



FEATURED INSIGHTS

DELIVERING CONSUMER CLARITY

PREMIUM RUSH

THE RISE OF THE SUPER PREMIUM SEGMENT

- The premium segment contributes to about one-fifth of the total FMCG market
- While metros have the highest share in the premium segment, Town Class 1 and rural areas are key growth drivers
- Modern trade and chemists contribute considerably more to the super premium segment than others

The economic slowdown has sapped consumer demand in India. Stress has manifested across sectors, and the \$37 billion fast-moving consumer goods (FMCG) sector is no exception. Notably, growth in the FMCG sector has dropped to a single-digit rate after maintaining double-digit growth 12 quarters ago (for Q1 '14 over Year Ago, value growth for FMCG is 9.1% and for the moving annual total (MAT) of March 2013, it's 11%).

Despite the slowing growth, however, savvy marketers are finding opportunity amid a group of consumers looking for the best the market has to offer— premium products.

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SUPER-PREMIUM ACCOUNTS FOR 8% OF TOTAL FMCG MARKET AND IS GROWING 1.5 TIMES AS FAST AS PREMIUM.

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UNDERSTANDING THE PREMIUM SEGMENT

The premium category has two segments: premium and the super premium. While premium products command prices that are 20 to 70 percent higher than the category average, super-premium initiatives are two or more times the cost of the category average. While premium products operate within the range where they could be substituted with similarly priced products, super premium products are typically offered to a niche segment of consumers.

UNDERSTANDING PREMIUM PRODUCTS



PREMIUM INITIATIVES

PRICED BETWEEN +20 - 70% OF THE CATEGORY AVERAGE

THESE PRODUCTS OPERATE WITHIN THE RANGE WHERE THEY COULD EASILY BE SUBSTITUTED WITH PARITY PRICED PRODUCTS

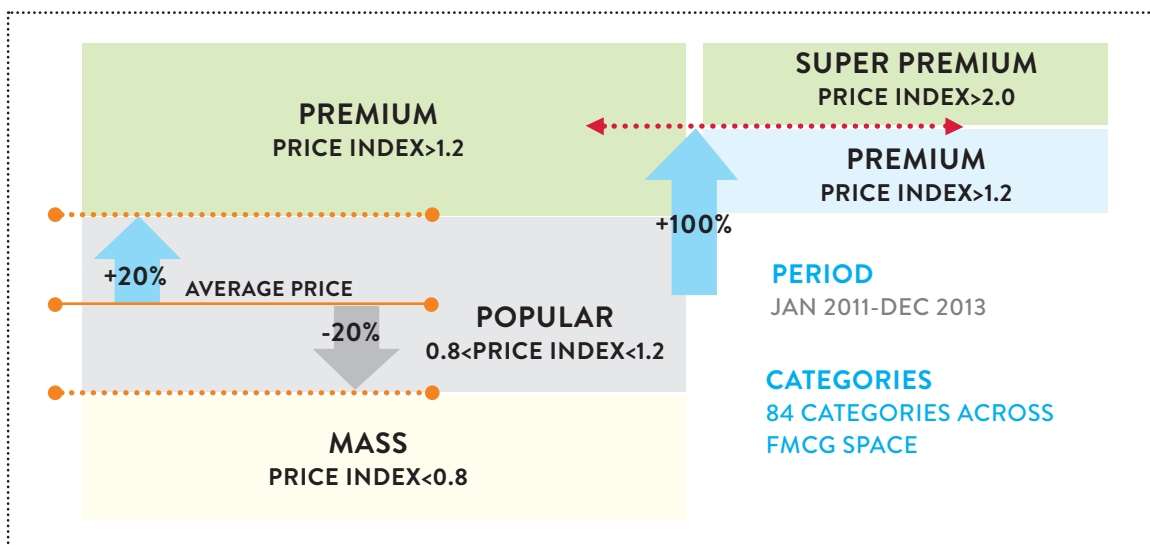


SUPER PREMIUM INITIATIVES

2 OR MORE TIMES THE CATEGORY AVERAGE PRICE

THESE PRODUCTS TYPICALLY TARGET A NICHE SEGMENT

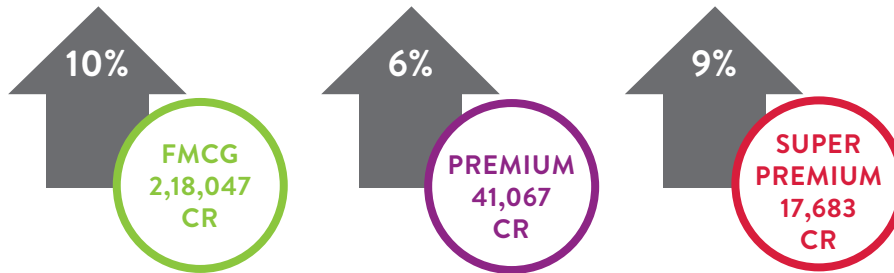
THE PREMIUM MARKET IN INDIA



Source: Nielsen

WHY DOES THE PREMIUM SPACE MATTER?

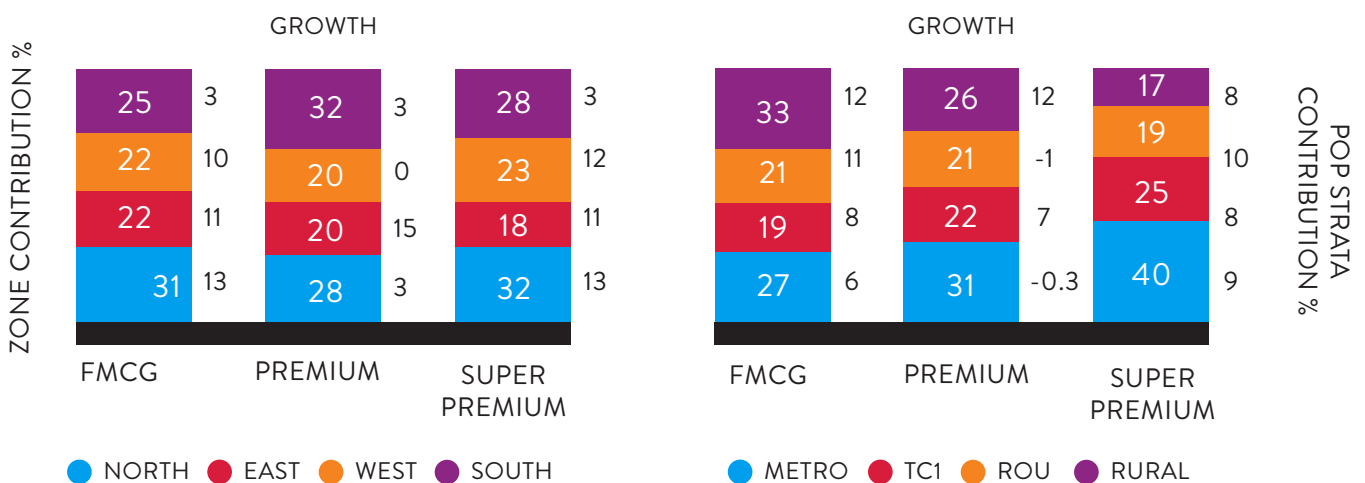
Premium products are gaining shelf space in the FMCG sector, assisting marketers fight rising input prices and slowing overall demand. While the premium segment contributes to about one-fifth of the total FMCG market, the super-premium segment accounts for 8 percent of the total (value share), and is growing 1.5 times as fast as the premium sector.



Nielsen RMS, December MAT 2013
Source: Nielsen

WHO'S BUYING?

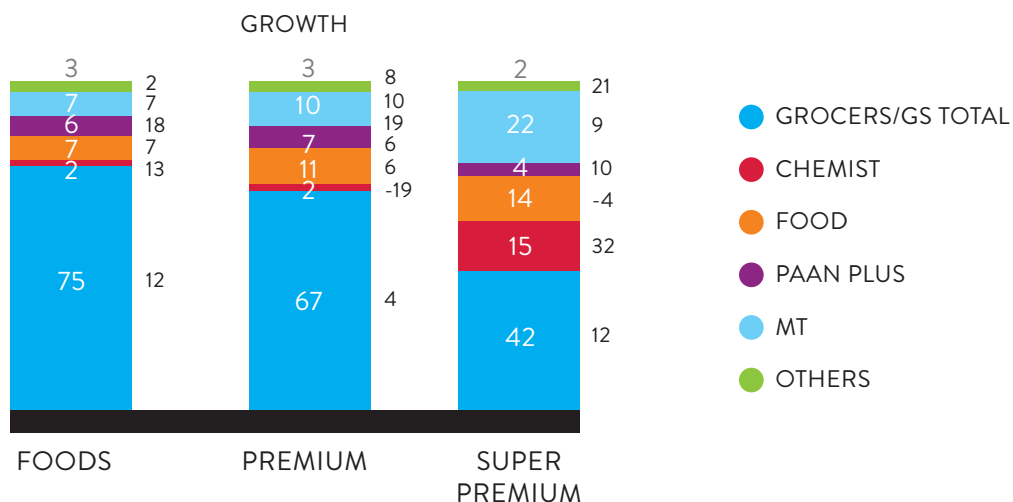
Improving income levels and choice in the FMCG space is driving the growth of the premium space. For example, Nielsen studies indicate that rural consumers are no longer just buying mass products. While metros have the highest share of the premium segment, Tier 1 towns and rural areas are key growth drivers. Rising incomes and consumer aspirations are driving rural consumers to upgrade to premium products. And smaller packs are driving this growth.



Nielsen RMS, December MAT 2013
Figs. in %

...AND WHAT'S DRIVING SALES?

Grocers contribute the most to the FMCG segment as a whole. This is true even for the premium segment. When you look at the super-premium space, however, modern trade and chemists contribute significantly more than they do in the mass and premium sectors.

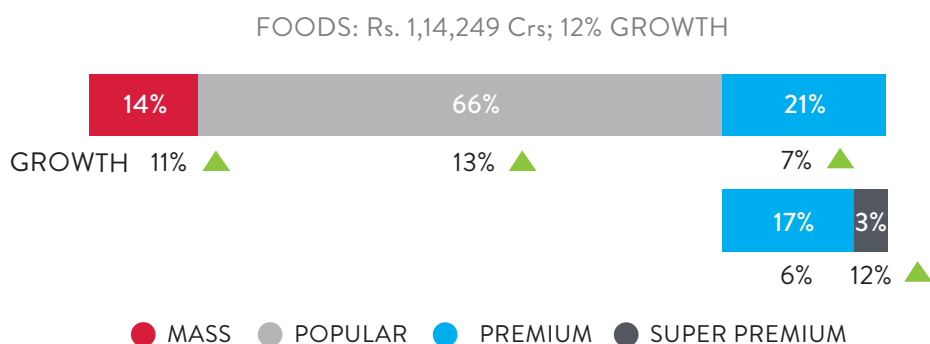


Figs. in %
Source: Nielsen

FOODS: PREMIUM DEMAND

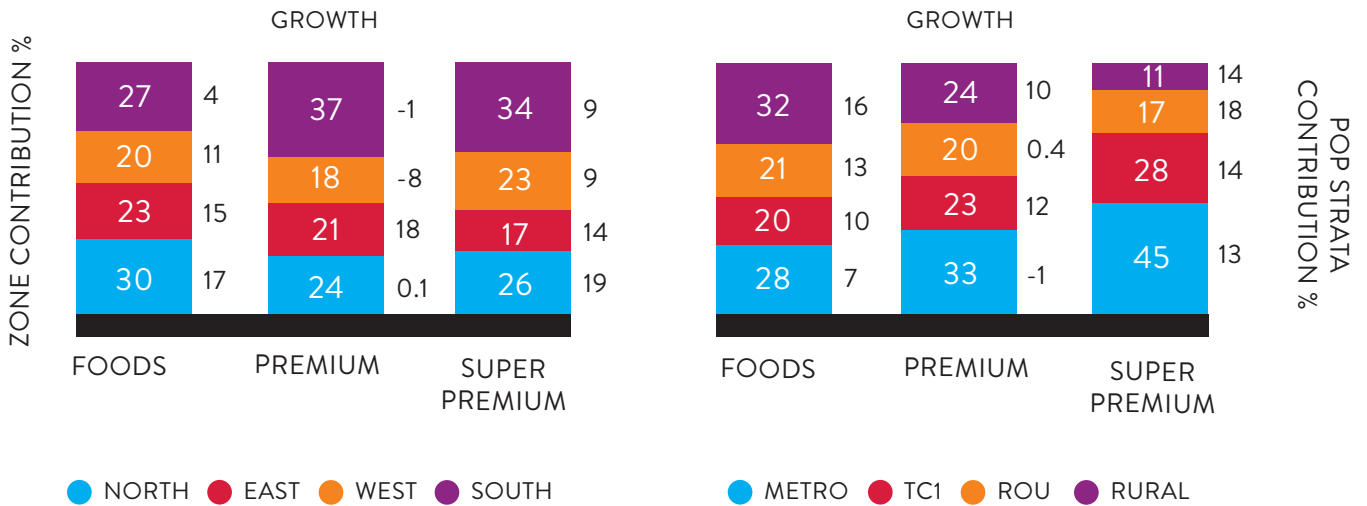
Within the food segment, the popular segment contributes 66 percent and premium contributes about 21 percent. Super-premium accounts for approximately 15 percent of the premium segment and is 3 percent of total.

FOOD - SEGMENT CONTRIBUTION



Source: Nielsen

The overall food category is growing at 12 percent, and the south zone is contributing the most to the premium foods segment. For super-premium, however, the north zone is growing the fastest. While metros intuitively contribute the highest to the premium segment within the foods category, growth of premium foods however, is led by Town Class 1.



Nielsen RMS, December MAT 2013

Figs. in %

THE SOUTH ZONE CONTRIBUTES THE MOST TO THE PREMIUM FOODS SEGMENT, WHEREAS SUPER-PREMIUM IS GROWING FASTEST IN THE NORTH.

WINNING WITH PREMIUM

Premiumisation is a growing trend. Today, consumers are growing increasingly aware of premium products and they're more aware of the developments around them. Consequently, they expect premium products to communicate their superiority to them. Here are three mantras that can help marketers win in this space.

PERCEIVED VALUE FOR MONEY AND RELEVANCE

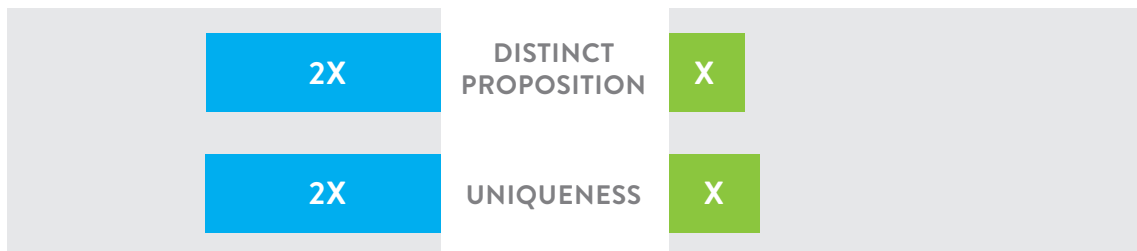
Consumers look for products that have measurable and relevant benefits. They look for value for their money as well as relevance. These two factors play equally important roles in the success of premium and non-premium initiatives.

BENEFIT-DRIVEN DIFFERENTIATION AND EXECUTION

Premium products need to have clear differentiations from mass products. When it comes to benefit-driven differentiation, it's twice as important for premium initiatives to have benefit-driven differentiation and to truly break through the clutter.

PREMIUM PRODUCTS

NON-PREMIUM PRODUCTS



Source: Nielsen

“IT’S CRITICAL FOR PREMIUM INITIATIVES TO HAVE A BENEFIT-DRIVEN DIFFERENTIATION. IT’S ALSO IMPORTANT FOR PRODUCTS IN THIS SPACE TO STAND OUT.”

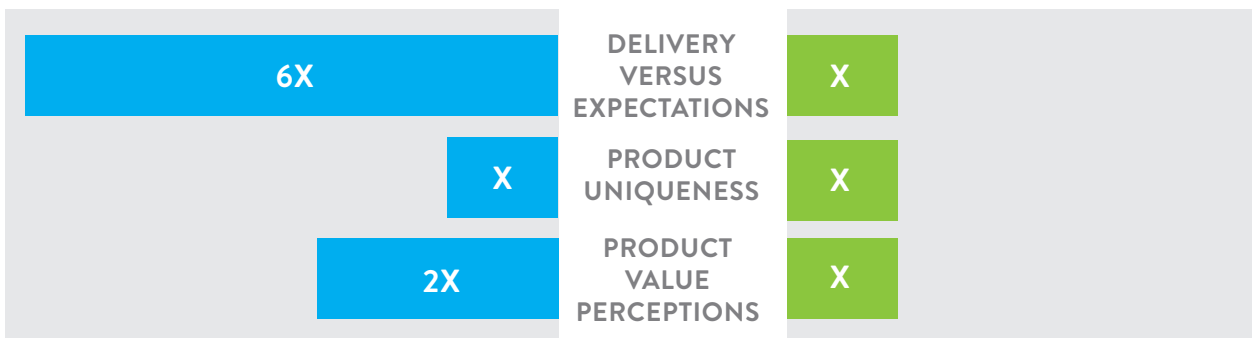
DELIVER ON EXPECTATIONS

If a product is premium, it needs to exceed consumers’ expectations. For long-term endurance in the marketplace, premium products need to deliver—if not exceed—consumer expectations at the concept level. As far as product delivery is concerned, it’s six times more important for premium products to deliver on the expectations than it is for mass products.

Product loyalty is driven by product uniqueness and post-use value perceptions. While uniqueness is equally important for both premium and mass products post-use, delivering on value for money perceptions is twice as important for premium.

PREMIUM PRODUCTS

NON-PREMIUM PRODUCTS



Source: Nielsen

Indian consumers have begun to adopt Premiumisation in their lifestyle. They are upgrading to use more value-added products that deliver better in terms of efficacy or sensorial. The pull for premiumisation is from better margins due to the premium pricing, and the trend is here to stay.



THE NIELSEN QUALITATIVE VIEW

- SARBANI SEN, ASSOCIATE DIRECTOR, NIELSEN INDIA

- Increasing purchasing power and willingness to experiment are fuelling shopper spending. Within most categories, today's consumers seek premium products as a differentiating factor.
- Value for money has always been central to consumers. Getting every last rupee's worth remains a requirement, especially when consumers spend more on premium products.
- Consumers will have far higher expectations for premium products. The onus lies on the brands to live up to its premium tag.
- Benefit-driven differentiation and product packaging becomes critical to ensure consumer satisfaction.
- Increasingly, shoppers are graduating to better lives and moving away from a utilitarian mind set to a more indulgent one. Premium product experiences help them inch closer to becoming connoisseurs of the good things in life.
- With more and more consumers moving toward premium and super premium products, brands need to pay extra attention to ensure customer satisfaction. A disappointed shopper can be a setback whereas good experiences have the potential of delighting and possibly altering consumption habits.

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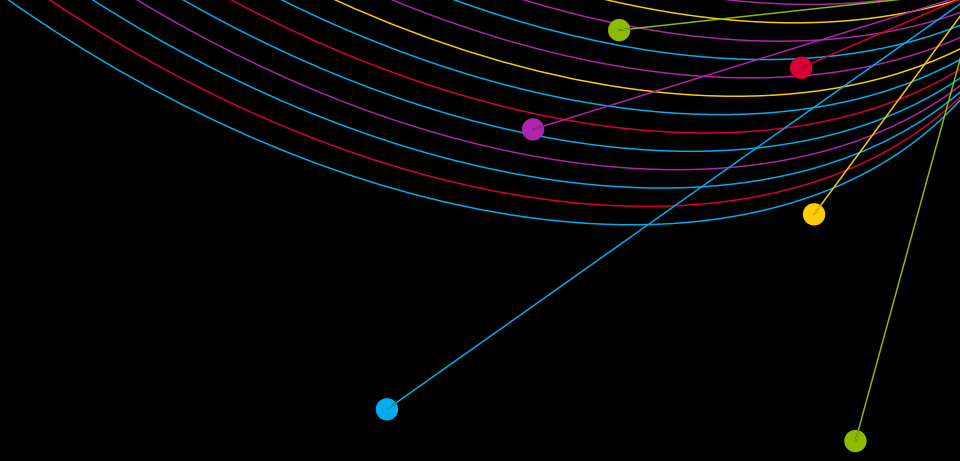
Simran Kaur from the Nielsen Innovation Practice, Himanshu Marpakwar from Retail Measurement Services and Shivani Mathur from the Consumer Insights team contributed to this issue of Featured Insights.

ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

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