



IndiaNews

FOOD & FOOD INGREDIENT REVIEW
April May 2003

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IndiaNews is published every 2 months by:

GIRACT

24 Pré Colomb, 1290 Versoix – Geneva
Switzerland

Tel +41 22 779 0500

Fax +41 22 779 0505

info@giract.com

<http://www.giract.com>



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Underweight coffee packets from Nestle

“Think global, act local” – this old adage sounds almost like a cliché, but its truth strikes anyone looking at the Indian food industry. Food is an essential element of a society’s culture and ethnicity. Despite the cosmopolitan influence of globalization, ethnic foods, local preferences and market dynamics are important and a food company can ignore them only at its own peril.

McDonald’s dropped its famous beef burger in India to cater to the Indian sensitivities about beef. McDonald’s India developed a range of products that resemble ethnic Indian foods. Pizza McPuff, McAloo Tikki, Crispy Chinese Burger, Paneer Salsa Wrap, and now, McCurry Pan are unique products developed in India. McAloo Tikki (a type of potato cutlet) is exported to several countries in the Gulf. Product innovations introduced by the Indian unit are now finding their way into McDonald’s menus across the world.

Nirula’s, the homegrown fast service restaurant chain, recently introduced “Nimboo Soda” (Lemon soda) in five flavours. Nirula’s has also developed specialized packing for home delivery of “Thali” (a complete Indian lunch or dinner with chapattis, rice, dal, salad, chutney, pickles, vegetables or meat, and a sweet).

Even in ice cream, which can be said to be a ‘western’ product, the ethnic Indian touch has a strong presence. Amul recently launched its super premium range in nine flavours including cheese with almonds, date with honey, Alphanso mango and fresh litchi. Some ‘standard’ flavours of ice cream in India are – Kesar Pista (saffron pistachio), Kaju Kishmish (cashew nut and raisin), and Mango.

Taking a cue from the ice cream market, dairy industry is introducing more ethnic products. Amul recently introduced flavoured lassi (churned yogurt) in rose and kewada flavours. Other ethnic dairy products, that are making their presence felt, are shrikhand (concentrated sweetened yogurt), gulab jamun (fried dough-balls in sugar syrup), rasogollas (cottage cheese balls in syrup), kulfi, mishti doi (sweet curd), and dahi (plain curd).

Nestle India introduced its condensed milk in a soft squeezable tube, a product adaptation to cater to the Indian market, that has an aversion for cans. The company is credited with introducing noodles to middle class Indian children two decades ago. India has emerged as the largest consumer of Maggi noodles across all Nestle operations in the world. Nestle, however failed to get the same success with Maggi macaroni or even with Maggi pickles. The Swiss multinational’s other failure has been in bottled water. Nestle tried to push its bottled water through the same channel as its grocery items. Nestle did not realize that in India, bottled water, especially one litre pack, is not consumed at home and hence does not form a part of the monthly grocery purchase of a household. One-litre water bottles are consumed only by people on the move and hence, can be sold only at railway stations, airports, hotels etc. Bulk packs (20 litre packs) are consumed at home or office. It is a growing segment, but Nestle never introduced bulk packs – a mistake that has proved expensive.

Understanding the nuances of local market is the key to avoiding expensive mistakes. Possibly, this is what SABMiller had in mind when it agreed to pay \$132.8 million for 50 per cent stake and management control of beer business of Shaw Wallace. The deal gives SABMiller control over 35 per cent of the Indian beer market as well as over 22 breweries and a national sales and distribution network. One hopes that SABMiller will be able to build on the strengths of Shaw Wallace and will avoid the pitfalls that many other multinationals have faced in India in recent past. It may be mentioned that the stock market has responded positively to the deal. The share price of Shaw Wallace has increased by 33 per cent in the days after the joint venture with SABMiller was announced.

Market’s positive response to the SABMiller-Shaw Wallace deal is based on the perception that it combines strengths of the two entities. Combining strengths – that appears to be the new mantra of success in India.

