

INTERNATIONAL EXPANSION PLAN

Assignment taken:

Developing an International Market expansion plan for Ramalingam Foods

Title:

International expansion solutions of Ramalingam Foods by KLS Consultants

1. Case Understanding

Ramalingam Foods was started by Mr. Ramalingam Venkatesh in South Bombay in 1965. It was a famous successful fast-food restaurant famous for their authentic south Indian freshly cooked food and filter coffee. In 1975, due to some political turmoil and strict rules that were implemented, food items had to be sold for bare minimum price. Ramalingam foods then had to come up with innovative solutions to sustain their business in such difficult times.

The company started selling Dosa-Idli batter and packets of South Indian chutneys at a very low cost still making a good margin. This was their innovative way to sustain themselves in the emergency times. Later, this became their main business as many people found it convenient to carry these batter and chutney packets while going home from work and enjoy the delicacies at their homes.

In the year 1990, Mr. Vijay Ramalingam (son of the founder) started to look after the business. He wanted to grow his business by expanding their territory. But **wet Idli-Dosa batter** has a very **minimum shelf life (5 days)** and as it was a perishable item, transportation was also difficult. Thus, he came up with the idea of **Idli-Dosa batter in a powder form (shelf life of 10 months)**. The new product was an instant hit. Business grew to all over the country selling varied products. Their portfolio included: Instant Dosa Mix, Instant Idli Mix, Instant Gulab Jamun Mix, Instant Laddu Mix, Instant coffee powder, Instant Dhokla Mix and other products of this kind. Currently, most products are available in 3 varieties of packaging: 200 gms, 500 gms and 1000 gms.

| S No | Product Categories | Quantity | Average Price(INR) |
|-------------|---------------------------------|-----------------|---------------------------|
| 1 | North Indian dishes instant mix | 200 gms | 89 |
| 2 | North Indian dishes instant mix | 500 gms | 199 |
| 3 | North Indian dishes instant mix | 1000 gms | 389 |
| 4 | Desert Mixes | 200 gms | 110 |
| 5 | Desert Mixes | 500 gms | 249 |
| 6 | Desert Mixes | 1000 gms | 499 |
| 7 | Chutney Powder | 200 gms | 75 |
| 8 | Chutney Powder | 500 gms | 199 |
| 9 | Chutney Powder | 1000 gms | 329 |
| 10 | South Indian instant mix | 200 gms | 89 |
| 11 | South Indian instant mix | 500 gms | 199 |
| 12 | South Indian instant mix | 1000 gms | 389 |
| 13 | Instant coffee mix | 200 gms | 149 |

Some people are purchasing domestically and selling it abroad through shops mainly in Middle east, Southeast Asian countries and England. These shopkeepers are generally of Indian origin settles in those countries. When they visit India, they are purchasing in large quantities and are shipping it to their respective countries. Some restaurants also started using instant mixes in these countries.

Current Operating revenues of the company is Rs. 152 crores for the FY 2019. EBITDA has increased by 3.16% over the previous year. The book net worth has increased by 20%.

The company is planning for an international market expansion to one foreign region initially. They set aside INR 50 crore for International Business expansion for the FY 2020. The company currently does not have any necessary permissions and Licenses for International business.

2. BCS Solution Summary

Ramalingam foods approached KLS Consultants to develop an international expansion plan for the year FY 2020. Since Ramalingam foods has a limited budget constraint for the first year, they should only plan to expand to one of three regions where their products were already being shipped to. The three regions include: Middle east, South East Asia or England. The company should consider the population of Indians in each of these locations to understand the demand for their products. The company should also take into consideration factors like shipping costs and ease of doing business. After taking all these factors into consideration, KLS Consultants advised that the company should expand to South East Asian region due to a huge Indian population and also higher ease of doing business. Shipping to this region will also be much cheaper than the other two regions which were considered. The company should initially start by partnerships and alliances due to limited budget constraints. The potential countries could include Indonesia, Singapore, Malaysia, Myanmar and Thailand. They should continue with their current product mix and add a few local cuisine related mixes to attract even the local customers and establish themselves. These new products can be added over the next 2 to 3 years. This will help the company in building their brand in this new market.

3. Plan of expansion

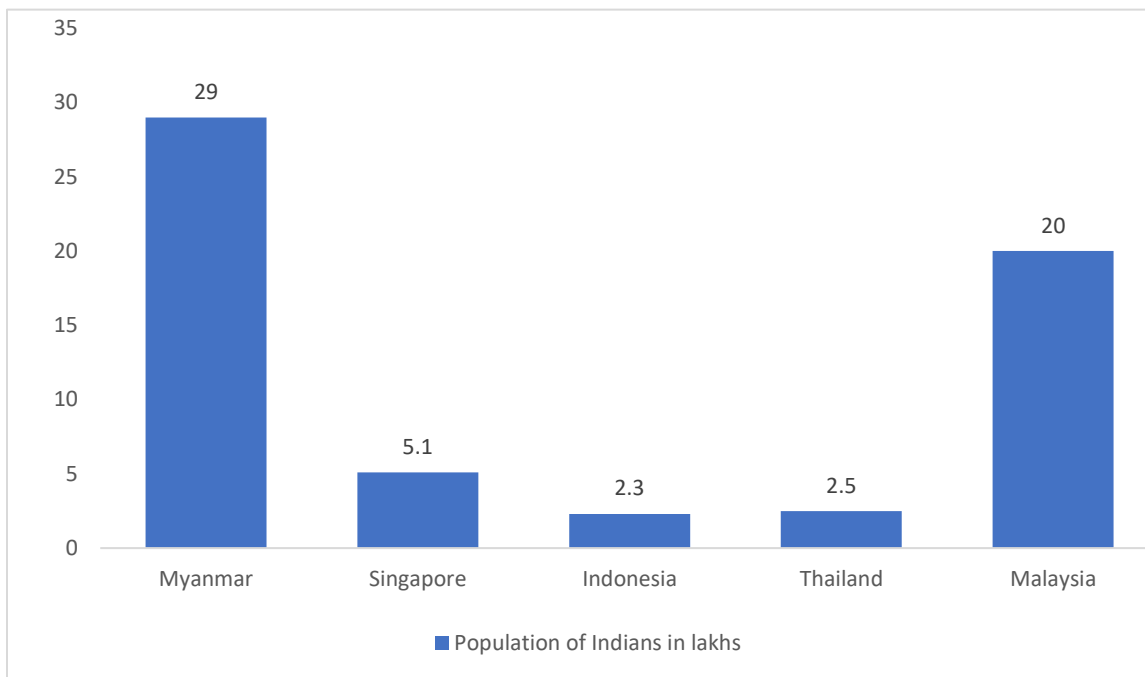
3.1 Objectives of international expansion:

- To expand their business globally and establish their brand in the international business.
- To add more products in relation to local cuisines in the respective countries over the years to attract local customers along with the Indian customers in those countries.
- To enable easy changeover from a domestic business to a global business without changing their core values and their work environment.
- To expand into other international regions as well in the long run.

3.2 Which region to enter and why?

KLS Consultants advised Ramalingam Foods to enter South East Asia region considering the following factors:

- There are free trade agreements signed with the South East Asian countries and hence there is an ease of doing business.
- Shipping and supply chain related costs are lower as South East Asian countries are nearer and also as they are adopting a franchise model.
- The Indian population in these countries is a significant factor behind this decision as well. The population statistics for the targeted countries are:



3.3 Proposed Expansion in South East Asian countries

| Country | Proposed Plan of expansion | Product Mix for Expansion | Mode of expansion |
|----------------|--|---|--|
| Myanmar | The population of Myanmar is growing and it will have a sizeable market. In the South East Asian region, this country has the highest Indian population. The products can be shipped to Myanmar through the sea route to Yangon Port and Thilawa Port. The rates of their products are reasonable for the country's standard of living. There is a demand for exported processed foods but a local company | With the Indian population among the SEA countries, it can be undoubtedly claimed that all the variants can be safely launched in Myanmar. Along with the existing products in their portfolio, they can produce instant mixes for the local cuisine. They could look into adding the following | Ramalingam Foods expects to enter into partnership with local Burmese distribution companies. With an already established logistics base and strong supply chain network, Ramalingam Foods can minimize Logistics related costs. |

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| | <p>for the same is absent. Therefore, Ramalingam foods will be easily able to enter as they will face a low competition. Free trade agreement with ASEAN countries will help in reducing the tax burden.</p> | <p>mixes in their portfolio over the next few years:</p> <ul style="list-style-type: none"> • Shan noodles mix • Myanmar curry mix • Readymade Mohinga • Instant shan style tofu noodles • Burmese Indian Dosa batter | |
| Singapore | <p>Singaporeans spend approx. \$7.7 billion on Food and beverages. So, entering the Singaporean markets is of immense importance in the South East region. High imports in the country shows the high demand for processed foods. There is an increase in the household monthly income and working people have a very busy schedule. This clearly shows that people will be very keen on instant foods which they can eat at the comfort of their homes. Singapore is India's second most preferred ASEAN countries accounting for 38% of its total trade with the ASEAN counterparts.</p> | <p>For the local flavour, few variants with limited Stock keeping units can be launched initially as a part of pilot phase of the expansion. Later more variants can be introduced. The following products can be considered for the local variants:</p> <ul style="list-style-type: none"> • Nasi padang • Laksa • Satay • Bak Chor Mee(Noodles with minced meat) • Hokkien mee | <p>Ramalingam Foods expects to form strategic alliances with H L Young Group who are specialized for distribution of packaged foods.</p> |
| Malaysia | <p>Beverages, canned seafood, dairy goods, noodles, and bread products are among the principal products produced by Malaysia's food processing industry. Malaysia's government has been forced to invest in the food sector due to high trade imbalances in the food sector. As a result, Ramalingam Foods has a fantastic potential to penetrate the Malaysian market, as the home market is still developing. As a result, there is a lot of untapped potential for growth.</p> | <p>All the current 13 products are expected to be launched in Malaysia. Apart from these, the following local variants can also be included:</p> <ul style="list-style-type: none"> • Nasi Lemak Mix • Roti Channai Instant Mix • Mee goreng mamak • Rendang | <p>In Malaysia, Ramalingam Foods wants tie up with the iconic H.L. Young Group who have been a leader in the F&B sector in Singapore, Malaysia, existing over 50 years and specialises in dry food distribution network.</p> |

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| Thailand | There has been a steady increase in the consumption of processed and ready-mix foods in Thailand due to busier consumer lifestyles. So, there's a huge untapped market that has a high growth potential. | The following local variants can be introduced in Thailand: <ul style="list-style-type: none"> • Satai • Pad Thai • Thai Green Chicken Curry • Thai Fish Green Curry | The firm plans to partner with Geeta Group distributors (Thailand) which specializes in transportation of processed consumable foods to restaurants all across the country as well the retail supermarkets. So, the firm can leverage from the wide consumer base of the parent company in the country. |
| Indonesia | With busy consumers and increase in single-person households, the processed food markets can leverage on this certain consumer inclination. Indonesian people are open to newer flavours and variants. So, launching a new food product won't be a big deal if the firm can focus on health consciousness and hygiene aspects. | Except the coffee mix (since Indonesia is the fourth largest producer of coffee, so launching coffee mix won't generate sufficient revenue for the firm), the other variants can be launched in their respective 200 gms, 500 gms and 1000 gms variants. Other than that, local mixes can also be : <ul style="list-style-type: none"> • Sambal • Bakso • Sop Kambing | In Indonesia, Ramalingam Foods will form partnerships with Tigaraksa Satria, the largest nationwide independent distributors. With a nationwide coverage, the expansion becomes easier to be put into effect. |

4. Conclusion

Ramalingam Foods initially planned to enter South East Asia after weighing all advantages and disadvantages, and thus chose five South East Asian countries: Myanmar, Singapore, Indonesia, Thailand, and Malaysia, all of which have a major Indian population. Furthermore, according to a detailed market analysis, these are the countries with local populations that are highly responsive to processed goods from other countries.

Following that, the company can pursue aggressive expansion in the remaining two zones, namely the Middle East and the United Kingdom, with a more diverse product mix and SKUs in order to gain greater global market share in the long run.