

Indian Snacks Market

A Look into Growth Opportunities

By Sambuddha Sengupta & Pritha Ganguly

Rise in working middleclass population and disposable income among them has given a big boost to the consumer market in India in recent times. These consumers are willing to loosen their purse strings in order to purchase what they want.

A radical growth of the ready-to-eat food industry can well be seen as a result of this changing trend. The Indian snacks market, which is a part of the processed food industry, was valued at ₹98 billion in 2012. Thanks to the surge in demand among consumers, the domestic snacks market is expected to reach ₹275.6 billion by the end of 2017.

The food and beverages market in India is huge and highly competitive in nature. The industry can be segmented into various sub-sections like fruit and vegetables, meat and poultry, dairy, grains and consumer foods and marine products, among others. Snack is one of the major segments of the packaged food division, falling under the category of consumer foods. Although the snack market in India is mostly dominated by unorganised players, presence of industry heavyweights like PepsiCo, ITC and Haldiram's in the organised domain have also been significant.

Nature of the Market

The nature of the snacks market is such that it requires continuous innovation in order to be competitive. Consumer tastes keep changing and therefore these companies have to keep on innovating with flavours and design.

The Indian snacks market was largely dominated by two players- Haldiram's and Uncle Chipps manufacturer Amrit Agro till 1995, before PepsiCo entered the market with two brands, Lays and



Cheetos. PepsiCo's smart marketing strategy helped it gradually emerge as the market leader in the snacks market. The launch of the Kurkure brand in 1999 was a revolutionary move that helped to redefine the PepsiCo brand in a huge way.

FMCG major ITC entered the Indian snacks segment in 2007 by launching a range of potato chips and finger snacks products under the name Bingo. The product captured 9 percent of market share within a single year.

The market competition intensified further with the entry of new players like Parle Agro through its brand Hippo in 2009. As the snacks market started to gather momentum, local players like Prakash Snacks and Balaji Wafers started to strengthen their position in the sector. Many new companies are planning to foray into the market over the next couple of years.

Market Share

As far as the market shares are concerned, PepsiCo had the highest market share of 56 percent in 2012, followed by Balaji at 13 percent and ITC

at 10 percent. However, when compared to that of 2008, PepsiCo has lost its share by about 9 percent. This clearly shows the kind of competition the sector is witnessing. Launch of a new product invariably impacts the market share of sectoral players. Though most of them have been able to retain their position, their shares have reduced.

It has mostly been seen that potato-based chips enjoy huge popularity among consumers. Well-known big brands in potato chips manufacturing in the country include Frito Lays, Uncle Chipps and Bingo. Smaller brands like Yellow Diamond and Balaji Wafers are gradually gaining momentum.

Geographical Segmentation

The snacks market can also be segregated into two different sub-segments in terms of demographics, namely the Western and the traditional snacks segment. Among these, the Western snacks enjoy more popularity. The Western snacks segment is dominated by a large number of MNCs and organised snacks manufacturers. A remarkable 70 percent of the market belongs to the organised sector while

only 30 percent contribute to the unorganised sector.

The ready acceptance of these products among customers is encouraging new entrants in the market to try their luck. Moreover, the Indian government's decision to allow FDI in retail is also being seen as a major growth driver.

Even though there are no hard and fast regulations regarding the quality of snacks, the sectoral players have to comply with the quality standards laid down by the Food Safety and Standards Authority of India. Moreover, various policies formulated by the government for the food processing sector related to FDI, tax benefits and export promotions are applicable to the snacks category as well. For new industries engaged in processing various fruit and vegetable products, income tax rebate is allowed in the form of 100 percent of profit for the first five years and 25 percent profit for the next five years.

As far as the custom duty rates are concerned, there has been a reduction of the rates from 7.5 percent to 5 percent in recent times. Custom duty on packaging machine and registered vans has also been brought down to help manufacturers.

State-wise Consumption

As far as the state-wise consumption of snacks is concerned, Gujarat and Maharashtra are the major markets. While Balaji Wafers is the dominant brand in Gujarat, Haldiram's and Parle lead the pack in Maharashtra. It is interesting to note that majority (almost 58 percent) of snack consumers in the country belong to the age group of 25 to 30 years.

Factors Contributing to Growth

Multiple factors have caused the phenomenal growth of the Indian snacks market. Some of these factors are:

- Rapid urbanisation leading to busy lifestyle and subsequent inclination

of consumers toward packaged food products

- Aggressive marketing campaigns adopted by sectoral players
- Growing working women population
- Fast expanding retail network
- Convenience factor related to snacks consumption

Challenges

One of the major challenges that the snacks industry has been confronted with is the rise in packaging costs, leading to rise in the overall production cost, thereby affecting the manufacturers. The increasing health

consciousness among consumers is another factor that snacks makers need to take into consideration.

However, with the marketing strategies becoming smarter by the day and consumer demand for tasty, easy-to-eat food on the rise, growth prospects for the Indian snacks market certainly look bright.

netscribes

Sambuddha Sengupta is

senior associate & Pritha Ganguly is research analyst at Netscribes, a global enterprise research firm that supports Custom Research, Business Research, Market Research and International Research

MAYA FOOD PROCESSING & KITCHEN EQUIPMENT



Manufacturer & Exporter of
A Unique Range of Kitchen Equipments
For Caterers, Hotels,
Colleges, Restaurants, Ngo's,
Hospitals, Corporate Houses



KHAMAN DHOKLA MACHINE



COMMERCIAL MIXER



FINGER CHIPS



VEG. CUTTING MACHINE



Semi Automatic Chapati Making Machine
LIVE DEMO OF MACHINE IS AVAILABLE AT RAJKOT ONLY.



NAMKEEN MACHINE



SRIKHAND MAKING MACHINE



GRAVY MACHINE



MANGO PULPING MACHINE



POTATO WAFER MACHINE

FEATURES

Semi automatic chapati machine
PRODUCTION : 1000 Pcs./Hr. Low Maintenance
Minimum Labour & Unskilled Labour can easily operate
1 H.P. Single phase Electric Motor
CHAPATI SIZE :
6.5" Chapati Thickness Adjustment Facility
SIZE OF MACHINE :
5.50 Ft. Long X 1.25 Ft. Wide x 2 Ft. Height

CORPORATE OFFICE

Unisoft Pheripherals
3, Shreyas Anand complex, Ashram Road, Nr. Kuvadva Road, Rajkot-360003
Tel.: +91-281-2450300, Cell.: +91-9712989070/9099069903/9825389070
E-mail: unisoft@gmail.com, sales@unisoftrajkot.com, enquiry@unisoftrajkot.com
www.unisoftrajkot.com

FACTORY / WAREHOUSE

4, Sahajanand Industrial Estate,
B/h. Murlidhar Weigh Bridge,
Aji Ring Road, Rajkot-360 003
Cell. +91-90990 69903 / 98253 89070