



Grufèt Foods Inc. from India: Success story of a bootstrap enterprise

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Abstract

Grufèt Foods Inc. is an Indian Company that operates globally supplying luxurious Tea, Coffee and Chocolates. The organization is also into QSR segment. As it comes to our mind, luxury is always expensive but that is not the case with Grufèt Foods. The food start-up offers a range of products from Assam tea to Ethiopian Arabica Coffee, Rich Belgian Chocolates, freshly baked bagels and Croissants, at affordable prices. 100 percent bootstrapped, Grufèt Foods Inc. started with a family investment of ₹6 million, by three family members in 2019. Within three years, i.e., by 2022, Grufèt Foods reached an Annual Turnover of ₹980 million. The company has grown Internationally within a short span and has reached the United States of America and France.

Keywords: Food, Beverages, QSR, entrepreneurship, Start-up, Bootstrapping

The Genesis of Grufèt Foods

Shubham Nigam (Fig 1) who is the Founder and CEO of Grufèt Foods belongs to Prayagraj (Formerly Allahabad) in Uttar Pradesh. He was born and raised in the holy city. In 2008, he moved to Jaipur to pursue a Bachelor's degree in Biotechnology. After his graduation, Shubham earned a Masters in Food Technology and Management from the National Institute of Food Technology and Entrepreneurship Management, Haryana.



Fig 1: Shubham Nigam



It's not always a smooth ride for any start-up. It passes through different phases like ideation, product development etc. Shubham's journey is not an exception and he had to pass through topsy-turvy ride. Shubham always had the bug of creating new things. He worked with various companies ranging from startups to Multi-Nationals like Coca-Cola India Pvt. Ltd. But the work with any of these did not excite him as he felt like a part of a well-running engine. They had all the set protocols under which the employees had to perform, so this didn't give Shubham the opportunity to use his creativity in building things from scratch. In 2014, he gave up the job and with his college friend established Grufèt Foods. Soon they realized that they were still very new to the business and needed more experience. They had to shut Grufèt Foods in just two months.

After this, he started working with a Darjeeling-based start-up and stayed there for two years. There he got an opportunity to closely watch the tea production process, however, the marketing was still out of his sight. Later he shifted to Delhi and worked with another start-up in operations and revenue generation segments. From his experience, he learned that there was a big gap in the industry. He got to know that there were over 2500 varieties of tea available and 98 percent of the premium quality produce were sold in export markets. In 2018, he left this job and in 2019, revived Grufèt Foods. This time Grufèt Foods was projected as a brand selling premium quality packaged consumer goods with affordable pricing.

Grufèt Foods started solely on bootstrap funding from family members. During the initial struggle, Shubham understood that this tea and coffee business has to be a volume play, as the margins were thin due to a very competitive market loaded with many brands. Also, Indian consumers want a product that not only meets their expectations of quality but quality at affordable and desired price levels. In the words of Shubham "A 250gm Assam tea can fetch you up to ₹1200 in the U.S. market but the same tea cannot be sold for more than ₹150 in India because the consumers are different." This is the reason that major brands in this segment are focussing on exports and not the domestic market of tea varieties.

During his experience in the Tea industry, he found that there were various small farmer groups also called Self-Help Groups, who were forced to sell their premium quality products at throwaway pricing as they didn't have direct contact with the market like the big farmers. Big Farmers have a syndicate and they will never lower their prices. Thus, the companies who procure



from big farms or auction houses have a very high raw material cost due to their volume requirements. This was used as a strategy by Grufèt Foods to keep their pricing affordable. They offered to buy produce from these small farmers giving them 1.5 or 2 times the price of their products and still getting the premium tea leaves in price which were far lower than the other brands in the market.

The journeys so far

Grufet's products were developed for milk-based infusions (Fig 2) which made the products suitable for the Indian market as well. They started with their Chocolate brand called 'Bellveu' (Fig 3) in 2020. In 2023, they entered the QSR segment with a café structure with a brand called 'Glenfyre' (Fig 4). The firm opened its first café in January after which it opened another four cafés in just the span of two months. It is currently working on a fruit yogurt concept which is in the pre-launch stage as of now.

Grufet started its business in the U.S.A and France in 2019 (Fig 5) but that year was a low-paying year for the FMCG market due to severe drought. At the end of 2019, when things started stabilizing a bit, the world was struck by Covid -19 pandemic. Exports halted for time being due to uncertainty over the highly contagious virus. This situation made them relook at their capabilities and they diversified their produce in the Indian market. As of today, they are growing Internationally.

The firm offers, at present, six tea and two coffee varieties available for the FMCG market, 12 Tea varieties and six coffee varieties for the QSR segment, and three products in cocoa-based chocolates. Its QSR offers a complete eatery experience in their café where they serve bagels, croissants, pastries, sandwiches, wraps, and pasta along with teas and coffees made from their own raw materials. The products are developed at its own site. The firm plans to enter into more baked goods segment, after thorough consumer research.

Shubham's spent on market research

Before entering any market, it is really important for an entrepreneur to conduct market research on consumer taste preferences and buying behaviour. Based on its research, Grufèt Foods found out that Americans are usually bulk buyers. They buy Value and Volume products. Whereas the French were impulse buyers whose buying behaviour is determined by the aesthetics and novelty of the products. Indians, on the other hand, are different from both -the Americans and the French. Indians are predominantly margin buyers. They would try smaller packs first and if they like the taste and quality, they tend to remain loyal customers till rates and offers remain in sync with offered quality. So, the products have to be redesigned and defined as per the market's needs.

Learnings for budding entrepreneurs and management students

The Grufèt Foods model is very unique. The start-up entered in FMCG as well as QSR model in a span of just three years. Its Cafés are run by students who work part-time for experience and



financial independence. They are able to connect better with the customers as they also belong to the same age groups and are able to establish friendly relationships with customers in no time. The price structure in the café is pretty affordable as compared to the luxurious cafés. The teas are priced starting at just ₹10 as compared to ₹80 offered by other cafés. The reason behind this is simple, Grufèt Foods has its own raw material (other cafes procure it from outside) so the cost is not very high and the model of QSR works on average turnover. The company ensures that each customer’s average order time is not more than 10 minutes. Thus, mass marketing can be done through this model. It displays its products in open jars that attract customers. Fits the concept into consumers’ minds that there is no compromise on the quality and Grufèt Foods is transparent in its operations. The company also offers the product through e-commerce platform (one can order through Grufet’s website, Fig 4). It is successful in keeping the cost low. An interesting point is Grufet’s expenditure on marketing in abysmally low. It has word-of-mouth publicity in the existing area which pulls more and more customers toward the products. Starting at ₹6 million in 2019. The company’s annual turnover stood at whopping ₹980 million in 2022. That’s incredible success.

Fig 2: Few variants of Tea and Bakery products offered by Grufet Foods Inc



Pic courtesy: Shubham Nigam, Founder Grufet Foods Inc



Fig 3: Nothing like a mouth melting Chocolate

Pic courtesy: Shubham Nigam, Founder Grufet Foods



Fig 4: Glenfyre QSR

Pic courtesy: Shubham Nigam, Founder Grufet Foods Inc

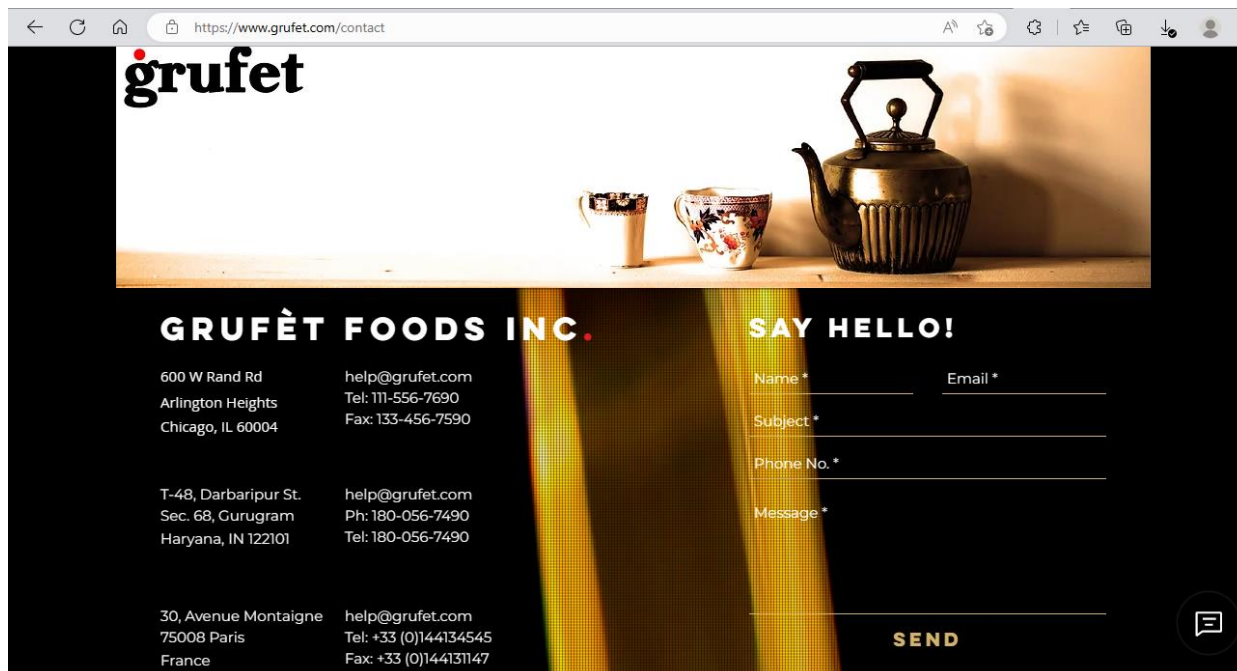


Fig 5: Grufet’s webpage: The start-up offers an online shopping experience

Source: www.grufetfoods.com