

The biscuit market in india



Biscuits have always been a favorite add-on to our snacks menu. Here in this report, I am going to analyze the biscuit market in India. The report includes different brands in the biscuit manufacturing category and their production, distribution, pricing, market shares etc.

With a total turnover of 8000crore, India is considered as the third largest biscuit manufacturing country in the world only behind US and China. An industry classified into organized and unorganized sectors accounts for 65% revenue from organized and 35% revenues from the unorganized sector. Due to stiff competition from different manufactures, the industry expects a healthy growth of 21% in the next fiscal. Around 90% of the total population consume biscuits. The consumption of biscuits in India is more than the imports. India happens to be one of the prime exporters of biscuits also. An industry which enjoys 85% penetration in Urban and 55% penetration in rural areas has ultimately made it as the largest among all the food industry in India revenue wise. It also happens to be the largest employment generator of all food industries in India employing around 4 lakhs people both directly and indirectly.

The current problem which the industry is facing is the recent hikes of raw material prices with the Government continuing to leverage a 12.5% VAT. With the consumption still rising, this has given some dent to the profit margins. But still the dominant players in this industry are playing good because of the strong customer base they have built over the years. The top 4 players of the biscuit manufacturing industry are:

Britannia

Parle

Priyagold

ITC.

Besides these there are around 150 small and medium scale factories in India. In this report, I would be analysing the top 4 brands in the biscuit manufacturing industry.

Market Players Major Share:

The table below shows the market capitalisation of the major brands:

Market Players

% age Market Share

Britannia

38

Parle

30

Priya Gold

15

ITC

11

Others

6

A pictorial representation of the major brands market share is as follows:

Britannia

Logo:

<http://htmlimg1.scribdassets.com/1ma5m82m80s3btf/images/8-33d42f8635.jpg>

Slogan:

“ Eat Healthy. Think Better

History:

The company was founded in the year 1892. Initially it was run in a small house in central Kolkata. It started with an investment of only Rs. 295. Later on a renowned attorney general Nalin Chandra Gupta acquired it and it was run under the name “ V. S Brothers”. Later on in 1918, an English businessman in Kolkata, C. H Holmes took over it and thus Britannia Biscuit Company Limited(BBCo) was formed. During the Second World War the company had good sales revenue because biscuits were highly demanded. Finally the company was changed to the current “ Britannia Industries Limited” in 1979. In late 1980’s, K. Rajan Pillai, a Kerala Businessman took control of the Britannia Industries Limited and later on became known as the “ Biscuit King” of India. In 1993, Wadia group acquired a stake in Associated Biscuits International(ABIL) and became an equal partner with Group Danone. After accusations of defrauding Britannia, Pillai had a boardroom struggle with the Wadia’s and Danone in 1995 and died.

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In May 2007, there was an acquisition from Nusli Wadia(Wadia Group) that the Danone group had invested in a Bangalore based company thereby breaching a technical contract. Wadia group filed a case against the Danone group and the result was danone quitting this line of Business. The deal was worth around \$200m and and the Wadia's holding the majority stake of 50.96%. Currently Britannia group chairman is Nusli Wadia.

Key Facts:

A few major facts of Britannia Industries are as follows:

Facts

Data

Type

Public

Industry

Food Processing

Founded

1892

HeadQuarters

Kolkata, WestBengal

Number Of Locations

300

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Chairman

Nusli Wadia

MD

Vinita Bali

Products

Bakery, Biscuits, bread

Revenue

Rs. 4670 crore

Profit

Rs. 134 crore

Products:

Some of the main products produced by Britannia are as follows:

Good Day

Tiger

Marie Gold

50-50

Choco-Chips

Jim-Jam

Cream Treats

Time Pass

Choco-nuts

Little Hearts

Nutri Choice

Bourbon

Nice

Time

Pure Magic

Milk Bikis

Product Features:

The main features of Britannia products are:

All of Britannia products are free from fat thus catering to sensitive customer needs.

Britannia products are good for health. For first time in India, Britannia's NutriChoice Oat Cookies and Britannia's NutriChoice Ragi Cookies are "Diabetic Friendly" and are especially designed for diabetic people. Britannia was the first brand which came up with products for health conscious consumers. Britannia's Veg Cakes zero cholesterol and 3 month shelf life makes it a healthy, convenient snack to enjoy anytime. Nutrichoice 5 grain

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comes with 5 grain cereals which makes it an unique, healthy snacks with an adequate quantity of cereals like – oats, corn, ragi, rice and wheat.

Britannia's products are tasty. The biscuits and cakes of Britannia are a favourite for everyone.

Britannia's top 6 power brands contribute to nearly 80% of its sales. These brands have a nice attractive packaging. Most of Britannia's products come in small and attractive packaging.

Most of the products are of good quality. All the brands of Britannia nearly have a shelf period of 3 months

Pricing:

The pricing strategy of Britannia is as follows:

Market – Initial penetration pricing for low cost products like “ Tiger”. “ Tiger” happens to be the lowest cost product in the entire biscuit segment. Because of the lower price rural market consumers frequently shift to these products. Britannia thus was able to have a larger market capitalisation in the rural sector. The company here was not looking for short term profit but to have a larger consumer base, increasing market share and volume.

Product – For products like “ Good Day” and “ Treat” Quality Leadership is followed.

During Festive Season like Diwali and Holi, Britannia gives special discounted prices for its products.

Below table shows the pricing of different products of Britannia:

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Product Name

Weight(in gms)

Price(in Rs)

Britannia Good Day Coconut Butter Biscuit

180

35

Good Day

90

12

Good Day Choco Nut Cookies

90

15

Good Day

180

23

Marie Gold

337

23

Milk Bikis Milk Cream

89

15

Milk Bikis

128

10

Marie Gold

171

13

Marie Gold

69

5

Yummy Choco Cakes

145

22

Nutri Choice Hi Fibre

250

38

Treat choco

67

10

Pure Magic Chocolate Cream

150

20

Tiger Orange

80

5

Treat Jim Jam

100

14

Nutri Choice Hi Fibre

100

15

50-50

165

16

50-50 Maska Chaska

66

10

50-50

113

10

50-50

65

7

Nice Time

133

14

Promotion:

Brittania promotes its products in variety of ways:

Promotions through advertisements, television, newspapers and magazines.

There are a variety of sales promotions that Britannia gives - a small pack of 50-50 free for every " GoodDay" biscuit purchased. Small biscuits packs are also given free for some other products purchased.

Sales Promotion is done during mega events like World Cup. Britannia had this beautiful sales pitch during 1999 World Cup - " Britannia Khao, World Cup Jao"

They have a very good interactive site which gives an indebted knowledge of each and every product they are selling in market.

Place:

Britannia's products are available all over India.

All the products of Britannia are available everywhere i. e. both in rural and urban market.

Britannia products are available in local kirana stores to large retail stores like Reliance, More etc.

Parle :

Logo

Slogan:

" G means Genius"

History:

Parle Products was established in the Vile Parle suburb of Mumbai, in 1929. It began manufacturing biscuits in 1939. In 1947, when India became independent, the company launched an ad campaign, showcasing its Gluco

brand of biscuits as an Indian alternative to the British biscuits. The “ G” in the name Parle-G originally stood for “ Glucose”, though a later brand slogan also stated “ G means Genius”. Parle-G biscuits were earlier called “ Parle-G for the Indian population”.

Products

The following are the products launched by Parle-G:

Parle G

Krackjack

Hide N Seek

Hide N Seek Milano

Monaco

Magix

Milk-Shakti

ParleMarie

Milk Shakti

Digestive Marie

Parle 20-20 Cookies

Parle is the largest manufacturer of the glucose biscuits in India. Parle products led sales with a 35% value share in 2010. Parle’s flagship brand

KrackJack enjoys strong customer loyalty and penetration to rural markets. Parle biscuits are suitable for all people of different age group. They have the largest number of manufacturing units i. e 14 in India. Their annual turnover is around 2000 crores.

Pricing

The different pricing strategies followed by Parle are as follows:

No price rise even if there is no competition in the market. Parle products are therefore low cost products. This also adds to consumers believe and consumers remain loyal to the brand.

Parle -G is sold for a very low price of \$1/kg

The margins for the products are kept very low, just at the local level.

Following is the price list of different products of Parle:

Product

Weight(gms)

Price(Rs)

Parle-G

19

1

Parle-G

44

2

Parle-G

93.5

5

Parle-G

231.5

12

Hide and Seek

25

5

Hide and Seek

50

8

Hide and Seek

100

14

Bournbon

100

10

Bournbon

200

18

Chocolate

25

5

Chocolate

65

10

Elaichi

90

5

Elaichi

180

10

Promotion

The advertisement revenue that Parle spends for Promotion is around 2% of the total revenue.

Parle endorses celebrity like “ Aamir Khan” for their campaigns.

Now lets analyse the promotional events Parle has launched for some of its major products:

Parle-G - Its tag line is “ Hindustan ki Taakat”. Parle used this tag line in TV and advertising boards to promote its Parle-G brand.

Hide and Seek - Its tag line is “ Tasty itna ki Dil Aajayee”. Parle used this tag line in TV and advertising boards to promote its Hide and Seek brand.

Bourbon - Bourbon’s advertisement is very famous. It helps to increase the sale of product and make it popular. It is also helpful to make market leader at time of new entrance. Chocolate connoisseurs will find their fetish become more rewarding. Deliciously sugar coated these Bourbons come with a chocolate cream centre, making them an irresistible temptation for all.

Place:

In India Parle has 15 million retail outlets.

Parle Products flagship brand “ Parle-G” is sold in 2. 5 million outlets.

Parle products are being distributed by 8000 wholesalers with their own different sales force.

Parle has a Sales Organization structure which is based n Geographies.

The logistics are handled by different team.

Priya Gold:

Logo:

<http://htmlimg2.scribdassets.com/1ma5m82m80s3btf/images/10-66413a087d.jpg>

Slogan:

“ Haq se Maango”

History:

PriyaGold Biscuit is the flagship brand of Surya Food & Agro Limited. Surya Food and Agro Ltd was incorporated in November 1992. In 1993, Surya Food and Agro limited started to sell its product “ PriyaGold” under an eye catching tag line - “ Haq se Maango”. Initially they started from Greater Noida region and later on plants started to operate from Lucknow and Surat. Their strong brand building and distribution capabilities have enabled them to acquire a sizable market share in the biscuit manufacturing industry. Currently Surya Food and Agro Ltd hold a market share of 15% in the biscuit manufacturing industry. Priya Gold is positioned in higher segment of the market where it primarily targets to the high and mid segment consumers offering premium biscuit product range.

Product:

Following are the product offerings of Surya Food and Agro Ltd :

Butter Bit

Classic Cream

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Kids Cream Bourbon

Big Boss

Marie Lite

Marie Gold

CNC

Cheese Cashew Bik

Coconut Crunch

Pricing:

PriyaGold targets to higher segment consumers. Naturally the prices attached to PriyaGold biscuits are relatively higher than other manufacturers in the biscuit manufacturing industry.

PriyaGold products come in attractive packaging and advertising costs add up to the higher cost of the products.

Promotion:

They have an extensive and varied portfolio of premium biscuits

Quality of the products is assured as they operate at a higher range.

They have a big budget and expansion plans. They keep on expanding business, tap new customer bases in Urban India . They have already started setting up new sophisticated plants in Lucknow and Surat. Their base factory in Greater Noida is also starting to revamp.

They have spent a lot on TV commercials and Print ad to promote their brands.

Place:

Priya Gold products are available in all major retail stores.

They are available in major retail chains like - Reliance, more etc.

ITC

Logo:

Slogan:

“ Spread the Smile”

History:

ITC was established in August 24, 1910. With a turnover of US \$6 million, it is India's foremost private sector company. It ranks in the top 10 most valued company and ranks among Asia's top 50 best performing company. The core competency of ITC include - distribution reach depth, superiority brand building capabilities, effective supply chain management skills. ITC entered the biscuit market late in 2003. By the ITC entered Britannia and Parle were the market leaders with 82% market share holdings among them. ITC still managed to carve a unique customer base for it because of its unique marketing and competent strategies. ITC entered the market with the “ Sunfeast” brand and later went on to build different product ranges.

Product:

ITC under the brand “ Sunfeast” manufactured a lot of products which are as follows:

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Sunfeast Marie Lite

Sunfeast Glucose

Sunfeast sweet ' n Salt

Sunfeast Dream Cream

Golden Bakery

Sunfeast Nice

Sunfeast Milk Magic

Sunfeast Dark Fantasy

Sunfeast Benna Vita Flaxseed

Pricing:

ITC Sunfeast operate under High volume and High Margin.

Promotion:

ITC promotions and advertising contribute to 35-40% of its total turnover.

For branding its products it has taken Sharukh Khan from Bollywood and Surya from South India

They are the official sponsor of the WTA tennis championship

ITC keeps on promoting its products on buses, print media, hoardings, TV and radio advertisements.

Sunfeast Glucose Biscuits are targeted for children between age group 8-14 and their mothers

Sunfeast Marie Lite is directed as light and crispy biscuits targeted at housewives.

Sunfeast snacky is targeted is directed as light and crispy biscuit targeted for family members for light snacks.

Place:

ITC Sunfeast base factory is in Kolkata, West Bengal.

Now ITC sunfeast has its Godowns and Factory in almost every states in India.

It has a strong distribution network because of ITC brand.

Comparison of Biscuit Companies Shares:

For 2006-2010:

Share value of the biscuit companies in 2006-10 are as follows:

% retail value rsp

2006

2007

2008

2009

2010

Parle Products Pvt Ltd

35. 74

34. 36

34

35. 7

35. 41

Britannia Industries Ltd

36

36. 16

35. 46

32. 66

32. 79

ITC Ltd

7. 87

10. 02

11. 84

12. 26

13. 2

Surya Food & Agro Pvt Ltd

4. 15

4. 27

4. 76

4. 95

4. 49

Anmol Biscuits (P) Ltd

3. 5

3. 57

3. 37

3. 54

2. 99

Cadbury India Ltd

0. 92

1. 12

1. 28

1. 33

1. 32

GlaxoSmithKline Consumer Healthcare Ltd

0. 96

0. 83

0. 8

0. 88

0. 86

Saj Industries Pvt Ltd

1. 13

1. 02

0. 9

0. 78

0. 66

Other Private Label

0. 24

0. 3

0. 35

0. 38

0. 38

Frito-Lay India

—

—

—

—

0. 18

Pantaloon Retail India Ltd

0. 07

0. 07

0. 08

0. 08

0. 1

Bakeman's Industries Ltd

—

—

—

—

—

Others

9.42

8.29

7.17

7.45

7.61

Total

100

100

100

100

100

Brand Shares in 2007-10:

% retail value rsp

Company

2007

2008

2009

2010

Parle

Parle Products Pvt Ltd

31.38

31.24

33.23

33.12

Britannia

Britannia Industries Ltd

36.16

35.46

32.66

32.79

Sunfeast

ITC Ltd

10. 02

11. 84

12. 26

13. 2

Anmol

Anmol Biscuits (P) Ltd

3. 57

3. 37

3. 54

2. 99

Priyagold

Surya Food & Agro Pvt Ltd

1. 99

2. 21

2. 13

2. 1

Bytes

Cadbury India Ltd

1. 12

1. 28

1. 33

1. 32

Horlicks

GlaxoSmithKline Consumer Healthcare Ltd

0. 83

0. 8

0. 88

0. 86

Bisk Farm

Saj Industries Pvt Ltd

1. 02

0. 9

0. 78

0. 66

Other Private Label

Other Private Label

0. 3

0. 35

0. 38

0. 38

Aliva

Frito-Lay India

—

—

—

0. 18

Tasty Treat

Pantaloon Retail India Ltd

0. 07

0. 08

0. 08

0. 1

Bakeman's

Bakeman's Industries Ltd

—

—

—

—

Others

Others

13. 54

12. 49

12. 73

12. 29

Total

Total

100

100

100

100

Future Prospects:

As plain biscuits approaches maturity over the forecast period, a large proportion of the growth in the biscuits category will come from mid-price products, such as cookies and sandwich biscuits. Consumers will upgrade to mid-priced offers, as they are ready to pay for good quality and tasty products. This trend is expected to continue alongside an upward trend in disposable income and increasing exposure to imported premium brands. As such, manufacturers will increasingly look at growing the more profitable products, such as cookies, cream biscuits, crackers and niche products on the health platform.

In constant value terms, biscuits is projected to post a CAGR of 9% over the forecast period. Growth will be driven by more value-added biscuits, consumers upgrading from plain biscuits, and emerging variants such as chocolate-coated biscuits. However, the forecast CAGR will be lower than that for the review period, because one of the key categories, plain biscuits, is expected to slow down significantly with demand becoming more saturated. Other categories will also experience a slow down, as growth will be from a larger base. Biscuits will also face competition from other snacks, especially bread, cakes and pastries which have similar price points as biscuits. For high-income demographics, they may switch to healthier snacks, such as snack bars.

Cookies is expected to post the fastest growth over the forecast period with a constant value CAGR of 14%. This will be followed by filled biscuits. The projected strong performance of these two categories will be due to growth in disposable incomes driving demand for premium products and more impulse purchases. Population growth, especially the projected increase in the number of children, will also boost demand for cookies, one of children's favourite snacks. In 2011, many manufacturers were already entering the premium biscuit segment and over the forecast period, consumers will see more offerings in cookies and filled biscuits.

The average unit price of biscuits is set to grow at a 2% constant value CAGR over the forecast period. Prices of commodities such as wheat, sugar, and milk are expected to remain high, causing manufacturers to raise their prices. However, this will be partly offset by promotions and other discounting strategies, such as value packs, to encourage purchases.

Independent small grocery retailers will remain the most important distribution channel, especially for entry level products and economy brands. Nonetheless, chained modern grocery retailers such as supermarkets/hypermarkets, are expected to become more important over the forecast period, as they offer a greater variety of products and are more likely to launch in-store promotions than small grocery retailers. With more foreign brands expected to enter the market, these imported brands will most likely target urban markets and distribute through supermarkets/hypermarkets first. This will contribute to sales through chained grocery retailers.

According to industry sources, the three largest biscuits manufacturers (ITC, Britannia Industries and Parle Products) will increase television and print advertising expenditure. Local and regional television networks along with classified will be their core marketing and promoting platforms. With strong competition among domestic manufacturers, the leading players are also expected to drive rural consumption of economy brands. Affordability and smaller pack size will be the primary focus of companies for rural areas.

There were several new launches in the premium category in 2011, both from domestic and international manufacturers. These products are expected to perform well over the forecast period as they inject novelty into the market and will meet consumer demand for more high end products. Brands, such as Oreo, had already gained popularity among Indians when they had only previously been available through importers, but their official launch will boost sales as these products will now be made available at lower prices.