

FROZEN FOODS & SNACKS MARKET IN INDIA

The changing Indian lifestyle is creating a multitude of opportunities for market players, across industries. The rise in the number of women in the workforce, and the resultant time-paucity, along with the increasing at-home socializing, the preference for nuclear families, or that of young professionals for living alone; the growing acceptance of western food, and the need for on-the-move freshly-cooked food are often cited reasons given by firms while launching frozen/ready-to-eat meals (or microwaveable meals), ranging from *mutter paneer* to cheese nuggets.

The frozen/convenience food industry, which started by offering basic frozen vegetables and fries, today offers a wide range of products, from fruits & vegetables to frozen meats and ready-to-cook, snacking and full meal options. The segment has recorded a healthy growth, at a CAGR of 15-20%, thanks to increasing customer appetite and acceptance, complemented by an increase in selling points, deeper penetration by organized retail players, as well as an increase in available freezer space in the retail domain. However, data released by India's Ministry of Food Processing indicate that the Indian frozen foods market is much smaller than even China's, which is also not considered a well-developed market.

In terms of product categories, Frozen Vegetables and Frozen Snacks together make up a more than 65% share of the market and their collective volume share consumption for 2012 exceeded 85%. The market is dominated by organized players, e.g. Mother Dairy stands out with a ~50% market share in the vegetables segment as a result of the widespread popularity of its Safal brand. The other key brands in the market are Venky's (V.H. Group), Al-Kabeer (Al-Kabeer Group), Sumeru (Innovative Foods), Everfresh (Temptations Foods), Meatzza (Darshan Foods), and McCain Foods (McCain Foods India).

The frozen snacking market, which has registered a double-digit growth, is characterized by vegetarian and non-vegetarian spontaneous buys that often do not need prior planning by the consumer. From a B2C perspective, these products are positioned as saviors in a contingency, of either non-planned get-togethers at home or as an easy alternative for city-dwelling commuters and office-goers who prefer quick/instant food due to the paucity of time. In B2B terms, these products are now finding a place in the menus of various restaurants, far from being considered fallbacks they are now considered ready reckoners and standardized offerings by various F&B brands. With the growth of Cafés and Quick Service Restaurants (QSRs) wherein shop floor kitchen skill levels are a major challenge, these frozen foods ensure consistency, speed of service, and assured quality. This creates a vast business opportunity for market players from institutional sales to QSRs and HORECAs (Hotels, Restaurants, Caterers/ Canteens).

The consumer preference for frozen non-vegetarian items is rising, in part due to the hygiene issues associated with making available fresh products. At present, the product offerings in the market, from brands such as McCain, Yummiez, Quick Treat, and Venky's, include cold cuts, meatballs, hot dogs and sausages, samosas, kebabs, jalapeno and cheese sticks, spring rolls, nuggets, French fries, fillets, breaded fingers, patties and cutlets, among others, some of which are available in vegetarian, chicken, and mutton variants. The introduction of products more friendly to the Indian palate, such as the Idli Sambar Combo by McCain, is expected to be a boost for further, similar offerings. These usually come in pack sizes starting from 200-250 grams. The price, which depends on the product and its variant (i.e. vegetarian or non-vegetarian), can be as low as INR 25- the cost of the McCain Foods trial pack.

The increasing penetration of frozen snacks, from the deep-freeze displays at retail marts into home refrigerators, is also an outcome of the proactive initiatives taken by brands to ensure awareness about, and the usage of, their products. Mother Dairy, which was concentrating solely on frozen vegetables until recently, has also added such snack offerings to its portfolio as frozen corn cobs, cheese cutlets, tikkis, and French Fries. Similarly, McCain Foods has also organized customer awareness programs, while also going for celebrity endorsement. For example, the company has organized McCain Nights, where the brand offers free product sample, in various cities. In Delhi, McCain has also tied up with several residents' welfare associations and, like Mother Dairy, has been conducting in-home kitty parties to reach out to women. A McCain retail kiosk was launched in a Delhi as a pilot to promote the product-tasting experience and to drive the consumer's purchase decision at the retail end. Godrej Tyson foods, a JV between Godrej Group and Tyson Foods USA, has also undertaken consumer awareness programs through several consumer touch points in order to educate consumers on how their products can be used directly. The other entrants in this segment are Vadilal Group, Vimal Foods, Maiya Group, ITC, and Kohinoor Foods, among others; these are test-marketing and building capacities at both the front- and back-ends.

Despite the various offerings available, and the promising growth in this category, penetration is still at a nascent stage, representing low product usage and a lack of consumer awareness about frozen foods. Also, impacting the market are such logistical hurdles as the relative lack of necessary back-end infrastructure, as a result of which frozen foods manufacturers are not assured of delivering their products to retail points without compromising on food quality. Transportation and utilities-related woes have further exacerbated this issue. To overcome this, manufacturers have resorted to supplying their own equipment to transporters and retailers.

It is imperative for any player to keep in mind the following critical success factors to launch and sustain frozen snacks in India:

- The consumption diversity of food products in India is different across regions and therefore the decision to launch any product must be assessed in detail to ascertain the extent, and potential, of the market that can be targeted for high revenues
- Indian consumers tend to prefer products which offer more value for the corresponding price points. To attract them, manufacturers have to walk a tightrope in matching product size and product price. As a result, smaller pack sizes, which can be retailed at a lower cost, will become popular.
- It is critical while introducing a product in this market to educate the customer and raise awareness about the quality, value, and usage of the product

Despite the challenges faced by the industry, the frozen snacking market is expected to double in the next 5 years largely due to consumer demand and many new market entrants both in terms of the number of players and the variety of products offered to fulfill this demand. Innovation and differentiation will be the key for brands vying for the market share; more “glocal” (Indian and western) products will be offered in the market and find greater space in refrigerators. The investment in developing distribution and supply chain capabilities, in not just the metros and mini metros but in the Tier towns as well, will convert non-consumers to consumers, enhancing product usage.

Authored By:

Tarun Jain (Vice President, Food Services & Agriculture)

Vidul Sharma (Principal Consultant, Food Services & Agriculture)