

## Chakki Peesing: Crushing the Roadblocks, Marching Ahead

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### Abstract

The case is highlighting the journey of Mr Rajiv Khera from a seasoned corporate professional to be an Entrepreneur in Gurgaon Region. Rajeev started Chakki Peesing, an urban flour and spices mill in 2020 during the covid 19 Lockdown. Within 6 months of operations, Chakki Peesing has served over 8000 orders with 2000 unique customers, which according to Rajeev is a significant achievement as he is close to his business projections. Rajeev firmly believed that his business model would work in the B2C segment only as the B2B market is very much price sensitive. However, he was open to the idea of getting into strategic collaborations with gymnasiums and health clubs to promote and sell products. One of the competitive advantages of Chakki Peesing was the access to good quality wheat from Madhya Pradesh along with Rajeev's on experience in sales and distribution. The initial success of Chakki Peesing can also be attributed to the strong network, which Rajeev and his family had with the upper middle class society of Gurgaon, and to the increased awareness among people for having a healthy lifestyle. The case talks about the business development strategy adopted by Rajeev and his son Dhruv who is also the co-founder of the company and proposed various alternative solutions for future course of action pertaining to business expansion.

### Introduction

*"The emergence of online business has surely created new avenues for various businesses which otherwise had a little chance of succeeding in the traditional offline market. Post pandemic, the trend might continue, but I am slightly doubtful that once things get normal, the customers might prefer going to brick and mortar shops as many of us are missing the shopping experience and specially the human touch."*

This was the honest response of Mr. Rajeev Khera, Founder and Director of Chakki Peesing when he was asked to comment on the future of online business in a conclave of budding entrepreneurs in Gurgaon where he was invited as a resource person. When asked further about his views on the buzz around entrepreneurship in the country he replied, "Yes it sounds cool to be an entrepreneur nowadays but I have a sincere advice to my young friends here who wish to become an entrepreneur that you need to be clear that it is not going to be a cakewalk for you. Money can get you started but you will require expertise, dedication and hard work to keep going. Reports suggest that nearly 90% startups failed in the first 5 years of inception. Innovation, novelty, need identification and most importantly identification of a sustainable competitive advantage are the much needed ingredients for success for startups. I have learnt this the hard way and practiced this over the years in my corporate as well as entrepreneurial journey."

### Chakki Peesing: The journey

Chakki Peesing was co-founded by Mr Rajeev Khera and his son Dhruv Khera in 2020 during the national lockdown due to COVID 19 outbreak, Dhruv is a management student who eagerly wanted to put his classroom skills to be

tested during the lockdown 1.0. Rajeev is a seasoned corporate professional with nearly 25 years of experience but an entrepreneur at heart. Specially his tenure as the Director of a telecom giant, he has conceptualized, designed and implemented various business plans and has always enjoyed being a part of such initiatives. His able wife Rakhi, too has an amazing story. From being a home maker to successful business women, her growth has been an inspiration for many young women who are willing to fulfill their dreams. She has been running a successful fashion brand since last 7 years. Although, like a senior and committed industry leader, Rajeev was occupied in his own career, he was keenly observing and suggesting Rakhi on issues related to business development too. Also being from a business class family, he was not entirely a novice in entrepreneurship.

Chakki Peesing is an urban flour and spice mill. It freshly grinds best quality Sharbati wheat, grains, millets and spices. It offers 30+ varieties of grain & millet flours, 18+ varieties of pulses, 30+ varieties of spices and many more supplies to fill your plates with freshness, taste, and aroma.

Being a strategic leader, Rajeev left nothing to chance and conducted a thorough survey to understand the market for his business idea. Being in his mid-forties and living in an elite society of Gurgaon his natural friends group consists of many health conscious people. In fact, the pandemic has made many people realize the need for eating healthy food who otherwise weren't that conscious about it. Rajeev found a business opportunity here and conceptualized Chakki Peesing. He did a thorough market survey for his venture starting from the sourcing of the raw material, delivery mechanism, quality expectations and pricing. He was very clear from the beginning that his competition is going to be the traditional Atta Chakki hence the pricing was kept 5% less than the other competitors in the unorganized sector.

He identified his suppliers for wheat, pulses, grains and spices and decided not to outsource the delivery as it was resulting in an increased price to the customers. He also decided to have an in-house team for his marketing and operations where he shared resources with his wife's company. Before launching the full-fledged operations, he also gave free samples to people in his close network for honest feedback. Co-founder Dhruv played a key role in creating a seamless personalized but simple ordering system using Whatsapp Business Account as he and Rajeev were sure that most of his orders would come from home makers who would prefer a hassle free ordering mechanism. This single popular tool became one of the biggest strength for this start-up. Rajeev decided to be in B2C business only as the B2B market like HORECA is a price sensitive market could have impacted the profitability.

After checking all the required boxes, Chakki Peesing was launched formally in August 2020.

### **Overview of Global and Indian Market of Flour**

According to market research report by Reportlinker, the global flour, rice and malt market is expected to grow from \$124.93 billion in 2020 to \$137.14 billion in 2021 at a CAGR (compound annual growth rate) of 9.8% and is expected to reach \$176.32 billion in 2025 at a CAGR of 6%.

Asia Pacific was the largest region in the global flour, rice and malt market, accounting for 50% of the market in 2020. North America was the second largest region accounting for 20% of the global flour, rice and malt market.

According to Fortune Business Insights, The global wheat flour market size was USD 173.02 billion in 2023 and is projected to grow from USD 179.73 billion in 2024 to USD 250.15 billion by 2032, exhibiting a CAGR of 4.22% during the forecast period (2024-2032). Moreover, the wheat flour market size in the U.S. is projected to grow significantly, reaching an estimated value of USD 21.94 billion by 2032, driven by the growing demand for innovative, healthy wheat-based products among consumers in the region. (Refer Exhibit No. 1)

Wheat flour currently represents one of the most popular food ingredients used across the globe. It offers health benefits such as lowering cholesterol levels, improving metabolism, controlling obesity and regulating blood sugar levels. Wheat flour is used extensively owing to the presence of gluten, a protein that provides strength and elasticity

to the dough as well as adds to the texture of baked products. Factors such as population growth, increasing disposable incomes, rising consumption of bakery products and changing lifestyles have further added to the global demand for wheat flour.

Wheat flour is used as the main ingredient in several bakery and fast food products such as bread, noodles, pasta and breakfast cereals. Growth in the demand for these products has led to an escalation in the overall sales of wheat flour across the globe. Moreover, wheat flour is inexpensive as compared to the flour made from other grains on account of which it is easily available to consumers belonging to all socio-economic groups. Manufacturers have also introduced vitamin-A fortified wheat flour to cater to the nutritional needs of the population. Apart from this, wheat flour is now also being used for producing bioplastics, adhesives, paper, shampoos and conditioners, and other products. (Refer Exhibit No 2)

### **Indian Market**

India is the world's second-largest producer of wheat and rice, which are key ingredients in flour production. The demand for wheat and other flours has significantly increased due to rising population growth and changing dietary habits of consumers. Furthermore, increasing health awareness among consumers, along with government initiatives such as National Food Security Mission (NFSM) that promotes food grain production in India are expected to drive demand for flour during 2020-2026.

In India packaged atta (wheat flour) market size reached INR 73.9 Billion in 2023. Looking forward, IMARC Group expects the market to reach INR 242.8 Billion by 2032, exhibiting a growth rate (CAGR) of 13.71% during 2024-2032. An enhanced focus on hygiene and sanitation, the rising need for convenience and elimination of manual grinding and sifting of wheat grains and changing consumer lifestyles represent some of the key factors driving the market.

According to report on Indian food processing Industry by CII (Confederation of Indian Industry), MoFPI Data, India is the second largest producer of cereals (food grains) globally (284.95 million tons). As per 4th Advance Estimates, the estimated production of major crops during 2018-19 is as under:

Total Food grains – 284.95 million tones

Rice – 116.42 million tones

Wheat – 102.20 million tones

Coarse Cereals – 42.95 million tones

Cereals – 261.55 million tones

Maize – 27.23 million tones

Pulses- 23.40 million tones

### **The Business Model**

Having his roots in Madhya Pradesh, the second largest wheat producing state in India, has proven to be one of the major reasons why Rajeev decided to go for this venture. Access to good quality wheat, awareness about the buying habits and preferences of the people of Gurgaon as he has been there since last 17 years and enjoys a strong network, gave him the courage to start this venture. However he believes that it is easy to start a venture but keeping it sustainable for a long time is the real challenge. Within 6 months of operations Chakki Peesing has served over 8000 orders with 2000 unique customers which according to Rajeev is a significant achievement as he is close to his business

projections. According to Rajeev, failure to identify a sustainable competitive advantage is one of the major reasons because of which most of the startups fail. Hence Rajeev has identified four such factors which he considers as the pillars of Chakki Peesing which are as follows-

1. Access to the source of raw material in M.P. through his family's network.
2. Thorough understanding of the geography and culture of Gurgaon city along with a strong personal network.
3. Understanding of the business as Rajeev looks at this business as a cult and not just as a product offering.
4. Having the business DNA in the blood.

Other than these, some of the best practices adopted by Chakki Peesing are mentioned below-

1. Catalogue ordering- A simple way to order through Whatsapp by browsing through the catalogue.
2. Easy mode of payment through wallets, cards, net banking, COD, UPI etc.
3. Maximum 2 day delivery in Gurgaon.
4. Sourcing of authentic spices from authentic quality sources.
5. Heavy advertising on Facebook and social media platforms with geographical focus.
6. Getting testimonials from happy customers, specially the influential once.
7. Getting nutritionists on board, who can be real good influencers for suggesting healthy food.
8. Entire marketing and brand building activities are being done in house, resulting in minimal operating costs.
9. Trendy and attractive ad campaigns to create awareness.
10. Engagement activities for customersto encourage brand trials.

### **The way ahead**

Rajeev firmly believes that his business model will work in the B2C segment only as the B2B market is very much price sensitive. On the question of opening up new outlets, he insists that delivery is the strength of the business. He can deliver to any postal code in Gurgaon within two days and since the customers are ok with this, he can deliver the orders from his existing facility only. Opening up new outlets could be a business risk which he would not like to take as of now. However, he is planning to strengthen his delivery to reach to the same day delivery status.

He would also like to have some strategic tie-ups with gymnasiums and health clubs where they can promote their products to the existing customers. In return, these clubs can have an access to his customer data base for selling their memberships.

He is also open for getting into offering franchise operations in nearby states but he would like to strictly keep the sourcing from his current vendors only.

B2B is still a territory which he would like to avoid but is open to make his products available on the other e-commerce platform. However, his still is apprehensive about one thing, will the customers who are fed up of staying indoors for months, would continue to prefer buying online or would want to enjoy the in-store experience? If it is so, should he open more physical store and risk his profitability or should he trust his instinct and continue to follow his business model?

Whatever it could be...at least one thing is confirmed Chakki Chalti Rahegi!!

### **Teaching Notes**

#### **Teaching Objectives**

This case can be used to explore various strategies and issues related to marketing strategy. The main objectives are as follows-

1. To understand the concept of market opportunity analysis with reference to the food processing industry.
2. To elucidate the need for identification of a sustainable competitive advantages for startups.
3. To highlight the challenges related to distribution, pricing, product novelty and brand promotion.
4. To identify the best practices related to new market entries.

### **Learning objectives**

1. Learning the nature of the business: To explain the nature of Indian flour market, its structure, business drivers and growth projections
2. Learning about the operational issues: The case can be used to understand the challenges associates with reaching out to the target market, sourcing of the raw material and ensuring the right profit margins.
3. Learning about the core concepts of marketing strategy: To understand the need of identification of a sustainable competitive advantage for starting a new business, market opportunity analysis and new market entry strategies.
4. Learning about the concepts of market niches and their attractiveness which can attract to established players to enter this market and create disruptions.

### **Target group**

The target audience is all the students who are studying subjects and concepts like marketing strategies, entrepreneurship and have studied basic subjects like Marketing Management earlier.

- **Teaching strategy**

The students should be aware about the concept of marketing strategies like market opportunity analysis, new market entries and identification of a sustainable competitive advantages. The participants should refer to the books of Marketing Strategies. The case must be analyzed firstly by students individually and then in a group of 3-4 students.

### **Questions**

1. Comment on the business approach of Mr. Rajeev Khera? Do you agree with his understanding of sustainability?
2. Once things get normal, would you suggest Mr. Khera to consider other options of adopting the B2B or franchise model for his venture? Why or why not?
3. Suggest a business development strategy for Chakki Peesing to induce product trials.

The case is based on Marketing strategies, entrepreneurship and related subjects. The questions asked in case can be asked as follows-

*Q1. Comment on the business approach of Mr. Rajeev Khera? Do you agree with his understanding of sustainability?*

The reports suggests that nearly 90% of the start-ups fail in the first five years of operations. Out of the various reasons responsible for this, one main reason is the fact that may a times people start these ventures without having any sustainable competitive advantage. They start as a niche but just like it happens in any other market, they educate the customers about their offering and create the market for the product category. Once the product is accepted in the market and the niche becomes successful, it attracts big player in the market which have deep pockets and can change the dynamics of the market with other competitive advantage. However, in this case, Chakki Peesing has a distinct competitive advantage at least in the wheat flour market, which is the access to the good quality wheat from Madhya

Pradesh. Branding their offering on this differentiating factor along with the ease of use they provide to their customers with services like ordering through Whatsapp, Rajeev is surely right in his approach of sustainability.

*Q2. Once things get normal, would you suggest Mr. Khera to consider other options of adopting the B2B or franchise model for his venture? Why or why not?*

As Rajeev has mentioned that his test market has appreciated the quality of his products and this is something which he will never compromise upon, getting into a B2B model might force him to reduce the price of the products because the B2B market is a price sensitive market. As long as the quality of the raw material (which is the core strength of Chakki Peesing) does not become a differentiating factor in the B2B market, it will be too early for Chakki Peesing to enter the B2B market. They can also consider adopting one of the franchise models out of the following-

1. Franchise Owned Company Operated (FOCO).
2. Franchise Owned Franchise Operated (FOFO)
3. Company Owned Company Operated (COCO)
4. Company Owned Franchise Operated (COFO).

However, they should always be aware of the fact that they can get into the franchise business only after getting adequate brand awareness among people. Moreover, to ensure the quality and control, they should make sure that the sourcing of the raw material is always done through them only.

*Q3 Suggest a business development strategy for Chakki Peesing to induce product trials amongst potential customers.*

Chakki Peesing can get into strategic tie-ups with health clubs and gymnasiums where they can market their products without getting into the price-wars. They can also consider the following options to induce product trials

1. Influencer Marketing: Chakki Peesing can engage, social media celebrities, fitness coaches and dietician who can recommend their products to their online and offline followers
2. Brand awareness campaigns: It can also plan some promotional activities like sponsoring cooking competition where they can encourage participants to make some new and interesting dishes using the ingredients provided by them. The completion can be judged by a celebrity chef or a dietician who can also recommend the products during the event.
3. Attractive retailer margins: It can give attractive margins for retailers for giving them the shelf space and to push their loyal customers for trials.

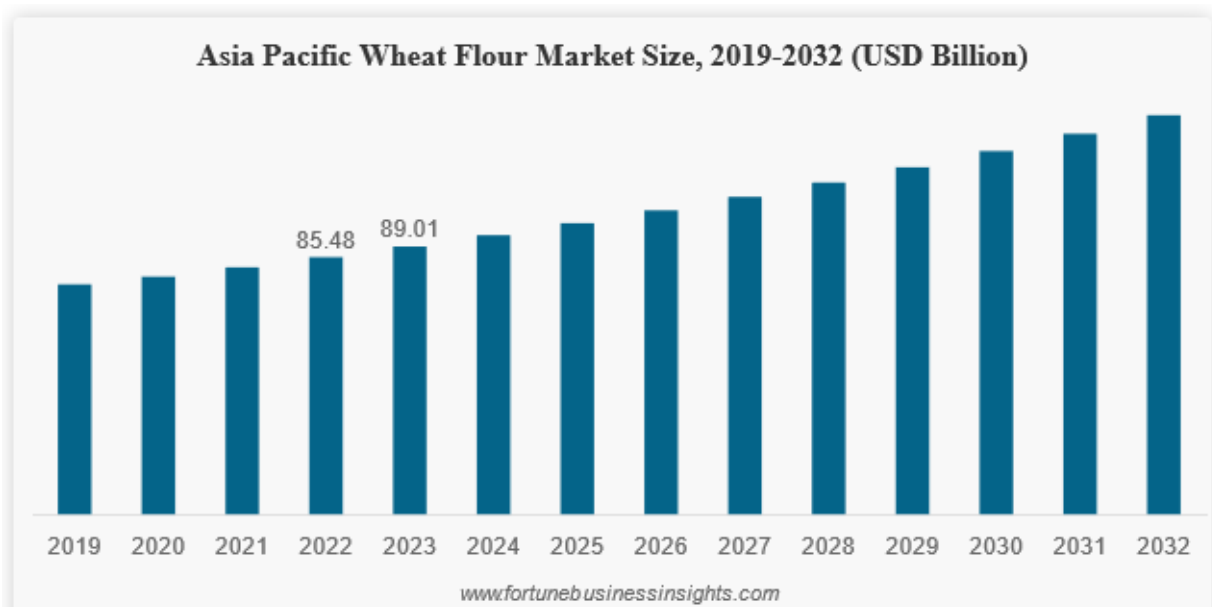
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## Annexure

### Exhibit I



### Exhibit 2

