



IndiaNews

FOOD & FOOD INGREDIENT REVIEW
June July 2003

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IndiaNews is published every 2 months by:

GIRACT

24 Pré Colomb, 1290 Versoix – Geneva
Switzerland

Tel +41 22 779 0500

Fax +41 22 779 0505

info@giract.com

<http://www.giract.com>



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If one were to look for a single phrase that sums up the Indian food & beverages market, the answer would be very simple – value for money. Companies that forget this phrase are doomed and the ones that make this central to their strategy go places.

Analysts are expecting a shakeout in Indian food industry very soon. Some large players who entered India looking at the vast size of the market are now realizing that margins are wafer thin and appear only at very high volumes. As reality sinks in, some are planning to exit while some are looking at the option of buying out competition to ease pressures.

It was not long ago that Coca-Cola India was bleeding at a rate that raised eyebrows all the way upto Atlanta. The picture changed this year with the introduction of a 200 ml bottle at Rs 5. Earlier, a Coke bottle was 300 ml and sold in the range of Rs 8 – 12. The new price was made central to the advertising campaign, which used an Indian film star. The strategic shift has made India one of the fastest growing markets globally for Coca-Cola.

If an aerated beverage sells for as low as Rs 5, bottled water has to find a lower price point. Gujarat, the western state whose inhabitants are known for being extremely value-conscious, has seen the rise of water in pouch. It costs just Rupee 1 for a pouch of 250 ml. This innovation is now catching the eyes of water majors.

Talking of pouch, one can even buy liquor in a pouch in India. This is cheap and is called country liquor. It is diluted alcohol with the addition of some very cheap flavour. Packing is done in pouches and returnable bottles. The size of country liquor market is more than double that of Indian Made Foreign Liquor (IMFL) market. Not surprisingly, giants such as Shaw Wallace and UB are seriously planning to enter the country liquor market.

Delivering value to customers has made Café Coffee Day grow to 100 outlets from just 18 two years back. The same logic is now being implemented at Barista after asking its high profile Managing Director to quit. Coffee market has seen Tata Coffee increasing net profit by 120 per cent while its sales dropped by 5 per cent. Cutting costs is a part of offering value to customers and Tata Coffee has done that successfully.

Coffee is not the flavour of the season in Indian summer (which was unusually hot this year); ice cream is. And as mercury soared in the Indian capital, ice cream manufacturers had an open war. Prices came tumbling down to rock bottom. The good news is that the price war has expanded the overall ice cream market in Delhi by almost 20 per cent.

Another company that has taken a bold initiative to reduce prices is Dabur Foods. Dabur has shifted the manufacturing base for its lemon juice to Nepal. The company will now import lemon juice concentrate from European companies instead of using fresh Indian lemons.

The emphasis on value equation is not just confined to products. It extends to retailing. Hypermarkets operating on ultra-thin margins (like discount stores) are advertising their low prices compared to the next-door small grocery shop and are attracting customers by the thousands. Time alone will decide whether hypermarkets will strike success where others have burnt their fingers.

Success is what the Indian arm of Unilever was aiming for when it changed its advertising agency. Hindustan Lever wants to alter the fortunes of its sagging tea business by playing on the value delivered instead of price, by launching a new ad campaign. That is a gamble that we need to watch very carefully.

Talking of delivering value at an affordable price, not many people have heard of a company, which serves more than half a million meals a day and has only 35 executives. That is Indian Railways Catering and Tourism Corporation (IRCTC), a Government owned company, serving meals on 280 trains of Indian Railways. We bring a short write-up on IRCTC in this issue.

Delivering value for money not once, but every time, without fail – that undoubtedly is the key to success in India. At IndiaNews, we have the same motto. We bring you in each issue news, stories and statistics that help you develop a strategic perspective about the Indian market. If there is anything that you feel can alter positively the value equation of IndiaNews, please write to us at info@giract.com

