A Study of the Kitchen Storage Container Market in Mumbai for SRC Kitchen Ltd.

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Comments by the Faculty

The storage container industry is one of the fastest growing industries in India with a growth rate of around 15% (IMRB International, 2009). Within this market, household and kitchen ware is the largest segment both in terms of domestic demand and export potential of India. The Indian storage container Industry comprises of a large number of unorganised players and a few organised players who dominate this industry. It is into this market that SRC Kitchen Ltd.* wanted to enter.

SRC Kitchen Ltd. (SRCKL), for whom this study was carried out, was founded in 1955. SRCKL originally started with manufacturing of pressure cookers and today, it has a wide product portfolio, which includes pressure cookers, non-stick cookware, kitchen electric appliances etc. SRCKL wished to enter into the kitchen storage container market in Mumbai and hence this study was commissioned. This study was undertaken with the following objectives:

- To study the market for kitchen storage containers in Mumbai
- To understand the various criteria used by customers and dealers when they purchase kitchen storage containers
- To suggest the distribution and product positioning strategy to be adopted by SRCKL

The study involved a market research across Mumbai and suburban Mumbai. Distributors and dealers of SRCKL were interviewed to understand the kitchen storage container market better. Dealers also provided insight into the customer buying behaviour and this helped in understanding the attributes that play an important role in the purchase decision.

During the survey, the student had a chance to interact with distributors and dealers and gain first-hand knowledge of the kitchen storage container market in and around Mumbai. This has helped him to suggest to SRCKL the approach that they could use to enter into the kitchen storage container market.

The student has done a good job of applying his learning in class to a real world example and has demonstrated how theory can be put into practice. This study would be useful to any company wishing to enter into the kitchen storage container market in Mumbai, India.

*(*The name of the company and other details have been masked for reasons of confidentiality.)*

Neetu Ganapathy

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Introduction

Kitchen storage containers have been present in the Indian market for quite some time and are used for the storage of mainly perishable goods. However, the trend of using these containers to store perishable food items, to keep it fresh for a long time, is picking up recently. The trend is increasing tremendously in urban India mainly because of the increase in the number of working women in metros, the rise in disposable income, the burgeoning middle class and the trend of giving gifts or freebies amongst firms (IMRB International, 2009).

The kitchen storage container industry is one of the fastest growing industries in India with a growth rate of around 15% (IMRB International, 2009). The changing preference of people for using plastic containers for the purpose of storage is promoting the growth of this industry.

The Indian storage container Industry comprises of a large number of unorganised and organised players. Some of the well-known international brands are Lock & Lock (South Korea), Tupperware (USA) and World Kitchen (USA). Cello, Prince, Pearl Pet, etc. are some of the national players. SRCKL wanted to foray into this market and thus this study was undertaken.

A survey was conducted to understand the players in this market and identify the factors that customers and dealers consider while making a purchase decision. Based on the research and analysis a few suggestions are put forward which would be useful to SRCKL and other companies wishing to enter into the kitchen storage container industry in Mumbai, India. In this paper, in the next few sections, the author elucidates various aspects of the kitchen storage container market in Mumbai, India and presents the findings and recommendations of the study.

Company Profile

SRC Kitchen Ltd. was founded in 1955 and is a subsidiary of the SRC group. The SRC Group was established in 1928 and is largely a family owned business. The group has revenues of over Rs. 10 billion with a presence across India and several international markets. SRC Kitchen Ltd. originally started with manufacturing of pressure cookers. Today, it has matured into one of the largest kitchen appliance company in India.

SRCKL has a wide product portfolio which includes pressure cookers, non-stick cookware, kitchen electric appliances, gas stoves etc. It has a wide distribution network in which sales happen through direct dealers, authorised re-sellers and a network of showrooms. It is predominantly present in South India, which is an outer lid pressure cooker market. SRC Kitchen Limited exports its products to USA, Europe, South Africa, Kenya, and Australia, Singapore, Middle East, Sri Lanka and many other countries.

Methodology Adopted

For the purpose of understanding the kitchen storage container market, a market research was undertaken in Mumbai, Thane, Navi Mumbai, and Raigad districts. The data was collected, using the convenience sampling technique, by meeting 109 dealers and distributors of SRCKL and other dealers who deal in plastic materials. A few large retailers like Big Bazaar and Lifestyle also provided vital data regarding the purchasing pattern of customers at big retail stores. For the purpose of data collection, a questionnaire was designed. The questionnaire contained questions, which for the purpose of the analysis have been divided into 3 parts, which represent different dimensions of the study, as shown below:

Part 1: Dealer responses on buying behaviour
Part 2: Operating structure of major players present in the Mumbai market
Part 3: Dealer recommendations

The data thus collected was analyzed using SPSS ® 17 and Microsoft ® Excel.

Analysis and Findings

An Overview of the Mumbai Kitchen Storage Container Market

The Storage Container market is divided into organized & unorganized players. The study, which was conducted in Mumbai and suburban Mumbai, revealed that the market share of the organized players is 60.51% of the total market share and that of the unorganised players is 39.49% as shown in figure 1 below.

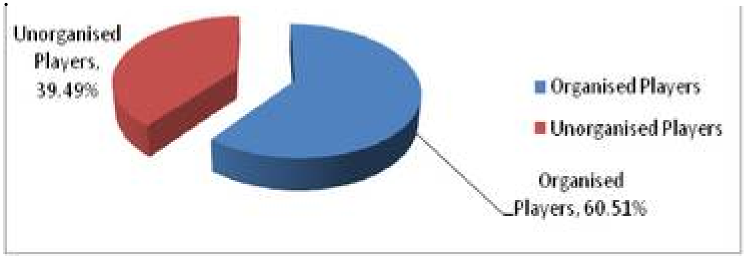
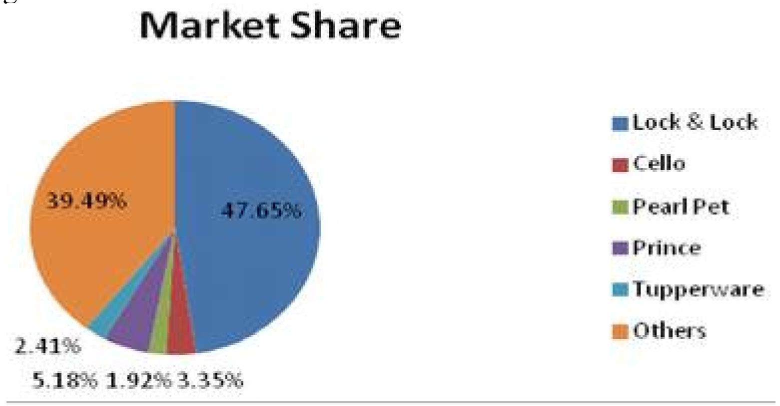


Figure 1: Market share of Organised vs. Unorganised players
(Source: Survey)

There are a few well known branded players in the Mumbai market and many unknown, unbranded players. The branded players are Tupperware, Lock& Lock, Cello, Pearl Pet, and Prince. The unbranded players are Lock & Seal, Modern Lock, Lock & Fit, Fresh N Lock, Sudha, Flora, Sygnoraware, Nayasa, Lock N Fresh, Super Lock & Seal, Clip & Fresh, Clip & Seal and Pawan to name a few. The market shares of both the branded and unbranded players were found out at the end of the study and are shown in figure2 below.



Figures 2: Individual Market Share of the different players in Mumbai market (Source: Survey)

Dealer and Customer Responses

Dealer Responses

Dealers were asked to rate the attributes which influence their and their customer's purchasing decision while considering the purchase of storage containers. The findings are presented in figure 3 and 4 below.

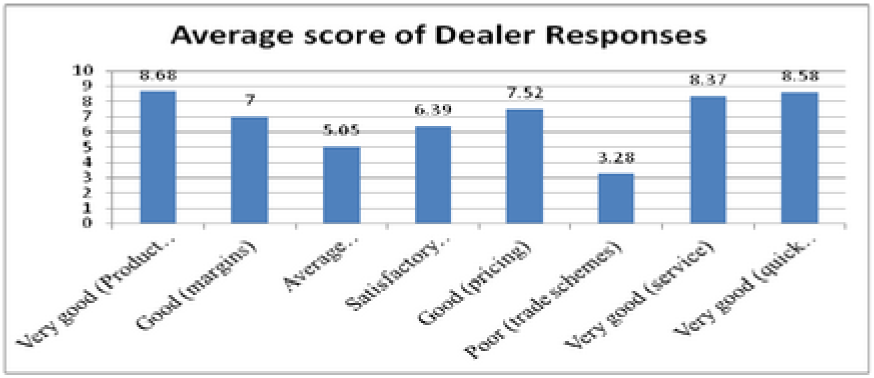


Figure 3: Average score of Dealer Responses
(Source: Survey)

Interpretation: Dealers give maximum importance to product quality and following this, relatively high importance is given to service and quick response from the company/distributors to their issues. Very low importance is given to trade schemes and settlements while considering the purchase of storage containers.

Customer Responses

Figure 4 :Average score of the Customer Responses

(Source: Survey)

Interpretation: Customers give maximum importance to the design and looks of the storage container while considering the purchase of storage containers. Customers also give relatively high importance to price. They do not even consider a product demo while considering a purchase.

Segmentation of the Dealers and Customers

After performing a cluster analysis on the collected responses, 3 clusters emerged, both for the dealers and the customers. This is explained in the next section.

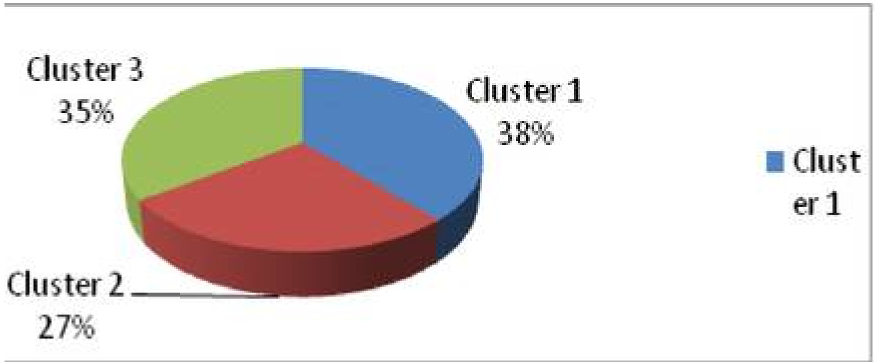


Figure 5 : Segmentation of Dealers

Cluster 1: Higher preference to trade scheme and settlements as compared to other two clusters

Cluster 2: Very High preference to margins as compared to other two clusters.

Cluster 3: Higher preference to Packaging as compared to other two clusters.

Interpretation: Cluster 1 contains the list of dealers who give very high importance to trade scheme and settlements while considering the purchase of storage containers. Cluster 2 contains the list of dealers who give very high importance to margins and Cluster 3 contains the list of dealers who give very high importance to packaging while considering the purchase of storage containers as shown in figure 5 above.

Segmentation of Customers

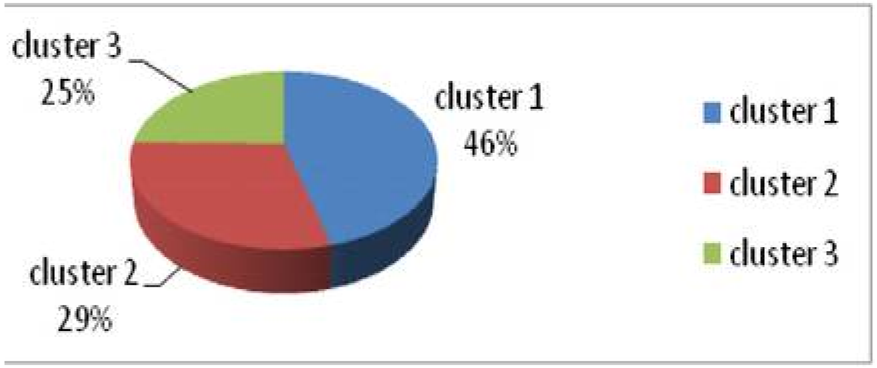


Figure 6: Segmentation of Customers

Cluster 1: Very Price conscious customers

Cluster 2: Customers who examine from every aspect

Cluster 3: After sales service sensitivity

Interpretation: The customers in cluster 1 give very high importance to the price attribute while considering the purchase of storage containers. Cluster 2 customers look at all the attributes like design & looks, price, differentiating features, packaging and labelling while customers in cluster 3 are more concerned about after sales service.

Operating Structure of the Organised Players:

Table 1

Brands	Models	MRP (Rupees)	DP	NLC (Rupees)
Lock & Lock	100 ml	50	25%	38
	180 ml	95	25%	71
	250 ml	125	25%	94
	300 ml	145	25%	109
	550 ml Round	310	25%	232
	550 ml	275	25%	206
	800 ml	480	25%	360
	1000ml	550	25%	413
	2000ml	775	25%	581
	3500 ml	875	25%	565
	10000 ml	1858	25%	1395
Tupperware	180ml	115	40%	69
	250ml	125	40%	75
	350ml	180	40%	108
Prime	500 ml	135	30%	95
	1000 ml	250	30%	175
	1500 ml	375	30%	263
Pearl Pet	500 ml	26	30%	18
Cello500 ml	153 (Water Bottle)	35%	100	
Prince	Set of 3	500	50%	250
	800 ml	120	50%	60

DP: Dealers Price; MRP: Maximum Retail Price; NLC: Net Landing Cost
(Source: Survey)

Interpretation: Most of the branded players (both local and international) give DP between 20%-50%. Most of the dealers don't sell their products at the MRP. They give a discount of around 10%-20% on MRP in order to attract customers to buy the product.

If SRCKL moves into this category, they have to give competitive DP to the dealers so that the dealers will be willing to sell the products of SRCKL.

Recommendations

Based on the study, the following recommendations were made to SRC:

Target Customers

The target customers for kitchen storage containers are the middle class and upper middle class. In middle class and upper middle class, housewives, working women and their children should be the target customers. In this product category, the woman is the one who takes the purchase decision. This decision, many a times, is also influenced by the children.

The newly wedded women in the middle and upper middle class should also be the target segment for SRCKL as the middle class currently numbers some 160 million people, which is quite large. By 2015-2016, the middle class population will have expanded dramatically to 267 million people and by 2025 the size of the middle class will expand to 583 million people (Ablett et al., 2007). There is also a considerable increase in the disposable income of the middle class and people are purchasing more number of lifestyle goods because of their rising income. The number of working women is also increasing, who need storage containers for themselves and their children which are air tight, leak proof and safe.

Positioning of Storage Containers

Kitchen storage containers are mainly used by housewives, working women and their children from both middle class and upper middle class. These customers look for safe and fresh storage of food items. The positioning of the kitchen storage containers by SRCKL should be such that they are different from other products in this category in terms of material used for manufacturing or in terms of packaging and labelling and the usage of storage containers for all type of food materials - perishable and imperishable.

In order to successfully position the product in the mind of the customers, a well-planned mix of brand name, product, service strategy, differentiating factor, product guarantee and packaging has to be incorporated. And, to reinforce this positioning strategy a good blend of advertisements through TV, print media, and internet should be employed. Schemes like scratch cards, discounts should be given during Diwali and festival seasons.

SRCKL can also bring their core values of "Trust, Safety and Durability" in the positioning of kitchen storage containers.

Distribution

SRCKL will have to deal with both institutional customers and domestic customers. Due to increase in trend of freebies, institutional customers will represent a major part of the total business.

In order to sell the kitchen storage containers to the institutional customers, there will be a need for direct distribution system where there are no other parties involved in the distribution process that take ownership of the product. In the direct distribution system, the manufacturer must perform all the marketing functions needed to make and deliver products. The manufacturer's direct sales force and online marketing channels are examples (Hutt et al., 2010). Personal Selling should be employed where a person, whose main responsibility involves creating and managing sales (e.g. salesperson), is involved in the distribution process, generally by persuading the buyer to place an order.

For domestic customers, multi-channel distribution or hybrid distribution should be adopted, wherein SRCKL will sell the products from its flagship stores and other multi brand outlets, exclusive boutiques and local dealers (Kotler, 2009). The multi-channel distribution will give SRCKL an opportunity to sell their products widely and reach wider market and also expand the distribution.

Conclusion

The kitchen storage container market is very attractive to enter and has huge potential due to many macroeconomic factors like rising disposable income of the middle class, increase in working women in metros, the trend of gifts or freebies in firms, etc. Demand is huge in this segment, competition is high, and growth is almost stagnant at 12-15% per annum. Both domestic as well as institutional customers purchase products in this category and the investment required is low in this product category as well as the entry barrier and margins are low.

SRCKL is a well-established brand name in the market. Based on the recommendations made, they can enter into the storage container market in Mumbai which is set to grow. They will have to seek to differentiate themselves from the rest of the players who are already in the market. Their presence in the Indian kitchen for close to 60 years will certainly give them an edge when they will enter this segment.

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