

# Success of itc kitchens of india



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The purpose of this project was to identify the reason for the underwhelming success of ITC Kitchens of India in the Indian market. This issue had to be seen in the broader context of the slow acceptance of ready-to-eat food in India. Therefore, a survey was conducted to collect information on consumer behaviour towards ready-to-eat food. The results identify a segment of the population who are deterred from buying RTE products due to concerns over freshness of the product, low nutritional value of the product, and added preservatives in the product. These concerns can be effectively mitigated by using advertising to convince consumers of the freshness and healthfulness of the product. This can be done by advertising relevant certifications and employing testimonial advertising using both celebrities and average users to assure the target customer about the desired brand attributes.

## Introduction

ITC Ltd launched its line of ready to eat food “ Kitchens of India” in 2001, with the aim of achieving 50% of its sales turnover from this category<sup>1</sup>. However, this product line has not found much acceptance in the Indian market. ITC faces the challenge of effectively communicating the benefits of this product to the consumer. Currently, the market for ready-to -eat cuisine is approximately Rs 700 million<sup>2</sup>. ITC has a market share of 48%. ITC’s challenge is to expand this nascent market and achieve greater product acceptance.

ITC Kitchens of India is a premium gourmet line of products. It offers ready-to-eat products that mainly focus on meal-time items such as curries, biryanis, and deserts etcetera.

## **Ready-To-Eat Market (RTE) in India**

In 2009, Indian RTE foods market was estimated to be around \$33.5m, registering a CAGR of approximately 15% over the last five years. Ready to eat food can be defined as food that has been prepared in advance and can be eaten as sold. At present, RTE foods with normal shelving contribute to approximately 60% of the total market.

Modern lifestyles and the changing role of women in India are important reasons for the emergence of the RTE market. Women today have little time to involve in regular household chores like cooking as they increasingly have full-time jobs. Lifestyle changes have necessitated modifications in most urban Indians' diet regime in terms of meal time fragmentation and diet diversification. With these changes, it has increasingly become a challenge for Indians to maintain a diet that is balanced and convenient, yet caters to the Indian taste buds. There is a high priority placed on the freshness of food. While most RTE manufacturers promote quality claims on packaging, no one has made attempts to break the unhealthy perception of packaged food by highlighting that the retort packaging used in RTE foods can help in retaining the nutritive value and freshness of the product.

Health concerns on part of the consumers also pose difficulty to the RTE manufacturers. Health-conscious consumers are often looking for health claims like low cholesterol and trans-fat free tagged to the product.

The culture of food in India is such that most Indians would prefer a home-cooked meal to an RTE product. Additionally, the easy availability of cheap labour in India makes it easy for middle-class Indians to hire a cook even if

they are themselves too busy to cook. This presents significant barriers to the acceptance of RTE products in India.

## **Background Research**

Bae et al. 5 examined consumers' behaviour toward ready-to-eat foods segmented the RTE market in Korea. The food-related lifestyle and purchase behaviour of ready-to-eat foods were evaluated using 410 ready-to-eat food consumers in South Korea. Four factors were extracted by exploratory factor analysis (health-orientation, taste-orientation, convenience-orientation, and tradition-orientation) to explain the ready-to eat food consumers' food-related lifestyles. The results of cluster analysis indicated that " tradition seekers" and " convenience seekers" should be regarded as the target segments. Further statistical tests showed that there were significant differences across marital status, education level, family type, eating-out expenditure, place of purchase, and reason for purchase. The first target segment, the tradition seekers consumed more ready-to-eat foods from discount marts or specialty stores and ate them between meals more often than the convenience seekers. In comparison, the convenience seekers purchased more ready-to-eat foods at convenience stores and ate them as meals more often than the tradition seekers. These findings suggest that ready-to-eat food market segmentation based on food-related lifestyles can be applied to develop effective marketing strategies.

Buckley et al. 6 derived four consumer segments toward convenience foods, such as " food connoisseurs (26%)", " home meal preparers (25%)", " kitchen evaders (26%)", and " convenience-seeking grazers (32%)".

Wycherley et al. 7 divided six food-related lifestyle segments for specialized

foods, for example, “ rational food consumer (24%)”, “ adventurous food consumer (17%)”, “ careless food consumer (21%)”, “ snacking food consumer (17%)”, “ conservative food consumer (12%)”, and “ uninvolved food consumer (9%)”. The findings of this study also reinforced the usefulness of consumers’ socio-demographic characteristics and food-related lifestyle to better understand their different consumption patterns of RTE foods.

Lin 8 claimed that demographic segmentation could be used as one of the main variables for the purposes of market segmentation and targeting. Kupiec and Revell 9 suggested that education and income can be used as variables in order to segment food markets.

The results of Bae et al. showed that tradition seekers purchased RTE foods at discount marts (65.4%) or specialty stores (28.8%) and consumed them more between meals than convenience seekers. These findings suggest that RTE food products targeting traditional seekers should focus on between meals. Moreover, the results recommend that products should be promoted at discount marts or specialty stores, particularly for tradition seekers versus convenience seekers.

The convenience seekers also purchased RTE foods at discount marts (70.6%) and specialty stores (19.4%) more often than at convenience stores (10.0%). However, they more bought RTE foods at convenience stores (5.8%) than the tradition seekers. Additionally, the convenience seekers more often consumed RTE foods as meals compared to the tradition seekers. Therefore RTE food products targeting convenience seekers should focus on

products that can be served as meals. In addition, these products should be promoted at discount marts or convenience stores.

Thus, Bae et al. indicate that consumer behaviour towards RTE foods can differ between segments, and RTE food market segmentation based on food-related lifestyles can be applied to develop proper marketing and advertising strategies.

## **Primary Research**

A survey was developed in order to find out the consumer behaviour towards RTE food in India. An online survey was floated to people between above the age of 20 and 30 completed surveys were obtained. The first set of questions in the survey asked demographic information such as age and marital status. The second set of questions obtained information such as motivation for purchasing RTE products, the main time zone for purchase (i. e. breakfast, lunch, snacks, and dinner), source of purchasing information etcetera. This set of questions intended to obtain information on the expenditure on RTE and the consumption behaviour of RTE products. Finally, the last question probed those respondents who did not really purchase RTE products for the reason behind their decision. The questions were in a multiple choice format, and only one option could be selected.

## **Results and Discussion**

The results of the survey can be seen in the attached excel sheet as well as the appendix.

58% of the respondents spent less than Rs 1000 annually on RTE food. This can be interpreted as almost negligible consumption of RTE food. 16% of

respondents spent between Rs 3000-4000 on RTE food. Therefore, this segment did occasionally purchase RTE products and spent on average Rs 77 per week on RTE food.

The respondents who spent more than Rs 1000 annually on RTE food were asked the second set of questions. 39% of respondents purchased RTE food for food diversity and 38% of respondents purchased RTE food for its convenience. Almost all the respondents but one purchased RTE products from supermarkets and consumed the food either alone or with a spouse/significant other. RTE products were mostly consumed as snacks or dinner. The source of information for RTE products was overwhelmingly advertising.

The respondents who did not really purchase RTE food were asked about the primary reason why they did not purchase the product. 53% of respondents said that they preferred cooking by themselves/employed a cook. 26% of respondents said they did not purchase RTE food because they perceived it to not be fresh. 11% of respondents said they did not purchase RTE food because they thought it had low nutritional value. 5% of respondents said they did not purchase RTE food because they perceived it to contain too many preservatives.

The results show that most respondents did not really purchase RTE food. Out of those who did, the primary motivation was a need for diversity of cuisine and convenience. Our results indicate that there is a segment of the population that might be willing to buy RTE food, but is deterred by concerns

over freshness of the product, low nutritional value of the product, and added preservatives in the product.

## **Current Advertising Strategy of ITC Kitchens of India**

ITC Kitchens of India currently advertises on television and print media. It focuses on communicating the premium gourmet quality of its products. Examples of its print advertising can be seen in Exhibit 4. In addition, ITC focuses on new packaging and compliance with international labelling laws. ITC's Kitchens of India products already enjoy the Kosher Certification, accorded to quality food products. ITC has also employed innovative promos such as enclosing 'free' Indian classical music CDs with the ready-to-eat packets that have proved highly successful. They have also launched a book called "Gourmet Indian Flavours" in Delhi, Mumbai, and Bangalore. They also have information about their products online on their website.

However, ITC's advertising fails to address key customer concerns about freshness of the product and added preservatives in the product.

## **Recommendations**

In order to gain sales in the Indian food market, ITC should focus on communicating the following key attributes in their advertising:

Remove the scepticism surrounding the freshness and safety of RTE foods via healthier product formulation and appropriating communication.

ITC should communicate to the consumer that their RTE foods use very little preservatives which are not harmful to the body. As far as possible, they should focus on the natural ingredients i. e. the vegetables, spices and other



ingredients that make up the product. Television and print media and be used to communicate the message. Additionally, a brand ambassador such as a famous chef like Sanjeev Kapoor (TV host of the popular TV show Khana Khazana) can be employed to assure consumers about the freshness of the product and the minimal preservatives used.

Communicate freshness of product due to superior packaging.

ITC should use mass media like television and print media to communicate that the packaging of its products ensures freshness of the food. It should use display advertising in newspapers. Display advertising includes the headline, body copy, and an illustration. ITC should obtain relevant internationally established certifications that certify the high quality of the product packaging. This should be advertised via mass media as mentioned above as well as on the packaging.

Make smaller pack sizes to allow for single serve usage and to encourage trial

ITC should offer smaller pack sizes to encourage trials and gain customer confidence in its RTE products. These smaller pack sizes should be advertised via television and print media.

Communicate any health benefits such as low-fat, cholesterol free etcetera.

ITC has already obtained a kosher certification for Kitchens of India. It should advertise this on its packaging as well as in its advertisements. In addition, it should advertise the health benefits of products that might be low-fat (example, Dal Tadka) or high in iron (example, Palak Paneer).

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Communicate the convenience of RTE food.

ITC should communicate to the consumer the benefits their RTE product line is offering. Primarily, Kitchens of India offers enormous convenience to the consumer. This is because it offers dishes that would otherwise be time-consuming to prepare and reduces the preparation time to a few minutes.

### **Message Strategy**

The objective of the advertisements is to convince the consumers that Kitchens of India's products are fresh, use minimal preservatives and offer great taste and great convenience. This can be done using testimonial advertising. The value of the testimonial lies in the authoritative presentation of the brand's attributes by the spokesperson. Celebrity testimonials can be used, for example a celebrity like Sanjeev Kapoor could be used to emphasize the desired brand attributes. Celebrity testimonials attract attention and generate a desire in the consumer to emulate the celebrity. In addition, average-user testimonials could also be used. The benefit of this type of testimonial is that the target customer will be able to relate to the average-user.

### **Conclusion**

The market for ready-to-eat food in India is potentially much bigger than its current size. ITC Kitchens of India can expand the ready-to-eat market and expand its sales by employing an advertising strategy that addresses consumer concerns over freshness and healthfulness of the product. This can be done by advertising relevant certifications and employing testimonial

advertising using both celebrities and average users to assure the target customer about the desired brand attributes.

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