

Fruit Bageecha : A Case Study of Coprenuership in a Rural Setup of India

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Abstract

The case presents an overview of the journey of a couple based out of Singapore who left their spectacular career choices. It discusses the key challenges faced by them in terms of finance, skills required, resource management, change management, cultural issues, and resistance. It discusses the development process and the decisions taken for production, operation, implementation approach, marketing, and distribution.

Keywords : Food processing, boutique, self-help groups

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The case was set in 2018 from the perspective of Fruit Bageecha Pvt. Ltd., a preserves and chutney making firm. It was set up in a rural enterprise model using Boutique concept of manufacturing. It works hand-in-hand with the local farmers and women self-help groups to make jams and preserves.

Given the sheer size of the organisation and its structure, Fruit Bageecha is undoubtedly an achievement. Yet, issues that remained were:

- How to accelerate Fruit Bageecha's low adoption rate amongst consumers?
- Should the expansion be pan India and abroad given the challenges of distribution and packaging?
- Should the founders bring in synergies across the globe?
- Should they have different departments to continue to operate in silos?
- What would be the right time to ensure future readiness and scalability of the overall company?

This case is appropriate for undergraduate or post-graduate management courses. It will provide students an understanding of a boutique model of food processing and how self-help groups operate in the country. Students can suggest effective distribution strategies, how processes can be streamlined, and how to focus on enabling synergies in an organization.

Fruit Bageecha

Fruit Bageecha is a preserves and chutneys making firm. Kotgarh was called 'Mistress of the Northern Hills'

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Figure 1. Kotgarh Fruit Bageecha Logo

by Rudyard Kipling in his short story *Lispeth*.

Kotgarh Fruit Bageecha was founded by Kartik and Anuradha who were working as prominent media professionals before they started this venture (Food Memories, n.d.). They named their exotic creation as Fruit Bageecha Kotgarh. It was established with the sole purpose of producing the best quality of jams and preserves. Kotgarh is nestled at 7000 feet in Himachal Pradesh, India. The company aims to nourish people with its products from India's finest fruit orchards in Kotgarh in Shimla district of Himachal Pradesh. Fruit Bageecha produces a variety of very palatable jams and preserves. The products are not just limited to apple varieties, their products are made with kiwi, oranges, apricot, ginger and a lot more (Kotgarh Fruit Bageecha, n.d.).

About Kotgarh

Captain Lee, a British officer, planted the very first apple orchard in Kullu, a district of Himachal Pradesh in the year 1882. The green apple (*Ross Pippin*) planted by him did not gain popularity as it was sour and could be used only for cooking. In the year 1916, Samuel Evan Stokes who had come to Shimla to work in a leprosarium, realized that locals were also battling with poverty besides the disease. So, began an economic revolution. He brought seeds of 'Red Delicious' apples from Philadelphia, distributed them free of cost to locals of Thanedar in Kotgarh, and in six to seven years the trees bore fruit. Besides the Kashmiri apples, this variety is what is proudly referred to as Indian apple. Stokes later went by the name Satyanand Stokes, married a local lady, and became an active member of the freedom struggle of India.

About Food Processing Industry in India

Economic growth over the past decade has led to significant poverty reduction raising nearly 20 million people above the poverty line every year. India, however, continues to face significant bottlenecks in feeding nutritious food to over a billion people leading to issues around chronic undernourishment and malnutrition, lifestyle diseases, and micronutrient deficiencies. Resolution of these issues required improvements on multiple fronts : availability, affordability, consumer awareness, quality, safety, and access of food, which therefore, needed a cross-value chain approach. The food processing industry will need to play a central role in driving improvements in the country's nutrition situation because it is the first organized linkage between the farm and the shelf. The unique conditions of the Indian market such as consumer preference for 'fresh' foods, high local availability of food, and low degree of value-chain organization also implies a broader role of food processing sector in the Indian context (more than just packaged food). Finally, it is important to note that food processing is an important contributor to economic and social growth with high outputs (USD 180 billion in 2011), substantial employment generation (over 3.1 million employees in organized and MSME segments), and impact on local economies. Therefore, it deserves a high degree of focus from all key stakeholders (government and private enterprises) associated with this sector (Government of India, 2016).

The difference in the Indian market is driven by both demand and supply driven factors:

(i) Consumption Behaviour : Indian consumers prefer to procure food in unprocessed and fresh form, and then convert it into a consumable form through the food preparation process either in homes or in restaurants. This is distinct from many other countries where consumers prefer to purchase more ready-to-eat foods. The consumption behaviour is changing in the urban centres. However, as the younger generation is shifting towards processed foods due to paucity of time.

(ii) Wider Availability: Most food products in India like fruits, vegetables, and milk have wide availability across the country, which is very unique to India. This leads to lower need for packaging and preserving food for transportation over longer distances.

(iii) Limited Evolution of Food Processing Sector: In areas like core processing, warehousing, logistics, and production, the food value chain in India is still nascent with limited use of modern technology and labour-intensive processes as compared to other developed nations.

Horticulture in India : Current Scenario

India has witnessed voluminous increase in horticulture production over the last few years. Significant progress has been made in area expansion resulting in higher production. Fruits and vegetables account for nearly 90% of the total horticulture production. The scenario of horticultural crops in India has become encouraging. However, the nature of horticultural crops is such that it is not easy to make an assessment of their production. There are a lot of fruit trees which are scattered, and do not count for assessment. Also, there are crops, especially vegetables, which are grown in small plots, fields, or in backyards of houses which are unaccounted for. They do not have a single point of harvesting and many horticultural crops have multiple pickings in a single season, which leads to improper count of production (Government of India, 2016).

Fruit Bageecha : Vision, Mission and Goals

Vision: “To be a major boutique fruit processor worldwide with unique product lines.”

Based in Kotgarh, the fruit belt of Himachal, its vision is to bring premium quality and healthy fruit products from Himachal to consumers in India and export them. This makes them stand as great visionaries who want to transform the way we think about food processing in India.

Mission: “To craft quality, healthy food products for a better and tastier choice”, “To keep innovating with new recipes and products.”

A passionately made unique product that is high in quality, well packaged, with high fruit content, and proudly represents the rich heritage and culture of Kotgarh, the fruit belt of Himachal Pradesh.

Goal: “To procure local produce and engage self help groups in making their products”, “To inject skills and capital in the local economy.”

Fruit Bageecha : The Case

Food business came to the manufacturers as a natural choice, particularly Kartik who had grown up relishing his mother's homemade delicacies (particularly her fresh fruit jams). He had even considered pursuing it as a career. This was an unacceptable career choice for men in India then. Kartik and Anuradha started with research which lasted almost a year. They explored locations, and looked for the best place to move ahead with their dream. On the basis of easy acquisition of raw materials, they shortlisted two states in India, Uttarakhand, and Himachal Pradesh. They stayed in these places to get a sense of the local communities, understand cultures, look for supply of fruits vegetables, and crafts in which people of that area were skilled. They found a sense of security and belongingness with people of Kotgarh, Himachal Pradesh.

They came to India with all hopes and dreams in a project file. They started to seek help from senior officials for

bank loan for initial investments. They failed to secure any help from state officials or any bank for one year. They thought that this was because of nepotism. Since they were persistent and supported each other, they began their operations with a pilot project using their own funds. An all equity private limited company was established.

The passion for food and crafting beautiful recipes from fruits had to be pursued. It could not have been possible without help from locals and support of farmers in the area. The first batch was produced in the village with the involvement of local self-help groups. The local specialty was apple chutney, and they helped the locals standardize the recipes using traditional methods of boiling and preparation, and bottled them to launch the first set of products.

In the meantime, they also considered the possibility of receiving government subsidies but navigating through Kafkaesque bureaucracy turned out to be a long-drawn affair. Therefore, they had no choice but to invest their own remaining funds into the enterprise. The initial batch was made of over 40 different recipes with ingredients like cherry, chocolate, vanilla etc. in the mix for tasting and feedback.

The company Kotgarh Fruit Bageecha is a boutique fruit preserves and chutneys maker. Based in the fruit belt of the Himalayan state, the producers live onsite amongst the first apple orchards of India. This provides an edge for sourcing fresh fruits directly from farmers in the region. They use a rural enterprise model where they work hand-in-hand with the local farmers and women self-help groups to make their products. In the beginning, they realized the importance of women self-help groups. They seek help from and give help to local women. The organization functions on the basis of co-operative principles and provides for a forum for members to extend support to each other. They ensured that it provides for a means of empowerment to women who work with them. They have played a crucial role in helping females of the community understand the importance of savings and credit which is indeed helping in reducing poverty and social inequalities.

These self-help groups are considered one of the most significant means to adopt participatory approach. Their team comprises of 12 ladies, 8 of them are directly involved with the production, and 4 of them take part in other operational activities. A food scientist and a packaging person are also part of the team. This team works out of their farm in the village which they started in March 2016.

Kartik understood during the pilot that these happy mountain ladies were taking pride in whatever work they were doing. Standardizing the recipes of homemade chutneys and ensuring homemade taste is something that will keep women motivated and provide the much needed results. They work meticulously in and out to ensure the richness of fruit pulp and bringing the romance of mountains to everyone's kitchen. The process of making jams and preserves is labour intensive but it also makes them unique. There are only a few ethnic premium preserves and chutneys in the market. The founders have taken great pains to ensure authenticity and love of mother nature in all their products. Everything starting from packaging to recipes appeals to the taste and sensibilities of discerning consumers.

Boutique Model

Boutique comes from the French word for *shop*, but these days it is also used to describe small, specialist, and niche businesses that seek to offer a bespoke and more considered service. Boutique manufacturing is a mechanism for personalized production of certain products in limited quantities. It is either done by hand or with a restricted level of automation. In industrial countries, boutique manufacturing is being selected generally for high class goods in upper price levels, and only for single products or small batches (Revolvy, n.d.).

The key advantages of boutique manufacturing in comparison to traditional factory manufacturing with batch fabrication, large or mass production are as follows:

- Low investment in factory automation.
- High flexibility during manufacturing.
- Quick alteration of product types produced in every workplace or production line.
- Supports build to order without the necessity of using many pre-assembled components; creation of value caused by assembly takes place mainly at the end of the production flow.
- Allows an unachieved level of product individualization.

Fruit Bageecha uses boutique manufacturing as it closes the gap between piece production and small batch/low volume production. The organization is a mixture of both – elements of job and batch production. However, it involves higher standardization than the first one as preservation and bottling are completely automated to maintain the highest

standards of quality. Their factory is organized with single workplace and production cells carrying out a number of subsequent steps until completion of the whole product. There is flexibility and so, a variety of products are produced in the entity. The variety is much higher than with the more standardized method of batch production.

However, with this method, manufacturing of larger quantities of unified products is not possible at reasonable costs. As a new company, the company had to focus on one of the three parameters, that is, price, quality, or customer service as a key USP. Given their resources, and market needs, they chose to focus on quality and a boutique model with limited batches as it was the best option.

Strategies

Every business has a target audience, but within that target audience there are smaller subgroups of people. They share certain characteristics, and have specific wants, needs, and preferences. These smaller subgroups are called niches, and are a rich source of marketing opportunities.

If a business forms its marketing endeavours around this subgroup, this business would be in the practice of niche marketing. Fruit Bageecha's repertoire consists of six varieties of preserves and chutneys, flavours like green apple with ginger, chunky kiwi with star anise, and wild apricot. Its ambitious hot new preserve use Pippins with Naga chillies, and this combination is amazing.

Fruit Bageecha can process 100 tons of jam and 100 tons of fruit pulp annually. In their first year of operation at the new plant, 25% of installed capacity is being used for jams/chutneys/ketchup. Its sales volume was expected to increase to ₹ 0.5 crore in 2018, and the company is expected to reach breakeven point by 2019.

The most critical parameter for retail to succeed is to reach as far as possible. With the expected increase in retail penetration and adequate logistics support, the business is likely to increase manifold, thereby,

- (i) Creating more retail visibility
- (ii) Increasing efficiency for catering to the needs of the export market

Currently, they are retailing to luxury hotel chains in North India. Their products are available in a few well established stores both offline and online. Besides this, they have their own Experience pop up stores set up at various exhibitions, trade fairs, and high footfall tourist areas where anyone can taste and buy.

Major Challenges

(1) Distribution

Margins are cut throat in the North Indian market. Hence, going with the traditional distribution chain as a boutique player gives little leverage. Even then to acquire shelf space in a retail chain requires huge investments which poses a challenge. Distribution and marketing is a huge cost in the Indian consumer market which have inefficiencies. Various studies and reports have pointed out that in the current context in Indian markets, distribution remains the biggest challenge in the supply chain of food items. High logistics costs and higher level of inventories, which are to be maintained due to the nature of products (such as seasonality and shelf life) is increasing the final price of the products, and reducing consumer benefit. However, this higher price is not resulting in better price realization for producers due to overall inefficiency in the supply chain. This is also hampering the overall growth of the food market.

(2) Logistics

Since Fruit Bageecha decided to produce at source in a remote area, logistics of getting raw materials and sending finished goods to the market is a challenge and an added cost; it will remain so.

Poor transport infrastructure and restricted competition due to a number of policy distortions result in slow creation of new infrastructure, and uneven utilization of existing infrastructure.

(3) Marketing

As a niche player, their marketing efforts are organic, for example, word of mouth, trade fairs, and their own branded stores. Without external funding, and seven figure budgets, a boutique brand like theirs has to use a lot of Below the Line marketing tactics. Their future plans can be summed up around the challenges of a new business:

- Expand marketing and distribution: South and West India, Southeast Asia, and the Middle East.
- Create their own dedicated online store, besides adding more online partners.
- Consolidate product portfolio and add new products.
- Add their model of unique experience pop-up stores in North India.

Conclusion

The culinary practice of preserving fruits with sugar has been carried out all around the world since ancient times. It is unclear exactly where the practice originated. The products created using this style of preservation are known by a variety of names such as jam, jelly, marmalade, preserves, conserves, and '*chutneys*'. These differences in name are accounted for by a combination of two key factors: the geographical area where the product is produced and consumed, and the kind of recipe and ingredients used.

Loving the alchemy of creating what you desire together with your life partner, understanding the history, and making preserves and chutneys are key elements of day to day eating, and this is what Fruit Bageecha is doing. Its products can be used on breads and in cakes, with cheese, and cold meat. They can be used to make salad dressings, on pizza dough. They are versatile.

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