construction approvals from state-level authorities and reluctance on the part of potential leasing retailers.[21] Construction delays, low footfalls in existing malls and skyrocketing real estate prices were adding to huge operating costs for retailers and hence many who had been operating in the large metropolitan areas were moving to tier-II and tier-III cities where consumer sentiment was buoyant.[22] However, these smaller cities did not have supportive infrastructure, including good roads, and were most often plagued by erratic water and electricity supply. In addition, the support and human resource services that were available in larger metropolitan cities were scarce in the smaller cities. For the mall developers or large retailers who wanted to replicate the urban shopping "experience," this posed a serious challenge.[23]

## COOKIE MAN INDIA: A HISTORICAL PERSPECTIVE

Cookie Man was a unique destination for the freshness hungry Indian consumer who was always on the lookout for more food options. While this need was partially fulfilled at local bakeries or confectionery shops, the quality and authenticity of their claims could be doubted. Cookie Man, with its core motto of "freshly baked premium cookies," had resonated with the Australian consumer, and Pattabhi Rao had faith it would do so with the Indian consumer as well.

John Lynch, an American living in India, started Cookie Man operations in 2000 with an outlet at Spencer's Plaza in Chennai, Tamil Nadu. The company had ambitious plans to expand to 20 outlets by 2002. It was during a mall promotion where Lynch himself was staging a free cookie sampling that he met Rao for the first time. They hit it off immediately, and Lynch offered Rao the job of managing director of Cookie Man's India operations. The passionate technocrat (a mechanical engineer with a management degree from Chennai) belonged to a traditional business household in Andhra Pradesh. His father, S.B.P.V. Rammohan Rao, was the owner of the family's sugar mill, Sarvaraya Sugar Mills.

After he completed his MBA, Rao worked first with a movie theatre in Chennai and then had a four-year stint from 1996 to 2000 in the hospitality industry. He affirmed:

> I have always wanted to be an entrepreneur. Food and retail are two sectors that have been an enduring passion. I brought back some cookies that an American gentleman was giving away at Spencer Plaza and my father, who has conservative tastes, tried the cookies and loved them. I connected with John Lynch of Cookie Man and this presented the perfect opportunity to bring something new and exciting into India. Thus began the Cookie Man journey in India.[24]

Rao also realized that the brand had huge potential and thus bought a minority stake in AFI. Initially the operations were chaotic. Rao said:

> We started production in an apartment, each room was a separate department — from stores to dough manufacturing and baking — all of it happened in this makeshift place. The question was how do we scale up and go to the next level. So we took the plunge and rented space and set up manufacturing facilities at Ambattur Industrial Estate in Chennai, Tamil Nadu. Then we moved into developing a fully functional cold chain, so that we could expand operations.

Since Cookie Man was a premium "impulse product," the stores were opened in high footfall areas, which in most cases were malls. This posed a challenge, Rao explained that: "Our business model is linked to malls. Our stores will succeed in high footfall areas, and malls offer that. We are waiting for the completion of malls with whom we have signed up for leasing space. Some of the mall projects we have signed up got delayed which affected our plans to some extent."[25]

Pathak, CEO of Paracor, revealed another problem:

> There was this perception that we must be in every large mall. With just a few malls opening across the country, on occasion Cookie Man paid premium rentals to lock into a space. While it was a great brand-building exercise, there were shops that were simply unable to support the rentals. Some rationalization was required.

In 2008, with margins under pressure, Cookie Man was facing a liquidity crunch. Pathak, Cookie Man's equity partner, moved in as chairman of AFI. Pathak was a management graduate from a well-known management school in Delhi and had completed his finance major in the United Kingdom. He said:

> When I took over as chairman, the situation and the planning was only for the next 15 days as we did not know if we would be open 15 days from that date. I was clear of only one thing: that as shareholders we wanted to know where it was that we were losing money and repair it as soon as possible. Forget about the long term. If we don't survive the short term, then the long term is irrelevant. Knock down all initiatives: no more marketing or marketing spend. Shut any stores that are unprofitable. Even if one rupee is spent, I want to know how I am getting one rupee 25 paisa back. And things began to improve and our losses started going down. Our expansions were measured — smaller stores (after all, this is a sales per square foot game) — and we slowly regained ground. By 2010, it was business as usual and Paracor had the confidence to buy the brand from Cookie Man Australia.

Rao and his team had created a brand presence that was formidable, but now the brand needed to deliver. Ownership had to be separated from management; a professional full-time team, including Rao, would report to shareholders. In 2012, to further the company professionally and exclusively manage Cookie Man's Indian operations, the company hired Anupam Saluja as the new CEO. Saluja was a postgraduate in hotel management from a premier hotel management institute in North India and had successfully led operations at a reputed pizza chain for four years before joining Cookie Man.

## COOKIE MAN: DELIVERING FRESHNESS

Cookie Man began its journey in India by setting up a manufacturing facility in Chennai. The initial retail outlet set up at Spencer Plaza in Chennai was a company-owned store. However, Rao's dream to deliver freshly baked cookies in the pan-Indian market would not be possible with only a company-owned and managed operation. In Australia, Cookie Man had successfully rolled out its operations through the franchise route, and hence replicating the tried and tested model in India seemed to be a viable proposition. Thus, Cookie Man adapted the Australian operation model and developed an India-centric, well-structured and documented franchise operation plan (see Exhibit 1). In 2015, Cookie Man had 70 outlets across the country; of these 30 were company-owned and 40 were franchise operations.

Cookie Man was always exploring new recipes and product offerings that matched the Indian palate. These new products were made available after meticulous and rigorous pre-testing and test marketing. Once the product was ready to be put on the Cookie Man retail shelf, the franchisee partner was formally offered the product opportunity, and in case it was required, the outlet personnel were given the necessary training. Besides this, the company constantly provided training to the franchisee and outlet employees on store management, sales promotion and customer service.

The company had its shares of ups and downs but was performing at a decent pace. Pathak said, "So this year [2014] again it's not been that great. We just did INR2.5 million profit last year. So we are just above breakeven. We are a small company and are not yet making a ton of money, but at least now we are no longer in the red and are making money." (See Exhibit 2.)

### The Cookie Man Consumer

Cookie Man stores had an interesting and varied group of customers. Saluja observed, "Our products appeal to people of all ages."[26] Cookie Man outlets were located in posh markets and malls, and so the consumers who walked past and decided to buy a cookie were diverse. Pathak said:

> So I think there are two or three different customers who buy from our stores. One is the take-home segment, which is dominated by the upper-middle-class housewife who is going to take the product home. Here I think it's the housewife who is the decision maker, but it will also be the child. If the mother and child are walking along in the mall, the kid sometimes points out and says, "Mummy, Cookie Man! And I want it."
>
> However, my hunch is that the muffin and the brownie people who buy and eat at the Cookie Man counter, I don't think they are necessarily from the upper income bracket. I think it is *special*, you know, like an aspiration product.
>
> For example, in airports, muffins and brownies are big sellers and, interestingly when the low cost carriers went up, our business also got a significant boost. I suspect that a number of consumers are happy to pay extra for a low ticket item to get that feeling of having something special. You know, he won't buy a Rolls Royce; he will still buy a relatively inexpensive car. But by spending a couple of extra rupees to buy a premium muffin or brownie makes him feel special. The third kind is the gifting customer. You know, the one who buys our cookies to make someone happy.

Saluja explained, "A sizeable chunk of Cookie Man's revenue comes from purchases from gifting. . . . Gifting accounts for almost 30 per cent of our revenues."[27] A large segment of the gifting customer was the corporate buyer who bought these as premium gifts for existing or prospective clients. The franchise partners were thus emphatically advised to create their own business network and carry out timely sales promotions targeted towards this contributing segment. Besides this, Cookie Man also supplied products such as waffle cones, biscuits and cookie and baked ingredients to certain ice cream companies. These products were customized based on specific needs: "They tell us what they want and we sort of work backwards on it."

### Product

Operations in 2000 started with a traditional basket of the world famous and signature cookies that were part of the Australian Cookie Man menu. However, the Indian arm expanded its menu much beyond the original (see Exhibit 3). Being a premium cookie brand, the company paid a lot of attention to the packaging of the cookies, especially for the gift and assorted items (see Exhibit 4).

### Manufacturing and Distribution

Cookie Man had a central dough manufacturing facility in Chennai and leveraged the services of Western Refrigeration Private Limited (Western) to store and deliver on demand. Western was a leader in the commercial refrigeration business and had a huge national service network consisting of 33 offices all over India (see Exhibit 5).

### Cookie Man Outlets

Cookie Man shops were located in high-traffic shopping areas, mostly in large format malls, airports and informational technology (IT) parks across 25 Indian cities (see Exhibit 6). The company operated in three different formats: mother shops, kiosks and express (see Exhibit 7). Rao said:

> Cookie Man is not a destination store, it is an impulse purchase. We can convert footfalls, but cannot create them. Therefore, we have to be in high-density areas. See, we are unlikely to have a successful high street store, though we have one or two. But typically we won't make money that way.
>
> The airport express was an experiment that we started some time ago, and it has worked very well for us. It's a captive audience: people pick up the stuff as they move towards the aircraft. It gives us huge visibility. In certain airports, especially the new ones, the stores are let out to a contractor who subcontracts it or may operate it himself. In the malls, we oversee the operations; in the airports, because of security barriers, my manager cannot go inside. So it's difficult to control. Maybe a hybrid model would be great where the store is subcontracted to Cookie Man and they let me run it as well.

Cookie Man stores differed not only in their layout and customer experience but also in terms of retail sales per feet square and store profits (see Exhibit 8). Pathak explained:

> The challenge with the food business is that it is a cash intensive business and subject to a lot of price fluctuations due to the ingredient prices. It is an extremely difficult business to put controls into, and there are a number of leakages in the system. Hence, one needs to constantly monitor the amount of cookies sold versus the amount of dough purchased by the franchise to prepare the cookies. Sometimes you may notice that there is a match between the cookie sales and the dough, but for example the chocolate chip cookie sales might not match the chocolate chips that have been ordered so one needs to delve deeper. . . . The food business is very difficult to monitor. It's a

> constant battle with front liners. Systems are incredibly important and the front liner continuously finds shortcuts while management is constantly plugging holes.

### Promotions

To encourage purchases, both by individuals and corporations, Cookie Man was always doing some kind of promotion. The typical promotion included buy one, get one free deals and selling a glass bowl with cookies in it (the bowl was an incentive to buy the cookies). Cookie Man also hosted events such as cookie-eating contests. These promotions were usually handled jointly by the franchisee and the parent company. Festivals, especially Diwali, Christmas, New Year's and Valentine's Day, were big occasions for Cookie Man. During festivals, the stores also featured special and exclusively designed packaging made to fit the theme; for example, a cookie tin would be in the shape of a firecracker for Diwali or the cookies would be sold in hampers for Christmas. There was a well-planned and structured regular product promotion process in the company, as explained by Rao:

> Sampling: Every customer passing our store will be called upon to try our products, even if they display no intention of buying.
>
> Sniper Marketing: Cookie Man has a very robust ongoing direct marketing campaign. We reach out to our target audience with door hangers, paper inserts and other Cookie Man branded memorabilia; send sample gift packs to potential customers of each city; interact with ladies clubs or circles across the country.
>
> New Product Launch: Every two months, we add new flavours and tastes to the Cookie Man range. This ensures that we have our regular customers coming back to our stores.[28]

Saluja explained further:

> You know this company thrives during festivals. That's a big market, like Christmas, but Diwali is our single biggest season. We or the franchisee usually send a beautifully decorated basket of cookies to a senior executive as a goodwill exercise on Diwali. This of course puts Cookie Man in his gift choice set. In fact, we go a step further. It may happen that people who bought cookies the previous Diwali may say we gave cookies last year, let's give chocolates this year, so what we started doing is, from 2013, we also supply dry fruits and chocolates specifically for Diwali. The reason being I don't want them going somewhere else. The moment another supplier steps in, he is ready to eat my lunch. I make only a small margin out of selling dry fruits, but I am staying relevant to the customer that year.

## COOKIE MAN: THE WAY FORWARD

Cookie Man had a bumpy but reasonably successful journey and achieved a pan-India presence with its 70 retail outlets in 25 Indian cities (see Exhibit 9). The company had also made pilot forays into neighbouring countries such as Bangladesh. Pathak mused aloud:

> We are a healthy 70, and I know we can go to 100. Every year we open 25 to 30 stores and close 10, that's the nature of the beast. We don't always know why a shop succeeds and why it fails. But

> as we move ahead, we need to identify where the growth comes from. At the end of the day, everybody wants to see growth.

After examining existing strengths and looking at new business opportunities, Cookie Man had been considering three possible ventures:

1. Grow organically: Increase retail presence by opening more stores in tier-I and tier-II cities. These cities were seeing considerable infrastructure growth as well as evolving lifestyle changes, better employment opportunities and, therefore, an increase in disposable income. Also, due to rapid technology and Internet adaptation, experimenting with impulse-based and indulgence products such as confectionary and cookies would definitely see rapid adoption. "We plan to increase the number of outlets to 300 in the next five years," stated Saluja.

2. Increase reach: Look at growth and increase customer touch points by exploring new channel partners. Pathak explained, "This would mean getting a new channel of distribution altogether and looking at high-end grocery stores, hypermarkets and retail chains and ensuring Cookie Man has its product on their shelves. The truth is it will be an expensive proposition, as the retailer will insist on advertising support if the cookies are going to get premium shelf space."

3. Explore new product lines: Pathak clarified:

> We like to think of ourselves as a cookie company, but what we really have is 70 stores in 70 locations. In my view, that has value. I am saying the other way of increasing growth is through more sales generated from the stores. Earlier we had cookies, and then we put in brownies and then ice cream and chocolates. Now is there something else that we can put there? What about baked savoury items? We did think about sandwiches, but that's a totally different game. People want to sit there and eat and I am not sure whether it really works. I think the key is that it has to be a complimentary product, but it also has to be a take-away product or a drink, so that we can continue to operate from a small format store.

## THE DILEMMA

The world at large might be depressed and still reeling from the aftermath of the financial crisis and uncertainties of terrorism and natural calamities, but indulgence had never been as high. The future for Cookie Man seemed promising. All three options looked equally exciting and challenging. Pathak was still mulling over the magic ingredient that would take the Cookie Man story forward as he gathered his papers to meet Rao and Saluja.

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## EXHIBIT 1: COOKIE MAN'S FRANCHISE OPERATIONS

The franchise operation requires that the store location must be in a high traffic area (footfalls of at least 10,000 people/day) or in a new area that the franchisee can justify as having the potential to fulfil the criteria, which include high visibility and attractive market/mall layout. The floor area depends on whether the franchise is to be a store, kiosk or express, a decision taken jointly by the franchisee and Cookie Man.

Cookie Man provides a standard store layout format and is responsible for overseeing the interior decoration; helps the franchisee recruit staff and provides the necessary training in all aspects of the retail operation (baking, packaging, merchandising, customer service, billing, housekeeping, maintenance, communications, etc.); leases the proprietary auto bake oven to the franchisee for the period of the contract; and provides all raw materials and packaging. The store inventory and supply chain are managed and maintained by Cookie Man through its central information system at Chennai.

The franchising contract is for five years and requires a non-refundable franchisee fee as well as a shop rental deposit (from three to 12 months) and a refundable deposit for the auto bake oven. There are also an equipment cost of INR450,000, a signage cost of INR150,000 and an interior cost of approximately INR1,000/square foot. The franchisee needs to incur a sales promotion cost amounting to 5 per cent of its net sales, an amount matched by Cookie Man to promote the franchise in the shopping area as well as the neighbourhood.

*Source: Company documents and authors' interview with Anil Pathak.*

## EXHIBIT 2: COOKIE MAN'S FINANCIALS: BALANCE SHEET (ALL AMOUNTS IN INR THOUSANDS)

| **Particulars** | **FY 2012** | **FY 2013** | **FY 2014** |
|---|---|---|---|
| Source | | | |
| Share Capital | 94,638 | 94,638 | 94,638 |
| Reserves & Surplus | (15,195) | (15,906) | (14,897) |
| Net Worth | 79,443 | 78,732 | 79,741 |
| Debt | 14,155 | 11,432 | 13,027 |
| Total | 93,599 | 90,164 | 92,768 |
| Application | | | |
| Net Fixed Assets | 43,801 | 40,630 | 39,033 |
| Deferred Tax | 15,566 | 15,566 | 15,566 |
| Current Assets | 54,390 | 61,159 | 67,272 |
| Cash & Bank | 6,416 | 5,360 | 6,333 |
| Current Liabilities | 26,554 | 32,541 | 35,437 |
| Net Current Assets | 34,252 | 33,978 | 38,168 |
| Total | 93,599 | 90,164 | 92,768 |
| **INCOME STATEMENT** | | | |
| Particulars | **FY 2012** | **FY 2013** | **FY 2014** |
| Gross Sales | 228,141 | 252,251 | 282,130 |
| Net Sales | 202,270 | 221,275 | 244,920 |
| Other Income | 6,844 | 9,045 | 7,236 |
| COGS | 99,369 | 114,148 | 127,964 |
| Operating & Selling Cost | 54,410 | 57,644 | 75,568 |
| Corporate Overhead | 35,284 | 41,896 | 35,114 |
| Interest Cost | 1,576 | 1,372 | 3,510 |
| EBDT | 18,474 | 15,360 | 10,000 |
| EBT | 7,510 | 7,232 | 1,502 |
| Prior Period Expenses | | –443 | |

*COGS: cost of goods sold; EBDT: earnings before debt and taxes; EBT: earnings before taxes.*
*Source: Company documents.*

## EXHIBIT 3: COOKIE MAN MENU: PRODUCT AND PRICE DETAILS

Cookie Man's line has been continuously extended to suit local tastes and preferences and includes over 50 varieties of indulgence cookies, specialty cookies, brownies, doughnuts, muffins and ice cream; eggless cookies were developed specially for India. All products are created in the Chennai commissary kitchen, a production facility where foods are processed from raw to ready-to-eat or semi-cooked. Product variants include new flavours and a low-glycemic index cookie, which may never have a huge market but will meet definite demand.

**Crispy crunchy cookies**

- Signature cookies in almost 28 variants, including the traditional Australian Anzac cookie; to cater to the large vegetarian Indian population, all variants are completely eggless.
- Patented recipes of Cookie Man with unique ingredients and dough mixture.
- Most popular range, usually bought as an "on the go" small snack.
- Each cookie had a nickname that had been given either by customers or employees, e.g., the Anzac cookie is called "the down under cookie."
- Available individually in a price range of INR30 to INR35 or in small packets of 150 grams (g) for INR120 or in a 1 kg party barrel for INR650.
- Contributed to almost half of the total Cookie Man revenue.

**Indulgence cookies**

- Cookies with a gourmet touch, extremely soft in texture.
- 10 exotic flavours such as apricot, caramel cashew, double chocolate chip and sticky date supreme.
- Could be used to make exotic desserts.
- Average price around INR40.
- Contributed to 10 per cent of total revenue.

**Chocolate dipped cookies**

- Cookies had either a premium dark chocolate or milk chocolate base.
- Six different variants such as choc brandy, choc coffee, sesame choc, choc peanut, choc royale.
- Price per piece ranged from INR30 to INR35.
- Contributed to about 8 per cent of total revenue.

**Other baked products:**

- Muffins, brownies, doughnuts, puffs and ice cream available in a number of variants.
- Price range: INR45 to INR50 for a doughnut; INR80 to INR85 for a brownie or muffin; INR65 to INR70 per serving of ice cream.
- Contributed to about 24 per cent of total revenue.

**Specialty cookies**

- Traditional cookies including nine different variants such as vanilla and chocolate biscotti, cherry bites, Florentines, truffles, choco slices and gingerbread man.
- Price per cookie ranged from INR25 to INR30.
- Contributed approximately 2 per cent to total revenue.

*Source: Company documents and R. Kaur, "Baking Success through Franchising," 2011, www.franchiseindia.com/interviews/International/Baking-success-through-franchising-345/#.VDEvAvmSzXU, accessed October 7, 2014.*

## EXHIBIT 4: COOKIE MAN PACKAGING AND LABELING

Cookies and other items are usually packed in either cardboard boxes in sizes varying in incremental 50 g weights from 150 g to 1 kg, tin boxes of 300 g and 600 g, plastic airtight containers of 700 g and 1 kg or cane baskets — all are procured locally from suppliers in Chennai or in neighbouring cities in Tamil Nadu.

Local corporations could order corporate gift packages during special occasions or festivals such as Diwali, Christmas, etc. These were packed in special handcrafted boxes, ceramic packs or glass bowls as well as high-end Signora Ware and Tupperware containers, most of which are outsourced from Hong Kong and China. For bulk corporate orders of between 3,000 and 4,000 items, the client’s logo could be printed on the tin boxes.

Cookie Man has an interesting practice with regards to its logo. Initially, all packaging labels included only the logo, but, since 2010, a sticker printed with the logo is pasted on the plastic box, which is usually bought for home or family consumption, while stickers with appropriate sentiments — e.g., “best wishes,” “happy birthday,” “congratulations” — as well as the logo are pasted on the top and all food information is written on the bottom of the tin boxes, which are usually bought as gifts. The price of the 700 g plastic container and the 600 g tin box is the same — INR520; the tin gift box is more attractive while the plastic box contains more cookies.

**Cookie Man: Regular label and promotional packaging (Special promotion: Valentine’s Day)**


*Source: Company documents.*

## EXHIBIT 5: COOKIE MAN OPERATIONS

Leased since 2005, Cookie Man’s manufacturing facility, at Ambattur Industrial Estate in Chennai, measures 20,000 sq ft and has an installed capacity of making 1,150 tonnes per annum (TPA) of dough. Because of losses due to wastage during manufacturing, it can make 900 TPA of cookies and currently utilizes 716 TPA to make dough. The plant has both ISO 22000 and food safety management system certifications. Raw materials — flour, fat, sugar, chocolate, fresh cream, nuts, chocolate chips, candy — are procured locally. The proprietary cookie preparation process is a patented technology standardized in the Australian arm and replicated in India. The plant also has an R&D facility to create new products to appeal to the Indian palate.

The dough is baked according to the proprietary baking recipe in special ovens at the factory and is then picked up by a Western refrigerated truck and taken to Western’s Chennai warehouse where it is frozen and stored. When needed, the dough is transported by refrigerated truck to Western hubs and then to individual Cookie Man stores. This cycle is carried out typically five times a week.

Cookie Man also has baking facilities for 20 hours a day at their retail locations in seven cities — Delhi, Mumbai, Ahmadabad, Bengalluru, Chennai, Pune and Kolkata. The aggregate baking capacity is for 2,760 TPA of dough, although the total capacity utilization is 485 TPA with an average of six hours of baking at each facility. The smaller outlets have the patented oven, customized to prepare uniform and standard cookie quality with an even crust and shape.

*Source: Company documents.*

## EXHIBIT 6: COOKIE MAN STORES: LOCATIONS (INDIA)

| State | City | Number |
|---|---|---|
| Tamilnadu | Chennai | 12 |
| | Salem | 1 |
| | Coimbatore | 3 |
| NCR(National Capital region) | Delhi | 6 |
| | Gurgaon | 2 |
| | NOIDA | 1 |
| Maharashtra | Mumbai | 8 |
| | Pune | 3 |
| | Aurangabad | 1 |
| | Nagpur | 1 |
| | Sangli | 1 |
| | Nasik | 1 |
| Karnataka | Bengalluru | 6 |
| | Mangalore | 1 |
| | Mysore | 1 |
| Gujarat | Ahmadabad | 2 |
| | Baroda | 4 |
| | Rajkot | 1 |
| | Surat | 1 |
| Madhya Pradesh | Bhopal | 1 |
| West Bengal | Kolkatta | 1 |
| Punjab | Chandigarh | 1 |
| Rajasthan | Jaipur | 1 |
| Uttaranchal | Dehradun | 1 |
| Bihar | Patna | 1 |
| Uttar Pradesh | Kanpur | 1 |
| | Lucknow | 1 |
| Jharkhand | Raipur | 1 |
| Telengana | Hyderabad | 2 |
| North-Eastern States | Shillong | 1 |
| | Siliguri | 1 |
| | Gangtok | 1 |

*Source: Company documents.*

## EXHIBIT 7: COOKIE MAN RETAIL OUTLET: FORMATS AND DETAILS

**Mother shops:** Mother shops are a mix of company-owned and franchised operations. The typical floor area is 300 to 500 sq ft. The store is usually placed near the entry of a large mall and has a minimum 24-foot frontage. It is an open shop manned by eight to 10 employees who manage all operations, including the specially created Australian oven. In 2015 there are 16 mother shops across the country. Each has an average inventory of about 92 days, whereas the inventory at all other stores is only about 29 days. The margin contribution of a typical mother shop is 18 per cent.

**Cookie Man kiosk:** Kiosks are 80 to 100 sq ft and are usually in the atrium of a large mall. They have a 20-foot frontage and are manned by three to five employees. Only limited baking is done in the smaller patented ovens in these stores. In 2015, there are 51 kiosks across the country. The margin contribution of a typical kiosk is 11 per cent.

**Cookie Man express:** The express is limited to only 32 to 50 sq ft in area. Usually located in atriums, lobbies and airport lounges, it mostly stocks the most popular Cookie Man products such as crispy crunch cookies. It has no baking facility but receives its supplies from the nearby mother store. Its small cube oven, like a home oven, only warms up the cookies: “The idea is even if you are baking or not, it creates the aroma,” said Saluja. In 2015, there are only three airport express stores. The margin contribution of a typical express is 8 per cent.

*Source: Company documents.*

## EXHIBIT 8: COOKIE MAN STORES: CONTRIBUTION

| Store type | Retail sales '000 | | Direct store profit*(2014) |
|---|---|---|---|
| | **FY2014** | **FY2015** | **INR(MN)** |
| Mother shop | 19,600 | 22,000 | 15.2 |
| Express | 2,378 | 1,599 | 2.2 |
| Kiosk | 10,260 | 10,440 | 2.9 |

** Direct store profit: gross margin INR sales from store less all salaries and operating cost for the store type, less directly attributable cost such as warehousing and transportation and possible rental — average value.*

*Source: Company documents.*

## EXHIBIT 9: COOKIE MAN RETAIL STORES (PICTURES)

**Mother Shop (West Bengal)**

**City Kiosk: Chandigarh (Punjab)**


**Express: Delhi Mall**


**Airport Express: Chennai (Tamilnadu)**

*Source: Company documents.*

## ENDNOTES

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