

A TROPICAL COUNTRY WHICH IS COOL TO ICE CREAMS!

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ABSTRACT: *One market which is expected to make a brisk business in the summer is none other than ice-cream. For consumers too there is nothing better than craving for an ice cream particularly during unbearable hot summer period of April-June. But astonishingly given the climate in India, the per capita consumption in India 250 ml has been much lower compared to the countries compared to 23 lt in the US, 18 lt in Australia, 14 lt in Sweden and 800 ml even in neighbouring Pakistan, Sri Lanka shows immense potential for expansion. The US has been the leading producer of ice-cream in the world albeit Europe introduced the product into the country. The ice-cream cone was invented as early as 1904 shows the hallmark of a product innovation in the US.*

KEY WORDS: *Growth; organised and unorganised sectors; market segmentation; cost and profit margins and product variation.*

JEL CLASSIFICATION: *O40; Q 11; Q13*

1. A REVIEW OF LITERATURE

P.R.S. Moorthy, and R. Balachandran (1992) worked on Ice-cream Industry and its future scope in India in 1993 took stock of the production and scope for expanding the supply. The various strategies that will help to increase the market potential in view of the growing competition from other players. The study also focuses on certain non conventional stabilizers and their effect on ice-cream mix. Chand Subhash, Dixit, P. K., and Singh, R. V. (1999) bought out a case study in 1999 on Marketing Management of Ice-cream in Bangalore. The case study focuses on the marketing and advertising strategies for sales promotion of ice-cream. The pricing strategies and a distinct packaging and flavours which dairy industries can adopt during the marketing of Ice-cream.

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Vinay Kamath, (2002) traced out the reasons for profitability of HLL and now known as Hindustan Liver Ltd. The strategy of promoting Kquality Walls as an umbrella brand for its ice creams, rather than a product-driven promotion, has worked to a nicety to the company. Sindhu J. Bhattacharya, (2004) explored the reasons for MNCs to penetrate into the ice cream market in India. The study has come up with ways and means of achieving the success despite the hurdles. Robert Marshall, T. Douglas Goff, Richard W. Hartel (2003) worked on Ice-cream industry in 2003 US market which has been well developed after the initial introduction of the product by Europe. The study has traced the history, composition and properties, features of ice-cream industry which has been well developed market. The study also analyses the production and consumption pattern of ice-cream in the country. Davis, C.G., Blayney, D.P., Yen, S.T., & Cooper, J. (2009) study deals with an analysis of at-home demand for ice cream in the United States was to determine the effect that changes in retail prices and consumer income have on at-home ice cream consumption. The analysis was based on Nielsen 2005 home scan retail data and used marital status, age, race, education, female employment status, and location in the estimations of aggregate demand elasticities. Chitra Unnithan, (2010) emphasized the need for a sustainable innovation in tune with changing time and trends. The commercial success of business depends upon the value creating- ways. The successful innovation in turn hinges on state-of-art ice cream plants employed by the firms.

Thus, there are very few studies on the Ice-cream Market in India that really analyses the trends in the market and challenges faced by the players in the highly competitive environment. The study has taken up with the following objectives in mind.

2. THE OBJECTIVES

1. To analyze the reasons for the stagnant growth rate in Ice-cream market
2. To take stock of organized and unorganized markets
3. To comment on the market segmentation of the market
4. To understand the cost and profit margins and challenges faced in the business
5. To find out the extent of product variation among the players

3. THE METHODOLOGY

The above objectives are achieved by using secondary data collected from the various published sources of the company data base. The collected data is tabulated and analyzed to arrive at meaningful and logical conclusions.

4. THE LIMITATIONS

The study confines to only Ice-cream market and other part of the market is not part of the study

5. TORPID GROWTH RATE

Since 1996, the share of ice-creams in the process food has remained stagnant as it can be seen in both in chart and table 1 even soft drinks share has grown exponentially. This shows untapped potentiality of the market after attaining a large scale industry status. Even though the growth rate of ice-cream market did pick up early part of 2000's still it offers a huge leverage for the players in the market. The other interesting feature of this market almost the complete domination of domestic players such as Amul, Kwality Walls, Mother Dairy, Vadilal and several regional ones such as Dinshaw in the West and Arun in the South over MNC's. The over pricing of the product by Swiss brand Movenpick had not been able to make any dent in India.

The product is now being distributed through third party arrangement still brand suffers low visibility. Though Nestle SA had bought it but Indian operations do not handle Movenpick. So is the case with other MNC's such as Baskin Robbins, Haagen-Dazs and Blue Bunny.

All this point to economies of scale enjoyed Indian brands over the transnational companies. The French major Candia which owns Cream Bell Brand was wise enough to follow competitive pricing when it entered in India through joint venture. It took some time to reap the economies of scale and recently expanded different parts of India by acquiring national status. Needless to say in fairly quick time it has become 3 top brands across India and giving tough competition for the local brands.

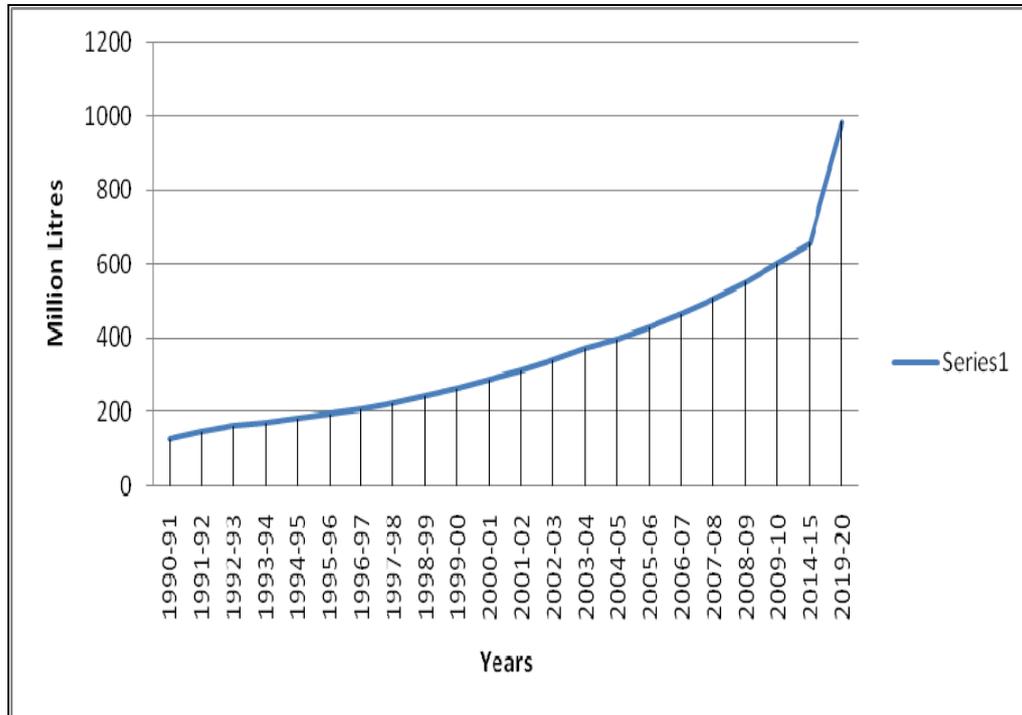
The ice-creams are very tasty only drawback it has to overcome the range of fantasia ice-creams sold in a big family pack instead of smaller cups. But the Cream Bell is known for strong R &D and Quality control. The innovation that is happening in developing new products, packaging and communication show the growing commitment to reach the final consumer.

Table1. Trends in Market Growth Rates of Ice-creams and Soft Drinks

Period	Ice-Creams	Soft Drinks
1990-91-1996-97	4.2%	9.4%
1996-97-2001-02	6.9%	7.8%
2001-02-2006-07	8.8%	5.2%
2006-07-2011-12	8.3%	5.1%
2011-12-2019-20	8.7%	4.5%

Source: Intecos-CIER

The overall ice cream market is estimated at over 250 mn litre valued at around Rs 17 bn. Nearly a fourth of the market by volume at 50 mn litres is in the organized sector with players like Amul, Hindustan Unilever Ltd. (HUL), Mother Dairy, Vadilal having a major share. In value terms, the organised sector has an overall market of over Rs 10 bn.



Source: Intecos – CIER

Figure 1. Trends in Ice-cream Demand: 1990-2019

6. ORGANISED VS. UNORGANISED

In rural areas, kulfi/ice creams made by small/cottage producers are popular. In small towns and villages, there are thousands of small players who produce low quality ice-creams/kulfis in their home backyard and cater to the local market. The organised market in India has been by hit competitive pricing from the unorganized and lack of cold chain facilities. Despite these challenges, it can take enough motivation from poor consumption and growing need for institutional sales channel. Dates with Honey or Pinorgane fantasy are the latest innovations that are being offered by leading ice-cream makers of Amul and Vadilal to beat the competition heat from the organized players.

The branded ice cream market is worth 800 crore which is growing 15 percent annually. Havmor is also adding up to the competition by launching designer ice-creams exclusively for weddings. Vadilala is concentrating more candies and fancy shaped products of late. The company in fact has purchased three candy lines for this purpose. The axiom ‘Variety is the Spice of Life’ applies to this industry very much as firms desperately banking on novelties to break out of the clutter in a crowded market place. Amul is also keen to provide customized flavours to the consumers by adding 1000 scooping parlours through Gujarat Cooperative Milk Marketing Federation limited. Amul has already been a market leader in two- liter take-away home pack.

6.1. Market Segmentation

The market for organised sector is restricted to large metropolitan cities and large towns. Almost 40% of the ice creams sold in the country are consumed in the western region with Mumbai being the main market, followed by 30% in the north and 15% in the south. The western and northern regions knock of the major share of the market. It can also be seen the extent of competition divided between the branded and non-branded varieties in the market. The non branded ones continue to have sway over the branded

Table 2. Market Segmentation of Ice-cream Market

Segment	Share (%)
North	30
East	10
West	45
South	15
Metopolitian Cities (6)	65
Non Metro Cities	35
Branded	48
Unbranded	52

Source: Intecos – CIER

6.2. Product Flavours

It can be seen from Table-III that Vanilla and chocolate are the most preferred flavours among the customers in India, followed by strawberry. The trend has changed from plain flavours of Vanilla and strawberry to chocolate. The majority of players play around three major flavours of vanilla, strawberry and chocolate as it accounted for 60% of the total consumption. But for Amul bulk of the sales come from Vanilla flavour has even helped to retain the top slot in the market. The new trend is emerging in the form of designer ice-cream such as chilly ice cream or paan ice cream among others. These are usually served at weddings. These not only taste differently, but also generate impressive aesthetic appeal. Among other flavours Italian Gelato from fresh fruit and other ingredients such as pure chocolate, coco dried fruit and nuts, cookies or sweets are increasingly being served at the wedding.

Demand for these exotic ice cream flavours is reportedly rising at 15 to 20%. These are known to be selling at Rs 450 a kg and above.

The established big brands are not known to go in for these exotic presentations. Vadilal is, perhaps, the only established name which has introduced a range of 'artisan ice creams. It has three layered 'Tartufo', an Italian ice cream dessert made of gelato; a range of fruit-shaped and sweets shaped ice creams, decorated with 'varakh' and nuts.

Havmor in Gujarat offers a special menu during the wedding season. It has a special range of ice creams, such as Kulfis along with sweet-shaped ice creams, besides its four-flavoured Vibgyor Kulfi. It also offers Mango Barfi ice-cream which

looks like a barfi with 'varakh' or silver-foil on it, dry fruit Katri ice-cream, ice creams with a base of malai and nuts and kesar bhog with golden foil on it. Such ice creams cost anywhere between Rs 20 to Rs 30 per helping according to flavour.

Table 3. Product Variation

Type	Share (%)
Vanilla	30
Chocolate	10
About 200 other flavours	45

6.3. Lead Players

Amul has become the lead player with 40% an impressive market share in the total market. Media Magazine published from Hong Kong and Singapore has ranked Amul as the number one Indian brand in its list of top 1000 brands of Asia –Pacific for the second consecutive year. The strength of Amul lies in 70,000 outlets spread across the nation. The company has many more aces up its sleeve: A new range under the Swirl sub-brand, two new flavours under 'Sundae Surprise' in 750 ml take away packs and jumbo cups (130ml) in five different flavours.

On its part, Havmor plans to add low-fat ice creams to its 'health portfolio' led by sugar-free products. The company is planning to start 50 franchised ice cream parlours and fast food joints in Gujarat, Maharashtra and Rajasthan along with two new restaurants. It has been planning to set up another state-of-art ice cream plants at GIDC, Naroda to meet the demand.

Uniliver's Kwality is not far behind with 33% percent share. Sapien Nitro and Unilver have created world's first simile activated ice-cream vending machine. This machine comes with facial recognition software that detects gender, age mood and even how much a person is smiling will be detected through a simile-O-Meter based upon that it dispense a free ice-cream Almost three fourth of market share has been grabbed by Amul and Uniliver. Mother Dairy and Vadilala share about 14 % and 8% respectively, and the rest include mini players such as Universal Dairy and Hatsun Agro.

Each player has its own marketing strategy in the market. Mother Dairy, the biggest supplier of milk in Delhi and the national capital region, is focusing on attractive packaging as it wants to focus on youth. It plans to strengthen the Impulse and Take Home Category and widen the offerings under the Chillz brand. The company may also increase its mobile parlours to reach out to more customers. Mother Dairy's strategy is target children with its brands Lic Lollies and Chillz range. Kwality Walls was slated to launch its brand Moo, while Mother Dairy was launching two flavours -_O'Blast, an orange-based Ice-cream dessert and Toffee Twist, which tastes like toffee.

Hindustan Unilver Ltd. (HUL) is beefing up vending operations for its ice cream brand Kwality Walls to perk up sales. The company has set a sales growth target of 30% through trikes and carts, much higher than the past two years' growth of 16% and 22% respectively. Vending accounts for nearly 75% of sales for Kwality Walls.

Kwality Walls had a good 2005-06 with 11% topline growth and a positive bottomline for the first time. According to IRS 2005 figures, Kwality Walls is among the more popular brands in several consumer segments, second only to Mother Dairy but ahead of Amul. Kwality Walls is targeting three consumer segments through specific sub-brands: Cornetto for youth, Paddlepop for children aged 8-12, and Selection for home consumption.

Though Vadilal priority on exotic flavours but , the focus this season will be on manufacturing hygienic products through automation. The company has invested Rs 50 crore for expansion recently. It will have more than 100 more Happinezz parlours this year,” .The Company is expecting 30 per cent sales growth over the last year. The health orientation will be a key issue as there is more focus on low calorie, cholesterol and sugar-free ice creams – a segment where Amul with its pro-biotic ice creams launched last year led the way.

Vadilal was setting up a new ice cream manufacturing plant in Kolkata to extend its coverage to the eastern market. Its Bareilly plant has so far been taking care of both the northern and the eastern markets. Vadilal enjoys a 10-12% market share in the Delhi ice cream market estimated at Rs 1.2 bn and around 7% in the eastern markets valued at around Rs 2 bn.

Geneva-based Global Franchise Architects (GFA), the promoters of Pizza Corner and Cof-fee World outlets, introduced a third chain of ice creams and fudges. The new outlets serve premium ice creams and are run by franchisees in Bangalore and Chennai. Vadilal ice cream division has always been a hot favourite with the people both inside and outside the organization. In India, the name Vadilal is synonymous with Ice Cream. The Ice Cream industry in India today has a turnover of Rs. 15 billion. A quarter of this comes from the house of Vadilal alone thanks to the largest range of Ice Creams in the country – 120 – plus flavours, in a variety of more than 250 packs and forms. The range includes cones, candies, bars, ice-lollies, small cups, big cups, family packs, and economy packs. Something for all tastes, preferences and budgets. To make it convenient for our consumers to relish our complete range under one roof, we have set up a chain of Happiness Parlors – ‘Ice Cream boutiques’ so to say. Hordes of people flock to these parlors daily because they know that our products contain the purest and creamiest milk, and the freshest and tastiest fruits and nuts.

Among our products are OneUp Chocobar and King Cone – all-time favourites which have today attained the generic status. Another hit is our Kulfi – traditional Indian milk sweet. Some of our products are a combination with confectioneries. Vadilal has two ultra modern ice-cream manufacturing plants - one at village Pundhra, Gujarat and another at Bareilly, U.P.

Both plants are ISO: 9001:2000 and HACCP Certified. Certification of Bareilly plant is done by BIS and Pundhra plant is done by BVQI under the latest regulations of food safety system, September 2002. BVQI is a wholly owned subsidiary of Bureau Veritas, a France-based multinational organization. Our Pundhra plant has recently received the accreditation from Export Inspection Council of India, Ministry of Commerce and Industry, Government of India certification for exports that in itself is a bench mark for hygiene and quality. Vadilal takes utmost care for ice cream, so that it reaches the consumer in the most hygienic and wholesome way. It has

the latest manufacturing equipment including automated cone-filling, candy-making, cup manufacturing and filling machines, hardening tunnels, computerized continuous freezers, and machines to produce biscuit-cones.

Since our products are highly perishable, quick transport and proper storage are of paramount importance. Hence our refrigeration equipment and deep freezers are imported from companies, which are world leaders in their respective fields. To ensure sufficient, timely and constant ice cream supply, we have a Cold Chain Network comprising three manufacturing plants [totalling a production capacity of 1.25 lakh litre per day], about 23 C&FA (Clearing & Forwarding Agent), more than 500 Distributors and over 40,000 Retailers. We have integrated backward by making biscuit-cones and paper cups; and forward, by fabricating deep freezers and refrigerated vehicles. These help us to serve our distributors, some of whom are situated over a thousand miles away. In days to come, we plan to further expand our manufacturing facilities to meet the growing demand of Ice Creams.

6.4. Cost factor and profit margin

An ice-cream mix costs about Rs 60-65 per liter. Adding up to it one liter of air then per liter mixture would approximately cost Rs32. If one takes 150ml cup will end up making 13 cups of ice creams from one liter of mixture costing about Rs5 per cup. If one adds Rs 5 worth of cost of electricity, cold storage, transports packaging and advertisement cost etc. The cost final cup turns out to be Rs10.

Considering the variety in offering the profit margin can go even up to 100 percent. For the bigger players the distribution and advertisement ate into their profit margin and for small players it is the volumes that matter. It is highly profitable business thanks to incorporation a considerable quantity of air during hardening process to make soft and creamy. Moreover the cost of setting up of a small ice-cream plant will not cost more than 10 lakhs including the cost of plant, labour, storage freezers and so on.

7. CHALLENGES

Selling an ice-cream is different from soft drinks due to infrastructure bottlenecks. An ice-cream requires continuous refrigeration unlike soft drinks. The country lacks proper infrastructure in respect power, road and transportation. It does prevent companies from selling take-home packs inside and far palaces of the country.

The second challenge this seasonal product faces is the regional domination of companies has splintered the market and enjoyed only local popularity the net result was company's total sales pale insignificance before the total business. Say example Mother Dairy has only 150 crore worth of business in the total business of Rs 3000 crore. The players have to face competition among themselves but also other like foods. Though trend is changing consumers still consider ice-creams as a dessert and a side item ordered for it when parents are accompanied by children. The high rent charged by malls for the floor space is also affecting the business and expansion plans.

8. CONCLUSIONS

The ice-creams consumption levels have been pretty low in India given the strength of population and a favourable weather conditions. The customer is needed to be wooed with a wide variety of mouth watering flavours and design at a reasonable price so that demand will jack up. Since unorganized market enjoys a significant market share that may delay aggressive, product innovation and advertisement campaign which will in turn help reduction in per unit cost from the organized sector. All in all a highly lucrative business with minimal capital is required to start with. Vanilla still seems to be the most preferred flavour among the consumers. The western and northern regions account for a larger sales of ice-creams in India. To call a product "ice cream," two basic requirements must be met: the treat must be at least 10-percent milk fat and use sugar as the sweetener. Though there is a potential market for fat-free and sugar-free ice creams, the country's food laws don't permit them yet.

High tariffs and inefficient distribution systems will continue to bottleneck the import market for the short term, but an increasingly affluent younger generation wants to try new tastes. Manufacturers should keep an eye out for market changes and opportunities. Low-fat and low-sugar alternatives are also being increasingly offered. Ice cream parlours - not too successful so far - are increasingly being relied on to woo consumers.

However, a concerted effort to give the consumer reason to consume more ice cream is missing. Individual companies do advertise in summers, especially during high-visibility sports events, but the initiatives lack imagination. No company, for instance, has tied up with coffee chains or liquor companies to offer ice cream-based cold coffees or cocktails, respectively. Sodhi the managing director at GCMMF (AMUL) feels such tie-ups would also cater to only a minuscule population. Instead, he advocates lowering of prices, cut in taxes and reduction in margins to attract consumers. How a 'summer' product such as ice cream has become a craze in cold countries such as Austria and not in India remains a mystery that even Indian companies are unable to fathom. Even while comparing like to like, how Pakistan, which is probably hotter and has worse infrastructure, can have three times India's per capita ice cream consumption is another riddle that companies here admit to not having an answer to. Unless industry players can generate a burning desire for the product among consumers, ice cream looks set to remain in deep freeze.

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