Product Innovation and Management

Group Project

Group 2

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IIM
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Project Phase 1

Process Deck

Company

Theos is a premium bakery, patisserie, chocolaterie & cafe. They have total 9 across Delhi/NCR having different seating capacity.

Theos focuses on providing premium products in their menu to deliver a mesmerizing and unforgettable dining experience.

Monthly Revenue: 6.5-7 Cr. across all9 outlets .

Currently they have vast Food & Beverage menu having 450+ items across 40 different categories. For example: they offer 46 types of Pasta

Theos gather customer insights to develop or improve their products is via- Feedback forms, Sampling at outlets, Google reviews and Social Media channels.
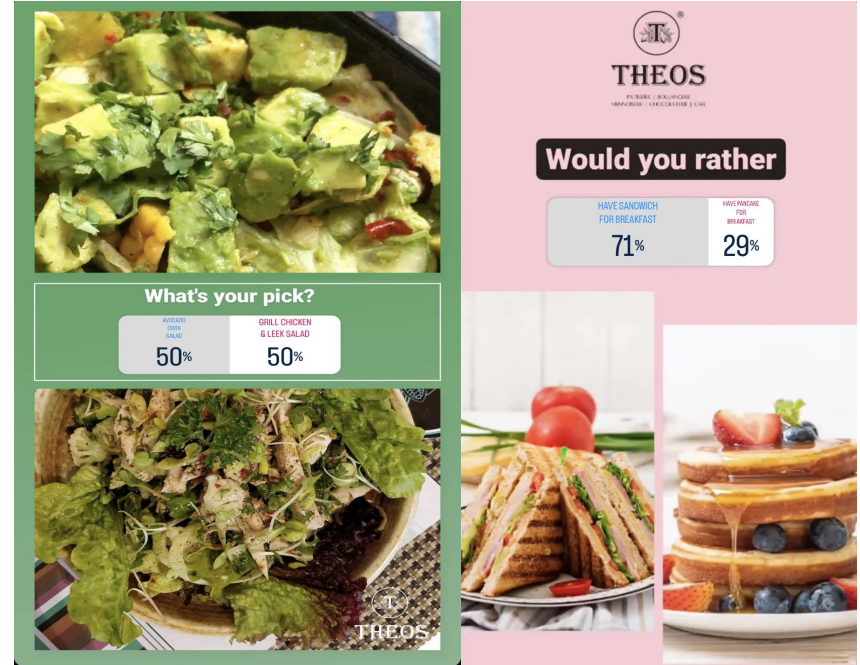
Problem Identification

Problem in focus:

Mr. Gaurav (Culinary Head and Co-owner of Theos) thinks that it is good to have more number of items as it offers variety to their customers whereas Mr. Vikram (Director and Finance & Ops Head) feels that it is not commercially viable for them to have these many products.

As Theos is targeting to open 6 more outlets by the end of 2022 and managing 450+ products across ~40 categories can be tricky.
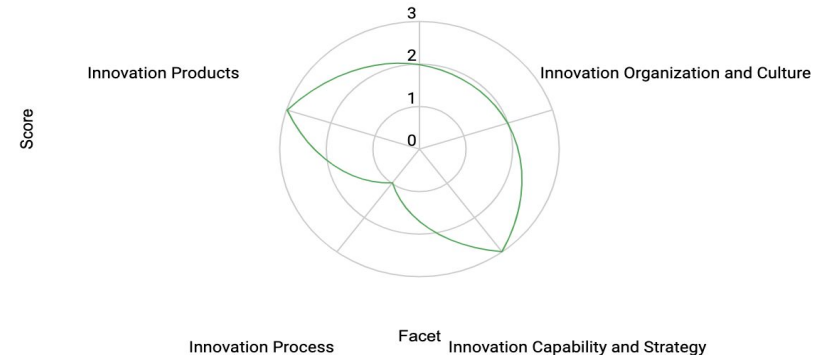
Innovation Risk Assessment:

Is too much variety actually required? How much is too much?

Are they selling all the products in their menu?

Is there a need to optimize their menu?

What will be effect on their revenue & profitability if they decide to optimize their menu?

Marketing Innovation and Support

Project Phase 2

Critical Thinking and Brainstorming

How much is too much?

Pros	Cons
- There's something for everyone - Scope for experimentation - Crowd-puller - fancy perception	- Customers get overloaded with choices - Increased inventory carrying cost - Increased table turnover time - Shelf-space consumption - Standardization becomes difficult - Perishable unsold items get expired - Difficult order prediction - increased fulfilment time - Other overheads - specialized chefs, training hours etc.

Category Matrix

MARGIN

VOLUME

- ❖ Risotto
- ❖ Gnocchi
- ❖ Lasagne
- ❖ Chip & Dip
- ❖ Soups
- ❖ Premium Chocolate Boxes

HIGH MARGIN-LOW VOLUME

OCCASIONAL

HIGH MARGIN-HIGH VOLUME

DESTINATION

- ❖ Tea
- ❖ Burgers & Wraps
- ❖ Cakes(0.5 kg)
- ❖ Cakes(0.5kg-Eggless)
- ❖ Beverages

- ❖ Antipasti
- ❖ Ice Cream Shakes
- ❖ Smoothies
- ❖ Salads
- ❖ Hot Chocolate

LOW MARGIN-LOW VOLUME

CONVENIENCE

LOW MARGIN-HIGH VOLUME

ROUTINE

- ❖ Sandwiches(Veg.)
- ❖ Mojitos
- ❖ Coffee
- ❖ Salads
- ❖ Savoury(Veg. & Non-Veg.)

Reference: Theos Menu details and Excel Analysis

Project Phase 3

Innovative Solutions

1. Category Optimization

- **Destination**
  - Quality control and possible introduction of new SKUs
  - Sell by bundling with routine items (offers on combos)
- **Occasional**
  - Optimize SKUs
  - Occasional selling (wedding / corporate gifting / events)
- **Convenience**
  - Eliminate categories
  - Eliminate SKUs with category
- **Routine**
  - Cost optimization
  - Optimize SKUs

2. Rolling SKUs (Analogy thinking)

Pos	Team	Pld	W	D	L	GF	GA	GD	Pts	Qualification or relegation
1	Manchester City **(C)**	38	29	6	3	99	26	+73	93	
2	Liverpool	38	28	8	2	94	26	+68	92	Qualification for the Champions League group stage
3	Chelsea	38	21	11	6	76	33	+43	74	
4	Tottenham Hotspur	38	22	5	11	69	40	+29	71	
5	Arsenal	38	22	3	13	61	48	+13	69	Qualification for the Europa League group stage[a]
6	Manchester United	38	16	10	12	57	57	0	58	
7	West Ham United	38	16	8	14	60	51	+9	56	Qualification for the Europa Conference League play-off round[a]
8	Leicester City	38	14	10	14	62	59	+3	52	
9	Brighton & Hove Albion	38	12	15	11	42	44	−2	51	
10	Wolverhampton Wanderers	38	15	6	17	38	43	−5	51	
11	Newcastle United	38	13	10	15	44	62	−18	49	
12	Crystal Palace	38	11	15	12	50	46	+4	48	
13	Brentford	38	13	7	18	48	56	−8	46	
14	Aston Villa	38	13	6	19	52	54	−2	45	
15	Southampton	38	9	13	16	43	67	−24	40	
16	Everton	38	11	6	21	43	66	−23	39	
17	Leeds United	38	9	11	18	42	79	−37	38	
18	Burnley **(R)**	38	7	14	17	34	53	−19	35	
19	Watford **(R)**	38	6	5	27	34	77	−43	23	Relegation to the EFL Championship
20	Norwich City **(R)**	38	5	7	26	23	84	−61	22	

Pos	Team [v·t·e]	Pld	W	D	L	GF	GA	GD	Pts	Promotion, qualification or relegation
1	Sheffield United	5	3	1	1	9	4	+5	10	Promotion to Premier League
2	Watford	5	2	3	0	4	2	+2	9	
3	Reading	5	3	0	2	6	6	0	9	
4	Blackburn Rovers	5	3	0	2	6	7	−1	9	Qualification for EFL Championship play-offs
5	Sunderland	5	2	2	1	8	7	+1	8	
6	Hull City	5	2	2	1	7	8	−1	8	
7	Bristol City	5	2	1	2	8	6	+2	7	
8	Norwich City	5	2	1	2	6	5	+1	7	
9	Preston North End	5	1	4	0	1	0	+1	7	
10	Millwall	5	2	1	2	7	8	−1	7	
11	Blackpool	5	2	1	2	5	6	−1	7	
12	Cardiff City	5	2	1	2	3	4	−1	7	
13	Rotherham United	4	1	3	0	6	2	+4	6	
14	West Bromwich Albion	5	1	3	1	8	6	+2	6	
15	Wigan Athletic	4	1	3	0	3	2	+1	6	
16	Burnley	5	1	3	1	6	6	0	6	
17	Queens Park Rangers	5	1	2	2	6	7	−1	5	
18	Luton Town	5	1	2	2	3	4	−1	5	
19	Birmingham City	5	1	2	2	3	4	−1	5	
20	Swansea City	5	1	2	2	4	8	−4	5	
21	Stoke City	5	1	1	3	5	8	−3	4	
22	Huddersfield Town	4	1	0	3	5	6	−1	3	
23	Middlesbrough	5	0	3	2	7	9	−2	3	Relegation to EFL League One
24	Coventry City	2	0	1	1	3	4	−1	1	

Approach (Playbook)

Should not drop SKUs before giving customers a fair chance to express interest.

Therefore, evaluate interest over successive periods while rotating items.

Methodology

1. Categorize items into only **Core (best-sellers) bucket** and **Reserve bucket** initially based on historical data
2. Every fortnight / month introduce *limited-period* **Experimental** SKUs from **Reserve** to be offered along with Core SKUs.
3. Price these slightly higher to offset the effect of loss aversion.
4. Re-categorize the assortment based on sales data and **matching rules** *(explained in next slide)*
5. Repeat until all reserve items have been tested.

Buckets

- Core
- Reserve
- Experiment
- Potential

Rules

- Period starts with SKUs in core bucket + 5 experimental SKUs from reserve bucket. *Sales data is collected for that period.*

- Items to be added back successively to **core** bucket in decreasing order of percentage contribution to sales ***unless***:

  - Cumulative sales > 80%

  - Number of added items > 10

  - Individual contribution < 4%

  However in case cumulative sales < 60%, allow up-to 5 more items in core bucket.

- Items added to potential bucket if:

  - Individual contribution to sales >= 3%

- Drop remaining items from the menu.

Repeated for every cycle

3. Personalized marketing with customer segmentation (Marketing innovation)

Use unsupervised machine learning to create customer segments with coherent behavior patterns

Type	Segment	Action
A	High Frequency, High order variety	Daily push notifications/whatsapp messaging at lunch/dinner times
B	High Frequency, Low order variety	Offers with discounts on subscriptions/ memberships
C	Low Frequency	Regular push notifications highlighting new items and offers.

Keep a dynamic database of customers with data updates to keep marketing activity relevant for the customers.

References

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A review of literature on restaurant menus: Specifying the managerial issues - ScienceDirect

How Restaurants Are Using Analytics to Build A Better Menu (upserve.com)

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Thank You