

## **Establishing a new Bakery Brand: a case study of The Cake and Cream Factory, Pune**



**By**

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## **Establishing a new Bakery Brand: a case study of The Cake and Cream Factory, Pune**

**Introduction:** In 2010 Pune is one of the fastest growing cities in India with a population above 60 lakhs. Well surrounded by IT hub like Kalyani Nagar and industrial belts like Chakan and Pimpri Chinchwad, the average spending power of middle and upper middle class is higher. As a result today we see malls, eateries, restaurants and hotels growing faster than ever.

Punietes are choosy about their food habits and are known to accept only the best of the standards.

A decade back in the year 1999-2000 when Pune was a more conservative town, people were not open to experiment with new ideas related to food and were less aware about the real concept of Bakery and Confectionery. A small corner shop selling bread loafs, eggs cream rolls, kharis and plain cakes was all that a middle class man would be happy with as a bakery. Few establishment leading brands with big names behind them were beyond reach and awareness about middle class.

In such times two individual amateurs with no family background of business and no financial back up ventured into business of bakery and confectionery. What they had with them were the ideas and dreams that today has established in the name of “The Cake and Cream Factory” in Pune, with 14 outlets and 3 manufacturing units with daily production of nearly 600 pounds of fresh cream cakes, 500 sandwiches, 200 rolls, 20kgs of cookies. Living through the tough times these two entrepreneurs can be a good examples for budding pastry chefs.

### **Objectives of the Study:**

- 1) To understand the process of establishing new bakery brand.
- 2) To find out the approximate project costs for establishing a new bakery brand.
- 3) To find out the marketing strategies to build the market share while establishing a new brand.

### **Methodology:**

#### **Primary Data:**

Through interviews with owners

Site visits to: Production Units and selling units

#### **Secondary Data:**

Internet

Books

Journals

## **Synopsis:**

An entrepreneur is the one who with a new idea i.e. seed in his mind grows it into a whole new world. Today the young aspirants of hospitality industry are rarely seen taking initiative in being an entrepreneur. Most of them are inclined towards jobs that give faster and more money.

Hospitality industry provides simple opportunities for a hard worker to grow and prosper. But patience and persistent efforts are a must.

Establishing a brand name in a competitive market is a difficult task “A Case Study of The Cake and Cream Factory” is a success story of a how hard work and will power can win over all the odds.

The research reveals details of project costs, annual sales analysis, product development and marketing strategies implemented in building a brand name. The primary data collection for the above facts is mainly the first hand information assembled from the entrepreneurs.

The secondary data collection is limited to guidelines about brand establishment. The conclusion and suggestions would serve as the guidelines for future entrepreneurs.

## **Conceptual Background of the Case Study**

Branding is important in establishing a product or service in a market. In the context of the service industry establishing service brand is more difficult because of the very nature of service (i.e. perishability and heterogeneity). Establishing a bakery brand is more challenging as it combines product and services together.

With the specific reference to the brand, “The Cake and Cream Factory” the owners did not only establish brand by selling it through franchisee, but they have their own outlets selling their own brand. So brand establishment was simultaneous for the products as well as services to reach the people.

In the process of establishing a product brand the owners used all their experience and expertise to standardize the products to the last minute details. The study would reveal the process, efforts, money, time and patience required to reach a standardized product which can be branded.

For the brand to reach the people a network of services was necessary. Though in the initial years because of lack of funds, the self-owned branded outlet was not feasible, a slow but steady supply in the market through existing service channels was on. A combination of marketing strategies which was on trial and error basis was tried initially.

Before the brand was named and established, the supply in the market was through the established retailers. Then the thought process was initiated to have ones retail outlet to sell their own products. Thus the idea of establishing a brand of their own was promoted. But to

create a brand and being new in the market, a marketing strategy had to be planned out. For this the owners had a plan to make fresh cakes on the site and give it to the customers within 20-30 minutes. This worked out well in the market and was a major hit.



## Research Methodology

The said brand was established by Mr. Suhas Tattitali and Mr. Preetam Borawake in the year 2008.

Though the brand itself was established in the year 2008, but the product manufacturing which was not branded till then, had started in the year 2000.

The primary data collection gathers information from the beginning of the venture: i.e. year 2000 itself. In the interviews with the owner the facts were collected about:

1. Product range and product development
2. Fixed costs in the project e.g. equipments
3. Manpower requisite.
4. Technical details like trade mark registration.
5. Marketing strategy.

## Primary data:



## Year Wise Product Range and Product Development

Year 2000	Product Range and Product Development	
	1.	Snacks: Sandwiches, Rolls, Burgers, Croissants, Wraps
	2.	Cookies: Shrewsbury, Royal Nankthai, Jeera Biscuits etc.
	3.	Dry Cakes: Plum, Vanilla, Marble, Mawa, Chocolate, Fruit, Date and Walnut.
	4.	Fresh cream cakes and pastries: Black Forest, Pineapple, Truffle, Mango etc.
	5.	Dry Products: Milk Toast, Bombay Khari, Soup Sticks.
	6.	Breads: Sandwich Loafs, Milk Breads, Buns, Multi Grain Bread .
Year 2002	Additional Products to year 2000	
	1.	Snacks: Kati Kebab Rolls
	2.	Cookies: Coconut Crunchy, Wine Biscuits.
	3.	Dry Cakes: Same
	4.	Fresh Cream Cakes and Pastries, Chocó chips, Irish Coffee
	5.	Dry Products: Cheese Straws
	6.	Breads: Rye Bread, Corn Bread
Year 2004	Product Range	
	Additional Products to year 2002	
	1.	Snacks: Vegetable Cutlets, Chicken Cutlet.
	2.	Cookies: Masala Chat Biscuits, Black Pepper, Ajwain Biscuits (But did

		not work-out in the market)
	3.	Dry Cakes: Same
	4.	Fresh Cream Cakes and Pastries
		Started mixing fruit flavors
		Mango and Kiwi, Raspberry kiwi, Chocolate and vanilla
	5.	Dry Products: Palmiers, Maska butter (half croissant and half puff)
	6.	Bread: Same

<b>Year 2006</b>	<b>Additional Products to year 2004</b>	
	1.	Snacks: Chicken lollypop, Corn puff
	2.	Cookies: Same
	3.	Dry cake: Eggless cakes.
	4.	Fresh Cream Cakes: Eggless varieties
	5.	Dry products: Cheese papdi, Diet toasts (Sugar free)
	6.	Bread: Brown bread, Whole wheat bread

<b>Year 2008</b>	<b>Product Range</b>	
	1.	Snacks: Same
	2.	Cookies: Same
	3.	Dry Cakes: Almond cake, Fruit rich cakes
	4.	Fresh cream cakes
	5.	Dry products: Same
	6.	Breads: Garlic bread, Cheese, Bread.

- Started taking orders for elaborate wedding cakes.

<b>Year 2010</b>	1.	Snacks: Pies, quiches, Vol-au-Vents.
	2.	Cookies: Oatmeal cookies, Chocolate chip cookies, Ginger biscuits
	3.	Dry cake: Ribbon cake, Spice cakes.
	4.	Fresh cream cakes: Cheese cakes (Various flavors) e.g. blue berry, passion fruit, and chocolate.
	5.	Dry produce: Same
	6.	Breads: High fiber breads, Five grain bread, Herb cheese bread.

<b>Year 2012</b>	<b>Product Range</b>	
	1.	Snacks: Same
	2.	Cookies: Same
	3.	Dry Cake – Fresh cream, cakes and pastries
	4.	Coffee flavor – Cappuccino, Tiramisu
	5.	Baked Cheese Cake , Photo Cakes
	6.	Dry products: Same
	7.	Breads: Fruit bread, Garlic bread.

<b>Year 2014</b>	<b>Product Range</b>	
	1.	Snacks: Same
	2.	Cookies: Same
	3.	Dry Cake – Fresh cream cakes and pastries
	4.	Coffee flavor – Cappuccino, Tiramisu
	5.	Baked Cheese Cake – (Photo Cakes)

	6.	Dry products: Same
	7.	Breads: Fruit bread, Garlic bread.
		No addition increased volume
		USP photo cakes

## Fixed Cost in the Project:

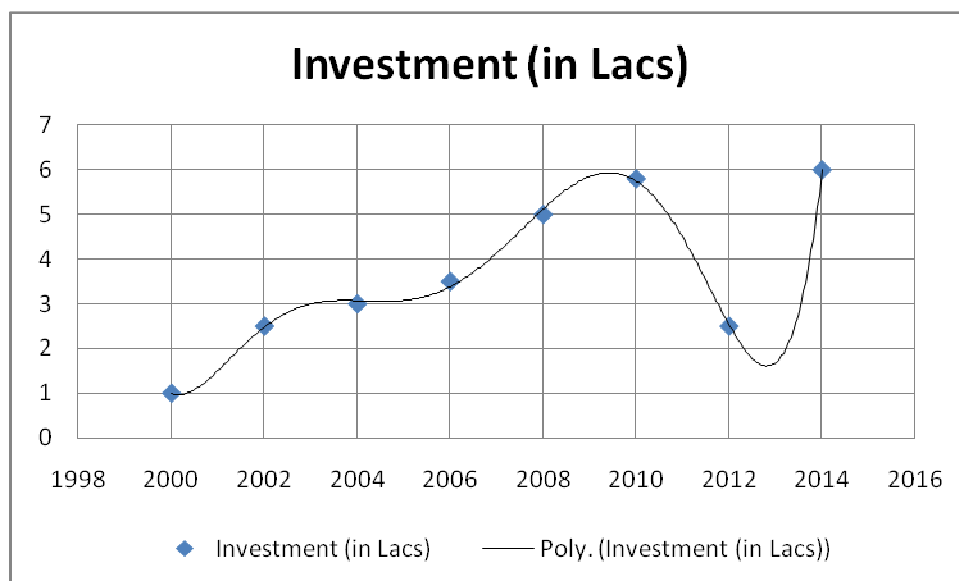
It includes procuring the place, doing civil, electrical and plumbing work.

- One has to see the accessibility of the manufacturing unit for suppliers as well as for dispatching the finished goods.

## Investment in Equipments

The investment started from the basic equipment for production and to meet the demands of increasing quantity of production there was a regular investment in the equipment purchase. Every year different machines were required for specific jobs to be performed. A small illustrated graph will explain it.

Year	Investment (in lacs)
2000	1
2002	2.5
2004	3
2006	3.5
2008	5
2010	5.8
2012	2.5
2014	6.0



**The above graph shows heavy equipments and machinery costs only.**



**List of equipments purchased through the years**

Sr. no	Name of the Equipments	2012	2014	Total
1	Ovens (Gas fired)	2		
2	Bread slicer	1		
3	Work tables	4		
4	Table top mixer	1		
5	Dough mixer	3	---	3
6	Planetary mixer	5	1	6
7	Ovens	8	2	10
8	Spiral mixer	3	1	4
9	Bread slicers	3	1	4
10	Dough sheeters	1	---	1
11	Gas range	3	1	4
12	Oven tray trolleys	12	2	14
14	Stainless steel tables	16	4	20
15	Granite top tables	4	---	4
16	Storage bins	9	3	12
17	Refrigerators	7	1	8
18	Deep freezers	4	1	5



19	Mixer	4	1	5
20	Table top dough mixer	4	1	5



### Manufacturing Units

Equipments	In the year	Area	Type	Refurnishing Costs
1,80,000/-	2000	400 sq.ft.	Rental 5,000/-	1,00,000/-
50,000/-	2002	Same (closed in 2005)	Rental 7,000/-	Nil
50,000/-	2004	Kasba Peth 650sq.ft.(100 kg out put)	Ownership 13,50,000/-	1,00,000/-
1,50,000/-	2006	Same	Same	---
4,50,000/-	2008	Additional at Nigdi 650 sq.ft.(100 kg output)	New Rental 10,000/-	1,00,000/-
50,000/-	2010	Kasba Peth	---	---
2,00,000/-	2010	Additional unit at Kharghar 450 sq.ft.(100kg out put)	New Rental 5,000/-	50,000/-
6,00,000/-	2012	400 sq.ft. Dapodi(75kg output)	Rental 25,000/-	4,00,000/-
<b>17,30,000/-</b>		<b>Total</b>		<b>7,50,000/-</b>

- Total land owned 13,50,000/-

- All manufacturing units produce all products.
- Each unit is able to supply 7-8 outlets.
- number of manufacturing units increased as franchisees increased in a particular area.

### Manpower required for manufacturing units.

Year	Total	Skilled Manpower	Semi Skilled Manpower
2000	06	3	3
2002	10	3	7
2004	14	4	10
2006	18	3	15
2008	28	6	22
2010	45	8	37
2012	60	12	48
2014	80	16	64

### Opening of the selling outlets under brand name



Year	Area where outlet opened	Sq. ft. Area
2008	1. Mhatre Bridge (Pilot shop) closed in 2009	150 sq.ft.
	2. Kothrud	200 sq.ft.
	3. FC Road	180 sq.ft.
2009	1. Sambhaji chowk (Nigdi) (Luster paint, glass work)	200 sq.ft.
	2. Chinchwad station	250 sq.ft.
	3. Chaphekar Chowk (Chinchwad)	180 sq.ft.
	4. Paud Road	180 sq.ft.

	5. B.T. Kawade Road (No interior) Area not yet developed. So not worth investing 6. Bhel Chowk (Pradhikaran) 7. Karve Nagar	250 sq.ft. 200 sq.ft. 150 sq.ft.
2010	1. Pimple Saudagar 2. Nerul (Mumbai) 3. Tilak Road (Pune) 4. Shahu Nagar (Bhosari) 5. Bhosari	150 sq.ft. 150 sq.ft. 200 sq.ft. 150 sq.ft. 200 sq.ft.
2011	1. Sinhagad Road 2. Sahu Nagar Bhosari (closed) 3. Chinchwad, Chapekar Chowk, Chinchwad Station (closed) 4. B.T. Kawade Road (closed)	400sq.ft 300sq.ft. 250sq.ft 250sq.ft
2012	1. Gera Junction, Bibewadi 2. Sakal Nagar, Kothrud	250sq.ft 300sq.ft
2013	1. Paud Road, Karve Nagar (closed)	200sq.ft
2014	1. Paud Road (open) 2. Kothrud 3. Narhe 4. Dapodi 5. Hinjewadi (cognizant phase – I) 6. Waked 7. Hinjewadi (cognizant phase – III)	200sq.ft 175sq.ft 200sq.ft 400sq.ft 150sq.ftKiosk 450sq.ft kiosk

All the outlets are given on a franchisee basis. franchisee fee is Rs. 1lakh(non-refundable) and Rs 25,000 is taken as deposit. Margin for a franchisee is 25%. Goods which are not sold are taken back on weekly basis.

### **Area wise outlets in Pune.**

City and Kothrud:7

Pimpri, Chinchwad,Bhosari:6

Wakad, Hinjewadi:3

Narhe:1

Total:17.

Manufacturing units 3.

### **Mumbai.**

Manufacturing unit :1

Selling outlet:1.

As the number of franchisees grow area wise, the manufacturing units were opened. Mumbai is under development to give more franchisees.

## Number of years and products

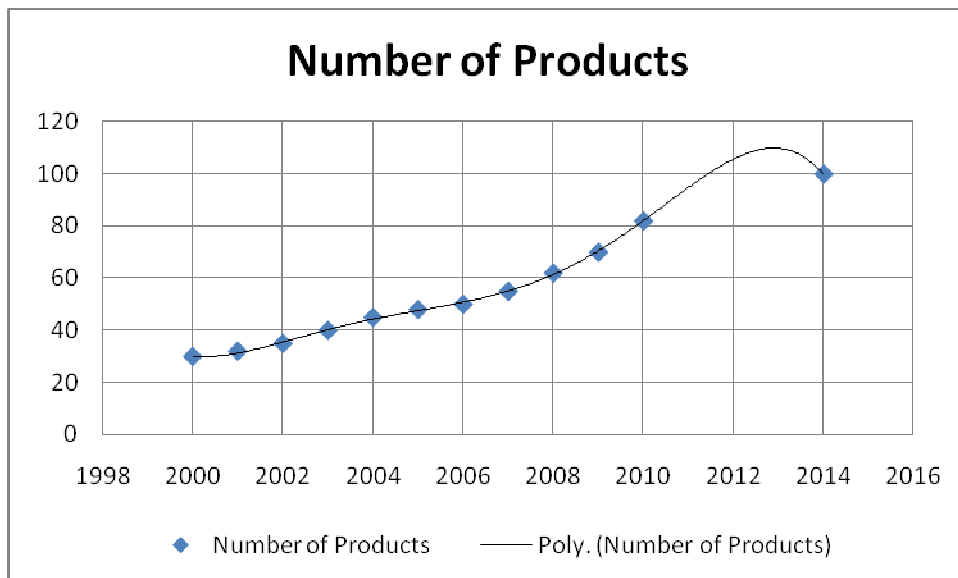
The product range and its growth through the years have been stated below: At the early years there were few products which were circulated in the market and with the progress the product range grew with a vast variety of Bakery and Confectionery products. Illustrated below is a graphical. The product range increased according to the demand of the market and the quantity of production at the manufacturing unit increased similarly.

Year	Number of Products
2000	30
2001	32
2002	35
2003	40
2004	45
2005	48
2006	50
2007	55
2008	62
2009	70
2010	82
2014	100



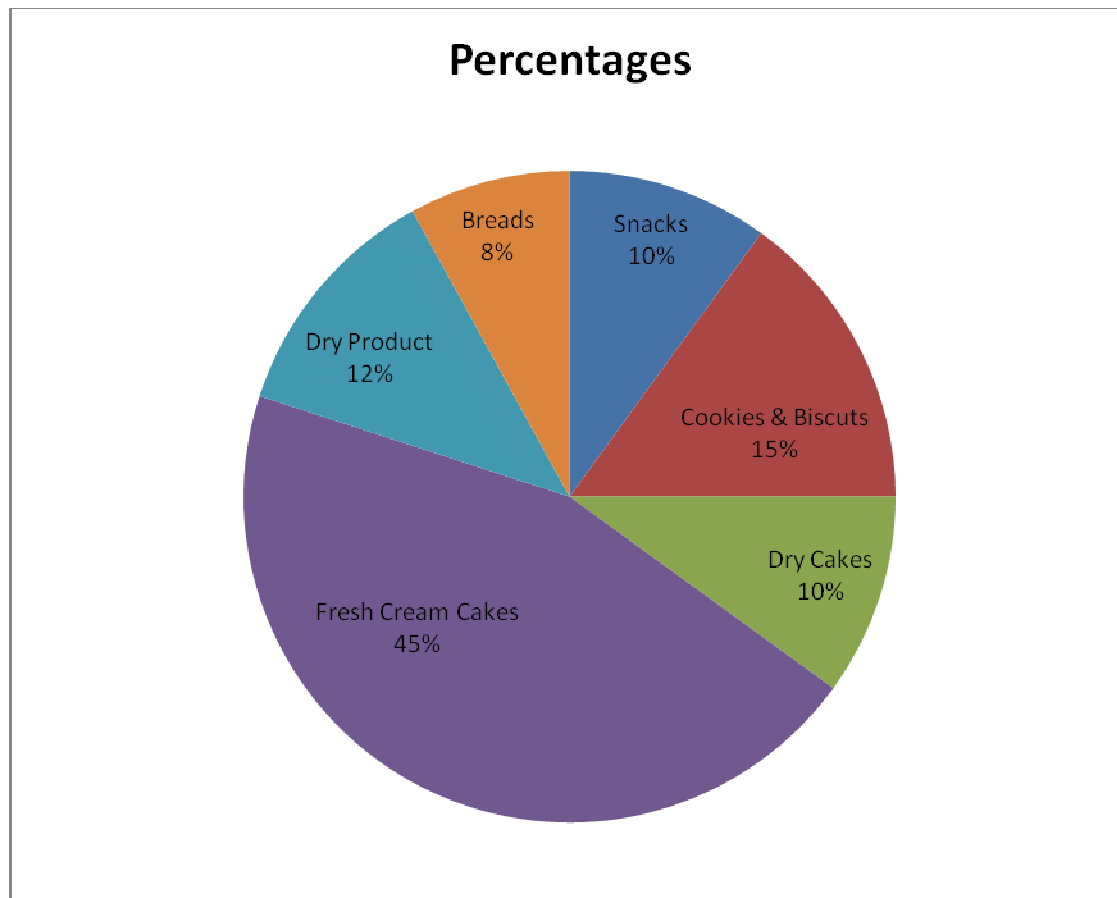


**Following is a graphical illustration.**



Having a variety of products on sale such as Snacks, Cookies and Biscuits, Dry Slab Cakes, Fresh cream cakes, Dry products and various breads each had a separate contribution to the total sale. So manufacturing quantity was decided on their total sale contribution.

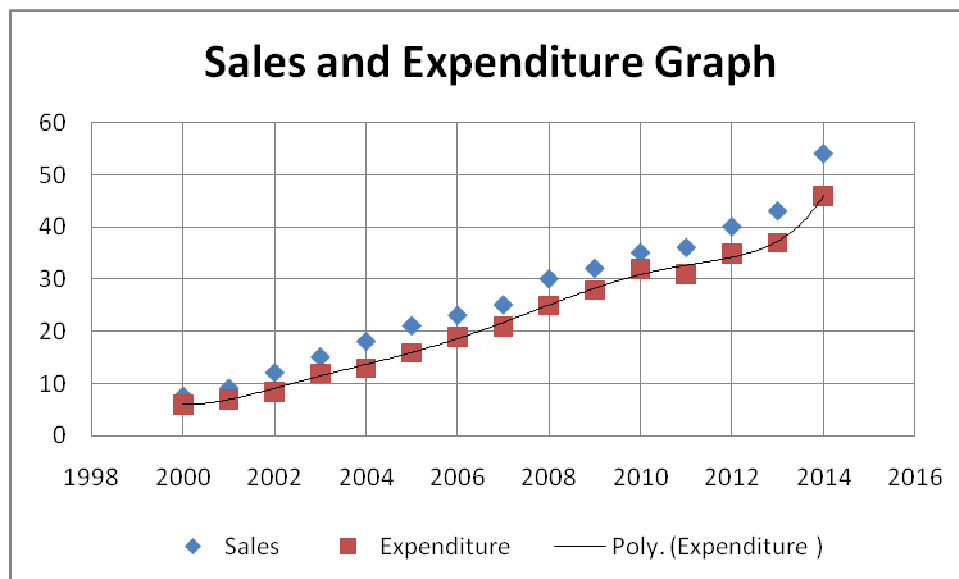
## Pie chart of the product sales



Products	Percentages
Snacks	10%
Cookies & Biscuits	15%
Dry Cakes	10%
Fresh Cream Cakes	45%
Dry Product	12%
Breads	8%

### Sales and Expenditure Figures

Years	Figures in Lakhs	
	Sales	Expenditure
2000	7.5	6
2001	9	7
2002	12	8.5
2003	15	12
2004	18	13
2005	21	16
2006	23	19
2007	25	21
2008	30	25
2009	32	28
2010	35	32
2011	36	31
2012	40	35
2013	43	37
2014	54	46



## Location selection for manufacturing unit

While selecting the location of the manufacturing unit one has to first see that the basic infrastructure such as electricity (load), water supply, accessibility are readily available. Proximity to the market is a must. As the products should reach to various shops distributed all over Pune, the manufacturing units have to be located at various places. Kasba Peth, Sinhgad Road, Nigdi and Kharghar (Navi Mumbai).



## Idea behind establishing a brand name

In the year 2000 when a single bakery manufacturing unit was established, it used to supply to 3 retailers selling the product under their (retailers) respective names. To sustain in the market initially this step was necessary.. As the years passed by mere the sustenance was not sufficient for the growth of the business. So being the manufacturers and with the confidence that the product is standardized and is accepted in the market, branding came into the picture.

The process and thought of establishing a brand came almost after 7 years of product launching in the market. The reasons behind this were time taken to enter the market and establish the reasonable amount of market share. As also the financial support that is required was gradually build through the years. In the initial years bank loan proposals were not feasible to have financial backing to enter the market on a large scale.



## **Gradual process through which the brand was developed.**

Looking at the product sales bifurcation the chunk of the production that is about 45% was about fresh cream cakes. Amongst all the products it was selling the best and people could relate a brand name with it. As the name should appeal to the people and reveal the concept as well, the brand name was suggested as “THE CAKE AND CREAM FACTORY,” which is now a registered trade mark.

While establishing shops, a special attention was given to the ambience and the décor. Uses of glass, glass décor, air conditioner were the few aspects which added to the cost, but were essential from hygiene and sanitation point of view. Air conditioning reduced the wastage and the glass provided the eye appeal to the display and encouraged the customers to buy the products on display.

The pilot project was launched in 2008. The first shop opened was 150 sq. feet and the cost went up to 4.5lakhs which was much higher. Through this pilot project the optimum space utilization, color schemes and décor was finalized. It was through trial and error and hence the cost of the pilot project was on the higher side.

The idea of giving franchisees for brand worked very well and it helped in establishing brand easily. It has a double benefit for the brand. The wastage was reduced as the brand does not have to sell the product under its own ownership. Manpower could be concentrated on production only. The non refundable deposit could be used as seeding capital.

On the franchisee side the business was reasonable. Profit margin was good and they have to pay only for what they sold.

## **Obstacles**

As the brand name was decided “The Cake and Cream Factory” and then to go ahead with this brand name, the next step was to create a brand logo which was catchy. To design a logo, personal efforts were put in by the owners. Sketching, deciding a colour scheme was initially done by the owners and later with help of commercial artist it was given final touches.

It was also registered under a Trade Mark. While registering it has to go through an attorney for trade mark registration and it has taken almost 2 years before they got an authenticity certificate by the association.

Finance was always a major constraint. In the initial years bank proposals were not sanctioned and expansion was hampered.

Sometimes the decision to open shop in certain areas went wrong even after the market research due to unforeseen circumstances like sudden No Parking Zones and One Way enforcement ( Paud road). Sometimes the area does not pick up the way it has to be(B.T Kawade Road)

## **Marketing strategy**

Initially, in the year 2000, to enter the market, help had to be taken from the established retailers who would sell the products on the commission basis with their brand name. Then there was an increase in the supply and the retail shops selling their bakery products. This helped in increase in the quantity sales and turn over. It also helped in the establishing a standard product in the market.

In order to capture major customer segments in the market the product range was kept optimum from the beginning.

After the brand name was created, a marketing strategy had to be made and enforced. For this the strength and weakness had to be analyzed. The strong point was that they could customize fresh cream cakes for customers within 20-30 minutes at the site (retail outlet). This worked out to be the best strategy for marketing and became the USP for the brand which others did not offer. During festive seasons the use of print media such as pamphlets, news paper magazines, leaflets and discount coupons was tried. Even tie-ups were made with different companies so that they could order cakes and snacks for their social events.

Tie-ups with famous caterers from Pune worked out for display of snacks and cakes at their caterings. The USP worked out the best to build the brand loyalty amongst the customers, as they would know that every time they order a cake it's going to be made fresh right in front of their eyes. This assured quality uniformly throughout. Also the cake would be decorated as per the colour scheme and imagination of the guest. It helped in giving a personal touch to the sale and gave value for money to the customers.

Printing technology introduced few years back has totally changed the scenario of cake decoration. The brand has procured the necessary machinery to print the given pictures on the cakes. It has retained its market share in cakes by competing with the competitors.

The weakness was lack of trained man power to meet the demand. So staff was to be trained to work at the outlets.

A web site is launched giving information about the brand, its selling outlets, locations of the outlets with their phone numbers and addresses. It also gives information about the product range and product line available.

Once the optimum product range and product line was achieved the attention is paid to increase the sale and not to increase the product line. So from 2012 no new product line is introduced.

## Observations

1. For an individual establishing a bakery brand is not an easy task. It involves technical skills, market knowledge, hard work, creativity, and patience.
2. At the entry level, it may not be feasible to establish a brand from day one. But with consistent quality and good service over the years one could establish a brand name in the market.
3. Since it was an individual effort, constraint of finance and limited customer support was a major issue.
4. The venture did not start with an idea of establishing a brand name, but to be a major supplier in the market.
5. Being a new and unknown brand, which was not advertised widely through all media it was difficult initially to face the competitors and get the customers.
6. With the USP offered to promote the brand the major customer base is middle class families and teenagers.
7. Though the quality of the product is at par with the competitors the brand could afford lower prices than the competitors, as turnover compensated for the price.
8. The freedom of pricing a product is mainly because being an individual owned brand, decisions could be at the liberty of the owner.
9. The cost of the equipment to start a unit is moderate and an array of product range can be manufactured with limited equipments.
10. To compete with the market and to develop new products, constant up gradation of manpower is necessary by giving them training by experts and companies.
11. Being a brand name owned by an individual, there is a demerit of limited brand growth and physical constraint of being present at all the times.

## Suggestions

1. Being a brand owned by individual owner, there is a possibility of limited brand growth over a long run. So a company could be formed to survive for a long time in the market.
2. A risk of leaving the set retail business and establishing a brand came around seven years after the manufacturing started. This long waiting period could have been reduced with the strong financial backing at the beginning.
3. Also from the further development point of view, manufacturing units and franchisee outlets could be given in developing cities like Nasik, Lonavala, and Ahmadnagar. From the future growth point of view skilled manpower could trained and procured. And establishing a company would certainly give added helping hands and raise capital for the growth.



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