

Donuts to Dollars in India

By Linda Formicelli

In 2011, Dunkin' Donuts forged an agreement with New Delhi-based Jubilant FoodWorks, Ltd., to open between 80 and 100 stores in India. In Jubilant, Dunkin' Donuts has a partner that is well established – with 17 years of experience in retail food-service in the Indian subcontinent. The first two Dunkin' shops opened in New Delhi recently to great fanfare and have been viewed closely in the U.S. where many Dunkin' Donuts franchise owners hail from India.

An Unlikely Franchisee

Dipak Patel and his partner own 28 Dunkin' Donuts stores and North and Central New Jersey; the first was opened in 1989.

Seven years earlier, Patel had come to the U.S. from an area 200 miles north of Mumbai and 800 miles south of New Delhi; he had undergraduate degrees in chemistry and chemical engineering, and planned to earn a master's in industrial engineering at Texas A&M University.

While studying for his master's, Patel had an early-morning paper route, and the only place in the area that was open 24 hours was a shop called Shivley Donuts. "I used to stop there in the morning, and this is how I got interested in coffee and donuts," he recalls.

After graduate school Patel got a job at an oil products company, but was laid off when the economy went south. He moved to New Jersey and

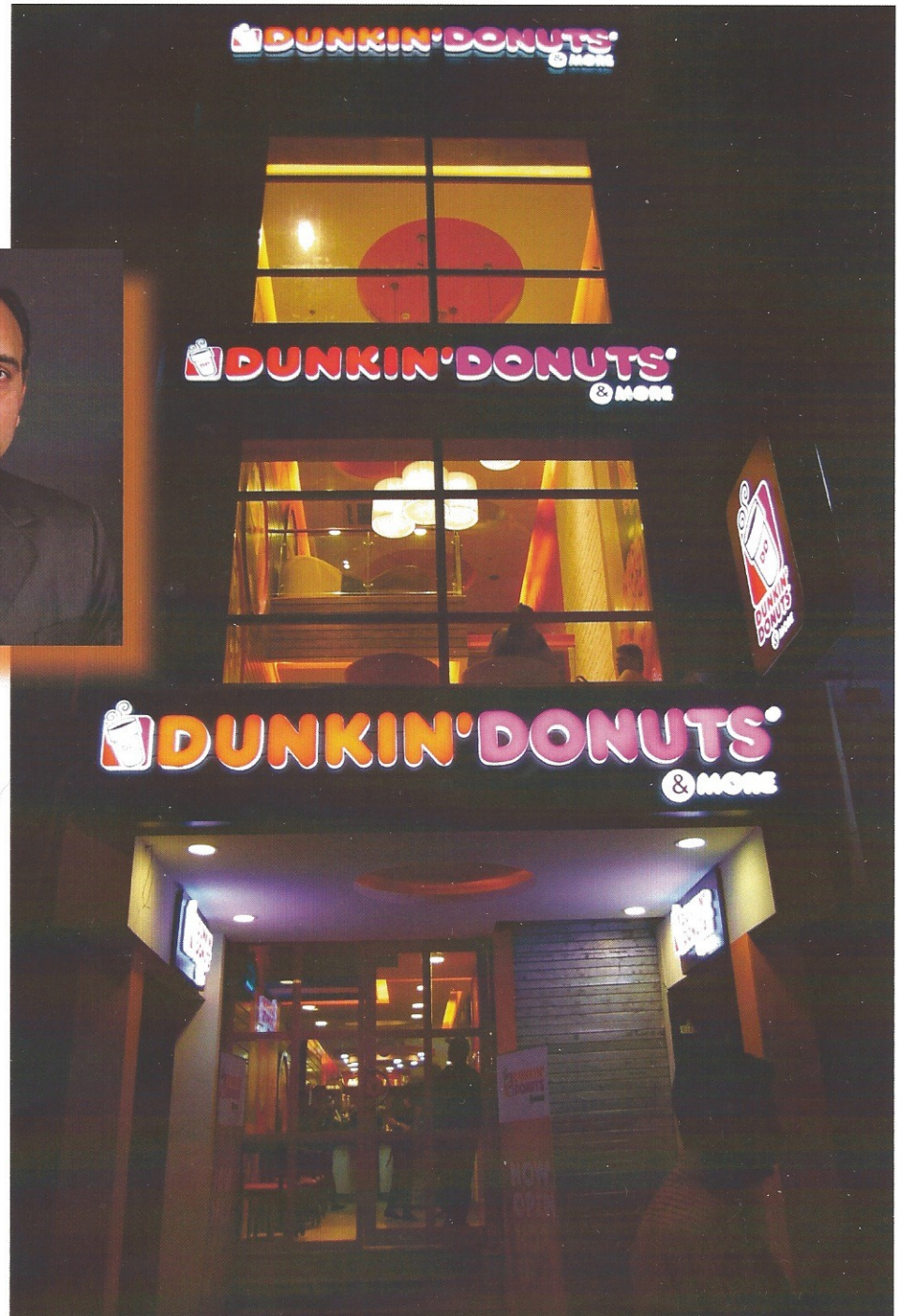
held a couple other jobs, and then came the fateful event: "One day I saw an ad that a Dunkin' Donuts store was for sale in Morristown, NJ," he says. He met with the owner, be-

come interested in buying the store, and brought on a partner to help with the financing. Says Patel, "This is how we started the very first store in 1989."

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Dipak Patel emigrated to the U.S. in 1982 and opened his first Dunkin' Donuts shop seven years later.



With the opening of its first stores in New Delhi, Dunkin' Brands says it plans on opening 100 stores in India over the next five years.

When asked whether he had ever thought, when he was in India earning his undergraduate degrees, he would eventually own 28 Dunkin' Donuts stores in the U.S., he says, "No -- never."

Patel thinks the time is ripe for Dunkin' Donuts to enter India, since it has a growing middle class -- and with growth of the middle class will come a surge of businesses to serve them.

A Growing Opportunity

In an article in *Franchise Times*, Nancy Weingartner writes, "Franchising already is a \$3.3 billion market in India, with the potential to grow to \$20 billion by 2020, according to the Commercial Service literature. Currently there are 1,200 franchisors in

you can find Cinnabon, Yum! Brands, Curves, California Pizza Kitchen, Subway, and more. Starbucks plans to open 50 outlets by the end of the year and Krispy Kreme says it will challenge Dunkin' with 35 stores over the next five years.

"There is a huge familiarity of U.S. culture and U.S. economy by the Indians, and vice versa," says

expand in that market."

Even better is that the middle class is growing, and people in large cities have more disposable income. However, according to Shubhakar Hegde, who came to the U.S. from southern India 40 years ago and now has 11 Dunkin' Donuts stores in New Jersey, along with a middle class of about



Fred LeFranc, founding partner of Results Thru Strategy, says Dunkin' will have to adapt its offerings to accommodate a Hindu and Muslim customer base.



India, of which 25 percent are foreign, with U.S. brands dominating." She notes that according to a white paper by the Indian Restaurant Association in 2010, the burgeoning restaurant industry is estimated to grow 5 to 6 percent annually, and "organized eating out" has grown at a 20 percent rate.

McDonald's was the first U.S. franchise to hit India, in 1996, and now

Faisal Hoque, CEO of the business consultancy BTM Corporation and author of *The Power of Convergence: Linking Business Strategies And Technology Decisions To Create Sustainable Success*. "So from that point of view it's easier for products or services like Dunkin' Donuts to

250 million, there are 750 million people in India who are not in the consumer market. The majority of Indians lives in rural areas; they are not in the location or income bracket to buy Dunkin' Donuts' products.

But, according to Dunkin' Brands, "In India, Dunkin' Donuts is positioned as a value for the money brand that offers high-quality products as well as a great in-store great experience." Karen Raskopf, senior vice president of corporate communications at Dunkin' Brands says JubliantWorks has benchmarked prices against prominent cafes and quick service restaurants already established in India and," judging by the initial



Faisal Hoque is chief executive of BTM Corporation



response from our guests, we feel we are priced right in the market," she said.

Still there is a cultural barrier to cross, according to Hegde. He says in India coffee is something only the younger generation enjoys; a popular coffee chain there called Coffee Day attracts a younger crowd, but people of the older generation tend not to frequent coffee shops.

Good Eats

Dunkin' Donuts is not just about coffee and donuts anymore – there are

real food options. But they may find that they need to adapt their offerings for the Indian market.

"The majority of the country is Hindu, so no beef, and there's a small population of Muslims, so there's no pork -- so you have to adapt to things like that," says Fred LeFranc, founding partner of Results Thru Strategy, a consultancy



for the restaurant and hospitality business. For example, according to Weingartner in *Franchise Times*, "The top-selling sandwich at McDonald's is the Aloo Tikki burger, a spicy potato-and-pea patty served on a hamburger bun. The Maharaja

Mac is ground chicken instead of hamburger and another sandwich's protein is a slab of cottage cheese seasoned with traditional Indian spices."

More differences: Patel believes Indian consumers will like their coffee drinks light and sweet instead of black, that they'll prefer a spicier donut, and that because of the hot weather much of the year, Indian customers would like more iced beverages. Hegde adds that only the younger generation is likely to enjoy donuts, so Dunkin' Donuts will need to create treats that appeal to Indian tastes.

"Our approach to business in India is to preserve the core values of the Dunkin' Donuts brand, which is to serve great food and beverage in a fun, fast and inviting environment, while making some subtle additions to the menu to suit the Indian consumers' preferences," said Raskopf. For example, Dunkin' Donuts shops in India have such offerings as focaccia and rustic Mediterranean ciabatta sandwiches and tea, fruit milk shakes and smoothies.

Business Basics

Dunkin' Brands can expect some significant differences between

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"Can you think of any others?"

business in the U.S. and India. For example, space is at a premium in cities, so many businesses open in small stalls instead of full-size stores.

And even if a Dunkin' Donuts were in a large store, the owners may find that customers prefer to be served rather than wait at the counter for their order. Also, "If you look at tradi-

tional tea stalls, tea houses or coffee bars in an Indian market, people tend to linger in those kinds of places a lot longer," says Hoque. "If you make it too comfortable, you may not have enough volume. So the volume aspect of it needs to be considered significantly."

A major consideration for Dunkin' Brands will be the distribution system. In some cities traffic congestion is a real issue, and products are often carried through the city in giant bales on the backs of motorbikes. Small panel trucks may be able to make it through, but large trucks -- forget it. Companies like McDonald's have funded their own distribution system and other businesses are making inroads, but, "you have to be very careful who you're dealing with," LeFranc says.

Another big issue: "There's a lack of refrigeration, not just in terms of the trucks but also sometimes in terms of some facilities," says LeFranc. "Some of the native restaurants have less than Western standards when

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it comes to sanitary conditions, but that's just how it is over there."

But, those issues appear to be under control according to Raskopf. "Jubilant FoodWorks, has identified and developed various business partner-

ships to facilitate local procurement of ingredients. They have invested in a state of the art CML and a cold chain for storage and distribution. In addition, at the restaurants they have large reach-in refrigerators as well as freezers," she said.

With the surge of franchises entering India, the growth of the middle class, and a savvy youthful market that loves American brands, Dunkin' has a good chance of making it work. Says Patel, "I think Dunkin' Donuts franchises will have great success there."



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Cinnamon Cappuccino	80	90
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Choco Cold Coffee	90	100
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Cover Photo: The New Delhi shop, owned by Jubilant FoodWorks, LTD., features an upstairs seating area.

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