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HUNGRYNAKI: DEVELOPING A POWERFUL SERVICE BRAND

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HISTORY AND GROWTH

The rapid growth of internet's reach is going far and beyond, even outside the big cities. The trend of posting photographic-evidence online has been on the rise and it has brought businesses whole new potentials to explore. As the number of working millennials, who are willing to spend for convenience, is on the rise side by side, it is evident everywhere that the food ordering & delivery sector has a huge service gap to be fulfilled through online penetration.

With that in mind, A 100% Bangladeshi Online Food Ordering and Delivery Servicewas launched in 2013 to deliver customer's cravings at their doorsteps. The idea of awebsite that allows you to search and locate restaurants of choice in nearby areas and taking orders on customer's behalf to deliver the ordered food to the doorstep did not hit the founding members – Tausif, Ahmad and Sazid initially. All of them had full-time jobs and would sit after their usual office hours to discuss what could they do to enter the business arena. The first idea was about a fashion retail business because one of their friends was a textile engineer and the other owned a textile company.

They thought there was a room for a creative and innovative initiative in the fashion industry in Bangladesh. They had been in discussions for 3 months about what to do and how to launch it. And even in those meetings they had not thought about starting a food delivery company yet but the interesting fact was, they would always need food during those hours of discussions. A help from the office or a driver was sent out to get food from a nearby shop or anywhere. It was inconvenient because there were not many food delivery options in Bangladesh at that time. Pizza Hut and a few other restaurants were doing food delivery but not at a large scale. That's when it hit them, that this is a problem that needs solution. It hit them for the first time that if they needed food, there might be other people going through similar problem. This was the moment they decided to try something around food delivery in Bangladesh, particularly in Dhaka.

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As a home-grown Bangladeshi brand, the founders wanted to make sure something in the name should communicate the Bangladeshi essence and thus the name "HungryNaki" came into existence. One of their friends created the logo for them and they finally launched the website on October 1, 2013. It started with 6 team members out of a shared one room office and had collaboration with 30 restaurants and a two members delivery team. It delivered 200 orders in its first month of existence. And now, the business is growing every month around 7 to 10% according to the CEO, Ahmad. HungryNaki has now around 25+ hubs. It runs operational offices in Chittagong, Sylhet, and Narayangonj.Today HungryNaki is a team of 50 people in the core team and has a team of 180 delivery people working full time and some 30/40 part-timers who join when there is a need. It works with almost 1000 restaurants and serves 750-900 orders per day.

OPERATIONAL STRATEGY

HungryNaki's operational objective is to find ways to grow faster without growing physically. As a part of the strategy, the team is investing in technology and automation with the intention to figure out how they can handle significantly more orders than what is done currently without dramatically increasing the team. Introducing more automation in order to bring efficiency and improve customer experience is a priority for HungryNaki as it grows.

HungryNaki is primarily based on the "aggregator business model" which is shown in Figure I. This model exhibits the process of how the business owner earns revenue through service commission. Basically, they provide a centralized hub where all the restaurants & other food outlets of the target market are listed for customers to order from. Basically, they provide a centralized hub where all the restaurants & other food outlets of the target market are listed for customers to order from.

"Working at a big company is easy because everything is in place and in order and you just go in and fill a role but at a startup, things are often not that organized or defined. You have to navigate the ambiguity and chaos and get things done. A startup demands a lot more passion, commitment and sense of responsibility than a big organization" Tausif, COO.

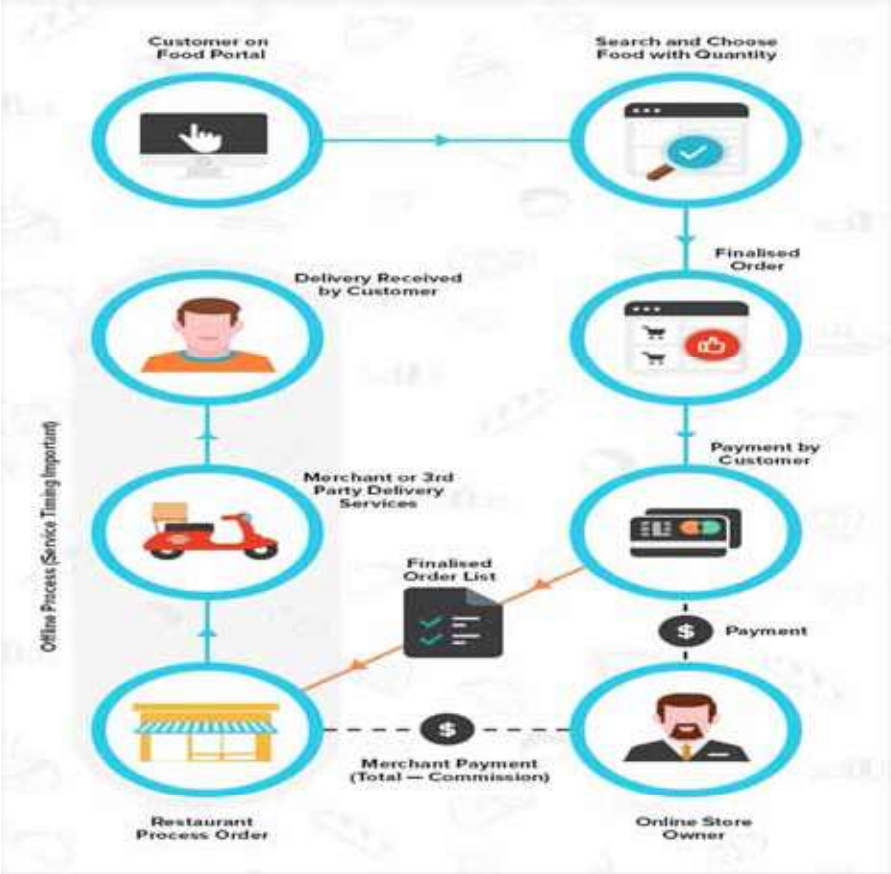


Figure I: Operation flowchart of HungryNaki

According to the COO of HungryNaki, they have achieved operational break-even at the end of the last year which is hard to come by in ecommerce space and usually takes 5-6 years. But they had not done it comfortably. Early last year, HungryNaki implemented conservative measures and cost cutting strategies in order to ensure more disciplined investment and curb unnecessary expenses. Consequently, the cost came down almost 30% and revenue increased by almost 1.5 times. Its revenue has been growing consistently since then.

HungryNaki focuses on a hyperlocal operation. Food delivery is a hyperlocal business. Efficiency depends on how quickly the food can be delivered to customers. The lead time can be reduced this lead time if it can be delivered within the local area.The distance between a customer and the restaurant also dictates the cost of delivery. So, HungryNaki has set up hubsthat work as control areas in their areas of operation. The delivery cost has been reduced to 45 tk

which is the lowest at the market currently. The team intends to reduce it more as the number of orders go up.

ORDERING WITH HUNGRYNAKI

From ordering food to delivering it, HungryNaki keeps a clear line of communication between the customer and the restaurant the food has been ordered from. Any order placed with HungryNaki is subject to product availability, delivery capacity and acceptance by it and the Participating Restaurant. When an order has been placed online, an email and SMS are sent to confirm that the order has been received. This email and SMS confirmation will be produced automatically so that the customers have confirmation of their order details. Customers must inform HungryNaki immediately if any details are incorrect over phone within 5 minutes of receiving the mail or the SMS. The fact that users receive an automatic confirmation does not necessarily mean that either HungryNaki or the Participating Restaurant will be able to fill the order. Once the confirmation has been sent, HungryNaki will check availability and delivery capacity. It may choose to call at times when customers order in bulk.

All prices listed on the website for food menu by the participating restaurant or a delivery partner listed on the website reflect the price the Participating Restaurant or the third-party provider charges at the time of listing. In case the price listed is not current and the restaurant informs immediately after placing the order, HungryNaki putsits best effort to contact the customers to inform about the price difference and they can choose to opt-out of the order at that time.

The whole ordering process is donethrough the HungryNaki Mobile Applications, their website or the direct customer care hotline number. Figure II shows the whole ordering process which is done through the HungryNaki Mobile Applications, their website or the direct customer care hotline number. Payment method has been made easier with cash on delivery & online payment options as well as via bKash.

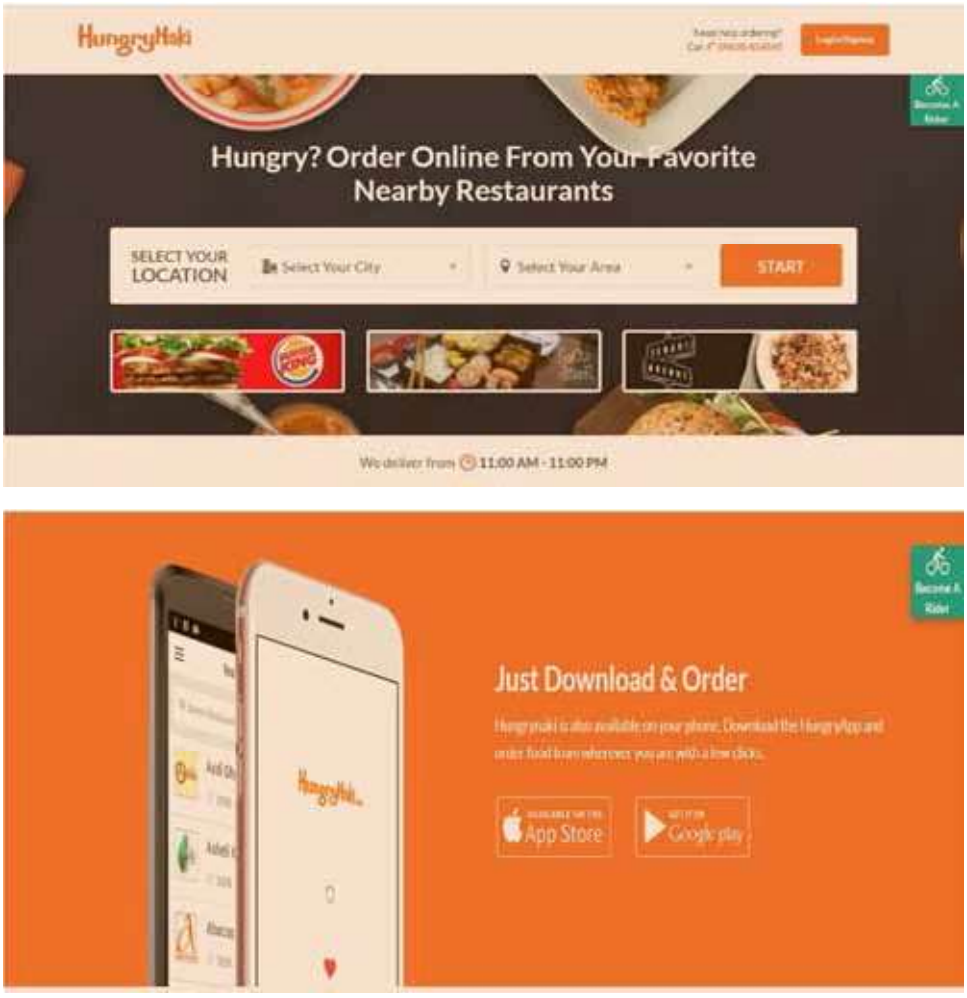


Figure II: Online Food Ordering Method of HungryNaki

The total price for Food Delivery, Goods or Services ordered, including delivery charges and other charges, will be displayed at the time of order placement. Payment has to be made by online payment, e.g. credit or debit card, or bKash or Hungry card or customers can opt for cash on delivery. All local and international debit and credits are accepted.

HungryNaki aims to deliver the order within 60 minutes. In case of a late delivery, whether it's from the side of the participating restaurant or because of unavoidable circumstances such as traffic jam, the delivery charge is neither voided nor refunded by Hungrynaki. Participating Restaurants and HungryNaki

does not hold liability to the customers for any losses, liabilities, costs, damages, charges or expenses arising out of late delivery.

The process is simple and convenientfor frequent tech-users. But anyone not much familiar with ordering online can choose to call them directly and place order. HungryNaki aims to cater to a larger group of people rather than only the internet users.

CULTURE AND BRANDING

"One of our key strength has been our loyal customer base. About 70% of our customers return to us. Service is the key. Make sure you deliver on your promise and a great experience for your customers. We simply take care of these things"- Ahmad, CEO.

The culture that HungryNaki has set for the team is that customer service is everything. When the customers are served well, business follows. Being a bootstrap company, HungryNaki does not invest heavily in growth for the sake of growth. Instead of pouring money into mere advertising and marketing, it has been focusing on service quality and giving the customers a better experience.

Having a data science team that relentlessly works on understanding the customers better, their behavior, finding a pattern and designing incentive mechanisms for the customers has proved to be fruitful for HungryNaki. The insight gained is used to communicate with the customers. This allows HungryNaki to be effective and efficient with its communication.

The CEO stated that they pay a lot of attention to ensure a good working environment for their delivery team beside taking care of the customers.HungryNaki has made arrangements of proper resting area for their delivery men so they can take a break while working on the road. This ensures that they can work properly.

The HungryNaki team has not adopted the freelance model for delivery. It is a safe-model but the CEO expresses that they believe that it's important for HungryNaki to work closely with their delivery men because they play an important role in ensuring the customer experience. Due to this, the turn out rate of delivery men is less than 5%. Even some of our earlier delivery men are still working for HungryNaki. This culture has allowed HungryNaki to offer better service to the customers because the delivery people work harder and take ownership when they do so.

HungryNaki is a data-driven company, claimed by the CEO, Ahmad. When it comes to advertising, they are more into remarketing and do precise targeted promotions.

Figure III illustrates several promotional activities of HungryNaki with its partnered restaurants and regularly updates the menu, sale prices, offers on the website. HungryNaki promotes its partnered restaurants and regularly updates the menu, sale prices, offers on the website. It also features the top partners. The top partners are the ones who have good feedback, service and are ordered frequently from.

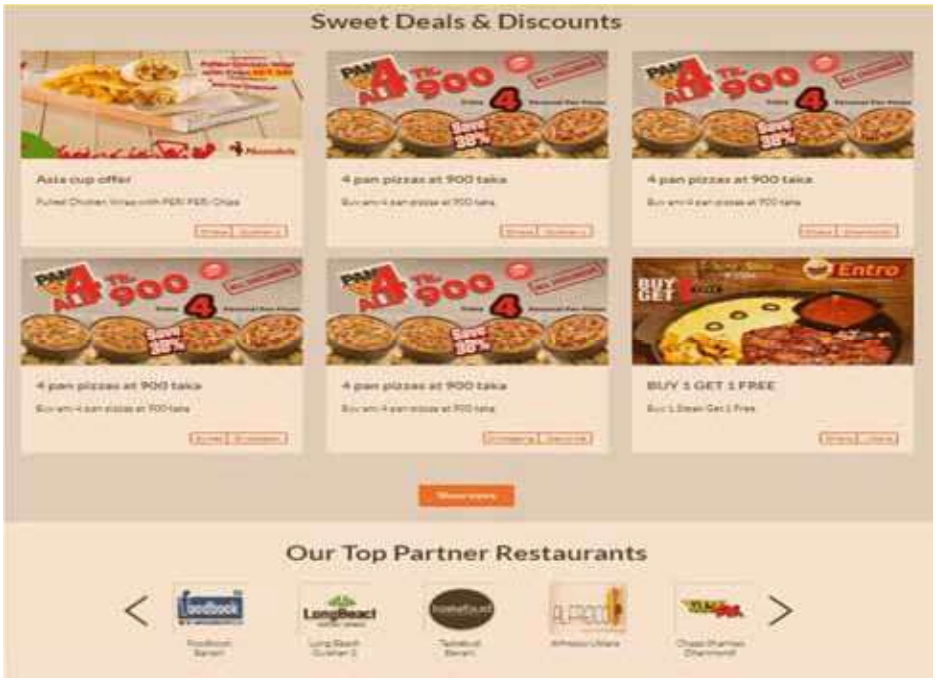


Figure III: Promotional Activities of HungryNaki

At HungryNaki, the team did nothing during their first one year apart from building the business. Their goal was simple and it was to first build the business. Most people spend a disproportionately high amount of time in doing work that does not matter, according to the COO, Tausif. While building a company, a lot of fake works can be done that are easy to do but that would not bring any result. Instead of running after popularity and likes, HungryNaki focused on difficult but real work. The team embraced the daily sufferings, grinded through the invisible wall of building a company, avoided fake work at any cost for the sake of real work that mattered, got some traction and then only they went out and talked to people.

As HungryNaki grew older and became a more stable player in the market it started establishing partnerships with other esteemed companies. Table I shows few campaign executed by HyngryNaki.

Table I: Campaigns of Hungrynaki

Year	Campaign	Details
2015	Rewards are good with Standard Chartered Bank	Each time the SCB debit or credit card is used to deliver through HungryNaki, user can avail 10% discount.
2017	Hungry for Coldplay	The referral campaign involves sending out invitation to join Hungrynaki to any friend and once a referral is made, the one who was referred must make an order for a successful referral count and for each successful referral, the user will get Tk150 discount on their next order and move up the leader board to get closer to winning. The top two referrers will win an all-expense paid trip to watch popular music band Coldplay live in Bangkok on April 7, 2017. Each package includes the air tickets for the two winners, 3 days hotel stay and 2 tickets for the Coldplay concert.
2018 (A frequent offer)	Cashback with bKash	10% cashback when paid through bKash upon ordering at HungryNaki
2018	Priyojon Customer special discount with Banglalink	Banglalink Priyojon users can enjoy Tk.50 discount on every order at Hungrynaki.com. This offer will be valid till 16 April, 2019. Priyojon customers will also get an offer voucher code worth Tk.200 through email (Usable for the next order), if the order size reaches Tk.2000. To avail the discount, Priyojon

	customers have to type "HungryNaki" and send it to 2012

THE ROAD AHEAD

HungryNaki intends to expand the business to other areas as the food ordering & delivery service has been limited to cities, where there is high population density & demand. But with the rise of internet penetration & rapid smartphone adoption, semi-urban & rural areas (in developed countries) have also become potential market segments for this sector although Bangladesh is not there yet but it is definitely growing.

The COO Tausif has expressed concern about investment stating that very few startups successfully raised investment in Bangladesh. There are companies who raised investment but not as a company registered in Bangladesh. It is easier to raise investment when you are registered outside Bangladesh. And this is a challenge HungryNaki faces even thoughthey have already managed to achieve operational break-even. But there are a lot of avenues for HungryNaki to grow and the team is considering their options and raising investment is of course of one them. The CEO, Ahmad has not disclosed about their newly received first investment but has expressed that HungryNaki is looking forward to venture into the home kitchen soon which will enable them to deliver homemade food.

"Solve a problem that really matters. When you start with a superficial problem, it gets really very hard to build a real business which is increasingly the case in tech space these days. We see many technology companies trying to solve a problem that doesn't need solving"

-Ahmad, CEO.

Going forward, HungryNaki attempts to automate its order placing process. Previously, call center used to take an order and forward it to other teams, but now an order will automatically go to the designated restaurant through a device and gets printed out. They don't need to call the restaurant anymore. This will allow HungryNaki to operate with fewer people as well as to provide faster service to their customers.

QUESTIONS FOR DISCUSSION

- What are the key success factors underlying HungryNaki's rapid growth? Discuss what HungryNaki needs to do to be the leader in this industry in future?
- Explain in detail (using elements of the 'Services Marketing Mix') how HungNaki has implemented its positioning strategy?
- How does this case illustrate the role of the customer in service production?

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