

The Ice-cream/Frozen Desserts Market in India

The ice-cream/frozen desserts category has witnessed substantial evolution in the recent past. Up to a decade ago, the category was largely limited to ice-creams with traditional flavors, e.g. vanilla, chocolate and strawberry, along with some other variants like kesar pista, mango, elaichi, traditional kulfi, etc. During the past decade, the category has grown, with an array of innovations in ice-creams now the main subcategory and new subcategories like frozen yoghurt coming up.

The ice-cream market has been through an evolution wherein the category has grown in shape and form right from consumer perception to the products and services being offered. Ice-cream, which was considered an indulgent category in the past, has now evolved to a stage where it is largely and happily perceived as a snacking option by consumers. This change in perception has come about thanks to increasing disposable incomes and greater discretionary spending. Also, the growing reach of the media has allowed operators in this category to expand their range and recall value. The change in the perception of consumers has allowed the category to grow in volume. Ice-cream, as a category, has been growing at a healthy CAGR of ~10-15%.

The category's growth has provided impetus to international and regional players who are foraying into the industry. National operators like Amul and Mother Dairy, along with international players like Unilever, Cream Bell, Movenpick, etc. occupy the center stage circled by many regional operators. Amul is the market leader in the ice-cream category making up an almost one-third of the market, followed by Hindustan Unilever and Mother Dairy. The growing consumer base, product acceptability, and stiffening competition has pushed operators to strive for competitive advantages through innovations with respect to product offerings and delivery of service.

Brands adoption of innovation as the mantra with which to allure their consumers, via offering better and unique taste variants is matched by the rising aspirations of consumers and their will to pay a premium. Baskin Robbins serves more than 25 flavors in their exclusive stores, e.g. Rum Punch, Mississippi Mud, Banana Caramel, etc. Nestlé's Movenpick offers tropical fruit sorbets and sorbet-and-ice-cream combinations while Amul has a wide range of mid-market and premium products and has recently introduced the super-premium Crème Rich.

Vadilal has the largest range of ice creams in the country with 150 plus flavors, sold in a variety of more than 300 packs and forms. The range includes cones, candies, bars, ice-lollies, small cups, big cups, family packs, and economy packs.

The Gujarat-based brand Havmore features such flavors as caramel biscotti, fresh mango, pink currant, pistoria, Tiranga ice candy and a truffle bar, in turbo cones, besides flavors with white chocolate, in addition to its paan and matka ice-creams, bubblegum-flavored, lollypop ice-cream, Nutty Belgian Dark Chocolate, Kesar Malti, Classic Caramel, and Berry Blast.

Gourmet flavors are gaining in popularity and are the triggers for brands seeking premium positioning. Kolkata-based Fresh & Naturelle, for instance, has brought out sandalwood, Japanese green tea and Kolkata meetha paan flavors. Similarly, Natural Ice Cream, which is largely marketed in Maharashtra and Karnataka, includes custard apple and the festival-oriented Makar Sankranti Special, containing sesame seeds and peanuts. Movenpick has plans for a masala chai flavored ice-cream. Another innovation is the introduction of diet-friendly ice creams as part of brands' premium range, such as low-fat and sugar-free ice cream, as well as ice cream cakes. Besides ice-cream, frozen yoghurt is stepping up as a category within the frozen desserts segment.

A fast-emerging segment is retail service, with brands like Cocoberry, Red Mango, Kiwi Kiss, and Yogurberry selling flavored/frozen yoghurt in signature flavors through exclusive/standalone outlets. Such outlets are present in colleges, schools, office canteens, airports, five-star hotels, and as independent kiosks. The frozen yoghurt category is estimated to make up 10-12% of the Frozen Desserts/Ice-cream market, is witnessing faster growth than the overall market, at a CAGR of 15-16%, and is expected to more than double in size over the next five years. The entry of multinational players like Red Mango, Pinkberry, Yogurberry, etc. is likely to widen the market and push its growth beyond current estimates.

Consumers changing their preference, and being more inclined towards healthy and premium options, have encouraged international brands like Red Mango and Yogurberry, which have ticket values approximately double the ticket value of domestic brands in the similar segment. Similarly, in the ice-cream space as well, players like Swensons, with premium ticket value, are confident of further expansion within the Indian market.

Increasing dairy costs are ramping up transaction costs for traditional ice-cream players which are in turn pushing up prices at the consumer end. However, traditional preferences, e.g. milk-based and candy ice creams, and the wide distribution network of the milk-based ice-cream players keeps them stable enough to sustain their market share despite the new and emerging trends of gelatos and frozen yoghurts. Also, as the ice-cream business is volume-driven, the price shift is widely distributed and does not majorly pinch the consumers financially. However, on the flip side, this provides an opportunity for frozen yoghurt and gelato brands not only to educate consumers on the merits of their products but also to expand their manufacturing and distribution capabilities and thus capture an untapped market. However, to increase their market share, ice-cream manufacturers need to optimize their production systems, packaging technologies and cold chain management, ensure compliance with quality standards, and get their marketing mix right.

Although the per capita ice-cream consumption is lower in comparison to other major markets, it is however an evolving one, growing at a CAGR of ~10-15%. This growth is, and will, supply momentum to ice-cream consumption, especially in the branded and new/innovative categories. With the growing consumer base, increasing disposable income, and greater trend toward eating-out, the market stands poised to incorporate bigger players and more innovative concepts.

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