

TARGET: TOP OF THE PYRAMID

Food brands are trying to make products, which were earlier seen as occasional indulgence, to become a part of the regular shopping basket

PREETI KHICHA

Mainstream food brands, which have long milked the bottom of the pyramid to drive volumes, are now eyeing the top end to build value.

Last month, Hindustan Unilever's coffee brand Bru stepped up its regular brew portfolio by bringing to market Bru Exotica, a super premium coffee in three variants: Brazil, Columbia and Kilimanjaro. GlaxoSmithKline's Horlicks too bolstered its premium credentials with the launch of Horlicks Gold at a 30 per cent premium to the base variant, in select markets across India. Horlicks Gold is an enriched version of the regular Horlicks with better taste and aroma.

In India, premiumisation in the FMCG space is not new but has largely been driven by personal care and household care brands, claims an IMRB study. Industry observers say this is because the perceived value of a personal care brand is much higher than food brands. Categories like anti-aging and toothpaste for sensitive teeth are niche areas which personal care brands have exploited to drive premiumisation. It is only now that food companies are more actively latching on to the trend and the reasons are many.

Leave aside the rise in disposable income in the metros, changing lifestyles and health awareness are driving demand for better quality foods. With the increasing availability of such foods through stores like Godrej Nature's Basket and Future Group's Foodhall, the Indian consumers' exposure to premium food is growing. Thus it is no surprise why mainstream food brands are enhancing their portfolios with renewed vigour.

There are other reasons too. KPMG analyst (consumer) Anand Ramanathan believes that as categories get more saturated, marketers have to look at new ways to micro-segment the market for incremental market shares. The scout for higher margins in the wake of commodity inflation is putting pressure on companies to innovate.

Others are simply protecting themselves in the wake of competition from imported brands. As Future Brands (food and FMCG) President Devendra



Chawla points out, "For brands which have built a large consumer franchise in the mass segment, launching a premium variant allows them to retain their loyal set of consumers who are emotionally attached to the brand but want to trade up to products with higher order benefits." It also allows companies to bump up the aspiration value of their brand, thus enhancing their overall brand equity.

Experts say the focus on health, which has been used by most companies as a launch pad for their premium ranges, will continue to drive the trend in the near term. For example, last month Agro Tech Foods premium edible oil brand Sundrop brought to market its most expensive edible oil in a new spray format - Sundrop SlimLite cooking spray targeting consumers that seek greater health and convenience. Marico which has been test marketing Saffola Arise, (its premium basmati rice for weight management) took the brand national in February last year.

Biscuit majors too have jumped onto the premiumisation bandwagon and are

using both taste and health to differentiate. Britannia Industries, ITC Foods and Parle Products have all scaled up their portfolios with premium variants. As Parle Products group product manager Mayank Shah says, "Until four years ago, only 15 percent of our turnover from biscuits came from premium products. Today that number stands at 50 percent." While the premium and super-premium biscuit category is still small, Shah is confident that in the next few years, products, which are now seen as occasional indulgence, will become a part of the regular shopping basket.

In confectionary, Cadbury is driving premiumisation through indulgence. As the market leader in India, Cadbury thought it was its responsibility to grow the category by launching premium variants. Cadbury Silk, an India-specific innovation was launched last year and has already garnered a market share of 3.8 percent since launch. Though, Cadbury director (snacking and strategy) V Chandramouli observes the trend will be confined to large

cities and will trickle into smaller towns in the next few years.

Communication is key when driving premiumisation.

"It should help create a 'wow' factor so that consumers understand the rationale behind paying extra for a premium product," notes Chandramouli. This is particularly important as mainstream food brands are competing with imported brands which have the country-of-origin effect to their advantage. As ITC Foods CEO Chittaranjan Dhar cautions, "for a premium product to succeed it must provide a differentiated experience." The objective is to go beyond a one-time trial and sustain loyalties in the long run.

Chandramouli of Cadbury adds, "It is important to make significant investments in modern trade through activations and in-store displays to convey the premiumness." This is where many companies lose out. Investments in the supply chain are also vital. Cadbury, for instance has reworked the entire supply chain (mainly cold chain facilities) to ensure the creamy and smooth taste of Dairy Milk Silk is not compromised.

Though it may be a while before premium variants are a gold mine for food companies, brands seem to be readying their portfolios for the future consumer.