

PROGRESSIVE GROCCER

FEBRUARY 2011

AHEAD OF WHAT'S NEXT

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Plug in and Play

Prepare for an age of digital retail.

Technology in the hands of consumers is changing everything. And these are not mere trends; they are seismic shifts in the retail stratosphere, and are pushing retailers to rapidly advance to the cutting edge of technology enablers – both in-store and in the virtual world.

Sadly, however, the pace appears to be slow, to put it mildly. Even in the more advanced markets, retailers are ignoring the benefits of mobile and social shopping, according to a new study into e-commerce. The research, which was conducted by One iota, analysed the online sales channels of the UK's top 100 retailers and found that only one in five have a mobile optimised version of their website. Whilst 65 per cent of retailers have a Facebook 'fan' page, only 4 per cent have an integrated shopping function within their fan pages. In addition, none of the top 100 retailers enable potential shoppers to make purchases within the Facebook environment.

The rapid changes in technology, however, are beginning to impact the way companies collaborate to deliver optimum shopper value, while boosting bottomlines for all stakeholders. One such positive move is the Future Value Chain initiative, which binds retailers and consumer goods companies to bring benefits to consumers through a series of collaborative strategies. This effort was triggered by the rapid changes taking place in society, consumer behaviours, the environment and technology. The Future Value Chain programme, facilitated by The Consumer Goods Forum together with Capgemini, HP

and Microsoft Corp., has produced a new report based on the outcomes of the working sessions. The report, titled, "2020 Future Value Chain: Building Strategies for the New Decade", defines the strategic objectives on which the industry should focus its energies.

Among two of the initiative's key objectives are: optimising a shared supply chain, and engaging with technology-enabled consumers. Acknowledging that key trends such as increasing urbanisation, consumer awareness about sustainability and the increased adoption of consumer and business technologies will require new and collaborative distribution models and optimised "smart" supply, Dr. Gerd Wolfram, managing director, METRO Systems and Co-Chairman of 2020 Future Value Chain notes: "Consumer demands have already increasingly changed in the last few years through the use of new technologies. It is time now to sit down with our industry partners and talk about how, by working together, our industry can better serve the 2020 consumer."

Though as key players of a still-developing retail market, Indian consumers are yet to overwhelmingly embrace the concept of shopping-via-technology, the consumer of 2020 can be expected to be largely driven by technology. Already, urban consumer buying behaviour has been impacted by the use of the variety of technologies, accessible at any time, from any location, leaving them more informed about products and services. Are we ready for the consumer of 2020? Are you?

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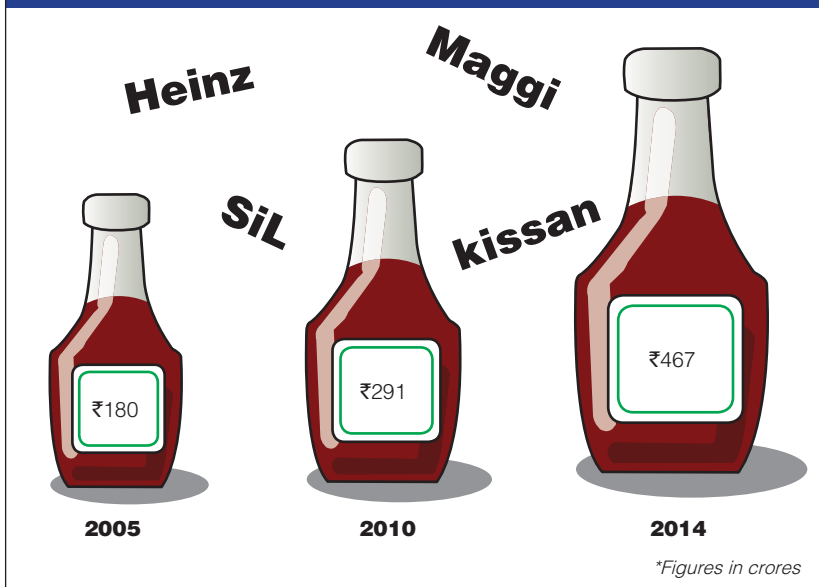
It's a saucy market!

The sauces category has grown at a CAGR of 13 percent over the last five years.

By Rahul Ashok

A category dominated by few major brands and tomato-based recipes, the sauces category is fast becoming the hotbed of product launches from both domestic and international markets. Though already on a high growth trajectory, the market can get a further boost with the introduction of innovative packaging to cater to the need of modern-day consumer for on-the-go breakfast and anytime snacking.

The sauces market in India has grown at a CAGR of 13% over the last five years, and is currently worth over INR 290 crores



When Maggi ketchup was launched in India in 1985, it was the first attempt on a pan-India basis to provide Indians a branded, packaged alternative to a wide variety of homemade dips that were the norm in most parts of the country. Since then, the market has ‘hot-tened up’, ‘sweetened up’ and come a long way.

For long, a sauce was referred to as a tomato sauce or a ketchup; but, over the years, it has become an umbrella term that comprises a significant market of table sauces, hot sauces, dry/wet cooking sauces and condiments. Right from what’s on the breakfast menu, much has changed in Indians’ dietary habits to support the growth of this market. Eggs for breakfast, on-the-go eating and the so-called ‘westernisation’ of diets have created a genre of foods which are closely associated as ‘tasting best’ with some or the other sauce.

Although Nestlé’s Maggi still enjoys the numero uno position in the Indian sauce market, several other players such as Heinz, Cremica, Tops and Del Monte are actively vying for a share of the pie. The sauce market in India (comprising

the categories described above) is estimated to be over ₹290 crore as of 2009, and has grown at a CAGR of 13 percent over the last five years. Of all the segments, ‘dry cooking sauces’ has been growing way above the overall category – at a CAGR of 20 percent.

‘Sauce-up’ Your Cooking

Although Punjabi *mutter paneer*, Andhra-style *biryani* and Kerala chicken curry are acknowledged gastronomic delights, and have a wide appeal among consumers from various parts of India, cooking these delicacies is a rather arduous task. While accessibility to recipes and ingredients has increased tremendously over the last decade, the time available with homemakers and the inclination to cook an elaborate meal from scratch have taken a beating.

With the advent of convenience foods, there are various levels of intervention in the cooking process, which manufacturers are attempting to bring in through

RTC (ready-to-cook) and RTE (ready-to-eat) offerings. Amid these, the key reason for sauces striking a chord with homemakers is that there is still a sense of pride in the average Indian woman to cook and dish out a meal for her family – and cooking sauces, while helping in the process, retain that sense of effort from the homemakers’ side in the meal preparation.

While various companies, both regional and national, have already entered into the cooking sauces space, the segment still lacks the kind of push it requires through marketing campaigns. This is quite ironical, considering that there are a lot of innovation and easy consumer-wins that exist within the segment. For instance, many cooking pastes and sauces launched last year have claims such as ‘just one teaspoon oil’, ‘lower cholesterol’, ‘zero trans-fat’, ‘no added colour or preservatives’ – all of which would appeal to consumers looking for taste, health and convenience.

To fully realise the growing potential this segment has to offer, it is important for companies to focus on building up the value proposition – whether through in-store marketing or through TV commercials – for these products more effectively.

‘Ketch Up’ if You Can!

With the advent of various new brands, Nestlé’s market leading position in the tomato ketchup category has certainly been shaken over the last five years. From commanding 46 percent of the category in 2005, Nestlé’s share dropped to 40 percent in 2010. This despite the fact that over the last five years, Nestlé has launched variants of its flagship Maggi ketchup, such as *Pudina* and *Chatpat*, in an effort to appeal to the changing Indian tastes and sensibilities with respect to packaged sauces. What is most interesting to note is that it is smaller players who have gained from Nestlé’s dropping market share and not major companies such as Unilever or Heinz.

This can be attributed largely to two facets of what shapes consumers’ brand preferences. Firstly, the quality of regional and lesser-known ketchup brands has improved over the years, and in many cases it is as good as that of Maggi. Secondly, ketchups and sauces (branded or unbranded) are now such an important part of the Indian dietary framework that there is a kind of ‘commoditisation’ that pervades consumer preferences over a period of time. This is most apparent in consumption through food services channels, where the individual often does not get to see or choose what ketchup they consume.

When Maggi ketchup completed 25 years in India last year, Nestlé launched new campaigns to make the brand more fun and appealing, along with packaging innovations to make the brand more relevant to





Take the Spice Route

With over 300 products on offer, Spice Route, at Mantri Square mall, Bangalore, is lending a unique aroma to the shopping centre's mix.

By Nishi Roy

Even as malls have been offering a number of products, services and entertainment options, exclusive spices shops found it difficult to enter shopping centres in India. Probably developers and retailers could not understand how a store selling spices could fit into a mall proposition! Until Spice Route, an exclusive outlet for spices, was launched at the Mantri Square mall in Bangalore. Opened in October 2010, the 800-sq.ft store has not only managed to grab eyeballs, but has also managed to rack up some impressive numbers.

When Indians think of buying spices, a mall is perhaps the last destination that comes to mind.

As soon as one enters the warmly lit store, one can see an array of spices displayed at the table in front. On either side of the entrance are gunny sacks displaying a variety of whole spices, including the hill-garlic (different from the ones grown in the plains) and five varieties of red chilli from different regions of the country, among other products.

The display table is stocked with air-tight jars containing spices, mainly from the southern part of the country, except one variety of red chilli powder made from Kashmiri chillies. The range includes four variants of pepper (red, black, white and green), pepper powder, sesame seeds (black and white), garlic powder and freshly made sambar powder (popular ethnic south Indian curry powder).

In fact, most spices and nuts being retailed at the store have a strong connection with Kerala. “The hills and valleys of Kerala have been renowned the world over for their exotic spices,” says Kannan Doss, MD, GeethaKannan Spices Pvt Ltd, a company formed in 2002, which ventured into retail in 2009 with its first Spice Route outlet in Kuala Lumpur, Malaysia. Prior to the retail venture, the company was the bulk supplier to retailers such as Nilgiri and Food World.

Another exhibit table has a variety of dry fruits on offer, including four variants of cashew nuts (from Goa), melon seeds, figs (Kashmir),

pine nuts (China), green pumpkin seeds, sun-dried apricots, hazelnuts, pistachios and walnuts (from Kashmir). All products on this table and those displayed across the rest of the store are clearly labelled and display the price per 100 gm.

A third wooden display table, which is opposite to the live kitchen counter, has on offer a variety of pulses from across the country. The display includes red kidney beans, chick pea and moong, toor and masoor, among others.

The live kitchen counter has numerous kitchen-gadgets, including a grinder (to grind the whole spices on request), deep fryer (if the customer wants the nuts to be fried and salted) and a grill (to roast spices/nuts). Though the facility is currently available only on weekends, the company plans to have it available throughout the week. Spice Route also plans to have a chef on call and conduct cooking demonstrations for customers.

Next to the live kitchen counter, the cold display section has an assortment of olives and fresh juices of not-so-common products such as gooseberry (*amla*), ginger and mint. Apart from the seven variants of olives, gherkins, jumbo white garlic and piparras (sweet peppers) in olive oil are also on offer.

On either side of the carved display tables are 12 dark wood display racks fixed to the wall (six on each side). These racks display different

products, including dates and honey, tea, scented bath bars and essential oils, spices, olives, organic products, spices, saffron, sugar, scented candles, tea pots, herbs, sea salts and large packs of pepper, cardamom, cinnamon and cook books.

Apart from the culinary items, a host of disparate merchandise such as candles and incense sticks – made at Spice Route’s own production facility in Coimbatore – are great options for the impulsive shoppers interested in buying unique gifting items.

The framed bygone era miniature ship behind the cash counter adds to the feeling of nostalgia and is tribute to explorers and settlers who had landed on the Malabar Coast of

southern India many years ago and opened up the spice trade.

But was it easy for the company to find space in an Indian mall? Not at all, Doss informs. “Modern shopping centres in India were not enthusiastic about the idea as they were not able to understand and appreciate what the store was all about. Mantri Square was the first mall to immediately acknowledge our concept. They encouraged and supported us immensely to get where we are today.”

The Unique Route

On what makes Spice Route products special, Doss says, “Our spices are produced through a combination of traditional wisdom, scientific farming methods and modern post-harvest processing techniques. At GeethaKannan, we invest in farms at right locations and, most importantly, procure at source through contract farming with the best possible growers in the country. Our distinctive post-harvest processing techniques help us grade and size the produce without losing natural freshness or aroma.”

The company, Doss adds, takes great care to ensure that spices are packaged hygienically and in tamper-proof customised pouches and jars for easy use in modern kitchens.

The managing director of GeethaKannan Spices says he understands what the customer wants and ensures the farmer grows exactly what the end consumer would want to buy. “We act as a fair trade destination for





BANDWIDTH for ALL

EPC-based RFID technology can bring the much-needed 'visibility' in the complex food supply chain, thereby benefiting all stakeholders.

By Sudeshna Das

The spread of globalisation, increasing consumer awareness, stringent quality standards and the perishable nature of food items are making the food supply chain more complex with every passing day. This necessitates the deployment of a technology that can track & trace the physical movement of food and its storage conditions across the supply chain to increase visibility and traceability – two important requirements to de-complicate the supply chain process.

The modern food supply and distribution channels are far more complex than a “chain” – they are more like a tapestry with dozens and even hundreds of “threads” coming together to produce the final product. Livestock are fed with commercial feed that may contain ingredients from dozens of sources; processed foods contain many different ingredients that may, for any given batch, be sourced from different organisations, which, in turn, may receive products from many other organisations; fresh produce, including juices and jams, typically comes from many different farms and orchards.

With growing consumer concerns on food safety and quality, along with stringent food regulations, automatic identification and data capture (AIDC) requires to play a crucial role in facilitating compliance. It also needs to enhance consumer confidence by demonstrating complete supply chain visibility from upstream to downstream, while facilitating streamlined and efficient business operations.

RFID: A Suitable AIDC Technology

Considering the very scale and complexity of sourcing, processing and distribution, as well as the fragile nature of food products, the ultra high frequency (UHF) passive RFID technology becomes the most suitable automatic data collection solution that best fits difficult

environments and handling requirements of food processing industries.

Traditional tracing technologies, including ear tags for animals and bar codes for packaged meat, provide data for one or two steps in the food business, but they can neither connect the entire food supply chain nor sense environmental conditions. To achieve complete supply chain visibility and multi-step, forward-and-backward food traceability, organisations can use RFID tags to link unprocessed fresh produce to retail-environment-ready consumer products.

In its simplest form, radio frequency identification (RFID) is a method of tracking what is inside a case, pallet or shipping container full of goods, but the evolving technology is more than a replacement for bar codes. RFID can eventually reach every step of the supply chain and even become an integral part of other tasks – tamper protection and quality control, among others.

An integral part of achieving a visibility chain from end to end will be using both active and passive RFID tags. Active tags have a battery, can be read from 300 ft away and hold more data than a passive tag. Passive tags, on the other hand, generally have a 3-10 ft range and hold less data, but also cost less.

A combination of the two, along with other software, hardware and technology, will be the way to achieve end-to-end visibility. If one looks at what goes on in a supply chain, there

are many things that are happening: an item is put into a carton, a carton is put on a pallet and pallets go into a container, which is finally loaded on a vehicle. Then the process happens in reverse at the destination.

On a pallet full of a single type of item, a passive tag would be appropriate; however, a pallet that is going to be taken apart and restocked several times in the supply chain might need an active tag, so the data can be rewritten every time the pallet is altered.

A truck-sized shipping container probably would get an active tag to get the reading range and ability to store the shipping manifest. The ability to store a lot of data on a tag is important in a combat situation; for example, where connection to a network might be impossible.

Another technology being researched is battery-assisted passive RFID tags. The battery assistance adds sensors to passive tags to monitor conditions such as temperature and shock. The technology was tested in shipping of combat rations. The programme examined the tracking capabilities of an RFID system along with those of temperature sensors.

Retailers and consumer packaged goods organisations can use RFID tags to: meet traceability compliance deadlines; integrate agricultural firms into the food chain; slash product recall costs with case-level RFID tags; and probe RFID tags benefits with a clear business case.

There is no specification regarding the usage of RFID tags to comply with food safety regulations, but using them to find goods in distribution centres, retail stores and trucks in transit will help firms respond within predefined time limits to any official inquiry.

Firms can use RFID in multiple strategies to get a better understanding of how goods flow through the supply chain; stock control; anti-theft strategies; buying pattern analysis; and food tracking. Rather than using RFID tags for multiple purposes, food organisations should focus on food tracking to better understand the business benefits of a limited deployment.

Also, RFID tags allow retailers to analyse in great detail which goods have been bought by which consumers. But while consumers worry about potential invasions of privacy, they should also consider the benefits of RFID-tagged food stuffs, such as greater confidence that genetically modified food or hormone-treated meat won't end up in their shopping basket unnoticed. To put consumers further at ease about privacy concerns, retailers in particular should provide an opt-in choice regarding the storage and analysis of the data collected and they should emphasise the advantages of food traceability.

Easier Done Than Said

The technology behind RFID is quite simple – and it has been around



It is possible to effectively track the perishables across the supply chain through RFID.

Season of Plenty

Imaginative promotions, as well as a mix of the novel and the familiar, can help keep produce sales hot through the winter.



By Bridget Goldschmidt

The weather outside may be frightful, but now is the time for produce managers to show off how delightful their winter selection is through engaging promotions and unique offerings. Vibrant produce departments can chase away the seasonal blahs by reminding shoppers of the importance of incorporating some colour (five to nine servings' worth) into their daily diets. See the sidebar on page 55 to find out what Progressive Grocer's U.S. readers are doing to ward off the winter chill by generating interest in fresh fruits and vegetables.

A seasonal produce display at Rudy Dory's Newport Ave. Market IGA Plus store showcases such traditional offerings as new-crop oranges and apples.

"We have the typical weekly promotions in our department," says Rudy Dory, owner of the forward-looking Newport Ave. Market IGA Plus store in Bend, Ore., and a proud 35-year veteran of the grocery industry, in answer to what he does to push winter produce. "We strive to change up the department, because change,

for some reason, equates to freshness in the consumer's eye. We try to make sure that we listen to the wants and needs of our customers, because it seems we get more kudos for quality of product, rather than its price." And though buying local "is the rage," affirms Dory, "it is more difficult for us, as we do not live in a great [fruit- and vegetable-] growing area. We do support local efforts where we can, like hothouse tomatoes, herbs and a few other items. We are located right in the middle of the state, so local to us encompasses the whole state, along with southern Washington state. We look continually for suppliers to grow this portion of the business."

Since certain items have long been available during this time period, giving customers what they expect is always a wise policy. "Traditionally, at the peak of winter, shoppers are buying new-crop citrus, which includes grapefruit, navel oranges, satsumas and tangerines," notes Dory. "Market pears are also popular, not only for cooking and snacking, but also to pair with cheese and wine. New-crop apples are a high-volume item, too. It also appears that more cooking at home inside vs. barbecuing, and the use of herbs, fingerling potatoes, etc., which are great for roasts, soups or stews" are major contributors to winter produce sales.

But some supermarkets are also offering new and unexpected selections to heat up the colder months, in the form of speciality produce. For instance, St. Louis-based Schnuck Markets Inc., which operates more than 100 stores in seven states, presents classes detailing the uses of such items under the year-round "Frieda's Produce University" program, which since 1989 has helped educate consumers through in-depth product information, preparation ideas, and samples of the latest speciality fruits and vegetables available in grocers' produce departments.

In a recent seasonal example of the ongoing Schnucks-Frieda's partnership, "Schnucks Cooks" demonstration counters in 40 of the company's stores last November served up "Potato Pearls," a recipe showcasing Frieda's Organic Klamath Pearl Potatoes, a speciality Irish potato variety

grown exclusively in the Klamath Basin region on the California-Oregon border, featuring moist white flesh and ultra-thin skin, and available from October through March. Shoppers could watch Schnucks Cooks chefs prepare the recipe, and then sample the finished creation, which also contained shallots and Frieda's Elephant Garlic.

The eight-hour Produce University session held that same month at all Schnucks and Logli locations in Missouri, Illinois, Indiana, Wisconsin, Iowa, Tennessee and Mississippi starred the Klamath Pearls as well as Frieda's Pearl and Boiler Onions, Shallots and Black Garlic. The open houses enable curious customers to see, touch, taste and ask questions about the featured produce items. Informational recipe brochures were available both at the Schnucks Cooks counters and in the stores' produce departments.

"As more people cook at home, shoppers are seeking exciting new ingredients to spice up meals," says Karen Caplan, president and CEO of Los Alamitos, Calif.-based Frieda's. "Produce University provides the information shoppers need to boldly go into their produce aisles and taste something new."

Additionally, Frieda's introduced a new 1.5-pound bag for the Klamath Pearls at the Produce Marketing Association (PMA) Fresh Summit 2010 in October. The specialty potatoes now come in a Fox Combo Shield Bag, which protects the product by blocking harmful light. Additional bag features include a mesh back for breathability, and a horizontal layout, which makes the product easier to stack for retail displays. The pack size was reduced from 2 pounds to 1.5 pounds for an attractive retail price point.

Winter Produce Buying Patterns

At the Newport Ave. Market, which opened in 1991, Dory has



Tanimura & Antle's successful "Season's Bringing" campaign to promote its Artisan Lettuce led to a dramatic boost in participating grocers' produce department sales.

"We have noticed an increase in our fruit, but not as much as vegetables," he observes. "This may be due to availability issues or seasonality reasons. [Shoppers] are willing to pay a little more [for organics,] but not a lot more. The spread has dropped on just how much of a difference they are willing to pay. Again, we think this is economic-driven. We are starting to have a lot more questions about country of origin regarding organic produce. We feel that some consumers may be voting with their wallets, so to speak, as to a country's politics."

Supplying Demand

But what's new from produce suppliers this winter? Plenty, as it turns out, as evidenced by the bounty of new products and promotions being advanced by many vendors.

Salinas, Calif.-based Tanimura & Antle (T&A) has seen great success from its Artisan Lettuce "Season's Bringing" campaign, with some retailers reporting same-store sales nearly four times their normal

over the past few years observed a slight downward trend relating to the amount of produce purchased in winter. "It appears to us that customers are buying a little less each shopping trip," he says. "We feel that they want to keep their produce as fresh as possible, and we think they do not want to waste anything, which is a result of this strange economy that we are experiencing. We feel that bag salads have slowed down and head lettuce sales have picked up. We are not sure if this is due to a perceived value of head lettuce or a freshness issue."

Despite the fragile economy, with its corollary effect on consumers' pocketbooks, some winter produce items continue to be popular with less price-sensitive shoppers, according to Dory, who singles out organics.

What's next

Editors' picks for innovative products

Good mornings

Biscuit company Britannia has entered the instant breakfast category with the launch of 'Britannia Healthy Start' – a complete range of ready-to-cook mixes of upmas, pahas, porridges and oats that are healthy, delicious and take just five minutes to cook. Made from natural ingredients, the newly launched range has great health value as it contains no trans fats, cholesterol or preservatives. The Britannia Healthy Start products, currently available only in Mumbai at leading grocery stores, are priced at Rs 33-45 for pack sizes of 150-170 gm, and Rs 58-105 for a pack size of 320 gm.



The syrupy story

Fine Foods, an importer and distributor of some of the leading global brands in India, has launched Toschi, a premium Italian brand offering a range of fine syrups. Toschi offers a wide range of unique ready-to-use flavours and syrups that can be mixed with liqueurs, spirits and even non-alcoholic drinks. These syrups are available in 750-ml bottles priced at Rs 545 at leading food and grocery stores in metros.



Sensitive care

GlaxoSmithKline Consumer Healthcare (GSKCH) has forayed into the toothpaste category in India with the launch of its global brand 'Sensodyne'. Sensodyne is GSK's biggest and leading global toothpaste and is clinically proven to provide relief to sensitive tooth pain in two weeks. Adding to this, globally Sensodyne is a consumer preferred and expert endorsed brand. The toothpaste will be available in two variants – Fresh Mint and Fresh Gel – at grocery retail outlets and pharmacies. Fresh Mint comes in tube sizes of 40 gm and 80 gm for Rs 42 and Rs 75, respectively, while Fresh Gel is available in a 40 gm tube priced at Rs 45.



GSKCH's marketing plan for the brand also includes an extensive outreach to dentists and dental colleges to create advocates.

Bodylicious!

Himalaya Herbal Healthcare has introduced a new range of body lotions. These lotions have three variants – Cocoa Butter (for dry/extra dry skin), Neem & Almond (for all skin types) and Nourishing (for normal skin) – and are available in 100 ml bottles (priced at Rs 70), 200 ml bottles (Rs125) and 400 ml bottles (for Rs 220) at leading FMCG outlets, hypermarkets and exclusive Himalaya stores.



Whitening effect

Lotus Herbals has introduced Whiteglow, a skin whitening and brightening gel cream with SPF-25. The technologically advanced fairness gel cream incorporates innovative formulations that provide triple action on the skin. This wonder gel cream naturally lightens, whitens and brightens skin in just seven days. Priced at Rs 99 for a 20 gm pack and Rs 260 for a 60 gm pack, the cream is available at leading beauty stores, department stores, general stores and hypermarkets across the country.



Go gingery green

Gaia has launched 'Green Tea+Ginger', a refreshing mix of green tea with the spicy taste of ginger. Gaia's new green tea is a rich source of antioxidants, which help build immunity and enhances overall well-being. It aids in proper digestion by improving metabolism. Ginger has proven therapeutic benefits and helps soothe the throat and provides relief from common cold and flu. Gaia Green Tea+Ginger is priced at Rs 115 per carton containing 25 teabags and is available at leading pharmacies, general stores and grocery stores across Delhi-NCR, Punjab, Haryana, Rajasthan, Uttarakhand and Gujarat.

