

Building a Small-Town Brand – A case on Zeppoli Bakery & Rangoli Ice-creams

Preface:

The macro level of urban expansion in India is currently being driven by small towns rather than the long-established major cities. Small towns in India have been revitalized as a result in the field of urban study. A major chunk of India's population dwells in smaller towns that are categorized as category B or category C. According to the India's census in 2011, a whopping 31% of India's population have made their living in these towns.

Given this data, it's a question for marketers to put insightful thoughts on building brands and sustaining brands in these smaller towns. The smaller towns are both, opportunities and challenge for the marketers due to their stark difference from the so-called metropolis and mega cities in India. The standard of living, the cultural inclusion, the family system etc. make the psyche of a smaller town dweller very different from of a mega city citizen. On the other hand, the amount of population that concentrates into the small town gives a mouth-watering market presence to the marketers in India.

The current case, studies how a band of brothers started a small-town bakery and ice cream shop and soon started focusing on canvassing it to other small towns and achieving strong brand identity and profitability.

Establishment of Zeppoli Bakery:

The year was 1999, HITESH KANTIBHAI KHICHADIYA, an individual from a Category C town called Dhoraji, falling in the district of Junagadh, Gujarat, thought of venturing into entrepreneurship after completing his graduation from a local college. After considering, a few businesses, he managed to get some capital on hand and opened a bakery at the local market. The bakery was a stand-alone shop and was catering to the basic needs of the people in that vicinity. The bakery had a manufacturing unit just adjacent to the shop where by the products were produced including cookies, breads, cupcakes, pastries, cakes, khari, rusks etc. The firm was established as a sole proprietorship firm, like any other local and small-time firm gets established.

The bakery got initial success because of the visual difference that it created in a small town which was eye catchy and above the general expectations of the residents of the town. Bakeries, especially, in that era, in smaller towns were considered more like local grocery shops, where the customers would choose a product. Hiteshbhai, on the other hand decided to have an elegant look, bigger space, glass cabinets for products, neon signboards and wider range of varieties in each product with a view to provide a worthy experience to his customers. This led to a gradual increase in the goodwill of shop and soon the footfalls increased.

Thoughts after the millennium:

The basic essence of entrepreneurship is that a true entrepreneur would never think of having enough. Being a passionate entrepreneur, Hiteshbhai had bigger plans in his mind of taking the local name to other towns. He already was under the process of establishing Zeppoli bakery in other towns and his first target was the town of Junagadh. In 2001, he had a meeting with his brother where he discussed this plan. Ankit Khichadiya, the younger brother of Hiteshbhai had recently completed his MBA from Rajkot and was all set to bring his management skills into the family business. Both the brothers had an extensive meeting for expanding the brand and came out with the following key points.

- Whether to establish franchise network on to the conventional bakery business
- Whether to diversify and cater to some other products apart from bakery.

After a brainstorming session, both brothers decided that a Franchise model for Zeppoli Bakers and initiation of an ice cream brand is something that is most needed to expand the business.

“The innovative thought could only lead to 30% of your success, the 70% of the success belongs to the execution and the hard work that you put in the thought”- said Hiteshbhai in an Interview given to ETV Gujarati in 2019.

Getting the idea of having a franchise model, the brothers now had to decide on the structure of the franchise model and branding of the ice cream venture.

Franchise Model:

“We didn’t want people to use the brand that we created in a way that harms them and us both” – Says Anikitbhai in a casual talk with the case writer, *“and hence we made some stricter rules for allowing franchise under our brands but at the same time, giving them support that other big players were not giving”*. In a nutshell the following points were covered under the Franchise agreement of Zeppoli Bakers

- The Franchise holder needs to either own or rent a place equal or more than 1250 sq feet
- The Franchise holder’s branding cost will be shared by 30% by the parent company
- The Franchise holder can return the unsold items of the week back to the parent company, the rupee value of the same will be carried forward in the next lot order of the franchise

The model clicked very well as Zeppoli Bakers was able to start with franchises in 6 towns mainly Porbandar, Junagadh, Jamnagar, Rajkot (West), Dwarka and Somnath in the first year of inception of the franchise model.

Soon, more people were interested in the model and Zeppoli Bakers currently has currently 33 franchises across Gujarat. The point to be highlighted here is Zeppoli Bakers franchise are mostly in Tier 2 and Tier 3 towns of Gujarat.

The following is the excerpt of case writer's interview with Mr. Dhaval Ardesana – A franchise owner of Zeppoli Bakers and Rangoli Ice-cream in Porbandar.

“In a small business model managed by an owner who understands the break-even, the costs, the waste, how to control them, how to lead people, and all the actions they need to take, the average profit is about 8 to 10% of sales, that is what they call net profit. That is not take-home profit, and you must understand that. That is basically:

Revenue - Expenses = Net profit

That means that if on average your unit annually makes Rs.1,000,000 of revenue, your profit is Rs. 80,000 to Rs. 100,000 for that unit. But from that, you still have to pay taxes and, if you have a loan, pay it and its interest.

After the payments and deductions, the average business ends up with about 3 to 4% of the total sales as take-home cash. That means that from the Rs. 1,000,000, you truly take home Rs. 30,000 to Rs. 40,000 a year, which is basically, a job. The beautiful thing about franchising is that you can duplicate that model and open a second unit. That means taking Rs. 80,000 a year, assuming you have a loan in both locations. And then you can open a third location, which will give you Rs. 120,000 a year.

In franchising, you are in total control of your income by the number of units that you grow, and that is trust that these people put on a performing franchise. They do not entertain new franchise enthusiast before asking us, the existing ones, to start another unit in the same town.” – Says Mr. Dhaval Ardesana.



An Image of Zeppoli Bakers at Tier 3 town Porbandar

The Inception of Rangoli Ice-Cream:

Being a process innovator and a risk taker, Hiteshbhai started thinking of a new venture after the primary success of Zeppoli Bakers. The idea that was running through the mind of his was to establish an Ice-cream brand. Given the scenario of market and Ice-cream being a low-involvement product, it was necessary to have a strategy which differentiates Rangoli Ice-cream from other bigger & smaller brands.

At this juncture, a brighter idea sparked in their fruitful minds. “The idea was to make Rangoli Ice-cream an equivalent to a Starbucks or a CCD of Tier 2 and Tier 3 town.” The idea was plain and simple but the gap identified by the founders was truly remarkable. With the growing youth population in India, marketers all over the world is trying to capture the needs of them. The phenomenal growth and success of social media platforms, AI chat bots, Flashy Garments outlets and coffee shops is all due to the growth and strength of the Indian youth.

However, the Gap still remains. Most of these are disposable and catered to the youth residing in the Tier 1 and cosmopolitans of India. There is a good amount of youth population living in Tier 2 and Tier 3 towns who have the same aspirations but are deprived.

This is where Rangoli Ice-cream cashed on. They started the outlets in Tier 2 and Tier 3 towns with flashy ambiances, customized servicing and even music libraries within the joints in Tier 2 and Tier 3 towns. The result was remarkable, Rangoli Ice-creams soon became the Starbucks and CCDs of Tier 2 and Tier 3 towns and was welcomed by the youth of these places.



An Image of Rangoli Ice cream Joint at Tier 3 town, Junagadh



An image of Internal ambience of Rangoli Ice cream Joint at Tier 3 town Porbandar



“The strategy was simple, throw money on three things. Quality of ice-cream, quality of ambience and quality of treating the customers. This has worked, we have 52 outlets in Gujarat’s small towns and we are growing strong”- said Hiteshbhai in an interview.

Road Ahead:

The duo of brothers is born entrepreneurs and they are seasoned well and hence they have already thought of the road ahead. Rangoli Ice-creams and Zeppoli Bakery is now eyeing on the tougher market. The plan is to have outlets in Tier 1 and cosmopolitans of India. As a pilot project the organization have set up Rangoli Ice-creams outlets in Ahmedabad and Surat.

Given the zeal, energy and enthusiasm of the founders, the road ahead seems cozy and beautiful.