

# Balancing Health & Affordability in the Food & Beverage Industry

3rd November, 2024

# Introduction

- The D2C Food and Beverage (F&B) market in India is witnessing a remarkable surge, fueled by a growing consumer inclination towards health and wellness products. This research report delves into the dynamic landscape of the D2C F&B market, offering a detailed analysis of its current size and anticipated growth, with a special emphasis on the burgeoning health food segment.
- It explores consumer spending patterns and preferences, shedding light on key health considerations, popular ingredients, and nutritional expectations that are shaping the market. The report also addresses critical supply chain challenges, including perishability management and cold chain logistics, while examining the affordability framework for health and wellness products.
- Furthermore, it provides an in-depth analysis of the competitive landscape, highlighting market share distribution among leading D2C players. A case study on The Whole Truth Foods, a prominent health-focused brand, illustrates the influence of innovative health solutions on consumer behavior.



# Key Insights

## 1. Addressing the Gender Gap in Health Products

With 62% male versus 38% female consumers in the protein market, there's a significant opportunity to target the underserved female demographic. This can be achieved through female-centric product development, wellness-focused messaging, and strategic partnerships with women's fitness centers to better cater to their specific needs. Other strategies could include tailored marketing campaigns, influencer collaborations, appealing packaging and design and educational workshops focusing on women's health and nutrition.

The gap exists due to historical marketing biases, societal norms linking protein supplements with bodybuilding (more commonly associated with men), lack of awareness among women about the broader benefits of protein supplements, and cultural factors.

## 2. Supply Chain Innovation: Meeting Modern Demands

Managing perishable goods across India's diverse climate zones is complex, with cold chain logistics consuming 38% of operations to ensure product integrity. The industry balances premium ingredients with affordable pricing, catering to a taste-conscious market. Quick commerce adds another layer of complexity, demanding faster, fresher, and more efficient supply chains.

These challenges are opportunities for innovation. Advances in cold chain logistics and packaging can revolutionize product transport and shelf life. Developing healthy, tasty products can capture the growing market. Quick commerce refinements can enhance delivery speed and freshness, while strategic local partnerships reduce costs.



# Key Insights

## 3. Transforming Urban Lifestyles

Changing urban lifestyles are driving 23% of market growth. Companies can capitalize on this trend by integrating quick commerce solutions, offering ready-to-eat healthy meals, and creating urban convenience formats tailored for fast-paced urban consumers. There's also potential in developing smart kitchen appliances, urban farming initiatives, and subscription services for meal kits that align with health trends and convenience.

## 4. Catering to Cost-Sensitive Consumers

As 53% of consumers adjust their purchasing decisions due to cost, companies can develop smaller pack sizes, value-tier products, bulk purchase options, and subscription models to cater to budget-conscious consumers. Additionally, implementing loyalty programs, offering discounts for bulk buys, and creating co-branded products with cost-saving benefits can further attract this segment, making health-focused products more affordable without compromising quality.

## 5. Embracing Traditional Ingredients

High consumer interest in traditional ingredients like turmeric, ashwagandha, and amla presents an opportunity to create modern formats of these ingredients, develop fusion products, and implement education-focused marketing. Companies can explore innovative product formats like infused beverages, snack bars, and supplements, promoting the health benefits of these traditional ingredients. Collaborations with local farmers and sustainable sourcing practices can also enhance brand authenticity and appeal to eco-conscious consumers.



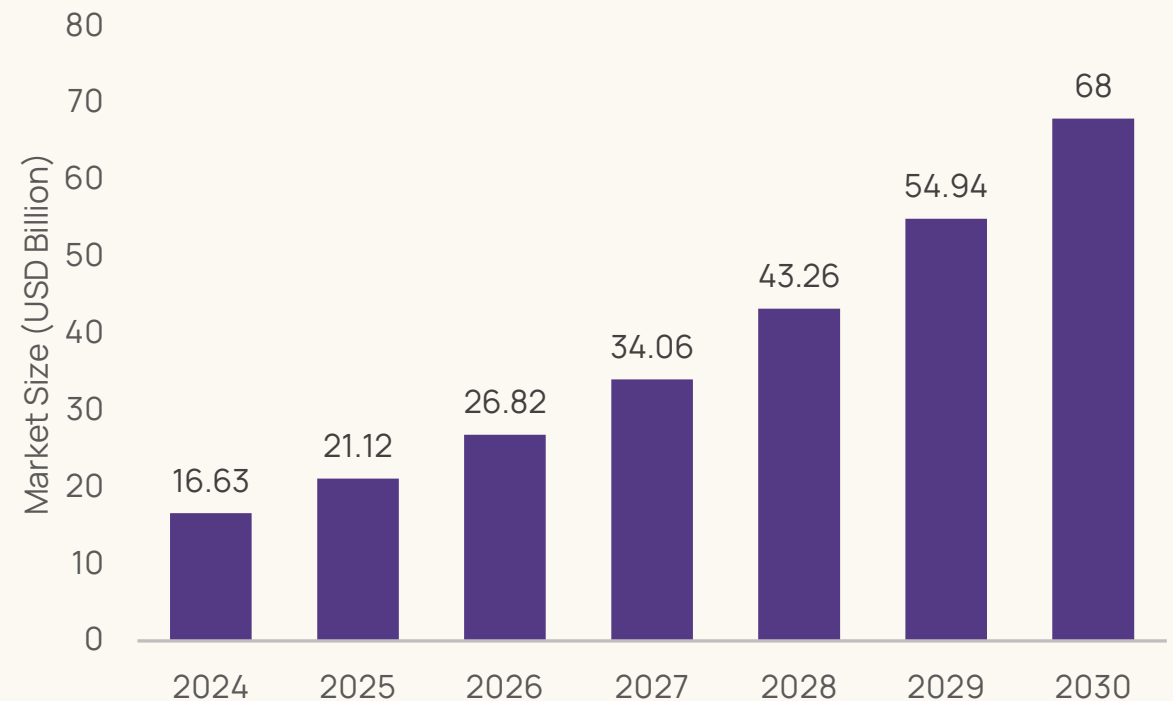
# The Rapid Rise of India's D2C F&B Market

The Indian D2C Food & Beverage market is poised for exponential growth over the next six years, with projections showing a consistent upward trajectory through 2030.

This remarkable growth story is driven by a compound annual growth rate (**CAGR**) of **27%**, reflecting the rapid digital adoption and changing consumer preferences in India.

Within this booming market, the health and wellness segment has emerged as a significant force, currently representing approximately **16% of the total D2C F&B** market.

Market Size Growth



# Evolving Consumer Preferences in the F&B Industry

## Key Health Food Preferences & Ingredients

- a) Growing demand for reduced-sugar products
- b) Increasing adoption of nutrient-rich ingredients: • Ancient grains: Millets, quinoa • Superfoods: Dark chocolate, berries
- c) Rising popularity of healthy snacking options: • Nutritious biscuits and cookies • Dried fruit snacks • Health bars
- d) Emphasis on clean labeling and ingredient transparency

## Pandemic-Driven Dietary Transformations

- a) 70% of Indian consumers prioritizing health-focused dietary changes
- b) Key areas of focus: • Immunity-boosting ingredients • Balanced nutrition • Natural and unprocessed foods
- c) Increased consumer education and awareness about: • Nutritional benefits • Clean eating practices • Unprocessed ingredients

## Regional and Traditional Influence

- a) Incorporation of traditional Indian flavors
- b) Balance between familiar tastes and health benefits
- c) Innovation in product development: • Regional flavour adaptations • Traditional ingredient incorporation • Local taste preferences
- d) Growing acceptance of traditional superfoods

## Sustainability and Supply Chain Transparency

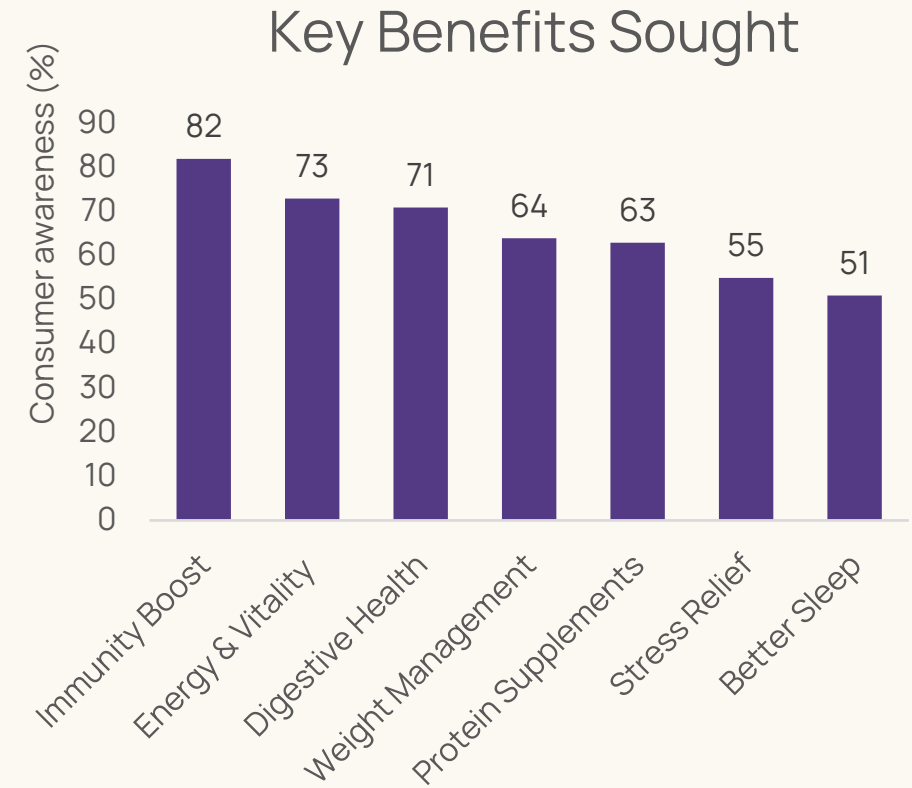
- a) Sustainable sourcing practices: • Ethically sourced ingredients • Environmental responsibility
- b) Supply chain transparency: • Clear ingredient sourcing information • Traceable supply chains
- c) Eco-friendly packaging initiatives
- d) Comprehensive product labelling

# Immunity at the Forefront: India's Preferred Benefits

The Indian functional food market represents a unique blend of ancient wisdom and modern nutritional science.

Consumers are increasingly seeking various health benefits from their food and supplements, with a strong focus on enhancing immunity, energy and vitality, and digestive health. There's also significant interest in weight management, protein supplementation, stress relief, and better sleep. To cater to these needs, there's a growing demand for ingredients known for their health-boosting properties.

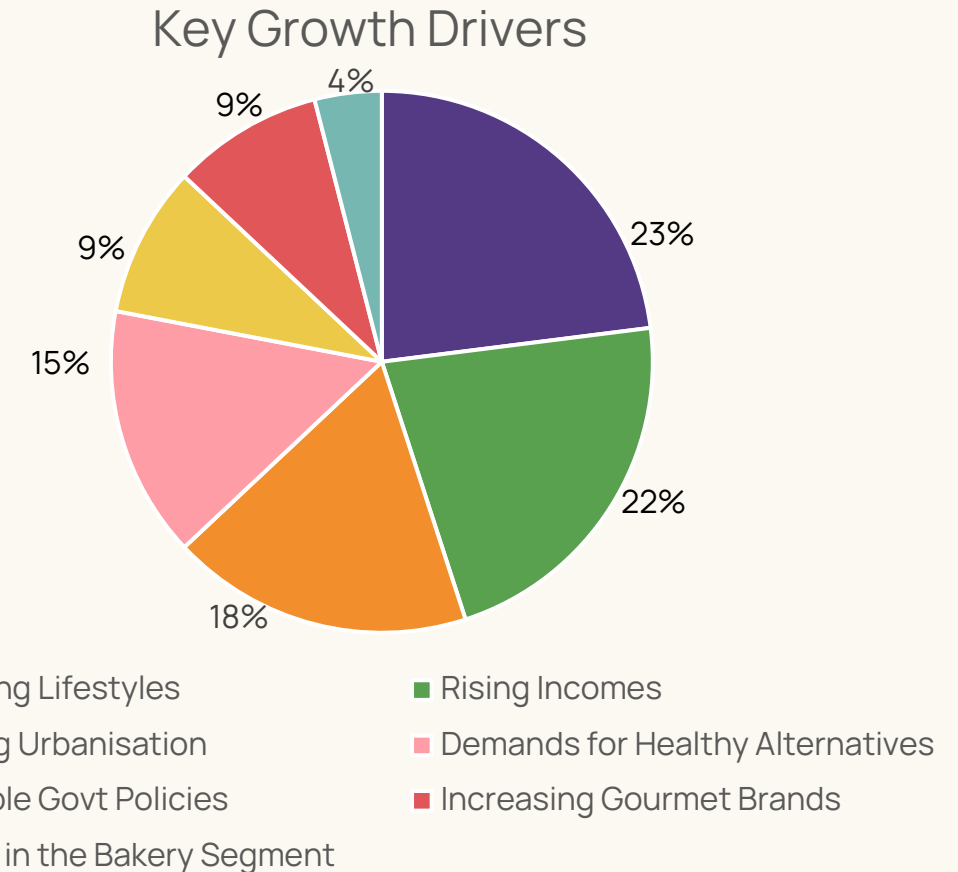
Ingredients like turmeric, ashwagandha, amla, and moringa are particularly sought after for their roles in supporting immunity, reducing stress, and improving overall health. These natural ingredients are becoming staples in modern diets, reflecting a shift towards holistic wellness and preventive care in the food and beverage industry.



# Catalysts of Growth: Lifestyles and Incomes on the Rise

The D2C food market is being shaped by modern consumers who prioritize health and wellness in their daily choices. Rising incomes have given people the ability to buy better quality products that match their lifestyle goals.

As cities grow, there's a clear demand for food options that are both convenient and healthy for the busy urban life. While government support has made it easier for D2C brands to grow and reach customers directly, gourmet brands are finding success by offering unique, high-quality products to consumers who want something special.





# Addressing Supply Chain Problems in the D2C F&B Industry

## Perishability Management

The D2C Food and Beverage market in India faces significant supply chain challenges, particularly in perishability management.

With a massive meat and seafood market valued at 220,000 crores INR (poultry accounting for 66,000 crores), **timely delivery** becomes crucial for maintaining product freshness.

## Inventory Balancing

The D2C Food and Beverage Sector in India must carefully **balance inventory to prevent overstocking and stockouts.**

This is particularly important as the breakfast & specialised snacks categories are experiencing a significant surge at a 27% CAGR driven by demand from health conscious consumers

## Supply Chain Scalability

The challenge has intensified with D2C brands experiencing a remarkable 300% rise in demand during the pandemic.

This surge underscores the critical need for **robust and scalable supply chain solutions** that can ensure product freshness and timely delivery from the warehouse to the consumer's doorstep.

# Necessity for Efficient Supply Chains in Quick Commerce

## Role of Quick Commerce Platforms

**Key Platforms:** Dunzo, Swiggy, and Grofers enable near-instant delivery of perishable health foods.

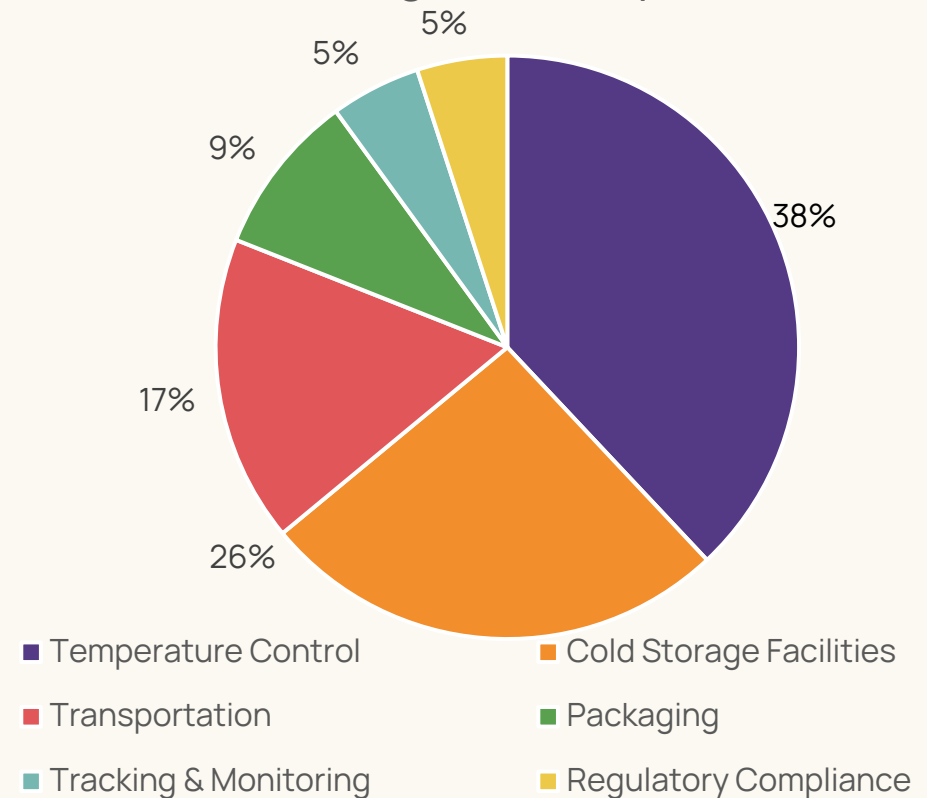
**Impact on Supply Chain:** Quick commerce platforms have transformed supply chains by demanding rapid delivery, often within minutes or hours. This shift necessitates more efficient and responsive logistics, inventory management, and the rise of micro-fulfillment centers and dark stores for quick dispatch.

**Example - Pune-based Startup Kivu:** Achieved a turnover of 33 lakh INR in 2020-21, demonstrating the potential of efficient supply chain strategies.

## Market Dynamics

Over 30% of discretionary spending in Indian households is on Food & Beverage, highlighting the importance of efficient supply chain management.

Cold Chain Logistics Requirements



# Navigating Cost-of-Living Changes: Consumer Behaviors

## Consumer Behavior in Response to Cost-of-Living Changes

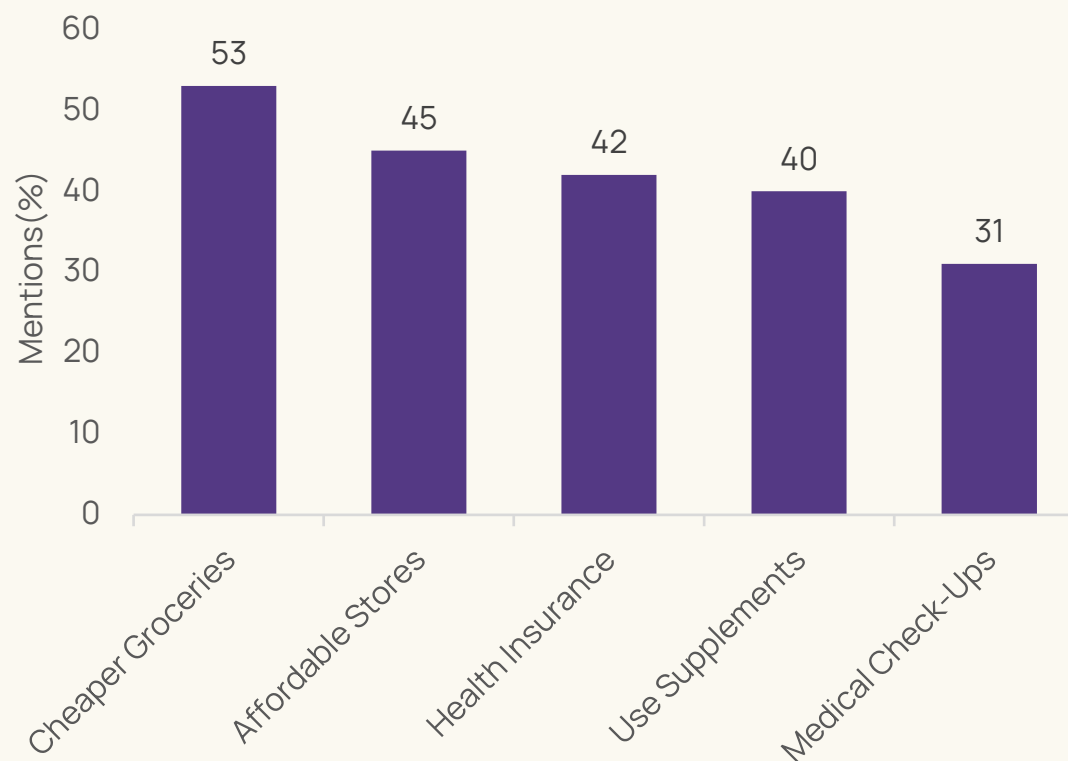
Consumers are adjusting their habits by opting for cheaper groceries, shopping at more affordable stores, and choosing more affordable personal care products.

Despite financial challenges, there remains a strong focus on health and wellness, with many maintaining health insurance, using vitamins and supplements, and continuing preventive care.

## Strategies to Maintain Affordability While Ensuring Quality

- Highlight healthful product attributes for health-conscious consumers.
- Use cost-effective production methods without sacrificing quality.
- Offer smaller packaging sizes at lower price points.
- Partner with local suppliers to reduce costs and pass on savings.
- Utilize digital platforms for direct sales to eliminate middlemen and offer competitive pricing.

## Consumer Purchasing Decisions

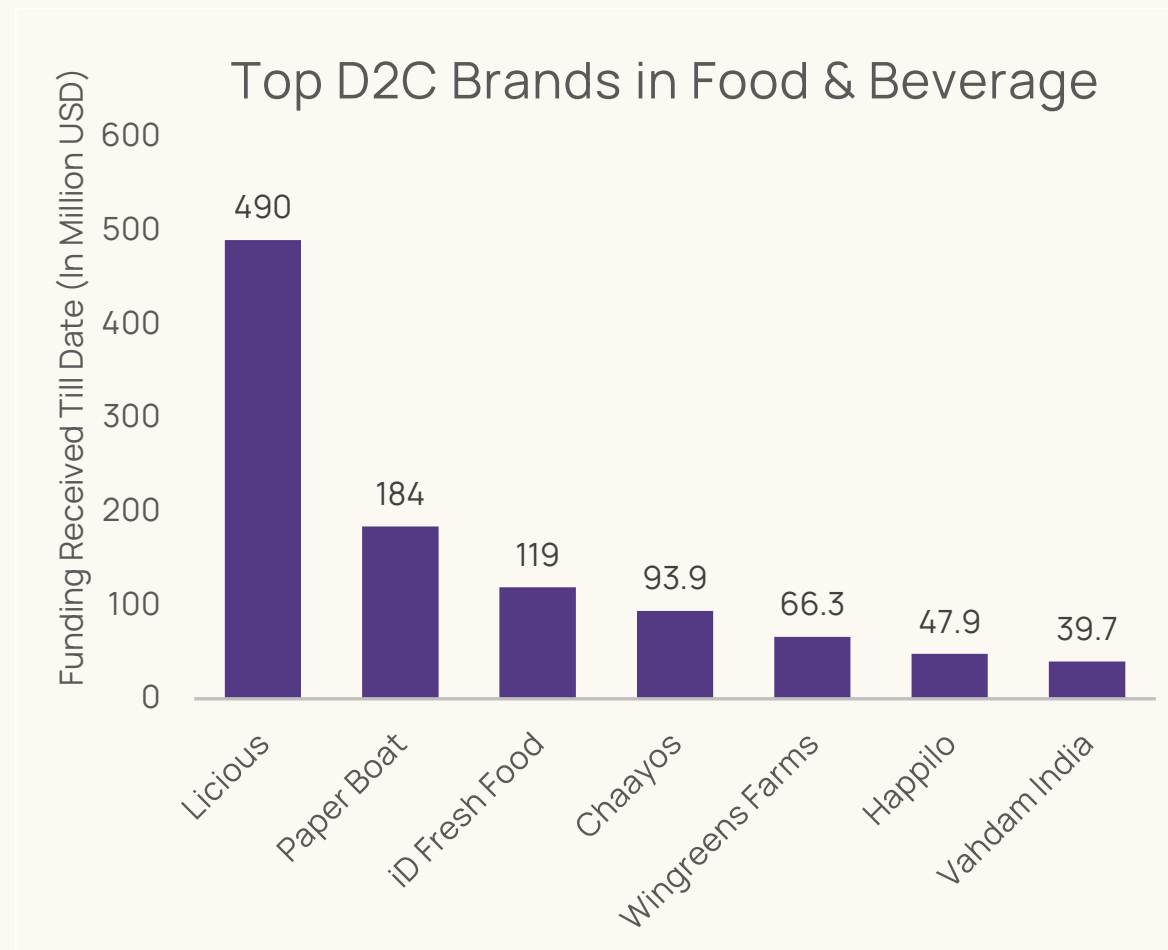


# Licious Leads the Way: Revolutionizing India's F&B

**Licious** revolutionizes the meat and seafood market by delivering fresh, high-quality products directly to consumers. **Paper Boat** brings nostalgic Indian beverages to modern households, while **iD Fresh Food** offers ready-to-make breakfast items like dosa and idli batter.

**Chaayos** caters to tea lovers with its wide range of freshly brewed teas, **Wingreens Farms** provides organic, healthy snacks, **Happilo** specializes in premium nuts and dry fruits, and **Vahdam India** offers organic teas sourced directly from Indian estates.

Together, these brands are reshaping the Indian food and beverage landscape by leveraging technology to deliver quality, convenience, and a personalized experience to consumers.



# The Whole Truth Foods: Health-Focused D2C in Indian F&B

## → High Social Media Presence

The Whole Truth protein bars are creating a buzz on social media, with **80% of conversations mentioning the brand**. Consumer sentiment is predominantly positive, with 75% of mentions expressing favorable opinions

## → Strong Selling Points

**a) High Protein Content:** Each bar packs 20 grams of protein, making it an ideal choice for those seeking a nutritious snack.

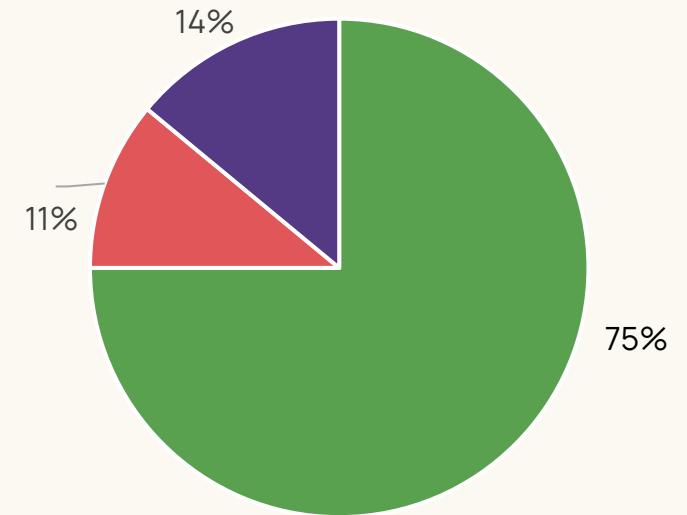
**b) Competitive Pricing:** At an average of INR 100 per bar, The Whole Truth offers an attractive price point in a crowded market.

**c) Popular Flavors:** Chocolate and Peanut Butter lead the pack, accounting for 40% and 30% of preferences, respectively.

## → Consumer Preferences

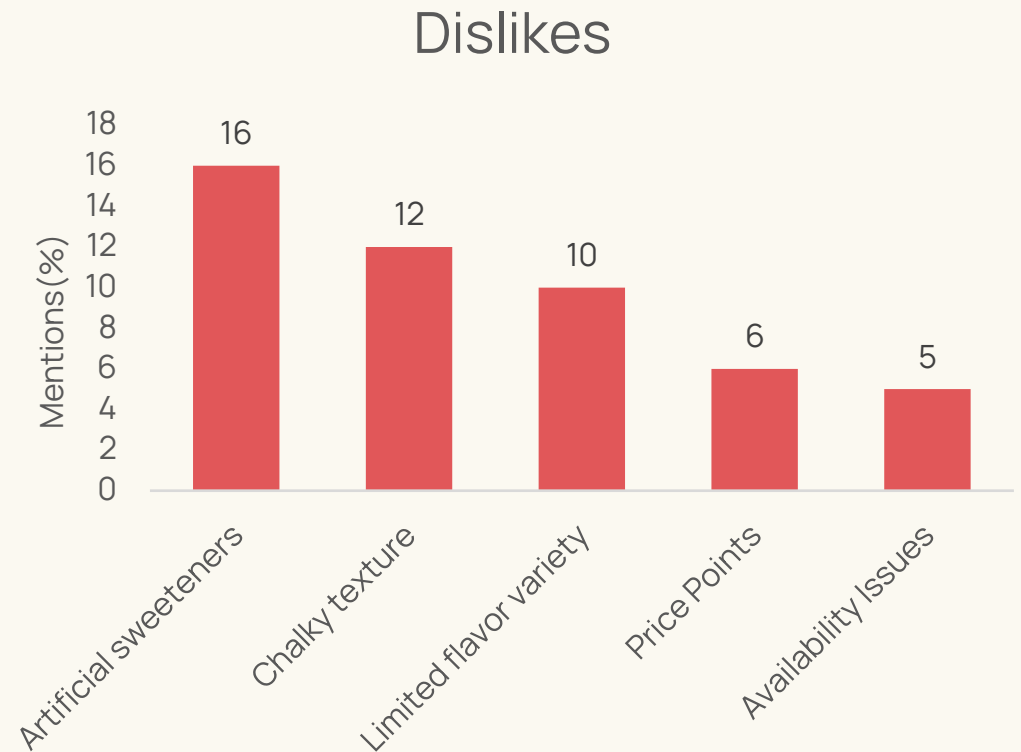
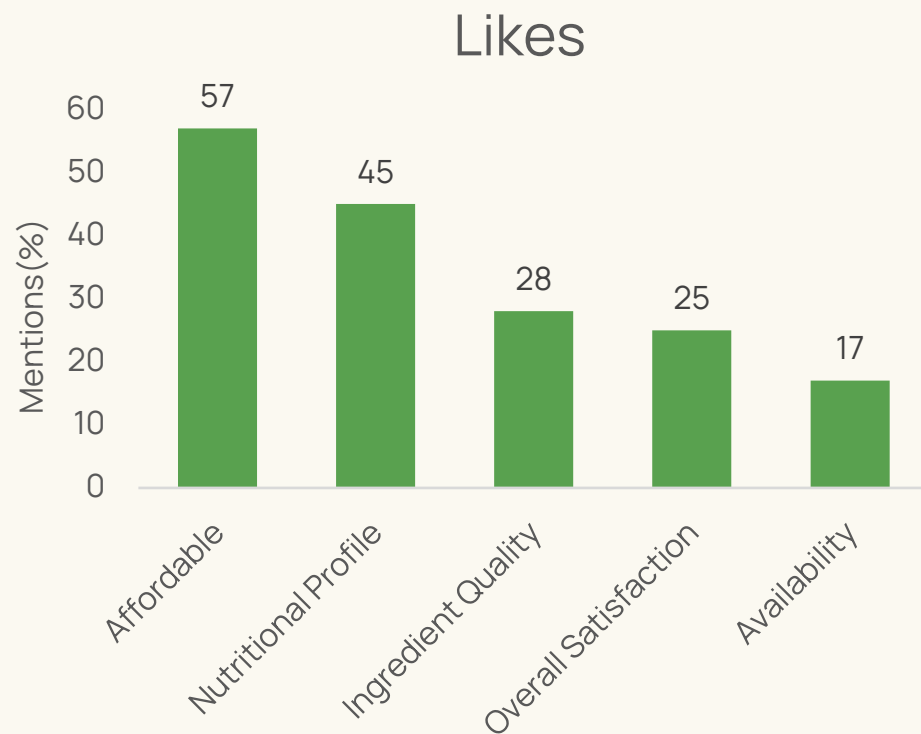
Consumers are drawn to the natural ingredients (65% of mentions) and low-sugar options (55% of mentions) of The Whole Truth protein bars. The brand resonates particularly well with urban consumers aged 18-34, with females making up 55% of the audience. Most consumers purchase the bars weekly (40%) or monthly (30%).

Sentiment Analysis



■ Positive Sentiment ■ Negative Sentiment  
■ Neutral Sentiment

# The Whole Truth Foods: Health-Focused D2C in Indian F&B



Overall, The Whole Truth protein bars are highly appreciated for their affordability, nutritional profile, taste, ingredient quality, and availability. Reviewers express high satisfaction with the product. While price and taste remains a consideration, the perceived value and effectiveness of the products play a crucial role in influencing purchase.

# Consumer Preferences & Demographics in Protein Powders

Consumers often dislike protein powders due to issues with taste and flavor, texture, artificial ingredients, high prices, and limited availability. Untrustworthy brands also face disapproval. Key dislikes include unappealing taste, gritty texture, artificial ingredients, high cost and accessibility issues, with **53% disapproving untrustworthy brands**.

Conversely, valued features include **high protein content per scoop**, authenticity, purity, easy digestibility, **vegetarian options**, and additive-free products. **Flavor variety**, like 'Cold Coffee' by The Whole Truth Foods and **brand trust** are also crucial. **Transparency and trustworthiness** significantly influence consumer decisions.

| Factor             | Demographic Insights                                   |
|--------------------|--|
| Age                | Predominantly young adult to middle-aged (18-34 years) |
| Gender             | 62% male and 38% female                                |
| Income Levels      | Upper-middle class to upper class                      |
| Geographical Areas | Primarily urban areas.                                 |



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