
Case Study on Entrepreneurship Management AP Mani & Sons

Dr. Rashmi Gopinathan* & Dr. Sapna Suri**

**Associate Professor, D.Y.Patil University, School of Management, Navi-Mumbai.*

***Associate Professor, D.Y.Patil University, School of Management, Navi-Mumbai.*

ABSTRACT:

A.P. Mani & Son

The case discusses the attitude and mindset of entrepreneurs who do their business in a traditional manner and have grown but for further growth have a blocked mindset. The case also discusses the Evolution & Revolution of family business growth. It Covers some main issues to be addressed by Entrepreneurs who start family business as to how and at which stage of family business there should be introduction of Professional management and lessons to be articulated for growth.

Key words: Entrepreneur, Professional Management, Family Business

A.P. MANI & SONS

Situated on a bustling road leading to Chembur Station in Central Mumbai, A.P. Mani and sons appears to be just another food retail outlet. The only clues to what may lie inside are the mini vans that keep unloading pre cut and packaged packets of fruits, vegetables and groceries. A glimpse inside and it soon becomes clear that this is not your average store. What makes it unique is that this entrepreneurial venture with an annual turnover of 25 crores has understood the needs of its consumers and in fact as its loyal customers say, created the need (among them) for their products. Though it has attained an annual turnover of 25 crores every aspect of the business is still individually monitored by family members. Decision making even on the smallest aspects on a day-to-day basis, is still controlled by the entrepreneur and his family. The involvement of professional managers does not reflect in their business, but as the entrepreneurs proudly says “Every other food retail outlet today is only trying to cut price, but we are trying to value add. I understood that there was a market for freshly grounded coconut and other spices for making chutneys, sambar and pulav” says the entrepreneur who is credited with starting precut and packaged vegetables and packaged idli and dosa mix in Mumbai. Sindhumani, a regular and loyalist of A.P. Mani & Sons says “It has been seven years since I have made the idli dough at home. A.P. Mani & Sons has made my life more easier as

far as cooking is concerned. I don't have to bother to cut the vegetables for avial (South Indian dish of mixed vegetable) and other basic pre-cut veggies. I have to only come to AP's as she fondly calls."

THE BEGINNING:

Regulars at A.P. Mani reminisce the humble beginning of Nagesh Nadar, the promoter of A.P. Mani. *"This matriculate student of humble background started this venture in a temporary stall on the pavement outside Chembur Station where he used to be penalized for his unofficial set up"*. Nadar who came to Mumbai as a teenager in 80's from a small village in Tamil Nadu says *"I had a futurist vision of making a difference and doing things differently"*. At a tender age of 17, he had no concrete plan on one side of the coin and the harsh realities of doing business with hounding the civic authorities on the other. He was left with unclear future. He still recalls one such occasion. *"One of the usual business days the BMC van came and they (Municipality) did not allow me to sell vegetables on the pavement, they took all my vegetable and withered it, as a result my kitchen fire at home did not burn"*. With a complete loss with withered vegetables left, he was caught in a 20-20 situation. Frustrated, he sorted out the good pieces, put them in small packets and stored in a good Samaritans shop. With this an idea dawned on why not make this his business? He then started reaching out to his then regular customers with vegetables washed and cleaned in plain plastic polythene covers. This was further modified to cut raw vegetables as per requirement. Thus the concept of pre-cut and packaged vegetables was born. Ever since then, he has not looked back. *"The concept really caught on"*, says the entrepreneur who has a number of firsts to his credit.

FORMAT OF BUSINESS:

Despite starting on a small scale today A.P. Mani & Sons have 3 separate business flavours functioning simultaneously. A.P. Mani & Sons have 3 different outlets at Chembur itself and each with a different format and a very different target segment visiting them. The three different format helps in balancing out the supply chain of his enterprise and overcome any discrepancies in inventory and forecasting. One of the three outlets is a supermarket where only pre-cut and packaged vegetables are sold besides there are other items such as idli dough, coconut grated etc.... The second one sells loose vegetables and fruits and the third one, Sasta Bazar is used for reverse logistic purpose where the unsold produce is retailed at 50 percent discount. The segment of customers who visit the three different outlets are also from 3 different economic strata. The supermarket has the upper middle class and elite and convenience seeking customers. Here the quality is maintained to the top most level. The second shop is for people who love to pick vegetables and fruits, they would like to take care of their own pick. The Sasta Bazar is for people who are trying to meet ends and are worried not to exceed their daily budget for living. As Nagesh Nadar says *"if you observe the Sasta Bazar*

customers, it consists 99% of only women, they are very price conscious, hence they choose AP's as the price is low, at the same time product available is comparatively better as to any other Sasta Bazar they visit, our Sasta Bazar itself has on an average 700-800 customers daily between 5.00 p.m. to 9.30 p.m.". The Super Market has 1500 to 2000 customers on an average daily. The pre-cut and packaged vegetables are more expensive than their whole fresh counterparts by 15-20 percent. The market for pre-cut vegetables is exploding because people are constantly seeking ways to lighten the burden of cooking. They promise less drudgery, saves time in selecting and weighting, there is more variety than just canned or frozen alternatives, and vitamins are restored. What differentiates this enterprise from the competitors is the entire business strategy. "At A.P. Mani, my other directors and I go and pick the produce (vegetables and fruits) early in the morning at 4.00 a.m. even today, unlike competitors who allocate two people to pick," he exerts.

CONSUMERS AND DEMAND

Taking a trip down the memory lane he says consumers today have changed a lot. Twenty years ago, consumers were demanding that supermarkets take the plastic wrap off produce. They got their way and took advantage of the opportunity, choosing what was ready to eat and leaving behind the unripe, and overripe and the damaged. Now, shoppers have changed their minds, they want the vegetables wrapped up, only after they have been cut and chopped, washed and rinsed. Another significant change is the consumers average billing. In 1990's a customer with Rs.100 to Rs.150 billing was considered to be "big spenders" and was given a special treatment. Today an average billing is around Rs.1,000 for the supermarket. The man behind the show is credited for making an average Mumbaikar include exotic vegetables in his staple diet says, "the percentage of people shopping for exotic vegetables has gone up, further the quantity purchased and the regularity with which customers shop has shot up as well. He credits this to improved economy, his clients not averse to sampling different cuisines and the overall usage of these products in daily cooking due to his clients exposure to different cuisines". While elaborating on another change he noticed, he continues, the use of credit card or shopping for food on credit. Today 50 percent of his clients shop using their credit card and at average credit card spending accounts for over a lakh of rupees of sales every day. While previously banks did not give him permission to use credit facilities for vegetables shopping, today the scenario has changed, banks are approaching him with better deals and urging him to install their machines for using credit cards.

OPERATIONS:

Starting from a humble beginning on the pavements of Chembur Station to large processing and packaging unit in Vashi, the entrepreneurs explains the operational procedure where after the raw

materials i.e. raw vegetables and fruits are procured, the processing that follows is fairly simple. The vegetables are cut, washed in chlorine solution to kill harmful bacteria and rinsed in plain water. Then, the vegetables are put into a zone that has controlled atmosphere. The atmosphere inside this zone is regulated by reducing the amount of oxygen and increasing the carbondioxide, which slows down the process of decay. A.P. Mani believes its success is strong on the 2 fold concept of freshness and convenience.

PRESENT STATUS AS OF MAY 2009

A.P. Mani & Sons started with a small investment of Rs.1000/- on the pavements today has a yearly turnover of 25 crores. What began as a 4 x 5 mtr. Gala today occupies more than 40 galas. The Sasta Bazar and whole vegetable shop is 2,000 sq.mtrs. while the super market is 1200 sq.mtrs. But the handling of responsibilities has not changed with time. Nagesh Nadar manages the purchase of inventory himself from the wholesale market of APMC. His brother Suresh Nadar takes care of the sorting, scaling and grading and Rama Subramaniam handles the logistics. But two have also been appointed but who are first cousins of the promoter, to keep tap on the stocks and supply situation. “I don’t mind getting up early at 3.00 a.m. and going for the procurement of vegetables and fruits, but all this can not be handled over to an outsider even if it grows as we are very strict on quality and cannot let our brand name get affected because of mistakes happening in the operations, we work for the name A.P. Mani and not for money but an outsider would work for money and not for the name of A.P. Mani” said Nagesh Nadar.

A.P. Mani & Sons has 250 employees who clean, grade, the vegetables and fruits. The labourers are of two categories ‘temporary’ and ‘permanent’. The labourers around 80 percent belong to Tamil Nadu and 20 percent belong to Bihar. A stickler for discipline and cleanliness, Nadar provides his workers with accommodation, food, medicines etc. Every employee is gifted with a Life Insurance Policy after successful completion of 3 years of service. There is also bonus given to the labourers during Pongal and Diwali as per their choice. He attributes his success to constant commitment to supply reliability, delivery deadlines and exceptional customer service. He also says that this would not have been possible without the 250 employees who work tirelessly with him. The A.P. Mani & Sons brand today is a registered trademark. The brand today has grown beyond Chembur in Mumbai. It is more of a household name 14 places across Mumbai to name Powai, Bandra, Kandivali, Malad, Panvel. Besides their customers, employees they also have great relationship with over 400 vendors (Suppliers) for fruits and vegetables. Mr. Mani is thoroughly satisfied that the brand he created is associated with freshness and quality for vegetables and fruits is gaining huge popularity and mass acceptance not only in his two retail departmental stores at Chembur, but in over 25 supermarket and

convenience store chains in Mumbai and Navi Mumbai (Akbarallys, D Mart Network of Departmental Stores, Heiko Super Market” at Hiranandani Gardens and various other Super Markets, Star Hotels, Canteens and Caterers.

FAMILY OF BUSINESS:

A.P. Mani & Sons was started by Nagesh Nadar, he is the youngest of 3 siblings. The eldest sibling Ramasubramaniam Nadar does not play major role other than supervising the entire business from all fronts. The second sibling Suresh Nadar takes care of the fruits section right from purchase to logistics of the fruit section. Nagesh Nadar takes care of the vegetables section and kirana section from purchase to customer problems. He also is more active into the finance management of the organisation. In spite of all the 3 siblings involvement it is Nagesh Nadar who leads the business, both the other siblings agree that if A.P. Mani & Sons have grown it is only because of Nagesh Nadar. All three siblings are not highly educated. The eldest brother Ramasubramaniam Nadar is only fourth class pass and is already fifth five plus. The second sibling Suresh Nadar is in his early fifty's and Seventh grade pass while the youngest Nagesh Nadar is in his late forty's and is matriculate pass. Each of them have 2 children, the eldest has two girls, the second has a girl and a boy who are still studying and the youngest has two boys who are studying in college. None of them are still involved in the family business. The family very clearly visualizes that the company reins would never be handed over to professional management as they believe that their business needs quality and its maintenance and that can never come from an outsider. The three siblings are very sure that their children would like to run the business in this format as it is traditional way of handling business but are not willing to bring in change till the brothers are alive. The three brothers have an experience of over 30 years now and create the A.P. Mani brand and able to maintain for 30 years. It is their dream to see their brand existing with their children, grand children and great grandchildren. The family being joint till now and Nagesh Nadar involvement being more in business decisions, the question arising is the management succession.

COMPETITION:

His lean SCM (Supply Chain Management) and distribution gives him a natural advantage over his other competitors. The USP of his SCM is his philosophy of directly sourcing and directly supplying using his own infrastructure. His vehicles are used to source the produce and he supplies the packaged produce to his clients. This gives him a complete control over his supply chain. There is no middle man involved at any stage of his business. He also does not believe in involving any outside professional management as he says “parents work very hard for children, they will give their best for it to grow, but an outsider will not care as much”. He also believes that growth can not happen by

foregoing quality and quality can happen only if family is involved, while mentioning this he also states about Reliance Fresh a venture which has not been successful because of mismanagement. Where does he see himself against a barrage of big retail giants and he quips, “I will still be around long after they are gone”.

THE PRODUCT LINE:

A.P. Mani & Sons though started with select vegetables which were used or traditional South Indian dishes to it has almost 300 vegetables on its list. Similarly it has around 200 fruits (See Exhibit 1) most where perishable. As the products are perishable and quality needed to be maintained in order to balance, the reverse logistics system was adopted. Today A.P. Mani & Sons have more exotic vegetables which is the fastest moving. 80% of their business happens on credit and 20% cash. The pay back period for the credit is one month. ”If the customers do not pay the amount within a month’s time, the customers name is cancelled from the database and is not entertained”.

SALES AND MARKETING:

A.P. Mani & Sons has thrived onward of mouth publicity since its inception. Customers who have been satisfied and known Nadar since 80’s still promote his product where ever they go. “*One of his loyal customers had been to Singaproe for her daughters delivery and she brought a ready to cook packaged veg-box as sample to show me as to how I can improve my packaging and labeling*” says Mani. Besides they have their website www.apmanisons.com. They had also started with online orders but it could not be kept as “I am not computer literate nor are my brothers we employed an outsider and had to work on his convenience, wherein we could not meet deadlines for the orders, as a result we stopped the online orders”.

MONEY MATTERS:

The initial investment for the business was Rs.1000 as a vendor on footpath which further was invested as Rs.10,000 for the first gala of 4 x 5 mtrs, the break even for the Rs.10,000 was achieved in six months and since last 5 years A.P. Mani & Sons have consistently grown by 20- 30%. Last year turnover for A.P. Mani & Sons have been 25 crores. The profit or revenue generated includes fruits contributed 35% towards profit, vegetables 65% and grocery 30%.

CHALLENGES AND OBSTACLES

Nadar recalls that when he started he did not think of education, joint ventures, marketing, and capacity management. *“To invest for a weight machine costing Rs.150/- I would think”*. *Things have changed today its become a house name people love us and we respect them in return*”, says Nadar. Nadar is bringing in all the modern technology for processing and scaling. There is high labour turnover as they are attracted to the retail malls. He would not like to bring in professional management for the fear that the quality would be hampered and can be maintained only if the family is involved even if it means looking for no growth in future. As he says *“till I have life I know I will be able to give my best without involvement of others”* The brothers not being highly qualified is also a barrier at some positions of growth.

THE WAY FORWARD

The management team consists of three key positions and they are responsible for supervising all operations negotiating with suppliers and retailers and ordering quality and quantity of raw material necessary to meet orders and standards. The sales is growing steadily and profit is also increasing consistently by 20%. There are talks of AP Mani going for a joint venture with Heiko Super Market, There are also plans with another company United Ltd. to go national, though they had explored into exports but stopped because of professional management required, but it is a known fact that with times moving and years passing the baton has to move from the traditional loop to professional loop. The question is would AP Mani & Sons survive with the same brand name if they do not accept professional management after 30 years of existence and would they be willing for change to accept a new course of action to sustain their brand name.

TEACHING NOTE FOR A.P. MANI & SONS CASE

The A.P. Mani & Sons case has been developed to highlight the challenge facing many Small and Medium Enterprises (SME's). There are many SME's that have successfully overcome the initial survival challenge. They have a stable base of loyal customers, and able to command attractive prices and have built up a reputation for good quality. Yet they are unable to grow beyond a certain point, they are unable to detach themselves from the business and are not willing to change from traditional family business to professional management even at the cost of not growing and stagnation. Why are the entrepreneurs not willing to let their firms grow by adopting professional management after a certain point in organisation cycle? What must they do to overcome the growth challenge?

Discussion Questions:

1. What has the entrepreneur done differently during the existence of business in 30 years?

-
2. How could the family handle the same business differently?
 3. What attitudinal changes are recommended for the entrepreneur and how?
 - 1. What has the entrepreneur done differently during the existence of business in 30 years?**
 - They were not just interested in making money, but in keeping their brand name, which they have succeeded so far.
 - They have introduced bazaar not only for the upper economic strata, but also the lowest strata and have taken care of quality and price.
 - Have introduced lot many new things such as from whole vegetable to chopped vegetables even before big business houses could introduce.
 - Always kept and treated customers as King and maintained special bond.
 - Internally funded growth.
 - Till now they have worked as a committed family.
 - Have identified opportunities as per need.
 - Have a strong and clean supply chain management.
 - Highly profitable.
 - Provided employment to 250 people taking care.
 - Futurist vision.
 - 2. How could the family handle the same business differently?**
 - Though their product acceptance has been there they could have grown more rapidly, if adopted decentralization (could mention e.g. of Haldiram, chittale Bandhu etc....).
 - They had exploited exports but stopped because of the non-willingness to an outsider handling it and the same was the case with online orders.
 - Failed to make franchisee model.
 - Business seems to be too reliant on the original founders. If they are absent for whatever reasons, it seems the company would not have a second tier of managers who can make decisions and run the business.
 - They could also entrust work to outsiders and keep trust in order to handle the operations rather than handling it individually.
 - 3. What attitudinal changes are recommended for the entrepreneur and how?**
 - Any business after reaching growth stage needs to move from entrepreneurs organization to professional organisation.
 - Let of the organisation from one's child to the employees child.
 - Importance of delegation of authority needs to be understood.
-

-
- Formal planning and control systems need to be introduced.
 - Thinking of succession planning before the business fades (as in most cases the family business splits in bad shape e.g. Reliance, Birla, Bajaj, Mafatlal).

ARTICULATE A GROWTH INTENTION:

Revenue growth requires planning, building a team, aligning the team to the organizations goals, mobilizing resources and executing the plan. For doing all this, it is helpful if the SME owners articulate a clear growth goal over the next five or ten years. This growth goal will serve as a challenge.

BUILD A COMPETENT MANAGEMENT TEAM:

They have to build a strong second tier of management. The founders of A.P. Mani & Sons need to carefully build a team of managers who can look after day to day operations, leaving space for the founders to think of strategic growth initiatives. They also need to build trust and autonomy amongst the managers which would in return motivate the managers.

NEED TO DRAW A CLEAR SUCCESSION PLAN (PLANNING & CONTROL SYSTEM):

Planning and control system go hand in hand with greater autonomy for managers, resources are made available for the achievement of the objectives, and the performance is monitored on an ongoing basis. In essence, A.P. Mani and Sons must initiate the process of making the transition from being an entrepreneurially driven organisation which has been characterized by centralized decision-making, informal organization structure and informal communication to a professionally managed organization which will be decentralized decision making, a more formal organization structure and communication.