CONSUMPTION OF FOOD & BEVERAGES IN INDIA

Options for Calorie Management for Health Conscious Consumers

20TH SEPTEMBER 2017

AGENDA FOR THE SESSION

EMERGING TREND- HEALTH & WELLNESS

SUCCESS DRIVERS FOR HEALTHY FOOD OFFERINGS

MOVEMENT TOWARDS HEALTHIER BEVERAGES

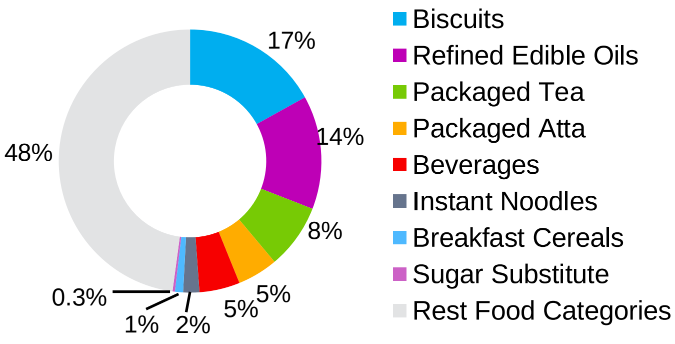
EMERGING TREND – HEALTH & WELLNESS

MANY FOOD CATEGORIES HAVE BEEN SUCCESSFUL IN LEVERAGING HEALTH AS PLATFORM TO INNOVATE/DEVELOP PRODUCTS

CATEGORIES WITH HEALTH CONNOTATION

Over 50% of the Food Categories have a health connotation in them

CONTRIBUTION % TO FOOD BASKET



Note : Data is based on All India Urban

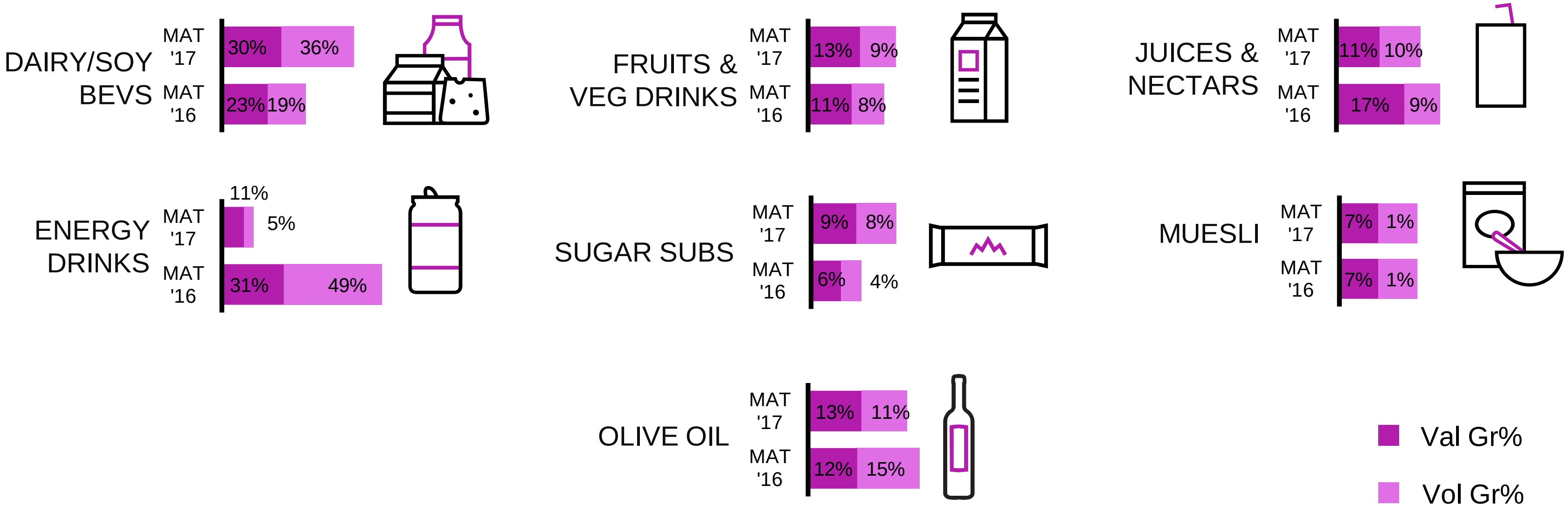
Health Food Drinks includes malted powders usually mixed with milk
Breakfast Cereals include segments like cornflakes, oats, muesli, granola

CONTRIBUTION % RESPECTIVE CATEGORIES

PACKAGED GROCERY & COOKING MEDIUM	34%	Healthy Atta	High Fibre, Low Sugar, Multigrain, for Diabetics
	9%	Healthy Refined Oil	Blended, Canola, Rice Bran Oil
SNACKS	4.4%	Oats, Multigrain, Atta Noodles	
	2.4%	Health Biscuits	
HOT BEVERAGES	0.5%	Green Tea	

HEALTH FOCUSSED CATEGORIES DRINKABLE DAIRY, FRUIT DRINKS, SUGAR SUBS, OLIVE OILS ARE ON A GROWTH PATH INDICATING A CONSCIOUS HEALTH ORIENTED CHOICE AMONGST CONSUMERS

HEALTH CATEGORIES



Market: All India (TT+MT); Period: MAT March 2017;
BFC Data is for All India Urban

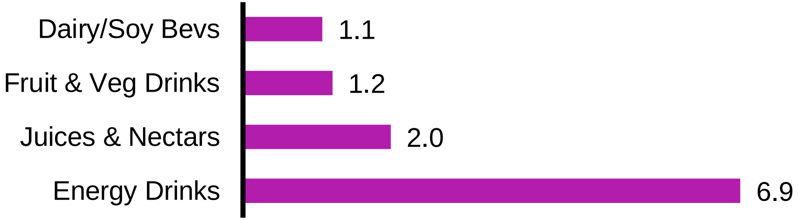
THOUGH THE HEALTH PLATFORM DOES COMMAND A PRICE PREMIUM, QUANTUM OF THE PREMIUM IS CATEGORY DEPENDANT

AVG. PRICE OF HEALTH SEGMENT INDEXED TO ITS CATEGORY

Health Biscuits	Healthy Refined Oil	Green Tea	Healthy Packaged Atta	Oats, Multigrain, Atta Noodles
1.7X	1.2X	2.7X	1.0X	1.4X

As the proportion of Health bucket increases in their respective categories, the premium price paid by consumers and charged by manufacturers also decreases…

PRICE PREMIUM ABOVE BASE ('X' TIMES CSD PRICE)



Fruit Veg Drinks, Juices, Dairy categories have been steadily growing consumption, despite being more expensive than CSD's

Market: All India (TT+MT); Period: MAT March 2017

SUCCESS DRIVERS FOR HEALTHY FOOD OFFERINGS

DRIVERS OF SUCCESS FOR HEALTHY FOOD OFFERINGS:

Relevant needs and distinct
FUNCTIONAL BENEFITS

Connect through
TRADITIONAL FLAVORS
and familiar tastes

Ingredients add credibility, but
MANAGING EXPECTATIONS
is the key

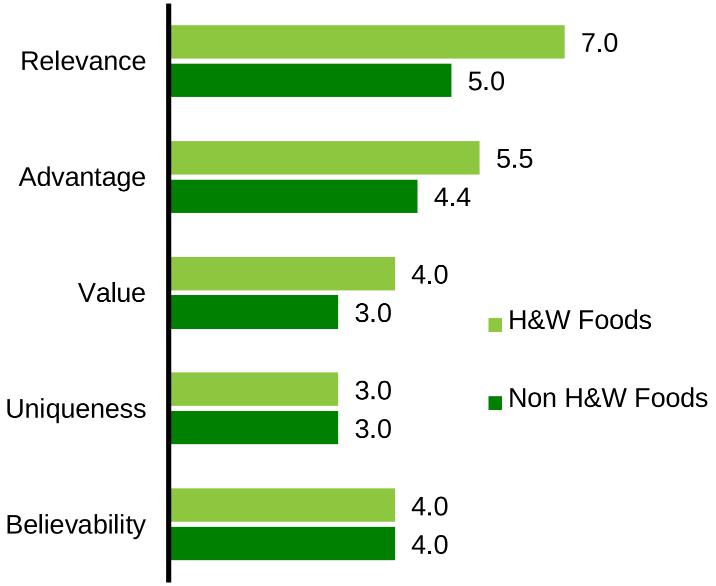
Health is critical, yet
TASTE IS HYGIENE

RELEVANCE AND DISTINCT ADVANTAGE IS DRIVEN ESSENTIALLY BY FUNCTIONAL BENEFITS THAT EITHER PROVIDE ‘MORE’ IS DIFFERENTIATED IN TERMS OF THE INGREDIENTS WHICH TRANSLATE INTO A RELEVANT PAY OFF

“Brand X” - Multigrain Bread – loaded with oats, ragi, whole wheat, soya, flax seeds

“Brand Y” - Green tea - 5 X anti-oxidants

CORRELATION WITH PURCHASE INTENTION



Source: Nielsen Innovation learnings

DRIVE RELEVANCE THROUGH TRADITIONAL CONNECT AND FAMILIAR TASTES AND FLAVOURS

- Consumers are willing to pay a premium for traditional taste that is authentic yet difficult or laborious to be prepared at home
- Certain traditional tastes also have an element of uniqueness that works as a great differentiator

BRAND "A"- JUICES
Traditional flavours are highly successful – top flavours are Aamras and Jaljeera

BRAND "Y" – JUICES
Jamun is one of the most popular flavour though it's at 1.5 X premium compared to other flavours

Over **60% FLAVOURED MILK** sales comes from Kesar, Badam and Elaichi though the category offers ~ 10 flavours.

INGREDIENTS AUGMENT CREDIBILITY OF THE PROMISE

- While both generic and specific ingredients are useful, specific ingredients seem to work relatively better
- When dialling up familiar ingredients, depicting ingredients on pack strengthens perceptions
- When using unfamiliar ingredient, it is important to explain the benefits it delivers
    - It is also important to be watch out for over claims and set realistic expectations from the product
    - Research suggests that products in this domain have often failed to deliver on the concept promise

INDEX: SUCCESSFUL VS NOT SUCCESSFUL INNOVATIONS

GENERIC INGREDIENTS	**156**	Eg. Fruits, Vegetables, Milk, Whole Grains, Vitamins
SPECIFIC INGREDIENTS	**187**	Eg. Protein, Calcium, Iodine, Iron, Vitamin C/ B12

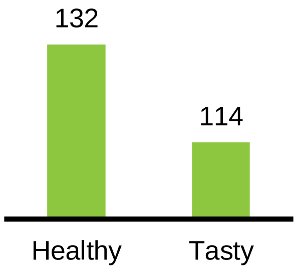
HEALTH CRITICAL, YET TASTE IS HYGIENE

- Taste is a critical gate and not traded off for health assurance. 2/3 mothers are willing to trade off health for taste at breakfast which is a very hurried meal
- Taste assurance can come from visual and/or verbal cues
  - Known categories/Adult Centric = Subtle taste assurance works
  - New to the world categories/kids centric = Bold taste assurance required

BRAND "A"- MULTIGRAIN ATTA

BRAND "X"- FLAVOURED OATS

INDEX: SUCCESSFUL VS NOT SUCCESSFUL INNOVATIONS



HEALTHIER OPTIONS IN BEVERAGES

OVER LAST FEW YEARS, SALIENCE SHIFT SEEN FROM CARBONATED DRINKS TO OTHER BEVERAGE CATEGORIES WHICH ARE PERCEIVED TO BE HEALTHIER

VALUE SALIENCE (CH VS 3 YEARS)

CARBONATED DRINKS
59% (-4%)
Includes Sugar/Diet, Soda & Energy Drinks

JUICES & NECTARS
3% (0%)
Includes >20% to 100% Drinks

PACKAGED WATER
17% (+2%)

FRUIT & VEG DRINKS
15% (+1%)
Includes Mango Drinks, Veg Drinks & <20% Drinks

DAIRY/SOY BEVS
5% (+1%)
Includes Yogurt Drinks, Flav Milk, Milk UHT & Soy Milk

OTHER CATEGORIES
1% (0%)
Includes Sports, RTD Tea/Coffee, Energy Drinks

All India, MAT July 2017

CONSUMERS CUTTING ON PORTION SIZE ACROSS CATEGORIES AND ENTERING HEALTHIER CATEGORIES VIA SMALLER PACKS

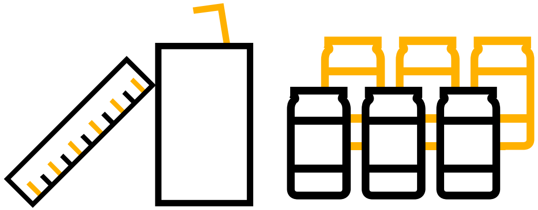
	Carbonated Drinks	Fruit & Veg Drinks	Juices & Nectars	Dairy/Soy Bevs	Packaged Water	Other Categories
TRANSACTION GR VS LY – SMALL PACKS VS LARGE PACKS	1.1X	4.3X	2.6X	1.1X	0.4X	2.2X
		✓	✓			

<400ml is a small pack,
>400ml is a large pack

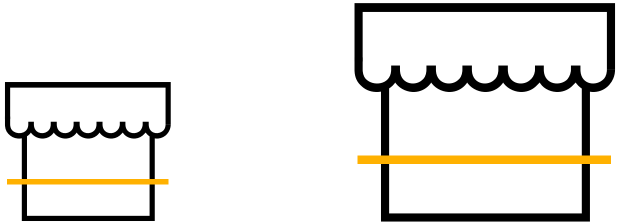
All India, MAT July 2017

DIET/LOW CALORIE OPTIONS IN INDIA ARE OFFERED ONLY IN CARBONATED DRINKS AND ARE OVERLEVERAGED IN MODERN TRADE

RTD DIET CARBONATED



5%
(3YR CAGR)



TRADITIONAL TRADE
X

MODERN TRADE
3X

All India, MAT July 2017

A QUICK LOOK AT DIET/LOW CALORIE DRINKS FROM A GLOBAL LENS

SIGNIFICANT PROFILE DIFFERENCE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, WHICH CAN BE CONTRIBUTING FACTORS FOR SIZEABLE DIET SEGMENTS

	DEVELOPED COUNTRIES	DEVELOPING COUNTRIES	
AT LEAST 4 ACTIVE BEVERAGES CATEGORIES	✓	✗	(Energy drinks, Sports Drinks & RTD Tea are mostly missing)
DIET/LOW CALORIE SEGMENT SALIENCE	8x	x	
DIET/LOW CALORIE SEGMENT LED BY	Carbonated, Juices, Water	Carbonated	<10% sales by other categories
MAJOR COUNTRIES	USA, UK	Brazil	Rest of the countries contribute <10% to sales

MAT July 2017

HIGHER THE PCE (BEVERAGES) FOR A DEVELOPED ECONOMY, HIGHER IS THE SALIENCE FOR DIET DRINKS

DEVELOPED COUNTRIES

COUNTRY	PCE BEVERAGES($)	DIET/LOW CAL SALIENCE
CANADA	98	15%
CHILE	145	19%
FRANCE	118	8%
ITALY	65	6%
SINGAPORE	70	14%
SPAIN	72	19%
UK	127	24%
USA	243	20%

DEVELOPING COUNTRIES

COUNTRY	PCE BEVERAGES ($)	DIET/LOW CAL SALIENCE
THAILAND	29	2%
INDIA	4	0%
BRAZIL	71	7%
RUSSIA	37	1%
INDONESIA	12	0%
MALAYSIA	21	1%
CHINA	13	0%
PAKISTAN	12	1%

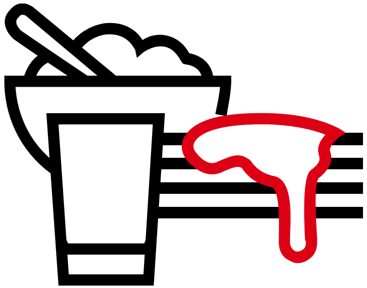
PCE is per capita expenditure

CLOSING THOUGHTS

Conscious health orientation amongst Indian consumers with a rise in health focussed food and beverage categories – Drinkable Dairy, Fruit Drinks, Sugar Subs, Olive Oils

Success Drivers for Food Products in Health segment:

- Relevant needs and **distinct functional benefits**
- Connect through **traditional flavors** and familiar tastes
- Ingredients add credibility, but **managing expectations** is the key
- Health critical, yet **taste is hygiene**



Health conscious consumer switching towards low calorie beverages or beverages perceived as natural

- Gradual shift from carbonated soft drinks to Dairy drinks, Fruit & Vegetable Drinks, Sports Drinks over past few years
- Small packs gaining momentum as they help consumer control portion size and encourages trials for healthier categories
- Diet Drinks are of considerable size in India though still at a very nascent stage vs developed markets. Diet segment in India is limited to only CSD's however with the whole Health and Wellness agenda gaining momentum, marketers may soon come up with innovative offerings in other segments too i.e. Juices, Energy Drinks etc

This artwork was created using Nielsen data.