
Production & Marketing Strategies of Namkeens (Snack Foods) in Marathwada Region: - A comparative study of selected 10 brands in Marathwada Region

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The Indian snacks food market is of the order of 400,000 tons. At a low average price of about Rs.35-60 a kg. Largest share of this Rs.14 bn market still remains with unorganized sector comprising of local manufacturers. There is a wide range of product categories differentiated based on taste. There are approximately 1,000 types of snacks and another 300 types of savories being sold in the Indian market today. These wide ranges of products are categorized under Potato / Banana Chips, Namkeens & Fun-Foods.

Chips market is largely dominated by the unorganized sector in India, which manufactures potato chips with fat content ranging from 20% to 40% and moisture content as high as 3-4%. These products are manufactured locally and sold loose or in ordinary Polly-pouches. In the last 4-5 years, however, the organized market has grown considerably catering to upper/ middle class consumers in the urban areas.

The organized market for chips is estimated to be 6500 tons valued at Rs.2 bn. The market for branded chips has been growing at a fast pace of around 20-25 % annually. Heavy promotions by branded chipmakers (like offering free gifts, toys etc with these products), has led to a major shift from unbranded to branded products.

The average annual per capita consumption of commercial snacks is just 500g and that by urbanites is 10 times more than that by rural consumers. This may be since most rural houses make these at home or buy from the local vendors that come in the unorganized market.

Consumers from Western India are the leading snack consumers, followed by the North. While the domestic ethnic snack foods industry is hugely diverse, has easy access to indigenous technology and involves low entry barriers, standardization of product quality and backward links to testing facilities are at woefully low levels. Naturally, opportunity is screaming from the rooftops.

K.P. Sareen, Executive Secretary, All India Food Processors' Association, calls it the third phase of the evolution of the salted snacks market. The first two, he says, dealt with development and nurturing of tastes respectively.

The big question is whether branded players will edge past their unbranded counterparts? Brand marketers say they will. Factors like hygiene and quality is steadily bringing about a switch from unorganized to branded Namkeens. One will not grow at the cost of the other and that both categories will co-exist.

Cottage-industry-level players offer themselves as suppliers to deep-pocketed marketers. The APEDA study states that though backroom operations dominate ethnic snacks, improper labeling, haphazard distribution channels, storage problems and inadequate marketing efforts take their toll. Branded players, with their quality control systems and standardized raw material sourcing in place, can effectively weed out those problems. One differential between branded and unorganized snacks is that of price (roughly 40 per cent), but that's not a perceptible bottleneck, say marketers.

An aspect that leads to quick movement of ethnic snacks is the consumption convenience or 'consume anywhere-anytime' factor. It can be had with cocktails, at teatime, as props with regular meals like breakfast or as starters with dinner.

The Namkeens Market is basically divided into two major categories:

1. The Premium Products :

The category involves players like haldiram's and others who offers their product at a

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premium price than that of their counterparts. These products are majorly sold as fun snacks in involves impulse buying from the customers. These products are mostly sold in the packaging of 10 gm to 200 gm. These products are available in the form of a LAR (a series), and you will find them hanging at a eye catching position in a shop.

It is therefore said for this category “Jo Dikhata Hai wo Bikta Hai” (i.e.) the one which is displayed is sold the most).

The shelf life of these products Is 4 to 6 months. These products are majorly available at a national level in India and many players have stated their exports also.

At national level, Haldirams Bhujia is a market leader in this category whereas Frito-Lehar captures the majority of the market for the small packs ranging from Rs. 2 to 10. Others players like Balaji, Bikaji, Bikano, Aakash etc hold a majority of the market for Chivada & Sev. SM Foods has been recently introduced Peppy Namkeens.

2. The Economy Products (Value for Money):

Mostly, these are the local manufacturers who cater to the surrounding area of around 200 km radius. They can cater to the local taste of consumer and they offer their products at a economical price and a larger packing of 500 gm and 1 kg. The shelf life of this category is very less as one month and therefore these players has a limitation of geographical reach.

There are many local manufacturers with different varieties of Namkeens ranging from Rs. 60 to Rs.80 per kg. These products are sold in loose or in the PP bags. As consumption wise, these players enjoy the largest share of market. The major products sold in this category are Farsan Mixture, Upwas Chiwda, and Masala Sev etc.

➤ PACKAGING:

Leading players try to woo consumers with attractive packaging and designs. Generally all branded companies uses the technology of packing the product with nitrogen filled aluminum vacuumed pouches, which help to keep the product fresh for a longer shelf life, but also increases the cost. Smaller manufacturers like Garden Foods, Raghuvanshi Exports, Janta etc use Polly Propane plastic pouches for packaging the products.

The pouches are pre-printed with Company Name, Brand Name, Product Name, Ingredients, and Mfg. Date & Best before Date. MRP is then stamped by a machine before packing the products. Generally these packs are provided to the retailers in a series (Lar Form) with a hanging stand. When the products are to be distributed outside the country or in a bulk then the pouches are packed in Boxes with Company Name, Item Name & Brand Name printed on it.

➤ COSTING & PRICING:

Raw material and packaging are the two major cost components. The organized players follow rigorous quality control of raw material and maintain high hygiene standards at their manufacturing facilities. This results in a much higher cost of production, thereby making them price uncompetitive in comparison to their small scale unorganized counterparts.

Packaging is a major cost, accounting for half the price of the product. Normal Polly propane plastic bags costs on an average Rs.2 per pack whereas the aluminum packs costs around Rs.2 to Rs.4.5 approximately based on size. The Boxes cost around RS.5 (Minimum) to Rs.32 (Maximum) based on size and quality.

Generally manufacturing companies have a profit margin of around 20% to 25%. Local Retailers are given 30% to 35% margin whereas in case where the products are distributed through distributors the margin of 30% to 35% is distributed amongst the Distributors, Super Stokers & Retailers.

For e.g. A 55gm pack of Frito's - Kurkure is pricing around Rs.10 of which Rs.3 is distributed amongst Distributors & local Retailers. Out of the remaining Rs.7 Companies profit is around Rs.1.75 to Rs.2. Packaging costs around Rs.2 and distribution and manufacturing costs around Rs.3 to Rs.3.25.

➤ **DISTRIBUTION:**

Distribution is also one of the key parameters for expanding market share. Frito-Lays has the advantage of access to Pepsi's a formidable distribution network whereas products like Uncle Chips is retailed through around 600000 outlets across the country.

Generally Companies are having their sales vehicles that are loaded on daily basis and are distributed to local retailers. Some companies appoint Distributors. Distributors have to give a proposal with a market research like storage facilities, infrastructure, and retail outlets in area, market leader, types of products available in the market etc. In some companies the products are delivered to the retailer twice a week (e.g. Frito India), while in some companies on daily basis (e.g. Garden). The products are generally sent in Boxes on an average each box contains 80 packs of 30 gm or 30 packs of 150 gm.

Distributors are solely responsible for the sales in the particular area he is operating in. Every Distributor should have a specified number (varying from company-to-company) of minimum shops in his area. Distributors generally have small vans (rickshaws) and employ salesmen on commission basis who loads the products from the distributor's storage and distributes it amongst the retailers.

Companies nowadays have even started distribution through their websites. For e.g. companies like SM FOODS have recently launched a website Peppyland.Com, which, apart from being an interactive medium for kids, will also deliver its brands at their doorstep. It services one-lakh retail counters across the country by employing a total strength of 300 sales personnel and distributors nationwide.

In India, today there are over 5 million retail outlets dispersed all over the country. Organized retailing, which has been now gaining momentum, includes large super market chains/ shopping malls, department Stores and Food Store. While small chain stores called Apna Bazaars and Sahakari Bhandars, which offer products at reasonable prices- have been fairly popular in the rural areas.

➤ **MARKETING & ADVERTISING STRATEGIES**

⊕ Market Research is been conducted amongst the retailers before launching of any new product under any categories.

⊕ Branded products are generally advertised through TV ads, which are supported by POPs & other promotional materials hanging at the retail shops.

⊕ Companies like Garden Foods have their distribution vehicles painted with the product name and item names that move around the market, which in a way is publicity for them. They even organize a snack fair once in a year in Bandra Reclamation Club and invites other manufacturers to have their stalls in the fair.

⊕ Companies generally provide iron racks to be kept in the retail shops for which the retailers are given a margin of 4% to 5% extra. Companies like Frito-India on regular basis send some marketing tips to their distributors.

⊕ SM Foods PEPPY has also launched certain promotions for both its dealers (scratch and win contests) and consumers (Wheels and Wings, a do it yourself toy) to make its brands more popular.

⊕ Companies provide incentive schemes to their distributors on achievements of certain targets. Some companies even distribute awards for the highest sales amongst the distributors.

Normally local brands & small manufacturers do little advertising through sales vans and POPs. Companies like SM Foods, Frito-India etc. uses Print and Audio-Visual medium for advertising their products. Generally the company launches a new product in the market and then starts advertising on media and the POPs and other promotional activities back these ads by the companies.

What is a Namkeen?

Namkeen is an ethnic Indian salty snack which Indians consume at various times of the day with tea, breakfast, drinks or sometimes even lunch and dinner.

Namkeens are consumed and relished across all age groups. These have always existed as an inseparable part of the average Indian's eating habits. These crisp salty snacks are based on traditional recipes. These are consumed at all times of the day and also at various occasions.

Consumers of namkeen could be broadly divided into two main categories.

1. Price sensitive, taste conscious consumers who usually buy namkeens from local outlets (retailer's brand)

2. Quality and test conscious consumers who generally buy brands from organized sector players.

In terms of volumes, sales in the first category are very much higher than in the second category, though less profitable. But in the past few years the growth has been higher in the second category rather than the first one. As such, lately Indian markets are witnessing the trend of branding commodity kind of products.

➤ **CONSUMER'S PROFILE OF MARATHWADA**

Snack foods are impulse purchase products, and there is an element of indulgence associated with them. It does not figure very high on the shopping list. A consumer buys it only if it catches his eye at the outlet or is accompanied by a child who finds potato chips a fun snack. So leading players have stressed on attractive packaging and promotions targeted at children to increase consumption. As these products are general fun eat, brand loyalties are not strong and consumers look for novelty and new flavors. There are no notable differences in consumption pattern across various age groups.

Snacks like Wafers & Chivadas are generally preferred for the daily consumption whereas fun-foods like Cheese balls and Twistys are sold more in schools, Colleges, Railway Platforms and Movie Theatres. Kids generally prefer Fun-Foods whereas all age groups generally prefer Wafers and other snacks.

Taste varies widely across the regions. For instance in south, banana chips are extremely popular which do not find many acceptances in other parts of the country. In east, Paaprichaat is very successful whereas in Mumbai, tomato punch has been a runaway success. However typically in Marathwada, the Namkeens a bit of spice, and more of chevda and mixture is preferred. Also because of the religious sentiments the "upaas" culture is very prominent and hence the "Upaas Chivda" is a major hit.

⊕ **TARGET CUSTOMERS :**

Namkeens are generally targeted towards all age groups and the target differentiated is based on regional taste preference for ex. Spicy Mixtures are famous in Jalna Area whereas Chivada's is famous in Aurangabad area.

Since the taste differs based on demography, SEC and locations, the same strategy will not be applicable in each location.

Similarly, the packaging and the pricing is also a determining factor in the choice of the product and brands. It is therefore, PARAMOUNT THAT EACH ASPECT OF THE 4 Ps are considered and accordingly the strategies need to be devised/

Accordingly, all the 8 districts of Marathwada region will have to be visited and detailed consumer survey will be conducted for the same.

Selection of Brands

Following 10 brands will have to be selected for the study purpose:

1. Haldiram's , Balaji, Umang, Baba, Dollar, Hari-om, Moti, Mama, Pawan – Bikanerwala, Raj **Objectives of the study**

1) To study the production and marketing strategy of Namkeens (Snack foods) in Marathwada Region
2) To know the production of local made unbranded Farsan snack food products and their sales performance in Marathwada Region

3) To know the process and role of distributors & retailers in distribution channels of Namkeen Products in Marathwada Region.

4) To know the buying behavior & consumption pattern of Namkeen Snack food products in Marathwada Region.

5) To know the problems & prospects of wholesalers, distributors and retailers and to suggest the suitable remedies to everyone's problem's.

Hypotheses tested

- A. The Consumers are more conscious of product taste and price rather than brands
- B. The distribution channel plays a vital role in the Proper marketing and sale of namkeen products.
- C. Pricing is the key buying influence for branded and unbranded Namkeen snack products.

Research Methodology

(A) Collection of data

To complete this study both the types of data has been used i.e.

Primary and Secondary data

Primary data has been collected from the wholesalers, Distributors retailers and the ultimate consumers relating to their sales and purchases of various brands

Secondary data:

The researcher has gone for secondary data. i.e.

- a) Annual reports of the Government on the FMCG products.
- b) Audit reports of the traders and wholesalers.
- c) Research journals, Newspapers, published and unpublished data and related web sites.

Tools and Techniques used:

The researcher has used various statistical tool's, Techniques and method such as classification tabulation, graphics, presentation, percentage method, average method, co-relations and regression analysis etc. Testing of Hypothesis has been applied and NOVA test has been used for the analysis of several of the samples and for comparing them for variance. Further, in study, certain other types of data have been subject to the analysis using the Index wise Description methods.

(B) Selection of Samples:

The following table shows the details regarding the overall approximate producers, distributors for the premium products, economical products and retail Namkeen shop keepers without packaging.

Overall 10% of the samples will have to be selected among producers, distributors, retailers and ultimate consumers by the help of convenience sampling methods.

Regarding the sampling of customers, the survey will be conducted for the 8 districts of Marathwada Region. In each district a sample of 200 consumers will have to be selected by convenience sampling method. The consumers will be given a questionnaire for measuring of their response. The data so collected will be scrutinized, tabulated and analysed by the help of some statistical tools and techniques. Apart from the questionnaire method, direct interview technique would also be done wherever applicable and wherever deemed fit.

a) **Manufacturers**

A direct interview technique would be used to speak with the manufacturers'. A separate small questionnaire will also be administered.

Table No. : 1.1

Namkeen Product and distributors at a glance in Marathwada Region.

Sr. no.	Type of Namkeen Products	Approx	Approx	Selected samples
		Producer	Distributors	
1	The premium products (Hygienic)	Nil	400	40
2	The Economical Products (Non Hygienic) small packing with Direct Distribution	10	100	10
3	Retail Namkeen snacks/ Open shop	500	500	50

Scope and Limitations of the study:

The study was limited to the eight districts of Marathwada region. Only 200 customers from each district were selected for the study purpose. Limitation of this study is to get the primary and

secondary data from local Namkeen producers and open shop keepers is much difficult. To get the secondary data was also much difficult.

Presentation of the study:

- 1 Introduction
- 2) Review of Literature
- 3) Production and marketing strategy of Namkeen snack product in Marathwada Region
- 4) Buying behavior & purchasing practices of selected customers.
- 5) Data collection and analysis
- 6) Summery, conclusions & suggestions

Major Conclusions

1. There is high awareness level for different Haldiram's products amongst the customers, retailers and whole sellers.
2. From the survey of customers and wholesalers in Delhi it was noticed that most of the people consume Haldiram namkeens and Bikano sweets and same as with wholesalers they keep more Haldiram namkeens and Bikano sweets.
3. Other brand namkeens which also occupy a major share are Lehar, Crax and other local products. Market share of Haldiram namkeens and Bikano sweets is more than double of its competitors.
4. From the data collected it is clear that while promoting any brand the foremost considerations are good demand and good margin followed by regular supply and next come brand names.
5. Majority of wholesalers followed by Haldiram's namkeen followed by Bikano, Lehar, Crax, Babaji and Nanaji in that order.
6. Average annual sale come out to be highest for Haldiram's namkeen followed by Bikano, Lehar, Nanaji and other local brands. Average annual sale come out to be highest for Bikano sweets followed by Haldiram's and other brands.
7. Brand awareness for Haldiram is very high. There is significantly high brand loyalty for Haldiram's product amongst its consumers.
8. While, In terms of packaging, the product of Bikano are termed to be better than Haldiram's, Lehar, Crax and other products.

Recommendations

1. It is general complaint that there is a big communication gap between the company and the retailers and no one is to solve their problem so, the company should take some steps to reduce the gap.
2. There should be wall paintings or banners in canteens of Bikanervala product because the competitors are providing many facilities like this.
3. Distributors should send the ready stock so that the delivery man do not suffers the problems when the retailer demands in emergency.
4. Bikano need to increase positioning strategies in "Namkeen" industry.
5. From the data it's quite clear that while promoting any brand the foremost considerations are good demand & margins followed by regular supply and next comes brand name.
6. Market share of Bikano's namkeen is less than half of its competitors like Haldiram's and other local Brands.
7. Average annual sale come out to be highest for Haldiram's namkeen followed by Lehar, Bikano, local brand like namkeens, Pooja namkeen, Shah namkeen etc.
8. The awareness of Haldiram's product comparative to Bikano is high among the wholesalers and consumers.
9. Retailers should collect feedback from consumers to assess the present gaps in consumer wants and their satisfaction as well as to get an indication of future needs.
10. In order to win the hearts and minds of the customer, it is necessary for the retailer to enter into alliance with partners, suppliers and even customers.

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