

# Haldiram's: India's Entrepreneurial Answer to the McDonald's and the Pizza Huts

Guru Prakash Prabhakar  
Bristol Business School  
University of the West of England  
Coldharbour Lane, Frenchay Campus  
Bristol- BS16 1QY, UK

Tel: 44-117-328-3461 E-mail: guru.prabhakar@uwe.ac.uk

## Abstract

Western companies are opening up their factories and offices in India in an unprecedented manner and thus creating a need to study the organization and management of their Indian counterparts. The emergence of India as an economic power over the recent years has created a need to understand the way business is carried out in that part of the world. Also important is to realize how businesses are founded and structured in India. Many Indian companies were family businesses to start with and even today some of the biggest companies listed on Indian stock exchange continue to be owned partly by the families. This research work attempts to study a typical Indian family run business, its inception, its aspirations, the challenges faced in the context of an emerging economy and the possible roadways to map the future. With this aim in mind a classic case of Haldiram's is presented here and analyzed with a two pronged objective of presenting it in research conference and to be used as a case study for discussion in class room environment. This work is based on an interview with Mr. Pankaj Agrawal, Director, Haldiram's.

**Keywords:** Emerging markets, India, Entrepreneurship

## 1. Introduction

The emergence of India as an economic power over the recent years has created a need to understand the way business is carried out in that part of the world. Also important is to realize how businesses are founded and structured in India. Many Indian companies were family businesses to start with and even today some of the biggest companies listed on Indian stock exchange continue to be owned partly by the families. Reliance Industries, Tata, Birla, SRF, Bajaj, Dabur, Wadia, Godrej, Kirloskar, and Haldiram's etc are primarily family run businesses. Western companies are opening up their factories and offices in India in an unprecedented manner and thus creating a need to study the organization and management of their Indian counterparts. The interest in studying Indian businesses is also recent (Gupta, 2005; Sharma, 2000 & Veliyath, 2004) and there is a great scope and need to research into this field.

### 1.1 Research Question

This research work attempts to study a typical Indian family run business, its inception, its aspirations, the challenges faced in the context of an emerging economy and the possible roadways to map the future.

With this aim in mind a classic case of Haldiram's is presented here and analyzed with a two pronged objective of presenting it in research conference and to be used as a case study for discussion in class room environment. This work is based on an interview with Mr. Pankaj Agrawal, Director, Haldiram's.

### 1.2 Empirical Context

Haldiram's is a multi-cuisine Indian fast food restaurant. They are the leaders in terms of Indian fast food concept. They are one of India's largest snacks and sweet manufacturers too. Haldiram's was the only company, which emerged in the way it did. They have their establishment in many parts of India viz Delhi, Gurgaon, Nagpur etc. Its products are exported to several countries worldwide including United Kingdom, USA, Canada, Australia, Srilanka, Singapore, Malaysia, South Africa, Indonesia, Qatar, Hongkong, Japan, Kenya, North Korea, Nigeria, Mauritius, Zambia and Bahrain.

Indian fast food is totally unorganized. There are no Indian fast food chains with which one can say that they are Haldiram's competitor. It's totally unorganized.

Haldiram's family is not from a restaurant background. They have learnt from the customers. The customers have taught them how to manage the restaurants. They didn't have any restaurant; they don't have any professional

degree or anything relating to the restaurant business. So it's all learning at the grass root how to manage it and they have learnt from the customers.

They are quite fast in serving to the customers. They don't take too much of time. They haven't done any study but as they can see that they don't take more than 3 to 4 minutes in serving the customers in any area after he reaches the service counter.

## **2. Background**

Pankaj Agarwal is the fourth generation of the Haldiram's family business. His great grandfather founded in 1940s. Pankaj did his schooling partly from Delhi and Mussorie and completed his undergraduate studies in commerce discipline from Hansraj college, Delhi. He then went on to get his MBA, at Business School, Laussane, Switzerland. After coming back to India, he joined his family business. He is currently the Director of Haldiram Manufacturing Company Limited (HMCL).

Pankaj intends to learn everything on his own. He is interested to see each and every product, how is it manufactured, what is the taste, what are the ingredients.

According to Pankaj, his strength lies in understanding the people he is working with and in understanding the needs of the customers in terms of taste preferences. He assesses the strengths and weaknesses of his company on continuous basis and has a clear vision for Haldiram's. He says, "there is no chef on whom I can depend on who will control the quality of our products and since, it's a manual work, there are chances of getting the quality upside down. So, you have to have the knowledge otherwise they can fool you."

Before implementing anything Pankaj first discusses it with his father as his father has a wealth of experience and practical knowledge. He has been in this business for more than 40 years.

### *2.1 History of Haldiram's*

In the beginning, it was only one company Haldiram's. That was in the 1940s when it started. As the time moved on, Pankaj's great grandfather's sons and their brothers, they spread all across India. They started using the brand name Haldiram's.

This particular dynamism which came about in the food business for Haldiram's, happened during early 1990s in terms of professionalizing the business and expanding it. Pankaj's father was responsible for that. Their family moved to Delhi in 1983 from Bikaner where they originally belong to. After moving to Delhi, Pankaj's father started a small shop in Chandni Chowk area of old Delhi. The brand name got famous very soon because of the quality of snacks made. In 1992, they set up their first manufacturing unit in Mathura Road, Delhi and that is the time from when they started marketing their products because earlier they used to sell only at their shop. Wholesalers or shopkeepers used to come and they used to buy from there, but they didn't have any sales force or any marketing network. So, in 1992 they launched a proper package.

1983 to 1992 was the first phase which was essentially at Chandni Chowk shop, nothing more than that. That was the time when Haldiram's got settled in Delhi and their brand name got publicized.

They started marketing when they began their manufacturing unit in 1992 at Mathura Road. It was from 1996 or 1997 that they started their exports. So, it's only about fifteen years that the brand name has actually taken off in terms of becoming national.

### *2.2 Haldiram's Marketing Mix*

For namkeen, it was decided earlier that they have to market this product as a branded product and sell it all over the world because at that time in 1992, no branded namkeen as such was there anywhere in the country. So, they were the first one to start branded namkeen thereby exploring and developing the market. Their namkeen packaging is a separate company, but the sweets are manufactured at each outlet.

Haldirma's used to make chole-bhature and they had 50 to 60 different kinds of products. They soon discovered that customers are not interested in all the products. There are some key products for which the customers come to their place. A customer won't come especially to eat Pizzas or burgers to their place. They will go to McDonald's or Pizza Hut. So, they had to focus on their strengths in terms of the products for which the customers from very far off place came to their restaurant.

Haldiram's have their expertise in dosas, ice-creams, Indian sweets and North Indian snacks which include samosas, pao bhaji, chole bhature and namkeen etc. This will continue to be the dominant positioning of Haldiram's.

When they started their manufacturing unit in 1992 at Mathura road, they started only with the showroom. They didn't have restaurant at that time and somewhere around 1994 to 1996, Pankaj's father started the fast food concept

but only with very limited products. Now, the result is that fast food is growing more than the sweets and snacks. Their brand name got even more popular because of the fast food concept. Mathura road outlet proved to be the turning point in Haldiram's business history.

According to Pankaj, Haldiram's don't have any defined vision as such. They just want to serve the best to the customers. That's the only vision.

The production capacity of namkeen in Mathura road is limited because of the space constraint. So, they started production in Gurgaon about a few years ago. They planned to shift all of their namkeen manufacturing to Gurgaon from Mathura Road.

### *2.3 Systems Viewpoint*

Haldiram's entry into the fast food restaurant business was merely a coincidence. They didn't focus on it in order to start a fast food restaurant in 1996-97. Their main expertise is in Indian sweets, namkeens, etc.

The other units are Mathura road, Lajpat Nagar and Chandni Chowk. They are all old units. The people have got used to working in particular fashion. So, it will be difficult for them to change.

Haldiram's have not conducted any study to improve their existing systems. They are not a very old company with set systems in place. It is still a very small company according to international standards, it's a family owned company with almost none external intervention. So, professionalism is still missing. Everything is happening on traditional basis. There is no system as such.

Pankaj is responsible for the Gurgaon project. They are implementing all the systems there which they could not implement fully at the Mathura Road facility. These systems include purchasing systems, maintenance system, quality systems, financial and production systems etc. This focus on system is because of their perceived weakness in this area. They have some internal weaknesses that they want to overcome. They could do it in Gurgaon as it was a green field project. A little bit of experimentation is involved to get the best results. If those things are successful here then they can duplicate the same in other units because those units as well.

They are not bringing any professional input yet to try and help with this system creation part because their job is more labor intensive and they know their people better than any external agency. Also they have to do it in their own way. They cannot hire any food technologist because that way they will be disclosing their recipes.

At present in Gurgaon they are looking more into:

- (1) Controlling their costs,
- (2) Focus and study more on customer's demands

### **3. Haldiram's quest to become a global brand name**

Pankaj thinks that the Indian fast food has not become global because of the characteristics of the product like Rajkachauri, as one have to have ten different kinds of inputs to add to make a Rajkachauri. For example, curd and then there are two or three different kinds of spices. There are also a couple of ingredients which don't have a long shelf life. The other reason could be the fact that none of the Indian companies have invested into packaging in order to increase the shelf life of a fast food product. In contrast; the western products like burgers, pizzas, chips etc are available in the western markets in a frozen form and has a good shelf life. There is no problem for the western companies to send their products from America to India. They package it, freeze it and send it across due to frozen technology and frozen supply chain.

Haldiram's can be positioned as an Indian fast food restaurant. It's not a western fast food restaurant and does not compete with Pizza Hut or Dominos or even McDonald's.

There is a big market, world over in terms of Haldiram's products to become a potential global brand name. Everyday they get e-mails from businesses in many countries which are interested in opening up fast food restaurant and asking for obtaining franchisees.

#### *3.1 Challenges faced by Haldiram's*

A major problem they face in day to day working in food industry is that the customer's in India prefer everything fresh, they are not very much interested in packaged food even today, apart from namkeens. Like the perishable sweets, if you keep a box packaged like you packaged it yesterday and it says shelf life of 20 days. He will again question that I want it fresh, give me fresh sweets, pack it in front of me.

So, that is a challenge, which is driving Haldiram's to develop improved packaging. They have a fully equipped laboratory, chemists etc. They haven't hired any food technologist to develop their packaging. They are doing everything in house.

### 3.2 Competitors

South Indians entrepreneurs can come into north with only South Indian food. So, their positioning and Haldiram's positioning is different. If a customer specifically wants to have a south Indian meal then he/ she might go to a South Indian restaurant. But if each and every member of the family wants to have something different then Haldiram's is definitely their first choice.

Today, Lehar, Pepsi and Frito Lay are the main competitors of Haldiram's in the namkeen and snacks segment and apart from that there is no major competitor as such because the share of branded namkeen in India is not very big as a comparison of total sales of namkeen in the country. It is 20% or 30% at maximum of total namkeen sales all over India. If one goes to any city or village in India one will find dozens of local manufacturers who sell loose namkeen. So, it's very difficult to compete with them in terms of pricing. Quality wise, they cannot compete with Haldirma's but from the cost perspective it is difficult for Haldirma's to compete with them with their whole supply chain cost, distribution cost, retailer margins etc. it is very difficult to compete with them. In smaller cities and villages the customers want good quality but they cannot afford it. They want something of cheaper price. Out there, Haldiram's have a limited market share. According to Pankaj, namkeen is more than 90% of their total turnover and the fast food segment is only about 10%.

In namkeen segment, Haldiram's are still the leader. Pepsi is not near them in the country, but as and when they diversify from namkeen to other kind of snacks like potato chips or extruded snacks, Pepsi has more know how and knowledge about it because they have been into that business for a long period. So, in that area it will be very difficult for Haldirma's to compete with them in terms of technology and in terms of marketing.

They don't think that they have to fight with Pepsi. They have to create their own market because otherwise if from the first stage, they have it in mind that they have to fight with Pepsi then they would need a kind of marketing and advertising budgets. Then, they would need to be that strong that they could fight with Pepsi because they have fifty to sixty different products. Haldiram's are not going to do lot of advertisement. They have their own distributors. They will be distributing through them and it will be a very low-key kind of promotion simply because they don't have budgets.

Haldiram's strategy is not to engage in a direct fight with Pepsi but build one of their own markets and that's the only way they can possibly capture a niche segment of the broader market. This is more of a guerrilla warfare technique. It will be a slow process but that will be the right one because if one goes out straight and fight with Pepsi then it's very difficult to survive, asserts Pankaj.

### 3.3 Franchise opportunities

As stated earlier, Haldiram's are developing their own internal systems. Until and unless, they are strong in-house, they would not like to expand. Unlike their competitors Haldiram's don't want to dish out a lot of franchisees and expand very fast. They would rather like to grow steadily but at the same time have everything in control.

They are definitely thinking of giving their franchisees. They are not franchising across the board for all htier products, they would rather limit their variety. So, they will be focusing only on their core products like Indian chat, papri chat, golgappas, Indian snacks like chole-bhature, pao-bhaji, tikkis. They want to give out franchisees for that along with the sweets. They want to promote both of these products together in a branded format.

Haldiram's don't want to go far from Delhi so in order to have maintain control and face the initial problems more effectively. May be they can even take it in another way that they buy a place, they invest everything and they manage it in the way of franchisee. Like today, they manage each and every outlet personally. They go visit that place but that model they can take it in the form of franchisee, how to deal with the franchisee so that they can learn from it and at the same time, they don't affect their brand name also because that will be done everything in house. So, at anytime they can change the model. There is a vast scope in Delhi. They don't have any outlets in west and east Delhi. They are looking to start in Delhi to see how things turn up, customers reaction, turnover of the franchisee, costs etc.

### 3.4 The concept of frozen technology

Companies conduct studies for frozen pizzas, frozen burger but not for frozen samosas because of the low volumes involved.

In America, one can easily get frozen samosas or frozen parathas. That technology is already implemented there but in India since the infrastructure is not so good for frozen products, the whole cold chain is apparently missing or incomplete. Generally shops in India do not have a frozen refrigerator. So, for frozen products India will take time.

There are some Indian products, which could respond to that kind of freezing concept. Frozen samosas, frozen tikkisa offer a good starting point for the frozen technology.

This is the main reason why export market is the first market for this kind of frozen products or ready to eat vegetables. Whether, it's frozen or whether it's under normal conditions, export market is the first market. Indian market will take time.

Haldiram's would have to struggle to try and establish the Haldiram's brand name or the foreign companies may think in terms of Haldiram's becoming a sources to them and they use their brand name and sell it to the rest of the world. Pankaj agrees to this that they are open for tie-ups with big international companies which can buy frozen samosas and sell in their local markets as long as they are making money in that.

At present Haldiram's are researching the technology; the way it is done and then they are going to experiment it by freezing the products and discover the shelf life of the Indian products when frozen. They will also have to compare the taste between the frozen samosas and the fresh ones and find out whether it is acceptable to the public or not. To start with they will start the frozen concept in one of their outlets.

According to Pankaj, apart from food, there is no business that Haldiram's are looking to enter. It is only food that's their main expertise. If they go into manufacturing of anything, like televisions, there is no point doing that as it's not their core expertise. Anyway manufacturer of color TV are any way not making money. Haldiram's will not enter into that area which has got huge competition as possibilities of making profits is limited.

### **References**

Gupta, V., Levenburg, N., & Saran, P. (2005). *Ebony Department Stores: Strategic Growth Roadmap for an Indian Family Business*. Family Enterprise Research Conference, Portland, Oregon State University.

Sharma, P. (2000). Family business in India. *Family Business Review*. 13(4): 349.

Veliyath, R. (2004). Inheriting the Mantle: Management of Succession and Transition in Indian Family Business. *Family Business Review*. 17(2): 181-188.