

INSTITUTE OF MANAGEMENT TECHNOLOGY – Ghaziabad

PGDM – 2nd yr (BATCH: 2014 - 16)

TERM- V

Subject: leading and Managing Change

Faculty Name: DR DP Sahoo, EXAM DATE: 12/09/15

Time allowed: 1.1/2 Hrs.

Max. Marks: 40

Instructions: Open text book examination

Part:1

Questions: Read the following case and answer the questions.

Natural Ice Cream

"Driving through the by lanes of leafy Juhu Scheme, I would often stop and admire the bungalows in this prestigious suburb of Mumbai. How I wished I could own a home in this part of the city and could hobnob with the rich and famous from the film and industrial world"...reminisces Mr. Raghunandan Kamath (60), Managing Director, Natural Ice Creams. Having built one of the unique ice cream brands in the city, Mr. Kamath talks openly and candidly about his childhood dream and what motivated him to set up the 'Natural Ice Cream from Juhu Scheme' in the same locality.

Since the manufacturing is centrally located in Mumbai, supply of the ice cream is currently restricted to only a 500 km radius from Mumbai. Can the business sustain itself on its path towards expansion with a single manufacturing facility? Apart from focusing on manufacturing great ice creams, the brand also needs to focus on creating maximum customer value through providing a relevant and exciting consumer experience that is evolving with time.

The Growth.

From small family dream to100 crore brand, and now dreams to expand across the length and breadth of the country and go global. Today, Natural Ice Creams manufactures 12 tons of ice cream a day and has a turnover of 100 crores. The franchise setup has spread across 120 plus stores in Western India, with a majority in Maharashtra and Karnataka and with firm plans to go to Northern India and Dubai & Singapore in near future.

Natural Ice Creams, as the name suggests is made using only natural ingredients, went on to become one of the premium artisan ice cream brand sold only in the standalone ice cream parlors in the city of Mumbai. With time Natural Ice Creams expanded from a single company owned outlet in Juhu Scheme to a network of company owned and franchised outlets in western India. Natural Ice Cream has positioned itself as unique artisan ice cream that is made only from natural ingredients against local and global players such as Amul, Joy, Kwality-Walls, Vadilal, Mother Dairy, Nestle, Baskin Robbins, Haagen Daz and Movenpick who use additives in form of artificial stabilizers, colours and flavours. The product competes with local sweets as well as the branded products of Ice-creams. What Raghunandan Kamath achieved in the last 30 years - isn't phenomenal?

The Beginning

Long before natural and organic food was considered a premium category, Mr. Raghunandan Kamath thought of making ice cream that was made using only natural ingredients. Setup in 1984 in a small shop in Juhu Scheme, Mr. Kamath lived his dream and demonstrated his artistry of making handmade ice cream in a small shop in the suburbs of Mumbai. The front part of the unit served as a shop while behind the curtain was his manufacturing unit.

Mr. Kamath started the business by churning 10 kg of ice cream per day in 200 square feet shop cum manufacturing unit but soon reached the production level of 2-3 tons of ice cream per day in his small home-grown family-owned ice cream making unit in Juhu Vile Parle Scheme, a western suburb in Mumbai where the rich and famous, including film stars lived. Mr. Kamath knew fruits well and he had a natural instinct for the right flavours that involved mixing fruit pulp and milk in the right proportion. For him, making ice cream was no less than an art form; he would experiment with new fruits with their natural flavours to make innovative flavours of ice cream. He would develop the new combinations and ask his customers to sample the new flavours he developed which included sitaphal (custard apple), kaju draksh (cashew nuts and raisins) and many such innovative flavours using fruits and dry fruits.

Mr. Kamath believed that when you begin you know little but your customers are your best teachers. The customers often suggested ideas of combining new ingredients to Mr. Kamath who was humble, focused and ready to experiment. Combining exotic fruits to create esoteric ice cream was his passion and he experimented with fruits of all varieties. Fruits like mango and strawberry have long association with ice cream but it was Mr. Kamath's imagination to combine chickoo, orange, tender coconut, musk melon, goose berry, papaya, black grapes, peach & apricot, anjeer, walnut & chocolates and so many other fresh and dried fruits with ice creams. The number of flavours that he came up reached to almost 100 by a positive feedback loop of interaction between him and his customers. Mr. Kamath, a stickler for quality, meticulously worked to achieve the desired taste. His manual for best quality of ice cream was simple; buy the best quality of ingredients and make ice cream with love.

Unaware of the management jargons, Mr. Kamath made two innovations in his small ice cream business. One, a product innovation in the form of combining new combinations of fresh and dried fruits in ice cream and two, a marketing innovation in the form of selling ice cream only in an 'Exclusive Standalone Ice Cream Parlour'. He believed that in an urban environment, after a busy day at work, people need a reason to get out of the house after dinner and need a place to 'hang-out'. There existed the ubiquitous 'panwala' who catered to this need but it remained more or less men-centric. An ice cream parlour provided the best option for family outings. The two innovations, the product innovation and marketing innovation were novel ideas of the time and became 'Unique Selling Propositions' (USP) at Naturals. The brand equity of Naturals expanded to other cities as well as people treated their friends and relatives at Naturals when they visited Mumbai.

The future

Srinivas Kamath (29), the elder son of Mr. Kamath enhanced the level of professional management. He marveled at his father's creation of the unique product and unique business with amazing customer loyalty. Starry eyed Srinivas wanted to expand the business and take it to places. His dream was to make Natural Ice Cream, a Pan-India brand first and then take it to the global market. The expansion path was two pronged: (1) scaling up the production facility and (2) scaling up the marketing network.

When it came to scaling up the production facility, Senior Kamath, insisted on keeping the production under one roof to maintain stringent quality standards. When they moved the production center to a larger factory space of 20,000 square feet at Kandivali, Raghunandan Kamath, a stickler for perfection, happily spent a large part of his day on his factory shop floor supervising all operations. The raw material dealers in the supply chain for the three main ingredients, milk, fresh fruits and dried fruits too grew along with Naturals. Buffalo milk that reached the factory in tankers was carefully treated to maintain the prescribed bacteria count. The father-son duo researched on the technology, they innovated and improvised and custom built the technology to produce the ice cream on a larger scale. The milk was reduced and condensed by a process called 'Falling Film Evaporation'. The techniques that were developed to make pulp of fresh and dried fruits too were scaled up. Industrial churners with freezers were specifically designed and developed to churn the large quantity of milk and fruits that made smooth ice cream.

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The decision was difficult when it came to scaling up the marketing network. They were in a dilemma, they thought of a large number of options for the expansion of the marketing network. Setting up distribution channels and selling ice cream in grocery stores and super markets was the most treaded path that the machine made ice cream makers like Kwality, Joy, Amul and Vadilal had taken. Ice cream was also sold by vendors on bicycles in public places. However, it did not gel with the ideology at Naturals as it went against their marketing innovation of 'customer experience' at standalone parlours. Their customers vouched for the unique 'hang out' place that Naturals had created. Srinivas did not want to dilute their USP and make any compromise on the 'customer experience'. After a lot of contemplation, they took a policy decision to expand through company owned outlets and also grow through franchisee.

Kamaths felt that growing marketing network through franchisee would allow them to retain their USP of ice cream in a standalone parlour. The entire model worked with a professional approach of business expansion on the franchise route. They carefully laid down a very stringent process of selecting the franchise partners and specifications for the location, size and ambience of the parlour. They also started rigorous training to the staff so that the consumer experience was uniform across the parlours. To begin with, 6 new ice cream parlours were started in city of Mumbai through franchisee route. This was marketing innovation of the time as it was a novel idea for service industry and more so for food/restaurant business in Mumbai and India. In the next two decades Natural Ice Cream grew into a successful brand, meticulously nurtured by the father-son duo. They have been redefining the home grown family owned brand. The success story of Natural Ice Cream is measured in terms of number of outlets, production per day or the turnover numbers just proclaims expansion of the business. The sale of Ice Cream that started as a single standalone parlour in Mumbai, has now over 120 outlets across West India.

Problem Srinivas Kamath and his brother Siddhant Kamath (23) who joined the business later are restless. If Naturals has to expand and become a Pan-India and global brand they need to rethink their strategy for production as well as marketing. Currently Natural Ice Creams is producing at a single location has its advantage in term of maintaining stringent quality control but has limitation in form of ability to reach out distant markets. The issue of setting up another production unit in North India has been hotly debated in the board room at Natural Ice Creams. Senior Kamath, a stickler for quality, feels that the desired quality can only be maintained by constant direct supervision. He refuses to trust anyone else and fears his brand equity would be at stake, it is difficult for the senior generation to let go control. The business owners become addicted to their personal supervision of the process of production and taking care of minutest of details.

Problem Product Positioning of Naturals is the USP of producing from the natural ingredients. But over the period of three decades, competition increased in ice cream market as local and global players increased and also offered large number of flavours. The machine made ice cream market was no longer restricted to white vanilla, pink strawberry and brown chocolate of 1980s. Baskin Robbins entered Indian market with offer of 31 flavours. Amul and Kwality-Walls reinvented themselves with larger portfolio of flavours and combinations that added fresh and dried fruits to the ice cream.

Problem Customers of 2000s are different from customers of 1980s. They have become more weight conscious and wholesome natural ice cream is perceived to be sinful as it is high on calories. The consumers are increasingly attracted to the low calorie desserts. Last five years witnessed entry of large number of yogurt based low fat ice creams that ranged from Gelato to Cocoberry and Yoguberry which addressed to the consumer preference that is increasingly moving towards low fat, low calories.

Problem Selling ice cream only in standalone parlours and providing 'hang out' place to the consumers to 'chill' also faced competition. Coffee is no substitute for ice cream, yet last decade witnessed entry of large number of coffee cafes that ranged from 'Cafe Coffee Day' to the 'Star Bucks' that competed with Naturals on the 'customer experience' and 'hang out place' platform. Cafe Coffee Day was an instant hit in space starved cities of India as it provided the like-minded people a decent place to sit and converse. The advantage of rising income in 2000s was shared with coffee cafes.

Natural Ice Cream faces these dilemmas in sustainability of its business and its expansion path.

Questions:

1. The phases of growth of Natural Ice Cream can be explained with the help of the theories of Leading and Managing Change. Please apply the theories of Leading and Managing Change to explain the various phases of growth of the company. 15
 2. Indicate the change initiatives to be taken by the management to face the problems of market challenges, positioning the product Pan-India and then go Global, and maintaining its brand USP. Justify your answer with the help of the change management tools. 10
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Part:2

Answer any two of the following questions.

7.5X2=15 marks

3. Samsung used a systematic diagnostics process for initiating change in the organization. Explain the steps sequentially.
 4. The improvisational model justifies the change initiatives from a different perspective. Do you agree? If yes justify your answer explaining the steps of the model. If no, give your reasoning.
 5. Explain the steps of 'evidence based change'. How is it different from traditional HR practices? Explain its utility in the present context.
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