Chapter 7
Delivering Hospitality through Franchising: The Case of Monginis, India

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ABSTRACT

Every one celebrates their birthday to cherish new dreams, and yet Monginis crawled in 1970 at Chembur, Mumbai with just one store. Mr. Albert Desouza, Marketing Head recalls the cascading journey that has carved a strategic path for Monginis, selling over 30 million pastries and 4 million cakes. It all grew from one store in 1970 to over 75 stores in 1986! However 1990’s saw a new surge of energy with the Franchise model and hence this business travelled outside Mumbai. The Franchise model embraced some real time practices of Human Development that were carefully captured through the recruitment strategy, job engagement, training, positive work environment along with strategic practice of embracing local taste in product that has summoned success. Mr. Albert appears pensive at the CST railway station noticing the roaring volume of people and wonders: How will Monginis reach out to every Indian? While the Franchisee model has led to expansion and growth he seems restless; we still have a long journey… but now…how should we travel?

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INTRODUCTION

Mr Albert Desouza, Marketing Head, India, Monginis Foods Pvt. Ltd walked out of his office from the second floor on the CST railway station, Mumbai India. It was one of the busiest railway stations for suburban commuters in the world with about 4.8 million passengers boarding per month in the year 2010. He could feel the warm evening sunlight of mid-Indian summer as he looked outside the platform. He fondly remembered that it was June 2001 when he took the rein of Monginis as a Marketing Head. He has been on a mission to take the cake shop to nearly every neighborhood in Mumbai and nearby states. He has succeeded to quite some extent: there are currently 600 Monginis Cake Shops across six Indian states (Maharashtra, Goa, Gujarat, Madhya Pradesh, West Bengal and Odisha), of which 225 are in Mumbai alone. Every year, the chain sells 30 million pastries and 4 million cakes. A PAN India presence still seems to be an uphill task. However having tasted success with the franchise model, and backing upon rising middle class income he was determined to carve a slice for itself from Indian market where cakes still constitute just about 20% of the total desserts and sweets market.

He could easily recall his MD saying that from one store in 1970 at Chembur, Mumbai, Monginis grew steadily to 75 by 1986, the same year it set up the 42,000 sq ft factory that houses the current headquarters in Andheri. Monginis based in an emerging economy (India) and a part of a growing bakery market always had a challenge to understand the local palette in order to become successful and to become a national brand. It was then in 1990 that Monginis decided to franchise even the production of the cakes. Hence the cake shop moved outside Mumbai for the first time, opening stores in Rajkot, Pune, Goa and Ahmedabad.

Monginis now have in total 13 production facilities, of which only four (two in Mumbai and one each in Hyderabad and Surat) are owned by it. Today the franchisee manufacturers account for about one half of total production and the company monitors quality of the produced by deploying its own executives to be part of the franchise team. All Monginis products are made at these centralized bakeries and then sent to the various outlets, which greatly helps Monginis to optimize the retail space — the cake shops are only about 200 sq ft. Monginis charges the franchisee bakers a royalty of 4% on their total sales to franchisee outlets.

1. MONGINIS FOOD PVT LTD

Monginis traces its roots back to its humble beginning to a time when it was a favorite with the Europeans in Mumbai. Little excuse was needed for Englishman to pick up a Monginis cake whenever there was an occasion in his family. A birthday, and an anniversary, a wedding or even tea-time would not be complete without Monginis. Today, it is the nationwide headquarters to which all manufacturing and cake shop franchisees report.

Early in the 20th century, two Italian brothers of the Monginis family ran a catering service in Mumbai’s Fort precinct, one of which was popular with the city’s European residents at the time. In 1958, Monginis Catering was bought up by the Khorakiwala family, and became Monginis Foods Limited. In 1971, the company adopted the franchise model of business, with a stated emphasis on localized production for local tastes. It also models itself on the “food boutique” concept, focusing on quality, presentation and service. It has thereby expanded its brand and reaches across the country, hitting a total worth of about 950 million rupees by 2012.
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