PROGRESSIVE GROCER

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INDIA EDITION

Packaging

Consumers' first touchpoint

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FDI in Retail, it's final

EDITOR'S NOTE

A fluid situation

The Government's announcement on FDI in the retail sector has opened a bag of mixed reactions, mostly favorable. For the food and grocery sector, especially in fresh produce, FDI could well prove to be a boon, as the government has put the rider that a large amount of investment will have to be put into the back-end operations such as the supply chain and warehousing, and in food processing. This will help to ease the supply chain issues for fresh produce, improve farmer's earnings, and (hopefully) reduce the food prices for us consumers.

There is a shelf war going on in supermarkets as products fight for space and more visibility. Market purveyors, market surveyors, and those who study consumer behavior in store aisles, watch and note how consumers stop, look, pick up or put back a particular brand. In fact, brand owners agonize over why a competing product sells better than theirs, all things being (well, almost) equal?

The answer could lie in the attractiveness of its packaging, its ease of use (such as a better grip), its dispening feature (such as squeezability), its weight (light would win over heavy), and its re-usability (a big influencer with women). Even an eco-friendly material could immensely raise the brand's value (and sadly, its cost too).

Our cover story on packaging of food, grocery, and non-food products, positions packaging formats as a key marketing tool for brand owners, who are resorting to every available means of attracting consumers to their products (short of putting magnets on them!). A packaging's appearance (color and shape) are being given a great deal of thought, with designers coming up with creative, inventive, and futuristic design options. Whoever said, "don't judge a book by its cover" obviously had no clue that eons later, the external attractivesness of a product could be its biggest sales value.

Have you heard of "value-added" eggs? (it was a first for me too). But, after a great deal of research (Internet, only), and talking with the egg producers, and a poultry federation, our correspondent learnt that it all "boiled" down to the feed that poultry farmers are pampering their chickens with. There are eggs specially designed for pregnant ladies, for children, and for those who worry about cholesterol levels. One enterprising animal science expert is offering "herbal" eggs too. Yes. And eggs made especially for the "vegetarians" (wonder if they will be convinced?). Interestingly, value-added eggs are doing brisk business down South, where most of the poultry farms are located.

Many national players are finding it difficult to put up their billboards in eastern skies, despite the fact that the region holds a lot of promise. A history of political and social unrest is deterring many from even making the attempt. We can only watch, hope and wait for the situation to change for the better.

Amitabh Taneja
Editor-in-Chief

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Oral Care

While toothpaste manufacturers are fighting tooth and nail for a pie of the oral care market in India, consumers are sinking their teeth into an ever expanding basket of products

By **Varun Kumar**

Low adoption levels of oral care offerings in India make for an attractive "white" space for companies

Taking care of one's oral health is an integral part of most people's daily routine. For a long time, it has been a common habit to reach for a toothbrush early each morning. This has given rise to the global market for dental or oral hygiene, estimated to be worth nearly $13bn in 2010.

In contrast, the Indian oral care market is pegged at Rs 48 bn, with categories including the toothpaste, mouthwash, toothbrush, dental floss, and denture care. The toothpaste category contributes the highest sales, nearly 80 percent to the overall market, with other categories comprising of the rest. In terms of growth though, the mouthwash category remains the fastest growing over the past five years.

A deep dive analysis of the consumption habits of Indians in the overall oral care market reveals several interesting aspects. A typical Indian consumer hasn't yet developed the habit of regularly using other oral care products including mouthwash and dental floss, among others. The majority of market for mouth wash is still restricted to the urban areas. Even in the urban region, the usage is still considered to be for medicinal purposes and hence is out of the mind share of most consumers. The contribution of a mere 2 percent to overall oral care market sales in India in 2010 corroborates the above consumer behavior.

The per capita consumption of the oral care products in India is less than half of the global average. As a result, marketers are hard-pressed to expand among these consumers. Additionally, according to Datamonitor's Market Data Analytics database, India sits near the bottom of the list of countries in terms of per capita consumption of toothpaste. The nation's toothpaste use is estimated to be half that of the global average. At 127 gm, the per capita consumption of the product in India is meager

The per capita consumption of oral care products in India is less than half of the global average, as a result, marketers are hard-pressed to expand among these consumers

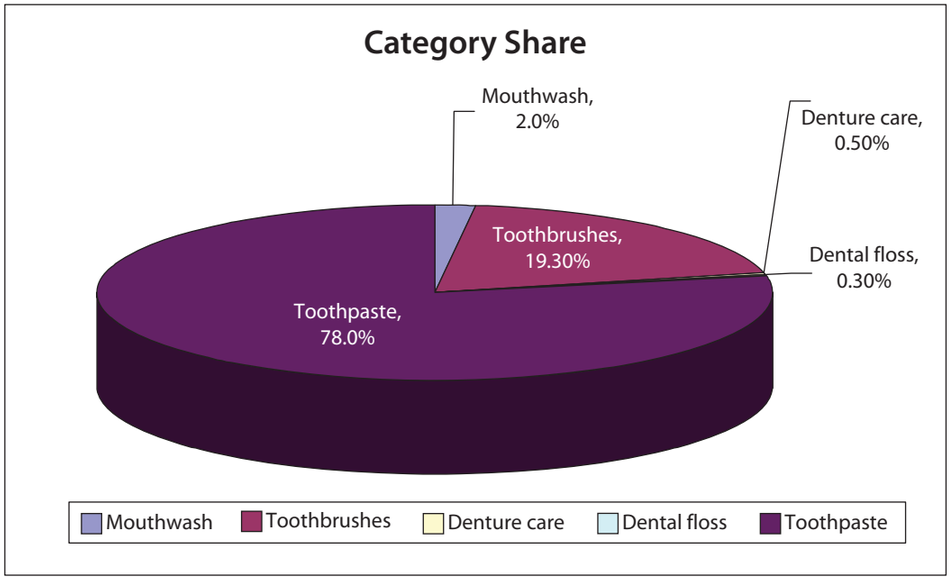
compared to Europe, where it is more than 300 gm. India's usage stands in stark contrast to the consumption levels among Chinese (255gm) or Malaysian (305 gm) residents, which is clearly indicative of the attractive growth potential in the country.

With steady growth underway in the Indian economy, the country's per capita income has reached nearly $1,000 in the 2011 financial year, resulting in an increase in the purchasing power of consumers. These strong and supportive trends point towards the mammoth opportunity in the Indian oral care market for both foreign and domestic players.

Evolving demographic trends will translate to higher demand for value-added offerings

In a recent Datamonitor survey conducted among Indian consumers, respondents appeared to consider oral health to be more important than similar issues such as skin or hair health. The evolving eating habits of Indians are also contributing to the rise in oral care problems among the population. Additionally, concerns about the health risks caused by poor oral health have boosted the target consumer segment for oral care companies. The increased awareness of this issue among shoppers will fuel dentist visits, where patients are advised about the prevalent oral care solutions in the market. Moreover, the growing middle-class consumer base in India will further drive the demand for oral care offerings.

Going forward, with the entry of players such as Procter & Gamble and GlaxoSmithKline (GSK), the premium end of the oral care market is set to become more competitive and will grow on the back of upgrades from existing users who seek value-based offerings instead of just more affordable options.

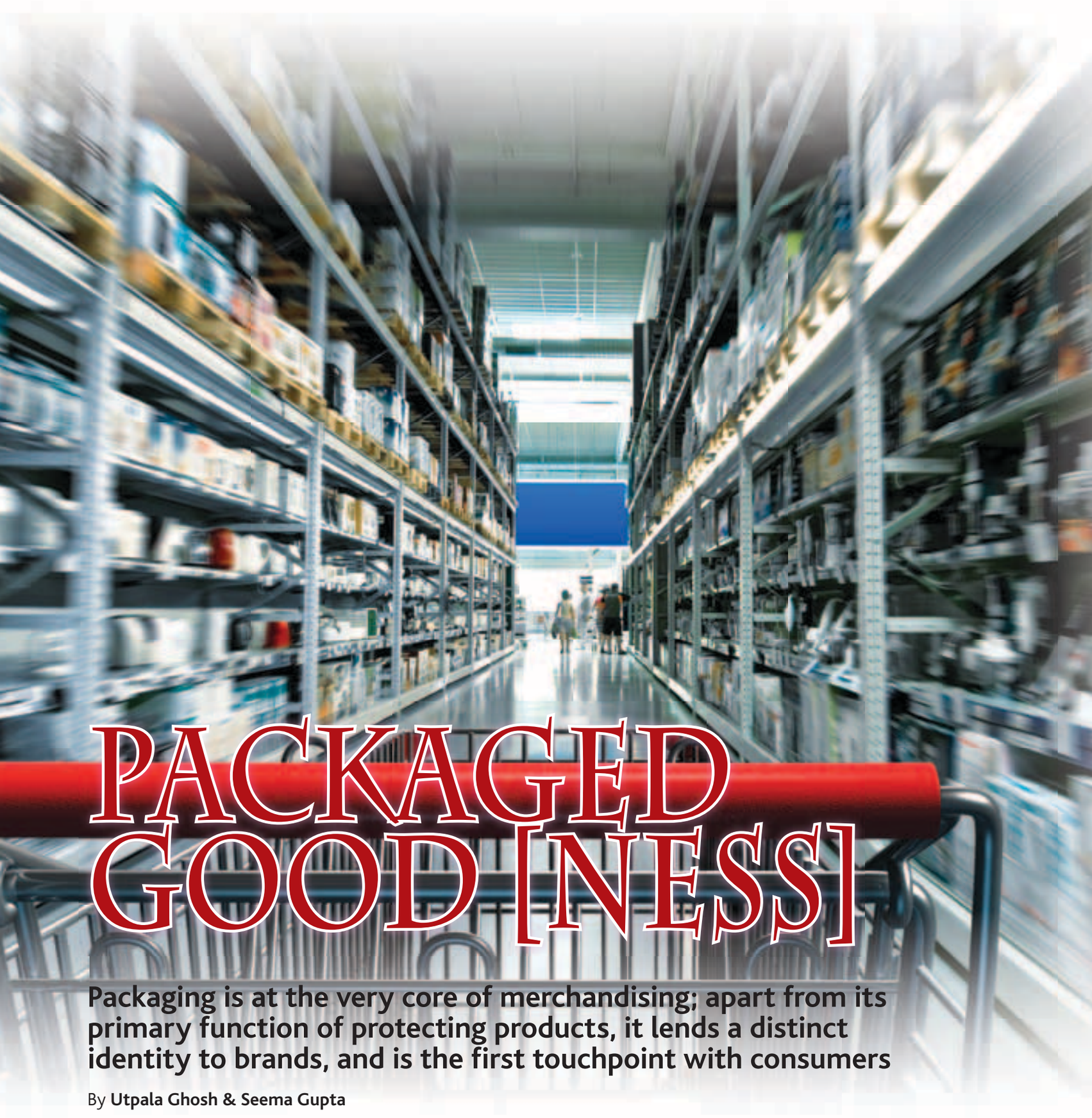


There is a mammoth opportunity in the Indian oral care market for both foreign and domestic players

New players carve a niche with innovative offerings in niche categories

Traditionally, the oral care market has been dominated by three firms: Hindustan Unilever (HUL), Dabur and Colgate-Palmolive. These companies account for a grand share of more than 85 percent of the market, in terms of both value and volume. They have been able to retain their leadership positions as they were able to capitalize early on the chief reasons for the growth of the oral care market in India. Product innovation, using modern retail, and aggressive promotional campaigns have been some of the strategies which have propelled the companies to stay on top of their peers in this growing Indian oral care market.

The oral care market in India is evolving at an attractive rate of nearly 7 percent CAGR (market value), with several domestic and international brands looking at India as a lucrative option for their product offerings. According to Datamonitor's Market Data Analytics database, the oral care market in India is predicted to grow at nearly 4.5 percent per annum over the next five years – more than



PACKAGED GOOD[NESS]

Packaging is at the very core of merchandising; apart from its primary function of protecting products, it lends a distinct identity to brands, and is the first touchpoint with consumers

By **Utpala Ghosh & Seema Gupta**

Better in-store display facilities, attention to visual merchandising, and category management strategies have led to companies deploying packaging as a significant marketing tool for their brands

Packaging has come a long way from the brown paper bags, sacks and old newspapers converted into carry bags. With the advent of modern retail, packaged food began to rapidly replace loose staples and locally-produced eatables. Today, packaging has become the primary touchpoint of a product to its consumers, and is an essential aspect of brand positioning as it can establish the all-important value differentiation. And with consumers becoming spoilt for choice in every given product category in a supermarket, the role of packaging has assumed greater importance as it can influence a purchase decision, often by virtue of its visual appeal, functionality, and convenience.

Says Satish Rao, Managing Director, Kohinoor Speciality Foods, "Any packaging serves fundamentally two objectives: the first is to communicate to the consumers the basic information that they require before making a purchase. The name of the brand, information about the product, the manufacturing company, date of manufacture and expiry, its benefits, etc. The company is obliged to share with the consumer the required information, and obviously, there is a marketing edge to it. The next objective is for packaging to serve as a safety couch or net to safeguard the nutrition value and flavor of the product up till its specified shelf life."

Says VN Dalmia, Chairman of Dalmia Continental, "One of the number one contributors to successful brand differentiation is product packaging. It is the first impression that a company makes on the consumer. High quality, creative, user-friendly packaging results from collective efforts of the designer, the researcher, the technician, the advertising man, the marketing expert, the sales department and the top management. Packaging provides opportunity and space for advertising. It is also the ultimate Point of Sale material, and influences customers in their purchase decision.

Comments Nithin K David, Head-Industrial Design at Desmania Design, New Delhi, "Successful packaging design requires that the packaging meets the needs of all stakeholders. The consumer is only one of the stakeholders. The content that is being packed is also a stakeholder in the equation. So something that meets barrier requirements of the packaging, experience needs of the use, communication needs of the brand within a justifiable cost is a winning packaging. And needless to say, packaging has to look beautiful, is a given." The firm offers innovative packaging solutions in a variety of materials, based on consumer research, along with branding, structural design, mould development, and artwork creation.

Marketing tool

Growth of organized retail has been instrumental in the shifting preference for packaged goods. Better in-store display facilities, attention to visual merchandising, and category management strategies have led to more and more companies deploying packaging as a significant marketing tool for their brands. According to Euromonitor's market survey, the year 2010 saw the launch of several new consumer goods such as soft drinks, alchoholic drinks, dairy products, home care items, etc. This has resulted in an increase in volume sales of packaged goods.

On the over-crowded retailer shelves, packaging is being viewed as a value differentiator by FMCG brands as the "shelf war" intensifies between competitors. FMCG companies have to plan and optimize usage of the increasingly costlier shelf spaces, while their marketers look for more and more opportunities to differentiate their products. Munish Soni, General Manager, Products & Marketing at Mother Dairy, says, "From a function item, packaging has become an essential part of the consumer's purchase decision-making process. So packaging is being viewed as a very important marketing tool for communicating with the consumers. In fact, there is a lot of interactive marketing happening, so the interaction with the consumer has increased, and products are getting exposed in a much more organized manner. Brands can think up a lot of innovative ways of making their products look different and more attractive."

Comments Satish Rao. "Packaging has to connect with the consumer at both the visual and mental levels. Packaging is a product's brand ambassador; it speaks about the product, and positions it more strongly in the consumer's mind. But it also has to ensure the moment of truth. When the consumer opens a pack, he gets a glimpse of the product; but when he first uses it, that is the moment of truth. We have to ensure that the moment of truth for the consumer is the most delightful moment. We also have to make sure that the product is properly displayed and mechandised. Another aspect to keep in mind

Unraveling East India

Though the food market of East India is rich in potential, the region has never been on top of the agenda of the organized food and grocery players, or of the food service chains, finds Shubhra Saini

Political turmoil, ethnic turf wars, few industries, slow development, lack of proper infrastructure, untrained human resources, and poor supply chain management, are the problems that a sunrise sector in India's eastern zone has to contend with. This holds true for the food and grocery (F&G) players, as well as the food service industry.

However, things are definitely changing, and they are changing for the better, especially in major cities like Kolkata and Bhubneshwar, which are witnessing rapid expansion, while Guwahati and Patna are also assuming significant importance. According to Pratichee Kapoor, Associate Director – Retail and Shruti Garyali, Senior Consultant – Retail at Technopak, "There has been a move towards expanding the shopping, dining and entertainment horizons, in keeping with the changing lifestyles that these cities are witnessing. In Kolkata and Bhubaneswar, eating out has become popular. A similar trend to explore newer cuisines and brands is also emerging in Patna, Ranchi and Guwahati. This can be attributed to the growing aspirations of the younger generation, increasing acceptance of foreign cultures, more disposable income, greater presence of branded retail chains, and more avenues for shopping and entertainment with the emergence of malls. All of this is impacting lifestyles, and influencing the way people eat, shop and entertain."

The advent of international and national food service chains has also changed the eating habits of the region, as there is an increased willingness to experiment with new cuisines. Most of the domestic and international chains that have either entered

Most of the domestic and international chains that have either entered or are planning to enter Eastern India's big cities, do so with the aim of eventually moving on to the second level of cities

or are planning to enter Eastern India's big cities, do so with the aim of eventually moving to the second level of cities. Their key concern is to be able to build enough scale in a few big cities, so that they can streamline their logistics and supply chain processes, prior to entering the smaller cities.

Observes Pradip Rozario, Chef & Owner of Kurry Klub, KKs Fusion, and Mio Amore restaurants, "There is great potential in smaller cities now as the metro cities have become almost saturated. Now small towns and even the outskirts of metros are showing great promise. My restaurant at Raipur is actually doing better than my metro outlets. Jamshedpur and Raipur are also booming markets. Here, the cities in the outskirts, namely Barrackpore, Kalyani and Sodpur, have scope for big business. People from these places go to the city for eating out, but if they get a top class outlet closer home, they will prefer visiting that. In fact, while the metros' dining and entertainment centres see large crowds mainly during weekends, in small cities, even weekdays are never dull."

For modern F&G chains, it has been an uphill task, having to contend with numerous roadblocks along the way. For Spencer's, which has 14 stores in Kolkata (4 hypermarkets and 10 supermarkets), its plans for establishing itself in other cities came to naught when in 2009 it closed down almost all of its stores, barring Kolkata, where it has gained a strong foothold. It, however, opened a hypermarket store in Siliguri early this year. The company is now looking at other parts of India such as Andhra Pradesh, Chennai and Delhi for its immediate expansion plans.

Comments Devangshu Dutta, Chief Executive of management consulting firm Third Eyesight, "If a retailer closes down stores in a specific location it does not mean that there is something wrong with that particular market. Maybe they were not in the right location, or the store was not turning out to be financially viable."

Guwahati-based regional player 7 to 9 Bazaar has 4 F&G stores in Assam, and plans to increase the number. The lack of modern retail chains in the region has made it possible for them to establish a strong foothold. Says Rajiv Thakur, a Partner in 7 to 9 Bazaar, "Vishal Megamart and Big Bazaar are two hypermarket formats present in Guwahati, but there is no national chain of convenience stores or neighborhood supermarkets. That is why a regional player like us has scope for expansion. We have plans to expand in Assam and later in the North-East."

He adds, "National players do not want to enter this region because of poor SCM (supply chain management), lack of infrastructure, and untrained manpower. Because of the Assam government's policies, doing business in Assam is lucrative, but lack of proper infrastructure poses a huge problem for even established players like us."

Explains Dutta, "Logistics is a problem in the eastern markets because most of the logistics firms are based in the western and southern regions of India. So, for these players, concentrating on the eastern markets becomes tough."

On a more optimistic note, Thakur continues, "Things are bound to improve in the next few years. The number of distributors has gone up in the region, and the aspirations and demands of consumers has increased as they look for more comfort, ambiance and quality in their shopping experience. In turn, retailers are gearing up their capabilities and facilities to meet the expectations of this growing segment of consumers. Improvements in SCM, and opening up of retail institutes for professionals can help the retailers to a great extent. In fact, F&G and food service companies can prove to be beneficial for the natives because of the job opportunities that will open up."

Cities like Ranchi, Jamshedpur, Siliguri, Guwahati, Tejpur, Jorhat, and of course, Kolkata are shaping up well. But there are certain cities like Imphal in Manipur, where economic blockade that lasted for around 90 days has left it in shambles. Soaring prices of basic commodities like vegetables, cereals, and LPG made them unaffordable for the people of Imphal. Regions that are afflicted by insurgencies, etc, make it tough for any national chain to get a foothold, and only a

Market size

When compared with other retail categories in East India, the highest contribution comes from the F&G segment at Rs 3,05,041 crore (as is the case across the country). The segment contributes about 72 percent of the total market. In the organized market of Rs 11,363 crore, F&G accounts for about Rs 1,537 crore (about 13.5 percent share).

Thought for Food

Ignorance on the health front is widespread in India

By **Priti R Mohile**

Globalization and Western influences have led to a modern retail culture seeping into the metros, class I and II towns of India. A plethora of choices have opened up to the consumer. Be it clothes or packaged food, one can see foreign brands competing with Indian ones. And the consumer, after a long wait, is pleasantly spoilt for choice. This flood brings in variety, and with it the difficulty in making the right choices.

Coming to the packaged food section, a surfeit of variety ranging from organic to instant meals are all readily available to the consumer. A study of India's modern urban consumer behavior pattern reveals that they look not only for price bargains but also the additional benefit that a product offers.

The aware Indian consumer of today is experimenting with newer ingredients and trying to understand nutritional labels.

India – a potential market

India is emerging, and the entire world is looking at India as a growing market, mainly because the new middle class seems to have greater spending power.

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