



“Product Innovation Has Been the Key to Our Success”

- Sagar Daryani, Co-Founder & CEO, Wow! Momo

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- By Surabhi Khosla

Q SR chain, Wow! Momo has found the recipe for success. The startup, which began with an initial investment of a paltry sum of ₹3,000, is 155 outlets strong today. The company opened its first store in Kolkata eight years ago and has since expanded rapidly across the length and breadth of the country. It's now expanding its reach to Tier II cities.

In an exclusive interview with IMAGES Retail Bureau on the sidelines of the India Food Forum 2018, Sagar Daryani, Co-Founder & CEO, Wow! Momo talks about his expansion plans, category expansion strategies, and his global dreams.

Tell us about Wow! Momo. How did you conceptualise the brand?

We are the country's largest momo chain. We have 155 outlets across 10 cities and we are producing 2 lakh momos a day. We are a proper startup!

We've come up the hard way because a decade ago, there was no talk of startups. When we began eight years ago, we had just ₹3000 and today we are at ₹300 crore annually. Our first few stores were funded by our customers. Now, we are on the verge of a massive growth. What has made us 'wow' is that we've really played with momos. Earlier we only had chicken and vegetarian momos. We've introduced pan-fried momos, chicken momos, burger momos, baked momos, tandoori momos and now we're coming up with a pizzeria momo and a momo roll soon, so I think product innovation has been our key to success

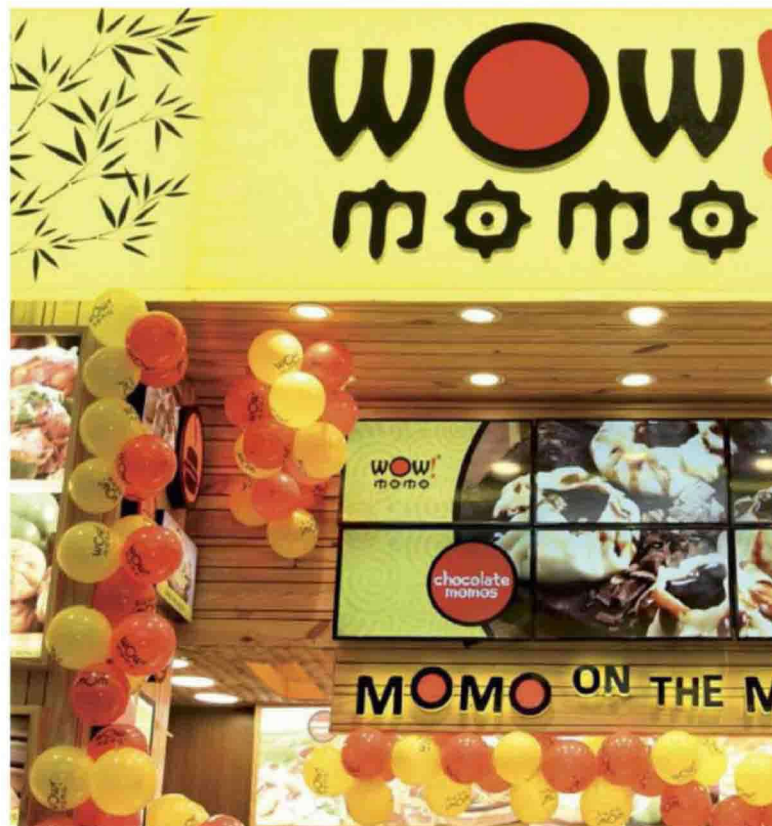
How did you come up with name Wow! Momo?

When people ate the momos we made, we wanted them to say "wow!"; and we ensured

that our momos were good enough and that our product quality brought the customer back to us. And you know what they say - one good customer brings in 10 more customers.

The Wow! Momo store in South City Mall store was a game changer for your brand...

So, it goes like this. Spencer's in Kolkata gave us space for a shop-in-shop store - 19 feet of space. From here we started doing numbers like ₹6-7 lakh a month. We decided to use the money to open an outlet at South City Mall, the best mall in Kolkata at that point in time (now it's gone in for renovation to become even better, I've heard). Our outlet in this mall was what made us a brand. People would come here for movies and would want a quick bite. It became a game changer in the sense



that we used the money we saved from here to open two more stores, we saved money from those stores to open four more and so on.

By 2020, we hope to hit the 350-400 mark in terms of outlets.

Are you going to take the momo global?

We're certainly thinking of it. We're exploring places in the Middle East, we're exploring areas in Bangladesh. So, if not now, in the near future, certainly yes.

What about the interiors of India? Are you exploring those too?

We've already entered Tier II cities. The first one we've entered is Bhubaneswar, one of the most happening cities of East India and we're doing phenomenally well here. Bhubaneswar, Puri and Cuttack have become a full



segment for us. We have one single kitchen catering to all these three cities.

Other cities that we are exploring are Lucknow and Kanpur. I think Tier II is where the juice is. I don't think it's tough at all to expand into smaller cities. They're all developing now with the advent of the Internet and e-commerce. Raw materials are easily available for businesses to flourish and logistics have really improved. So, if I don't get something in a Tier II city, I can easily ship it from a Tier I city. I think this is the right time to enter Tier II cities, because the entire ecosystem is ready.

Is there a pricing strategy that you are looking that now that you are entering Tier II cities?

India is a country where

people have money, they want to spend it, but they want good products in return. Their aspirations are high, but unfortunately, the availability factor is missing. When we opened in Bhubaneswar, we had a km long queue of people waiting to eat our momos. So, the aspiration levels are high, they have the money - you just have to give them the right retail stores, or the right food formats and they are happy to spend.

How often do you churn your menu?

For us, taking out stuff from the menu is as important as adding more stuff, because if you keep on adding, it becomes a very wide menu and people get confused. We try and add two new momo variants every year and remove a couple. The

idea is to give the consumer something different every now and then. For example, last mango season, we had mango momos.

Are you thinking of category expansion?

Most certainly. This summer we are launching a beverage called Wow! Thunder. We're playing with fountain drinks to create mocktails. So, thinking out of the box is very important for us. Food and beverage together is a great combination for us to work on since it just adds to the EBIDTA margins.

What are your revenue targets by 2020?

By 2020, we're hoping to hit a revenue turnover of ₹300 crore per annum, in the range of 16 - 17 percent EBIDTA margin. In 2015, we had raised a funding of ₹100 crore from the Indian Angel Network and then in 2017, we raised another Series A+ funding from Lighthouse Funds of ₹44 crore. We have not diluted much, and we will be going in for more rounds of funding in the future too, but you know, equity is more expensive than debt, so we will try and avoid equity. We have internal accruals, so funding will definitely be in the future as we grow. It's part and parcel of the game as you grow. However, I honestly think that our customers are our lead investors.

How much of these funds do you spend on digital marketing?

We have a marketing budget of 4-5 percent, and mostly through social media. We do spend a lot on Facebook, Twitter and Instagram marketing, but we do it differently to attract consumers. We use

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our social media to make our consumers our brand ambassadors. Honestly, the best form of marketing for us is to open new stores, outlets and kiosks and be more and more visible.

What other technology are you using in your outlets?

We are building a new ERP system with the help of an agency for Wow! Momo, which will connect the point of production to the point of sale. For a growing concern like ours, taking care of the bottom line is very important and for this, number crunching and data is very important. Connecting point of production to the point of sale makes our projection better, it will lead to reduced food costs, reduced wastage as well as extension of profits. When you are growing your management information system reports should be so crisp that they should enable you take decisions on the ground, on time, and reinvent yourself again and again – one of the main reasons why we are investing in this technology.

Are you on track for an IPO in the next 5 years?

An IPO is still five to seven years away for us, but the challenge is not an IPO, it's in doing a blockbuster IPO. We are on the verge of being IPO-ready, but we are not quite there yet. It will take a few more years. The target is to make sure that we don't let our consumers and investors down, and that we give them an epic IPO.

Let's shift gears a bit and talk about the Eastern food retail market. What's your view of it?

I personally feel that Kolkata, which is the heart of East



India, is the food capital of the country. People there understand the taste as well as product quality better. Another thing is that people don't shy away from spending on food and clothes. Most QSR chains in east are the highest in the country. I feel the region was explored a bit late, but the fact that it was explored late is an advantage. A lot of juice lies here. The north, south and the west are all discovered, and every brand wants to come east and try and get mileage and traction and revenues from here.

What are the biggest bottlenecks in the East Indian retail industry at large as per you?

People have a perception that what works in the whole country, works late in the East, so everything comes here a little later than the rest of India. Take for example fashion – a fashion store in other parts of the country would have a more updated

collection than in the east. Indian brands have realised that this is a problem and are now making sure that fresh stocks and designs are available in the east as soon as they are in other parts of the nation. This will get better only through word of mouth in the retail community and people like us who are the torchbearers of retail in the east have to make sure both national and international brands and investors know that the east has the power to pay and buy.

What is the future of QSRs in the East?

East is a market which loves to eat so the future is phenomenal. We see so many brands coming up in this region, raising funds – all of this development is very promising and very inspiring. With the entire HoReCa industry growing at 40 percent, East India is the place to be now since all other regions are tapped.

How has GST affected your business? What do you hope the government will do for you and other startups in the region?

If we talk about the food sector, then we have been very badly hit with the 'no GST' input. For a business like ours which is in growing at a rapid pace, the GST input was around 7 percent, so it makes a profitable business like mine a break-even business since we don't increase prices. So, now the government has reduced the GST and if we increase the price, it won't be consumer benefitting, and that makes us sufferers. The minute we increase prices, the attraction of sales will come down to an extent. I personally feel that the GST needs a relook. I think a 5 percent tax and no input is being a bit harsh on the entrepreneur. You know when you are growing, you want the government to be more supportive. **R**