

Snacko India Limited: Leveraging Trade Promotions for Competitive Advantage

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The snack food industry

The case study

The snack food industry is a highly competitive market with a long history. It is characterized by a high degree of brand loyalty and a strong emphasis on convenience and portability. The industry has seen significant growth in recent years, driven by the increasing popularity of on-the-go eating and the expansion of the middle class in emerging markets.

The case study focuses on the challenges faced by a leading snack food manufacturer in India, who is seeking to leverage trade promotions to gain a competitive advantage in a crowded market. The study examines the effectiveness of various trade promotion strategies and provides insights into how the company can optimize its promotional efforts to drive sales and market share.



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What are snacks:

Food consumed between regular meals for energy and taste.

Examples: potato chips, corn chips, tortilla chips, popped popcorn, salted nuts and seeds, chocolate and non chocolate candies, cookies and crackers, unpopped popcorn, meat snacks, etc. Also called junk food, little or no nutritional value.

Ingredients:

Readily available at home or meal leftovers. Contain sweeteners, preservatives.

People becoming health conscious. Prefer healthy foods like fruits, vegetables, etc.

So, snack companies required to go for aggressive promotions and advertisements.

Snack Food Industry, India

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- US\$3 billion market. Growth: 15% per annum.
- Organized snack category constituted around 46%.
- Demand for processed foods saw a hike due to rising incomes,
- Success of any snack depended on its ability to adapt to local culinary and cultural food habits.
- Snack market dominated by small-sized packs.
- Characteristics of the market:
 - Highly innovative
 - Intense competition
 - Numerous brand launches every year
 - Mortality rate as high as 70%

Organized & Unorganized retailing

Organized retailing

- Licensed retailers
- Included corporate- backed hypermarkets, retail chains, privately owned large retail businesses
- Annual growth rate of 25 – 30%
- Expected revenues – US\$15 billion
- Expected growth in market share from 10% to 35% over the next decade.
- Offered varied product selection, better ambience and shelf space for merchandising
- Snacks constituted less than 5% of food sales

Unorganized retailing

- 3 million stores i.e. small ‘father & son’ outlets
- Small businesses, average sized, approximately 50 sq. feet
- 2/3 of these stores in rural areas
- Low cost retailing, corner stores, owner-manned general stores, cigarette stalls, convenience stores and hand cart and payment vendors
- Accounted for almost all of the sales of the snack industry and 85% of total food and beverage industry.
- Target for almost all trade promotion on snack industry.

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Snacko Inc

- Snacko's growth strategy: product innovation, packaging, advertising, promotion, inorganic growth through M&As.
- Focused on retailers and not on consumers – building goodwill among merchants.
- Concentrated on market development
- Had an innovation centre in India to monitor local formats and tastes.
- Wanted to target different customer segments.
- Recently launched a new brand targeting teenagers which had yet remained untapped as most brands targeted adults and children.
- Snacko wanted to increase frequency of consumption in metro markets and also wanted to enter rural markets.

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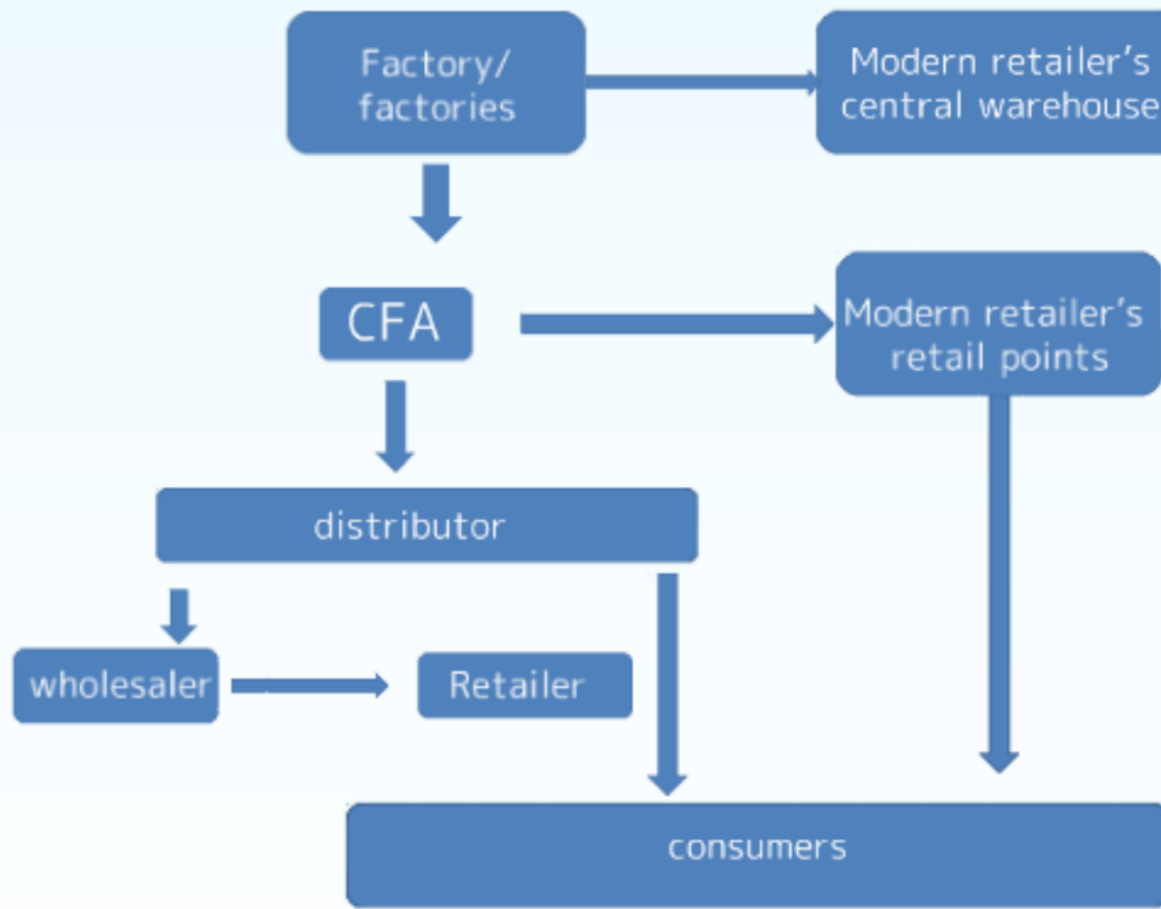
Snacko's distribution channel

- Snacko products were often purchased on impulse, hence intensive distribution and point of sale visibility and promotions necessary.
- Multiple level vertical channel, covered organized as well as unorganized retail outlets .
- Had their own sales force, assisted by a Sales Officer(SO)
- Distributors received margin of 4-5%, received leads by Merchandising Officers(MO) from the company.
- Complete sales network depended on distributor-salesperson network. Dependence on wholesalers was minimum.
- Conflicts between distributors and retailers.

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Distribution Channel

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Distribution Channel (Contd..)

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- CFA
 - Intermediary between company's warehouse and domestic distributor
 - Supplies the product to the distributor and issues the invoice to distributor
 - Margins of about 2%
- Distributor
 - Appointed for smaller territory
 - Serves the market fully
 - Assisted by Sales Officer (SO) and Merchandising Officer (MO)
 - Employees Sales Representatives (SR) and Distributor's Merchandisers (DM)
 - Margins of 4-5%