

Marketing of Consumer Food Products in India

Abstract

India was considered to be one of the world's poorest and least brand-savvy nations. Now India is on its way of becoming a globally important packaged food market. A population of over 1.2 billion and a rapidly expanding middle class which is eager to spend offers untapped potential for several stakeholders across the food chain. Manufacturers from all across the world identify the key opportunities of largest and fastest growing packaged food market. Identification of suitable methods for marketing of consumer food products and making it available easily and smoothly to the buyers.

Keywords: Food Products, Grocery, Producer, Retailer, Marketing System.

Introduction

India provides one of the largest untapped markets for food products. The market includes metropolitan cities, rural areas, urban areas and sub urban areas. Hence making India as center of attraction for marketers from across the world. The sector comprises of a huge middle class, relatively large affluent class and a small economically disadvantaged class, with more income and readiness to spend which is anticipated to be doubled by 2025.

India is viewed as one of the key markets from where future growth is likely to emerge and will grow continuously. The growth in India's consumer food market is driven by a favorable population composition and their increasing disposable incomes. Opening of Indian market globally leads to provide more cost effective and healthier options of consumer food products to Indian consumers.

India presents lucrative business opportunities for both foreign and domestic enterprises. India is a complex market due to regional diversity, large rural-urban difference, and dominant unorganized markets. This leads to view India as a large untapped market for Indian companies and MNCs. And hence there is a scope of market penetration in the existing market with a new innovative product.

Duration of Study

The present study was reviewed from 2012 to 2018.

Objective of Study

1. It is important to understand the untapped opportunity of marketing of consumer food products in India as it helps to transfer benefits of mass production to maximum people of rural and suburban areas.
2. It helps to increase production of food for the survival and healthiness of people through the best possible system of distribution.
3. It helps to provide a fulfilling link between producer and the consumer by designing a suitable marketing system.

Review of Literature

This research paper aims to review the various studies undertaken related to the topic. It covers discussion of related papers, secondary data available.

According to Indian Brand Equity Foundation's Sectoral Report published on June 2017 the Indian food industry emerged as high growth and high profit sector due to its immense potential for value addition within the food processing industry.

The Indian food market has experienced a good growth over the years. The economic liberalization and high growth rate of economy has put a positive impact on food and agriculture market in the country. This lead to a lesser imports and high rates of exports in terms of quality and quantity. The growth of food industry directly influenced to other industry growth such as food processing, packaging and so on. Fresh food shapes the Indian food market. Staples dominate packaged food but impulse food



Sushmita

Research Scholar,
Faculty of Management,
B.R.A Bihar University,
Muzaffarpur, Bihar,
India

Raghunandan Prasad Sinha

Head,
Deptt.of Commerce and
Management,
B.R.A Bihar University,
Muzaffarpur, Bihar,
India

grows faster. Extruded snacks continue to grow in popularity. Due to Indian's sweet tooth Chocolate leads growth in confectionery. Drinking milk accounts for the lion's share of dairy sales. Oils and fats account for Multinationals' gateway to India.

According to the Euromonitor International on food trends in India published on October 2014 following are the reasons for changing food purchasing trends:

1. The majority of growth comes from Impulse purchase:
Staples such as dairy, baked goods, and oils and fats account for the largest proportion of packaged food sales in India. The bulk growth is from impulse /indulgence products like confectionery, ice cream, and sweet and savoury snacks. These products are growing very fast in India, catering to the needs of both older and younger consumers.
2. Young and brand –savy population drives sales of premium Indulgence products.
India has one of the youngest populations globally, with the country's mean standing at just below 29 years in 2014. A growing number of these young Indians have higher disposable incomes than their older counterparts. They also have a lower propensity to save and are less afraid to display what they eat and drink, driving sales of premium and value-added products.
3. Traditional Grocery retailers are the reason to increase consumption of packaged food products in India

Traditional grocery retailers account for almost 90% of overall packaged food value sales and are thus key to future growth. Kiranas, the Indian local independent retailers, represent the bulk of packaged food sales. Hence, understanding kiranas is vital to understand the average Indian consumer.

Kriti Bardhan Gupta, Associate Professor in her article -Consumer Behaviour for Food Products in India (19th Annual World Symposium, Budapest, Hungary, and June 20-21, 2009) has analyzed the survival of local retail shops due to personal relation and preference of buying fresh agriculture products over packaged one.

Concepts and Hypothesis

1. Food is considered to be a status symbol now days.
2. "Rurbanisation" set to grow in importance. Many India within one India.
3. Household spending patterns show significant variation.
4. Kiranas: The backbone of Indian grocery retailing.
5. Food products reflect the features of economy.
6. Food products have an impact on economic policies of developing economy like India.
7. Marketing system is important in transferring the benefits of mass production in terms of increasing food production through the best system of physical distribution.

Research Design

The approach of study is to provide effective data and current information with a view to analyze

and making a fresh appraisal of marketing of consumer food products in India. The study is based on information available from secondary sources, data and materials published in Government publications, books, Journals, reports, news paper, websites etc.

Analysis

1. Despite its strong agricultural production base, a significant amount of food produce gets wasted in India due to inadequate infrastructure such as packaging facilities, storage, transportation, cold chain, and low levels of processing.
2. Overall, less than 10 percent of the total food produced is processed into value added products in India. In comparison, the US and China process 65 percent and 23 percent of their produce, respectively.
3. India's vast agricultural resources alone create huge potential for investments in its food processing and equipment industry. Major areas holding scope for value added processing are in the canning, packaging, dairy and food processing, frozen food, and thermo-processing industries.
4. The government of India recognizes the need to encourage India's food processing sector given the country's immense potential. Accordingly, the Indian government has allocated nearly a billion dollars under the twelfth five-year plan (2012-17) to implement various schemes for the promotion and development of the food processing sector.
5. Within India's retail market, food and grocery currently comprises the largest market segment at around 60 percent.
6. Growing awareness of organic production methods and rising disposable incomes are fuelling demand for organic & sustainable foods. Concerns about food safety & quality appear to be the main motive for consumer purchases in Asia.
7. There is a rise in the demand for Indian processed food in the international market. In addition to changing consumer tastes in foreign markets, approximately 30,843,419 16 people of Indian origin live abroad (Ministry of External Affairs, India). According to government's estimates, Indian exports of processed food and related items rose at a compound annual growth rate (CAGR) of 11.74 percent during 2011-16, reaching US\$16.2 billion.

Latest Reviews

The Indian food industry is leading for a huge growth and hence increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food retail market is expected to reach Rs 61 lakh crore (US\$ 915 billion) by 2020.

India's food processing sector is experiencing growth in response to changing demographics, evolving preferences for branded items, a modern retail sector, growing consumer

acceptance of processed foods, and government advocacy to develop food manufacturing. Packaged food sales almost doubled between 2011 and 2015 to \$38 billion and there is opportunity for further growth. Some of the major initiatives taken by Government of India in this sector in the recent times are:

1. Union Budget 2016-17 proposed 100 per cent FDI through FIPB (Foreign Investment Promotion Board) route in marketing of food products produced and manufactured in India.
2. The Government of India has relaxed foreign direct investment (FDI) norms for the sector, allowing up to 100 per cent FDI in food product e-commerce through automatic route.
3. The Government of India allocated Rs 1,500 crore (US\$ 225.7 million) and announced various measures under the Merchandise Exports from India Scheme (MEIS), including setting up of agencies for aquaculture and fisheries in coastal states and export incentives for marine products.
4. Government of India plans to allow two Indian dairy companies, Parag Milk Foods and Schreiber Dynamix Dairies, to export milk products to Russia for six months, after these companies got approval for their products by Russian inspection authorities. Parag Milk Foods has acquired Danone's manufacturing facility in Sonipat, Haryana, which will help it expand its footprint in the north and northeast India.
5. The Government of India has approved the setting up of five numbers of Mega Food Parks in the states of Bihar, Maharashtra, Himachal Pradesh and Chhattisgarh. The Government plans to set up 42 such mega food parks across the country in next three to four year.
6. ITC would continue to add more flavours in B Natural's portfolio and plans to add 4-5 new variants in next few months. Besides, the Kolkata-headquartered company is also looking to tap the export market.
7. 100 percent income tax exemption from profit derived from activities such as post harvest value addition to agriculture would promote operation Green as well as PMKSY. This provision is applicable to FPOs' having annual turnover up to Rs. 100 crores.
8. Pradhan Mantri Kisan Sampada Yojna (PMKSY)- Allocation has been increased from Rs.715 crore in RE 2017-18 to Rs. 1400 crore in RE 2018-19.

Conclusion

Agriculture input-This is most prevalent sector among the mentioned, 54% population of rural people rely on farm income so most of Retail Company has to set the target for development of organized retail sector.

Retailing the final phase of the distribution channel it is the availability and distribution that drives growth in rural Indian markets.

Corporate India stepping up in rural retail market due tremendous potential for growth in organized retailing due to rising purchasing power, changing consumption pattern and increasing access to information technology and communication, leading

to changes in rural lifestyle. Rural India accounts more than 2/5th of the total consumption of India.

Every business needs to innovate to stay ahead of the competition. New product development is part of business unit strategy as growth matrix. There can be four different growth strategies:

1. Market penetration-Achieving growth by selling more of our existing product in existing market.
2. Market Development (Market Extension)- Achieving growth by taking existing product into new market or market segment.
3. Product Development-Creating new product for the existing market where we currently serve.
4. Diversification-Creating new product for new market.

Using appropriate and ethical marketing strategies: The ethical and appropriate marketing strategies include the packaging or serving the food in reasonable portion sizes without encouraging overeating that generally food marketers do to increase their product sale.

Suggestions

1. Every business needs to innovate to stay ahead of the competition. India presents lucrative business opportunities.
2. The products also should be reformulated to reduce the size of the portions, the amount of calories, the sodium content along with refined sugars and saturated fats.
3. Emphasis should be to improve the nutritional value of the food by concentrating more on fruits, vegetables, whole grains and low-fat milk contents in the food products.
4. There should be strenuous efforts to promote healthy eating habits by portraying healthful foods in a positive way. The advertisements should not focus on nutritionally poor food products especially on those channels that are particularly watched by children.
5. States needs large Industrialization efforts to catch up with rest of the industry.
6. State government policy incentives in place especially for agribusiness sector.
7. Required large budgetary support beyond state and country.
8. Big players MNCs should invest and leverage natural potential of food production and skilled workers in rural and sub urban areas.
9. Special status for other states- providing for tax exemptions at par with north eastern states.

References

- Article on "CONSUMER BEHAVIOR IN CHOICE OF FOOD AND BRANDING" by Nair, Suja, Maram, and Hari Krishna Published on September 2014.
- Book-Marketing Management -Philip Kotler, 15e, Pearson India Education Services Pvt.Ltd.2016.
- Confederation of Indian Industry (CII) - SWOT analysis on FMCG" (Web). Duration - 2012-18.
- Evaluating Consumer Market of India's Retail Sector 14 August, 2014.
- Food Trends in India: What Makes the Indian Market so Different? October 2014.

Highlights of Budget 2018-19 in respect of Food processing sector -Ministry of Food Processing Industries (MOFPI) .Retrieved from mofpi.nic.in.

India Food Report-A Brief Overview- By Progressive Grocer Bureau - February 14, 2016.

India Brand Equity Foundation: Sectoral report on Indian food Industry. June, 2017. Retrieved from www.ibef.org

Nikunj Agrawal on marketing strategies of packaged food companies in india. Dissertation for ASTON UNIVERSITY, UK. Published on Sep 11, 2014. Retrieved from www.slideshare.net

On different Marketing strategies on new product development to innovate and grow.

Retrieved from www.cii.in

Retrieved from www.indiaretailing.com

Retrieved from www.india-briefing.com

Retrieved from www.researchgate.net

Retrieved from http://www.euromonitor.comFood Industry Trend –April 2018. Retrieved from http:// economictimes.indiatimes.com

Report on India-Agriculture commodities. - Published on 8/1/2017. Retrieved from www.export.gov