READY-TO-EAT MARKET SEGMENTATIONWITH SPECIAL REFERENCE TO PUNE,INDIA

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Abstract

India has a large base of young consumers who hardly find time for traditional cooking due to their busy life- styles which further creates significant potential for Ready-to-Eat food products. The fragmented market emphasizes the need to incisively understand the market for all the companies fighting within the space. This study is carried out with the sample size of 500 management graduates within the age group of 20 -22. The paper seeks to segment the Ready-to-Eat market on the basis of lifestyle and psychographic orientations of customers using factor analysis- Principal component analysis and also to develop instrument to measure the orientation of customers. Five factors were extracted as compared to the earlier studies done where only four factors were extracted. These factors are positive and negative health orientation which is also the distinguishing factor and significant outcome of this study along with taste, convenience and tradition. This finding can be utilized to develop marketing strategies for companies facing tough competition.

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1. Introduction

The market for Ready to eat food products in India is growing rapidly. According to a recently published report by TechSci Research "India Ready-to-eat Food Market Forecast and Opportunities, 2019", the country's ready-to-eat (RTE) food market is projected to grow at a CAGR of around 22% during 2014-19.

The growth is attributed to growing size and affluence of the middle class population and lifestyle changes. India has a large base of young consumers who hardly find time for traditional cooking due to their busy life- styles which further creates significant potential for ready-to-eat food products.

Along with the growing market opportunity, the competition is also heating up in the market with several key players vying for the share of the consumer dollar including Amul, Gits, Haldirams, Ethnic Kitchens, Kitchens of India, ITC, MTR etc.

The fragmented market emphasizes the need to incisively understand the market for all the companies fighting within the space.It has become relevant and important for companies to segment the market to evolve solutions to the specific customer needs.

This paper seeks to segment the RTE market on the basis of lifestyle and psychographic orientations of customers.

RajanChaudhari (2010) observes 'Born with the convenience trend, the industry today, however, has undergone changes in customers' concern. Diet nutrition gradually replaces convenience as one of customers' most concerned factor when purchasing RTE cereals. More than half of men and women are reported to consider nutritional factors such as fiber, vitamins, and sugar content when purchasing RTE cereals. Women express the most concern about the amount of sugar and fat, while men are more interested in vitamin content.'

It has long been recognized that food availability and cultural factors are dominant in food selection *(Steptoe et al. (1995))*.Increasingly, consumers not only want food products to be of high sensory quality but also to deliver specific benefits in terms of health, safety and

environment quality (Grunert et al., 1996). All these factors indicate that **health** is one of many considerations relevant to food choice *(Keane and Willetts (1994)).*

Food, is also self-referent part of the repertoire from which personal identity is forged. Changing one's diet can effectively redefine the self. For example, eating differently from the rest of the family is common in adolescence as a way of demonstrating independence. Priorities change throughout the life-cycle *(Ton Nu et al., 1996).*

Increasingly, consumers not only want food products to be of **high sensory quality** but also to deliver specific benefits in terms of health, safety and environment quality *(Grunert et al., 1996).* Credence attributes, such as **safety, environmental quality**, and health are recognized as important food choice motivations by consumers. Credence attributes are different from search (e.g. price, size) and experience (e.g. taste, convenience) attributes in that their "true" values cannot be verified by the average consumer not even upon normal consumption of the food *(Heuvel et al. 2007).* Consumers' credence motivations, particularly those related to health, environmental friendliness, safety, and naturalness are important determinants of consumer quality perception in-store. Increasingly, these "**societal**" considerations are a driving factor for consumer choice and a competitive weapon in food marketing.

Convenience is also one of the factors that are increasingly important to consumers *(Buckle et al., 2005).* For example, a tendency to eat out may be driven by reluctance to clean up, rather than reluctance to cook *(Goften, 1995).*

It is important for marketers to understand the reasons behind the high demand for RTE foods. In particular, previous literature has shown that the increasing demand for RTE foods could be largely attributed to changes in socio-demographic characteristics and consumer lifestyles.

Lifestyle refers to the distinctive ways in which a set of consumers spend their time, what they consider important, what their opinions are about current issues . Food market segmentation based on lifestyle can be applied to develop proper marketing strategies for each segmented market. In the food domain, many segmentation variables have been applied such as

demographic, socio-demographic, and psychographic or lifestyle profile. However, one of the most elaborate segmentation tools in the field of food research is the food-related lifestyle instrument. The food-related lifestyle scale was developed by Brunsφ&Grunert. Following their research, the applicability of the food-related lifestyle scale was proven through several studies. Lifestyle is inextricably linked to values and the processes by which people seek to achieve their values through various modes of expression, including the consumption of food products. To better understand this process, this study adopted a food-related lifestyle instrument for segmenting the RTE food market.

Effective marketing focuses upon creating a product that meets customers' wants and needs. Therefore, identifying and understanding the customer are strategies that vendors can use to optimize their market.

To establish marketing strategies the first step is market segmentation. Schiffman et al. defined market segmentation as "the process of dividing a potential market into distinct subsets of consumers and selecting one or more segments as a target to be reached with a distinct marketing mix."

Basically, the need for segmentation results from the differences between people, where if no such differences existed, only mass marketing strategies would need to be used. The justification for segmenting consumer markets is that consumers who share similar characteristics will share similar attitudes, wants, and needs. Thus, they will have similar behavioral responses towards marketing stimulation. Therefore, a better understanding of consumer attitudes and behaviors towards RTE foods is necessary in developing effective marketing strategies.

Although India has a growing demand for RTE foods, no information is available regarding marketing strategies for RTE foods. Therefore, this study aimed to fill this gap by examining RTE food consumers' attitudes and behaviors and to profile RTE food consumer lifestyle segments in India. The findings of this study provide information on how the industry can effectively segment the RTE market and also develops several insights pertaining to consumer psychographics pertaining to the RTE market.

Objectives of the study

➤   To Segment the market for RTE in India food based on lifestyle and psychographic attributes

➤   To develop instruments to measure the orientations of customers

2. Research Method

This study utilized a cross-sectional, descriptive design in which data were collected through using a self-report, online survey instrument. The survey was developed from topics in the available literature review.

The study sample used a convenience sample of post graduate students pursuing Management programme. The sample size was 504respondents.The survey instrument contained 35 items and was designed by the researcher basing it on the items from review of literature. Data was collected on demographic and consumption practices related variables.

The fourteen food related lifestyle items were subject to exploratory factor analysis with varimax rotation to reduce the data to uphold the principle of parsimony and to delineate the common food consumption related consumer characteristics.

After carrying out the factor analysis was carried out using the identified food consumption related factors to identify the clusters.

3. Results and Analysis

Gender-wise Distribution of the sample

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	144	28.6	28.6	28.6
	Male	360	71.4	71.4	100.0
	Total	504	100.0	100.0	

Consumption Practices related to RTE

Frequency Table

Accomdation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hostel	173	34.3	34.3	34.3
	Off Campus House/ Apartments	231	45.8	45.8	80.2
	Off Campus with my parents	68	13.5	13.5	93.7
	Other	32	6.3	6.3	100.0
	Total	504	100.0	100.0	

Decision maker

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		1	.2	.2	.2
	Others	16	3.2	3.2	3.4
	Parents	91	18.1	18.1	21.4
	Spouse	6	1.2	1.2	22.6
	Yourself	390	77.4	77.4	100.0
	Total	504	100.0	100.0	

purchasefreq

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	14	2.8	2.8	2.8
	2	226	44.8	44.8	47.6
	3	176	34.9	34.9	82.5
	4	88	17.5	17.5	100.0
	Total	504	100.0	100.0	

motivationFactor

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Because home cooking is difficult	135	26.8	26.8	26.8
	Other	72	14.3	14.3	41.1
	Preference for diverse cuisine	64	12.7	12.7	53.8
	They are cheaper compared to other alternatives	31	6.2	6.2	59.9
	They offer a lot of convinience	202	40.1	40.1	100.0
	Total	504	100.0	100.0	

BuyingPlace

		Frequency	Percent	Valid Percent	Cumulative Percent

Valid		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Convenience Stores	246	48.8	48.8	48.8
	Online Retail Store	8	1.6	1.6	50.4
	Specialty Store	55	10.9	10.9	61.3
	Supermarket	195	38.7	38.7	100.0
	Total	504	100.0	100.0	

consumption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Alone	55	10.9	10.9	10.9
	Family	98	19.4	19.4	30.4
	Friends	341	67.7	67.7	98.0
	Significant others	10	2.0	2.0	100.0
	Total	504	100.0	100.0	

sourceofinformation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Advertising Media	226	44.8	44.8	44.8
	At the Point of Purchase	129	25.6	25.6	70.4
	Recommendation from Friends and Family	149	29.6	29.6	100.0
	Total	504	100.0	100.0	

The following table is an output of the factor analysis done on the lifestyle related items

The exploratory factor analysis extracted 5 components which explained 58percent variance

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.174	15.531	15.531	2.174	15.531	15.531	1.925	13.747	13.747
2	1.965	14.034	29.564	1.965	14.034	29.564	1.745	12.463	26.210
3	1.782	12.728	42.293	1.782	12.728	42.293	1.601	11.436	37.646
4	1.197	8.548	50.841	1.197	8.548	50.841	1.460	10.427	48.073
5	1.059	7.564	58.405	1.059	7.564	58.405	1.446	10.331	58.405
6	.944	6.742	65.147						
7	.806	5.755	70.902						
8	.713	5.093	75.995						
9	.650	4.646	80.641						
10	.593	4.233	84.874						
11	.576	4.117	88.991						
12	.568	4.056	93.047						
13	.493	3.524	96.571						
14	.480	3.429	100.000						

Extraction Method: Principal Component Analysis.

The factor loading were as under

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
fatcontents	.059	-.039	*.842*	.023	.071
avoidfat	-.045	-.034	*.835*	.014	.136
nutritional value	.020	-.035	.186	.007	*.800*
healthy,organic, and natural food	.135	-.013	.033	-.005	*.824*
oy of eating	*.638*	.076	-.055	.022	.220
visit famous restaurants	*.767*	.105	.022	-.072	.011
I am an excellent taster	*.731*	.119	.123	.082	.030
I frequently buy precooked foods at the supermarket or other locations	.127	*.685*	.185	.155	.025
I frequently go to fast food restaurant to have lunch	.224	*.733*	-.130	-.007	-.067
I tend to avoid fine dine restaurents because of the waiting time	-.202	.245	.068	*.540*	.082
I frequently eat instant foods	-.049	*.770*	-.113	.031	-.014
I do not like spending too much on eating meals	-.471	.104	.249	.358	.146
I cannot eat well without side dishes such as pickels and chutneys	-.033	.107	.042	*.660*	-.129
I cannot be satisfied at meal times without eating traditional meal.	.193	-.168	-.092	*.753*	.068

Extraction Method: Principal Component Analysis.

 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

The extracted 5 factors were as under

Component 1:

FACTOR	LOADING	EIGEN VALUE	VARIANCE EXPLAINED(%)
Positive Health Orientation: I always buy healthy, organic, and natural food products if I have the opportunity It is more important to choose food products for their nutritional value rather than for their taste	.800 .824	2.174	13.747
Negative Health Orientation: I consider fat contents when I choose a food item I try to avoid food products with much fat	.842 .835	1.965	12.463
Taste Orientation The joy of eating is one of the most important things in life I like to visit famous restaurants I am an excellent taster	.638 .767 .731	1.782	11.436
Convenience Orientation I frequently buy precooked foods at the supermarket or other locations I frequently go to fast food restaurant to have lunch I frequently eat instant foods	.685 .733 .770	1.197	10.427

Tradition Orientation			
I cannot eat well without side dishes such as pickels and chutneys	.660	1.059	10.331
	.753		
I can not be satisfied at meal times without eating traditional meal.	.540		
I tend to avoid fine dine restaurants because of the waiting time			

The reliability of the scale was .718

Table presents the factors, reliability coefficients, factor loading scores, eigenvalue, and the percentage varianceexplained. The percentage variance explained by the five factors was 58.4%. Each factor was named based on the characteristics of its composite variables. These factors were named as follows:

"Negative *health (effects avoidance)-orientation*" (e.g., I consider fat content when I choose a food) for Factor 1, "Positive *health (effects enhancement)-orientation*" (e.g., I always buy healthy, organic, and natural food products if I have the opportunity) for Factor 2, "*taste-orientation*" (e.g., The joy of eating is one of the most important things in my life) for Factor 3, "*convenience-orientation*" (e.g., I frequently go to fast food restaurant to have lunch)
I frequently eat instant foods for Factor 4, and "*tradition-orientation*" (e.g., I can not be satisfied at meal times without eating traditional meal) for Factor 5.

4. Conclusion (10pt)

Earlier study on the similar lines done in Korea identified four motivations. This study throws light upon existence of a dichotomy amongst the health oriented consumers grouping them into two with one group seeking to enhance the positive effects of food consumption and the other primarily driven by avoidance of the negative effects of the food consumption.

Further studies can be carried out in different cities of India since the scope of this study is limited to Pune only. Also number of samples which in this case is 504 may be increased to a moderate level to judge the exact attitude of the people who are using readt to eat product.

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