

WHITE PAPER

The Spice of Life in India

“Growth Opportunity for Spice Manufacturers in India”

India may be the second largest country by population with over 1 billion people, but the statistic that is more important to American investors is India’s Gross Domestic Product (GDP). The GDP is currently at \$1.089 trillion dollars and grows at a rate of approximately 7.5% per year, which makes India the 12th largest country in terms of economic size. The United States has a much larger GDP, but only grows about 2% on average each year. As a developing nation, India has one of the fastest growing economies in the world and one of the largest labor forces, second only to China. According to Goldman Sachs, the size of India’s economy is expected to surpass that of the United States by 2043.

There are many service markets that are leading the investments made in India, including customer service and information technology. However, with a large labor force that continues to increase its per capita income, there is also a growing opportunity for consumer packaged goods. Weatherchem recently had the opportunity to research the expanding consumer packaged goods market with a focus on the Spices and Seasonings segment.

Our research took place in a city called Chennai (also known as Madras) that is located in the Southeastern part of India in the state of Tamil Nadu. Chennai is the 4th largest city in India and is a densely populated urban area. The climate is very hot and humid with an average temperature in the winter of 65-80 degrees Fahrenheit and in the summer of 100-107 degrees. There are a variety of different shopping venues available for people to purchase goods ranging from street vendors to large retail outlets. Similar to the United States, it is mostly the women that make purchasing decisions about what household goods to buy.

Focus Group Study

Weatherchem conducted a focus group while in Chennai in February of 2009. An independent company called “Focus Suites Solutions and Services” coordinated the group with the following objectives:

- Identify the most Common Types of Spices Used to Cook at Home
- Understand Where Indian Women Purchase Spice & Seasonings Products
- Determine what Influences Purchasing Decisions of Spices & Seasonings
- Understand the Types of Packaging Available in India
- Determine what the Ideal Spices & Seasonings Package is for the Indian Consumer

The focus group consisted of 8 Indian women who cook multiple times each day and are the primary grocery shoppers in their household. It is common for most Indian women to cook several times a day even if they work full-time. The majority of participants were employed outside of the home and also had children who were under 18 living with them. The age of participants ranged from 29-52 and all participants had an income between 300,000-600,000 rupees (Rs) per year (\$6,000-\$12,000). Lastly, this group of individuals all fell into a middle socioeconomic class.

There are four tiers of retail outlets in India. The smallest or fourth tier is the street vendor where many fresh foods are sold. One tier up, there are mom-and-pop type shops that are very small and only carry 1-2 SKU's of a given product category. The second tier is comparable to a convenience store in the United States. Specialty stores tend to fit in this second tier as well. For instance, there is a retail outlet in India that only sells Nuts and Spices that would fall under the 2nd tier category. The Hypermarket is the largest retail outlet available in India. This type of outlet is similar to Wal-Mart in that they carry everything from food and vitamins to bedding and kitchen equipment. The hypermarket is also typically a well-known store that has multiple locations. However, the hypermarket in India is a much smaller scale operation when compared to the mass supermarket chains in the United States.

Our focus group participants all shopped at what would be considered either a Hypermarket or Convenience/ Specialty store for their spice and seasonings products. The majority of participants liked shopping at hypermarkets, because they could locate everything they needed under one roof. Additionally, the products were easily accessible, making the shopping experience more convenient. The most common store names listed were:

Food Bazaar (Hypermarket): <http://www.futuregroup.in/fretail.asp>

- 1,000 Store Locations
- Carry a Variety of Brands and Private Label Products

Reliance Fresh (Hypermarket): <http://www.reliancefresh.info/>

- 453 Store Locations
- Carry a Variety of Brands and Private Label Products

Nilgiris (Convenience):

- 40 Store Locations
- Carry Mostly Private Label Products and some Brands

Nut n Spice (Specialty): <http://nutsnspices.in/>

- 15 Store Locations
- Stock Variety of Dry Spices and Nuts

This group of Indian women spent approximately \$30 (1,500 Rs) on food each week. Dry spices are an essential part of cooking in India and participants typically purchased spices every 1-2 weeks in 100 gram (3.5 ounces) sachets. The most commonly purchased dry spices included:

- Cloves
- Cardamom
- Poppy Seeds (Khuskhus)
- Cumin Seeds (Jeera)
- Pepper
- Mustard
- Fenugreek (Methi)
- Fennel Seeds (Saunf)
- Bay Leaves
- Asofetida
- Nut Meg
- Pineapple Flower

Other less common spices purchased included oregano, chili flakes, saffron, and ajinomoto. Salt and pepper are not used nearly as much in Indian cooking as they are in American cooking. Salt and pepper were not even listed by these participants as a common way to season food. We also discovered that Indian women in urban cities rarely grow spices in their home. Most find it too difficult with the space limitations and humid climate.

At the start of this study, we assumed that the Indian consumer would be very price sensitive and that price would be the determining factor of whether or not a purchase was made. However, we were surprised to discover that freshness, aroma, and quality were the top factors that influence a purchasing decision for the Indian consumer. The packaging plays a significant role in helping the consumer determine the quality of the product. For instance, if the product comes in a cardboard box or non-transparent sachet, there is no way for the consumer to judge quality unless they've had a previous experience using the spice. The package communicates the quality of the product inside.

Many spices come in boxes or sachets like the items made by Everest (pictured below) or they are bought loose from large open canisters. Our participants expressed a strong desire to be able to see the spice through the package, so they could determine the quality of the spice. Private label packaging is more commonly packaged in transparent plastic-sealed bags. However, our focus group participants claimed that these bags did not keep the product fresh. Therefore, consumers would need to take the spice product out of the bag and store it in plastic Tupperware containers to maintain product freshness. Additionally, the containers serve as a more convenient way of storing and dispensing the spices for cooking. Keep in mind that Indian consumers cook 2-3 times a day and use dry spices in almost every meal prepared, so convenient access to dry spices is very important to them.



Price was still considered an important variable in influencing the overall packaging decision and most participants expected to pay somewhere between \$1.50 and \$2.00 (75-100 Rs) for a 100 gram package. However, the product would not even be considered if it did not meet the quality standard set by the consumer. After price, participants felt that packaging was the next most important feature.

There are very few packages on the market that offer the ability to re-seal (zip lock) the package and dispense directly from the package. The focus group participants indicated that the key attributes they found most valuable in a spice package are maintaining freshness, packaging efficacy, easy dispensability, and the ability to see the product inside. The ideal package would be a small disposable and transparent container with a cap or seal that kept the product fresh and made it easy to dispense directly from the container. This would eliminate the extra work of filling, cleaning, and re-filling spice containers as well as make the product visible to the consumer to verify the quality.

Brand was the least critical factor when making a purchase decision. Participants named a few of the local brands that they preferred including Everest, Shakthi, Ashirwad-ITC, MTR, Priya, and Archie. However, most did not consider brand to be an indicator of quality. They relied on personal experience and recommendations of others. Overall, this group of consumers was very willing to try new things and demonstrated very little brand loyalty to what was currently available in the marketplace.

Flapper® Cap Testing

There are very few packages available in the market that offer a flip-top closure. Based on our review of numerous spice and seasoning products, of the packages available with dispensing caps, many break easily and are of substandard quality with sharp edges and poor functionality. Many of these consumers were exposed to the concept of a flip-top cap for the very first time at this focus group session. After trying the cap, the excitement on their faces was visible immediately. The instant feedback we received was that the closure was durable, easy to store in the refrigerator, and easy to open and close.

The Flapper cap combined with a transparent bottle proved to be the ideal package for these consumers and all stated that they would be willing to try something new if it offered this package. Since participants responded so favorably to this new concept, we asked each one to write on a piece of paper how much more they might be willing to spend for a package like this

if it were available today. On average, participants were willing to pay \$.10 to \$.20 more for the convenience, visibility, and freshness of a transparent bottle with a Flapper® cap.

Business Etiquette

One of the benefits of conducting business in India is that English is widely spoken by business professionals. Indians also have a very good understanding of Western culture and are genuinely interested in learning about Americans. They will often share with you their experiences of traveling to the United States. It is critical to the success of a project that you understand and respect Indian culture and traditions as well. For instance, understanding some of the traditions associated with the Muslim and Hindu religions will be beneficial in working with Indian business partners. For example, when eating out with your Indian business associate, you may want to ask what they would prefer to eat. Many Indians are vegetarian. Furthermore, Hindus do not eat beef since the cow is considered a sacred animal and Muslims do not eat any pork products since the pig is considered a dirty animal.

You will typically be greeted with a handshake or a “Namaste.” This literally translates to “I Bow to You” and is accompanied by a slight bow made with palms pressed together and fingers pointed upwards. A person’s last name normally indicates what part of India they are from and it is considered common courtesy to address an Indian by using a title such as “Mr.,” “Mrs.,” or “Dr.” along with their last name. Some Indians are very conscious of status, so it’s important to respect this tradition when working together. For instance, it will be important for them to know what your title is at your company and what type of responsibilities you have. This way, they can pair you with someone of similar status from their company.

There will always be circumstances where you aren’t prepared or accustomed to Indian cultural norms or idiosyncrasies. For example, while Weatherchem was in India, we encountered an unusual gesture that was very confusing at first. While explaining to the moderator some of the questions we would like her to ask the group, she appeared to be listening, but was shaking her head side-to-side as though she were disagreeing or not understanding what we were discussing. This gesture is typically referred to as the “head bobble” and while in most cultures it means disapproval, in India, this happens to be a sign of approval. They were happy to correct the misperception and we all had a good laugh.

Conclusion

Our experience and research in India leads us to believe that this country offers a wealth of opportunity for spice manufacturers. There is a large consumer base that uses dry spices and there is little brand loyalty to what is currently available in the marketplace. The packaging currently available does not satisfy many of the Indian consumers’ needs, which provides an avenue for newcomers to supply an alternative that does address these needs. However, with growth and investment, there are always risks. The large population in India can work against the country’s fast growth prospects by lowering per capita income and slowing its overall growth rate. Presently, the spice brands available are heavily localized because there is very little distribution available in this developing nation. As the infrastructure of India continues to

expand, the lack of distribution will gradually improve and diminish this risk. Additionally, doing business in a foreign nation requires learning about a completely unique market as well as the laws and guidelines that direct the government and marketplace. Partnering with local companies could help reduce the risk of selling in an unfamiliar territory while enhancing access to its high growth potential.

Travel Tips

1. Hire a Driver: Traffic rules are more like guidelines, with little enforcement.
2. Only Drink Bottled Water: Tap water will likely make you sick.
3. Avoid Uncooked, Street Vendor Food, & Dairy: It's fun until it's not anymore...
4. People who are Sensitive to Spicy Foods should Pack Snacks.
5. Pack Strong Bug Spray: Especially when traveling to the Southern part of India.
6. Pack the Right Attire: It can be very hot and Southern parts of India tend to be more traditional and conservative in clothing style.
7. Plan Your Trip with Plenty of Extra Time: There will always be unplanned events.
8. Never put your Feet up on Chairs or a Table: Feet are considered dirty and this is a sign of disrespect.
9. Be Safe and Try not to Travel Alone.
10. Leave 3-4 Hours for Returning Home: Airports can be very crowded with no lines.

Weatherchem has the full footage of this focus group video available for those who are looking for more information on the preferences of Indian Consumers. Please contact us at marketing@weatherchem.com with any questions.



WEATHERCHEM CORPORATION
2222 HIGHLAND ROAD
TWINSBURG, OH 44087
330-425-4206
FAX 330-425-4586
www.weatherchem.com