

CASE STUDY ON MAHASHIAN DI HATTI' (MDH)

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ABSTRACT

India is acknowledged as natural abode of spices and has a long and rich past of trading with ancient civilizations of Rome and China. Nowadays, Indian spices are the most adored and preferred globally, because of their exquisite aroma, texture and taste. India has the largest domestic market for spices in the world. India is the world's largest producer and exporter of spices of the 109 varieties listed by the International Organization for Standardization (ISO), as the country produces and exports about 75 varieties of spices. The US is the major importer followed by China, Vietnam, the UAE, Malaysia, Saudi Arabia, the UK, Germany, Singapore and Sri Lanka. Exports to the US stood at US\$ 351.6 million followed by China at US\$ 335.39 million in 2012-13.

The current case study attempts to study the impact of spice market competition with reference to MDH vs other competitors such as 'Catch', 'Everest', 'MTR' etc. Also a close look at the brand MDH will give insightful inklings on leadership issues, strategies of advertizing and branding and placing of the products under Brand MDH 'Glocally' (Globally + locally).

KEYWORDS: Indian Spices, Competition, Marketing, Advertising Strategy, Succession Planning

INTRODUCTION

Objectives of the Case

- To study Dharampal ji as a transformational leader
- To study the sustainability issue with respect to globalization and growth in the competition in the market of spices
- To understand the need of strategy rework in advertizing and for branding
- To understand the succession issue that will keep the business in the better position after Dharampal ji
- To study the need of product extension

As one enters the stately office building of MDH (*Mahashian Di Hatti'*) Masala in New Delhi, the aroma of traditional Indian spices floating in the air comes surging forward as if in welcome. Outside the office of the founder- Shree Mahashay Dharampal, is a cardboard sculpture of the man himself, adorned in a red turban – a picture that resonates so well with every Indian household as the Mascot of the 65 year old spice manufacturing company. Believing in Karma, his ways have always been simplistic and quality oriented. His active participation and his frequent visits to his offices in Haryana and his attendance for seven days in his company make him an inspiration and personify hard work and commitment.

The Organization

Mahashian Di Hatti' (MDH) has changed the way Indian housewives cook. Several decades ago, housewives used to grind their spices manually at home and make their own blends for use in their cooking till the company visualized the concept of ready-to-use ground spices and revolutionized the Indian kitchen.

The company manufactures ground single spices like chili powder, coriander and blended spices. They carefully select the raw material and use highest processing standards. They then soon switched over to automatic machines to meet the fast growing demand spices. Blended spices were a unique offering. They are a specially formulated mixture of various spices that imparts the taste to certain Indian recipes. Research has gone into preparing the correct proportion of blends according to the customer's needs. The company has a product depth of 52 different varieties and available in 140 different packages.

The spices and blends are popular not just in India but also around the world are exported to the United States of America, Canada, United Kingdom, Europe, South East Asia, Japan, U.A.E. and Saudi Arabia. Outside of India, the Company has offices in London (U.K.) and a state of art manufacturing unit at Sharjah (U.A.E.)

The Founder

Mahashay Dharampal Gulati, the founder of MDH, is one of the most inspiring personalities of the corporate world.

He has always had a deep secret longing, a silent impulse, and a soaring ambition to do something great, spectacularly noble and enduring to take off his company from decaying levels of mediocrity into heights of a business empire. Therefore he nurtured his dream right from early stages of his life, after he moved to Delhi during the post-partition era. He had formal schooling only up to the 5th grade when he dropped out of school and helped his father run his shop. Today he has expanded his shop in Delhi to an empire worth Rs. 500 crores.

Early Childhood

Mahashay Dharampal Gulati was born in an average joint Hindu family of high ideals of honesty and simplicity. He entered schooling at the age of five but was neither good at studies nor interested in it and so left it in class five. His father understood his inclination and sent him to a school of accounts for two years to train him to be useful in the shop business. He has always been a carefree boy in his childhood and used to take buffaloes of the house to rivers and took interest in *kushti in akharas* with a heavy diet which made him physically strong. He started the business life at his father's shop as a sales boy to sell the product '*mehandi*' street to street on a '*thela*' to earn 20-25 rupees a day. He used to take '*malai*' and milk on the way while selling which made his body fit and strong which is so even today. After ascertaining sufficient training, his father opened a separate shop for him and his younger brother but it didn't work well. He was then given training on various products of soap, wood, mirror etc but with little success. Meantime, he participated in communists activities for freedom of the Nation also. He was married early at the age of 18 and then he took his life seriously and concentrated on business at his father's shop once again. But soon partition happened and his entire joint family shifted to India where they struggled a lot to get success in the business.

Despite being among the millions to have faced the trauma of partition between India and Pakistan, Gulati didn't allow the fire of enterprise to die away. He, along with his family moved to Delhi as a refugee. To earn a living, he invested in a tonga (horse carriage). He felt it was a good way to get to know the city while earning a living. However, he

soon realized that the profession was not his cup of tea. He had no knowledge of riding a tonga, making the diet of the horse or rubbing the horse's body. He had to shout a lot to attract passengers and had to deal with drunken people. His language and attire were also very different from other tonga drivers. He felt like a fish out of water and when he had saved enough by ferrying passengers for two annas (1/16th of a rupee) per trip, he rented out the tonga and re-established his spice manufacturing company with Rs. 9700 in hand.

He bought a kiosk in Karol Bagh in central Delhi in 1948. The brand, known for its grounded chilli-powder (*degi mirch*) had been popular in pre-partition Punjab, so he re-launched it as MDH in Delhi. From Karol Bagh, the business moved to Old Delhi's Khari Baoli in 1953. In 1954, Dharam Pal set up Roopak Stores in Karol Bagh. It was the first modern spice store in Delhi during that era. He went to Bombay thrice to get ideas to plan the interiors of the store. Roopak Stores, now a landmark in its congested market, has been handed over to Dharam Pal's younger brother Sat Pal.

His vision was to run a big departmental store for general house hold items like rice, dry fruits, spices, pulses etc that could imbibe trust among consumers regarding purity and quality of products such that customers would not attempt to negotiate prices. He was also one of the first to provide the facility of Home delivery. This store was a unique concept in Delhi in those days and he often travelled to Mumbai to understand the practices used there.

Soon Dharam Pal Ji's younger brother Sat Pal Ji began to help look after the store. Every evening, they would both sit together to discuss profitability and developmental activities of the store. The spices were sold under the name '*Pal di Mirch*' (chilli powder) and '*Pal di Haldi*' (turmeric powder) and Dharam Pal Ji soon began to make a name for himself as he earned the sobriquet of Sialkot's '*Deggi Mirch wale*'.

Stories of Deceit

As a person, Gulati ji had great faith in his friends and relatives and as a result had many encounters with deceit and betrayal from close quarters. During initial stages of business, he would outsource powdering of '*Haldi*'.

Here the contractor or '*mistry*' would adulterate the powder with a similar powder, '*chane ki daal*'. As purported quality and purity, he soon ended the practice of outsourcing and developed his own factory for powdering of spices. He was shaken by an act of treachery at the hands of his childhood friend whom he had mercily given a job in the business. The friend, however, would take a commission on every incoming material from each supplier. His most trusted advisor or '*Munim*' cheated him a great extent but later accepted his faults and begged for forgiveness. Once a fellow requested him that he would do their job of powdering '*mirch*' on imported machines and later he found that they were interested to know the formula of spices to develop their own brand.

Similarly, in due course of time disputes arose between the families of both the brothers and the business activities and the property were distributed between them. This gave him a great shock as he had built the entire business empire single-handed and had later taken care to include family members in it. These family members were now opposing him and demanding their share. He eventually agreed to this and gave his younger brother what he demanded so as to still keeping good relations with him. He preferred peace in families than property dispute.

With so many twists and turns – from partition to family disputes, Gulati believes that these hardships were instrumental in his success.

Spices Market in India

The spices market in India is largely unorganized. It consists of Rs. 1,500-crore branded market and the unbranded spices market is over Rs 5,000 crore. The category is characterized by strong regional preferences, a huge unorganized sector which also sells loose spices, local players and in-store packaged labels.

BUSINESS MODEL – Marketing, Products, Communication Strategy, Promotion, Pricing, Corporate Social Responsibility and Other Strategies

As the business prospered, the challenge was to create a niche in the largely unorganized spices market. MDH's first innovation was to introduce packaged *masala*. This was not an easy task, as it attempted to break the traditional psychological barrier housewives had as they wanted freshly ground spices and were suspicious of pre-packed spices. In order to grind the spices and meet the growing demand for MDH spices, automatic machines were procured that had the capacity to manufacture about 30 tonnes a day. Fully automatic manufacturing plants are present in Delhi, Gurgaon (Haryana), Nagpur (Maharashtra), Ghaziabad (Uttar Pradesh) and Amritsar (Punjab).

Products

Spice packs of different sizes were manufactured varying from 10g to 500g. It started with the launch of '*Pal di Haldi*' in 1948 and they later launched '*garam masala*', '*degi mirch*', and '*kasuri maithi*'. They also manufacture incense sticks, Ayurvedic tooth powder, soya and havan samagri - a mixture for Hindu ritual sacrifices.

Gulati also began to understand the psyche of Indian consumers and their penchant for decoration. The cardboard box pack of pre-packed spices was attractive and carried Dharam Pal's photograph with a brand promotion message "Hygienic, Full of Flavour & Tasty". The key defining message presented to consumers about the products was that of superior quality, taste, flavour. Their focus on quality & purity is also reflected in their slogan "MDH Masale Sach Sach"

This packaging remains the same till today with minor variations. They launched advertisements and slogans that said, '*Pandit Ji ke bina shaadi ho sakti hai par 'degi mirch' sabji me na pade to shaadi nahi ho sakti*' (The marriage can take place without the priest but not without MDH spices in the food).

MDH was also one of the first few companies to launch an aggressive press ad campaign in 1948 in '*Pratap*', a popular newspaper among Punjabi refugees. By 1984, when the company launched its first TV ad, Dharam Pal confidently stepped in the frame. The ad featured actors Shafi Inamdar and Neena Gupta welcoming Dharam Pal ji to a wedding. Dharam Pal ji was the chief guest. Today, Dharam Pal features in all MDH advertisements and is the best ever brand ambassador for his company. In contrast, the closest competitor of MDH, Catch spices is endorsed by a beauty of Bollywood cinema, Juhi Chawla.

There are few critics to this unique style of advertising. Some people believed that though the advertising approach worked well with the older audience, MDH would need to adopt a new approach if they wanted to catch the attention of the younger audience. Others question his presence in the advertisements. Unlike most corporate firms, he doesn't believe in riding on the success of a movie or sports star like Shah Rukh Khan or Amitabh Bacchan to promote his products. He believes since he has built the company, his presence will imbibe trust among customers more than anyone else. More importantly, it helps MDH create a separate identity for itself. These strategic changes took his company far

ahead of competition at a time when most players were not aware of marketing promotion strategies and industry was merely being developed in India. It has become synonymous with the category of spices itself.

But with a recession-proof growth rate, MDH has no reason to rethink any of its strategies. When prices of commodities and hence the input cost go up, they negotiate more when procuring raw materials, squeezed profit margins and still continue to grow. The price elasticity of demand is not high since a pack of Masala priced Rs. 35 is pivotal and less costly component in an Indian meal in contrast to more expensive items like that of oil, vegetables or meat”.

MDH is still the biggest company in the spice trade even after competitors like Catch and Everest and MTR entered the arena.

It was not surprising that his company Mahashiyan Di Hatti (shop of the magnanimous) launched four new varieties of blended spices when the most other businesses were struggling to stay afloat during the economic downturn. Surviving adversities has been Dharam Pal's core competence. He sold mirrors, soap, cloth and hardware before he joined his father's spice business at Sialkot (now Pakistan). But after the Partition in 1947, his business went down to zilch. He re-established the company in Delhi with just Rs. 9,700. No economic downturn can be as challenging as the adverse circumstances were according to Dharam Pal. Today, the Rs. 300 crore (Rs 3 billion)-plus MDH is a market leader. It sells 45 varieties of blended and whole spices, exporting to more than 50 countries. The company has five factories across India, 1,500 employees, 1,000 distributors and over 800,000 retail dealers.

With a recession-proof growth rate, MDH has no reason to rethink any of its strategies. Prices of commodities have gone up resulting in high input cost.

The commodity market is fast converting to branded business and even MDH registered a growth of 30 per cent. MDH remains the biggest company in the spice trade,” says Rajeev Kumar, managing director of Delhi-based DS Group that sells Catch spices.

The market is so huge that everyone has the scope for growth but only those with purity and quality can survive the test of time. According to Gulati, Only five to six of MDH's products account for 70% of the company's sale. With so many twists and turns - from partition to family disputes, Gulati has always found hardships instrumental in his success. Indeed, looking at his journey, one can definitely say, 'variety is the spice of life'.

Market & Environment

As we know that the FMCG market is a near to perfectly competitive market or say oligopolistic market in which the number of major players in the market is less or say countable and the market share is almost equally divided.

The spices market in India is an unorganized one. It consists of Rs. 1,500 crore branded market and the unbranded spices market is over Rs. 5,000 crore. The category is characterised by strong regional preferences, a huge unorganized sector which also sells loose spices, local players and in-store packaged labels.

For MDH, Everest is the nearest competitor, as both of them have nearly 4 lacs retail dealers. MDH has 52 spice blends where as Everest has 34 blends of spices. Other key competitors are Catch spices and MTR.

MDH and Catch have been among the bigger brands in the North and Everest is a strong player in western India.

Catch Spices- Compared to MDH, Catch, introduced in 2000, has been a relatively new entrant in the packaged spices market

Supply Chain

MDH Ltd. has a network of over 1000 Stocks and over 4 Lacs retail dealers in India and abroad. Raw material is procured directly from the centers of produce to maintain uniform taste and quality. It is first cleaned, dried and tested with the help of special machines. It is then cautiously grounded into the finished product passing through several stages. Fully automatic machines have been installed for this process.

Mahashay Dharam Pal's Son, Rajeev Gulati's significant contribution to the firm as Director was to put the company on the global map. The spices and blends are exported to the United States of America, Canada, United Kingdom, Europe, South East Asia, Japan, U.A.E. and Saudi Arabia. Outside of India, the Company has offices in London (U.K.) and a state of art manufacturing unit at Sharjah (U.A.E.)

Corporate Social Responsibility

The company has been involved in several charitable and social activities through its sister organization, MahashayChuniLal Charitable Trust, which maintains trust amongst its loyal customer base. The trust operates a 250-bed hospital, a mobile hospital for slums, and four schools in New Delhi. Various social organizations can get need-based grants from the trust. It also brings out a monthly magazine, *Sandesh* focusing on traditional family values of India.

Crisis Faced in the Year 2006: Recall of its Products Due to Alleged Contamination:

In February 2006, the Food Standards Agency of UK announced a withdrawal of MDH Sambar Masala from stores, due to its contamination with Sudan I – a carcinogenic dye. The withdrawal was only for one lot of the production and no other product of MDH was affected.

TRS Wholesale Co Ltd undertook product withdrawal of MDH Sambar Masala, due to its contamination with Sudan I. The product recalled was MDH Sambar Masala 100g (Best Before date - April 2007, Lot No: 01). No other MDH products other than this are affected till date. Sudan I is not a permitted color under the Colors in Food Regulations 1995. It is considered to be a genotoxic carcinogen, and its presence at any level is not permitted in foodstuffs for any purpose. The affected product was distributed from TRS Cash & Carry and TRS International Foods. TRS Wholesale Co Ltd undertook the product withdrawal of the affected items and displayed point-of-sale notices in the stores.

OTHER CHALLENGES

Competitive Landscape

As we know that the FMCG market is a near to perfectly competitive market or say oligopolistic market which has less number of players in the market and the market share is almost equally divided.

MTR spices are a major competitor in South India. Everest also gives a completion as both Everest and MDH have nearly 4 lacs retail dealers. Catch spices is also evolving and “shelving” done to create visibility in retail stores is almost equal, if we talk about MDH, Everest, Catch in north and MTR in south, so much so that, if one is not available, an individual may pick up other one, unless and until the brand has not transformed itself in a cult. Catch Spices- Compared to MDH, Catch, introduced in 2000, has been a relatively new entrant in the packaged spices market

Quality Control and R&D

The powdered spices are tested at the fully equipped quality control laboratories, to ensure the best quality standards. Further, the well equipped laboratories work incessantly to develop new spice blends of spices. Mahashay Dharampal Ji leads from the front, taking keen interest in creation of new products.

The Way Forward

Intervention of Government viz-a-viz import & export of spices is causing upheavals in the market hence affecting both demand and price. Constant increase in costs in terms of raw material inputs, services, power and fuel continues to be a point of concern for the Company.

Reworking its advertising strategy and increasing its visibility especially in South India is the need of the hour. Expansion other than limited countries like Canada and US is crucial to sustain in present competitive global markets.

Extension and diversification in ready-to-eat segment may add to umbrella brand of spices and may lead to positive extension. Is company not over-relying on an exclusive brand ambassador who happens to be the owner of the company?

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