

Fermenting iDeas in Business: iD Brand

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Abstract

The case provides insights on India's Food processing industry. It discusses the emergence of the RTE and RTC category with market statistics. It discusses the factors for growth in the food processing industry in India. The case is on the brand journey of iD in the Ready to Cook category with its Idly-Dosa batter launched in Bangalore. It discusses the emergence of a brand in the commodity business of batter with its innovativeness, the growth of the market, and the competition which is followed by the rise in demand for the product/ RTC category.

Keywords: Business, iD Brand, Market

Teaching Objectives

- 1) To study and analyze India's food market (RTC category)
- 2) To study the factors from the macro environment that influence the emergence of the category
- 3) To study the factors that contribute to the success of a new brand in the Food market
- 4) To study the competition in the food market
- 5) To study the brand building and its positioning in the category

India is known for its diversity in languages, culture, traditions & religions. Food diversity in India is unmatched in the entire world. We find variety in seasonal foods, breakfast items, festive foods, spiritual food (Vrata items), snack items and the list goes on. Indian consumers love traditional foods and enjoy them regularly even though there is a rise in acceptance of other cuisines like Chinese, Italian, and Mexican foods.

India's food market

India is a major producer of food in the world, with a large and growing market. The Indian food industry is a sunrise sector contributing to the economy and employment in India. Exports from the food industry are also on the rise. The processed food industry can be classified as Ready to Eat (RTE) and Ready to Cook (RTC) categories. RTC has emerged as a growing category in the food business.

The ready-to-cook market (RTC) in India is estimated to grow at a **CAGR of 7.12%** between 2022 and 2027. The size of the market is forecast to increase by **USD 488.97 million**.¹ The food and grocery retail market, valued at US\$ 11.3 trillion in 2021, is also among the largest in the global economy³

²India created history in agriculture and processed food exports by exporting products worth US\$ 25.6 billion in FY22. Export of APEDA products stood at US\$ 7.4 billion as of April-June 2022, up 31% compared with US\$ 5.7 billion over the same period last fiscal, according to the Directorate General of Commercial Intelligence and Statistics. The food sector is currently undergoing a transition in India. The Agricultural and Processed Food Products Export Development Authority (APEDA) forecasts that the sector will grow at a compounded annual growth rate (CAGR) of 3% between 2022 and 2030.³

Growth of the Market

The growth of RTE and RTC categories is not only seen in the metro but in Tier 1 and Tier 2 cities and rural areas as well. Many factors have contributed to the growth of this category. Consumers in India are preferring convenience foods in the form of RTC and RTE which are healthy and speak about nutritional value. The demographic dividend of India wherein around 65% of the population is in the working age group, is a major contributor to the growth of the RTC category. Ready Cook packets are seen as a healthy substitute for eating outside the home as these packets save time in preparations.³ Increasing nuclear families and participation of women in the workforce is growing in India which provides opportunities for companies to introduce new products in the market.

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Organized retail is on the rise in India with its new formats providing enhanced shopping experiences for Indian consumers. The food and grocery retail market, valued at US\$ 11.3 trillion in 2021, is also among the largest in the global economy. New retail formats have enabled the companies to showcase their brands on shelves and attract them besides providing the convenience of shopping. The rising consumer income has also increased the spending on food items. The change in lifestyle of the new generation which wants to accomplish many tasks in a short time leads to multitasking and pressing for time leading to the emergence of new categories like RTC convenient food.

This opportunity is embraced by a few dynamic entrepreneurs and some leading companies to introduce new products and expand their product mix. The RTC market is growing year over year at a rate of 6.76% (2023) in India¹.

iD Fresh Foods

Idly, dosa and vada are popular breakfast items in South India, which require preparations on a previous day. The batter business has organized and unorganized players in the market. And the branded wet batter market size for idly and dosa is valued between Rs.400 and 500 crore. If the unorganized sector is considered then it is valued at 1500 cr. to 4000 cr.

iD Fresh Foods Pvt. Ltd founded by Mushtafa PC along with his cousins in the year 2005, has achieved tremendous growth in the branded wet batter business. Their small kitchen startup in Bangalore is now a multinational brand iD (Idly-Dosa wet batter), in the RTC category. They have expanded their business from Bangalore to Hyderabad, Mumbai, Pune & Delhi. ⁴Major sales up to 40% come from Bangalore alone but sales in the North Indian cities are also growing.

In 2007, they set up a production plant in Hoskote, Bangalore with ultra-clean facilities, sanitation, and safety standards. In 2008, Mushtafa assumed the position of CEO to deliver the brand promise of Fresh and Healthy food with No preservatives. In 2010, they started Malabar Parotas, a popular item in Kerala. In 2012, Hyderabad and Mumbai operations were set up for perfection and freshness. In 2013, they took Malabar Parota's to Dubai and the product was successful. In 2014, they raised funding from venture capital of Rs. 35 crores. The brand which used to do local marketing is now on digital media, print, OOH media, and in Radio. From the year 2016 onwards iD band introduced a variety of the products like Udipi style idly batter, Ragi Idly batter, and new products like Curd and Paneer which gave a healthy kick to the brand with the same brand promise of Fresh and Healthy food with **NO** preservatives.

The year 2018, witnessed the launch of Uddin Vada batter in an innovative package which helps novices to prepare perfect Vada's in a frying pan. Organic range products were introduced in the year 2019 as a move towards a sustainable goal. The crops sourced were grown chemical-free. In the same year, the brand launched its filter coffee in the USA. In 2020 iD launched Smart sip tender coconut water and grated coconut in coconut packing, its first eco-friendly packing a move towards its goal of sustainability⁴. The company encourages innovations but all innovations are not successful, the coconut pack is now off the shelf with some issues.

The company now has wheat paratha, homestyle wheat chapati, Lachha Parata, white bread, Wheat Bread, Pure Cow Ghee, Soft and Creamy Paneer, Coffee decoctions, Tender coconut, and grated coconut to add to the product mix apart from varieties in Idly Dosa & Vada wet batter. The company entered into the dairy segment by adding Paneer, curd a few years back, and Cow Ghee in August 2022.

In FY 22 Paneer and curd together generated Rs. 100cr. They have created differentiation of the brand iD Paneer on softness. The main USP of Paneer is that it is made up of Lemon juice and not citric acid. This USP is for urbanites preferring natural ingredients in the product.

The competition in the dairy market is challenging, the iD Cow Ghee is differentiated on freshness as it is made up of fresh milk cream against the stalled butter that many dairy companies use to make the Ghee. This product was launched in Mumbai first, and the market size for Ghee is valued at Rs 8000 to 10000 crores. The brand is attempting to make a profit from this product through its differentiation.

iD brand success can also be attributed to its in-house supply chain, due to this they have achieved success during the pandemic period. They have e-commerce channel and joint ventured with Big Basket to start iD Fresho at that time. The brand tripled its spending on marketing and advertising in 2020-21.

The CMO of the company Shri. Rahul Gandhi stated in an interview of medianews4U.com that ⁵“iD embodies the caregiver of the house who cares for the family's health. We tend to communicate our values and ethos that we want to make the world a better place while making sure that people are eating healthy, which comes through our various campaigns. We advertise on major OTT platforms like Voot, Disney+Hotstar, Zee5, SonyLIV, and more. OTT platforms and YouTube are a very big part of our campaigns.

Lots of our spending go towards e-com platforms like Swiggy Instamart, Big Basket, Zepto, Dunzo, Blinkit, Amazon, etc. These are good trial drivers, a lot of modern brands are built out of these channels.⁶5 pc of our marketing spending is skewed towards digital and 35 pc towards broadcast media, print, etc.

The CEO of iD Company Mushtafa states that⁶ “ I strongly believe that marketing is not just about advertising. If you have the right product, half of your marketing is done. I started spending money on marketing only three years ago. My product is my hero, and my best marketing tool”, he says.

Competition

Seeing the emergence of the batter business, MTR Foods enters the fermented batter business for idly and dosa. In 2021, a 98-year-old company in the food business enters the wet batter business with its campaigns and offers challenges to the category leader iD in its business.⁷ MTR launched its MTR minute Fresh range batter separate for Dosa and Idly and its Signature batter Red Rice Dosa batter. Sanjay Sharma, CEO, of MTR Foods, points out, that the ongoing pandemic and resultant lockdown have heightened the demand for hyper-convenient food products. “We believe that we are entering the market at the right time when the demand for the wet batter category is building. We are certain of our growth in this category, which will be much faster than our peers or other existing local brands available in the market currently,” he said.

Apart from national players competition is also from local players. Home Spring a local player from Kochi entered the Appam Batter business in Kerala. They are witnessing growth in the business as many have entered batter business. He estimates that the batter business in Kerala is growing at a CAGR of 10-15 percent with 4 lakh to 6 lakh packets sold per day.



Discussion Questions

- 1) Analyse the competition in the RTC category in the Indian market
- 2) Analyse the branding strategy of it and its positioning strategy with POP and POD
- 3) What factors have led to the success of the iD brand in the market ?

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