
Covid-2019 and Undeterred Home Food

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Abstract

This case discusses the journey of a food aggregator business. The case illustrates how first generation entrepreneurs in the introduction phase of their business lifecycle, in a total lockdown situation, could consolidate their business position and grow. The American Author Zig Ziglar interpreted F-E-A-R in two ways; 'Forget Everything and Run,' or, 'Face Everything and Rise.' While they were struggling to stay afloat in the first few months of starting out, prospecting helped them to swim through the choppy Covid-2019 waters. Home Food made best use of such adversity, transforming it into business opportunities. It can be used in cases on Organization Change and Development and Entrepreneurship Development.

Key words: *Covid-2019, Food Aggregator, Change and Development ,Entrepreneurship*

The Prologue:

The initial days of Covid-2019, as the country entered a phase of lockdown, posed a new challenge for Home Food; the challenge of sustaining itself in times of uncertainty. Home Food, was a start-up of three B-School graduates Shruthi, Narayana and Aditya of Xavier Institute of Management Bhubaneswar. In 2019, forgoing job offers received through campus placements, the three graduates had founded Home Food. Home Food was a food aggregator business, but with a business model unlike that of other food aggregators in the market. Their USP was a network of households and home cooks who catered to their customers' varied tastes and requirements. Unlike other food aggregators whose food suppliers were restaurants, professional cooks, the food at Home Food was aggregated from home cooks and private households.

With a low margin of 2.5 %, the first year of Home Food's operation was a period of struggle. It was difficult to run it at that margin but increasing the price charged from the

customers would have raised the price above the competitors would make them shift to other options. It had become unsustainable to run the business. Many times, the thought of closing the business occurred to the entrepreneurs. For months together, they debated over the dilemma, but with strong determination, they continued their venture, even though the income generated was just meeting the cost of operation. With successive failure to source funds for their innovative business plan, Home Food faced the challenge of surviving.

As they tethered between staying put and shutting down as one year of its operation drew to a close, the Covid-2019 pandemic engulfed India and the city of Bhubaneswar was also affected. While for many businesses, such pandemic and the subsequent four phases of lockdown had disruptive effect on their functions; by the time the country went into the lockdown 5.0 and into a phased opening, Home Food, a business that was mulling closure a month back could turnaround and was now considering growth and expansion!!

The Modest Beginning:

Mobilizing their personal savings, Shruthi, Narayana and Aditya started their venture Home Food in April 2019 with an initial investment of ₹ 2.5 lakhs. The idea occurred to them during their summer internship in 2018. Their observation of students' campus experience with food also stimulated them to think of this business model. Their B-School attracted students from different parts of the country. The standardized mess food many times ran contrary to their food choices. Even the campus-cafe and failed to meet their expectations. Quite often, they noticed their colleagues rushing off to far-off multi-cuisine restaurants for food of their choices. After, several brain storming sessions, they came up with the idea of Home Food. Subsequent market research discussed earlier, validated their ideas and the existence of market demand for such venture. Relinquishing good job offers with an average CTC of ₹ 12.5 lakh in TCS, Aditya Birla, and Infosys, they decided to take the entrepreneurial plunge. All three were first generation entrepreneurs with middle-class roots, their parents holding jobs in PSU's and private sector.

Birth of Home Food in Bhubaneswar:

Home Food operated in Bhubaneswar, a cosmopolitan city with denizens from different parts of the country. As an educational hub with multiple engineering, medical and management colleges and +2 colleges and coaching centers, it attracted many students from all over the country. Its multiple IT offices, Central and State Government PSU's, and offices also drew people from far and wide across the country to the city for work and employment. As the State

capital, the city also saw many students and employees from different parts of Odisha residing in Bhubaneswar.

The necessity of a different kind of food aggregator in Bhubaneswar. Many of these students and employees lived alone, away from their families in Bhubaneswar. Living and managing alone, a majority of these people normally avoided cooking for themselves and ate out at the small fast food restaurants mushrooming across every corner and street in the city, or ordered food to be delivered at home either through the food aggregators or the regular local restaurant's generous home delivery system. A preliminary market research done by Shruthi, Narayana and Aditya of Home Food indicated that the size of the population which depends on such food was not less than a lakh. The other important finding was that these consumers were not happy. The unhappiness of these consumers stemmed from their feeling of deprivation from their preferred food taste and choices. Being from different regions and states, their culinary methods were varied, such as the choice of cooking oil, spices, menu etc. which was rooted in their culture. Home Food was started to meet this challenge of providing food with a home like taste to the customers.

During the preliminary research, Home Food first visited various establishments in Bhubaneswar, where people from different states were studying or working. People representing different states, were interviewed and a list of their preferred cuisine drawn up. In these face to face meetings and interviews, it was found that most people were dissatisfied with cooked food they were buying. Given an alternative, if some vendors could meet their need for preferred regional cuisine, they would certainly go for it. At the end of the interview, a list of such willing and potential customers was prepared.

Simultaneously, Home Food also started identifying households, who would be interested in cooking and selling home food of their state. Willing households were then approached and listed on Home Food's Application. Customers requiring lunch had to place their orders early morning, latest by 7:30 A.M and by 5:30 PM for dinner so that there was time to source the type and quantity of ingredients required from the market, and ensure the availability of the cooked food ready to be picked up by the available time. Home Food's delivery boys picked up the food packets from the households and delivered to the customers.

The Business Model:

Home Food's supply chain was no less innovative. Orders placed by customers were first passed on to suppliers within a radius of five k.m. from the customer. Only in case of non-

availability of supplier of the preferred cuisine within the radius was the order passed on to another supplier of the same cuisine outside the five k.m. radius. This arrangement ensured both on-time delivery and ensured delivery of hot food as well as saved of cost of fuel for delivery boys. Incentive for delivery boys at the base level was fixed at 10% on food bill. If bill amount in a day exceeded, ₹ 5000, delivery boys would get 1% extra on the total billed value. Additionally, they also had an insurance coverage of ₹ 5 lakh.

Home cooks supplying cooked food were offered a fixed price per dishes, based on the prevalent market rate. This allowed flexibility to Home Food to manage the price band for customers. For example, a three-course vegetarian meal was priced by Home Food at ₹ 130 including delivery charges, and a four course non-vegetarian meal (with chicken only) was priced at ₹ 150 including delivery.

With order booking of less than hundred per day, the average billing amount was ₹ 15,000 per day. For providing wide choices to customers, the application allowed wide range of food variety to be chosen by customers, at times this spreading out of orders resulted in one order to a vendor. This led to dissatisfaction among retained vendors, the home cooks, as they felt they incurred losses on cooking a single dish. Within two months of their operation, the number of retained vendors for supplying cooked to Home Food went up to 50. Right from the beginning Home Food's USP was customisation and scalability. However, an analysis in the month of June 2019, indicated that while customization was being made available, scalability was still a distant goal. **Exhibit 1** details the range of food provided. July, 2019 were the dark days for Home Food. Many retained vendors snapped their ties with Home Food. Delivery boys were also unhappy, as their net earnings had significantly dropped. With rising fuel prices, they observed that on some days, their income was less than ₹ 50.

With a failed business model, Home Food was rethinking its survival strategies. On July 15, 2019, Shruthi, Narayana and Aditya had a daylong meeting to work on Home Food's strategies for sustenance. Shruthi's specific assigned responsibility was vendor development and supply chain management. With her gentle, polished nature and persuasive skills, Shruthi was expected to handle the vendors and delivery boys better. Narayana's outgoing ability and amicable nature made him the right candidate for harnessing his rich network for market research and market development. Narayana's panache for finances and numbers made him take over financial management.

The First Year of Struggle and Plans That Did Not Bear Fruit:

On July 16, 2019, Home Food had another meeting. Intermediate market research indicated that many potential customers could not avail Home Food's services due to their work schedule and constantly being on the move. Some of them indicated if they could make available ready-to-eat, semi-processed quality food packets parallelly with their 3-4 course meal food services, they would opt for it. Such expression of demand led to a debate over whether some ready-to-eat food items could be made available in mini-packets, rather than a full course meal, and could be sold in some make-shift kiosks in prominent places or delivered at their workplaces. Home Food assessed this could open a new vertical, and their vendors were given the task of cooking and packing one-bowl working lunch or light dinner packets such as *rajma chawal*, *mixed fried rice*, *aloo paratha*, *plain paratha with dry sabji*, etc. They priced it competitively to capitalize on this segment and increase their sales revenue.

Seeing the demand in this segment, they prepared a new business plan and thought of introducing ready to eat, semi-processed, tasty and quality food items with extended shelf life. Retaining the services of a nutritional and food packaging specialists, they thought of coming out with innovative ready-to-heat food items that required only heating at the customer end either using a microwave oven or an induction cooker, which were essential household items for any person, even if they resided alone. With the introduction of innovative food packaging they could ensure freshness of food items and meet food quality and health requirements. The initial distribution plan was to sell these food items in makeshift kiosks near major corporate houses, markets, educational institutions and coaching centres, bus terminals, and major railway stations. They thought of engaging the existing delivery boys for selling their food packets at the same commission rate, mentioned earlier.

However, venturing into the ready-to-eat segment, required a huge initial investment, which they calculated to around ₹ 2 Crores (including three months working capital). The banks that they approached were not convinced with their business proposal. All banks required them for collateral by way mortgaging their parental houses, and limiting the loan amount to the extent of 50% of the property value. Venture capitalists were not inclined to invest, as they were unsure about the viability of the business. Their efforts at seeking angel funding were also rendered futile.

Shruthi, Narayana and Aditya, as explained earlier, had turned down the job offers and considered their dream venture was now the only way to for them to sustain. They were

determined. They didn't want to exit from their dream entrepreneurial venture. The days ahead were tough. Between mid-September 2019 to February 2020, Home Food was somehow surviving and continued its with business just to have their foot in the door and to promote the brand. With limited households as vendors, and minimum delivery boys, they executed limited orders ranging from 100 to 150 meals a day. They could, however, do some good business in during the festive season, when many people loved to eat out and avoided cooking.

The Turning Point -Covid 2019 Brings New Hope for the Sinking Business:

Beginning March 2020, Home Food encountered another challenge due to Covid-2019, which imposed restrictions in the form of social distancing. By end March , Home Food's business environment got further complicated as people were home quarantined, students had returned to their native towns. There were restrictions on movements in the first phase of lockdown and delivery of food was getting difficult

Amidst this crisis, their survival instincts kicked in and they came out with Plan-B. Home Food started networking with the hospitals and health-care sector. Most of the hospitals in Bhubaneswar faced the crisis of serving food to their in-patients. Further, healthcare workers working long shifts, also needed hygienic food. Many hospitals had to close their canteens for absence of staff, who had returned to their native villages and were too afraid to be working in the hospital environment. The canteens of Hospitals and Clinics which used to operate 24x7 were now deserted by their cooks and support staff. In such places, demand for meals (both lunch and dinner) in the city itself, exceeded five thousand a day. For breakfast and refreshment, Home Food installed instant tea and coffee vending machines, and offered healthy breakfast options with fruit platters, boiled egg, and bread and butter. Moreover with increased number of people being home quarantined and roadside-hotels and restaurants closed, there was sudden surge of demand for Home Food. In the prevailing Covid- 2019 circumstances, Home Food also observed multiple quarantine centres had been set up in the city of Bhubaneswar. The quarantined needed food and Home Food served there as well. Suddenly they could see their revenues rising.

Their Plan-B focused on increasing the scale of operation. The vendors were happy, they were only too pleased to add on more number of meals. With Plan-B their sales turnover reached ₹ 2.5 lakh a day. The growth in sales revenue continued unabated. In spite of Covid-

2019, Home Food was growing. By April end, Home Food reached a sales turnover of ₹ 7.5 lakh a day.

The initial business model of Home Food was B2C with an approach of customization based on the customers' tastes and preferences giving emphasis to retaining of regional cuisines and taste. In the Covid-2019 situation, Home Food converted into a foodtech company with a B2B approach. Rather than catering to individual customers' orders alone for meals, Home Food tied up with Hospitals, Health Care and Quarantine Centres to supply simple cooked foods in bulk such as rice, pulses, vegetables, chappati or bread, butter, fruits and egg. With B2B, Home Food also became scalable in their food items, and it was possible to introduce different size and volume of food supplies, leveraging both economy of scale and economy of scope. With increasing revenues, Home Food engaged their own cooks who worked in the abandoned canteens of the hospitals and clinics, and started cooking food items based on the dieticians choices. They were able to hire cooks from the many rendered jobless after hotels downed shutters. At the same time, Home Food continued their home food supplies to individual customers, in the B2B mode. Home Food ensured all transactions were through digital payment systems. Food supplies (including breakfast items) by Home food were made in healthy packets. Home food became a go-to name for food in times of Covid-2019 in Bhubaneswar.

Future Plans and Business Consolidation:

Having made profits within a year of starting out, Home Food was now enthusiastic to consolidate and expand. With slackening of restrictions in lockdown 4.0 and phased opening, Home Food started getting calls from IT companies as their canteen staff members had also left the city. The trio was now aiming for business consolidation with better value proposition to customers by providing *'healthy food for healthy life.'*

Initially Narayana voiced his plan of collaborating with Swiggy and Zomato to deliver their goods with their delivery crews. This was turned down by Shruthi who said this would only generate revenues without adding to their brand value. Aditya's networking had also borne fruit and he mentioned that some angel investors had evinced interest. With the lockdown easing, the founder trio began discussion with some angel investors for availing investment to the tune of ₹ 5 crores on equity terms. Now they could add some much needed manpower to their payrolls that they had been thinking of for better value propositions to the customers. In

the first stage they would hire five young minds; two nutritionists, two marketing executives, and one operations executive.

Shruthi, Narayana and Aditya were aware their success was in times of adversity. Adversity posed to others had killed competition and been in their favour. However, once the threat of Covid-2019 threat subsided, they would again face the challenge to sustain as the cooks and staff returned and quarantine centres closed down. They were however confident that they would be able to sustain and grow by consolidation and expansion of their market position. Now that their success had drawn the attention of corporate investors and investments were coming by it was time to reap the fruits by consolidation and expansion of business with a solid business plan.

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Exhibit 1: Orders of different cuisines received in the month of June, 2019

| Type of Cuisine | Number of Orders |
|-----------------|------------------|
| Bengali | 65 |
| Marwari | 05 |
| Odiya | 15 |
| Punjabi | 03 |
| South Indian | 10 |
| Bihar | 02 |
| Total | 100 |

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