

## The Knack of Snacks

### *The Branded Salty Snacks Market in India*

20 years ago, snacking on chips meant the deep fried, homemade (sliced, sundried, stored) potato chips our mothers were adept at making along with dozens of other savory snacks. Today, all we need to do is tear open a packet of our favorite brand. Indians love 'snacking' and, over the past two decades, branded salty snacks have found high acceptance across large and small cities to become the preferred choice of consumers.

The branded salty snacks market has come a long way from the 1990s, when the market was marked by the presence of brands like *Haldiram's* and *Uncle Chipps* (eventually acquired by PepsiCo) and there were few other regional brands. The market registered a major leap in the mid-90s when beverage major PepsiCo introduced *Lay's* and *Cheetos*, and later, *Kurkure*. Since then, many national and regional players have forayed into the space with diverse offerings. Post 2005, consumer products companies ITC (*Bingo*) and Parle Agro (*Hippo*) also entered the market, and, in 2009, Cavinkare also made inroads into the market through the acquisition of *Garden Namkeens*. Several organized retailers have introduced their private labels in this space. Global food and beverages company Del Monte has been envisaging an Indian market entry (as per media reports).

At present, the branded salty snacks market is estimated to be worth INR 10,000 crore (USD 1.68 billion), and is projected to grow at a CAGR of 15-18% over the next few years. This market can be broadly divided into two segments, viz.

- **Western snacks** Potato chips, extruded snacks like *Kurkure*, etc.
- **Traditional snacks** *Namkeens*, *bhujia*, *daal*, *bhakarwadi*, *khakhra*, banana chips, etc.

PepsiCo leads the western snacks market, and, together with other prominent players in this segment (ITC, Balaji, Parle Products, Prakash Snacks, and Haldiram's), holds a share in excess of 70% of the market. In the traditional snacks space, Haldiram's and the regional player, Balaji Namkeen, together account for over 50%. The rest of the market is fragmented, and understandably so, given that the market is driven by strong regional tastes and preferences. There are several reasons which have led to the growth of the branded salty snacks markets. Some of these are mentioned below:

- **Changing consumer lifestyles and consumption patterns:** The increasing urbanization, growth in number of double income households, and rising time poverty has resulted in changing consumption patterns, especially in the food category. This has fueled the demand for convenience foods as consumers no longer have either the knowhow or the time to make these products at home. At the same time, the spurt in disposable incomes has resulted in the increased exploration of the various snack brands available in the market, whether traditional or western. Consumers are also trading up from unbranded to branded snacks, especially in the traditional snacks segment, given the heightened concerns for quality and the greater availability of branded options. This has resulted in branded snacks becoming an all-time food for the munching needs of consumers.
- **Growing consumer base:** Snacking is not just about children or youth. Snacking between meals is a habitual occurrence in the day-to-day lives of most Indian consumers. Further, snacks no longer cater to a single consumer segment, but instead have a diverse consumer appeal and are increasingly being consumed across different age groups. Branded snacks are also fast penetrating the semi-urban and rural space which has been traditionally dominated by unbranded or homemade products. As a result, the market has witnessed a high growth trajectory and various new players are foraying into the market while the existing ones are expanding to cash in on its growth potential.
- **More variants and options:** There was a time when branded salty snacks were mostly potato chips. However, players have innovated over time to offer new products like extruded snacks besides expanding their traditional snacks offerings, e.g. *Murukku*, *Chakoli*, *Mathri*, *Gathiya*, *Samosas*, etc. which has seen several consumers upgrade from the unbranded market to branded products. Also, given the increasing concerns surrounding 'unhealthy' snacking, players have positioned brands and products around 'health', e.g. baked, roasted, multigrain, low fat, etc. to reach out to the health-conscious segments. This has helped them target a larger consumer base across the country.

- **Greater availability and affordability:** Branded snacks are now easily available across both modern and traditional retail formats, from supermarkets and mom-and-pop stores to small tea stalls, office canteens, *paanwalas*, etc. Most brands are available in multiple pack sizes including small ones at attractive price points (INR 5, 10, etc.) leading to higher affordability and increased category presence and more product trials.

While the branded market was created and led by western snacks, both western and traditional snacks today hold a nearly equal share, indicating the higher growth of branded traditional snacks. However, this does not imply that the growth has come at the cost of western snacks; it is more due to the unbranded market being converted to a branded traditional market. Another trend which is true for traditional snacks is that while our palates may change every 200 km, and regional preferences are strong, there has been an increasing democratization of preferences, and many hitherto regional snack items have found nationwide acceptance, e.g. banana chips.

Over the past few years, the market has witnessed a slew of activities, the emergence of new players, the expansion of snacks portfolio through continuous product innovations, aggressive marketing campaigns to establish consumer connect, shift in consumption with increasing demand for convenience, etc. Going forward, the prospects for the branded snacks market remain bright. However, players will need to focus continuously on product innovation to combat competition, both from within this category (branded as well as unbranded) as well as from other categories. While consumers are upgrading to branded products, the unbranded market remains huge in size. Also, there are still hundreds of traditional snack categories for which branded options do not exist, which presents both an opportunity as well as a threat.

Additionally, rising health consciousness owing to sedentary lifestyles and the increasing incidence of lifestyle diseases in urban India has resulted in a demand for 'healthy' snacks. This is only expected to increase in the future and presents lucrative opportunities for both existing as well as new players. The challenge will be to achieve the right balance of taste, health, and price.

Distribution remains the key to any brand; the challenge for players will be to strengthen their distribution networks and expand their retail reach. For regional brands, growing outside their 'home turf' and connecting with consumers in other regions will be a challenge. Players will need to be prudent and understand the regional palate and pulse. Moreover, maintaining product price points and margins is crucial given the fluctuations in raw material costs and the investment in manufacturing, limiting the creation of economies of scale. Despite these challenges, branded salty snacks will remain an attractive market opportunity in times to come. It will be interesting to see how the competition in this market pans out over the next few years.

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