



## FEATURED INSIGHTS

DELIVERING CONSUMER CLARITY

# BITING INTO THE INDIAN SNACKING MARKET

- **SALES IN THE SNACKING CATEGORY HAVE GROWN MORE THAN SIX-FOLD FROM 8,000 CRORES IN 2004 TO 47,000 CRORES IN 2013.**
- **INDIA'S TIER 1 TOWNS, THE REST OF URBAN, AND RURAL AREAS OFFER THE MOST POTENTIAL IN TERMS OF GROWTH AND OPPORTUNITY WHEN IT COMES TO SNACKING.**
- **PRODUCTS THAT TALK ABOUT STRONG TASTE AND TEXTURE CUES AND WOVEN WITH APPROPRIATE EMOTIONAL INSIGHT DO BETTER THAN THOSE THAT DON'T.**

The global recession clearly hasn't had an impact on the average Indian's taste buds. Snacking is on the rise. Increasing disposable incomes, a need for convenience from fast-paced lifestyles and a cultural tradition of snacking between meals have fuelled explosive growth in this sector. From a modest 8,000 crores in 2004, the market today stands at 47,000 crores—more than six times the amount a decade ago!

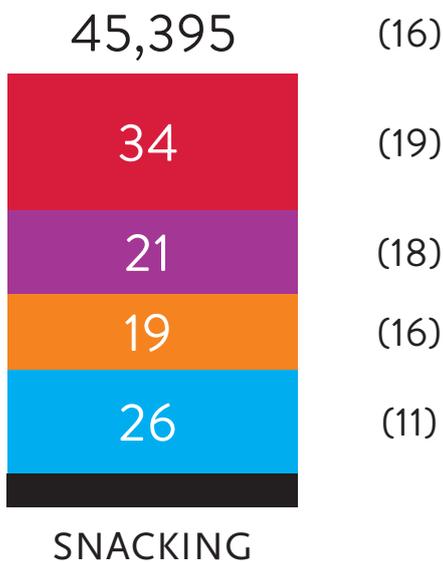
And it should only continue to grow. Consumers' changing dietary habits and willingness to try new things are pushing these numbers even higher. In addition, children are having more say in buying decisions. As a result, this unexpected growth is not isolated to urban areas. In terms of opportunity, tier I towns, the rest of urban, and rural areas are the ones that offer the most potential for retailers and manufacturers, fostering our belief that marketing focused on these areas will drive growth.



CHANGING LIFESTYLES LEAD TO CHANGES EVEN IN FOOD CULTURE. CONSUMERS TODAY ARE MORE AWARE OF THE VARIOUS OPTIONS AVAILABLE, AND ARE EASILY BORED—LEADING TO INCREASED EXPERIMENTATION. FURTHER, THE FAST-PACED LIFE AND PAUCITY OF TIME HAS ALSO LED MANY TO EAT OUT MORE.



## SNACKING ON THE UPTICK



MARKETING FOCUSING ON FAST GROWING LOWER TOWN CLASSES WILL DRIVE BETTER GROWTH IN THE SNACKING AND IMPULSE SPACE.

● METRO ● TIER 1 ● REST OF URBAN ● RURAL

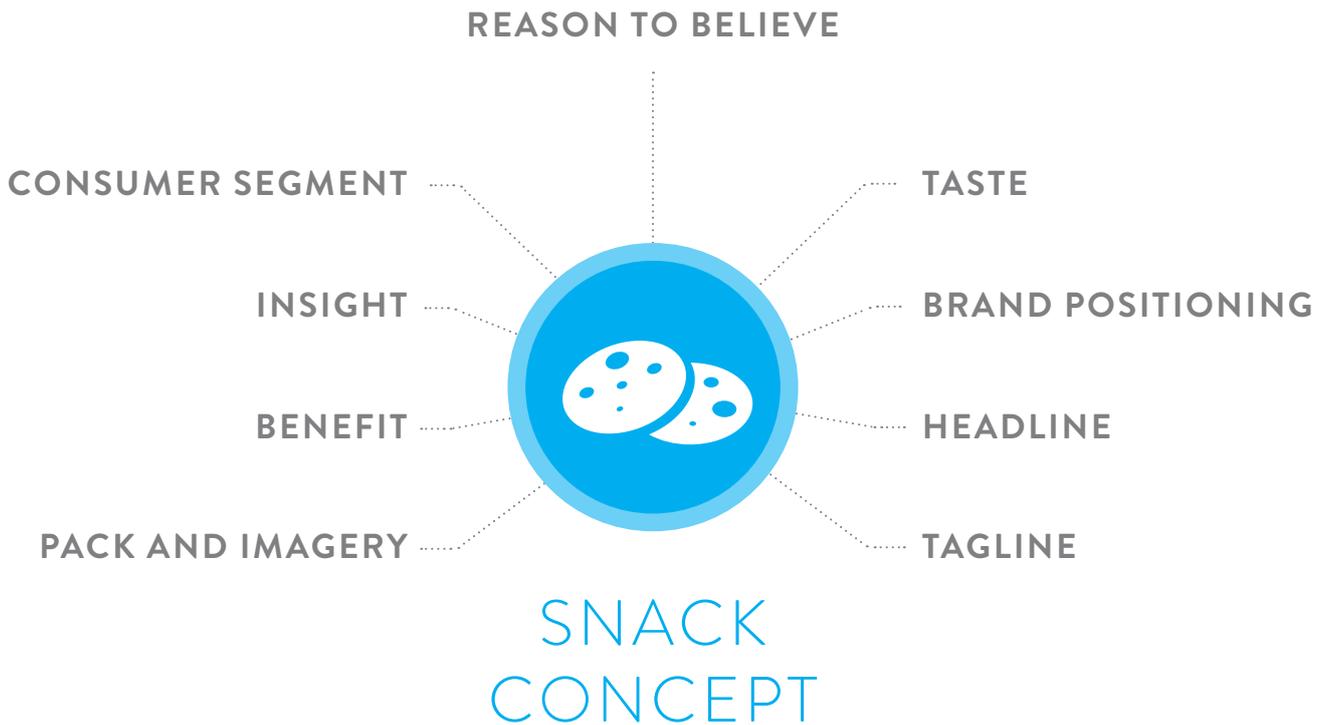
Figures in %  
Figures in bracket denote growth

Source: Nielsen

## SOMETHING TO CHEW ON...

The average consumer seldom realizes the amount of thought that goes into his bag of chips or box of biscuits. But if you're a player in this sector, you probably know the very real danger of a perfectly good product being rejected by the market. A product being taken off shelves is every manufacturer's nightmare.

Why do some products succeed while others fail? We have studied and analysed more than a hundred snacking initiatives and found that the key lies in building a successful proposition.



Our studies show that creating a path-breaking concept in snacking is no easy task. As a matter of fact, creating a winning proposition in the snacking space is observed to be more difficult than other foods. So what are the factors that will support and amplify your concept? A concept or proposition is generally made up of the below key factors:

**Headline:** What is your key differentiator? E.g., “The world’s best biscuits now in India!”

**Reason to believe:** What will build consumer belief in the benefits of your product? E.g., “Crunchy and tasty snacks made from healthy ingredient X.”

**Insight:** This will tie in with benefits to the consumer. What’s in it for them? E.g., “I want to stay fit and in shape. And I love having tasty snacks. I wish there was a tasty snack with less fat.”

**Pack and imagery:** The look and feel of your product packaging is what will differentiate it on shelves.

**Tagline:** What will build recall in the consumer’s mind when out shopping? E.g., “No one can eat just one!”

While these factors form the basis of a proposition for any industry in any country, knowing your market is essential. When it comes to snacking, however, Indian consumers have unique preferences and habits that retailers and manufacturers should understand to ensure success.

## 1. THE FASTEST ROUTE TO A CONSUMER'S WALLET...

...Is through his heart. In the past, marketers have tried a purely emotional to completely function insight and everything in-between to relate with their consumers. So what seems to work? Concepts that performed well seem to have a good mix of both emotional and functional insights with a slight skew towards emotional.

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**OUR ANALYSIS OF OVER 100 INITIATIVES IN THE SNACKING SPACE DEMONSTRATES THAT CONCEPTS WITH EMOTIONAL INSIGHTS AROUND 'FUN' AND 'OUT-OF-ORDINARY' HAVE STRONGER TRACTION WITH CONSUMERS.**

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## 2. TASTE IS YOUR BIGGEST USP

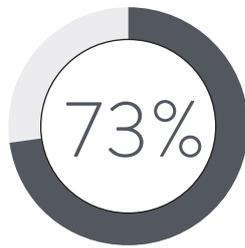
Keep it simple. Don't focus on more than two benefits. In our study, we discovered that consumers are focused on taste and texture.

To keep up with the younger generation's focus on health, a few marketers have recently explored healthier options with their snacks. Our studies show that while 'health' could give your proposition an edge, you need to ensure it never comes at the expense of 'good taste.' We observed initiatives emphasizing health at the cost of taste performed poorly. In fact, when it comes to salty snacks, taste is a non-negotiable measure.

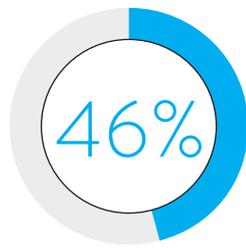
**“WHILE THE HEALTH FACTOR COULD GIVE YOUR PROPOSITION AN EDGE, YOU NEED TO ENSURE IT NEVER COMES AT THE EXPENSE OF TASTE”.**

We also found that Indian consumers particularly look for snacks that are fresh, crisp and flavourful. 73% of the respondents chose 'freshness' as the top criteria when choosing a snacking product.

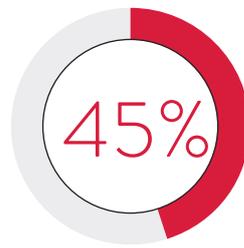
## WHAT CONSUMERS WANT



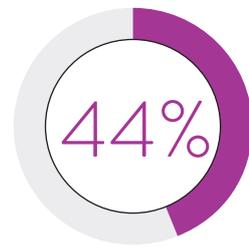
FRESH



CRISPY



FLAVOURFUL



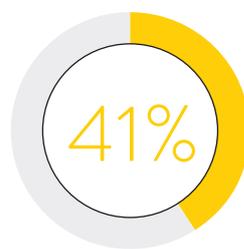
JUICY



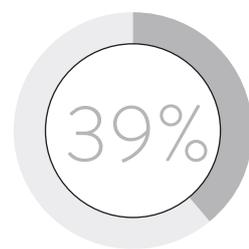
FRUITY



CRUNCHY



SMOOTH



HOT

### 3. A MATTER OF CHOICE

Indian consumers are an adventurous lot. They like trying new flavours, and more importantly, they'll discuss their choices with others. As a matter of fact, 'varianting' is a key strategy we've observed particularly in the snacks space, with marketers launching newer flavours periodically. This not only gives consumers variety but helps create buzz for a brand.

While limited edition launches help satisfy the consumer's requirement for 'newness' as well as to generate buzz, these launches should not be treated as innovation. When it comes to varianting, true value add comes through long-term innovation and this is what would drive incrementality to your portfolio

### 4. PRICING IT RIGHT

Coinage is an important phenomenon in the snacking space with the Rs 5 and Rs 10 SKU growing exponentially. Our study indicates that maintaining an SKU at these price points do drive success for your initiative. In 2004, while the below INR 5 price point accounted for a bulk of sales, nearly a decade later, the situation has changed. When you look at data from 2012, we see that the INR 5 and 10 price points have grown significantly.

## PRICE POINTS: VALUE CONTRIBUTION



Source: Nielsen

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COINAGE TENDS TO PLAY AN IMPORTANT ROLE IN THE CATEGORY. RS 5 AND RS 10 SKUs GREW EXPONENTIALLY COMPARED TO THOSE WITH HIGHER PRICE POINTS.

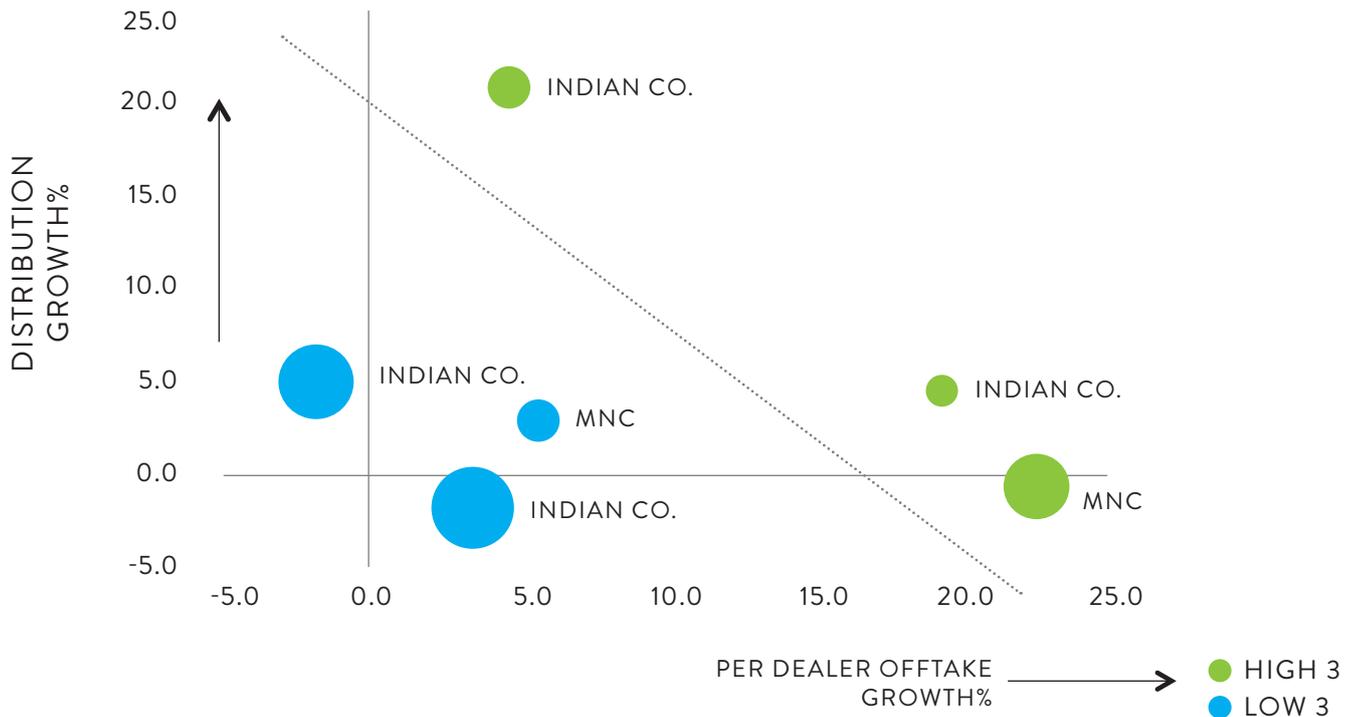
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### 5. LEVERAGE EXISTING GOODWILL

Indian consumers are willing to try new products...up to a point. Nielsen data shows that consumers prefer, and indeed actively look for, brand equity as an assurance of quality. If you can leverage a strong parent brand, do so. When one of the world's biggest brand of biscuits was launched in India, the company made sure to leverage a known parent brand name. The strategy seems to have worked as the brand went on to become one of the most successful launches in recent times.

### 6. DISTRIBUTION CAN MAKE OR BREAK YOUR PRODUCT

Finally, never underestimate the importance of distributing your product well. Even in distribution, quality trumps quantity—some of the top snacking companies are focusing on the quality of stores they place their products in as opposed to merely increasing their presence in a growing number of stores. As you can see from the chart below, companies that were successful, focused not only on growing their distribution but also on growing outlets with higher dealer offtake.



High 3: Top 3 fastest growing Snacking companies from amongst top 10  
 Low 3: Bottom 3 fastest growing Snacking companies from amongst top 10  
 Size of Bubble: Values Sales (MAT Sep13); Growth is Sep MAT 13 vs Sep MAT 12; Source: Nielsen RMS

Keeping these guidelines in mind when framing your strategies in the snacking category will go a long way in helping you achieve success in this segment.

## THE NIELSEN QUALITATIVE VIEW

BY SARBANI SEN, DIRECTOR, NIELSEN INDIA

- Snacking is inherent to Indian food culture although it lacks overt social endorsement unlike meals which are ritually sanctified. Snacking has traditionally implied a variety of sensorial experience in terms of flavour, taste, shape, texture, ingredients, appearance & accompaniments.
- Category growth could be attributed to the fast paced, out-of-home lifestyle, increased frequency of socialising and a gradual erosion of the 'family sit-down' meal culture.
- Though there is increasing health consciousness among consumers, with snacks, the communication has to first relay a tantalising taste experience. Interestingly, cookery shows today are helping consumers bridge taste and health with innovation in the method of preparation and inclusion of healthy ingredients.
- Besides flavour, marketers could also experiment with product format, presentation and packaging to appeal to the consumer. For example peri peri masala sachets with the product, quick recipe ideas on the packaging and so on.
- A price tag in the Rs. 5-20 range leads to impulsiveness and experimentation in the category.

## ABOUT THE AUTHOR



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## 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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