A MARKET STUDY ON KEY DETERMINANTS OF READY-TO-EAT/COOK PRODUCTS WITH RESPECT TO TIER-I CITIES IN SOUTHERN INDIA

MR. VIJAYABASKAR. M*; DR. N. SUNDARAM**

*VIT Business School, VIT University, Vellore, Tamilnadu, India.
**Professor,
SSL, VIT University Vellore, Tamilnadu, India.

ABSTRACT

The purpose of this study is to explore and study the market for Ready-to-eat/cook products in Southern India. To find out what are the influential factors determine the market for such products. People attitude, income level, lifestyle changes, product availability are taken into consideration to arrive at the conclusion. The main aim for this study is to explore market potential for ready-to-eat products and the major forces determining such segment to grow and the future potential of the same. Market research will give us insights about the ongoing potential of the segment and the people preference to such products. There is a tremendous change in the last ten years in our country of people consuming habits. The choices before them are plenty and proliferation of micro entrepreneurs will also be influencing factors for this product segment. Other than convenience there are many hidden forces and upcoming forces determine this market. Yet there is no specific boundary for this market since this segment has to be growing and need to mature. Rather than availability of western eatables products, our own products are come into packaged items for sales in this market. This study will throw some light on market boundary and its potential of ready-to-eat products.

KEYWORDS: Ready-to-eat, Market potential, Lifestyle, Product choice.

DESIGN/METHODOLOGY/APPROACH: This study is totally a survey based model. The consumers are in the age group of between 25 to 40 are given questionnaire to get the feedback and some of them were interviewed personally. Based on their input the analyses were done and results arrived. The literature reviews are done based on the secondary information’s available in the well known articles from good publishers and internet sources.

FINDINGS: The results have shown the ready-to-eat market segment is defined by high growth in middle class section peoples and their lifestyle changes due to job factors. Some sections of the people agreed, availability of product choices is also deciding them to buy such products impulsively. Even some small section of the people agreed that most of the youngster don’t want to spend much time.

RESEARCH LIMITATIONS: Data obtained from the convenience sample and literature reviews has been generalized for inferring purchasing patterns of Indian consumers (population). The numbers may not totally represent the whole section of the population because of different backgrounds. Although the study varies in male and female ratio and family members and May not considered the collective opinion of the family. Customers are surveyed in shopping malls and not in kirana shops.
PRACTICAL IMPLICATIONS: This study focus on generic consumers those who are purchasing ready-to-eat/cook category products in shopping malls.

INTRODUCTION

Indian cooking and lifestyle have undergone tremendous changes in the last 15 years. There are many major factors impacts this change are include liberalization policy, dual income, separate living of couples, Innovative kitchen applications, Media proliferation etc.

The cooking style and eating habits in India varies drastically from southern part of India to northern part of India. Due to lifestyle pressure nowadays people prefer easy short way of cooking food rather spending too much time on spending in cooking.

Non-availability of raw materials to prepare masala and tedious process involved in doing so, has influenced people to choose such products. There is no specific category and market potential for these products. The product portfolio varies from noodles, pasta, chips, dairy products, fish & meat products, ready cooking dosa, parota items, masala dishes, pre cooked dishes etc.

There are peoples, who are migrating to cities for job and education and these people have find the Ready-to-eat products are comfortable to eat rather than depending on restaurants. Most of the dual income (both husband and wife are office goers) families want to spend much less time on cooking because of less availability of time. During weekends they want to spend time with their kids and outing, whereas in weekdays the office duration is large and these factors forced them to go for buying such products.

Other factors influences this products is availability of different flavours and dishes. Consumers who are looking for different dishes and flavours now depend on these products. This products brings variety to their eating’s and palatable too. There is no conclusion which one precedes—whether the availability or taste or time constraint, all these factors complement each other in driving these products.

When India becomes the hub of many multinationals and there is a rapid change in people lifestyles. Modernization, majority of young population, Knowledgable consumers, will make an impact on these products. Due to raise in literary levels, proliferation of communication technology, consumers are becoming more aware of the foods they intake and they take decision based on the wealth of resources available.

There are datas available like India is becoming capital for heart patients and diabetic, there is a much stress given on lifestyle and food habits of peoples. Health conscious consumers are mostly well educated and can access to different information available on the internet, magazines, TV shows, and word-of-mouth information by their society people.

More than male, the female consumers shown much interest in knowing the level of calories, ingredients and certain product approval certificates in choosing the products. This shows a good sign of healthy generation in India, especially in the age group of 20-40. Females are also weight conscious and they decide the products based on their consciousness.
Often, housewives become the major influential factors in deciding the food products for the whole family. They now going for purchasing high fibre, low calories and nutrition rich products for their family protection. Advertisements about these products are also becomes a major factor in deciding these products. Level of obesity is on the rise of Indian population and on one side consumers are becoming awareness of the food they intake and on the other side consumers are carried away by advertisements information and packaging stylings.

**METHODOLOGY**

An empirical investigation has been done to study the determinants of market potential of Ready-to-eat consumption in southern India using reliable data sources. The data are collected by questionnaire and interview. Places are visited include, Chennai, Bangalore, Cochin and Hyderabad. Online surveys are conducted to arrive at the result. The sample size is 200 nos.

**LITERATURE REVIEW**

The ready-to-eat (RTE) market in India, currently estimated at Rs. 128 crore (2006) is expected to expand to reach Rs. 2,900 crore by 2015, according to an analysis done by Tata Strategic Management Group (TSMG). In its analysis, TSMG said that the factors contributing to the growth would be changes like cold chain development, disintermediation, streamlining of taxation, economies of scale on the supply side, coupled with increasing disposable incomes, diminishing culinary skills and the need for convenience on the demand side.

The report also highlights that the RTE market in India has remained under-penetrated owing to factors such as consumers’ penchant for freshness, low affordability and the Indian housewife’s preference for home-cooked food.

According to data in the reports, packaged foods in India have grown at about seven per cent a year between 2000 and 2005, with RTE foods being the fastest-growing, at a CAGR of 73 per cent.

The Indian RTE foods market, canned/preserved segment is more popular, contributing about 90 per cent of the market and growing at a Compound Annual Growth Rate (CAGR) of 63 per cent between 2001 and 2006 while the chilled and dried ready meal segments are non-existent. There is a huge untapped market opportunity arising due to rapid demographic shifts in income, urbanisation, and proportion of urban working women in India. The industry needs to concentrate on broadening the market and increasing penetration amongst Indian consumers.”

The analysis also pointed out that industry players would have to significantly improve their price competitiveness with respect to other options such as domestic help, eating out and ordering in, available to the Indian consumer. Besides price consideration, the product range offered by industry players will have to be strengthened. At the moment, the regional cuisine and non-vegetarian cuisine markets are relatively under-serviced with concentration on the vegetarian North Indian meals.
India provides an attractive opportunity for both Indian and international players with a mix of demand and supply side changes. If consumer demands of affordability, availability and enhancing acceptability are met, the RTE foods market has the potential market size of 2,900 crore by 2015 from its existing Rs. 128 crore.”

India has made lot of progress in agriculture & food sectors since independence in terms of growth in output, yields and processing. It has gone through a green revolution, a white revolution, a yellow revolution and a blue revolution. Today, India is the largest producer of milk, fruits, cashew nuts, coconuts and tea in the world, the second largest producer of wheat, vegetables, sugar and fish and the third largest producer of tobacco and rice.

Now the time is to provide better food processing & its marketing infrastructure for Indian industries to serve good quality & safest processed food like ready to eat food. It is opening a new window in world scenario as far as taste & acceptance is concerned. Therefore, Indian Government is providing more infrastructure for this sector. Excise duty is now ZERO % on RTE and 100 % tax deduction for the first 10 years for new units. This allows manufacturers to bring down their prices & spreads its flavors to the world.

MGI study prediction on the effect of economic growth on different classes, Middle class, defined as households with disposable incomes from Rs 200,000 to 1,000,000 a year comprises about 50 million people, roughly 5% of the population at present. By 2025 the size of middle class will increase to about 583 million people, or 41% of the population.

Extreme rural poverty has declined from 94% in 1985 to 61% in 2005 and is projected to drop to 26% by 2025. Affluent class, defined as earnings above Rs 1,000,000 a year will increase from 0.2% of the population at present to 2% of the population by 2025. Affluent class’s share of national private consumption will increase from 7% at present to 20% in 2025.

The Indian consumer market, which is primarily dominated by young generation, is becoming increasingly sophisticated and brand conscious. A typical upper middle class young consumer is beginning to look beyond the utility aspect of a product to seek intangibles like brand and lifestyle statement associated with the product. This modern consumer wants his purchases to reflect his lifestyle or at least the one he aspires for. As a result of this brand consciousness, the food and beverage segment of the FMCG sector is already witnessing a significant shift in demand from loose to branded products.

The Indian affluent class has always had a penchant for premium branded goods and this fetish will continue. A recent luxury brands survey conducted by The Nielsen Company, a global information and media research company, has ranked India third after Greece and Hong Kong in the list of most brand conscious countries in the world. Over 35% of Indian respondents said they spend money on luxury brands.

Generally speaking consumer awareness of fortified/functional products is low. A recent survey shows 80% of Indians agree that health considerations significantly influence their choice of food and drinks. Approximately 48% of these respondents feel that functional food claims play a significant role in their purchasing decisions for food and beverage products.
1) Products that reduce stress, prevent aging, help the heart and fight diabetes are all on a positive growth curve in India.

2) Dairy-based beverages such as reduced-fat flavoured milk drinks and sour milk drinks are expected to witness double-digit value growth over the forecast period of 2007 to 2015. India, the world’s largest malt-based drink market, accounts for 22% of the world’s retail volume sales, as they are traditionally consumed as milk substitutes. These drinks are marketed as nutritious and are mainly consumed by the old, the young and those who are ill. Sales got a boost by improved retail and distribution in recent years.

3) Cereal bars, digestive biscuits, and functional bread products have also found acceptance among Indian consumers. Cereals and cereal substitutes account for 38% of rural consumers’ monthly household food spend- ing. Wheat is the main cereal eaten in northern and western Indian states. Rice cereal is preferred in the south-ern and eastern states.

Vitamin and dietary supplement retail sales have doubled since 2001 totaling US$563 million in 2008, and are expected to reach US$749.4 million by 2013. In response to declining health and increased awareness of good health, India’s over-the-counter (OTC) vitamins & minerals supplement market is growing rapidly. Nutraceutical sales in India for 2009 reached US$1,323.2 million.

There is a marked difference in consumption between urban and rural consumers. Urban consumers represent 70% of the vitamin and dietary supplement market, versus 30% attributed to rural consumers. Indian consumers are spending more on nutritional supplements to combat the effects of stress. Protein supplements and items relating to muscle building are popular, due to the increasing fitness and bodybuilding activity among the urban elite. India consumes the largest quantity of tea in the world. Tea makes up 94% of out-of-home, per capita, hot drink consumption, and almost 70% of in-home consumption. Sales of coffee, tea and cocoa in India increased by 14% from 1995 to 2007. The availability of imported tea on retail shelves has increased and there has been growth in sales of tea bag and flavoured teas.

Dieting is more prevalent than walking or cycling for weight-loss. Rising obesity levels and hypertension in India means that health will become an increasingly important focus for consumers, who will therefore seek out products that aid weight loss. In comparison to Western or European countries, sports do not play a dominant role in the Indian culture, which is traditionally male dominated. However, young, urban adults are increasingly attracted to adventure sports, and this has led to growth in the popularity of river rafting, rock climbing and mountaineering clubs. This trend may lead to more market interest in reasonably priced sports nutrition products. Sport drinks comprise a niche category in India, with consumption largely centered in urban areas. High prices, however, discourage the average consumer from purchasing them. Energy-boosting drinks that are glucose-based (such as Glucon-D) are more traditionally used in India for rehydration.

Steptoe, M. Pollard and Wardle (1995) in their research work, titled “Development of a Measure of the Motives underlying the selection of food: the Food Choice Questionnaire” have developed a food choice questionnaire using Factor Analysis of responses from a sample of 358 adults ranging in age from 18-87 years. The authors have determined Health, mood, convenience, sensory appeal, natural content, price, weight control, familiarity and
ethical concern as the prime motives of food choice and have also evaluated the differences in these motives with respect to sex, age and income.

Binkley (2006) in his research titled “The effect of demographic, economic and nutrition factors on frequency of food away from home” has used a model explaining visits to table service and Ready-to-eat restaurants that are estimated with nutrition variables added to standard demographic measures, wherein nutrition factors have less impact on table service. However, the frequency of consumers very conscious of nutrition factors is significantly very less to table service and Ready-to-eat restaurants vis-a-vis others. Manchester and Clauson (1995) in their work titled “1994 Spending for Food Away from Home outpaces Food at Home” have analysed how food expenditure has significantly increased on eating out. Nayga and Capps (1986-1998) in their study titled “Determinants of Food away From Home Consumption: An Update” identified several socio economic and demographic characteristics of individuals who have consumed food away from home using 1987-1988 national food consumption survey. The analysis was performed using logit analysis. The significant characteristics have been race, ethnicity, employment status, food stamp participation, seasonality, household size, age, income and frequency of consumption.

Jackson and McDaniel (1985) in their research, titled “food shopping and preparation: psychographic differences of working wives and housewives” explores various psychographic characteristics exhibited by working wives as opposed to housewives in food shopping and food preparation by comparing responses of 246 working wives and 181 housewives to several food shopping and preparation related psychographic statements. Results have revealed that working wives have a greater dislike for food shopping and cooking and also exhibited a tendency to be less concerned with the impact of their food shopping and preparation activities on other family members vis a vis non working wives.

Roberts and Wortzel (1979) in their study, titled “New Life-style determinants of women’s food shopping behaviour” have used life-style variables as predictors of food shopping behaviour. It has been concluded that women’s participation in the labour force have significantly focused attention on changing life-styles and consumption patterns. Schroder and .McEachern (2005) in their research, titled “Ready-to-eats and ethical consumer value: a focus on McDonald’s and KFC” aims to investigate the effect of communicating corporate social responsibility (CSR) initiatives to young consumers in the UK on their fast-food purchasing with reference to McDonald’s and Kentucky Fried Chicken (KFC). It has been concluded by the authors that Ready-to-eat has been perceived as convenient but unhealthy and therefore Ready-to-eat companies can no longer rely on convenience as USP unless the implications of same on consumers health is given equal importance.

Lowell (2004) in his work, “The food industry and its impact on increasing global obesity: A case study” has looked at the current crisis which is set to engulf both the developed and developing world using a variety of reliable sources like WHO (World health organization) and IOTF (International obesity task force). The author has plotted the global increase in obesity over the last two decades and points out the problems associated with childhood, adolescent and adult obesity with growing liking for Ready-to-eat and snacking. The author has also pointed a finger at the food industry particularly the “fast-food industry”, which over the few decades has perfected various marketing techniques which have been designed to make us eat more food (supersizing) and targeting more on schools and children.
Despite huge obesity epidemic, fat consumption however is very high in the western world and is increasing in countries undergoing industrial development (Lands et al., 1990; Trichopoulou & Efstathiadis, 1989). A lot of international research on changing consumption patterns and its impact on the western world has revealed that there is a relationship between the consumption of food, particularly Ready-to-eat and the state of obesity. According to the US National Bureau of Economic Research, 65% of obesity is caused by Ready-to-eat and snacks.

Jones & Sheers, Hiliier, Comfort and Lowell (2003) in a study titled, “Return to traditional values? A case study of slow food” outlines the origin of slow food and the challenges involved in pointing a finger at deeply rooted Ready-to-eat industry for global obesity. According to the report of Euromonitor International IMIS database, “The Changing Face of Eating Habits” obesity has become a major global problem with changing food and eating habits and therefore a trend towards vegetarianism and organic food has come seen more in western countries. Ethical consumerism has become an issue in developed countries, as the media increasingly highlights issues of exploitation, food safety and environmental concerns. As a result changes in tastes and lifestyles backed by urban living will significantly impact food demand and consumption patterns.

Goyal and Singh (2007) in their research work, titled “Consumer Perceptions about Ready-to-eat in India: an exploratory study” have explored that the young Indian consumer has passion for visiting Ready-to-eat outlets for fun and change but they feel that home made food is better than convenience Ready-to-eat. Their findings have revealed that consumer acceptability for Ready-to-eat in the future would be decided only by the quality of food and customer service.

According to the WHO, India has been dubbed as Diabetic capital of the world with 37 million diabetics out of 150 million diabetics in the world. Raghavan (2003) in his research, titled “Food in a Globalised World” has concluded that food is a means of life but it has become meaningful investment for business. There is huge gap in food and health related research in Indian context despite obesity almost being an epidemic in metropolitan cities like Delhi, Mumbai, Bangalore, Kolkata and gradually rising in other urban areas too. It is an attempt of mine to analyse in Indian context the determinants and implications of consumers food choice particularly towards Ready-to-eat and discussing policy implications for the same.

OBJECTIVES OF THE STUDY

In view of changing food and eating habits in India and its implications on health and healthy eating among the consumers, the key objectives of my study are:

a) To identify the key determinants of ready-to-eat/cook products
b) To study the growing demand of these products
c) To find out the major sources of attraction for these products
KEY DETERMINANTS OF READY-TO-EAT/COOK PRODUCTS

Due to Change in lifestyle and FII investment there is a drastic change in Indian culture and food habits. Most of the family members doesn’t have time to cook the food in traditional way and most of the families are living in separate environment. Despite modern cooking devices, consumers still need ready-to-eat/cook food because it consumes very less time. The change in lifestyle and dual income consumers are preferring these types of products. The products may vary from noodles, pasta, masala packages, stuffed paratha, etc., and many more.

Other than national player like nestle, pepsico, ITC, haldirams, cavinkare, there are many regional players who is making foray into ready-to-eat segment. Rapid urbanisation is also one of the reasons for people to buy such products. Nowadays people are also health conscious.

RESULTS AND DISCUSSION

MAJOR KEY DETERMINANTS FORCING THE CONSUMERS TO BUY THE PRODUCT

The below table shows the Major Key determinants forcing the consumers to buy the product.

The above graph shows that lifestyle changes will be the key determinants of choosing this product. Other factors taken into consideration are couples working, non-availability of spices (to prepare masala), convenience and taste factors.

Most of the respondents agreed the ready to eat packets are being brought because of the long working hours. Consumers didn’t find time to prepare traditional foods in home and find it difficult to organise spices to prepare that masalas. From the result it is arrived that complete lifestyle changes are the major factors in going for these foods. Some of the respondents agreed the taste is not a influencing factors in determining these products.
In foods, the change is taking place from home-made to ready-to-eat. The evidence lies in how quickly the market for packaged breakfast has doubled in three years to Rs 400 crore growing at 30% annually.

Seeing huge opportunities in the changing preferences of these women, marketers are all out to woo this growing segment. On top of the list for the indulgent homemaker are branded ready-to-eat food, frozen food and ready-to-fry non-veg products. Other convenience foods like packet pasta, instant noodles and snack mixes are also finding huge traction among this group.

TO STUDY THE GROWING DEMAND OF THESE PRODUCTS

The below chart shows that many of in the age group between 20-40 agreed that there is a major growing demand for these ready-to-eat/cook products.

![Growing demand for Ready-to-eat products](image)

Respondents are agreed that there is a growing demand for these segment foods. In the Veg Food category the products falls may are Alloo Matar, Palak paneer, Sarso Ka Saag, Chana Masala, Kadi Pakora, Cheese Tomato, Dal Makhani, Rajma Masala and some of the Non-veg categories are Chicken Curry, Butter Chicken, Karahi Chicken, Mughalai Chicken, Mutton Masala, Mutton Korma, Karahi Mutton, Mutton Biryani

There are many factors influencing this sector and as of today there is not particular prediction which talks about growing demand for these products. All of the buyers agreed there kitchen is dumped with many packed foods. Before 1980’s there is no choices in these segment but today there is a major availability of products which consumer can choose and ready to buy the products. More than regional palyers there are notable MNC’s targeting india to sell their processed foods.

Laying a big role, in the emergence of these categories, is modern retail as it offers the right environment to experiment for brands while educating consumers about new products. The discovery of these categories mostly happens at Quick service restaurants, fast food chains and eventually the consumer's eating habits feed in to the modern trade shelves. Thus
we see ourselves as natural allies to brands working to activate consumption of these categories.

Homemakers have added to their list of purchases new categories like hand sanitisers, facial wipes, probiotic drinks and fabric softners, which are considered premium when compared to saturated segments like toilet soaps. The true business potential of this segment lies in the ability of marketers to create relevance for their products -- be it cooking aids that ease the process of preparation or providing ready solutions that save her time. Targeting this segment needs both, a deep understanding of their need and high degree of creativity in product design.

TO FIND OUT THE MAJOR SOURCES OF ATTRACTION FOR THESE PRODUCTS

The below pie-diagram shows the people in the age group of between 20-40 responded that there are many major sources of attraction for buying these products.

Good packaging plays an important role in deciding this product. There are other factors taken into consideration are aroma & taste, easy to cook, healthy, information on calories, rare ingredients, convenience in buying, quick turn around time in cooking. In the nutshell, we can’t freeze one of the major factors is the source of attraction for these FMCG products, because all of these other factors contributing to the growth of these products or the major sources of attraction for these products.

Most of the respondents feel the packaged food are healthy because over the cover the ingredients and calories level are printed properly and so they can make decision based on these factors.

Convenience in buying are also the another factor. Some of the ingredients are not available nowadays and people are finding it difficult to access it, so foods combined with rare ingredients are one of the major factors in deciding these products. Most of the consumers are knowledgeable and used to buy these products only after carefully reading the ingredients in a proper way. The younger couples are convenient in buying these products and they are all
having secondary information about products that they eat so they will make decision based on these ingredients printed over the label.

The aroma will be last in many of the packages so that is not the good factor in actually going for buying this product. Rare ingredients given in the package and some of the dishes can be prepared only by catering specialist will also be a major factor in buying some of the products.

On the whole, it’s difficult to arrive at a conclusion at a particular factor but all the possible influential factor contributing success to these category products.

CONCLUDING REMARKS

This study shows that there is a greater demand for ready-to-eat food segments and the major attraction for these products are convenience, availability and less time consumption to cook. Due to life style changes and long working hours people are choosing these products and ready to go with it. The availability of raw material to prepare certain spices is one of the less factors in deciding these products. Availability at door step and convenience buying are the major sources of influence in buying these products. However, there is no specific result that how much demand will be there for these products, because we have not included tier-II & tier III cities for this study. These products tend to mushroom because of influence by regional and MNC players. Most of the well known brand wants to sell their products by changing our lifestyle and finding pitfalls in the existing eating habits.

LIMITATIONS OF THE STUDY

This study is exploratory and has some limitations that however doesnot liquidate the purpose of study. Data obtained from the convenience sample and literature reviews has been generalized for inferring consumption & buying patterns of Indian consumers (population). Young & Middle age consumers in the age group of 20-40 from Bangalore, Chennai, cochin, and hyderabad, frequently visiting the grocery & shopping malls are given questionnaire and interviewed personally. The covered people may not represent the whole population and most of them represent female genders. The cities targeted also many not represent whole south Indian population.

REFERENCES

Indian consumer market-A change from pyramid to sparkling diamond by KG oils limited, MP.

A paper on Health and wellness in India by Agriculture and Agro-food Canada Articles in “THE TIMES OF INDIA”


Datamonitor International (2005), Global-Organic Food, Datamonitor Industry Profiles Database.


