CHAPTER I
INTRODUCTION TO THE STUDY

For today’s business change is the only constant. Firms need to always keep in track with the changing business scenario. Firms which do not change their marketing activities and adjust themselves to the market trends will go out of business in no time. Hence the marketing function of a business organization plays a pivotal role in ensuring the success of the firm. In a business organization, marketing department generates the revenues, essential for the survival and growth of the firm. The real challenge to marketers lies in generating those revenues profitably, by satisfying customers in a socially responsible manner.

The post liberalization phase in India has gone through plenty of changes in the market place. This transition phase has not only spotted the massive inflow of brands coming from various countries all around the globe but also has observed the changing consumers and evolving trends in consumer behavior. Thus the transition phase has created the concept of “Holistic Marketing” in the contemporary times. Quality advancements, media revolution, technological advancements service culture, and healthy competition among firms to satisfy the consumers have educated the customers like never before. As a result the customers have become more mature from those seeking satisfaction to those who want to be delighted by their marketers. The products demanded, the brands sought and the purchasing pattern have undergone rapid transformation. So marketers constantly have to think of innovative ways to reach the minds of customers. Thus understanding the consumer behavior becomes very significant for the present managers.

According to the marketing Guru, Philip Kotler\(^1\), “Companies should think about the millennium as an opportunity to gain mind share and heart share”. Market share is replaced

\(^1\) Kotler, Philip, Kartajaya, Hermawan; Values to drive Marketing, 2007; 3.0 Pitch, 5(1), p112.
by Mindshare and Heart share. Modern marketing is all about “Mesmerization” of customers. Understanding consumer behavior is the starting point for mesmerizing them.

Consumer behavior is a study of how individuals make decisions to spend their available resources (time, money and effort) on consumption related items. The consumers’ needs, beliefs, attitudes, the availability of brands and products all have an effect on buying behavior of customers apart from various other elements like influence of family and friends, price, place of availability, promotion, brand of the product, retailers’ quality etc. The success or failure of a product is directly related to the buying behavior of the customers.

An article by Chitra Narayanan, explains the views of Madhukar Sabnavis, Country Head, Discovery and Planning, Ogilvy and Mather. According to him a significant point marketers should note is that the 25 year old Indian in 2020 will be a post liberalization child. The modern consumer will be “Spoilt for choice”, one exposed to plenty of brands and options. The Report by NCAER (National Council for Applied Economic Research) titled “How India earns, spends and saves” says that 45% of Indians would be living in towns and cities by 2050. By 2020 the rural urban divide will no longer be that strong. The NCAER report points out how incomes tend to rise with education and the pattern of saving and spending changes. It also makes consumers more demanding.

Several other studies have shown that the Indian consumer even at the BoP (Bottom of the Pyramid) is not so much cost –conscious as he is value conscious. They are already showing tendencies of wanting to indulge in new experiences and new products. Young India is typically not so sentimental about brands. Along with the value consciousness, the embedded trend is that Indians are becoming health conscious. Thus the hot spot for

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marketers is to give a healthy option without foregoing indulgence. This is more important in case of food products which occupy a major part of the Indians’ shopping cart.

The National Sample Survey Organization (NSSO) in its 66th round survey covering the period from July 2009 to June 2010 shows an average rural Indian household to have allocated 53.6% of its total monthly consumption expenditures on food items. The corresponding share of the urban household was less at 40.7%. The major share in the purchases is occupied by cereals.

<table>
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<tr>
<td>2009-2010</td>
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Source: 66th round survey by National Sample Survey Organization (NSSO)

Food is something that people consume on a daily basis. With more disposable income in their pockets, people are more interested in new products and their propensity to try and taste different things increases. Brands for food and beverages grow due to the regular nature of their use and consumption. Undoubtedly, food accounts for the largest share of consumer spending. The percentage of income spent in the households will drive a change in the food market. This change happening in the eating pattern of households is nothing short of a revolution. The time-starved working Indian consumer who is in no mood to spend an hour in the kitchen preparing food, is adopting a new eating habit to suit her lifestyle. She is stocking up on packaged and Ready-To-Eat / Cook products that not only serve the purpose of a tasty meal but also save the time. Thus, taste and convenience become major requirements. This is the result of the busier lifestyle of the modern consumer with both partners working and lesser time available for shopping as well as preparing food at home.

*“Consumers still spend most on food”, Business Line, July 9, 2011.*
With time at a premium and Indians getting busier, the demand is more for “ON-THE-GO” products. By the next decade Indian consumers will be demanding convenience, not just of products but of availability too. The change in the family structure – disintegration of joint family and emergence of nuclear units, rise in single person household, migration of educated persons to cities, engagement of more women to their career goals, etc has increased the spread of more On-The-Go products, especially the Ready-To-Eat varieties.

Ready-To-Eat food products are those which can be used without any cooking. These products are those which are prepared in advance and that which can be consumed as it is purchased. The shelf life of such products will be less than 18 months.

Ready-To-Eat (RTE) foods market in India is currently worth Rs.130 Crores. And it is expected to further expand to Rs.2900 crores by 2015. The article by Janice Wong5, “Indian Foods Big Potential for growth” expresses the views of Pinaki Mukherjee, Lead Consultant with Data Monitor India’s Consumer Market Team. With both rising popularity of Indian cuisines and the burgeoning Indian diaspora across the globe, the recent rise in demand in the local market is a substantial one. The factors contributing to this 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 raising need for convenience on the demand side.

Many companies like ITC, MTR,HUL,Parle,Amul have already placed their foot prints in this field. The Ready-To-Eat products are available in large varieties starting from chapattis and rotis to gravies like Paneer Butter Masala, Palak Paneer, Chicken Tikka and other breakfast items like upma, semia, pongal etc. along with snacks like samosas, pakodas and even bhaji. No doubt Ready-To-Eat food products provide ‘Convenient Food’, authentic dishes and entice on the go along with a wide assortment of emerging desi brands. Though

this category is a big hit in the foreign markets (especially with NRIs) the success of these items in India is still on a growing stage. Thus it requires an in-depth analysis to understand the reasons behind such a huge demand for Ready-To-Eat Food, and to know the expectations of the consumers towards these Ready-To-Eat products.

The previous studies have helped to understand that the rising demand for the Ready food products are mainly attributed to changes in socio-demographic characteristics and consumer lifestyles along with the emerging organized and open format retail. However, in addition to the convenience factor, Health is another feature which companies are adopting to target their consumers. While variety and taste are two important needs, health is definitely taking precedence among consumers who are making this shift in the food products. So to survive in the market, today’s marketer need to always keep a track of the ever changing needs of the customer to optimize their market. To identify the needs of the customers the first step is market segmentation. Schiffman and Kanuk\(^6\) defined **Market Segmentation** as “the process of dividing a potential market into distinct subsets of consumers and selecting one or more segments as a target to be reached with a distinct marketing mix”

The need for segmentation results from the differences between people, and the study of consumer behavior in a country like India, which has a very vast culture, will not be complete, without a segmentation of the market. The justification for segmenting consumer markets is that consumers who share similar characteristics will share similar attitudes, wants and needs. Thus they will have similar responses towards marketing stimulation. When it comes to Ready-To-Eat Food, segmentation based on lifestyle can be applied to develop proper marketing strategies. Several segmentation variables can be applied in the food market such as demographic, psychographic or lifestyle profile. Although there is growing demand

for Ready-To-Eat Food Products in India no information is available regarding marketing strategies for these products. Therefore the present study aims to fill this gap by examining the RTE Food consumers’ attitude and behaviors and to profile Ready-To-Eat Food consumer lifestyles segments in India, with special reference to Salem.

One of the major reasons for the emergence of the Ready-To-Eat Food Products is the change in the role of women from Home –Makers to a working one. In an article written by Gayle Tzemach Lemmon7 - “Secret to rebuilding the world’s economy”, Beth Brooke, Ernst and Young’s Global Vice Chairman for Public Policy, Sustainability and Stakeholders engagement, has opined that Women as consumers represents one of the largest segment in the emerging world market. He also pointed out that next to China, India is the country where, women control more than 80% of the household spending decisions. The focus is now on women as entrepreneurs, employees and consumers all of which offer unique business opportunities for companies agile enough to take advantage of them. For all these reasons some of the world’s leading companies are beginning to view women as the next big growth opportunity.

The change in the role of women from a home maker to a working one gets more focus in the current scenario. The women of today’s time are not confined to home and kids. Today’s women have grown out of the image of a dutiful daughter-in-law, home maker and a devoted wife. She is now a professional and working person with her own identity. The article of Kamesawara Sastry and Chandrasekar,8 about the social behavior of Indian consumers explains the views of the Registrar General of India, that the proportion of women in the workforce in 1981 was 19.7% and it rose to 22.7% in 1991 and further rising to 25.7% in 2001 and 78.9 % in 2010. The engagement of more women in the work force has paved

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7 Lemmon Gayle Tzemach ; “Secret to rebuilding the world’s economy”; Business Line, The Hindu, Wednesday, November 10, 2010, p 8
way for more desire to maximize “ME” time (time exclusive for themselves). They have become more time conscious and at the same time health conscious too. Thus convenience along with quality and health became the most sought parameters for making food buying decisions. There are plenty of products like the readymade pastes and kitchen accessories which are a result of this revolution. Thus with these products produced, the focus on women as an active decision maker is very clear in the marketing strategies.

While a segment of women are moving towards a career there is still a large portion of women who prefers to stay at home and shoulder the responsibility of managing a home. The lifestyle of this group differs from that of working women. The attitude, perception and habits and even the brands and products they prefer, along with the process of making a purchase decision, are different between the working woman and home maker. While the disposable time at the hands of home makers are more than that of working group, the desire for ‘ME’ time is almost the same in both the groups.

Though the ‘availability of time is a differentiating factor between the home maker and working woman, the attitude of the working women differs from that of a home maker in various aspects. There demographic features, life style, and many other factors may be responsible for this. The differences in the buying behavior of these two groups regarding the food products especially Ready-To-Eat Food has received less research attention to date. More attention is needed in product quality - expected or preferred, in shopping pattern including outlet choices and timing of purchases, and in attitudes and family practices with regard to shopping of food products, especially with regard to the emerging Ready-To-Eat category.

Thus the present research study deals with “A comparative study on the consumer behavior of working women and home makers for the Ready-To-Eat Food Products”
Another important highlight of this study is that it will also help in identifying the target buyers and area, for the Ready-To-Eat Food products. With declining area under cultivation, growing demand for products with shelf life and availability of Government subsidies, a lot of people are interested in making food products mainly the traditional items. The findings of this study will enable the manufacturers and those who are interested in making food products, to find the actual demand for these food products, and produce the products according to the consumer’s taste. Thus the social aspect of this study is to help the people who would like to take up self-employment in the food sector and to help the Government in framing policies in this sector. It will also help the policymakers to formulate the strategies for the growth of this sector.

1.1 AREA OF THE PROPOSED RESEARCH:

Tamilnadu is considered to be one of the country’s most urbanized State. Nearly half the population of the State lives in the urban areas. Provisional data released by the Census Directorate based on 2011 headcount shows that State’s urban population stands at 48.5%. There has been a 10% increase in the urban population in the last decade. The growth in the rural population since 2001 was only 6.49 while that of urban areas is 27.16%. Salem District has 51.04% urban population in 2011. Migration towards cities and towns, where there are more economic job opportunities, is the main reason behind such large scale urbanization. Apart from this the availability of opportunities for skilled, semi-skilled and unskilled workers, the decline in agriculture also contributes to the phenomenon. Thus these push and pull factors are behind the large scale urbanization of Salem city.

The area of the proposed study is Salem city, as it is growing to be a Metropolitan city which includes a wide range of consumers who differ in the lifestyle, attitudes, and other factors. Such a diversified consumer group needs special care and attention while drafting

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9 K.Venkataraman; “Nearly half the population of State live in urban areas”, The Hindu, August 2010, p6
marketing strategies. Presently considered as a Tier II city, Salem is emerging as a Cosmopolitan city. Due to various infrastructural and other developments taking place, the lifestyle of the residents of Salem is changing and a study about the consumer behavior of the women in Salem will definitely help to explore new areas in the field.

1.2 OBJECTIVES OF THE STUDY:

The following are the objectives for the proposed study:

1. To find out the factors which influence the purchase of the Ready-To-Eat food products.
2. To identify the most preferred brands in the Ready-To-Eat food products.
3. To analyze the drivers and inhibitors for the change in the consumer preference for Ready-To-Eat food products.
4. To examine whether the Ready-To-Eat food products are preferred by the Working women or home makers or both.
5. To understand the food related lifestyle in general and Ready-To-Eat food related lifestyle in particular.
6. To explore the level of satisfaction of the respondents over the availability of the Ready-To-Eat food products.
7. To find out the level of satisfaction over the price of the Ready-To-Eat food products.
8. To study the level of influence of the advertisements of the Ready-To-Eat food products.
9. To segment the Salem consumers based on their Ready-To-Eat Food orientation.

1.3 STATEMENT OF THE PROBLEM

Consumer behavior towards food is worth analyzing not only because it accounts for a major part of the consumer purchases but also due to the tremendous changes undergoing in the lifestyle and the pattern of spending. Consumers are moving from cost conscious position
to that of health conscious and value conscious. One of the main reason which accelerated this change is the transformation in the role of women from home makers to that of working women. The reduction of time at their disposal led to the emergence of a new segment of products which are Ready-To-Eat food products.

Though the ‘availability of time’ is a differentiating factor between the home-maker and working women, the preference for quality, variety and health etc are in the priority list for both groups while making food choices. However, differences exist in the buying behavior related to food products mainly Ready-To-Eat and this has received less research attention to date. The present study aims to fill this gap by examining the RTE Food consumers’ attitude and behaviors and to profile Ready-To-Eat Food consumer lifestyles segments in India, with special reference to Salem.

The various issues which need focus in this field are:

- Product quality expected or preferred in Ready To Eat food products
- Shopping pattern including outlet choices, timing and frequency of purchases of Ready To Eat Food products
- Attitudes and family practices with regard to shopping and purchases decisions of Ready To Eat food products
- The difference in the buying behavior of working women and home makers towards Ready To Eat Food products

The proposed research intends to analyze these factors which will provide insight into this emerging sector of Ready-To-Eat Food Products.

1.4 SIGNIFICANCE OF THE STUDY:

Food and grocery is the second-largest segment of the retail industry and the potential for new entrants in this segment is enormous, particularly in the urban markets where the lifestyle is undergoing tremendous changes. Growing at the rate of 30%, the Indian food retail is going to be the major driving force for the retail industry. The food industry is on a roller coaster ride as Indians continue to have a feast. Fuelled by—large
disposable incomes and less availability of time – the food sector is witnessing a remarkable change in consumption pattern.

Being the largest producer in fruits, milk, cashewnuts, coconuts and tea, and the second largest producer of wheat, vegetables, sugar and fish, and the third largest producer of tobacco and rice, now it’s time to provide better infrastructure and facilities for the food processing industries to serve good quality and safest processed food like Ready-To-Eat food. This industry is on a growing stage and understanding the market as well as customers’ demand is very important for a marketer in this field.

The proposed study on the comparison between the consumer behavior of working women and home makers towards the Ready-To-Eat food products will surely provide many valuable insights for both the existing players and new entrants and also those firms which are planning to make its foot step in the field.

Thus the study is very much relevant in the current scenario when the Ready –To –Eat Food Industry is poised for a takeoff.

1.5 CONSUMER BEHAVIOR –AN OVERVIEW

Indian Marketing scenario is undergoing tremendous changes due to the rapid changes in the country’s demographic profile. Marketers and advertisers will be addressing a whole new Indian consumer in the coming decade. The 2020 Indian consumer will be a younger Indian who is a post -liberalization child. According to Madhukar Sabnavis, Ogilvy and Mather , the average age of the India in 2020 will be 29 ,while the average age in both China and the US will be 37 and in Europe 45. The modern consumer will be a “Spoilt for Choice” one, exposed to plenty of brands and options. They would tend to be more consumptive borrowing from future income for purchasing luxuries. Emerging consumers in 2020 will be busier and consumer time will be compressed. The new consumer will be a

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10 Madhukar Sabnavis ; The Indian Consumer ,10 years on ; Brandline, Businessline, The Hindu, November 25, 2010.
seeker of experiences. So the market needs to be more visual and more interactive. As education levels rise the Indian consumers will become more aware. The rise in education creates a rise in the income and the pattern of saving and spending changes. This makes the consumers more demanding. Moreover they are not very sentimental about the brands. So marketer will need to work harder to gain brand equity. Thus understanding the consumers’ perception and attitude is very essential for marketer as Indian consumer is expected to evolve into younger, richer, more educated, busier, and more confident entity. Hence understanding the consumer behavior plays a vital role in the modern marketing scenario.

1.5.1 Consumer Behavior –The Concept.

The field of consumer behavior is rooted in a marketing strategy that evolved in the late 1950’s, when some marketers began to realize that they could sell more goods more easily if they produced only those goods they had already determined that consumers would buy. Instead of trying to persuade the customers to buy the products already produced by the companies, marketing oriented firms found it was a lot easier to produce only those goods they had confirmed through research, that consumers wanted. An intuitive understanding of consumer behavior was the key to the growth of companies that have remained successful, even today.

The term Consumer Behavior is defined by Schiffman and Kanuk¹¹ “the behavior that consumers display in searching for, purchasing, using, evaluation and disposing of products, and services that they expect will satisfy their needs.” Consumer Behavior focuses on how individuals make decisions to spend their valuable resources (time, money, effort) on consumption–related items. In order to succeed in any business, especially in today’s dynamic and rapidly evolving market place, marketers need to know everything they can about consumers. Thus Consumer Behavior has become an integral part of Strategic market

planning. Consumer Research is the methodology used to study consumer behavior. It takes place at every phase of the consumption process, before, during, and after the purchase.

1.5.2 Models of Consumer Behavior

Many early theories regarding Consumer Behavior were based on economic theory on the notion that individuals act rationally to maximize their benefits in the purchase of goods and services. But recent research discovered that consumers are just as likely to purchase impulsively and to be influenced not only by family and friends, by advertisers and role models, but also by moods, situations and emotions. All of these factors combine to form a comprehensive model of consumer behavior that reflects both the cognitive and emotional aspect of consumer behavior.

A Simplified model of Consumer Decision Making given by Schiffman and Kanuk\(^\text{12}\) can be explained as three distinct but interlocking stages:

1. The input stage
2. The process stage
3. The output stage

**The input Stage** influences the consumer’s identification of a product need. It includes two major sources of information, the firms’ marketing efforts (product itself, price, promotion and place) and the external logical influences on the consumer (family, friends, neighbours and other non-commercial sources such as social class, cultural and sub-cultural emberships). All these factors will have an effect on the purchase decision of the consumer.

**The process stage** of the model focuses on how consumers make decisions. The psychological factors present in each individual affect at this stage. These factors are motivation, perception, learning, personality, attitudes etc. The consumer goes through

various steps like, need recognition, pre- purchase information gathering, and evaluation of alternatives.

*The output stage* of the consumer decision making model consists of two closely related post decision activities: purchase behavior and post- purchase evaluation. The purchase behavior includes trial and repeat purchase. The post - purchase evaluation may result in satisfaction and post purchase dissonance.

1.5.3 Beyond the decision: Consuming and possessing

The experience of using the product as well as the sense of pleasure derived from possessing , collecting or consuming “things” and “experiences” contributes to customer satisfaction and overall quality of life. These consumption outcomes or experiences in turn affect the consumers’ future decision processes. Thus a broader perspective of consumer behavior can be developed with the view that consumer choice is the beginning of the consumption process and not merely the end of the consumer decision making process.

1.5.4 Factors influencing consumer buying behavior

Consumer buying behavior is affected by various factors that determine the products and brand preferences of consumers. Every marketer needs to understand the impact of these factors on consumer buying behavior so that they can design appropriate marketing strategies to appeal to consumer preferences. The various factors that influence consumer buying behavior include demographic and personal, social, cultural, and psychological factors.

1.5.4a Demographic and personal factors:

There are different demographic and personal factors which affect the buying decision process. These factors are:

- *Age and lifecycle stage:*
- *Occupation and financial status:*
1.5.4b Social factors:

Family, friends, formal social groups, colleagues at work and consumer action groups influence consumer behavior significantly. These social groups influence the buyers to purchase and consume quality goods and also refrain from buying those goods and services that exploit customer vulnerabilities.

1.5.4c Cultural factors:

The cultural factors that influence consumer buying behavior include the culture, subculture, and social class of the buyer.

Culture is considered to be a set of rules, values, beliefs, behavior and concepts that is common to and binds together the members of a society.

A subculture is a culture followed by a group of people who share similar habits and values, within a culture that is distinctly identified within a larger society.

Social class refers to the classification of members of the society into a hierarchy of distinct classes so that every individual in a class has approximately same position in the society.

1.5.4d Psychological factors:

Psychological factors that influence consumer buying behavior are:

- **Motivation:**
- **Perceptions:**
- **Beliefs and attitudes:**

- Attitude is a set of hidden feelings and the way in which he reacts to a given idea or thought.

1.5.5. Market Segmentation

Market segmentation can be defined as the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. This strategy of segmentation allows
producers to avoid head-on competition in the market place by differentiating their offerings, not only on the basis of price but also through styling, packaging, promotional appeal, method of distribution, and superior service. Market segmentation is the first step in a three-phase marketing strategy. After segmenting the market into homogenous clusters, the marketer then must select one or more segments to target. The third step is positioning the product so that it is perceived by the consumers in each target segment as satisfying their needs better than other competitive products.

1.5.5a Bases for segmentation:

The first step in developing a segmentation strategy is to select the most appropriate base on which to segment the market. The bases used for segmentation are:

- **Geographic segmentation:** In geographic segmentation, the market is divided by localities, regions, cities, states, countries etc.

- **Demographic Segmentation:** In this type of segmentation, the market is divided into groups based on demographic attributes such as age, gender, income, occupation, religion, race, nationality, social class, family size, family lifecycle, etc. This type of segmentation is used by the researcher in the study to segment the Salem consumers based on their food lifestyle.

- **Psychographic Segmentation:** Though the markets segmented on the basis of demographic variables have common characteristics such as age, sex, income etc. their psychographics such as motivation, values, belief, lifestyle, personality etc can differ significantly.

- **Behavioral Segmentation:** Firms can divide markets on the basis of behavior that customers show towards the usage of the products. This type of segmentation shows what customers have purchased in the past.
Here the marketer follows the AIDAS formula. He first creates **Awareness**, then tries to induce an **Interest** for the product in the customers. Subsequently a **Desire** has to be developed in them which will lead them to take **Action** or buy the product. Finally after purchase he tries to provide him **Satisfaction** in delivery and performance.

### 1.5.6 Consumer lifestyle and shift in the consumer behavior scenario

Though marketers use the various marketing strategies they always look for the changes happening in the market place to make their strategies suitable for the changing customer needs. The marketers have already indulged in some crystal ball gazing. The present day consumers have matured from those seeking satisfaction to those who want to be delighted by their marketers. The products needed, brands desired, the approach towards consuming all have transformed radically. The latest socio-cultural trends in proliferating brands and a growing economy have created both opportunities and challenges for the marketers. The *S’Marketing*\(^\text{13}\) Convention 09 organized by the Confederation of Indian Industry in Chennai had come out with the views of marketing and advertising specialists who think over the challenge of the fast changing consumer, customer power, digital marketing, innovation, new avenues for growth and talent management. Thus the modern customers can be captivated by innovative products and by implementing innovative marketing strategies. The new age consumer will also be brand skeptic, value conscious , eco savvy , more socially vibrant in with the advent of social networking sites and mobile communities and above all these he will be more convenience conscious.

Thus all these show that Indian consumer is expected to evolve into a younger, richer, more educated, busier and confident entity. The marketers need to change their marketing strategies to suit this ever changing customer. Today’s challenge is – The *Challenge of Consumption*. Consumption throws up the challenge of creating a shift from basic needs to

\(^{13}\) Sravanthi Challapalli and Vinay Kamath ; “For some S’ Marketing”, Brandline, Business line, December 24, 2009
desires and convenience. Such a shift is mainly felt in the food and grocery which is the second largest segment in the retail industry.

1.6 INDIAN FOOD INDUSTRY

Food industry in India is on a roller coaster ride as Indians continue to have a feast. Fuelled by large disposable income- food sector is witnessing a remarkable change in consumption patterns, especially in terms of food. According to a report published by market research firm **RNCOS** in April 2010, titled “Indian Food and drinks Market: Emerging opportunities” the Indian food and beverage market is expanding rapidly and is projected to grow at a compound annual growth rate (CAGR) of about 7.5% during 2009-2013 and would touch US$ 330 Billion by 2013.

The history of Indian Food has experienced extensive immigration and intermingling through many descents. The Indian subcontinent has benefitted from numerous food influences. Food has become a marker of religious and social identity in India with varying taboos and preferences, which has also surrounded these groups to innovate widely with the food sources that are deemed well enough.

The study “Flavors of Incredible India-Opportunities in the Food Industry” carried on by FICCI –Ernst & Young notes that the Indian Food industry is a significant part of the Indian Economy with food constituting about 30% of the consumer wallet. The key drivers for growth in the sector are:

- An increase in the per capita income by 8% over the last five year period during 2005-2010 which has led to an increase in per capita consumption expenditure on food by 20% over the same period.

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14 IBEF web source: http://www.ibef.org/
15 FICCI –Ernst&Young ; “Flavors of Incredible India-Opportunities in the Food Industry”, Embargo; October26,2009
Growth in the size of the middle to very rich class which is projected to increase at more than 300% between 2005-2015. This will lead to an increasing demand for food products to meet demands of convenience, variety, health and a changing palate.

Emergence of Tier 1 and Tier 2 cities which will present key opportunity for future growth due to rising income, increased awareness and limited availability of products currently in these markets.

Ernst & Young further states that there are key lifestyle changes which will result in a transition of the consumers’ consumption pattern:

- A growing number of nuclear working families who have limited time for cooking and hence are driven by a high need for convenience.
- An increasing incidence of lifestyle diseases such as diabetes, asthma, and obesity resulting in a demand for healthy products.
- An increased consumer awareness driven by media penetration and celebrity chefs promoting new cuisines and product categories. This phenomenon is not restricted to urban areas because rural Indians are often exposed to such processed products through their urban family members.

Thus the study notes that the Indian Food Industry needs to consider certain key critical success factors to tap the opportunity created by these changes in lifestyle and consumer behavior.

**1.6.1 Segments of Indian Food Processing Industry**

India is the second largest country in food production next to China and has the potential of being the biggest with the food and agricultural sector. The food processing industry is one of the largest in India. It is ranked fifth in terms of production, consumption,
export and expected growth. Fuelled by the large disposable incomes, the food sector has been witnessing a marked change in consumption pattern especially terms of food.

The Ministry of Food Processing, Government of India indicates the following sectors within the food processing industry.

**Table 1.2 Segmentation of different sectors in food processing Industry**

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<tbody>
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<td>Whole milk powder, skimmed milk powder, condensed milk, ice cream, butter, cheese,</td>
</tr>
<tr>
<td>Fruits &amp; Vegetables</td>
<td>Beverages, juices, concentrates, slices, wafers, pulps, dehydrated products</td>
</tr>
<tr>
<td>Grains &amp; cereals</td>
<td>Flour, bakeries, biscuits, Malted foods, Vermicelli, grain based alcohol</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Fresh and canned products</td>
</tr>
<tr>
<td>Meal &amp; Poultry</td>
<td>Fresh and packed products, egg powder</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>Snack food, namkeens, Ready-To-Eat Food, alcoholic and non alcoholic beverages</td>
</tr>
</tbody>
</table>

Source: Ministry of Food Processing India, Annual report 2010.

The food industry in India mainly consists of the following sectors:
- Dairy and food processing
- Canning
- Frozen food refrigeration
- Thermo processing
- Specialty processing
- Fruits and vegetables
- Confectionery
- Aqua culture and fishing
- Meat and Poultry
- Fast Food and snacks
- Ready-To-Eat Food
- Additives
- Grains
- Health food supplements.

India being the largest producer of milk, fruits, cashew nuts, coconuts and tea in the world, and the second largest producer of wheat, vegetables, sugar and fish and the third largest producer of tobacco and rice, Government is now providing more funds and infrastructure to develop this sector further. Now the Government has started concentrating on the food processing sector so that Indian industries can serve good quality and safest processed food like Ready-To-Eat food products.
1.6.2 Ready-To-Eat Food Products:

The Ready-To-Eat (RTE) Food Market in India, currently estimated at Rs.150 crore (2010) is expected to expand to reach Rs.2900 crore by 2015, according to an analysis done by Tata Strategic Management Group (TSMG). In this 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 income, diminishing culinary skills and the need for convenience on the demand side.

Ready-To-Eat (RTE) products can be defined as food products that constitute complete meals, require minimum processing, if any, typically requiring re-heating to desired temperature or addition of water. They are often termed as ‘Convenience Food’ since they are positioned as ‘value for money’ products which solve the issue of time- constraints of cooking faced by consumers due to the pressures of urban life.

According to the Korean Food Code, Ready-To-Eat food is typically processed to ensure that they are safe to consume without further cooking. Additionally, by the Australia New Zealand Food Standards Code, an RTE food refers to a food that is ordinarily consumed in the same state as that in which it was sold or distributed and does not include nuts in the shell or whole, raw fruits and vegetables that are intended for hulling, peeling or washing by the consumer.

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1.7 AN OVERVIEW OF READY-TO-EAT FOOD INDUSTRY

Ready-To-Eat Food was introduced in India originally in 1970. However, the concept was a failure at that time. This segment did not pick up well, due to many factors such as consumers’ inclination towards freshness, low affordability and Indian housewives’ preference for home cooked food.

Some of the features which have its impact on the Ready-To-Eat Segment are:

- Globalization of Indian food and its culture are the core factors for popularization of Ready-To-Eat Foods.
- The fast growing foreign market and retail market in India.
- Emergence of foreign brands through rapidly growing retail outlet culture.
- Demand for quality, taste, flavor and freshness.
- Increasing number of women wanting to spend more time out of the kitchen.
- More working bachelors staying away from home.

Due to these factors a change is taking place in the dining table of an average urban Indian household which is nothing short of a revolution. The home made idly is being replaced by one dished out from a packaged ,branded Ready-To-Eat Cook Batter. Aloo paratta which is usually eaten hot right from pan is being replaced with a bowl of cereal.

The revolution in the eating habits of Indians came with the wind of Breakfast cereals. The Indian consumer was first wooed by the –Michigan based cereal maker Kellogg, 16 years ago. Though the attempt was not successful at that time, finally Indians have consented to adopt new food styles. If we go by the Industry data, the packaged breakfast market has doubled in three years to Rs. 400 crores growing at an annual growth rate of 30% with companies such as Pepsi Co, Britannia Industries and Marico with their respective brands ‘Quaker Oats’ and Britannia healthy Start’ and ‘Saffola Oats’. Around 10% of the population of 70 million households have already adopted the new breakfast habit. This trend in
breakfast has also created the same wave in other food also. Leave alone breakfast, the concept of a family meal has by and large ceased to exist in metros. Most of the people miss their breakfast and another segment has inadequate lunch. Thus different members of the family have different time schedules, which have resulted in fragmentation of meals as well as reduced time for cooking and serving. As a result families have devised their own strategies to cope with these situations. It varies from packing food to eat on the way to place of work and to eat road side snacks or hotel food. All these lead to nutrition deficiency. Food companies see an opportunity in connecting with consumers and bridging the so called nutrition gap at the dining table. The core factors which are targeted by the companies are nutrition and convenience. At the upper end the consumers are looking for nutrition and convenience while at the lower end affordability along with stomach fill is more important.

In addition to convenience, health is another factor which companies use to promote their packaged Ready-To-Eat Food. When cereals promise a wholesome meal, Ready-To-Eat food offer tastes closer to one prepared at home. The modern consumer is happy to sample it all. While variety and taste are important, health is certainly taking precedence among the customers who are making the shift.

*Thus the following chart shows the drivers of the Indian Ready-To-Eat Food Industry.*

*Exhibit 1.1 Drivers of the Indian Ready-To-Eat Food Industry*
The growth in Ready-To-Eat Food products is mainly due to the expansion of food industry into the rural area leading to increased consumer base and preference for economy products due to higher price sensitivity among the rural population.

The following chart shows the projected growth of Ready-To-Eat food Industry in the next five years from 2010-2015.

**Exhibit 1.2 Forecasted market size and growth of Ready-To-Eat food**

![Chart showing forecasted market size and growth of Ready-To-Eat food](image)

1.7.1 **Major players:**

The major players in the Ready-To-Eat segment are:

**MTR Food Ltd:**

MTR, the pioneer in the segment is still enjoying the leadership in most of the varieties. They are enjoying 70 % of the market share with their presence in more than 60 cities in India. MTR has huge menu card with more than 15 curries and more than 10 South Indian specialties. It has also launched more than nine rice based items like lemon rice and rajma chawal.

**ITC Foods:**

ITC is one of the first companies which made an entry in the Ready-To-Eat Segment. ITC won the Indian consumers heart through their right flavor and excellent taste. Now they are eyeing the middle market and trying to reach shop shelves around the country. It has put
together a range of five vegetarian flavors including aloo matar, Rajma Masala, navratan kurma, packed in retort pouches and with a shelf life of 12 months. While the Kitchens of India is for the upper market, the Ashirvaad range is for the middle class markets.

**Satnam Overseas:**

Satnam Overseas is one of India’s largest exporters of Basmati rice under the flagship Kohinoor Brand, has already made its entry in to the Ready-To-Eat food Business. It has introduced heat and eat curries with lentils with a distinctly north Indian flavor like peshawari dal, Kashmiri rajma, and Amritsari chole. The Unique Selling Proposition (USP) of Satnam is its regional appeal.

**Tasty Bites Eatables:**

The Pune based Tasty Bites Eatables Limited (TBEL) has been exporting for years and has already made an ambitious thrust into the Indian Market. Tasty Bites offers more than nine curries and more than six south Indian Ready-To-Eat dishes like aval and Pongal. It has also recently launched a range of Ready-To-Cook (RTC) curry pastes. Tasty Bites also has another range of Ready-To-Eat Meals that it makes for the Indian Army which come along with plastic plates.

**Priya foods:**

In Tamilnadu and Andrapradesh, Priya Foods is one of the fastest growing FMCG-Food brand and one of the largest exporters of packaged foods in India, offering a comprehensive range of authentic Indian Food. The range consists of Dal Makhni, Navratan Kurma, Palak Paneer, Paneer Butter Masala, Punjabi Chole, Rajma Masala, along with true southern delicacies like Andhra veg Pulav, Mango Dal, Gongura Dal etc.

**Aachi Foods:**

In Tamilnadu, Aachi Foods is very popular and has major share. The company stands at Rs.270 Crores with 130 product ranges available in different packs suitable for households.
By adopting the distribution through “Women Self Help Group” they have currently engaged 3000 women. This process is gaining momentum and it is planned to establish around 10000 model shops by this year end.

Inevitably, Indian Flavors dominate the Ready-To-Eat market. But one of the earliest players was Indo-Nissin foods, a subsidiary of Japan’s Nissin Foods which has been selling instant cup noodles since 1991. The noodles are available in vegetable, chicken, and Masala flavors.

Apart from this, the popular Brands in Tamilnadu are Anil, Sakthi Vinayaga, Double Horse, ID Special, Britte Foods, Orkay, Guru ganesh etc.

Keeping in view the wide range of products available, the researcher has identified seven major segments of Ready-To-Eat Food products which are in wide use in the study area. These segments include:

1. Soups
2. Noodles
3. Tiffin varieties
4. Gravy items
5. Rice Items
6. Snacks
7. Desserts

1.7.2 SWOT analysis

A Strength, Weakness, Opportunities and Threat Analysis about the Ready-To-Eat Food Industry has been done here.

1.7.2a Strengths:

- India has a population of 1.2 billion people being the second most populated country in the world and one of the largest consumer bases for the Ready-To-Eat Food.
- Growing disposable income in the hands of the consumers and their fast lifestyle.
- India’s abundance of natural agricultural resources makes it one of the most attractive markets for the investors from all food sectors.
o India being the largest producer of milk and second largest in the livestock population.

o More incentives are being given by the Government of India for sustainability in food production and this will give enhancement to the processed food industry.

o FDI in retail has led to the entry of many foreign Food retailers and this will provide more new brands and varieties with good quality.

1.7.2b Weaknesses:

o The Ready-To-Eat Food industry is less developed in India than other Countries because of the logistics and distribution problems.

o Modern Infrastructure facilities for the storage of these processed food is yet to be developed in India.

o People have a perception that constant use of artificial ingredients and preservatives may prove to be harmful for health in the long run.

o High initial and working capital requirements limit attractiveness of the industry. The inflationary and fuel cost variation coupled with low pricing strategy with a fear of losing price conscious Indian consumers is creating a hindrance for the industry.

1.7.2c Opportunities:

o The growing young population of India, who are always seeking innovative products and brands with high quality.

o The economic boom in India with increasing disposable income and shift of middle class to upper middle and increasing rural affluence has created a demand for Ready-To-Eat food products.

o The growing number of women in the work force and lack of time for cooking has created a demand for these products.

o The growing retail has also resulted in food retailing and organized shops which provide more convenience products at the hand of the customers.
The initiative taken by the Government for developing the food processing industry and the companies expressing an interest in producing Ready-To-Eat food products.

1.7.2d Threats:

- The growing health concerns of the people creates a threat for the Ready-To-Eat food Products which may include more unhealthy ingredients and preservatives.
- The availability and preference for natural, organic foods limit the impact of the Ready-To-Eat processed food on the Indian consumers.
- With more and more new restaurants and fast food eateries mushrooming in the cities people prefer eating out or ordering from restaurants over pre-cooked or Ready-To-Eat packaged food.
- Locally available brands create a threat for the bigger branded giants.
- The rising food inflation creates a threat for the food processors, with shooting up processing costs and undermining profits in an environment in which it is hard to pass costs on the consumers.

In short it is clearly visible that the average Indian family’s cuisine at home has gone international. It is also found that reaching out to the modern customer is easier through the modern retail format. The Ready-To-Eat Food is the next big category for the foods industry in India, which has taken a ‘take off’ in the current scenario.

According to Citi India report on consumption, going by the trends seen in other countries like the US, China and Korea, spending in India is expected to shift towards discretionary items like travel. The Veblen effect is the main reason for this shift. The rising disposable income often results in declining share of necessities. These items are being replaced by luxury items.

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19 “Indians Move From Necessities to Luxury: Spending on F&B comes down while expenditure on Health and Tourism jumps.” - The Times of India, December 1, 2011, p 16
Moreover it is found that the spending pattern in India is slightly different from that experienced in some of the developed countries. While the percentage share of food and beverage in the total consumption basket may decline, branded packaged food as a segment within this category is experiencing a faster and larger quantum of growth. The reason behind this change is the higher disposable income in the hands due to the double earning capacity through the emergence of more women in the work force. As such they have to perform and balance between two spheres, the family as well as professional role. The influence of these changes has been a shift in the lifestyle and mode of living, perception of women which is reflected in their purchasing pattern. Since the most household purchase decisions are made by women, understanding their consumer behavior regarding the newly emerging Ready-To-Eat Food category is essential for the marketer. Thus an effort is made in this study to know the consumer behavior of women.

1.8 WOMEN AS CONSUMER

A consensus is forming among global business leaders that investing in one of the worlds’ leading untapped resources is critical to future growth. Women constitute the major untapped resource. The focus is now on women as entrepreneurs, employees and consumers, all of which offer unique business opportunities for companies agile enough to take advantage of them.

Boston Consulting Group showed the spotlight on women consumers in AdAsia 2011 and showed the growing economic power those consumers wield today. Women are driving $12 trillion in global spending today and this will grow to $18 trillion in five years. According to Ms. Yeonhee Kim20, Senior Partner and Managing Director, Boston Consulting Group, women drive two-thirds of global consumption and their economic influence is an inescapable phenomenon. A global research conducted by BCG covering 15000 consumers,

20 “Men don’t get it when marketing to women”, The Hindu, Business Line, Friday, November 4, 2011, p 23
including 5000 in Asia showed that in all segments between now and 2008, the degree of control women have in Asia over purchases is increasing. Thus the marketers need to reorient their thinking when it comes to selling to women.

The study also found that women consumers are different from men, and within Asia there are differences among the women consumers. Women consumers are found to be more demanding and difficult to satisfy. While 40% of women consumers were found to be dissatisfied with financial services and consumer durables, the corresponding number for men was ‘in the late 20’s. Women consumers in Japan, India and China are very different from each other in their priorities, the way they spend and control spending. While Indian woman would trade up for food, Chinese woman focused on personal care and Japanese would trade up for travel and home. Marketers need to think differently while they market to woman. There are some pitfalls done by the marketers when they market to women, like ignoring the importance of emotional appeal, cutting price to build sales, ignoring the importance of community, forgetting the design and underestimating the importance of love etc.

1.8.1 Food Consumer behavior of women:

With the changes in the lifestyle and role of women as home makers as well as working women, there has been shift in their consumer behavior also. The modern women are in demand of time, convenience and quality. At the same time she is health conscious too. Changing food habits and predominantly sedentary lifestyles are the new trends in the food sector. The mushrooming eateries and restaurants in the cities are pointers to changing food habits. Previously only elite used to eat outside often but now mostly middle class people are seen thronging fast food joints every day. The reasons range from lack of time to prepare food at home amidst a busy schedule, tiredness arising from a hard day’s work or just plain laziness. Thus working women find cooking a tiresome and time consuming task amidst her workload. Due to this they mostly depend on either restaurants or junk food though they
know that it will have an adverse effect on health. They prefer something which will be convenient and at the same time good for health.

At the same time the number of home makers who are becoming obese is also on the rise. They also need convenience with quality .Thus food marketers target customers willing to experiment with convenience food. Along with the working women , Indian home makers are turning out to be a marketer’s dream. A study conducted by market research firm IMRB shows an increasing number of urban homemakers are splurging on packaged and convenience food and do not mind giving fast-foods to their kids.

Marketers say that this section of home makers are symbolic of urban India with an increasing disposable income .With more women taking up jobs as against the traditional home makers , they are experiencing a new lifestyle either through self –indulgence or indulging their kids.

The study says that more than 60% of the homemakers opine that children prefer fast food over home cooked food while around 60% of them opt for branded packaged food as it is convenient. The average spending on the grocery items of these home makers are around Rs.9000 per month. The home makers who are typically up - market, metro, married woman who lives in a large family set up have favorable attitude towards branded foods as compared to the other homemakers who have a more conservative approach. The IMRB named these home makers as Indulgent homemakers.

The study also found that 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 annually at 30%.

The huge opportunities in the changing preferences of these women, marketers are all out to woo this growing segment .On the top of the list for the indulgent homemakers are the

21 “Homemakers hot on branded Ready-To-Eat”, The Times of India, Thursday, September 8, 2011
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. According to Swati Jain 22, Head, Marketing, Danone India, for the marketers this segment is emerging to be a significant segment of the market because they are trendsetters and decision makers for their families. It is again important to note that these consumers are also open to trying innovations whether it is youghurts, health bars, Ready-To-Eat meals or ‘bhuna masala’. Also their sensitivity to price is low compared to the average Indian.

Playing 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. A study conducted by the researcher 23 about the Diffusion of Innovation in Ready-To-Eat food products found that consumers welcome the new retail formats in India and they are ready to try out new and innovative products and brands like Ready-To-Eat Food Products. The main three factors which influence the buying behavior of consumers are convenience, cost and curiosity. The researcher also found that the consumers have a positive inclination towards the Ready-To-Eat products. Thus home makers have up marketed their shopping list and they have added many new products like Ready-To-Eat food, probiotic drinks, and other luxury goods to their list.

The rapid influx of women into the labour force which began in the 1970s was marked by the confidence of many women in their ability to successfully pursue a career while meeting the needs of their children. Thus the 20th century women have needs which are different from the previous decades. With limited time at their hands they need more

convenience products to meet the requirements of the work and home. Thus the convenience products are sought by these segments of women. At the same time they are aware of the ill effects of this on their health. Women are now becoming conscious about their health and that of their family members. They prefer low calorie intake and select food with healthy and natural ingredients. Thus the concentration is moving towards health products. Thus the requirement is food products which are convenient as well as healthy and at the same time price effective too.

Now the challenge for the food marketers is to analyze the changing needs of these consumers and create products that fully satisfy their needs and demands. It is further needed to analyze the major factors which influence the buying behavior of women consumers so that a proper segmentation can be done to tap these segments properly. Thus the present study tries to throw light on the segmentation process by comparing the consumer buying behavior of working women and home makers about the Ready-To-Eat food products in Salem city.