

Market analysis of instant fast food industry



The concept of non-consumer is vanishing at a faster rate and is becoming almost non-existent in the current era of consumerism. Marketers are finding new ways and techniques to rope in new set of consumers previously not looked upon seriously. The trend followed till now was that the housewives bought individual food ingredients ranging from spices, vegetables, butter/ghee, etc. and mixed it in appropriate proportions to prepare a meal. The taste of meal was primarily governed by factors such as expertise of the cook, quality of the ingredients used, cooking time followed, etc. But still one cannot be sure of how will the meal taste. This was more difficult for bachelors, working men living away from family and working women. Marketers were successful to find this gap in highly cluttered food industry. The answer was “ Ready-to-eat”.

“ Ready-to-eat” is defined as the status of the food being ready for immediate consumption at the point of sale. It could be raw or cooked, hot or chilled, and can be consumed without further heat-treatment including re-heating.[1]

[1] Centre for food safety, Government of Hong Kong

These are processed foods and no further processing is required. They are safe to eat and requires few minutes to cook if it requires cooking. The basic principle behind RTE foods is “ Convenience” for normal consumers and “ Diet nutrition” in case of health conscious consumers. The health category of RTE foods is RTE cereals which are rich in vitamins, fibers and have less sugar content.

INDUSTRY ANALYSIS

United States is one of the major countries of Ready-to-eat foods producers and consumers. All major RTE foods producers with an exception of nestle belong to US. Because of such a big market, advertisers gets quickly attracted. The television advertising budget average for the food industry is 2-4 percent of sales , but the RTE foods segment attract about 13 percent of the sales as advertising budget.

India is also emerging market for these products. RTE foods in the normal practice are consumed in a short span of time. The advancement of packaging technology and introduction of retorting technology in India has made these items commercially viable and long lasting i. e. high shelf life.

RTE market witnessed a growth of 7% between the year 2000 and 2005.

In 2009, Indian RTE foods market was estimated to be around \$33. 5m, registering a CAGR of approximately 15% over the last five years.

RTE segment is expected to grow to a Rs. 2900 cr (US\$ 604. 20 mn) industry by 2015. (Source: Tata Strategic Management Group)

RETORTING PROCESS

The operating principle of retorting process is heating foods prone to microbial spoilage in hermetically sealed containers to extend the shelf life.

Three factors responsible are :

These factors must be taken into consideration while designing a retorting process.

Safety is the foremost concern. The retorting process involves inactivation of microorganism that can result in spoilage and in turn affect public health. For this, the F value is the measure followed. F value is the number of minutes to destroy the organism at 250 degree Fahrenheit. Under the food safety standard, different F value has been specified for each microorganism. Over heating also affects the finished product quality. So the product and process has to be designed carefully.

Quality of Retort process is determined by two factors:

From microorganism side, how much heat is required to inactivate the organism.

From processing side, how much heat is reaching the product.

The selection of specific retort style is largely affected by following factors :

Container shape and size : easier in case of cylindrical shaped

Product type : formulation , ingredients , etc.

Throughput required

Energy Efficiency

VARIOUS RTE BRANDS IN INDIA

Some other players are :

Gits

MTR

Priya foods

Rajbhog Foods Inc.

Rainbow Foods India

Satnam Overseas Ltd.

Tasty Bite, etc.

DIFFERENCE BETWEEN READY-TO-EAT (RTE) AND READY-TO-COOK (RTC)

Most consumers often lacks clarity to differentiate between RTE and RTC, and often refer both as RTE. But they are different.

RTC products are different type of pastes and consumer adds vegetables or meat to prepare a meal/dish.

On the other hand, RTE products are complete products which seldom require any preparation and are often in the frozen form/cans/packets.

Out of the estimated current production of 20, 000 T, about 80 percent is exported.

CONSUMER BEHAVIOR ANALYSIS AND FACTORS AFFECTING FOOD SELECTION

There are various factors influencing buying behavior and motivation among the consumers. In the broader sense, the most dominant factors in food selection are food availability and cultural factors.

Societal Considerations

With the increase in environmental awareness in the past few years, the food product composition and packaging has become a major determinant of the buying behavior.

Health factor has become the primary concern for almost every consumer.

This has given rise to the use of natural ingredients (i. e. it contains no additives and no artificial ingredients) and environmentally friendly packaging.

Safety and Environment Quality are other food choice motivations by consumers. This is now become the competitive weapon for food marketing.

Other factors linked to societal considerations and in turn shape purchase motivations are :

Well Being

Social relationships

Enjoyment & Pleasure

Personal Identity

Food defines the consumer personal identity and it also acts as a self-referent part. Diet change can trigger in redefining the self.

Food habits change throughout the life cycle. Consumer in the adolescence stage will have different food habits than in the later stages of life.

Gender differences also define the food selection habits. As per the normal understanding men are considered that they have more food than women. The figure conscious female counterpart highly influenced by the slimming industry often vary their food selection based the motivation they have to look good. Weight control (i. e. low in calories, fat and in turn control my weight) is a determinant. Men are more interested in Vitamin content and women are more concerned about the sugar content.

Familiarity also kicks in while making food selection. Consumers carry these questions in mind while planning and shopping stuff :

Is what I usually eat

Is familiar

Is like the food I ate when I was a child

Convenience

Another important factor in food selection is convenience. The stages of consumption process define the relevance of convenience.

The most time and energy consuming step is Preparation. But the effort required in this step defines the consumer behavior and factors affecting the food selection.

RTE foods producers look forward to this gap while defining their strategies.

Sensory Appeal

In this era of consumerism and competition, one of the main differentiator is Sensory Appeal. Every consumer want the food to smell and look nice, have a pleasant texture and should taste good.

Packaging here plays an important role. In RTE foods, the physical evidence for the consumer is the packed unit. The taste is bound to be as per the standards followed by the company selling the product and is always in line with what consumer want. The difference is created in terms of the look of the packet.

Price

Price is one of the major motivation factor in food selection. Price factor is always considered and monitored in relative terms. Purchase motivation for RTE foods vary on the following factors:

Cost of eating out v/s cost of RTE food

Effort required to cook food v/s cost of convenience in RTE food

Price of RTE food is determined by following factors :

Product

Brand Value of the company

Type of Packaging

Country of origin

Shelf life of the product

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Other factors are following:

Product and marketing message

Availability of the product in terms of constant stock replenishment

Reachability to the store stocking the product

Ethical Concern: Country of origin, politically approved country.

MEDIUM OF INFORMATION

Retailers and food producers tap multiple mediums to highlight the offerings present at the store or under the portfolio respectively.

Media

RTE Food industry's advertising budget is 13% of sales which is second only to the automobile industry. The average budget for other components of the food industry is 2-4% which is much lower in comparison to RTE. Marketers have always believed that RTE foods need more advertising efforts to tap the new customers and retain old ones.

Source: British Food Journal , Volume 105 , Issue 3

Advertising has been the primary weapon. The use of media personalities and cartoons in the ads has always been welcomed by the consumers.

Marketers have also tried to rope in children through their ads. The basic principle behind it is to gain their loyalty at a very young stage. Also it acts as a catalyst in Impulse buying at the store level.

The only disadvantage of Advertising is high cost involved.

Direct mail (DM)

Direct mail (DM) is another method to provide information to the consumers to assist in their food purchase. It is also referred to as “ Direct Marketing”. Unlike Advertisements which are broadcasted and their reach is subject to the viewership ratings of the slot they were telecasted in, Direct Mail is more personalized and sent to individual consumers. Since each consumer receives a copy of the offer document customization is possible for a group of consumer with common interests. It also permits marketers to experiment with the mailers and its formats.

These are generally used by hypermarkets and supermarkets to notify customers of daily, weekly or fortnightly offers.

Through these direct mails the store also sends coupons and schemes to the customers catering to a particular festive seasons which are believed to be higher sale period.

The new concept in direct mail being followed these days is “ Targeting Mailing”. Marketers define the target group for the mails and then through database analysis send the mailers to only that group. This in turn has following advantages :

More Direct Communication

Saves cost

Only Potential customers are notified and other customers are not disturbed.

Disadvantages of Direct Mail :

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Often treated as junk or spam by the consumers

Stores can only differentiate on the basis of offers and the way it is communicated through DM

Internet

Among the sources of information for food purchase this is the least used method because of low involvement characteristics in the food purchase.

Very few consumers visit internet websites such as store websites to obtain food information.

Amazon. com offers the catalogue for the RTE products. Bundled packages are sold in the combo offer.

With the growth of internet and families turning to every single purchase, use of internet for food purchases is bound to grow in the coming year.

Stores stacking other stuff also such as apparels and accessories, electronics, etc. along with food items, general format followed by the supermarkets and hypermarkets, use internet as a selling medium but not for food items. With the increase in competition and new strategies coming up, time is near when they start selling packed RTE foods also. Groceries or vegetables being sold as loose items will then be only food item left to stock. The benefits of e-commerce have been realized by most retailers.

Illustrations from the RTE Food Industry

To explain the process of Instant Food or Ready-to-eat food and the consumer behaviour, two companies have been chosen from the Indian Market.

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MTR Foods Pvt. Ltd. vs ITC's Kitchen's of India

MTR Foods Pvt. Ltd. is among the major processed food manufacturers in India and is owned by Norwegian Company M/s Orkla.

Kitchen's of India is an ITC brand which majorly exports various RTE food packages of specialty Indian cuisine.

Marketing Mix Analysis

Product

MTR :

Normal Day to day food varieties such as paneer, dal, etc.

Portfolio comprises of 22 authentic Indian curries, gravies and rice.

100% Vegetarian offerings

100% Natural and no preservatives added

ISO 22000 and HACCP Certified quality product

Retorting and packaging technology from Defense Food Research Lab, Mysore.

Kitchen's of India:

Prestigious offerings from the chefs of ITC Welcome Group Restaurants. E. g.

Dal Bukhara from Bukhara Restaurant of ITC Maurya Sheraton and Dal

Dakshin from ITC Dakshin.

Four layer packed to prevent the royal taste and smell

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Standards are monitored to compliance

Price

MTR offerings are normal day to day food and is less expensive than ITC's Kitchen's of India which is more expensive in comparison.

Also the offerings by ITC are positioned for the target group which wants to experience the pleasure of royal palates at the comfort of their home.

MTR Paneer Butter Masala 300g pack is priced at MRP of Rs. 50

On the same hand, Kitchen's of India dishes start from Rs. 89

Place

Both MTR and Kitchen's of India mainly exports to other countries and sell through the retail setup in both India and other countries.

Kitchen's of India also services its customers through its website www.kitchensofindia.com. It also won the Best Website Award at the PC World Web Awards 2008.

Website is the medium to promote the brand and display the recipes of various offerings.

Use of classical music has been seen prominent with both the websites to portray the Indian culture.

Promotion

Kitchen's of India promotion strategy circles around the product offering highlighting the essence " Feast for the senses". The key message is

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bringing the royal tastes directly to consumers home without having to visit ITC Welcome group hotel.

Kitchen's of India promote its brand through various food exhibitions such as Anuga in Germany. These are also displayed and sold at food festivals across the ITC group hotels.

MTR promote its offering on the essence " Freshly cooked home meal". It targets the price sensitive consumer.

Brand Analysis on the basis of factors influencing buying behavior

Health

MTR has positioned itself as a freshly cooked home food with modest offerings. Kitchen's of India on the other hand has positioned as brand offering the royal palates matched to the same standards at the ITC Restaurants.

Based on the study done among Indian consumers by Datamonitor, 50% of the consumers considered ' low or lowers cholesterol' and ' low or reduced fat' as a motivator during food purchase.

Both brand understand this fact and mentions the health contents of the dish on the packets.

Sensory Appeal

MTR packaging is as per the standards do not attract the visual senses of the consumer. The product is also home cooked food offerings and smell factor is present as per the home cooked food.

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On the other hand Kitchen's of India packaging is more lavish to support its image and price range. It has an outer paper bag like covering.

Natural Content

Both brand claim to be 100% natural and contains no preservatives. This is possible only because of the retorting technology used and the packaging. Consumer choices are affected by these factors.

Weight Control

Kitchen's of India offers meals or dishes which are more lavish and specialty dishes high in oil and butter content which is de-motivator for weight conscious people. These dishes are not preferred at the daily basis.

On the other hand, MTR offerings are more close to the weight conscious people.

Mood

Mood factor plays an important role in defining the consumer behavior. This can be specified by the rebellious behavior at the younger age to eat things different from what others in the family are having.

Kitchen's of India offerings promotes itself on this behaviour to compel consumers to have that royal meal once a while without even visiting any ITC hotel.

MTR is not seen utilizing this behaviour characteristic in its promotion or marketing communication.