

Maestro Bakery to New Venture Backerei - Issues and Challenges

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Abstract

The case is based around a bakery business. The case is built around the decision dilemma that the two young owners of Maestro Bakery face. The bakery started off as a family business in distribution and live dessert catering. After a successful run of nearly twenty years, the owners ventured into Backerei, a niche café-in-bakery. It was started with a view to provide never before bakery experience in the city by serving an exclusive and premium range of Patisseries, Savouries and more. As they venture into the new business, the case revolves around the change from the B2B to the B2C format and the challenges that they may foresee in the new venture. If they were expand the new venture, how should the owners go about it?

Key words: *Bakery, Business to business, Business to customer, Food industry*

Introduction:

It was 4.30 am, Meher and Mitul had not been able to sleep all night as they had a big decision to make. Yet, first they had to get up from the bed and head to Maestro Bakery. Established in 1998, by their father at Indore, Maestro Bakery, served about 200 caterers, wholesale customers, including some of the best restaurants, hotels, and gourmet food shops in significant urban communities. Started in Indore at Madhya Pradesh, the bakery now catered to clients in Gujarat, Maharashtra and Rajasthan. The bakery was a reflection of their long and successful journey in distribution and live-dessert catering.

The Background :

Meher and Mitul were born and raised in Indore, where their father had founded Maestro Bakery twenty years earlier. While, Meher graduated in Advertising & Public Relations and Mitul went on to earn a degree in Hotel Management. After receiving his degree in Hotel Management, Mitul worked with an International hotel network at Mumbai for some time where he picked up considerable practical experience. His experience gave him newfound confidence and ideas that he wanted to implement in his family's bakery. He soon decided to quit his job at Mumbai and join Maestro and along with Meher work towards growing and expanding the family bakery.

In 2016, Meher and Mitul had the opportunity to be part of one of India's major exhibitions for caterers from all over the country. It was organized by Federation of All India Caterers (FAIC) in 2016 at Mumbai (Maharashtra) (see **Exhibit 1**). They received huge appreciation from the caterers and hotelier's in the exhibition.. Both also received the suggestion to expand their wholesale production and live dessert catering in bakery products into retail opportunities to capitalize on the strength of their products. Consequently, two years later, they started a new venture Backerei. Backerei was a niche café-in-bakery. It aimed at providing a new bakery experience like never-before by serving an exclusive and premium range of Patisseries, Savouries and more to the people of Indore. Additionally, what differentiated it from Maestro's business was the dine-in café experience that they provided in a tasteful and luxurious ambience.

In spite of being hugely successful in their parent business they still had numerous challenges such as, training of staff, acquiring raw material from places like Netherlands, Belgium and Berlin, maintaining the quality with locally available materials whenever imported raw material was not available, adding new recipes, reaching out to potential clients, collecting receivables from customers etc.

However, despite these challenges the one currently bothering them was their decision on expanding Backerei. On their way to Maestro Bakery, Meher and Mitul discussed, "If we expand Backerei, would it be successful? Can we deal with the staff and keep up the quality if we expanded? Would we be able to discover the development space in Indore (Madhya

Pradesh) or should we find a location for wholesale production or a space that could provide both retail and wholesale opportunities?” There was a lot to decide if they were to expand Backerei. However, at this moment the dough starters at Maestro Bakery were waiting, as were the other employees. They prepare to confront another bustling day at their bakery.

Maestro Bakery- The Family Business:

Maestro Bakery was Central India’s first ever live bakery. It offered live dessert catering in weddings, receptions, corporate events, birthday parties, etc. in different packages (see **Exhibit 1**). The bakery offered a wide range of best quality products such as chocolates, pastries, customized breads, creative cakes to jams and pizzas. All the products were 100% vegetarian products without use of eggs or animal fat. This catered to the sensibilities of the local citizenry who were largely vegetarian or were vegetarian on few days of the week. Their quality, content and range made them one of the major players in the area of live dessert catering in Madhya Pradesh. Maestro Bakery was driven by the belief that they did not just bake also but also sculptured ideas to create masterpieces. Masterpieces that were not just a visual masterpiece that tasted even better and were lip smacking.

Current Operations at Maestro Bakery. Maestro Bakery used the finest of all raw materials to bake their products, even going to the extent of sourcing the raw material from abroad such as the best quality chocolate- Belgian chocolate. They customized their creation to the customer’s requirements and importance of the events. Semi-finished products were produced at their bakery and then packed hygienically and transported in refrigerated vans keeping the delicacy of the products in mind. They also arrange the event’s venue with beautiful and perfect skill of presentation making live desserts. (see **Exhibit 2**) for detailed live dessert catering process at Maestro’s Bakery)

Human Resources. Maestro’s Bakery had 50 employees that included Chefs, Supervisors, Managers, Helpers and other administrative staff. The qualification of employees hired varied from a pass in the 8th standard to Graduation. It hired professionals, skilled in various arts and techniques of baking and cooking and experienced employees. They hired people based on the referrals and trained them. Employee retention in the bakery was good as they believed in

providing a suitable working environment and paying a salary higher as compared to their competitors.

Technology. The innovation and progressive nature of the business was evident in its use of technology. The amalgamation of contemporary processes and procedures in a traditional food making business testifies to the nature of the business. Technology played a major role in managing various operations at the bakery. At Maestro's Bakery they used Marg Software. Marg is an advanced software that helped the organization in managing various functions such as Billing, CRM, Inventory Control, Recipe and Wastage Management, Menu Management, Vendor Management and more. The software not only helped them in having a more efficient process but also helped them to evaluate their services as well as to keep a record of the customers. A manual and online feedback system for the customers that they had, helped them to have their hand on the customer's pulse.

Customers. The business had about 200 loyal customers that included caterers, hoteliers, schools, local restaurants, Army Canteens etc. in Madhya Pradesh and other states like Rajasthan, Gujarat.

Food Service Industry- The Current Scenario:

In a report published in May 2019, by CARE Ratings, the market size of the Indian Restaurant and Food Services Industry stood ₹ 3.7 trillion and was expected to grow at 10.4% between 2018 and 2022 to reach ₹ 5.5 trillion by 2022. CARE Ratings 2019 had analyzed the revenue and cost structure of the organized restaurant and food service industry in India. The Net sales had continued to register double digit growth of over 17% during financial year 2019, which was 16.1% higher than in 2018. Post FY18 after GST implementation, hotels and restaurants had focused on streamlining of processes, food innovations, for growth and to support the revenues of the industry. After GST coming into effect, the rate of tax on services came down from 18% to 5% for consumers which had reduced the total cost for consumers. However, the Interest cost for players increased to 21.6% during financial year 2019 which was 9.5% during 2018 (see **Exhibit 3**)

In 2018, in an address at FICCI's Foodzania – The Food Service Retail Conference, Mr Unnat Varma, Chairman, FICCI Task Force on Food Service Retail and MD, Pizza Hut India Sub Continent said that “the Indian food service industry is at the cusp of the massive growth”. He had further added that the changing landscape of the food service retail industry was largely driven by the changing consumer behavior which could lead to a sustained double-digit growth over a decade for the sector. This was echoed by the CARE ratings analysis in 2019. “There is a huge consumer market, changing consumer habits, and increase in disposable income, and as the industry has evolved, it has become bigger and better,” said Mr Varma. (see **Exhibit 4**).

As indicated by the most recent report by IMARC Group, titled “Indian Bakery Market: Industry Trends, Share, Size, Growth, Opportunity and Forecast 2019-2024”, the Indian bakery market was estimated to be at US\$ 7.22 Billion in 2018. Given its size, it was probably the largest food segment comprising of different items such as breads, rolls, cakes, buns and rusks. These bakery products are seeing a large demand as way of life of Indians is quickly evolving.

About Indore and the Food Market:

Madhya Pradesh, in Central India is known for its love of food. It presents a unique combination of royal cuisines and appealing street food and delicious desserts. The cuisine of this region, the Malwa cuisine is one of the most popular in Bundelkhand, Mahakoshal, and Gwalior. Indore as the largest city in Madhya Pradesh is therefore a destination for its rich food culture. Indore is the fourteenth most populous city in India with a population of around 30 Lakhs. Indore is also sometimes known as Mini-Mumbai due to its cosmopolitan nature of citizenry and commercial activities having various business communities and well-heeled denizens. As host to two national level institutes, the IIT and IIM, it is also an educational hub and is home to a young crowd of students. The rich demand makes it a home to various local and international players who provide their services in retail food in the city. The diverse culture is quite visible in the growing food habits of people of Indore. (see **Exhibit 5**). The food palette of people of Indore demands just a little something sweet at the end of a meal. However, changing lifestyle motivates the denizens interest in having a platter with small desserts such as brownies, mousse, mini tarts, etc. rather than rich traditional desserts which make one feel heavy after a meal. Due to increase in health consciousness amongst people, a greater number of people have a preference for healthy desserts.

Backerei-The New Beginning:

As Indore is home to endless cafes, bakeries, and dine-in places, Mehul and Mitul Cold not have found a better place to introduce Backerei. This was their own dine-in café with handpicked dishes, smoothest pastries, finger licking snacks, quality savories. All offered in an immersive never before dining experience, taking food in Indore to a grand new level (see **Exhibit 6**). Now it not only offered world class products, but the food was also served in a restaurant which had the look and feel of an European café or a high end coffee shop of a 5 star hotel in India. A dedicated team of with experienced minds -experienced chefs and other helping staff helped build an exceptional bakery experience for their customers to fall in love with. Backerei was not just a bakery with healthy and utterly delicious products but also a tranquil place to find comfort in minus the noise and hustle and bustle associated with a regular café or bakery. Two types of bountiful seating arrangements were provided by Backerei, indoors and outdoors to provide a beautiful ambience and experience to the customers. (see **Exhibit 6**).

Quality at Backerei. Backerei inherited the quality and taste that Maestro's bakery was famous for. The food was prepared fresh with hand-picked ingredients. Every chocolate that customers would drool over in Backerei was prepared with the finest Belgium chocolate- Callebaut chocolates. Every item was prepared in an exquisite manner and served with good craftsmanship. At Backerei, they never compromised on quality.

The Menu at Backerei. The menu at Backerei was a liberal mix of French and English cuisine. The food was not only authentic but also equally appetizing. The café-in-bakery offered the widest variety of bread (multigrain, Vienna, French Baguette, Ciabatta, sour Bread, white loaf, whole wheat loaf, multigrain loaf, etc.), Berliner, Doughnuts, pancakes, cookies, croissants, pretzels, chocolates and pralines. Along with this a wide assortment of other finger-foods such as burgers, sandwiches, granola bars, cakes, pizzas, and muffins were also available. Further, the fine confectioneries at Backerei were also personalized and customized as per customer's choice (see **Exhibit 7**)

Services at Backerei. Backerei hired experienced chefs to select the best quality ingredients to offer customers-the best in terms of taste and quality food. To ensure that they offered the best hospitality services to customers they had well- trained and professionally qualified staff of 35 people that included chefs, helpers, supervisors, managers and other administrative staff. Their qualification varied from a pass in 12th standard to Post Graduation depending upon the type of skill needed. The frontline team at the counter also guides visiting customers about every dish and dessert they wanted. Backerei, also uses the Marg software to manage various operations and for better customer relationship management. To make their operations more transparent, Backerei has a live kitchen and showcases most of the ingredients on the shelf to assure a wonderful bakery experience in every possible way to the customers.

Backerei is definitely one place which had its principles written in stone! Be it their amazing food quality, the freshest ingredients, or their screening process when it came to selecting chefs. This not only made it high-end but the quality offered made it worth every penny the customers spent. However, Mehul and Mitul still had the same question in mind at the end of the day despite being successful in their parent company would they be able to position Backerei successfully in such a huge competitive retail food market of Indore City? (Refer **Exhibit 5**).

Exhibit 1: About Federation of All India Caterers (FAIC)

Catering Associations from across India have joined hands together under the banner of Federation of All India Caterers (FAIC) with a long term vision for the catering industry. The aim of the Federation is to come together under one umbrella, to safeguard the interest of the Industry, to educate & to envision the future of the catering industry. Regional catering associations from across the country have made vital contribution in taking various successful initiatives for the federation. Since its inception in 2013, the federation has achieved many milestones. After the success of their first Exhibition & Convention held in Ahmedabad in 2014 and second at Mumbai in 2016, 3rd Edition – ‘FAIC Convention & Exhibition 2018’

Packages offered in the 2018 by Maestro Bakery in the Expo were Grande, Plus Grande, Super Grande, Superieure. This depended upon size of the event.

Source: <http://faic.in> / Retrieved 4th April 2019.

Exhibit 2: Live Dessert Catering Process at Maestro Bakery

Maestro Bakery uses the finest of all raw materials to bake their products

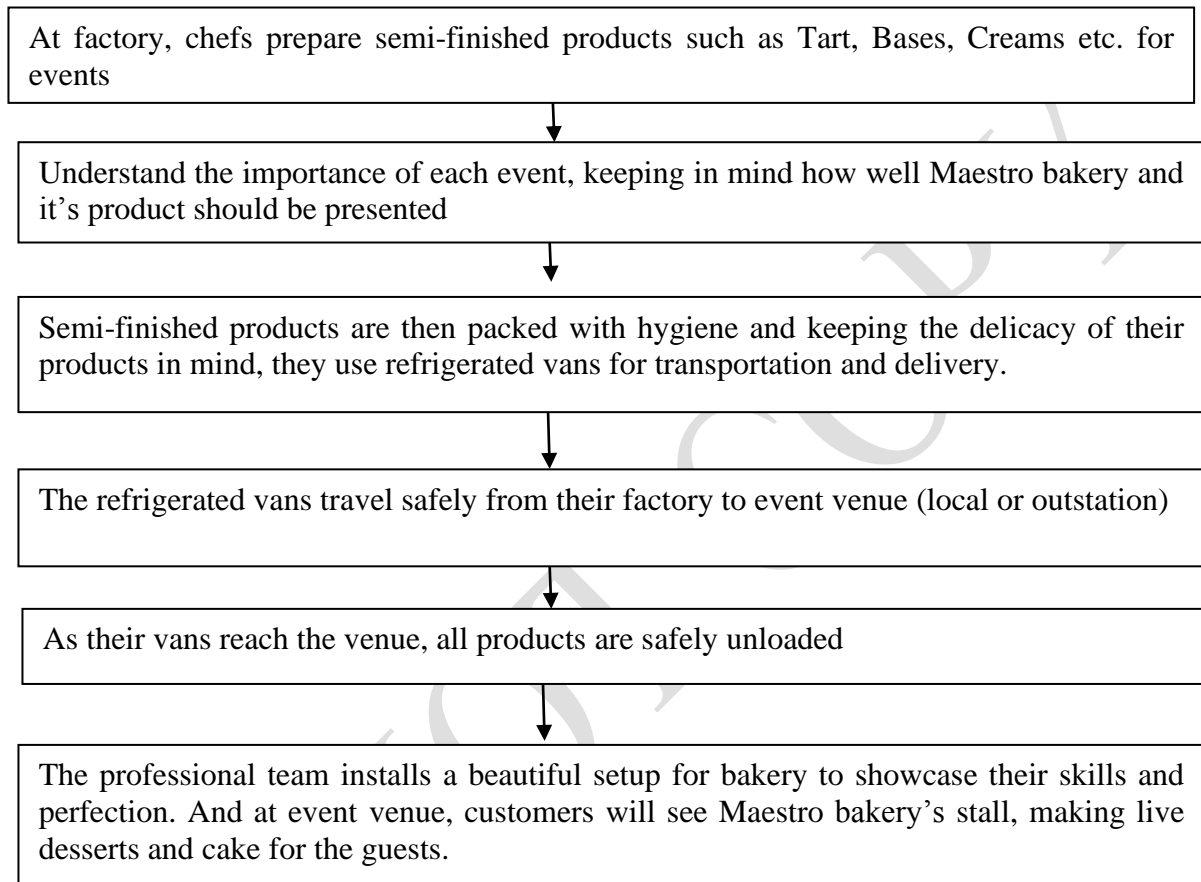


Exhibit 3: Sales and Profit Margins in Food Industry in India

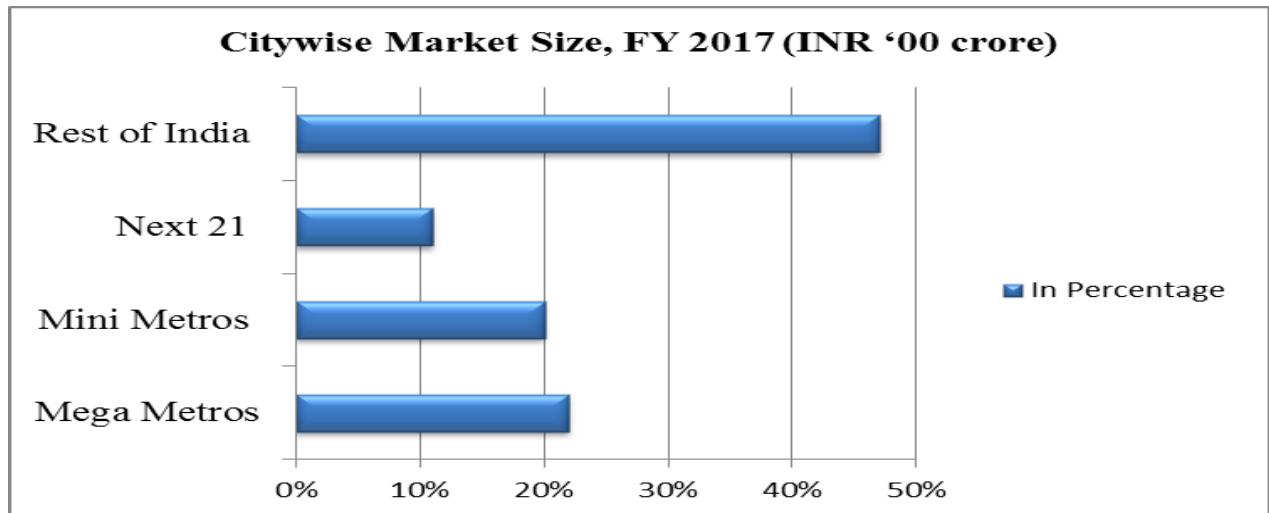
Heads	y-o-y Growth (%)	
	9M FY 18	9M FY 19
Net Sales	16.1	17.4
Expenditure	13.4	16.5
Cost of Services and Raw Material	15.9	8.7
Operating and Manufacturing Cost	13.9	26.4
Employee Cost	10.3	11.5
Other Expenditures	9.2	0.6
Operating Profit	28.7	28.2
Operating Profit Margin (%)	-	-
Interest	9.5	21.6
Tax	81.7	49.1
Profit after Tax	316.8	81.2
Net Profit Margin (%)	-	-

Source: *Kansara, D., Mishra, M. (2019, May 9). Indian Restaurant & Food Service Industry–Structure & Prospects, CARE Ratings. Retrieved 5th June, 2020 <http://www.careratings.com/upload/NewsFiles/Studies/Restaurants%20%20QSRs%20May%202019.pdf>*

Exhibit 4: Indian Foodservice Market Segmentation, October 2018.

Category	Revenue in Thousand Crores in the year 2017	% of total market
Casual Dining	581	55
Quick service restaurant and fast food	215	20
Pub, club and Bar	127	12
Café	77	7
Full-Service restaurant	24	2
Others	31	3
Total	1055	100

Source: *FICCI-PWC(2018) The changing landscape of retail food industry Retrieved 7th June, 2020 [ficci-s-foodzania-2018-the-food-service-retail-conference.pdf](http://www.ficci-s-foodzania-2018-the-food-service-retail-conference.pdf)*

Exhibit 5: Graph showing Citywise Market Size of Organized Food Services

Mega metro cities: Delhi-NCR and Mumbai. Mini Metro Cities: Ahmedabad, Pune, Chennai, Kolkata, Bangalore, Hyderabad. 21 Cities: Jaipur, Lucknow, Surat, Nagpur, Kanpur, Indore, Patna, Chandigarh, Kochi, Coimbatore, Vadodra, Ludhiana, Nashik, Varanasi, Madurai, Visakhapatnam, Bhopal, Amritsar, Rajkot, Trivandrum, Goa.

Source: *NRAI Technopak India Food Services Report 2016, Technopak Analysis, Retrieved April 2019, from <http://ficci.in/spdocument/20969/foodzania-2017-report.pdf>*

Exhibit 6: Ambience and Layout Backerei

Exhibit 7: Menu at Backerei

<p>pepper on whole wheat bread</p> <p>Garlic Bagel ₹150 Garlic, cheese, cream cheese and seasoning on white or brown bagel</p> <p>Mix Veg Burger ₹150 Mix vegetable patty, slice cheese and sauce</p> <p>Garlic Bread ₹170 French baguette bread served with garlic, chili and herbs</p> <p>Grilled Vegetable ₹190 Assorted grilled vegetables with basil pesto sauce and cheese on olive focaccia</p> <p>Mexican Grilled ₹190 Cucumber, tomato, potato, lettuce, jalapeno and exotic vegetables with homemade sauce and mayonnaise on panini bread</p> <p>Paneer Burger ₹200 Paneer patty, sliced cheese and sauce</p> <p>Val-Au-Vent ₹200 Hollow puff pastries with assorted fillings</p> <p>Mumbai Sandwich ₹250 Spiced potatoes, cheese with onion mint chili relish on white bread</p> <p>Ciabatta Paneer & Cheese Open Sandwich ₹250 Spicy paneer, bell pepper and cheese with home made sauce on ciabatta bread</p>	<p>PANCAKES</p> <p>Classic ₹250 Maple Syrup, honey, whipped cream and vanilla ice cream</p> <p>Banana Caramel ₹299 Served with fresh bananas, honey, caramel sauce and vanilla ice cream</p> <p>Nuts & Berry ₹299 Served with crunchy nuts, butterscotch, honey, chocolate sauce and vanilla ice cream</p>	<p>WAFFLE</p> <p>Maple Syrup, honey, whipped cream and vanilla ice cream</p> <p>Caramel Served with fresh bananas, honey, caramel sauce and vanilla ice cream</p> <p>Waffle Sandwich Served with vanilla ice cream</p> <p>Nuts & Butterscotch Served with crunchy nuts, butterscotch, honey, chocolate sauce and vanilla ice cream</p>	<p>SUPER SHAKES</p> <p>Berry Shake ₹275 Blueberry / raspberry / strawberry blended to perfection</p> <p>Banana Caramel Shake ₹275 Kick start your day with this energy booster</p> <p>Apple Honey Shake ₹275 Relish your palate with this super healthy shake</p> <p>Oreo Shake ₹275 No need to twist, lick or dunk</p> <p>Homemade Cookie Shake ₹275 All the cookie lovers this cookie shake is a must try</p> <p>Chocolate Shake ₹275 Beat your chocolate cravings with krozzon's classic chocolate thick shake</p>	<p>Indori Chatpatta ₹270 Cucumber, tomato, capsicum, onion, potato and paneer seasoned with chef's secret spice on Panini bread with cheese</p> <p>Doughnut Sandwich ₹270 Cucumber, tomato, capsicum, lettuce and fried onions mixed with garlic and cheese</p> <p>Mexican Wrap ₹275 Broccoli, corn, bell pepper, zucchini, and jalapeno mixed with herbs and cheese in pita bread</p> <p>Spicy Paneer Roll ₹349 Bell pepper, onions and paneer tossed in spicy masala rolled in pita bread</p> <p>Mix Veg Roll ₹349 Bell pepper, cabbage, carrot with spicy mashed potatoes rolled in pita bread</p>
<p>Apple Honey Shake ₹275 Relish your palate with this super healthy shake</p> <p>Oreo Shake ₹275 No need to twist, lick or dunk</p> <p>Homemade Cookie Shake ₹275 All the cookie lovers this cookie shake is a must try</p> <p>Chocolate Shake ₹275 Beat your chocolate cravings with krozzon's classic chocolate thick shake</p>	<p>MEAL FOR THE SOUL</p> <p>Black Forest Doughnut ₹399 Whipped cream, cherry, chocolate flakes and ice cream</p> <p>Caramel Crunch Doughnut ₹399 Caramel cream, almond nougat, caramel sauce and ice cream</p> <p>Chocolate Chip Doughnut ₹399 Chocolate moose, chocolate chips, chocolate sauce and ice cream</p> <p>Honey and Coconut Doughnut ₹399</p>	<p>SOUPS</p> <p>Veg Clear ₹149 Mix vegetable stock and seasoning, broccoli, zucchini, carrot, mushroom</p> <p>Hot and Sour ₹149 Carrot, cabbage, beans, vegetable stock</p> <p>Lemon Coriander ₹149 Carrot, cabbage, beans, paneer, baby corn, lemon, coriander</p> <p>Veg Manchow Noodles ₹199 Hot and spicy soup made from mixed vegetables and noodles</p>	<p>COMMUNITY SHAKES (Socialize over these shakes)</p> <p>Doughnut Shake ₹500</p>	<p>SOUPS</p> <p>Veg Clear ₹149 Mix vegetable stock and seasoning, broccoli, zucchini, carrot, mushroom</p> <p>Hot and Sour ₹149 Carrot, cabbage, beans, vegetable stock</p> <p>Lemon Coriander ₹149 Carrot, cabbage, beans, paneer, baby corn, lemon, coriander</p> <p>Veg Manchow Noodles ₹199 Hot and spicy soup made from mixed vegetables and noodles</p>

<p>pepper on whole wheat bread</p> <p>Garlic Bagel ₹150 Garlic, cheese, cream cheese and seasoning on white or brown bagel</p> <p>Mix Veg Burger ₹150 Mix vegetable patty, slice cheese and sauce</p> <p>Garlic Bread ₹170 French baguette bread served with garlic, chili and herbs</p> <p>Grilled Vegetable ₹190 Assorted grilled vegetables with basil pesto sauce and cheese on olive focaccia</p> <p>Mexican Grilled ₹190 Cucumber, tomato, potato, lettuce, jalapeno and exotic vegetables with homemade sauce and mayonnaise on panini bread</p> <p>Paneer Burger ₹200 Paneer patty, sliced cheese and sauce</p> <p>Val-Au-Vent ₹200 Hollow puff pastries with assorted fillings</p> <p>Mumbai Sandwich ₹250 Spiced potatoes, cheese with onion mint chili relish on white bread</p> <p>Ciabatta Paneer & Cheese Open Sandwich ₹250 Spicy paneer, bell pepper and cheese with home made sauce on ciabatta bread</p>	<p>PANCAKES</p> <p>Classic ₹250 Maple Syrup, honey, whipped cream and vanilla ice cream</p> <p>Banana Caramel ₹299 Served with fresh bananas, honey, caramel sauce and vanilla ice cream</p> <p>Nuts & Berry ₹299 Served with crunchy nuts, butterscotch, honey, chocolate sauce and vanilla ice cream</p>	<p>WAFFLE</p> <p>Classic ₹250 Maple syrup, honey, whipped cream and vanilla ice cream</p> <p>Banana Caramel ₹299 Served with fresh bananas, honey, caramel sauce and vanilla ice cream</p> <p>Waffle Sandwich ₹299 Served with vanilla ice cream</p> <p>Nuts & Butterscotch ₹299 Served with crunchy nuts, butterscotch, honey, chocolate sauce and vanilla ice cream</p>
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