
Just Mexican – At Entrepreneurial Cross Road

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The entrepreneur is a young NRI, who resides in the USA. After experiencing downturn in the U.S.A. in early 2000, he decided to start entrepreneurial activity in India. During his early visits to India, he used to miss the Mexican food offerings. This was an idea, which has given an opportunity to him to start offering Mexican food items being the lowest cost provider. For lowering the total cost to capture the highest market share in the short run, entrepreneur has established “Deniso Group of Companies, under the umbrella name of “Deniso”, This case is on “Just Mexican”, recently entered into Indian growing fast food market with the Mexican menu. An untested business model, franchisee development, competitors’ pressure, fast changing customer preferences and his inexperience in the field were posing challenges to the entrepreneur.

Keywords: Just Mexican, fast food, entrepreneurial opportunity

INTRODUCTION

On the eve of Uttarayan, festival of kites, Mr. Devang Shah (Dev), saw kites of different sizes and shapes in the sky, and was attracted by a unique kite, which was trying to maintain its position amid other kites. That reminded him of his entrepreneurial journey, which started a year and half back with Mexican food truck and expanded to ten franchisees of ‘Just Mexican’ in multiple states of India. As the kite flies against the wind it needs proper control and balance amid uncertainty and competition, he felt the dire need to give proper direction to his venture at this juncture.

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The newest entrant in the Fast Food Market in India, ‘Just Mexican’, with authentic Mexican fast food offering, was finding good response and was trying to put in place its ambition of becoming a leading fast food chain in the country. Within months of starting its first outlet in Ahmedabad, the promoting company ‘Densio Foods Private Limited’ has expanded it to 9 outlets in Ahmedabad (Panjrapole, Bodakdev, Satellite, Thaltej, and Maninagar), Vadodara, Anand, Bhavnagar and Mumbai. ‘Just Mexican’

during the journey managed to acquire the right customers, place itself at right location, identify and offer right type of Mexican Fast Food, and attract investors for Franchise outlets across country under the brand name “Just Mexican”.

ENTREPRENEURIAL PROFILE

After his graduation in engineering and post graduation in management in United States of America, Dev started his professional career and worked for some leading corporate entities. During early 2000s, the country faced economic downturn, the situation turned bleak and job prospects did not look promising. After experimenting with a few business ventures in the US, which were moderately successful, he decided to explore the opportunities in India. Every time he visited India during his

early years, he used to miss Mexican food, which he relished in USA. This presented an opportunity to explore food venture in India with specific Mexican offering. In order to understand the specifics of the business before starting his venture, he worked as waiter at few Mexican restaurants in USA. He was joined by his friend Soham, who took over the task to explore the opportunities for their venture in India. Soham travelled to some of the Tier I & II cities of India to study the environmental opportunities. After studying different locations, they zeroed down on Ahmedabad, one of the biggest cities of Gujarat, their home state, to start their business. As an initial start-up and to test the market, they started with Food Truck, a modified van from which they cooked and sold Mexican food. Their food wagon was located at Commerce Six Roads, a junction surrounded by number of educational institutes and frequented by youngsters. The prices were kept low, and the concept soon caught up, especially with the college-going crowd.

THE INDUSTRY

The period that they entered the Indian food market, the industry was doing very well, one of the fastest growing in the region.

The Indian fast Food Industry had witnessed high growth strides, with increasing disposable income; exposure to a number of cuisines; and consumers' willingness to experiment a mix of both Western and local menu. Consumer preferences were dynamic and tastes were growing away from the Indian palate to Mexican, Spanish etc. At the same time, the consumer wallet share also gets divided between the other fast food options like Pizzas, Pav bhaji, Vada pav and other innumerable Indian options. The existing multi cuisine restaurants have also started experimenting with new menus and have started offering Mexican food as one more option with them.

The Indian Food Service industry was projected to grow to Rs. 408,040 cr. (USD 78 billion) by 2018 at a CAGR of 11% according to a survey commissioned by Technopak for National Restaurant Association of India (NRAI). In 2013, the size of the chain casual dining market was estimated at Rs 3,950 cr. (USD 760m), and projected to grow at a CAGR of 18% to reach a size of Rs. 9,035 cr. by 2018. The QSR (Quick Service Restaurant) market was expected to double to around Rs. 70 billion in 2015-16 from Rs. 34 billion in 2012-13, driven largely by new store additions. Over the next three

years, new store additions were expected to increase by 16-18 per cent annually, propelled by the rapid expansion of global players into tier II and tier III cities predicted a study by CRISIL.

THE INITIAL YEARS

After the initial success of mobile restaurant, Dev and his partner came up with a franchisee model named 'Just Mexican'. Within months of starting its first outlet in Ahmedabad, the promoting company 'Deniso Foods Private Limited' has expanded to 9 outlets in Ahmedabad (Panjrapole, Bodakdev, Satellite, Thaltej, and Maninagar), Vadodara, Anand, Bhavnagar and Mumbai. 'Just Mexican' during the journey managed to acquire the right customers, place itself at right locations, identify and offer right type of Mexican Fast Food, and attract investors for franchise outlets across country.

They solicit franchisee requests from across the country, and select those that fulfill their criteria. Preference is given to young people with a college degree with or without experience in fast food industry. The promoters mentioned that they were looking for people with entrepreneurial zeal and not for anyone with lot of capital to spare. The franchisee has to pay an initial fee and security deposit, plus royalty on the total sales per month. All inputs are provided by the promoting company. There were number of companies under the corporate name 'Deniso', which shared different aspects of the business operations. Deniso Foods Pvt Ltd. manufactures and packs the basic food items that are used further for preparing final recipes at the outlets. Under Deniso Logistics they have their own fleet of trucks for transporting the packaged food items to their outlets. Here also, the group had adopted a unique strategy for saving transportation costs. On the return journey, Deniso Logistics took dispatch orders from other companies, leaving zero net transportation cost for Deniso Group. Since large part of the manufacturing facility remained unutilized, in order to utilize the idle capacity, yet another group company Deniso Enterprise took job work for packaging food products of other companies. Deniso People was a sister concern that trained and provided labour required for their retail outlets. So, the franchisees were dependent on the corporate body for everything from raw material to workforce.

All procedures in the entire business model are standardized. They consciously adopted a policy of preparing raw material at central facility and supply to all outlets with established quality standards.

This helped them to lower down their processing and material cost. They had a fixed menu of Mexican fast food not more than 30 items at a time, which all could be prepared using standard recipes. All the outlets had a standard layout, furniture and décor, and uniform for the employees. They had also developed a billing software that was provided to all outlets. The standardization was done with an aim to establish a brand image for Just Mexican.

The target customers for Just Mexican included students and young professionals of 15 to 35 years. Hence the retail outlets were located in the vicinity of colleges, corporate offices, high crowd zones etc.

THE ROAD AHEAD

Reviewing the progress of 'Just Mexican', Dev was content and concerned. It was exactly one year two months back the first outlet was started. Dev knew that if the new firm did not evolve at a fast phase, addressing several internal and external challenges, over the next two years, it would be hard time holding the company. Many new entrants were entering the industry to help themselves to the growing pie. Significant among them for Just Mexican was Yum Brands Inc., the US owner of KFC and Pizza Hut restaurants, which had just launched its Taco Bell eateries in India, with authentic Mexican food. After testing the market with few company owned outlets, Yum Brands planned to expand with 1000 outlets by 2015 across its different brands through the franchise model. Taco Bell aimed to compete with street food in terms of price and the food was also customized to satisfy the Indian taste buds.

Other than this very significant challenge, there were other issues that confronted Just Mexican

- (i) The awareness among consumers regarding Mexican food was still very low, especially in the market where they were currently operating. For their current customers, i.e. the youth, Mexican food was novelty that had the threat of fading out fast. If the company had to grow, they had to increase the awareness and acceptability of Mexican food among a population that had a huge variety to choose from.
- (ii) Just Mexican had not established itself as a well-known brand. Marketing was a sorely neglected area, as the company had not allotted a budget for it. Since the franchise

enquiries were coming, they never felt the need to market the brand. But in the franchise business model, brand name was very important.

- (iii) The fast food industry is largely unregulated in India, and everyday a number of new players enter the market. It will not be surprising if any new entrant enters the niche area of Mexican food with the same or similar business model.

In light of the above challenges, it needs to be seen how Just Mexican can grow in the existing market as well as conquer new territories. Does Just Mexican have a significant 'first mover advantage' to counter these threats?

QUESTIONS:

- 1) Analyze the market study and testing methods used by the entrepreneurs.
- 2) Compare the business model of Deniso group with other well-known brands.
- 3) Will Just Mexican be able to withstand and survive competition especially from multinational giants like Teco bell?
- 4) In light of the case what can be the future strategies for the company?

TEACHING NOTES

1. The case can be used for giving practical insights into new venture development, especially in the Indian Fast Food Industry, and the franchise business model.
2. Major issues that are involved are entrepreneurship, new venture development, franchise as a business model, brand management, competitive threats, etc.
3. The issues of entrepreneurship and new venture development can be given 10 minutes each in discussion. Other issues can be given 5 minutes each.
4. Students can do a background study of Indian fast food industry, and salient features of franchise model.
5. The case should be discussed in small groups of 5-6 students first and then presented in the class.

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