

# Success Story of Lays in Mysore

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Snacks are a part of Consumer Convenience/ Packaged Foods segment. Snack is described as a “small quantity of food eaten between meals or in place of a meal”. Snack is one of the major segments of the packaged food division, which comes under the broad category consumer foods. Savoury snacks have been a part of Indian food habits, since almost ages. Though there is no particular time for snacks, normally they are consumed at tea time.

Snack food generally comprises bakery products, ready-to-eat mixes, chips, namkeen and other light processed foods. According to the ministry of food processing, the snack food industry is worth Rs100 billion in value and over

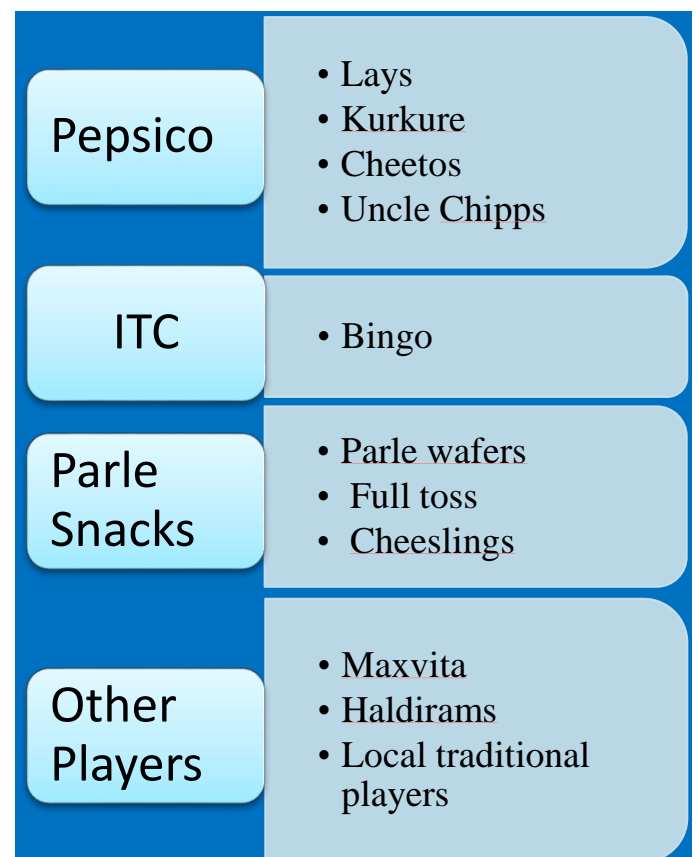
4,00,000 tonnes in terms of volume. Though very large and diverse, the snacks industry is dominated by the unorganized sector. According to an Apeda survey almost 1,000 snack items and 300 types of savouries are sold across India. The branded snacks are sold at least 25% higher than the unbranded products.

The snacks market is classified into two broad segments - Western and traditional snack segments, wherein western snacks enjoy more popularity in comparison to the traditional snacks but in certain parts of the country the traditional snacks such as Banana chips are also as popular as the western snacks. Moreover, the western snack segment is dominated by large number of MNCs and organized snack

manufacturers when compared to traditional snack segment which is largely operated by unorganised local manufacturers and some local companies like MTR and Maiyas.

Mysore being a tourist hub has a potential population for snack products. The rich culture and tradition of Mysore invites a lot of tourist from various parts of the world. Even the domestic tourists from various states and towns contribute to the tourist population. Mysore has around 30 super markets, around 30 cinema halls, numerous institutions, large number of tourist places (prominent being Krishna raja sagar and GRS fantasy park) and around 4000 retail outlets. The total market value in Mysore for snacks (chips) is around 10 crores (85 crores per month) with 70 % contribution from Lays, Bingo and Parle. The remaining 30 % is contributed by Haldirams, and other local players. Mysore has been growing from the past few years and has been a hub for education, tourism and industries.

## Players of Mysore Snack Market

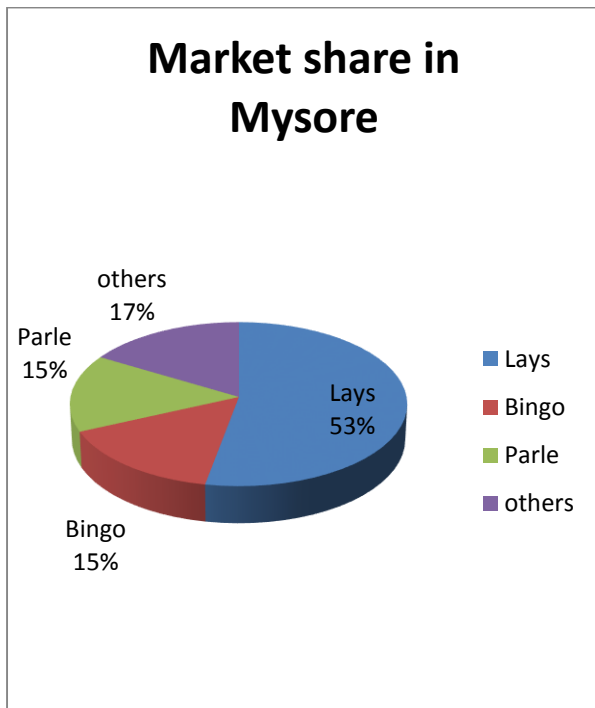


**Market Leader:** Frito lays continues to enjoy 53% of cumulative share consisting of Lays, Kurkure, Uncle Chips, Cheetos, leher etc.

**Market Challenger:** ITC's Bingo! Rapidly gaining the market attention by gaining 15% of market share through its direct frontal attack.

**Market Follower:** Haldirams, Maxvita and other local players. Also included unorganised players aimed at price sensitive consumers and switchers.

**Market Nicher:** Parle’s Smart Chips which has identified itself a niche of the more health conscious section of the audience by offering them a baked variant of chips.



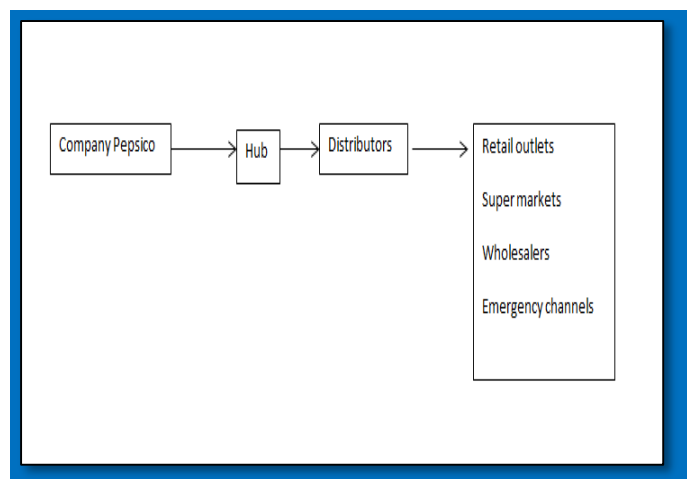
*The values in the above chart is based on the monthly sales of each players in Mysore (Lays- 45 lakhs, Bingo and Parle- 13 lakhs, others is 14 lakhs).*

## Lays in Mysore

The PepsiCo product Lays enjoys the market leader position in Mysore by a large margin when compared to its competitors. Lays is all around Mysore with its presence even in the remote outlets. Lays is quiet a familiar brand in the minds of the customers. The reason behind its reach to the customers to the

remote places is its distribution network. Though the distribution process doesn’t very much in comparison to bingo, the brand name and the loyalty schemes offered to the outlets makes it stand out amongst the players in the market.

Lays follows the order to capture process of taking the invoice in the outlets which is similar to that of bingo. Here the professional sales representatives (PSR’s) take the order based on the requirement of the outlet using their software *Samna* and the order will be delivered on the next day. The outlet will have a credit period of 7 days to make the payment. The PSR’s visits the retail outlet at least 4 times a month



*Distribution structure of lays*

Lays is the market leader in Mysore and has great brand awareness amongst the customers. They have the best presence in the super markets, theatres, bus station, railway station, GRS Fantasy Park and

KRS. It's the highest seller in Super markets, theatres, Bus station and railway station. Currently there are 3 distributors are in Mysore namely Huliyaamma for super markets and emergency channels, Athreya (5's pack) for Mysore south and OM associates (all sku's). The details of each distributor are discussed below.

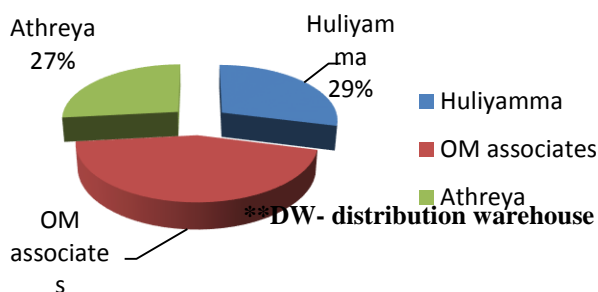
Lays DW names	Average Monthly turnover(in Lakhs)
Huliyaamma	13
OM associates	20
Athreya	12

handles all the super markets of Mysore where most 10+ sku's are sold.

### Lays and Kurkure Flavours

Lays Flavours
American Style Cream & Onion Flavour
Spanish Tomato Tango
West Indies' Hot 'n' Sweet Chilli
India's Magic Masala
Classic Salted
French Salt & Cracked Pepper
Chile Limon Flavour
Thai sweet chilli
Swiss grilled cheese

### DW contribution on total monthly sales of Lays



OM associates contribute 44% of the Lays monthly sales. Most importantly it is the Huliyaamma DW which is prominent as it

Of the nine flavours of Lays, American style cream & onion and Spanish Tomato Tango account for the highest sales followed by West Indies' Hot 'n' Sweet Chilli, India's Magic Masala and classic salted. Thai sweet chilli and Swiss grilled cheese are the two new flavours introduced by Lays. French salt & cracked pepper and chile limon flavours are not doing well in the market which is why they provide 20% extra in quantity.

Kurkure Flavours
Masala Munch
Hyderabadi Hungama
Naughty tomato
chilli chatka
Green chutney Rajasthani style
Solid Masti Twisteez Masala
Solid Masti Twisteez Teekha Meetha Khatta
Puffcorn- Yummy cheese
Puffcorn-Mad masala
Monster- Funky tomato
Monster- Mad masala
Zigzag- yummy cheese
Zigzag-Mad masala

Of the 13 flavours of Kurkure, Masala Munch and puffcorn-yummy cheese are the fastest moving flavours with Hyderbadi Hungama and naughty tomato being second. Lays has a tie up with all the theatres in Mysore and they are offered hangout packs priced at rupees 18. Not all the flavours are part of hangout packs; it is the 5 top selling flavours of lays and 2 flavours of Kurkure.

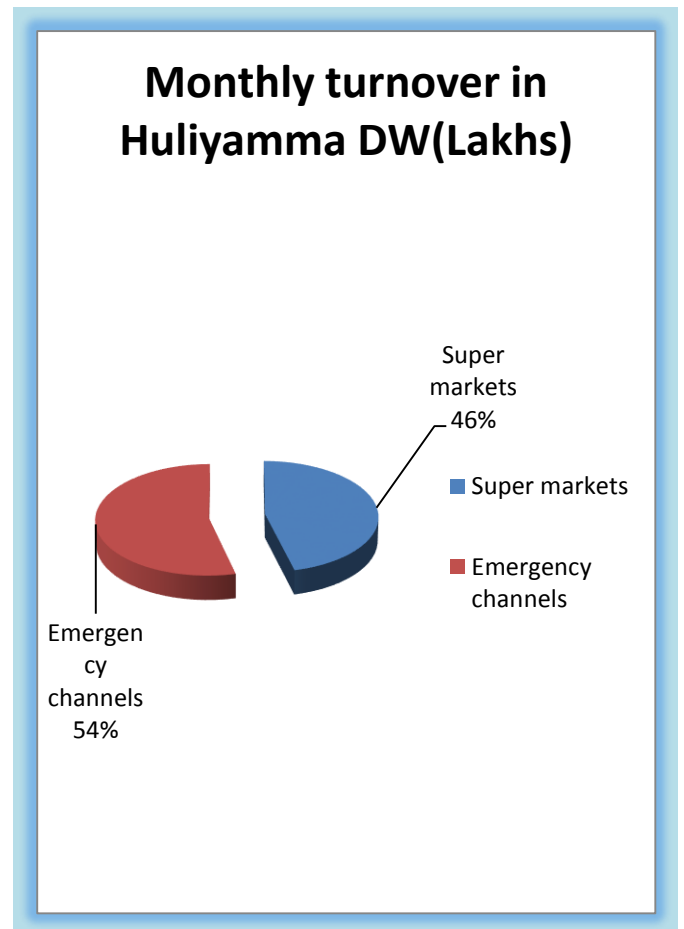
Lays	Kurkure
American Style Cream & Onion Flavour	Masala Munch
Spanish Tomato Tango	Puffcorn- Yummy cheese
India's Magic Masala	
Classic Salted	
West Indies' Hot 'n' Sweet Chilli	

### Huliyamma Distributors for super markets (SMT's) and emergency channels (EC's)

Huliyamma is the main DW in Mysore for Lays which handles the SKU's above rupees 5. It is the DW which serves all the **super markets(SMT's)** of Mysore where the most sales come from and all the competitors aim for and also serves the **emergency channels(EC's)** namely bus station, railway station and theatres along with GRS and KRS. The DW has no scope for 5's SKU. They serve 30 SMT's (super markets) and a total of around 85 outlets in Mysore. They serve Hangout packs (Rs.18) to the theatres and the theatres are offered **40% discount** on MRP. All the SMT's are given discount schemes (*Exhibit 2*). The sales of 10+ packs in Mysore for Lays is around 13 lakhs per month and they offer Lays stands to the

SMT's which can hold the products worth 3000,5000 and 7000 rupees. The super markets accounts for a monthly turnover of around 6 lakhs (*Exhibit 1*) and the emergency channels accounts for around 7 lakhs. The Outlets in bus station and railway station are offered a discount of 40% *on MRP* (The reason being the rents for the outlets are considerably high in EC's).The EC's are visited almost daily based on the requirements

Channel Type	No. of outlets	Monthly turnover(Lakhs)
Super markets	30	6
Emergency channels	55	7



The six loyal worlds contribute a business of around 2.75 lakhs (*Exhibit 3*) in Mysore per month. The Loyal worlds are offered a discount scheme of additional 8 %.The distributor margin is 5%

### OM associates – For retail outlets

OM associates is another major DW for LAYS in Mysore which handles all the SKU's. It is responsible for the distribution of lays across all the retail outlets and also in providing the lays stand or racks to the outlets which is considered as their potential outlet.Targets around 900 retail outlets supplying all the SKU's(5,10,20,30's pack) and has a

monthly turnover of about 20 lakhs. Racks are provided to the outlets where sales are 2000 and above and the Classification of the outlets is based on the sales as class A (>4500), class B (1500- 4500), class C (500-1500) and class D (<500). The Discounts and schemes are given to the outlets based on the classification (fixed discount or variable discount)

### **Athreya Distributors- For Mysore South**

Athreya DW is responsible for distributing Lays in the retail outlets of Mysore south region. It reaches the remote places of Mysore south and it handles only 5 rupees SKU. It covers Mysore South reaching around 1000 outlets and makes a Sales of around 13.5 lakhs (around 4 lakhs from leher and uncle chips). They provide the hangers for the lays to be displayed. The schemes are uniform across the retail outlets. Current schemes being 4% on 8 sheets and 1 sheet free on 15 sheets. It is the cash discount they offer.

### **Conclusion**

It is very clear seeing the figures as to why Lays holds an upper hand in the snack market of Mysore. There are various other players in the market including ITC's Bingo, Parle etc. which has been promoting their products equally aggressive as Lays but haven't been

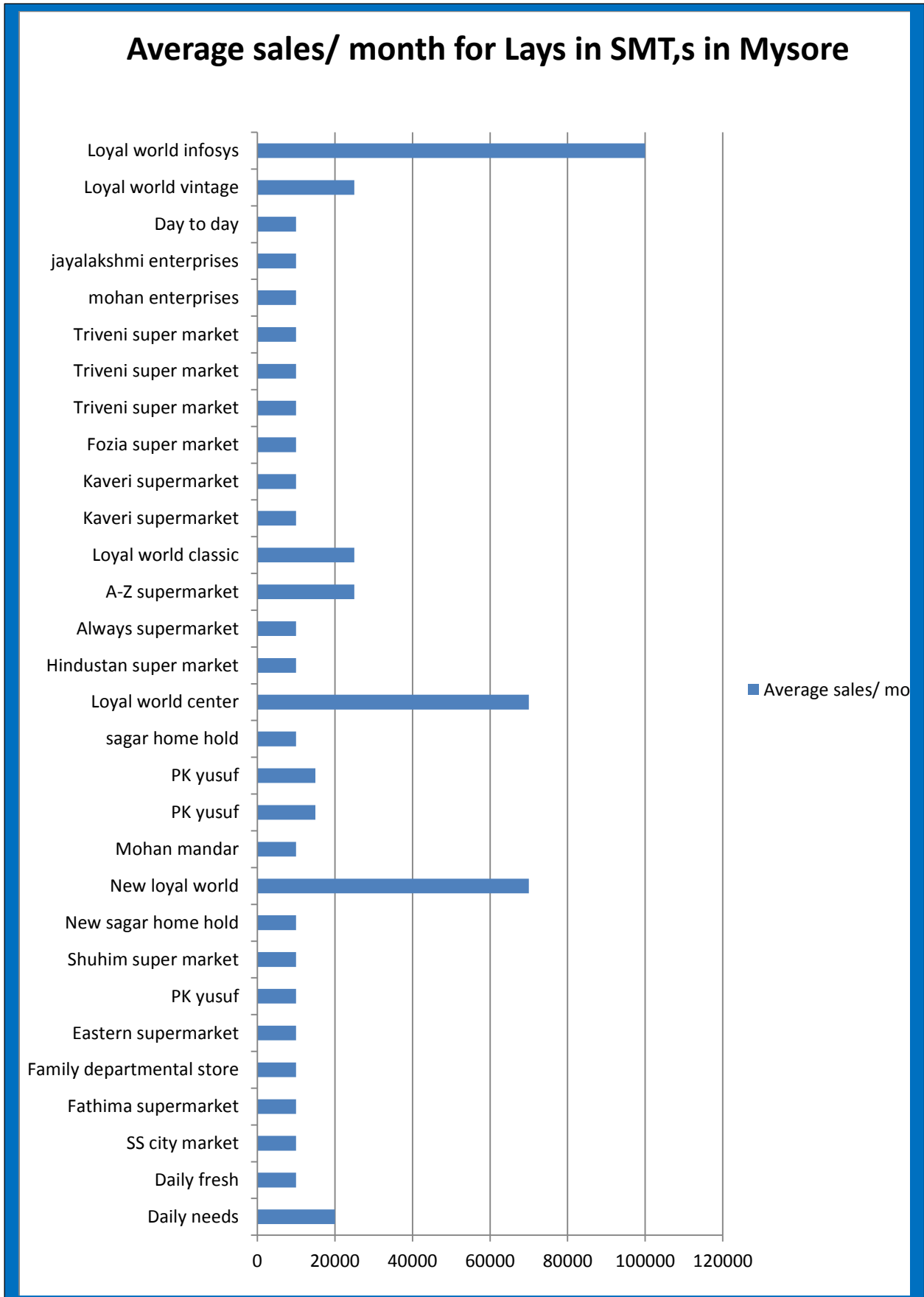
successful in competing with Lays. The distribution reach, different distributors for various channels, the product variants, trade margins, merchandising, loyalty schemes have clearly contributed to the success of Lays performance in Mysore. Finally it is the brand image that distinguishes lays from other players.

### **Questions**

1. Is loyalty scheme alone the factor for the super markets to avail the service of players?
2. ITC is known for its distribution. Yet why hasn't it not able to get close to Lays in market share?

**\*\*The data that has been presented through the case is the primary data obtained from market research\*\***

# Exhibit 1





## Exhibit 2

### April sales of super markets in Mysore

Sl.no	Supermarket name	Area	Discount	April sales( in INR)
1	Daily needs	Siddarth layout	8%	11979
2	Daily fresh	Dr. rajkumar road,kalyangiri	4%-6%	6941
3	SS city market	Dr. rajkumar road,kalyangiri	4%-6%	8787
4	Fathima supermarket	Rajivnagar	4%-6%	9757
5	Family departmental store	Rajivnagar	4%-6%	5811
6	Eastern supermarket	Rajivnagar	4%-6%	10216
7	PK yusuf	udayagiri	4%-6%	12926
8	Shuhim super market	udayagiri	4%-6%	12771
9	New sagar home hold	NR Moholla	4%-6%	6570
10	New loyal world	VV Moholla	8%	71506
11	Mohan mandar	New sayyaji rao road	4%-6%	7968
12	PK yusuf	Irwin road	4%-6%	29066
13	PK yusuf	Bannimantap	4%-6%	19575
14	royal	Bannimantap	4%-6%	5347
15	Loyal world center	Bannimantap	8%	44396
16	Hindustan super market	Gokulam	4%-6%	4207
17	Always supermarket	Vijayanagar	4%-6%	12412
18	A-Z supermarket	Kuvempunagar	4%-6%	14443
19	Loyal world classic	TK layout	8%	11253
20	Kaveri supermarket	JP nagar	4%-6%	6841
21	Quality SMT	Datgelli	4%-6%	2640
22	Fozia super market	Bogadi	4%-6%	4597
23	Loyal world	N R Moholla	8%	13025
24	Family SMT	TK layout	4%-6%	4984
25	shop 365 days	Datgelli	4%-6%	4997
26	mohan enterprises	opp NIE college	4%-6%	4383
27	jayalakshmi enterprises	Hunsur road	4%-6%	4380
28	Day to day	sharadadevinagar	4%-6%	5100
29	Loyal world vintage	Kuvempunagar	8%	8519
30	Loyal world infosys	Infosys	8%	141615

### Exhibit 3

