

Bakery Industry in India – Innovations, Trends and Challenges

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Abstract:

Bakery products are food items which generally include biscuits, cakes, pastries, flat-bread, tortilla, bun, croissant, and the like. These products are rapidly gaining popularity owing to their pleasant taste and health-benefits as they are made from a variety of grains such as rye, maize, wheat, and oats among others. As bakery products provide both convenience and affordability to the consumers, their consumption level has witnessed a rise in the past few years. The Indian bakery industry is dominated by the small-scale sector with an estimated 50,000 small and medium-size producers, along with 15 units in the organized sector. Apart from the nature of the industry, which gravitates to the markets and caters to the local tastes, the industry is widely dispersed also due to the reservation policies (relating to the small scale industries) of the government. This article aims to study about the Innovations, Trends and Challenges in Indian Bakery Industry. Data for the study were collected through Secondary Techniques. Appropriate findings and conclusion has been arrived as the result of the study.

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I. INTRODUCTION

1.1 General

Bakery products, due to high nutrient value and affordability, are an item of huge consumption. Due to the rapid population rise, the rising foreign influence, the emergence of a female working population and the fluctuating eating habits of people, they have gained popularity among people, contributing significantly to the growth trajectory of the bakery industry. Bakery holds an important place in food processing industry and is a traditional activity. With regard to bakery products, consumers are demanding newer options, and the industry has been experiencing fortification of bakery products in order to satiate the burgeoning appetite of the health-

conscious Indian. A number of healthy products have been launched in the bakery segment, and are gaining popularity at a high rate. The mounting presence of bakery chains has further triggered the growth in the sector.

1.2 Objectives of the Study

- To study about the Innovations, Trends and Challenges in Indian Bakery Industry

II. Bakery Industry - Indian Scenario

India is the world's second largest producer of food next to China, and has the potential of being the biggest with its food and agricultural sector. The Indian bakery industry is one of the biggest sections in the country's processed food industry. Bakery

products, which include bread and biscuits, form the major baked foods accounting for over 82 per cent of the total bakery products produced in the country. It enjoys a comparative advantage in manufacturing, with an abundant supply of primary ingredients required by the industry, and is the third-largest biscuit manufacturing country (after the United States and China). The bakery segment in India can be classified into the three broad segments of bread, biscuits and cakes. India's organized bakery sector produces about 1.3 millions tonne of bakery products (out of three million tonnes) while the balance is produced by unorganized, small-scale local manufacturers. Despite the fact that there are many automatic and semi-automatic bread and biscuit manufacturing units in India, many people still prefer fresh bread and other products from the local bakery. Since the advent of multinational companies (MNC) selling pizzas and burgers in the country, people are changing their tastes also. Today, they are not restricted to bread, cakes and biscuits, but to other bakery products also.

With new launches by a few companies like Britannia, Biskfarm and Moorish, competition has increased. Also, the Indian market is observing the establishment of bakery café chains in the form of Barista, Café Coffee Day and Monginis. The popular biscuit variants in India are glucose biscuits, Marie, cream biscuits, crackers, digestive biscuits, cookies and milk biscuits. As far as the Indian biscuit market is concerned, the shares of the branded and organised sector and the unbranded and unorganised sectors are 60 per cent and 40 per cent respectively. Indian bakery products, especially biscuits, are in great demand in developing countries.

Major players in this sector, like Parle, Britannia and ITC Foods, have captured the markets to a great extent, with Britannia holding the leadership position. In terms of value, Britannia and Parle account for around 38 per cent share each of the total volume of branded biscuits marketed in India. Britannia Industries, with an expected retail value

share of nine per cent of the baked goods category, proved to be the most successful player in 2013.

Baked goods are expected to grow by constant value at a compound annual growth rate (CAGR) of two per cent over the forecast period. The urban regions of India witnessed rapid growth and expansion of modern retail outlets in 2013. However, modern retail outlets, such as hypermarkets and supermarkets, continued to remain low, compared to the overall retail scenario in India. Some of these modern retail outlets also had dedicated sections to bakery products. Organized and unorganized bread players contribute around 45 per cent and 55 per cent of the total bread production, respectively. The organized sector comprises around 1,800 small-scale bread manufactures around India, 25 medium-scale manufacturers and two large-scale industries. The branded packaged segment in this sector was estimated to be worth Rs 17,000 Crore in 2012, and is expected to grow at 13-15 per cent in the next three to four years. Three or four large-sized players (namely, Britannia, Parle, ITC and Cadbury's) constitute 75 per cent of the market. The bread and cake market is much more fragmented, with multiple regional and local players. The major players in the bread segment are Britannia and Modern Industries Ltd, who hold about 90 per cent of the market share includes Britannia and Modern Industries Ltd. Apart from these two, there are a few large regional players, such as Spencer's in South India, Kitty and Bonn in Punjab and Harvest Gold and Perfect in Delhi and the National Capital Region (NCR).

The bakery industry in India has witnessed an annual growth rate of more than 15 per cent during the past years. There is an immense growth potential in the global and domestic markets. The unorganized bread sector comprises an estimated 75,000 bread bakers, mostly located in the residential areas of cities and towns. Thirty-five per cent of the total production comes from the small scale sector, with about 1,500-1,800 units in operation. As the bread industry is a low-margin business, cost control is crucial in sustaining profitability in the long run.

III. Innovation in Bakery Industry

With the advanced aspiration for increased socialization, Indian consumers are forcing the demand for more hang-out options. The segment's innovation has powered the rise of newer café formats like bakery cafés, which reverse the concept of cafés by extending existing bakeries and chocolate retailers to offer complementary beverage items.

Thus, unlike a regular café, a bakery café is, at the core, a provider of baked food, with the beverage segment only a complement to the menu.

A typical bakery café menu includes a wide selection of breads, encompassing such exotic variants as wheat, rye, five-grain, multigrain, cracked wheat, flute, baguettes and ciabatta, and other baked goodies like brioches, croissants, cookies, muffins, cakes, scones, strudels, brownies, pies and puffs. The menu may also feature soups, salads, and other dishes, made using wholesome, locally-sourced ingredients, cooked and served fresh.

These can include eggs in various avatars, freshly-made sandwiches, rolls, wraps and baked beans on toast. The concept of bakeries and bakery cafés, although it has gained traction in recent years, is not new to India. Earlier, bakeries were set up as a result of the British influence. Concepts like Wenger's in New Delhi provided a unique proposition at that time, which set the pace for the growth of bakeries and bakery cafés in the post-Independence era.

Whether they are an extension of existing bakeries, or a menu-wise expansion of a café, bakery cafés have become popular as a unique way of dealing with the classic dilemma for any café format, i.e. how to drive sales at all hours of the day. Traditionally, cafés, due to their strong beverage focus, used to see a lull in the visitor count during lunch and dinner time. The addition of a food component not only helped these cafés realize additional revenues by catering to traditionally non-peak periods, but also offered their customers

another eatery to frequent at mealtimes. Constant product innovation is a major challenge for a bakery café. Given that many of the food products offered at bakery cafés are best enjoyed absolutely fresh, efficient production and inventory management is a must-tackle challenge. Despite the challenges faced by bakery cafés, the concept has a strong footing in the market today, and looks set to grow in several cities, adding multiple brands to its fold. The bakery industry would enjoy more innovative ideas and concepts, and is expected to grow with the growing awareness and a flourishing economic environment.

IV. Trends in the Industry

1. E-retailing of bakery products- for example, online florist & gift delivery sites like Florist Xpress have gone into bakery items,
2. Expanding foothold- for example, Florist Xpress has pan-India presence unlike many physical bakery shops,
3. Improved packaging- for example, like experts at Florist Xpress has brought customization & personalization to a whole new level, and
4. Innovation in ingredients- for example, designer cakes, photo cakes, as well as, eggless cakes are brought up by Florist Xpress to cater to the customer's needs.

Despite a slight slowdown in India's economy, bakeries continued to perform strongly driving sales of baked goods over 2013. Baked goods registered double-digit value growth of 10 per cent in 2013. The growth of baked goods was driven mainly by the rapid expansion of modern retail outlets across the country.

V. Challenges and opportunities for Bakery Industry

Bakers also face a few challenges, such as:

- Government regulations;
- Demand-supply chain; Rising prices of flour (Maida), the major ingredient, and other raw materials such as oil, fat and eggs, and
- The price-sensitivity of the market

The challenges would be category-specific. The biscuit category has seen rapid growth in the last few years. The implementation of packaging standardization norms appears to be the big challenge.

Volatility in input costs is expected to remain, and this would add to the woes. In bread, profitability has remained the focal point for some time.

Players have been looking to increase the share of value-added products, while focussing on operational efficiencies linked to daily distribution.

The challenge for cakes would be to expand the consumption of packaged cakes. In fact, this challenge is also a significant opportunity for this particular segment.

With the right enablers from product and supply chain, this is a category waiting to explode. To overcome the challenge of rising production costs, many national and international companies have come forward with solutions to reduce the production costs by offering on-site trial demonstrations, which would reduce the percentage of gluten, fat, eggs and oil used in the recipe.

Apart from this, it would also help to improve the nutritional value of the end-product by reducing the usage of harmful chemicals and improved appeal.

VI. Conclusion

The bakery industry in India today has an important place in the industrial map of the country. Moving ahead, the sector is expected to see more international brands entering the Indian market. If the reports are to be believed, the bakery industry has achieved third position in generating revenue among the processed food sector. The market size for the industry was pegged at \$4.7 billion in 2010, and reached \$7.6 billion by 2015. The report also mentioned that the shining star of the sector remains the biscuit segment, which is expected to outperform the growth of the sector overall. While the figures are indeed encouraging, there is a flip side to this

story. As the business and the industry thrives, the challenges accruing out of it are also growing at a fast pace. Admittedly, the Indian bakery industry is not really geared up to face the daunting task that lies ahead, which is of striking a balance. Like many industries, retail bakeries see rising costs in fuel, healthcare and other expenditures cut into their bottom lines and increase the costs of doing business. However, there has been an uptick in demand, including trends, such as cupcake stores and gluten-free baked goods. Driven by the evolving perception of bakery products in India and the changing consumer preferences, the Indian bakery industry would touch levels of Rs 483 billion in the next five years.

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