

## Strategy for Success: The Kalyan Bhel Case Study

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### ABSTRACT

In life it doesn't matter where you start from, what matters is where you reach and how you use the available resources. Mr Rameshbhau Kondhare, the owner of Kalyan Bhel in Pune is true example of this. Starting as a humble bhel seller on hand cart to having seven shops in Pune and exporting bhel to 26 different countries, his entrepreneurial journey is truly inspiring. This case study on the strategic growth plans by Rameshbhau who does not have much formal education explores the effective use of managerial skills, the challenges he faced, the USP of his products, his dream of having 'Kalyan Dining' some time in future, the apprehensions he has about opening Kalyan bhel outlets abroad and his inhibitions about franchisee model of business.

### Background

#### Kalyan Bhel: Then and Now

Mr Kondhare had very modest beginnings –his mother was a poor vendor selling vegetables on a hand cart outside Kalyan society in Pune. Rameshbhau and his father worked as porters before they both joined her in selling bhel.

The story of Mr Kondhare dates back to 1975 when he started selling bhel to labourers working in timber market. He opened his first shop in Bibwewadi in the year 1991 with loan of Rs. 6 lakhs. The first branch of Kalyan Bhel was started on Law college road for his brother followed by ten others in the city. As five of his shops had to be shut down during pandemic, currently Kalyan Bhel has seven shops in different parts of Pune city. In his early days, Mr Kondhare transported material on bicycle, then moped, then tempo and now he owns eight vehicles including tempos and cars. The business which started with four people now gives employment to 120 men working on daily wages of Rs.700/day and few competent workers earn a salary of Rs. 25,000/month.

The business has now gained a strong foothold in the industry and caters to the customers in and around Pune. The second generation has joined the business who look after operations and retail section since 2012. Girish Kondhare, Rameshbhau's son handles the outdoor orders and packaging for outstation orders whereas he personally monitors the central kitchen and handles all the employees with courtesy and respect. Today they sell 20-22 types of products and have added pizza, sandwiches, dosa, dabheli to their menu from the past seven years. He proudly tells that probably he was the first bhel stall owner to file income tax return in Pune city. As on today, Kalyan Bhel has seven outlets in Pune and a factory in Pisoli.

### Growth strategies

**Location:** Before opening an outlet a detailed survey of the location is done with respect to type of people residing nearby, their eating habits, spending capacity, tastes and eating penchants as well the preferred timings of eating out. This helped them to establish and sustain the business in each outlet.

**Human resource:** They follow a policy of hiring uneducated boys who will be ready to learn and earn money. The worker starts as a sweeper, then asked to cut onions and if adaptable becomes chef of a particular cuisine section. The growth of the worker depends upon his own ability to learn new skills. Highly skilled workers are paid as much as 25,000 per month. Typically, a worker is trained for six months before he starts taking responsibility independently. To take care of high attrition rates in the industry, they function with 8-10 extra men at any given time.

**Customer relationship:** They believe in quality of service. All the walk-in customers are greeted personally by Mr Kondhare. He addresses their concerns, suggests them to try other items on the menu, sometimes gives free samples of newly introduced products. At Kalyan Bhel they rely on mouth publicity by their loyal customers than advertising in print and audio visual media. Rameshbhau believes in the principle of service with a smile and that happy customers bring more customers.

**Quality:** Their focus is on providing topmost quality food items to their customers. Fresh raw materials of highest quality like besan for farsan, shev and vegetables for bhel are procured from same vendor every time. The chutneys are prepared centrally and distributed to all the outlets. Chutneys are tasted every two hours which helps to maintain the same quality and taste. There is no compromise on quality and cleanliness to ensure that customer gets value for the money. Thus customers flock in huge numbers on regular basis to eat the costliest bhel in town.

**Publicity:** The owners do not spend on advertising to promote their brand. They emphasise on satisfying their customers with best quality food and service. These loyal and happy customers are their brand ambassadors. They help the business grow by mouth publicity.

**Price:** Kalyan Bhel uses competitive pricing strategy wherein they charge higher price for their products as compared to their competitors. Their philosophy is that customers are ready to pay higher price for good quality products. The company believes that quality food definitely has a good market potential and they are not bothered about their competitors pricing or marketing strategy.

**Franchisee Model:** The company does not operate on a franchisee model. Mr. Ramesh believes that their brand may get spoiled because of sub-standard quality of food or service of the franchise. In order to maintain the control, he runs his own seven outlets. The quality of materials, manpower and customer service is controlled by the company.

**Supply Chain:** Rameshbhau gets the requests for all the material requirements in the evening from all of his outlets. He consolidates the list and sends orders to fixed suppliers. He believes in continuing with the vendor who delivers quality stuff at the right time. He follows the principle of quality like Toyota Motor Company. The vendors supply the materials regularly with consistent quality. He had changed his tomato supplier only once in the last 30 years. This helps them to secure right quality of raw material at the right time.

**Export:** Kalyan Bhel does not export the items directly. They have outsourced it to agencies who export the packaged food items to different countries. At present Kalyan Bhel exports products to 26 countries in the world. Mr Kondhare is not contemplating exporting products himself or opening their outlets outside India looking into the labour problems. However, he is open to the idea of his next generation taking it ahead.

## Competitors

### Major competitors:

#### 1. Ganesh Bhel

Ramesh Gudmewar rented a hand cart and began selling bhel in 1978. (dry snack). Up until 1998, he operated his business from a cart, selling bhel and pani puri. In 1996, Dinesh Gudmewar's father opened his first bhel shop in Karvenagar. In 2000, the third outlet was established and currently they have 13 stores.

They wanted to give bhel and chat a brand value as a family. Today, one can say that the family has succeeded in growing a simple concept into a functioning company. They are contemplating on developing automated bhel vending machines that ought to be available in a year.

With a dedicated staff managing the outlets, the second generation now oversees every aspect of the company's operations. First to begin expansion, they gave our franchisees to our own staff members. This way they could guarantee the food's continued quality and taste. The chefs were given access to production facilities and instructed to produce similarly. They are free to produce more than is necessary and sell it under their brand name as well. By doing this, entrepreneurs were developed within the company according to Dinesh.

Ganesh Bhel and Chaat Products launched their own website in 2004 and received their ISO 9001:2008 certification in 2012. "Back then, the plan was to open more locations, but they were unable to do so due to a lack of qualified personnel and inexperience. So, they made a retail foray. Currently, they manufacture 1,000 packaged units per day for the retail unit. 300 to 400 people visit the regular businesses on weekends and they produce 80,000 to 1 lakh puris every day (including all outlets).

## 2. Kailas Bhel:

On the Pune-Satara Highway, Kishan Anant Mithare noticed that there were few places for travellers to get food in 1975. This got him thinking and he started selling dry bhel on the Shivapur road. From a roadside stall, Kailas Bhel today stands as a one-stop hotel for passengers on the Pune-Bengaluru highway. Shivraj Mithare, 30, currently mans the business with help from his parents Subhash and Shobha Mithare. The hotel didn't want to compromise on taste, quality and hygiene hence expansion of the chain was not on their mind at the moment. In 2010, entry was made in the retail sector, where packaged products were sold on average, 600 packets every day. On average, 500 people paid visit during the week and 700 during the weekends.

A B Com graduate, Shivraj took up the business in 2008 and also introduced the line of online products. People can contact them and place an order through their website. The increasing demand and growing trends pushed them to enter retail. The centralised kitchen ensures there is no issue with the product quality or quantity as customer satisfaction and hygiene is their top priority.

The brand sends their retails products across the country and families take along packets abroad too. Today, the third generation is aiming at maintaining their legacy by bringing in automation, branding and several other essentials.

Few of the minor competitors for Kalyan Bhel are –Manisha Bhel, Natraj Bhel and Amrut Bhel. These are upcoming players in the market who are gaining good customer base due to their quality and taste. Many of them are available on delivery apps like Swiggy, Zomato. This gives them access to larger section of the market.

However, Rameshbhau does not count on competition but quality. He strongly believes that quality in food and service will attract customers irrespective of the price.

### The probable future challenges

Mr Ramesh Kondhare has a dream of opening 'Kalyan Dining' sometime in future where complete meals are served. However, he is apprehensive about getting good chefs who will cook quality meals and efficient people to manage the business.

Unlike their competitors, he is not keen to open outlets in shopping malls and airports. The reason being -in order to compensate for high rents in shopping malls and airports, he will have to increase the prices of his products.

Rameshbhau does not believe in franchisee business model and hence the number of outlets of Kalyan Bhel are limited to seven as of now and do not expand beyond the geographical boundaries of Pune city.

The products of Kalyan Bhel are not available on online food delivery apps. Thus their business is restricted to the walk in customers across all their outlets in Pune.

The chaat culture in Pune is gaining immense popularity and has entered a very competitive landscape. The new competitors are offering variety and innovation in their products, service, packaging, offers, delivery etc. Post pandemic the consumer's expectations are changing. They do not want to travel long distance, stand in queue to eat their favourite food and prefer ordering and eating in the comfort of their home.

### Teaching note

#### Synopsis

This case is a discussion on development of entrepreneurial venture of Mr. Ramesh Kondhare's Kalyan Bhel in Pune. It describes the evolution of a business from a start-up to a small sized project. It covers the history of idea generation, business development and growth

strategies adopted in various functional domains like sales, marketing, human resource, supply chain and finance.

### **Target group**

This is an illustrative case study. It can be taught to the students of MBA/PGDM who are studying Entrepreneurship Development and Strategic Management subjects.

### **The Learning/ Teaching Objectives**

- To understand the evolution of Kalyan Bhel's business model and factors driving its business model.
- To comprehend the challenges of budding organizations from start-up to next levels of growth.
- To understand how to formulate strategies for overcoming the challenges in entrepreneurial journey.
- To make students strategize how businesses should plan for unanticipated future challenges in order to adapt to changing business environment.

### **Key Issues**

Small scale businesses like chaat sellers usually operate with perishable raw materials and finished products. Most of their products have short shelf life. Getting fresh raw material in time and maintaining consistency in taste every time the chaat items are made is a problem for them.

It is difficult to maintain quality and freshness of their products while delivering through online food delivery apps or parcel service.

Another key issue is -should they opt for franchisee business? Will it hamper the quality of their products? As in chaat items customers are very taste conscious.

How can they expand to different geographical locations while maintaining the same taste and quality is another concern.

### **Teaching Strategy**

The teaching methodology should involve 60 minutes of self-reading by students and 180 minutes of classroom discussions among the faculty member and students

The case should be circulated among the students two days in advance to read and understand. (60 minutes)

During classroom session, the students can be divided into ten groups with each group doing analysis of one growth strategy. (60 minutes)

Every group can be asked to present their understanding of the growth strategy adopted by Mr Ramesh Kondhare and their suggestions, if any. (60 minutes)

Then the faculty member should take all the discussion questions one by one where all students along with the faculty member deliberate and come up with suitable propositions. (60 minutes)

### **Questions for discussion**

With the changing scenario and shift in customer's preferences -

- Is it advisable for Kalyan Bhel to spread its branches across other cities in the state?
- Would you recommend them to adopt the franchisee model of business?
- Should they consider opening outlets in some foreign countries where there is large number of Indian population?

- Can their high price become a hindrance in future sales and subsequent revenue generation for Kalyan Bhel?
- How can the small sized business be expanded to further sized business?
- Can it be diversified in other related business?
- What strategies should be adopted by Kalyan Bhel to prepare a future development plan of the business?

Deliberate on the above lines giving your opinion and suggest strategies for Kalyan Bhel to overcome the possible future challenges and expand their business.

### Background reading

Students are expected to have basic knowledge on entrepreneurship and strategic management. Suggested books for prior reading:

- Innovation & Entrepreneurship by Peter Drucker
- Essentials of Entrepreneurship. Evidence and Practice. Robert A. Baron.
- Kazmi, A. Strategic Management and Business Policy

### References

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- [https://www.youtube.com/watch?v=zJ\\_WsBp7xm8](https://www.youtube.com/watch?v=zJ_WsBp7xm8)
- Strategic Management and Business Policy by Azhar Kazmi