

Case Study

Dangee Dums

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On March 8, 2015, at 11:00 AM, Mr Nikul Patel, managing director of Dangee Dums, called a meeting, on the occasion of completion of fourth year of Dangee Dums. Nikul had to discuss the future business strategy, with Dhara Patel, H.R head, Ravi Patel, Head Operations and Forum Head Production, regarding expansion of the business. Staring at "Beans to Bliss – The Chocó-journey!" written on the Dangee Dums cup on his desk, Nikul reflected on his aspiration of having hundred outlets by the end of 2017 and of branding it as a "Sweet Boutique" at national level. Though Nikul had opened the thirteenth outlet in and around Ahmedabad, since March, 2011, he had not moved out of the city in order to maintain the quality of product and services. He had to decide which way to expand the business, either the well-accepted franchise route or the operator model which they were practicing.

According to Nikul, the Operator model helped them to achieve their quality standards in terms of service delivery. Since all the operators were their previous employees they understood the philosophy and work culture of Dangee Dums. Moreover they were getting a chance to become partners of Dangee Dums and enhancing their own income. But, while the franchise was fully dependent on them they lacked the passion for quality that Dangee Dums had, Nikul noted.

Journey:

Dangee Dums was a venture of Aromen Hospitality Pvt Ltd, based at Ahmedabad, Gujarat, involved

in the chocolate business since March 2011. After completing his B.Tech from Nirma Institute of Technology, Ahmedabad, Nikul joined the family infrastructure business. But there was always a latent desire to do something different and start his own business. He was an avid traveler and a foodie, so when his friend Mridang came up with an idea of starting a business related to food and that too chocolates, he could not resist the idea. As Nikul was actively involved in the family business he decided to become an investor in the new business, thus he limited himself to involvement in key decisions, while Mridang became acting partner looking after entire operations.

They started to operationalise the idea into reality, and their struggle started with choosing a brand name--they wanted a name which was not related to any product, geography, culture or region. Nikul explained, "The basic idea was to choose such a name that could be carried forward to any country." They decided to use the brand name "Dangee Dums", which did not have any meaning.

As Nikul noted, Dangee Dums wanted to offer a premium quality product at premium price for premium people. Now another challenge was to find a recipe and a chef who could make high quality products. After trying many cooks and chefs from across India, he finally met a pastry chef from Mumbai whose preparation and taste was as per Dangee Dums' standards. The chef provided a cook and Nikul could start operations at Panjrapore, a busy locality in Ahmedabad, in March 2011.

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Initial blow:

Dangee Dums started by launching cakes for minimum price tag of Rs. 1200 for one kg cake when other cake retailers were selling at Rs. 500 to Rs. 600 per kg; moreover, they restricted themselves to sell minimum one kg cake and not the smaller variants. For the first month, they were not able to recover their expenses and the trend continued for next six months. Mridang who was operating partner of the firm expressed his wish to exit the business, but Nikul wanted to continue. Finally Dangee Dums faced split three months after the opening of the business. Mridang left in June 2011, and Nikul took over the business and started giving full time to Dangee Dums, focusing on manufacturing, operations and marketing. In addition to that he appointed a manager to look after day to day operations.

Nikul said that the first year was very frustrating. Once he called his father to taste the food and services at his outlet; his father was so disappointed that he said "I won't enter your outlet, because service is very poor". After which he decided to improve the services offered at his outlet. Nikul's philosophy was spelled by himself, "If you are persistent in your efforts and focus towards maintaining the quality then success would follow surely."

Dangee Dums initially decided to enhance the footfall by the sale of food items, as the sales of cakes and chocolate were not as per expectations. But at the same time they wanted to create a niche in cakes and chocolates and not in the food category; therefore, to promote their cakes they introduced the concept of "designer cake"¹ in 2011, which Nikul claimed was the first of its kind in Ahmadabad. This was a successful attempt which pushed their sales. They also took permission from the local government authorities to open their outlet till late at night up to 1 AM. The decision was taken because of two reasons, first was due to the fact that dessert was preferred

after dinner and the second was to provide facility to his customers to perform cake cutting ceremony in his outlet, during midnight when the date changes. This had impacted their sales positively; footfall² increased which resulted in higher sales.

Mrs. Forum Patel, wife of Nikul Patel had taken charge of all the manufacturing process and she entered the business after they fired their first chef within the first year of operation of Dangee Dums. She observed that customers were demanding food items beyond the sweet Cakes, Cupcakes and Chocolates. But they didn't want to become regular restaurant and at the same time they wanted to fulfill customers' demand. So she revamped the menu, but they decided not to offer full meals in order to differentiate themselves from regular restaurants. For this, she added American, European and other cuisines in the menu card. Items included pizza, hotdog, etc.

Dangee Dums started to expand their business and they opened a new outlet in a new shopping mall, Alpha Mall. It had more footfall than other malls. And they opened a small kiosk despite high rentals. Nikul noted that he wanted to achieve his vision through passion: "Every time most of the logical decisions don't work and it's the passion that moved me ahead even when Panjrapore outlet sales were down; we excelled due to passion not only the logic".

The marketing initially was taken care of by Nikul himself, but later as the business grew, they hired external agencies for marketing. But they had to change them regularly. "The first one was limited to build the logo but was not good at services. Second used to give only his own inputs and did not listen to our context." Then finally they landed up with "Identix" whose owner was Kamal, a marketing expert, who specially worked for branding, product innovation, strategic inputs, and store. It was August 2013 when they started working with Kamal. Kamal

¹Specially ordered Cake which has calligraphic designs specially done by artistic workers.

²Footfall refers to number of customers entering the outlet.

suggested changes in the interiors of their outlet as the perception of the customers was it was a Ghost's Den and he changed the interior settings to attract the masses as Dangee Dums was perceived to be high priced.

Nikul got the idea of "Cake for the week" offer from "Subway", where they were offering one of their signature products at lowest rate for one day. He discussed this idea with Kamal and they came up with the 500 Gms of their signature cake for Rs.250, when the original price was Rs.1200 per kg. Since the shelf life of a cake was 3 to 4 days they could easily manage to sell for one week. The response was over whelming according to Nikul. Dangee Dums opened outlets in Prahladnagar in Ahmedabad, and in Info city in Gandhi Nagar.

Adding People:

On September 5, 2011 Dhara Patel joined as a HR head and Ravi Patel joined as operation head to look after all the operations regarding supply chain management and logistics. One of the critical issues which Dhara faced was high attrition of manpower as the sector is highly unorganized and workers are generally unskilled and after getting some experience they switched the job for even minor hike pay. No formal training was provided to the employees and they had to learn, on the job. Also employees had to work late in night, as the outlet was open till 1 am in the morning. She had ensured that staff salaries were paid on time i.e. every first week of the month. She also rewarded their employees on the basis of performance. Of late Dangee Dums had started the practice of Best Employee Award. Dhara's biggest concern was to retain the employees and inculcate a sense of loyalty in them.

Need of Operator Model:

The franchise experience of the Dangee Dums was not encouraging. Ravi Patel, who was looking after the operations, was happy with the product assortment and inventory of the franchise at

Vastrapur, but the high focus on quality and service, were missing.

Ravi and Nikul discussed the issue and they came up with the idea of Operator model, which was the other option for expanding the business. Under this model Dangee Dums invested the money and gave the right to operate for one year, operator needed to submit deposit money of Rs. One Lac only and profit sharing was percentage basis on the sales. Operational part was with operator, and marketing and inventory was with Dangee Dums. Regarding profit sharing, they had to achieve base sales on which they would get a fixed remuneration. In case they had sold above base sales figure then they were eligible for profit sharing on the sales. There were no fixed criteria and eligibility to become operator. Dangee Dums gave first preference to their employees as there was chance of increasing the income of the employee and since the employees were imbued with the philosophy of Dangee Dums and their passion for quality.

The challenges ahead:

Dhara highlighted the benefit of operator model in the dimensions of human resource and on the other hand Ravi pointed out the marketing issues, but he also raised a question: could they afford to carry on with this model, because when they expanded to more outlets, new problems like establishing cost would come up. So, for the next 87 outlets how to generate funds was the question? The franchise model was well accepted in the food industry, but they had found it difficult to maintain the quality and passion in the franchise.

Nikul wanted to grow fast and he wanted to maintain the quality of Dangee Dums' products and services. His dilemma was to choose a route to expand the business and move as per his aspirations, aligning his commitment of "consistently delivering the highest quality cakes and chocolates with outstanding personalized service in a vibrant store atmosphere."

Exhibit – 1: Financial abstract by Aromen Hospitality Private Limited (Dangee Dums) for BA & BP

Particulars	Business Associates	Status.
Establishment Cost	Rs- 2000000	Bear by owner of BA
Deposit Money	Rs- 800000	Non refundable
Operation Cost	Rs- 100000.	Bear by owner of BA
Revenue Sharing	50% sales Amt & 8% royalty on sale.	Mutually
Wastages	NA	Bear by owner of BA
Administration	NA	Bear by owner of BA
Others Expences.	NA	Bear by owner of BA

Particulars	Business Partner	
(Service Operator	Status.	
Establishment Cost	Rs- 1200000	Bear by AHPL
Deposit Money	Rs- 100000	Bear by operator
Operation Cost	Rs- 75000	Bear by AHPL
Revenue Sharing	Fixed Rs-20000/-PM & above base sale@10%	Mutually
Wastages	If wastage more than 1%, then bear by operator.	
Administration	NA	Bear by operator
Others Expenses.	NA	Bear by operator

*Source – AHPL, Ahmedabad.

Exhibit -2: DANGEE DUMS menu chart

Cupcakes	Cute Cupcakes	Signature Cakes & Pastries
Fairy Fern	Black Out	Caramel Walnut Tart
Chocolate Affair	Verry Berry	Trilogy
Seasonal	Hawaiian Touch	Butter Scotch Bliss
Chunchy Oreo	Mango Mania.	American Apple Pie
		Black Forest
		Dark Chocolate Dutch Cake
		Fresh Fruit Gateau Cake
		Oreo Dome Cake
		New York Baked Cheese Cake.
		Butter Scotch
		Fudge Brownie
		Blueberry Baked Chees Cake
		Brazilian Chocolate
		Mississippi Mudpie
		Red Velvet
		Hazelnut Crunchy
		Opera
		Chocolate Mocha Tower
		Self Disciplined Belgium Truffle

Source – AHPL, Ahmedabad.