

# PROGRESSIVE GROCER

AUGUST 2011

AHEAD OF WHAT'S NEXT

VOLUME 5 NUMBER 8 Rs 100

INDIA EDITION

**iPRICE SCAN • 5**  
PG's Retail Price Index

**MARKET INSIGHT • 18**  
Is this your cup of tea?

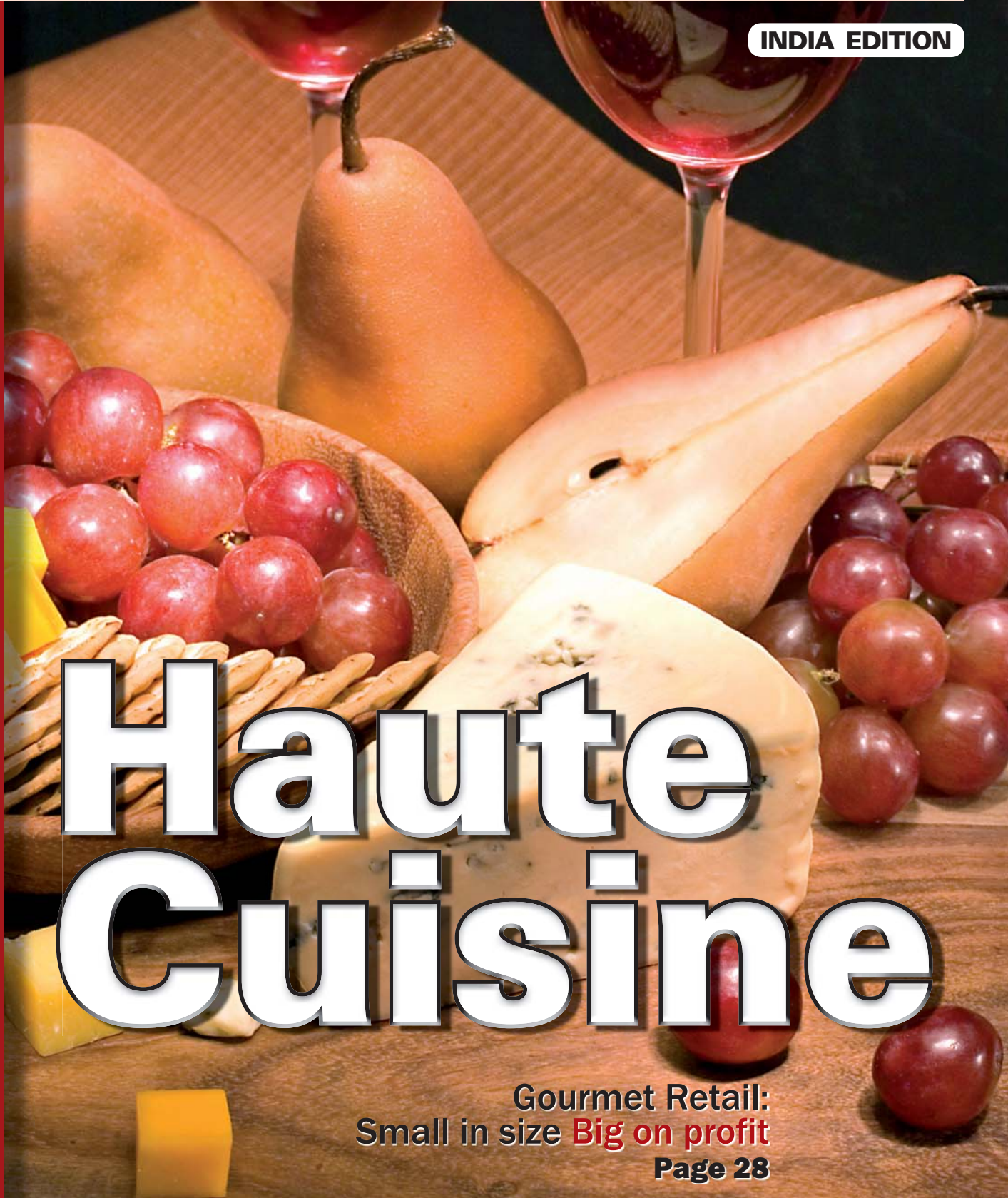


**PROGRESSIVE VIEWS • 38**  
Going Hyper!

**GROCERY • 44**  
Snacks:  
A Healthy Trend



**NON FOOD • 57**  
Family Matters



# Haute Cuisine

Gourmet Retail:  
Small in size **Big on profit**  
Page 28



# Going Gourmet

## Is India ready for premium food?

The diversity of India's culinary landscape is breath-taking. If you take a drive through the length and breadth of the country, the cuisine would change almost with every turn of the wheel. As if this embarrassment of culinary riches was not enough, a new type of food is increasingly becoming popular in India: imported gourmet.

Though the market size is currently small – just about Rs 1200 crores by most estimates – there are some factors which are pushing its boundaries. As Indians get wealthier on the back of a rapidly growing economy, they become exposed to global food habits through travel and TV, and get more adventurous in their cooking.

Many retailers such as Godrej's Nature's Basket, Future Group's FoodHall, Spencer's and Tata Group's Westside have jumped into the fray. Our cover story this issue explores the dynamics of this still-nascent industry and what makes it tick. One thing, however, is certain: the market would not grow to any appreciable degree until bottlenecks such as restrictive import policies and inadequate cold-chain infrastructure are taken head on.

Also, almost all gourmet products in India are currently imported. Once the market reaches a critical mass, it will be a good idea for retailers to also focus on made-in-India gourmet products to cut their dependence on imports, and soothe the sticker shock that makes many Indians turn away from buying gourmet food.

Talking of food, the more things change the more they remain the same, or so it seems.

Otherwise what can be the reason for the rising popularity of organic food – the “novelty” food cultivated the same way as our ancestors used to, without modern synthetic inputs such as chemical fertilizers and pesticides. In this issue, we elicit the views of Vishal Jalan, managing director of Aricha Trading Company, which markets organic food, to know if it is the way of the future or merely a passing fad.

Producing and sourcing food is one thing, selling it is quite another. Last year, many retailers switched formats from supermarkets and convenience stores to hypermarkets. We chart this trend and investigate what hypermarkets can do for modern retailers that supermarkets cannot. Is big better in the world of retail? Only time will tell.

### Corrigendum

Our cover story “Get Well Spoon” in the June 2011 edition of Progressive Grocer India erroneously stated that Dalmia Continental imported 3,988 MT of olive oil in 2010 and that this figure is expected to go up to 13,500 MT in 2013. The figures actually relate to the entire olive oil imports of India, not of Dalmia Continental alone. Additionally, the olive oil brand Leonardo sold in India was incorrectly identified in the story as a Spanish brand. We have since been informed that it is actually owned by Dalmia Continental. The error is regretted.

– Editor

All material printed in this publication is the sole property of Nielsen Business Media, Inc. or Images Multimedia Pvt. Ltd. or both and each of them have copyrights on their respective materials. All printed matter contained in the magazine is based on the information from those featured in it. The views, ideas, comments and opinions expressed are solely of those featured and the Editor and Publisher do not necessarily subscribe to the same.

Printed & published by S P Taneja on behalf of Images Multimedia Pvt. Ltd. Printed at Aarvee Printers Pvt. Ltd., B-235, Naraina Industrial Area, Phase – 1, New Delhi 110028 and published by S P Taneja from S- 21 Okhla Industrial Area Phase – 2, New Delhi.110020 Editor : Amitabh Taneja

In relation to any advertisements appearing in this publication, readers are recommended to make appropriate enquiries before entering into any commitments. Images Multimedia Pvt. Ltd. does not vouch for any claims made by the advertisers of products and services. The Printer, Publisher and Editor-in-Chief of the publication shall not be held for any consequences in the event of such claims not being honored by the advertisers.

All rights reserved. Reproduction in any manner is prohibited. All disputes are subject to the jurisdiction of competent courts and forums in Delhi/New Delhi only. Progressive Grocer does not accept responsibility for returning unsolicited manuscripts and photographs.

<b>Editor-in-Chief</b> .....	Amitabh Taneja
<b>Editorial Advisor</b> .....	R S Roy
<b>Deputy Editor</b> .....	Sanjay Choudhury
<b>Contributing Editor</b> .....	Nupur Chakraborty
<b>Director – Planning</b> .....	Anjali Sondhi
<b>Sr. Assoc. Editory &amp; Chief of Bureau (Mumbai)</b> .....	Nivedita J Pawar
<b>Assoc. Editor</b> .....	Seema Gupta (Delhi)
<b>Assistant Editor</b> .....	Utpala Ghosh
<b>Correspondents</b> .....	Shubhra Saini Varun Jain
<b>Art Director</b> .....	Pawan Kumar Verma
<b>Asst. Art Director</b> .....	Mohd. Shakeel
<b>Sr. Photographer</b> .....	Vipin Kardam
<b>Asst. Photographer</b> .....	Deepak Malik
<b>Photo Coordinator</b> .....	Kamal Kumar
<b>Publisher</b> .....	S P Taneja
<b>Chief Operating Officer</b> .....	Sandipan Singh

### Business Office

<b>General Manager, Product Head</b> .....	Lokesh Arora
<b>Assoc. Vice President/Regional Heads</b> .....	Waseem Ahmad (Mumbai) Piyali Roy Oberoi (Kolkata)
<b>Managers (Advertising)</b> .....	Karun Saluja (Delhi) Anirban Sarkar (Kolkata)
<b>Marketing Associates</b> .....	S.Venkataramanan (Chennai) 9444021128 Hemant Gupta (Ludhiana) 9814019745
<b>Assoc. Vice President - Circulation</b> .....	Anil Nagar
<b>Sr. Manager (Circulation)</b> .....	R P Singh (Mumbai)
<b>GM (Production)</b> .....	Manish Kadam
<b>Sr. Executive (Production)</b> .....	Ramesh Gupta
<b>GM (Logistics)</b> .....	Rajeev Mehandru
<b>GM (Customer Relations)</b> .....	Hemant Wadhawan
<b>Subscriptions</b> .....	Rajesh Kumar



<b>Publisher</b> .....	Olivia Wilson
<b>Editorial Director Retail Food Group</b> .....	Don Longo
<b>Editor-in-Chief</b> .....	Michelle Moran
<b>Fresh Food Editor</b> .....	Meg Major
<b>Nonfoods/Tech Editor</b> .....	Joseph Tarnowski
<b>Managing Editor</b> .....	Bridget Goldschmidt
<b>Group Creative Director</b> .....	Michael Strong



<b>President</b> .....	Greg Farrar
<b>Senior Vice President, Human Resources</b> .....	Michael Alicea
<b>Senior Vice President, Brand Media</b> .....	Andrew Bilbao
<b>Senior Vice President, Media &amp; Entertainment</b> .....	Gerry Byrne
<b>Senior Vice President, Finance</b> .....	Sloane Googin
<b>Senior Vice President, Retail</b> .....	David Loechner
<b>Senior Vice President, Content</b> .....	Scott McKenzie
<b>Senior Vice President, Building &amp; Design</b> .....	Joe Randall
<b>Senior Vice President, Central Services</b> .....	Mary Kay Sustek
<b>Chief Operating Officer, Entertainment</b> .....	Howard Appelbaum
<b>Vice President, Manufacturing &amp; Distribution</b> .....	Jennifer Grego
<b>Vice President, Licensing</b> .....	Andrew Min
<b>Vice President, Client Marketing</b> .....	Sue Tremblay
<b>Vice President, Audience Marketing</b> .....	Joanne Wheatley

# PROGRESSIVE GROCER



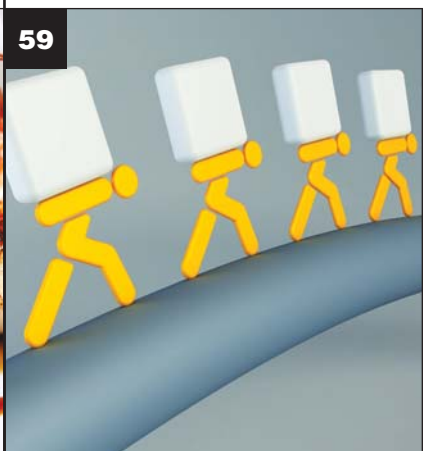
28



22



52



59

## COVER STORY

- 28 Haute Cuisine**  
Progressive Grocer takes a look at the dynamics of Gourmet Retail in India.

## FEATURES

- 22 Executive Insights**  
Consumers look to Organic Food for a healthier lifestyle.
- 34 Executive Insights**  
Retailer promotes Gourmet Food online.
- 48 Design: Centre of Attraction**  
A research study by WD Partners explores how CPG brands and retailers can deploy aisle design innovations to attract shoppers.
- 61 Market Research**  
2011 Outlook for Retail and Consumer Products in Asia.

## SUPERMARKET FRESH FOOD BUSINESS

- 52 Sea Change**  
Meat and seafood are riding the growth of natural and organic food sales.

## SUPERMARKET FOOD BUSINESS

- 36 Swinging Singles**  
Portion-controlled frozen novelties are leading sales, while traditional ice cream sags.

## SUPERMARKET GROCERY BUSINESS

- 44 Snacks: A Healthy Trend**  
Brands are back, and healthy concerns are driving sales.

## SUPERMARKET NON-FOOD BUSINESS

- 57 Family Matters**  
Paper towel manufacturers are concentrating on core consumers of their product to add some much-needed pizzazz to a mature segment.

## DEPARTMENTS

- 7 Private Label Analysis - PULSES**
- 10 Front End: News and policy updates**
- 18 Market Insight: Value additions in Tea**
- 38 Progressive Views: Hypermarkets find favour with Indian retailers**
- 59 Technology: Supply Chain Overhaul**
- 66 What's Next: New products in the market**



# Is this your cup of tea?

The everyday cup of tea has evolved from a simple brew to become enriched with nutrients, and brands are positioning it as a health drink

By Rahul Ashok

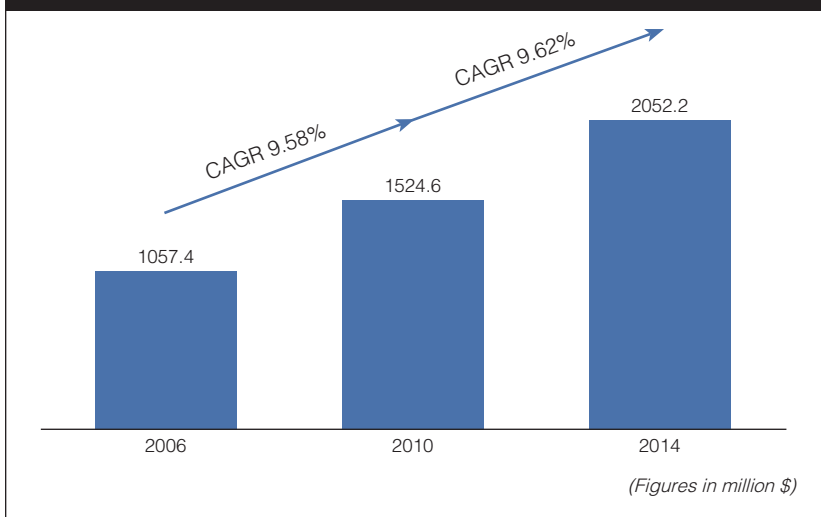
**I**ndia leads the world in tea drinking. From the ubiquitous roadside tea stalls serving piping hot tea, to corporate offices with their tea dispensers, Indians love to savour this sweet and refreshing beverage, several times a day. In fact, tea has the ability to cut across social strata and consumer groups.

Unsurprisingly, even with the growth of the coffee café culture in India and other hot-drink alternatives making rapid in-roads in the Indian market over the years, the tea market has maintained its steady growth. As of 2010, the tea market in India was valued at \$1.52bn, having grown at a CAGR of 9.58 percent during 2006-10. Also heartening for tea brands is the fact that growth is expected to be sustained in the near future as well.

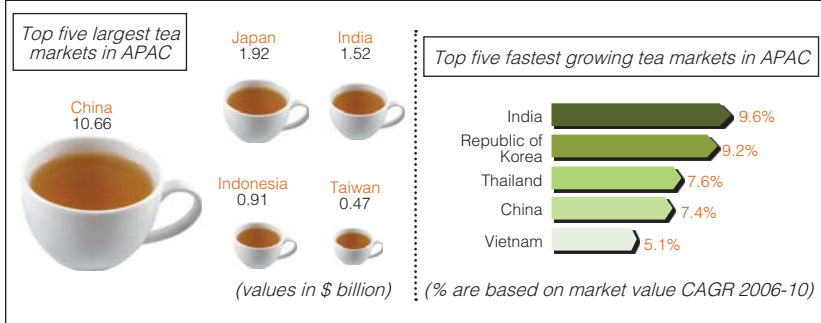
When we look at tea in the larger context of all the hot drinks in the market (coffee, tea, malt-based beverages, etc), tea has interestingly accounted for the lion's share of Indian consumers' spend and consumption. As shown in the figure, tea contributed to almost 70 percent of the total hot drinks wallet, and also 62 percent of the total consumption in kgs in 2010.

Although this gives a sense of optimism for the domestic tea market,

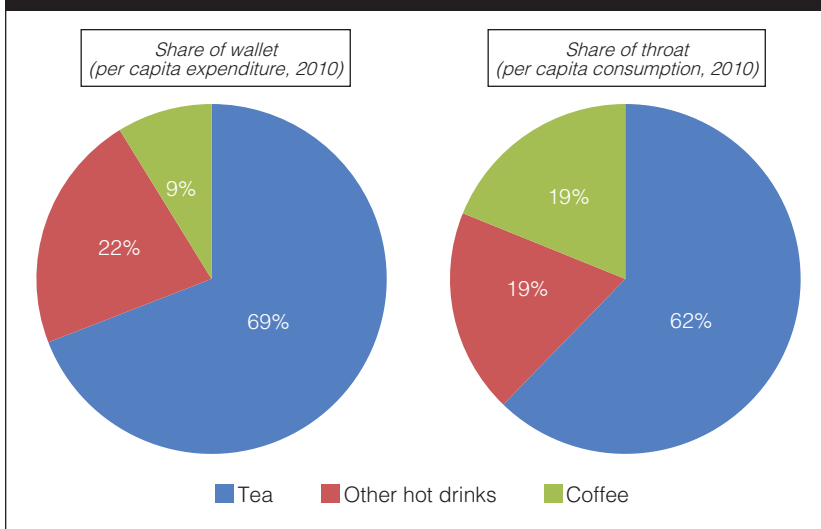
**Even amid the growing popularity of coffee as a beverage across India, the retail sales of tea is expected to grow steadily over the next five years as well**



**India is among the largest tea markets in Asia-Pacific (APAC), and is the fastest growing as well, having grown at a CAGR of 9.6% over the period 2006-10**



**Both in terms of consumer spends and consumption, tea accounts for a majority of the Indian hot drinks market**



India is still lagging behind with respect to the per capita consumption of tea. The figure which stands at approximately 0.8 kg in India in 2010, according to the Tea Board of India, is far below that of the UK with 2.5 kg and Ireland with 1.5 kg.

In this context, it is worth understanding what refuels focus on the Indian tea market, and particularly in our discussion of value-added teas. As of 2010, the Indian market is the second largest in Asia-Pacific (APAC), with a market size of

**We are now witnessing concerted efforts from various pan-Indian and regional brands for the inclusion of a health-oriented positioning.**

\$1.92bn and is the fastest growing in the region.

Building on the market dynamics and the fact that tea drinking culture is woven deeply into the fabric of social life in India, we are now witnessing concerted efforts from various pan-Indian and regional brands, for the inclusion of a health-oriented positioning. This is a significant and a logical move from the aroma and broader “good quality tea leaves” claims that were the mainstay for several decades.

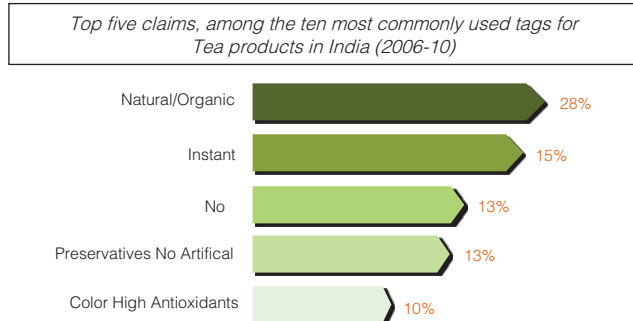
**Naturally, value addition begins**

Tea has been considered to be therapeutic by most Indian consumers, because it has been well established that the inherent chemical composition of this beverage helps in reducing blood pressure and relieving stress. Tea also contains a

kind of anti-oxidant called catechins, which inhibits the effect of free-radicals that can potentially damage healthy tissues. These free radicals are by-products of environmental pollution and also the stressful lives most consumers lead these days. The catch here is that, the normal variety of tea which most Indian consumers drink (based on standard black tea) contains lower levels of these anti-oxidants, as compared to green tea.

Driven by a need to align with the changing consumer lifestyles, companies have started aggressively promoting “wellness through green tea” as a concept, over the last 2-3 years. Tata Tetley even launched a 30-day wellness pack of green tea to encourage regular consumption. Despite these efforts, apart from a small segment of consumers who are riding the wellness wave, most consumers have not developed a strong

**The use of “natural” or “organic” claims by Indian tea brands has increased significantly over the last few years, to emerge as the key theme driving marketing**



Source: Datamonitor Product Launch Analytics



Gourmet Retail

# Haute Cuisine

Small in size **Big on profit**

By Shubhra Saini

**R**etailers of gourmet food are offering a gastronomical spread to Indian lovers of exotic food items, from Swiss chocolates and truffles to salmons, sushi and figs. Foods which were once eaten at rare or special occasions are now finding place of pride in the refrigerators of Indian upper middle and elite class homes. These imported high-end culinary delights are giving fresh food for thought to retailers as they consider expanding into the potentially rich segment of gourmet food.



Several key developments are impacting the rising interest in gourmet food in India. As income levels rise, so do the aspirational levels of Indian consumers for enhancing their lifestyles, which include a desire to savour the choicest of dishes from across the world. Indian consumers are eager to experiment with exotic food items, their high cost notwithstanding. Sensing this shift, retailers, eager to tap this high-end segment of customers, are extending their offerings to include retail distribution of gourmet foods.

Their aim is to garner profits rather than increase volumes, and their strategy is to lure customers with food products sourced from across the world. Says Mohit Khattar, managing director, Godrej Nature's Basket: "Gourmet food retailing is still evolving in India. We cater to niche customers who have more sophisticated palates, are knowledgeable about the nutritional value of the food products, and can afford them on a regular basis. To cater to this discerning class of food enthusiasts, we are continuously sourcing the most authentic cooking

ingredients from international food markets, especially Vietnamese, Japanese, Italian and Mexican."

According to Anand Ramanathan, management consulting, KPMG Advisory Services, gourmet retail is quite popular in Europe and some other Asian countries but it is still a nascent industry in India, and is estimated to be about ₹ 1,200 crores. "However, the scenario is changing gradually with several big players looking to tap this segment by launching specialised retail stores for gourmet foods that include cold cuts, organic foods, breads, wines and packaged food items sourced from across the world. Big retailers such as Reliance Fresh, Bharti Easy Day and Westside have opened a separate section for gourmet products within their stores," he adds.

Encashing on this phenomenon for gourmet retail, Delhi-based Inducia Food & Beverage International has launched an online gourmet retail store, Deliciousnow.com. Inducia, which set up its business in India in 2008, procures authentic food and beverage products from international markets for the

**Though gourmet retail is quite popular in Europe and some Asian countries, it is still a nascent industry in India, estimated to be about ₹1,200 crores.**

hospitality sector and other gourmet retail outlets such as Le Marche. The company has an exclusive partnership for importation and distribution with international brands such as DGF, Maille, Lorina, Beghin Say, La Perruche and Rougie.

Says Adrien de Montalembert, director of Inducia: "Interest in exotic food is increasing, but there is still a lot of work that has to be done to bring the consumer to a higher degree of knowledge, so we can't say that it is a mature market yet. People are always convinced by food products when they get to taste them, so it is only a matter of time before more and more Indian consumers begin to try out gourmet food."

No doubt, when it comes to gourmet food, discerning consumers expect a quality experience, which is exclusive and goes beyond the parameters of value-for-money. Observing this, a number of Indian and multinational companies are foraying into gourmet retailing, or expanding their base in the country. When General Mills introduced its packaged and branded flour under the Pillsbury brand in 2008, it introduced the Indian market to the concept of high-end food brands. Subsequently, it extended its range to include the world famous Haagen-Dazs ice cream. Haagen-Dazs is currently present in select five-star hotels and retail gourmet stores in key metro cities.

### The Gourmet Food business

Gourmet generally refers to higher-quality, better-tasting foods and beverages that merit special appreciation and a higher price because of the quality, authenticity, care, and expense that goes into their manufacture, as well as into their packaging, merchandising, and marketing. Gourmet is also related to "specialty" and "premium" in the food world. Marketers tout gourmet foods and beverages as "affordable little luxuries" that can be enjoyed every day, and which often serve as comfort foods that appeal to consumers who seek small indulgences.

According to MarketResearch.com, the gourmet/premium market is evolving. Mainstream consumers – who are better-educated and exposed to fine foods and beverages through watching celebrity chefs on TV and travel abroad – are upgrading to higher levels of quality and taste. Gourmet products in categories such as beverages and confectionery are often the fastest-growing in the market.

In the US, retail sales of gourmet, specialty and premium foods and beverages are growing at much faster rates than those of the overall food and beverage industry. Key market drivers include greater availability of gourmet/premium products, growing interest in world cuisines and flavours, the association of high-quality ingredients with health and wellness, overlap by gourmet into natural/organic, the supermarket industry's focus on upscale "fresh formats," and gourmet/premium products' positioning as affordable luxuries. These factors are combining to produce a growing population of consumers seeking foods that are adventuresome as well as more nutritious.





# Going Hyper!

Why are modern retailers so bullish about hypermarkets? Have supermarkets and convenience stores failed to compete with their traditional counterparts, which offer a more personalised shopping experience, home delivery and credit facility?



By Shubhra Saini

## Hypermarkets seem to be a favourite among present-day modern retailers.

In the last few years, a number of retailers have diverted their attention from supermarkets and convenience stores (also known as C-stores) to hypermarkets. Spencer's Retail, a part of RPG Group, has closed down around 100 supermarkets in the last couple of years to consolidate its position and open more hypermarkets. Aditya Birla Retail and Reliance Retail have also shut down a number of "unviable" supermarkets.

Though hypermarkets are still at a nascent stage in India (unlike in the Western markets), major retail houses such as Future Group, Landmark Group, RPG, K Raheja and Aditya Birla Retail, among others, have not only ventured into this format, but have major plans to expand their presence in this format across the country. "We are focusing on large hypermarkets. We should open four more outlets by September 2011 and are looking at 35 stores by 2014," says Mark Ashman, CEO, HyperCity, a part of K Raheja Group.

A couple of months back, HyperCity opened a 60,000 sq ft hypermarket in Bangalore. Spar Hypermarket is also planning to expand its presence in India to leverage on the growing popularity of hypermarkets in the country. "Spar currently runs only large-format stores and is looking at scaling up in metros, as well as in tier I and II towns across India," says Vinay Singh, MD Max Hypermarket India Pvt Ltd.

Spar is looking at scaling up its business in key markets such as Bangalore, Delhi, Pune, Hyderabad,

Mangalore and Coimbatore. Early in the year Spar had opened its maiden store in Delhi and it entered Pune in April 2011.

Spar Hypermarkets in India are operational under a licence agreement between Landmark Group's Max Hypermarkets India Pvt Ltd and Spar International.

What does this trend towards hypermarkets hint at? Does it mean supermarkets and modern convenience stores find it difficult to compete with the ubiquitous

mom-and-pop stores that continue to dominate the Indian retail landscape? No doubt, modern retail is going strong. Though it currently accounts for a very small proportion of the overall retail industry in India, modern retailers, both domestic and international, are constantly increasing their presence and their share in the revenue pie. What modern retailers are really bothered about is the format to concentrate on, and hypermarkets seem to be a favourite among present-day modern retailers.

### The hypermarket advantage

From the retailer's point of view, a distinct advantage offered by the hypermarket format is its sheer size – instead of managing a larger number of supermarkets, the retailer can just focus on a few hypermarkets. The idea of a retail format is to ensure regular walk-ins that cut deep bill sizes, and large-format stores help in this as well. "Hypermarkets leverage on collective bargaining, larger buys and focused back-end – all these factors work together and help hypermarkets to ease margin pressures," says Harish Bijoor, brand expert and CEO, Harish Bijoor Consults Inc.

On what makes hypermarkets more attractive to a retailer, HyperCity CEO says, "The key leveraging factor is better throughput and greater volume, thereby enabling effective sourcing from both domestic and international markets. On the operational front also, large hypermarkets drive lower costs."







# Seafood Change

Meat and seafood are riding the growth of natural and organic food sales.

By James Dudlicek

**G**rocers who were looking to build upon the wave of premium meat sales leading up to Father's Day last month did well to chase the growing demand for natural and organic meat and seafood.

Pricier cuts like filets, ribeyes and T-bones have seen steady sales increases during Father's Day week for the past three years, an indication that dads deserve nothing but the best — regardless of whether the old man is doing his own shopping for the annual Sunday cookout or if his loved ones are bringing home the beef. That's according to online grocery sales data collected by

Colchester, Vermont based MyWebGrocer, which expected the trend would continue this year after sales of premium steaks increased upwards of 75 percent during the week of Father's Day last year.

And seeing as how pricier natural and organic products fall under the premium banner, this and other evidence bode well for the segment.





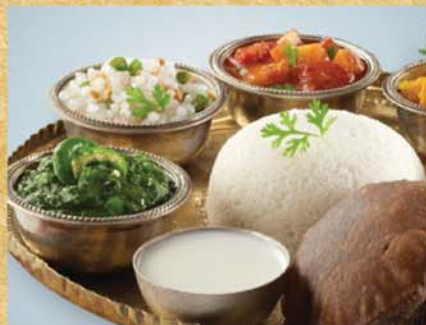
SALTS & SPICES



# Sprinkle Good Taste



CATCH KA KOI MATCH NAHI





# SAFEXPRESS IS

# READY.

# ARE YOU ???

GST is all set to happen very soon. It will be one of the world's biggest tax reforms in one of the world's largest economies. Once implemented, GST will have a deep impact on our economy. New business models & supply chain models will emerge. Companies prepared for GST will reap profits.

Safexpress offers cutting-edge strategies for streamlining your existing supply chain. You can consolidate your supply chain by utilizing our ultra-modern Logistics Parks, spread over 6 million sq ft across India. Furthermore, our average transit time of 1.8 days by surface across India can help reduce your inventory to minimal levels.

Unlock the capital tied-up in warehousing and inventories by outsourcing to Safexpress. Time to get GST ready!

Call: 1800 113 113    [info@safexpress.com](mailto:info@safexpress.com)    [www.safexpress.com](http://www.safexpress.com)

Safexpress Pvt Ltd, NH 8, Mahipalpur Extension, New Delhi - 110 037, India.  
Tel: 91 11 26783281. Fax: 91 11 26781481/82

