

Name:  
Enrolment No:



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**  
**Online End Semester Examination, May/June 2021**

**Course: Services Marketing**  
**Program: MBA (MKTG)**  
**Course Code: MKTG8005P**

**Semester: IV**  
**Time 03 hrs.**  
**Marks: 100**

**SECTION A**  
(30 marks)

1. There are **SIX** True/False questions in this section. All are compulsory.  
2. Instruction: Choose the correct answer.

Q.No	Question	Marks	CO
1	An offering that consists primarily of a tangible good with no services at all, is considered a hybrid. a. TRUE b. FALSE	5	1
2	Marriott is setting up hotel rooms for high-tech travelers who need accommodations that will support computers, fax machines, and e-mail. These are examples of secondary service features. a. TRUE b. FALSE	5	2
3	“A service center manager has asked his subordinates to provide fast service but has not specified a time for the service to be performed” is an example of a gap between management perception and the service-quality specifications. a. TRUE b. FALSE	5	3

4	<p>Internal marketing describes the training and motivating employees to serve customers well.</p> <p>a. TRUE b. FALSE</p>	5	1
5	<p>Various studies have found that well-managed service companies have their own distinct service strategies and characteristics.</p> <p>a. TRUE b. FALSE</p>	5	2
6	<p>You were disappointed in the way your carpets were cleaned by a carpet cleaning company. The manager of the firm immediately dispatched a "second" team to re-clean your carpets at no additional costs. In addition, the manager visited your house the next day to inspect the work personally and to ensure that you were completely satisfied with his company. As a result, you will recommend this carpet cleaning company to friends and family. This service provider knows that customers evaluate complaint incidents in terms of the outcomes they receive.</p> <p>c. TRUE d. FALSE</p>	5	3

**SECTION B**  
(70 Marks)

1. There is ONE Case Study in this section.
2. It is compulsory.

Q.No	Discuss the given Case Study as per the following steps	CO
7.	a. Introduction: give a brief introduction of the case.	10 marks
	b. Statement of the problem: State the business problems being faced by the key officials in the case. Also, differentiate the short-term and long-term problems.	15 marks
	c. Causes of the problem: provide a detailed analysis of the problems identified in the statement of the problem. Also apply relevant theories and models, if applicable, from the text and/or readings.	15 marks
	d. Decision criteria and alternative solutions: Identify criteria against which you evaluate alternative solutions. Include two or more possible alternative solutions along with the appropriate pros and cons of each alternative.	15 marks
	e. Recommended solution, implementation, and justification: Identify who, what, when, and how in your recommended plan of action. Provide the solution and implementation of the problems and causes identified in the previous section. Also, explain why your recommended plan of action is the best and why it would work.	15 marks
		4

**CASE STUDY**

## WOW! MOMO: THE MAKING OF INDIA'S QUICK-SERVICE RESTAURANT GIANT

*Atanu Adhikari and Seema Lall wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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On a pleasant spring morning in September 2018, Shah Miftaur Rahman, co-owner of Wow! Momo Foods Private Limited (Wow! Momo), reviewed the company's recent financial statement. The statement made Rahman happy but not entirely content. The company was growing, but their goal seemed elusive.

Wow! Momo, a quick-service restaurant (QSR) chain, was a start-up based in Kolkata, India. It sold various types of Tibetan steamed dumplings, known as momos (see Exhibit 1). The restaurant's specialty was a pan-fried variety of momos, prepared to suit the Indian palate (see Exhibit 2). Wow! Momo was founded with an initial investment of just ₹30,000<sup>1</sup> in March 2008 by college classmates and now had 244 outlets spread across 13 cities.

Sitting in his office, Rahman remembered the founders' dream to make their product for all occasions and all classes and to create an iconic Indian brand that they could take abroad. But so far, their dream of making Wow! Momo the McDonald's Corporation (McDonald's) or Domino's Pizza Inc. (Domino's) of India remained elusive. Rahman wondered how Wow! Momo could make momos a front-line fast food like pizza and burgers. Should they create a niche market, or should they seek to make Wow! Momo a mainstream fast food? And, ultimately, how could they first make Wow! Momo a national brand alongside other leading multinationals in India before expanding the business internationally?

### INDIAN FOOD-SERVICE INDUSTRY

The Indian food-service industry was largely dominated by unorganized players like street-food providers, small shops, *dhabas*,<sup>2</sup> and small, roadside kiosks. In 2018, the total market size was ₹3,710 billion, of which, ₹2,385 billion constituted the unorganized market, followed by ₹935 billion in the organized stand-alone market, ₹285 billion in the chain market, and only ₹105 billion in restaurants and hotels. Over the previous few years, the Indian food-service industry had consistently maintained a compound annual growth rate (CAGR) of 10 per cent, which was expected to persist for the following five years.<sup>3</sup>

In contrast to other Asian markets, such as China, where chain retail outlets made up 20 per cent of the market, only 3 per cent of India's market consisted of chain outlets; the remaining 97 per cent was made up of stand-alone outlets. In India, casual-dining restaurants (CDRs) and QSRs had dominated the organized chain restaurant market of ₹285 billion (see Exhibit 3).

In 2018, the QSR sector was estimated to be worth ₹85 billion and was growing at a CAGR of 25 per cent. The sector was expected to grow threefold, to ₹250 billion, within five years.<sup>4</sup> Fast-food outlets had been introducing a variety of products and variations on the products to cater to the demands of each and every segment of the market and to interest people of all ages, genders, classes, and income groups. Fast-food outlets in India had particularly targeted children as their major customers, introducing product varieties that would attract children's attention. By targeting children, the outlets automatically captured parents because children were always accompanied by their parents.<sup>5</sup>

When the QSR and CDR market was assessed by region, megacities such as Delhi and Mumbai claimed 22 per cent of the market; mini metros, such as Ahmedabad, Pune, Chennai, Kolkata, Bangalore, and Hyderabad, claimed 20 per cent; medium-sized Tier 2 cities claimed 11 per cent; and the remaining 47 per cent of sales came from the rest of India.<sup>6</sup>

## COMPANY BACKGROUND

Wow! Momo was an Indian chain of fast-food restaurants headquartered in Kolkata, West Bengal, India. Founded in 2008 by college mates Sagar Daryani and Binod Kumar Homagai, and later joined by a third college mate, Shah Miftaur Rahman, the restaurant specialized in momos, a dumpling popular in Nepal, Tibet, and India.

It was Daryani's idea to sell momos. Back in their college days, he and Homagai regularly bought momos from a woman at their school, who had a good number of customers; her success assured Daryani that high-quality momos could be sold in Kolkata. Rahman was introduced to momos when he joined Daryani and Homagai for group studies. Rahman tutored the other two in commerce subjects, while Homagai, being Nepali, prepared the momos. Daryani recalled speculating about how momos could be commercialized through a QSR:

The momo as a product had been well accepted in the Kolkata market but had not been branded. The problem was that momos were considered roadside food. It was the same situation in Delhi, where momos were sold from *thelas* [pushcarts]. Hygienic momos were absent everywhere. So, it was a good opportunity to brand the product.

Rahman reasoned that if foreign companies could bring pizza and burgers to front-line fast food in a country like India, there was no reason they could not do the same with momos, with proper branding and distribution. Daryani and Homagai formed and subsequently incorporated the company in 2009. After five years of working at PricewaterhouseCoopers, Rahman, a chartered accountant, joined the other two in 2015 and took on the role of company secretary.

The company started with steamed momos and soon expanded to include 12 varieties, including chicken, chicken and cheese, Szechuan, and prawn. For vegetarians, the offerings included corn, corn and cheese, and paneer, among others. Steamed momos were easy enough to make, so the team also introduced a pan-fried variety. They fried the momos in different sauces to allow for spicy, sweet, or sour flavours that would suit the Indian palate. Their efforts in Indianizing momos became a significant, unique selling proposition for the company. The idea was that people would take a bite of the momos and say, "Wow!"—hence, the company's name, Wow! Momo.

Starting their first outlet in 2009, Daryani and Homagai approached Spencer's Retail Ltd. (Spencer's), a supermarket chain, to set up a stall, an approach that helped the founders avoid capital expenditures and electricity costs. There was a captive inflow of prospective customers who patronized Spencer's. In the initial days, Daryani and Homagai wore Wow! Momo T-shirts and approached Spencer's customers to offer samples of the momos. They erected a bright-yellow Wow! Momo sign at their stall to attract customers (see Exhibit 5).

Rahman described their initiative:

You access an opportunity by understanding there is something passive lying in society that has not been marketed well. You grab this opportunity and try to solve the problem. We were trying to address a set of customers who had been eating pizzas and burgers (and were possibly done with eating those) and were trying to give them something healthy.

When Wow! Momo launched, Daryani began his day at 5:30 a.m., buying the raw materials, such as chicken and vegetables. The stuffing (of vegetables or chicken) and outer cover (of flour dough) of the momos were prepared. The stuffing was placed in the dough sheets, shaped up like a dumpling, and sealed for steaming. He transported the momos to Spencer's on his bicycle, using hot cases to ensure the momos remained fresh. Daryani and Homagai worked from 6:00 a.m. to 6:00 p.m., and after closing their stall, they walked home to save money. Almost 10 years later, they had a fleet of 50 vehicles and worked from 9:00 a.m. to 11:00 p.m. They believed that one rupee saved was five rupees earned.

The first stall at Spencer's led them to secure a location in Kolkata's South City Mall, which had the biggest Spencer's store and was the best mall in Kolkata. The second stall opened four months after the first and was a pivotal event for Wow! Momo. A plate of momos from Wow! Momo sold for ₹40, and, according to the team, after they opened their second stall, the company's revenue increased from ₹50,000 a month to ₹900,000. With the additional income, the team hired more people and invested in research and development (R&D) for their products.

## **BUSINESS MODEL**

### **The Concept behind Wow! Momo**

From the beginning, Wow! Momo sold branded momos to offer a different experience to the customer. The team understood that there were some people who would not buy a plate of momos for ₹80–₹100 when the same could be obtained for ₹40 as street food—but with lower-quality ingredients. But Wow! Momo never intended those customers to be its target; rather, the company targeted customers who were looking for authentic, hygienic, and affordable branded momos (see Exhibit 6).

The vision was to bring the traditional, authentic food of Nepal and Tibet to a wider audience, incorporating momos into people's daily lives for breakfast, lunch, or dinner. The momos could be steamed, fried, or pan-fried; they could also be made into burgers or sizzlers (a dish that comprised of momos and some other accompaniments, all served on a metal hot plate, kept on a wooden base), thus offering customers many options for customization. Rahman explained, "Answering the customers in terms of what is new is very difficult. Ensure you give people what they want. Give them more through innovation. Innovation in product offering has been an answer to 'What is new?'"

Daryani explained the philosophy behind their business model:

We took small steps toward this goal. Our plan was clear to the team, so they worked cohesively to achieve the goal. We were clear on objectives, ensured our requirements were met, and worked cohesively. We ensured the team was aligned to the vision. [We knew what we needed to do:] have a business plan, work cohesively, and be aggressive. Also, ensure the company is profitable or else you cannot ensure scalability.

Rahman added:

A company cannot grow without profits. Otherwise, the business would make no sense. Unlike a tech company, we could not keep on burning and scaling up. We could not afford that. Organizational requirements had to be met. We were not funded. We were internally sourced. We were hand-to-mouth then, as we are now. We are still a start-up. Our vision is to take the restaurant from being a national brand to making it an international brand. We envisage Wow! Momo at Times Square, New York, etc.

In the initial stage, the team did not focus on operational costs because the team knew the strengths of their business model and wanted efforts to be directed toward building Wow! Momo as a brand. Moreover, the team did not focus on the back end because they realized that they could only invest in R&D if their front end was strong, with sales high and revenue coming in. They progressed carefully and took development of the business one step at a time.

After Spencer's, the team approached Big Bazaar, a chain of hypermarkets, and Pantaloons Fashion & Retail Ltd. By the end of June 2018, Wow! Momo had over 1,000 people employed in back-end productions and over 1,500 people managing the storefronts at different levels. The team followed a standardized recipe and cooking method supplied by the central kitchen.

During the initial stages, all momos were steamed. Rahman explained, "We are in the business of fitting people's palates. Wow! Momo is fusion food, basically—the sizzler is Chinese, au gratin is continental, the chocolate momo is from nowhere, the burger is American—and the momo is available in all these forms." By the end of 2016, only 5 per cent of customers (authentic momo eaters) asked for traditional steamed momos, while 95 per cent wanted to play with the taste, innovate, and try new things. Rahman believed that variety was what helped the company.

As the company added new products, they also removed old products from the menu. Rahman said, "If old products are not removed, the result is clutter, which feels claustrophobic. People get variety and also get the right mix." The fish variety, for example, was removed from all cities except Kolkata, Chennai, and Cochin, where demand for fish momos existed.

### **Production and Operations**

Wow! Momo operated in six different store formats: (1) food court, (2) high-street mini (a store between 250 to 350 square feet with a kitchen and seating facilities in a residential area), (3) high-street maxi (These were stores in high street residential areas. Area of these stores were between 500 to 800 square feet with kitchen and seating facilities), (4) in-store kiosks, (5) kiosks on wheels, and (6) delivery outlets (see Exhibit 7). To facilitate sales at gasoline pumps and crowded places where one of the six store formats was not present, the company served its momos using a battery-operated flameless steamer and fryer. The Momo Man (someone dressed in a Wow! Momo uniform) would reach out to the customers right where they were (e.g. gasoline pumps, bus and taxi stands, or other crowded places) to make the product easily available to the customers.

The company used a hub-and-spoke model in their operation. Every city had a central kitchen to ensure consistency. The cutting and chopping would start at 6:00 p.m. the day before and last until midnight. After that, production would take place until 6:00 a.m. Between 8:00 a.m. and 9:00 a.m., the finished momos would then be transported to the stores in chilled vehicles so that the stores were ready to cater to customers by between 10:00 a.m. and 10:30 a.m. (see Exhibit 8).

Operations at the stores were simple. Steamers and fryers had a timer. The store operator would steam or fry the momos, put them on a plate, and serve them. For pan-fried momos, the premixed sauces (in 30-millilitre and 60-millilitre sizes) were sent to the stores as weekly stock. Staff at the stores would chop onion and other ingredients before opening for business. When customers placed their order, staff would add the chopped onion and premixed sauce to the momos, cook them for two minutes, and then plate and serve them. Rahman believed that the staff were proud to work at the restaurant, commenting, “These store boys post on social media [Facebook, for example], ‘Chef at Wow! Momo.’ This gives them a good feeling.”

Before entering a new city, Wow! Momo would do a market survey. A market survey team would go to the city and spend some time assessing its capacity for the number of stores that could be opened there. Rahman described the process: “For example, 60 days from now, we shall be opening our store in Goa. We have a plan for 20 stores in Goa. We make our base kitchen in that city accordingly. In Mumbai, we made a larger base kitchen because we thought we could open 100 stores in Mumbai.”

After the market survey team visited the city, the fit-out team, purchase team, and human resources team would visit, respectively, in that order. Once everything was set, operations staff from existing stores would operationalize and run the new storefront for the first two months. Gradually, the new stores would hire their own staff, who then trained under the experienced staff members. In six months, the new stores would be on their own, and the old staff would go back to their respective stores. Just like the staff members, the new managers were also assigned an experienced manager already manning an existing store. Both of them would then be posted at the new store, where the experienced manager would train and mentor the newly recruited manager at the new city store. Daryani explained:

For instance, Goa (our new entry) will be mentored by Mumbai (already operating). The city manager for Goa was already hired and was being trained under the Mumbai city manager before undertaking work in Goa. Similarly, when the Lucknow store was opened, that manager was mentored by the city manager in Delhi. The Delhi city manager opened the first store in Lucknow. Likewise, Delhi was tagged to Calcutta. This way, the necessary hand-holding was achieved. We hire locals as city heads in every city so that they understand the sentiments of local consumers as well as employees. We rent the space and then make the stores’ decor and everything else ourselves.

Within each city, Wow! Momo maintained a consistent organizational structure (see Exhibit 9). The senior executives at the store were responsible for sales at the restaurant, and they reported to the restaurant managers. Junior to them were the interns and trainees. Each restaurant manager reported to a cluster manager. Cluster managers were responsible for all of the restaurants in the cluster. A cluster was formed according to an area. Therefore, several restaurant managers reported to one cluster manager. Cluster managers reported to the sales head, senior operations manager, and performance enhancer, as appropriate. These three accordingly advised the cluster managers on the future course of action. The sales head, senior operations manager, and performance enhancer collectively reported to the city head.

## CONSUMERS

### Profile

Growth in the QSR and CDR segments of the food-service industry in India had been sustained by favourable demographics. Fifty per cent of the Indian population was under 24 years of age, and about 70 per cent of the population was under 35 years of age.<sup>7</sup> The country had approximately 20 per cent of the world’s working-age population.<sup>8</sup> These groups, constituting Indian youth, aged 13–35 years, were the major consumers of the QSR industry. About 25 per cent of youth preferred socializing with their friends over other outdoor entertainment activities.

When eating out, consumers looked at food quality, location, service quality, and overall restaurant environment as the primary factors affecting selection of a restaurant. About 73 per cent of youth considered price, brand image, and quality the most important factors in making a purchase.<sup>9</sup>

The primary Wow! Momo consumers in all cities were students, and the secondary consumer base comprised information technology (IT) professionals. Daryani pointed out that, initially, the main focus of Wow! Momo was to sell to upper- and middle-class families;<sup>10</sup> however, Wow! Momo had followers among food bloggers and vloggers, which attracted food-industry social media followers, who were typically younger, to the restaurant.<sup>11</sup>

## Behaviour

Rapid urbanization and modernization and the spending power of the middle class and millennials were some of the important drivers of growth in the QSR industry. Moreover, working professionals were becoming busier in general and, hence, were depending on fast food for their meals. These factors applied to Indians as well. Women tended to be more engaged in their professional lives and often did not have enough time to cook food at home. As a result, the whole family was becoming dependent on fast food to a greater degree.<sup>12</sup> The QSRs in India were present in varying formats, such as dine-in restaurants, food courts in malls, and drive-in restaurants on highways, all of which provided the customers with easy access to food. These QSRs were more often found in metro and mini-metro cities, where consumption was higher and consumers were more aware of the QSR brands and their offering in the market.

Wow! Momo observed that more consumers were visiting the restaurants than ordering food online. While consumers had the option of ordering from home and using home delivery, the company believed that young consumers preferred the experience of consuming momos at the outlets due to the ambience and the experience of eating fresh momos prepared to order. Takeout orders occurred largely in malls, airports, and metro stations where seating was not available.

## COMPETITORS

There were nearly 100 fast-food brands, with over 3,000 outlets, spread across India.<sup>13</sup> A report released by the Associated Chambers of Commerce and Industry of India acknowledged the penetration of several national and international players in the QSR space, which in turn had broadened the market of the individual market-players. This effect was attributed to the growing middle-class segment, urbanization, increasing number of nuclear families, greater spending power among youth, and improved logistics.

Wow! Momo had three major types of competitors: (1) some small players in the momo micro-segment; (2) significant players in the QSR sub-segment, namely McDonald's, KFC, Domino's, and Pizza Hut; and (3) other local branded fast-food joints (see Exhibit 10).

Wow! Momo had few competitors among chains or stand-alone companies in the QSR segment that sold momos. Of those who were competitors, the largest and most competitive was Dumpling Momo, a Kolkata-based company. The restaurant offered 48 types of momos, which was more than Wow! Momo.<sup>14</sup> Dumpling Momo had also recently introduced cottage cheese momos that were available with either a white or mixed sauce. This option offered elements of both dumplings and pasta, which Dumpling Momo regarded as a combination of Tibetan and Italian cuisines.<sup>15</sup>

In 2016, Dumpling Momo began as an outlet in Diamond Plaza, a mall in North Kolkata; the outlet generated ₹8,000 per day. The required franchise investment in Dumpling Momo was approximately ₹1 million. Dumpling Momo planned to expand across India, with a revenue target of ₹6 million. The company offered franchise opportunities to expand the business in Kolkata, and it planned to open outlets in Guwahati, Patna, Delhi, Jaipur, Hyderabad, and Bangalore.<sup>16</sup>

The second competitor in the market, Fusion Momos, was established in 2014. It was a small brand but offered a variety of distinctive momos that resulted in high profits. The franchise investment in the company was reported as between ₹500,000 and ₹1,000,000, and the anticipated return on investment was 8–12 per cent.<sup>17</sup>

The Momo Station was another chain that sold momos, and consumers could customize the momos according to their preferences. The company projected this customization as their point of difference. The Momo Station offered paneer, vegetable, and chicken momos, with its specialty being an offer of two gravies—Szechuan and “the Station Special.” The franchise investment in the Momo Station was between ₹0.5 and ₹1 million.<sup>18</sup>

Based in Delhi, 6 Pack Momos presented itself as India’s momo paradise, offering customers over 250 varieties of momos, including authentic steamed, pan-fried, and deep-fried.<sup>19</sup> 6 Pack Momos used automatic momo-making machines specially imported from Korea. Its franchise investment was ₹700,000.<sup>20</sup>

Wow! Momo’s leading multinational competitors operating in India’s QSR segment included McDonald’s, Kentucky Fried Chicken (KFC), and Domino’s Pizza (see Exhibit 11). McDonald’s was the leading QSR retailer, with a presence in 130 countries, serving about 58 million customers each day across its 32,000 restaurants. About two-thirds of McDonald’s restaurants were local franchises. In India, McDonald’s had entered into franchise agreements with Connaught Plaza Restaurants Private Limited in the National Capital Region of Delhi and with Hardcastle Restaurants Private Limited in Mumbai.<sup>21</sup>

McDonald’s market share in India amounted to ₹2.4 billion, which was 11 per cent of the total market share for the QSR segment.<sup>22</sup> Approximately 31 per cent of Indians were vegetarians, for religious and cultural reasons, while the rest of the population would eat fish and meat.<sup>23</sup> McDonald’s had innovated in international markets to attract these customers, in particular for breakfast. The company had launched a new breakfast menu in India that featured versions of local favourites, such as masala dosa,<sup>24</sup> brioche, and masala scrambled eggs,<sup>25</sup> in addition to conventional breakfast items like waffles and hash browns.

KFC was an American fast-food restaurant chain that specialized in fried chicken. In 2018, there were 300 KFC outlets in India, across more than 80 cities. KFC’s main menu items in India were buckets of chicken in either the “Hot & Crispy” or “Fiery Grilled” options, the “Chicken Zinger” burger, and rice bowls. KFC’s market share in India totalled ₹2 billion, which was 9 per cent of the total market share for the QSR segment.<sup>26</sup>

There were many pizza companies in India, and many more international pizza companies had tried to enter the Indian market; Domino’s was the leader because of their quality, taste, prompt service, and reasonable prices. India was likely to become the second-largest market for Domino’s, whose market share in India was ₹4.8 billion in the QSR segment.<sup>27</sup>

## MARKETING

### Communication

As a start-up, Wow! Momo had a limited budget for marketing communication; hence, they could not afford the large advertising and promotion budget that many multinationals in the QSR segment managed. At the

same time, the company knew that to compete with multinational QSR giants, it needed to do large-scale, effective communications. Therefore, Wow! Momo relied on non-traditional marketing communications and innovative customer engagement. With no advertising expenditure, it focused on below-the-line communication for inorganic growth. One of the non-traditional communication techniques the company adopted was momo-making competitions for school children (grades 3–6), held once every two months at a high-street maxi store. At each competition, the company would announce a “junior momo chef.”

The company also collected feedback forms that provided information customers’ birthdays. If a customer visited a Wow! Momo store within a month of their birthday, the staff would wish the customer a happy birthday and offer them a free chocolate momo. Rahman explained, “It costs only ₹10 to the company, but the benefits are huge.” The company also kept customers engaged on social media and asked them to tag a picture of themselves enjoying a momo at an outlet, for which the customer would receive a free, complimentary momo meal. In slightly smaller cities like Bhubaneswar, five students were chosen as college ambassadors for the company. They were given Wow! Momo T-shirts, bags, and other branded material and were asked to spread positive word of mouth at their colleges. In return, the students received a free momo meal once every two weeks.

Wow! Momo had also done guerrilla marketing during festive seasons. Rahman was aware of large companies using this technique, reporting, “For instance, at the Puri Jagannath Temple festival of Ratha Yatra,<sup>28</sup> Vodafone [Vodafone Group plc] spent approximately ₹45 million in advertising.” When Wow! Momo was launched in Puri, the company spent ₹120,000–₹150,000 on 200 massive yellow umbrellas printed with the Wow! Momo logo for beach vendors. Fifty promoters picked up garbage on the beach wearing company T-shirts and used company bins marked with a half-circle placard that displayed the Wow! Momo brand.

In another innovative marketing method, Wow! Momo collected information about customers’ blood types. Rahman explained, “We keep information about our customers’ blood group to serve requirements for blood in our society. We ask customers to contact us in case there is any requirement for blood, especially for rare blood groups like O negative and AB negative. We also seek permission from our customers to call them in case any blood requirement comes our way.”

Rahman continued,

Events and word of mouth serve as the best means of communication for food. Nothing works as well as word of mouth does—a friend telling you to try out a particular food. In some stores, we call up customers and ask them if Wow! Momo can arrange birthday or children’s parties for them. Also, to penetrate deeply in a new city, when we open a new store, the first customer is served for free and, essentially, is served very well to spread word of mouth. The nearby shops are given momos to try for free and are asked to send their waiting clients to spend time at the Wow! Momo store. In return, these mediating shopkeepers get a 50 per cent discount on their next purchase. A new store offers 50 per cent off across the locality. New product launches have to be promoted, so we give customers a free sample to try to convert them.

## Brand Positioning

Homagai, Daryani, and Rahman were promoting innovative techniques to position the brand. The company envisaged that momos would be made available for breakfast, lunch, and dinner and for all ages. A variety of menu options was available for all customers. One store manager commented, “Perception is important. If we remain open for only lunch and dinner, then we lose out on customers because we can’t serve them all at that time.”

Wow! Momo worked with schools and colleges and provided internships. The company also celebrated holidays like Independence Day and Republic Day by serving tricoloured sauce, and staff wore traditional outfits. During festivals like Holi, Diwali, Eid, and Durga Puja,<sup>29</sup> Wow! Momo made new logos for the specific occasion.

### **Pricing**

Wow! Momo followed the cost-plus pricing method. Prices were set so that food costs were consistent at about 30–32 per cent of the total cost. However, rent varied by city and even by location within a city; therefore, the total price for momos varied (see Exhibit 12).

### **RAHMAN'S DILEMMA**

Rahman leaned back in his chair and wondered how the founders could grow Wow! Momo and turn it into the McDonald's of India. They were pursuing a strategy of convincing Indians to eat momos for breakfast, lunch, and dinner, but Rahman wondered if momos—being a foreign food—could meet that potential, even if the momos were vigorously adapted to suit the Indian palate. He remembered one of his colleagues at PricewaterhouseCoopers saying one day that it took the Kellogg Company (Kellogg's) 15 years simply to change Indians' breakfast habits, and it spent heavily on advertising in prime media over those 15 years. Kellogg's was a deep-pocket company, Rahman reflected, but Wow! Momo was not.

Rahman was also puzzled by the news that McDonald's had closed about 200 outlets because of problems related to franchising.<sup>30</sup> Company-owned, company-operated chains like Wow! Momo were suffering because the government had withdrawn an input tax credit benefit, which meant that the company was incurring increased costs with higher capital expenses. Wow! Momo had high same-store sales growth, but most of the stores were new and in their growth stage. Rahman wondered how those stores would perform once customers in the stores' catchment areas had tried Wow! Momo (see Exhibit 13). He also wondered whether Indian youth would ever develop a strong attachment to momos, a Tibetan food that was less culturally connected with mainland Indians than were foods from the United States, Europe, or China.

### EXHIBIT 1: MOMOS—TIBETAN DUMPLINGS



Source: Company documents.

### EXHIBIT 2: WOW! MOMO MENU VARIETY

The screenshot shows the WOW! MOMO website menu with the following items:

- CHICKEN AND PRAWN SUMAI** ₱ 180.00
- CHICKEN AND VEGETABLE SUMAI** ₱ 170.00 (discounted from ₱ 160.00, -6%)
- CHICKEN MOMO** ₱ 160.00
- CHICKEN WONTON IN CHILLI OIL** ₱ 180.00
- CHOCOLATE MOMO** ₱ 180.00
- FRIED CHICKEN MOMO WITH BASIL LEAF** ₱ 180.00
- FRIED PRAWN CHEESE MOMO** ₱ 180.00 (discounted from ₱ 190.00, -5%)
- MIXED PLATTER** ₱ 220.00

Source: Company documents.

**EXHIBIT 3: MARKET SHARE OF ORGANIZED CHAINS**

Organized Chains	Percentage
Quick-service restaurants	45
Casual-dining restaurants	34
Cafes	8
Frozen desserts and ice cream	6
Pubs, bars, cafes, and lounges	5
Fine dining	2

Source: Created by the authors based on company information.

**EXHIBIT 4: MARKET SIZES AND GROWTH RATES IN THE FOOD-SERVICE INDUSTRY, BY SUBSEGMENT (₹100 MILLIONS)**

Sub-segment	2013	2017	2020	CAGR (%)
Quick-service restaurant	550	1,050	3,050	21
Casual dining	400	810	2,100	20
Pubs, bars, cafes, and lounges	50	120	360	25
Cafes	150	190	320	9
Fine dining	50	50	60	2
Frozen desserts and ice cream	80	130	310	16

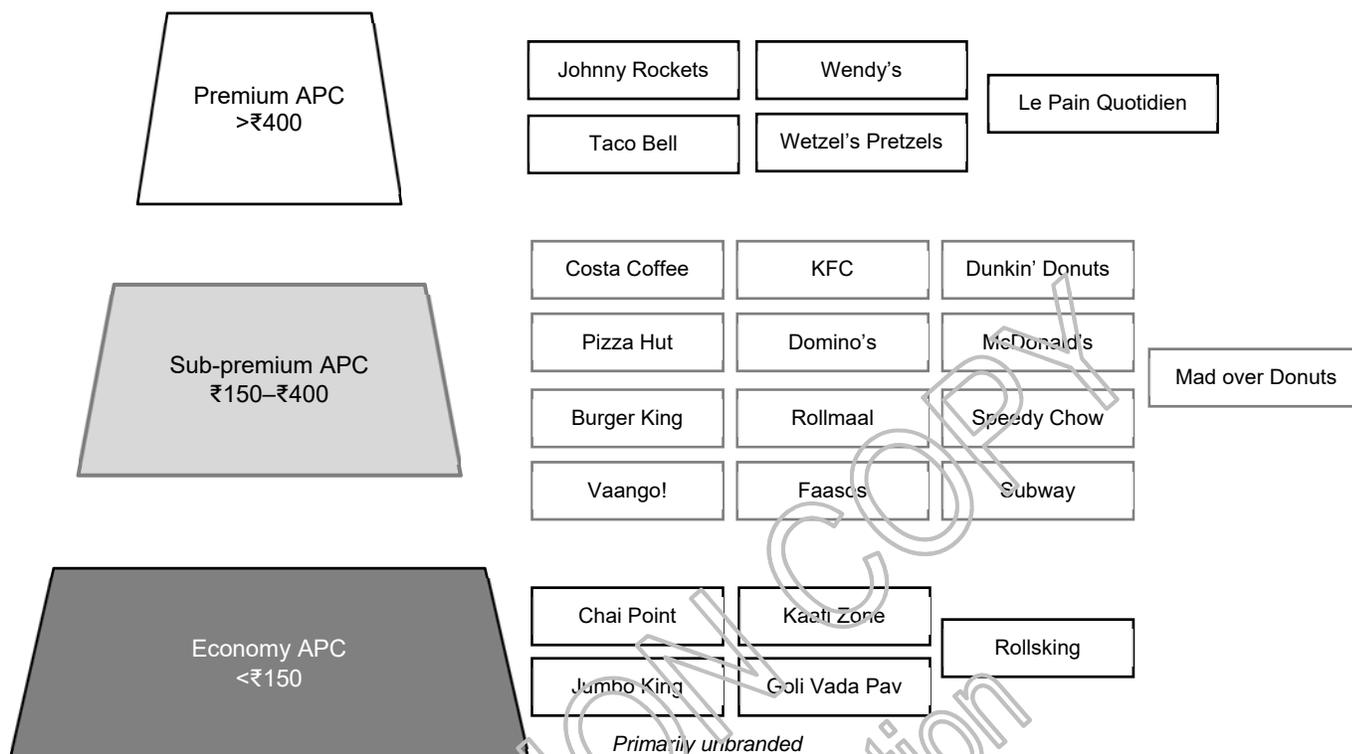
Note: CAGR = compound annual growth rate.

Source: Created by the authors based on company information.

**EXHIBIT 5: WOW! MOMO LOGO**

Source: Company documents.

### EXHIBIT 6: SEGMENTS AND COMPETITORS TARGETED BY WOW! MOMO



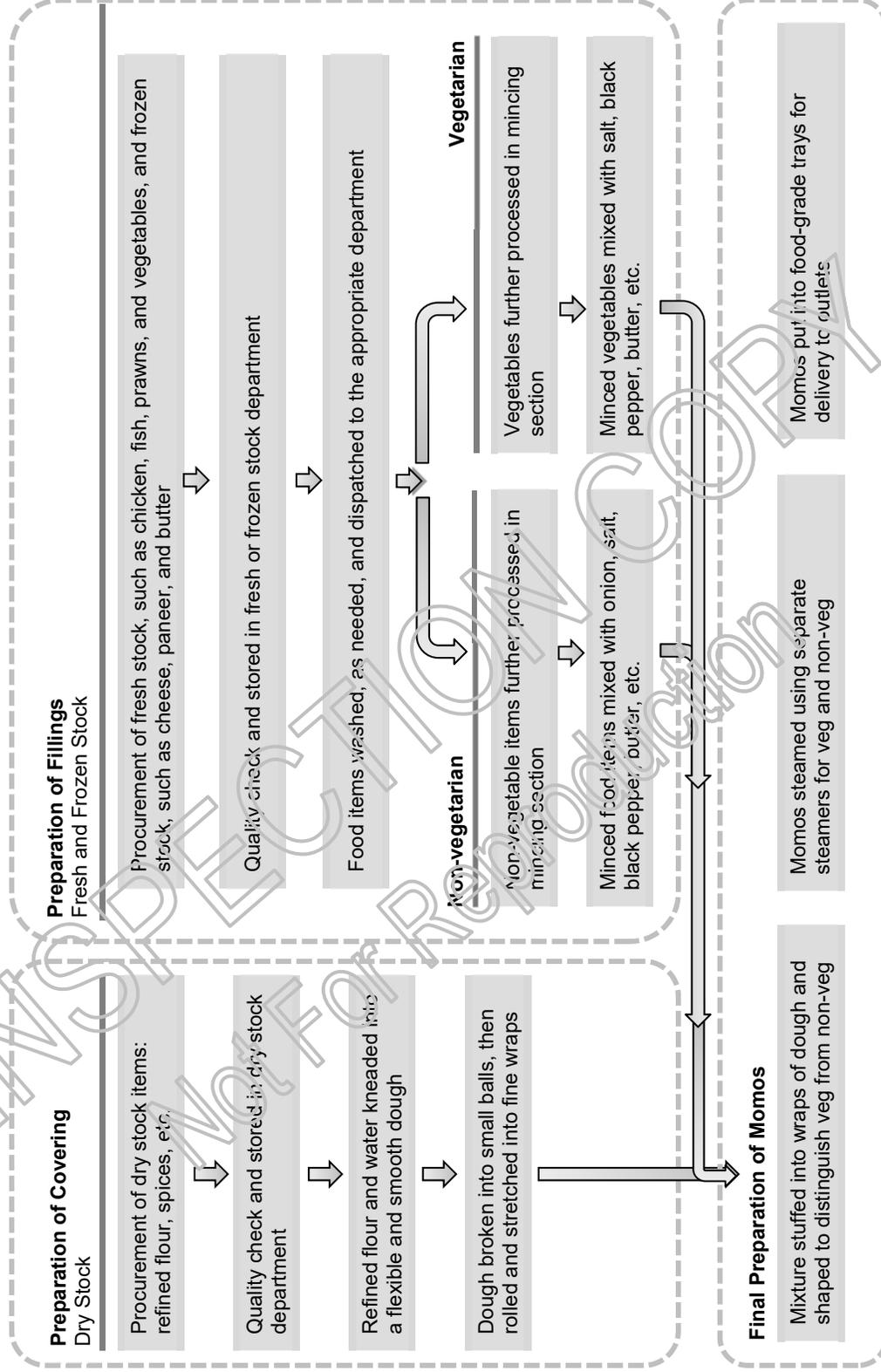
Note: APC (average propensity to consume) is the fraction of income spent.  
Source: Created by the authors based on company information.

### EXHIBIT 7: WOW! MOMO STORE FORMATS

Store Format	Location	Size	Average Orders per Day	Facilities
Food court QSR	Food courts in malls	300-400 sq. ft.	165	Kitchen, common seating area
High-street mini	High street, residential areas	250-350 sq. ft.	100	Kitchen, seating area
High-street maxi	High street, residential areas	500-800 sq. ft.	235	Kitchen, seating area
Shop-in-shop kiosks (on wheels)	Retail outlets (e.g., Spencer's)	20-100 sq. ft.	80	Basic kitchen
Kiosks	Malls, IT parks	150-200 sq. ft.	115	Basic kitchen
Delivery outlets	High street, residential areas	200-300 sq. ft.	200	Basic kitchen, common seating area

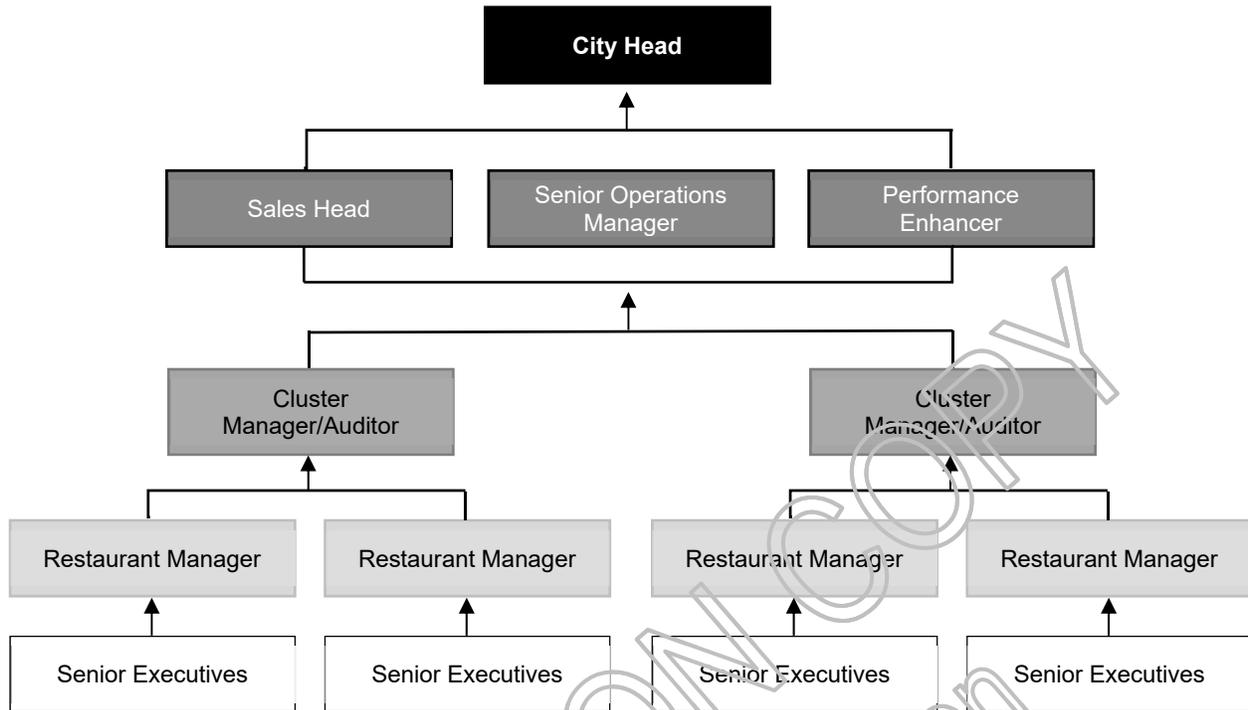
Note: QSR = quick serve restaurant; high-street mini = stores in residential areas spanning over an area between 250 to 350 square feet with a kitchen and seating facilities; high-street maxi = stores in residential areas spanning over an area between 500 to 800 square feet with a kitchen and seating facilities; IT = information technology; sq. ft. = square feet.  
Source: Company documents.

### EXHIBIT 8: PREPARATION OF MOMOS



Source: Company documents.

## EXHIBIT 9: WOW! MOMO ORGANIZATIONAL STRUCTURE

**Details of Operational Controls**

- Detailed store audit with 127 items checked by a dedicated cluster manager every month for every store
- Store-level monitoring through CCTV
- Checks and balances in place to minimize pilferage
- Money deposited in banks by every store the same day
- Optimum use of resources through intra-city movement of goods between stores during lean hours
- Online point-of-sale software with billing and revenue controls

Note: CCTV = closed-circuit television.  
Source: Company documents.

## EXHIBIT 10: COMPARISON OF WOW! MOMO AND ITS COMPETITORS

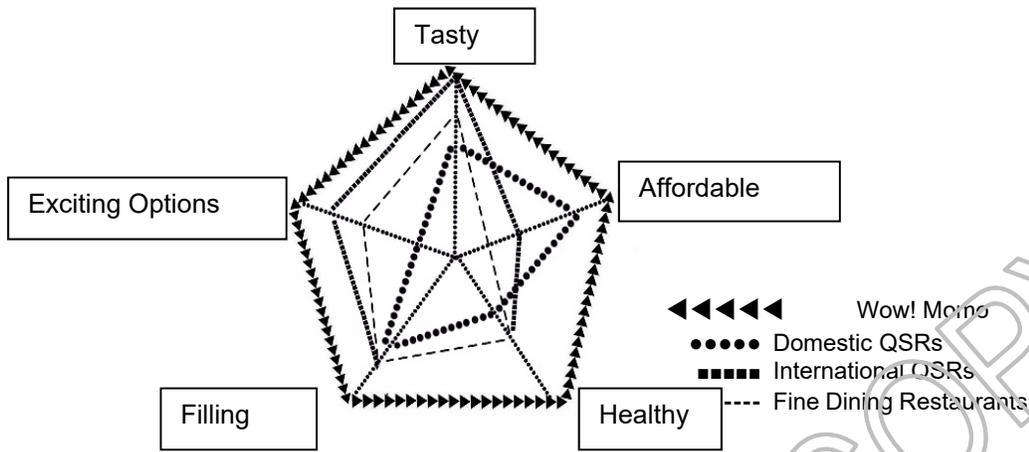
Company	Fiscal Year Ending April 1–March 31	FINANCIAL PARAMETERS			OPERATIONAL PARAMETERS			Current Investor	
		Revenue (₹ Millions)	3-Year Revenue CAGR (%)	EBITDA Margin (%)	ROCE (%)	Brands	Parameters		Average Revenue from individual customer (₹ Millions)
Wow! Momo	2019E	1,200	56	10	14	Wow! Momo	220+ stores across 13 cities	1,750–2,000	Lighthouse Funds Indian Angel Network
Jubilant FoodWorks	2018	30,180	13	15	34	Domino's Pizza Dunkin' Donuts	1150+ stores across India	3,000	JPMorgan Chase & Co. Kotak Mahindra Bank
Westlife Development	2018	11,350	14	7	2	McDonald's	280 stores across India	2,500	Arisaig Partners
Devyani International	2017	10,500	15	5	-13	Pizza Hut KFC Costa Vaango!	500 stores across India	3,500	Temasek ICICI Bank
Sapphire Foods	2017	7,410	18	-4	-21	Pizza Hut KFC	350 stores across India	3,500	Edelweiss Goldman Sachs
Burger King	2018	3,780	18	-11	-22	Burger King	150 stores across India	2,500	Everstone Capital
Lite Bite Foods	2017	2,380	34	-12	-28	Subway Asia Seven Street Foods	200 stores across India	2,000	Amit Burman
Azure Hospitality	2017	1,800*	50	NM	NM	Rollmeal Speedy Chow Mamagoto	35 stores	2,500	BlueSky Goldman Sachs
Fasoo's Food Services	2018	1,470	58	NM	NM	Fasoo's	145 kitchens across 12 cities	2,500	Lightbox Sequoia Capital
Chaayos	2018	520	145	-25	NM	Chaayos	50 stores across 6 cities	2,750	Tiger Global Management SAIF Partners
Chai Point	2018	910	69	-33	NM	Chai Point	91 stores across 9 cities	2,000	Saama Capital Eight Roads DSG Consumer Partners
Goli	2017	240	-9	-40	NM	Goli Vada Pav	300+ stores across India	.	Ventureast
Keventers	2017	320		24	32	Keventers	319+ stores across India	1,600	

Note: CAGR = compound annual growth rate; E = estimated; EBITDA = earnings before interest, taxes, depreciation, and amortization; NM = not meaningful; ROCE = return on capital employed.

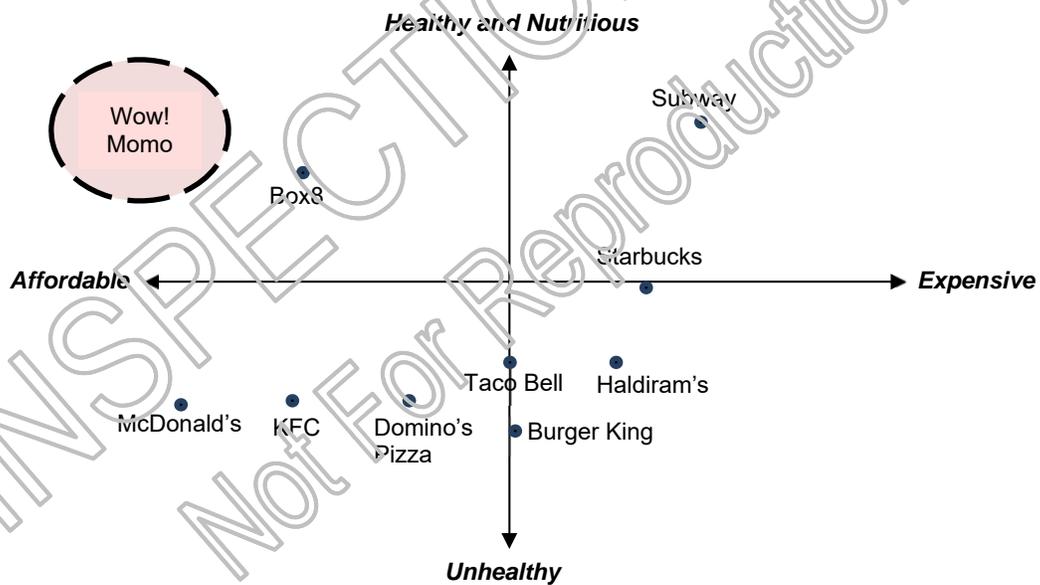
Source: Created by the authors based on company information.

**EXHIBIT 11: WOW! MOMO COMPARED TO ITS COMPETITORS**

**Wow! Momo's Higher Position in All Five Dimensions**



**Customer Perception of Wow! Momo amid Competitors**



Note: QSR = quick-service restaurant.  
 Source: Created by the authors based on company information.

**EXHIBIT 12: WOW! MOMO COST BREAKDOWN**

<b>Cost</b>	<b>Details</b>	<b>%</b>
Sales		100.0
Food cost	Cost of food plus consumables and packaging materials	33.0
Store salaries	Staff, up to and including store manager	11.0
Rent & utilities	Store rent, electricity, CAM charges, telephone expenses, etc.	20.0
	Store-level EBIDT	35.0
Kitchen overheads	Kitchen team's salary, production expenses, etc.	10.0
Administration costs	Management salary, office expenses, conveyance, corporate expenses	12.0
Other city overheads	Travelling, staff welfare, repair and maintenance, printing and marketing, etc.	4.0
	Corporate EBIDT	10.0
	Interest	2.0
	Depreciation	2.5
	Profit before tax	5.5

Note: CAM = common-area maintenance; EBIDT = earnings before interest, depreciation, and taxes.  
Source: Company documents.

**EXHIBIT 13: SAME-STORE SALES GROWTH OF WOW! MOMO AND MULTINATIONAL COMPETITORS****Highest Same-Store Sales Growth (%)**

<b>Chain</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Wow! Momo	3.2	8.0	8.0
Café Coffee Day	3.1	5.4	5.0
Domino's Pizza	0.1	3.2	-2.4
McDonald's	-5.9	1.8	
KFC	-5.0	-13.0	2.0

Note: FY = fiscal year (year ending).  
Source: Created by the authors based on company information.

## ENDNOTES

- <sup>1</sup> ₹ = INR = Indian rupee; US\$1 = 70.8127 on September 1, 2018.
- <sup>2</sup> Dhabas were roadside restaurants on the Indian subcontinent. They were mostly located along highways and served local cuisine.
- <sup>3</sup> Suman Dabas and Himanshu Lunawat, *Indian Food Services Industry: Engine for Economic Growth & Employment: A Roadmap for Unlocking Growth Opportunities*, 10, accessed December 12, 2019, <http://ficci.in/spdocument/20969/foodzania-2017-report.pdf>.
- <sup>4</sup> Reetesh Shukla and Vidul Sharma, *The Rise of the Quick Bite*, accessed December 12, 2019, [www.technopak.com/Files/qsr-market-in-india.pdf](http://www.technopak.com/Files/qsr-market-in-india.pdf).
- <sup>5</sup> Rajiv Singh, "Quick Service Restaurant Chains Struggle in India despite Customers Willing to Pay," July 9, 2017, accessed December 12, 2019, <https://economictimes.indiatimes.com/news/company/corporate-trends/despite-heavy-consumer-spending-why-qsr-chains-are-struggling-in-india/articleshow/59506670.cms?from=mdr>.
- <sup>6</sup> Nivedita Mohanta, "Casual Dining Restaurant or Quick Service Restaurants, What to Choose?," RestaurantIndia.in, August 18, 2017, accessed December 15, 2019, [www.restaurantindia.in/article/Casual-Dining-Restaurant-or-Quick-Service-Restaurants-What-to-Choose.9882](http://www.restaurantindia.in/article/Casual-Dining-Restaurant-or-Quick-Service-Restaurants-What-to-Choose.9882).
- <sup>7</sup> "Age Structure and Marital Status," Office of the Registrar General & Census Commissioner, India, accessed November 20, 2019, [https://censusindia.gov.in/Census\\_And\\_You/age\\_structure\\_and\\_marital\\_status.aspx](https://censusindia.gov.in/Census_And_You/age_structure_and_marital_status.aspx).
- <sup>8</sup> "Young Population," Organisation for Economic Co-operation and Development, accessed November 20, 2019, <https://data.oecd.org/pop/young-population.htm#indicator-chart>.
- <sup>9</sup> Melanie Curtin, "73 Percent of Millennials Are Willing to Spend More Money on This 1 Type of Product," Inc., March 30, 2018, accessed April 30, 2020, [www.inc.com/melanie-curtin/73-percent-of-millennials-are-willing-to-spend-more-money-on-this-1-type-of-product.html](http://www.inc.com/melanie-curtin/73-percent-of-millennials-are-willing-to-spend-more-money-on-this-1-type-of-product.html).
- <sup>10</sup> Manpreet Wadhwa, "A Momolicious Start Up – 'Wow Momos,'" *Journal of Harmonized Research in Applied Sciences* 6, no. 3 (2018): 189–193.
- <sup>11</sup> "WOW! MOMO Veg & Non-Veg Steam Momo Review, Baked Chicken Augratin, Taste & Price?" [in Hindi], YouTube video, 8:16, posted by "MOinsideHIT," November 7, 2018, accessed April 23, 2020, <https://youtu.be/gm8A2FLPrxC>.
- <sup>12</sup> Mohd Salehuddin Mohd Zahari et al., "The Working Women: Home versus Convenience Cooking Practices," *Science Series Data Report* 4, no. 12 (December 2012): 43–56.
- <sup>13</sup> Ronald Menezes, "Indian QSR Market Likely to Scale \$4.1 Billion by 2020," Exchange4media, May 24, 2016, accessed November 20, 2019, [www.exchange4media.com/digital-news/indian-qsr-market-likely-to-scale-\\$4.1-billion-by-2020-64570.html](http://www.exchange4media.com/digital-news/indian-qsr-market-likely-to-scale-$4.1-billion-by-2020-64570.html).
- <sup>14</sup> Ashish, "Top Five Famous Momo Franchise Business," Franchise Batao, September 13, 2017, accessed April 23, 2019, <https://franchisebatao.com/top-five-famous-momo-franchise-business/>.
- <sup>15</sup> "Its okay to make a mess, experiments can lead to beautiful things," accessed April 23, 2019, <http://dumplingmomo.com/story.php>.
- <sup>16</sup> Joyshree Saha, "Our target revenue is Rs 4.5 lakh in a month- Dumpling Momo" 15 October, 2015, accessed 23 April, 2019, <https://www.restaurantindia.in/article/Our-target-revenue-is-Rs-4-5-lakh-in-a-month-Dumpling-Momo.6923>
- <sup>17</sup> Ashish, "Top Five Famous Momo Franchise Business", 13 September, 2017, accessed 23 April, 2019, <https://franchisebatao.com/top-five-famous-momo-franchise-business/>.
- <sup>18</sup> Ashish, "Top Five Famous Momo Franchise Business", 13 September, 2017, accessed 23 April, 2019, <https://franchisebatao.com/top-five-famous-momo-franchise-business/>.
- <sup>19</sup> "Head to 6 Pack Momos for 250 Varieties of Momos in West Delhi," Curly Tales, accessed November 20, 2019, <https://curlytales.com/head-to-6-pack-momos-for-250-varieties-of-momos-in-west-delhi/>.
- <sup>20</sup> Ashish, "Top Five Famous Momo Franchise Business", 13 September, 2017, accessed 23 April, 2019, <https://franchisebatao.com/top-five-famous-momo-franchise-business/>.
- <sup>21</sup> ET Bureau, "A Tale of McDonald's Two Franchise Partners in India," ET Retail, September 23, 2013, accessed November 20, 2019, <https://retail.economictimes.indiatimes.com/news/food-entertainment/food-services/a-tale-of-mcdonalds-two-franchise-partners-in-india/22971293>.
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- <sup>23</sup> Rishi Iyengar, "McDonald's New Breakfast Menu in India Is Wonderfully Weird," CNN Business, January 11, 2017, accessed April 23, 2019, <https://money.cnn.com/2017/01/11/news/india/mcdonalds-india-breakfast-menu-dosa-burger/index.html>.
- <sup>24</sup> Masala dosa was rice and lentil crepes with potato stuffing. It was a variation of a popular South Indian food, *dosa*, which originated with Tuluva Mangalorean cuisine.
- <sup>25</sup> In Hindi, "masala" meant "spices." Indians referred to masala as a mixture of ground spices used in Indian cooking.
- <sup>26</sup> Ratna Bhushan, "KFC Fine-Tunes India Strategy; Hands Over 13 More Stores to RJ Corp Firm," *Economic Times*, November 27, 2018, <https://economictimes.indiatimes.com/industry/services/hotels/-restaurants/kfc-fine-tunes-india-strategy-hands-over-13-more-stores-to-rj-corp-firm/articleshow/66819388.cms?from=mdr>.
- <sup>27</sup> Vedika Kacker, "Domino's Eyes a Bigger Slice of the Indian QSR Market," Best Media Info, September 6, 2016, accessed [April 23, 2019], <https://bestmediainfo.com/2017/09/domino-s-eyes-a-bigger-slice-of-the-indian-qsr-market/>; Suneera Tandon, "India Likely to Become Second Largest Market for Domino's," Livemint, August 27, 2013, accessed [April 23, 2019], [www.livemint.com/Companies/jS9q7UpZYP8OXUMsZFQeEL/India-likely-to-become-second-largest-market-for-Dominos.html](http://www.livemint.com/Companies/jS9q7UpZYP8OXUMsZFQeEL/India-likely-to-become-second-largest-market-for-Dominos.html).
- <sup>28</sup> Ratha Yatra was a Hindu chariot festival associated with Lord Jagannath and held at the Jagannath Temple, Puri, in the state of Odisha, India.
- <sup>29</sup> Durga Puja, also called Durgotsav, was an annual Hindu festival that revered and paid homage to the Hindu goddess Durga.
- <sup>30</sup> Trefis Team and Great Speculations, "How McDonald's Closing Nearly Half of Its Restaurants in India Will Impact Operations," *Forbes*, August 23, 2017, accessed April 23, 2019, [www.forbes.com/sites/greatspeculations/2017/08/23/how-mcdonalds-closing-nearly-half-of-its-restaurants-in-india-will-impact-operations/#67ae0fd81710](http://www.forbes.com/sites/greatspeculations/2017/08/23/how-mcdonalds-closing-nearly-half-of-its-restaurants-in-india-will-impact-operations/#67ae0fd81710).