

June 2009

Store-Bought Non-Alcoholic Beverages in India

Consumer Consumption Behavior and Preferences

Select Excerpts



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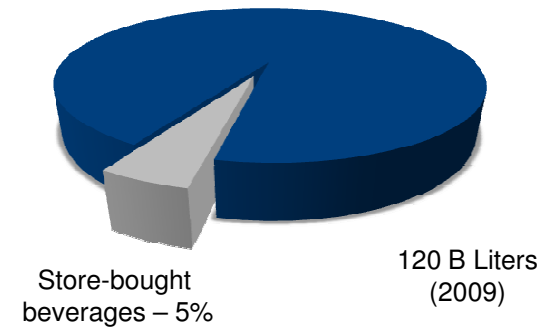
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Survey Background and Objectives (cont.)

Beverage Market Overview

- In 2006, food and beverages^(A) together represented \$232 B in retail sales or 74% of the total Indian retail market⁽¹⁾
- The non-alcoholic beverage market however is much smaller, in particular store-bought non-alcoholic beverages
 - Approximately 120 billion liters of non-alcoholic beverages are consumed by Indians every year, but only 5% represent store-bought packaged beverages⁽²⁾
 - There is a large untapped market opportunity for store-bought non-alcoholic beverages, particularly in the carbonated drinks and juice or juice-based categories (estimated to be currently worth \$1.5 Billion and \$.25 billion respectively)⁽³⁾

Non-Alcoholic Beverage Market⁽²⁾
(in liters)



Growth Drivers

- Growth in the non-alcoholic beverage market in India is driven primarily by the following factors:
 - Rapid economic growth leading to an increase in disposable income
 - A large and growing number of Indians under the age of 35 which represents the largest consumer group for non-alcoholic beverages. In India, two thirds of the population is below the age of 35⁽¹⁾. This segment is expected to grow by over 100 million between 2006 and 2010
 - Infrastructure development for distribution and penetration of retail especially in rural regions
 - Increasingly westernized dietary preferences

Note

(A) Non-alcoholic beverages (carbonated drinks, fruit drinks and energy drinks) in terms of size represent only a small fraction of the food and beverage market.

Source:

(1) Retail: Market and Opportunities, IBEF, http://www.ibef.org/download/Retail_220708.pdf (accessed June 22, 2009).

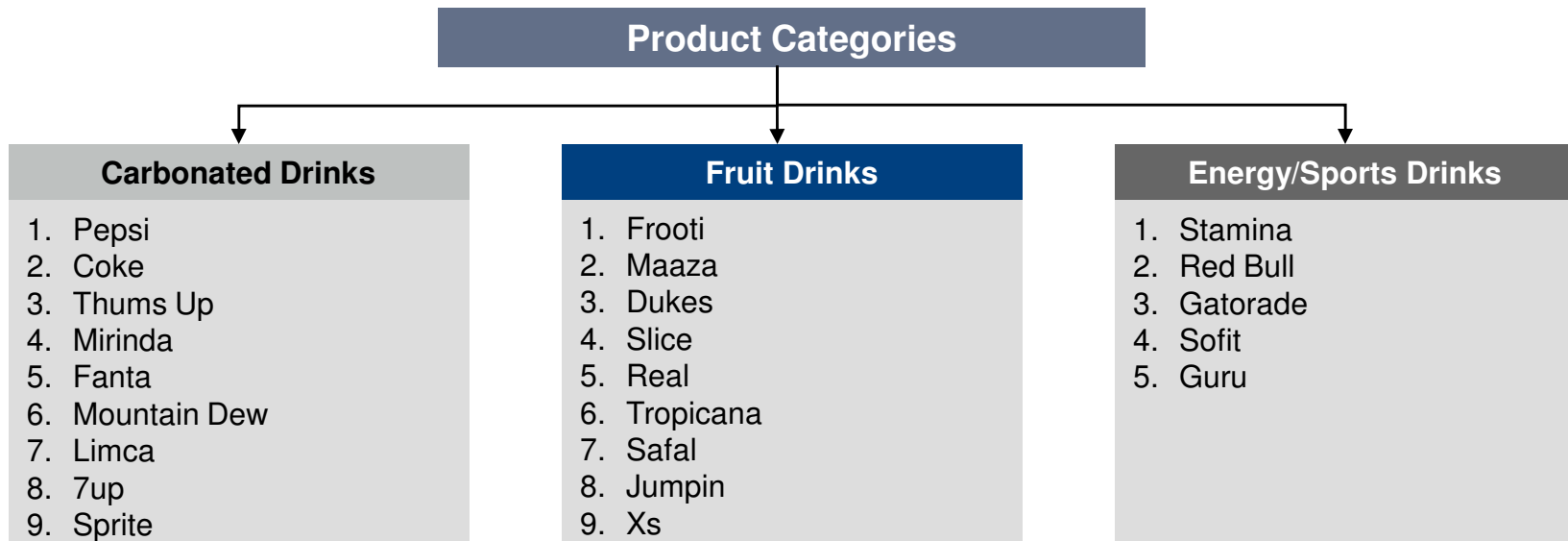
(2) Carbonated drinks losing fizz to flavored drinks, <http://news.in.msn.com/business/article.aspx?cp-documentid=1879926> (accessed June 22, 2009).

(3) Retail Market, IBEF, <http://www.ibef.org/industry/foodindustry.aspx> (accessed June 22, 2009).

Survey Background and Objectives (cont.)

Product Categories

- This report explores consumers' consumption behavior and preferences related to the following three product categories and their associated brands



Survey Background and Objectives (cont.)

Objectives

This report is designed to meet the following objectives:

- Uncover consumption patterns, product preferences and brand perceptions of store-bought non-alcoholic beverages among consumers in India
- Identify differences between consumer groups in order to help marketers develop more targeted and effective business marketing strategies
- Identify opportunities and challenges to grow the non-alcoholic beverage market and better position specific brands

Key Stakeholders

This report will benefit the following groups in particular:

- Manufacturers, distributors, and retailers hoping to capitalize on the growth of the beverage market in India and distinguish themselves in an increasingly crowded marketplace
- Investors analyzing the attractiveness of the market, evaluating investment options and assessing risks

Survey Methodology

This report is based on data collected via face-to-face interviews with nearly 8,000 Indians across India using a standardized questionnaire in order to understand beverage consumption and preferences

Total Sample (7,932)			
City	Region	Class	Sample Size
Bengaluru	South	Tier I	757
Chennai	South	Tier I	750
Delhi	North	Tier I	759
Hyderabad	South	Tier I	758
Kolkata	East	Tier I	750
Mumbai	West	Tier I	755
Ahmedabad	West	Tier II	602
Jaipur	North	Tier II	400
Lucknow	North	Tier II	400
Nagpur	West	Tier II	400
Bhubaneswar	East	Tier III	401
Chandigarh	North	Tier III	400
Kochi	South	Tier III	400
Vizag	East	Tier III	400
Total			7,932

Sample Characteristics



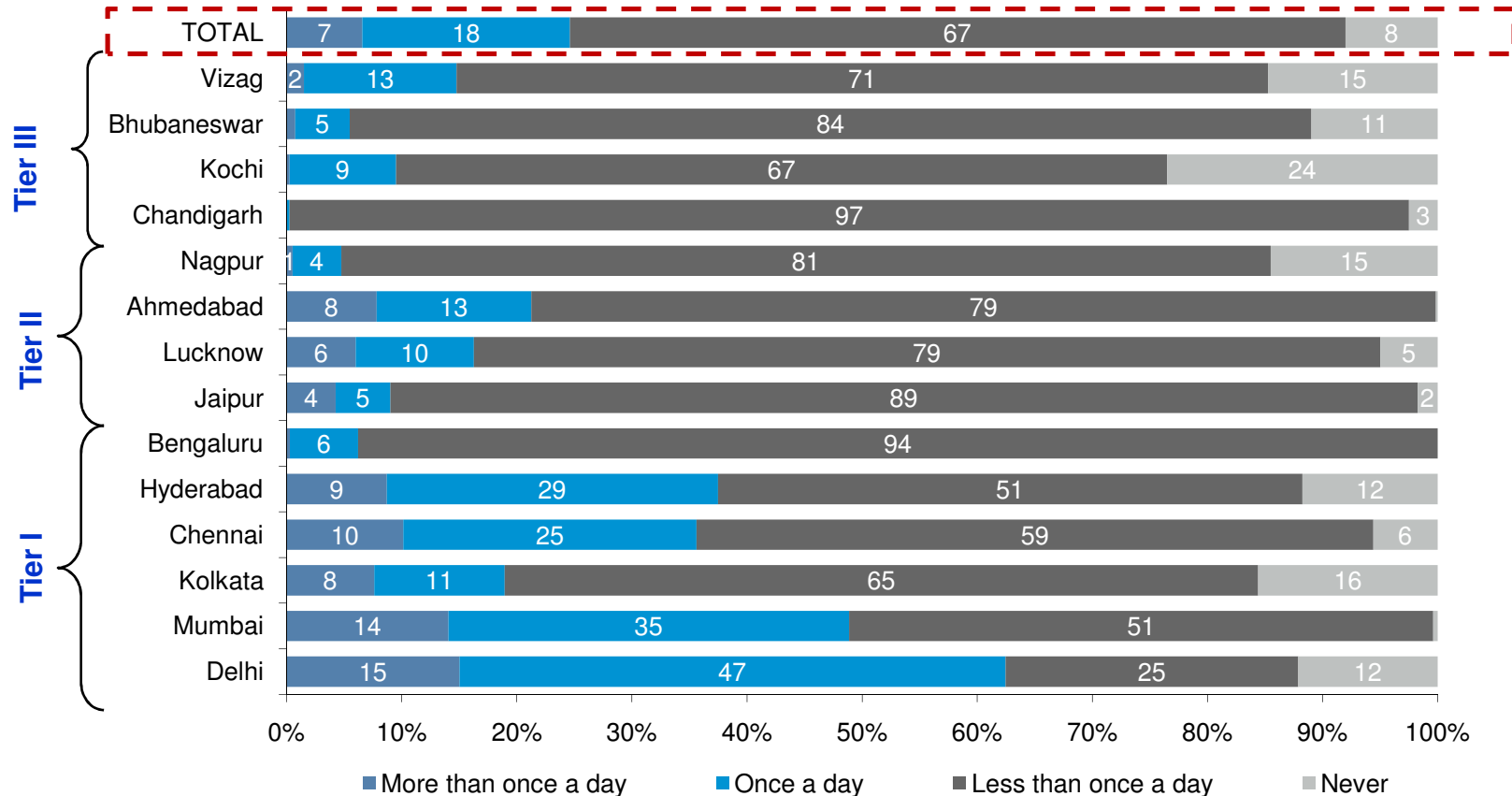
Geographic Coverage: Pan India (14 cities/towns)

Executive Summary

- The store-bought non-alcoholic beverage market in India is significantly underpenetrated, even in urban and suburban areas. 75% of those interviewed for this study report consuming store-bought non-alcoholic beverages less than once a day. While consumption increases with income (with the exception of the highest household income level), it decreases with age.
- One possible hypothesis for low penetration is the lack of routine consumption. Only 29% of carbonated beverage consumers, 27% of fruit or juice based drink consumers and 9% of energy or sports drink consumers report consuming such beverages at a regular time each day.
- Overall, health concerns was the most common reason for abstaining from consuming store-bought non-alcoholic beverages followed by a desire to prepare one's own fresh beverages. Significant differences exist however by product category, i.e., carbonated beverages, fruit drinks and energy or sports drinks in terms of reasons for abstaining.
- There are numerous initiatives which manufacturers, distributors and marketers can take in order to increase their market share in these product categories. For example:
 - Non-alcoholic beverage brands do not appear to be positioning themselves or differentiating themselves along the brand attributes that matter most to consumers in terms of product/brand selection and reasons for consuming and/or not consuming
 - As with most product categories in India, consumption behavior and preferences differ dramatically across cities in India. While Tier 1 cities (or the largest metros in India) report the highest consumption, significant differences exist among these cities, e.g., in terms of the time of day store-bought non-alcoholic beverages are consumed, preferred brands for carbonated beverages, reasons for consuming a particular product type, etc.). Such differences demonstrate the need for carefully targeted marketing campaigns that appeal to the needs, behaviors and preferences of local communities.

Overall Consumption Patterns

25% of survey respondents report consuming beverages 'at least once a day', while 75% consume a beverage 'less than once a day' or never



Residents in Tier I cities report the most frequent beverage consumption, e.g., 62% of Delhi residents report consuming non-alcoholic store-bought beverages at least once a day and 49% of Mumbai residents respectively

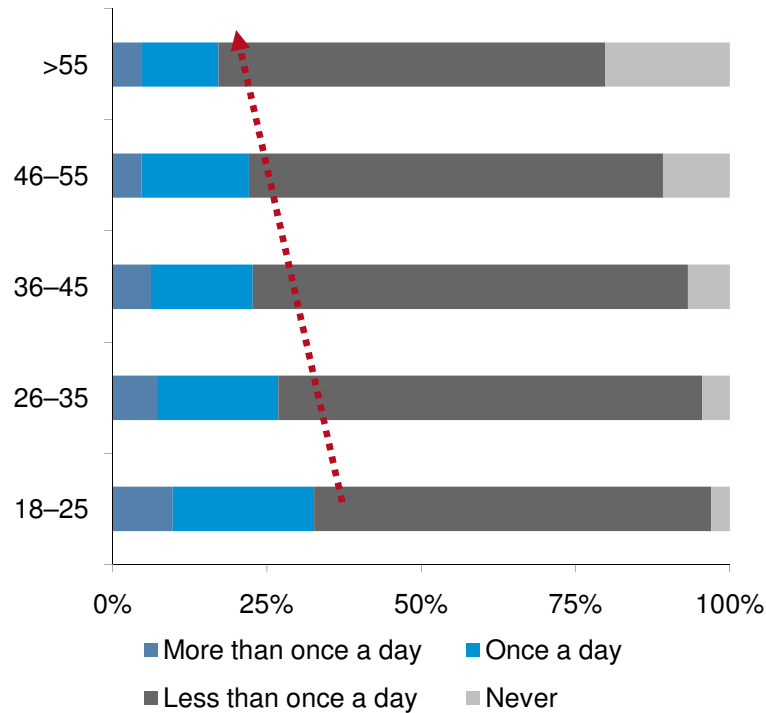
n=7,932; All respondents; Figures within bars indicate actual percentages

Q. Thinking of all store-bought non-alcoholic drinks and beverages (not including bottled water), how often do you consume such non-alcoholic drinks or beverages?

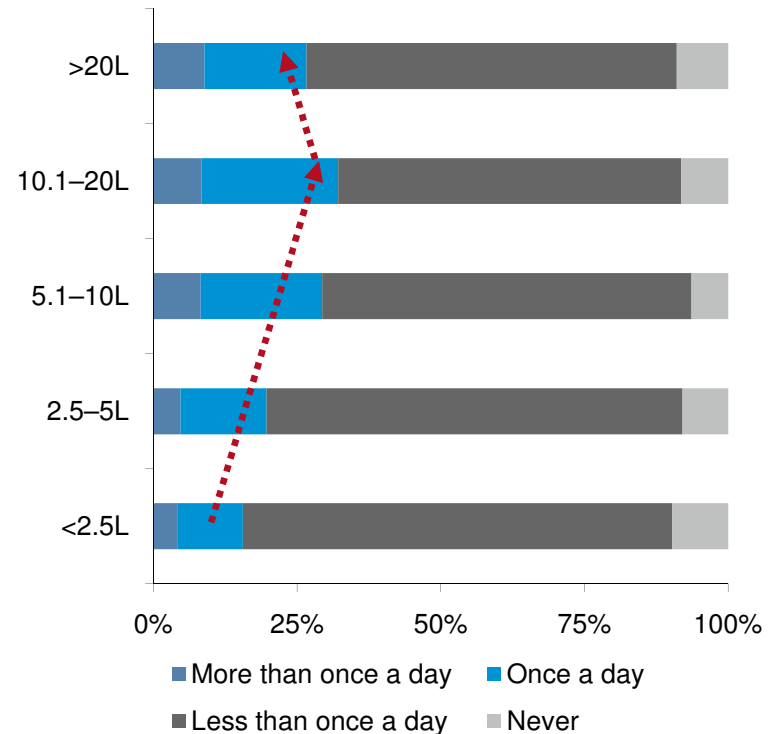
Overall Consumption Patterns

Consumption frequency is inversely correlated with age and directly correlated with household income, with the exception of the highest income level

Consumption by Age



Consumption by Annual Household Income (INR)



L = Lakh or 100,00 INR

■ Please note consumption frequency may or may not be linked to consumption quantity although generally they are found to be closely correlated. Consumption quantity was not investigated as part of this study

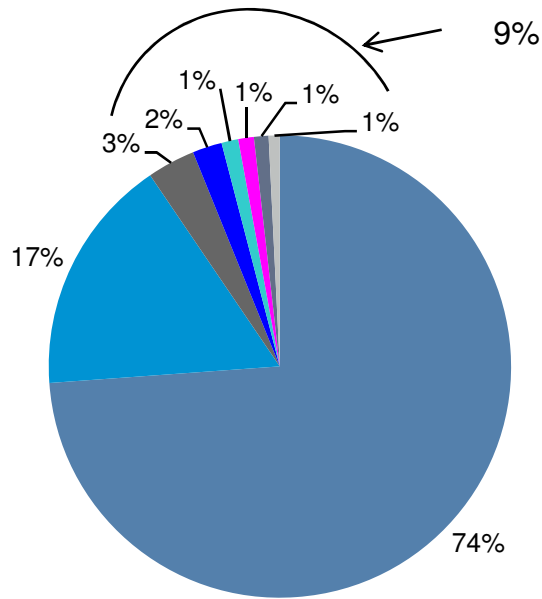
n=7,932; All respondents

Q. Thinking of all store-bought non-alcoholic drinks and beverages (not including bottled water), how often do you consume such non-alcoholic drink or beverage?

Energy and Sports Drinks: Consumption Behavior and Preferences

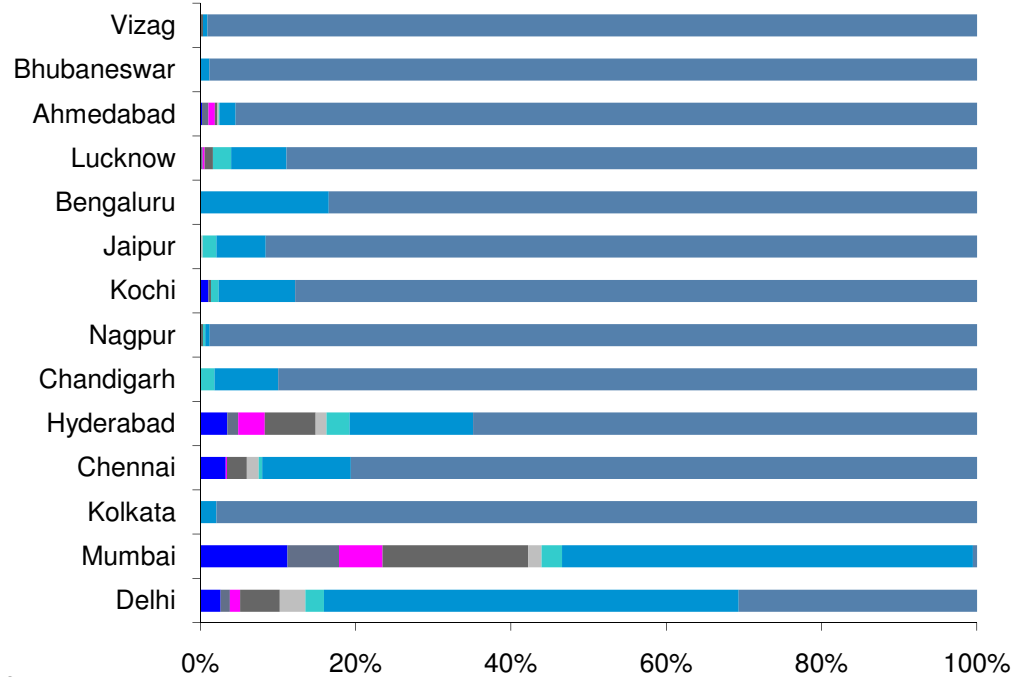
74% of consumers never consume an energy or sports drink and only 9% engage in 'appointment consumption' suggesting this market is poorly penetrated

Consumption Appointments Overall



- Never
- In afternoon or evening
- Before going to bed
- After breakfast and before lunch
- No fixed time
- Before or at breakfast
- At lunch
- At dinner

Consumption Appointments by City



■ Only Mumbai, followed by Delhi and Hyderabad show any evidence of 'appointment consumption'

n=7,296; Includes those who consume some type of store-bought non-alcoholic beverage; Total may not match due to multiple responses

Q. Please check when you typically consume energy and sports drinks (check all that apply)

Data Subscription Process

Dataset

- For information regarding the purchase of or access to the underlying dataset associated with this report, please contact us at indiawatch@bostonanalytics.com
 - Answers to each of the questions asked as part of this survey, as well as the following variables are available for each respondent:
 - City of residence
 - Age
 - Gender
 - HH income
 - Education
 - Marital status
 - Religion
 - Employment status
 - Employment industry
 - Family size
 - Number of earning members in household
 - Relationship of any cohabitants
 - Post codes

Customized Analysis

- For information regarding customized analysis of the data, please contact us at indiawatch@bostonanalytics.com

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