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Recovering from a meltdown

After last year's washout, ice cream brands are counting on at-home consumption to drive sales this summer

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WITH THE INDIAN Meteorological Department announcing the onset of summer, ice cream makers, who faced a significant setback during this peak business season in 2020, are bracing up. The summer months account for nearly 40% sales for an ice cream manufacturer. With ice cream sales plummeting in 2020, the market is estimated to have shrunk by about 40-50%. Through product and packaging innovations, and an omnichannel retail approach, these brands hope to make up for lost sales.

India's organised ice cream market, which includes brands like Amul, Mother Dairy, Havmor, Hatsun Agro Products' Arun Ice Cream, Vadilal and HUL's Kwality Wall's, was worth about ₹13,800 crore in 2019, according to Deloitte. From a CAGR of 13.5% pre-Covid, this category is expected to grow at a CAGR of 10.5% over

the next three years.

Breaking ice

With reduced footfall at ice cream parlours and kirana stores, ice cream companies have had to pivot to online sales, like several other businesses, last year. Havmor partnered with Swiggy, Dunzo and Zomato; Mother Dairy activated e-commerce and also its own distributors to home deliver ice creams; while Kwality Wall's tied up Swiggy, Big Basket and Zomato.

Anuvrat Pabrai, founder, Pabrai's Ice Creams, and the official spokesperson for Indian Ice Cream Manufacturers' Association, notes that until 2020, at-home consumption of ice cream accounted for about 35% of the market. "During the festive season last year, we saw that 90-95% of revenue came from takeaway orders. This is now at about 60%, as out-of-home consumption is slowly picking up," he adds.

According to a Mintel research conducted in July 2020, 23% of Indian consumers said that they would expect to spend more on takeaway and home delivery of food during the pandemic. Brands are, therefore, betting big on the take-



home segment this year. Mother Dairy is launching about 10 new products in tubs and bricks to cater to this increase in demand. "We expect that as more people store ice cream at home, their consumption of the product will also rise," says Sanjay Sharma, business head - dairy products, Mother Dairy.

Naturals, which has 135 retail outlets in the country, has joined the Rebel Foods cloud kitchen network to increase its retail footprint and enable home deliveries.

"Through this tie-up we are present at 60 more locations in cities like Delhi-NCR, Hyderabad, Kolkata and Bengaluru. With this deeper penetration we hope to clock 150-200% of our 2019 business," says Siddhant Kamath, director, Naturals.

The home run

The most apparent challenge for the home delivery of ice creams is the temperature-controlled supply chain. More so, because summer is the peak season for this category.

Food aggregators and grocery e-tailers already have ways to insulate the product while it's on the way to the consumer. However, Anand Ramanathan, partner, Deloitte India, says, "It is important that the capacity to handle products that need to be stored in a temperature-controlled environment increases. Other than the challenge with capacity, the integrity of the value chain gets compromised at multiple levels, and the product suffers as a result." He says that in a category like ice cream, "supply can create demand".

For instance, Havmor has introduced a thermocol box for deliveries that keeps the ice cream from melting. The company's tie-ups with food aggregators Swiggy and Zomato brought in 40% of the overall revenue in 2020. "This meant we had to pay a commission to these aggregators. Therefore, we had to build our own e-commerce site and persuade our network of distributors to join the platform," says Vincent Noronha, VP - marketing, and business head - parlours, Havmor Ice Cream.

Investing in new packaging and better logistics while ensuring the price of the product doesn't deter consumers could be a tightrope walk for these companies. "The rising cost of raw materials such as milk and oil, as well as packaging and transportation has put pressure on the bottom line for manufacturers," says Pabrai.

Typically, the prices of ice creams increase by 8-10% every year to account for increase in production costs and inflation. Rushikesh Aravkar, India food and drink analyst, Mintel, expects consumers to be "more price-sensitive" due to the economic situation, implying that an ice cream may not be as much of an impulse purchase product as it was before the pandemic.