PROGRESSIVE GROCER

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INDIA EDITION

RAISING THE STAKES

Retailers – regional to national – prepare for the tech-empowered consumer of 2015

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PROGRESSIVE GROCER INDIA
AHEAD OF WHAT'S NEXT

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Editor's Note

Welcome to 2015, a year in which, hopefully, we will all take our game a notch or two up. In December, I wrote that 2014 was the year of technology. Which begs the question, what will this year be about? I think it will again be a year of technology. The difference being, which side of the retail divide you're looking at it from.

Last year, consumers were defining the moves; they were the drivers. This year may well be about consumer brands and retailers initiating the changes in how consumers shop. I believe we're going to see a seismic shift in retailers' approach to technology. Coming from some hard knocks of the past few years, they may well become 'digitally mature' – leveraging the internet to build brands by engaging at scale, employing collective intelligence, working collaboratively and in real time with channel partners, using data as the holy grail of efficiency, and developing consumer-friendly technologies.

For those intimidated by the surge of online retail, take heart: of the top nine online retailers in the UK, six are originally brick-and mortar. Also, even in markets like the U.S., statistics show that offers through digital channels still have a way to go to catch on with core supermarket shoppers. Having said that, retailers that are not technologically-savvy will almost certainly perish. With the launch of our new knowledge platform – India Food Retail Tech – at India Food Forum this month, this is a scenario we intend to prevent in India.

Amitabh Taneja
Editor-in-Chief

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What, Where and How

Grocers must merge the best aspects of traditional and digital retailing — and those that don't, put their future at risk

By Jim Dudlicek, Meg Major and Bridget Goldschmidt

At the close of another fascinating year for supermarket industry observers in the US, it's an opportune time for Indian retailers to take a closer look at what might shake out with the in-store experience in the next few years, which will largely be dictated by strategies guided by technology across all parts of the business.

In this year-end special report, a trio of Progressive Grocer editors break down the retail food landscape into three main sectors:

- e-Commerce/digital/mobile/data breaches: The new normal for business, impacting all retail and the shopper experience — before, during and after the store visit, which is in turn impacting …
- Store configurations: Store formats are rapidly evolving to match the growing demand for elevated in-store experiences to leverage existing and emerging technology, which is in turn impacting …
- New products: How they're produced, procured, presented and positioned.

Cracking the Code

"There is no 'technology part' of your company — everything is technology."

That statement, made by Amit Singh, president of Mountain View, California-based Google Enterprise, at the Grocery Manufacturers Association (GMA) Leadership Forum this past summer, matter-of-factly lays out the reality in which grocers must operate. They must, as Singh further explains, "succeed in creating transformation through technology, or face destruction by competitors that do."

Companies need to work harder to become "digitally mature," which means leveraging the web to build brands by engaging at scale; employing collective intelligence; working collaboratively and in real time, using data as a core element; and developing technology that's easy to use.

Retailers need to reinvent themselves by merging the technology embraced by the next generation of shoppers with grocers' core competencies in selecting, merchandising and preparing food.

As noted by Joe Sheridan in his presentation at the recent food industry summit at St. Joseph's University, in Philadelphia, digital will influence more than half of all US in-store sales by 2016. Sheridan, president and COO of Keasbey, N.J.-based Wakefern Food Corp., the northeastern grocery cooperative operating under the ShopRite banner, warned that the next three years will witness a digital tipping point for the industry.

"If you haven't reinvented yourself," Sheridan cautioned, "survival may not be achievable."

Best of both worlds

The key will be achieving a balance between digital tools and human interaction that resonates with consumers for the long term.

"You can't be a pure-play on either side," Sheridan asserted, referring to digital versus brick-and-mortar retailers. Retailers continue to work toward "cracking the code," he said, and Wakefern perhaps has come closer than many at this point in the industry's evolution: ShopRite at Home offers home delivery as well as order at home/pickup at the store, stressing the human connection by offering personal shopping assistance on digital orders.

Even Millennials, the embracers of all things digital, are indicating they'd go to the grocery store more often if provided a hands-on shopping experience with consultants or experts, according to research from Cincinnati-based LoyaltyOne.

Responding to the September 2014 study, 84 per cent of Millennials (age 18-29) said that being able to redeem rewards/loyalty program points for a session or consultation with a chef or nutritionist would motivate them to shop more with that grocer.

"Marketing to Millennials successfully will depend on how well retailers meet their unique needs," says Fred Thompson, LoyaltyOne retail practice leader. "Offering sessions with a consultant or expert in the field helps to develop a meaningful relationship between the retailer and shopper, which leads to increased engagement, loyalty and, ultimately, profitability."

Still, traditional methods linger. According to The Retail Feedback Group's July 2014 online survey, coupons delivered via print remain a popular go-to when it comes to saving money on groceries.

Half of the 1,200 adult shoppers surveyed who said they visited a conventional supermarket within the past 30 days read printed circulars at home to find deals for their last store visit, nearly a third clipped paper coupons from newspapers or other print sources, and a quarter used a printed in-store circular.

Offers through digital channels still have a way to go to catch on with core supermarket shoppers; the survey found that about one in five respondents used a digital circular or downloaded digital coupons during their last grocery trip, and only a few conducted research on smartphones or used social media promotions to save money.

But those all-important Millennials continue to rise in purchasing power; further research indicates

> **“If you haven't reinvented yourself, survival may not be achievable**
>
> **—Joe Sheridan, Wakefern Food Corp.**

Raising the **Stakes**

Dedhia My Needs' journey began in 1965 as a small traditional store in Agashi, Maharashtra. The family-run entity grew to operate two traditional grocery outlets – Dedhia Store and Mahavir Store – until 2007. The story changed in 2008 when the Dedhia brothers – Primesh and Manish – decided a transformation was in order. Primesh Dedhia speaks to Vikas Maan on how a stunning modernisation programme was executed

Primesh Dedhia & bottom Manish Dedhia

Please share the history of your grocery retail business. How many stores and formats do you operate currently and where?
Manish (Dedhia) and I took on a challenge to reinvent our retail model and in 2008, Dedhia opened its first modern convenience store format in Agashi in a two-storey building.

With the first year of operations itself being high-growth, we decided to expand with a second outlet in 2009. This store was launched in Virar, where we had identified the absence – and therefore the need – of a convenience grocery retail format providing customers a wide product range at very competitive prices.

In 2010, we set up a 1,200 sq. ft warehouse to function as a centralised purchase centre for both the outlets. In 2011, our third outlet opened in MB Estate in a record-breaking 45 days.

While the brick and mortar retail continues to be a strong business for us, I have to say 2014 was a path-breaking year; we opened the first ever online grocery retail format in Virar, Vasi and Nalasopara area under the domain myneeds.in

What led to the decision to enter the food and grocery retail sector in the first place?
It was in end-2007 when we decided to take our traditional family business to the next level to offer more convenience and a better experience to our customers. I believe retail was anyway in our DNA; merely evolving what

we already had into a modern retail outlook was not difficult.

As is with all traditional retail businesses, all operations were manual. However, when we walked into the arena, we were determined to move towards automation, especially since our vision was to open 200 stores across Maharashtra in five years' time.

Since we already had our own brand – Dedhia – and our formats were offering daily needs merchandise, we merged the two worlds and finalised Dedhia My Needs as the chain's name.

How has your retail business grown (in percentage) in the past two years? What has been your growth strategy?
Well, in the past two years, there have been no competition; we are the only convenience store of respectable standing in the respective regions. Also, I believe our team has the ability to beat any competition with intuitive marketing strategies; many others came and went without impacting our business. There has been good business growth in terms of customer base and in sales revenues. We had a turnover of approximately Rs 10 crore in last two years.

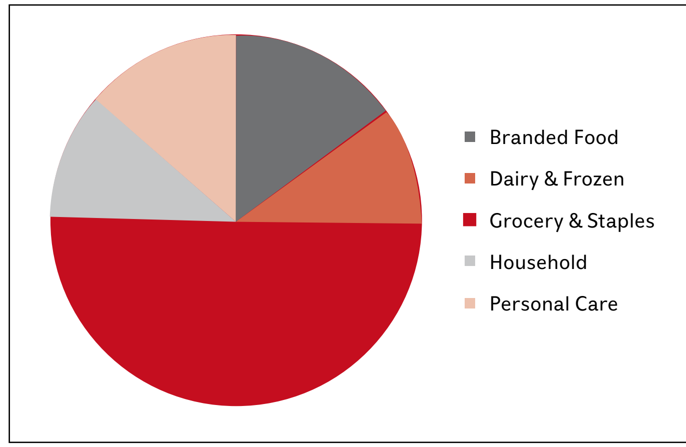
In 2014-15, stepped to new venture – ecommerce – and launched the first online grocery store in our area.

What is the average capex on a new store? What is the time frame for a new opening – from idea to execution?
It depends completely on store size and format, the equipment, automation level, store layout and the location, which is most important. Broadly speaking, for a store with 3,000 sq. ft area, capex would be anywhere between Rs 50 to Rs 65 lakh. As far as timelines are concerned, we opened our last store in 45 days; i would imagine that is the minimum.

Tell me about the number of SKUs in your stores.
We have more than 10,000 running SKUs, with the brand break-up as follows:

- Regional: 10%
- National: 55%
- Imported: 15%
- Private labels: 20%

Online retail of grocery is a difficult business in terms of logistics for perishables. So why the ecommerce venture?
We are running four convenience stores smoothly and the idea to launch an online format came from our goal to align with the new market realities, and also to push our boundaries. Digital media is



a necessity for the current generation of shoppers. Today's customers want and expect everything to be available on the internet, so, why not grocery?

While launching the myneeds.in ecommerce model, we kept convenience as a cornerstone of the strategy, which necessitated the following features:

- Wide range of product categories
- Equipped with more than 500 company products.
- Over 5,000 products
- Major products retailed below MRP
- Same-day delivery
- Free shipping
- All payment options including cash-on-delivery.
- Order status notifications through SMS and email
- Secure online payment option
- Real-time payment gateway
- Guest checkout
- Easy registration
- Easy search and browse options

Which is your best performing store? What is the share of online transactions in the total sales?
To answer the first question, I would select our store located at Tirupati Nagar Phase II in Virar

OP Khanduja, Business Head, DS Group

Playing Catch

DS Group, the rapidly growing multi-diversified conglomerate with a turnover in excess of Rs 4800 crore, has a strong presence in F&B, hospitality, food, FMCG, packaging, agro forestry, rubber thread and infrastructure industries. As it reinvents its gameplan to align with a new food consumption story in India, **O P Khanduja**, Business Head, DS Group, talks to Nupur Chakraborty about the organisation's strategies for some key brands

PG: The consumer universe in India has changed dramatically in a few short years. What has been DS Group's approach in aligning with the new market realities, as regards its food & FMCG portfolio?
DS Group's undeterred pursuit for 'Quality & Innovation' has given impetus to consumer satisfaction and loyalty. All our brands, including Catch, follow the same philosophy with a keen eye on creating products around consumer preferences and changing market realities to cater to the evolving consumer palates. Our new food portfolio has been designed keeping the "Global Indian" as our TG; this addresses a cross-culture amalgamation of taste and fusion in flavour.

PG: Market relevance demands continuous innovation at every stage of a brand creation process. In what ways has Catch executed process innovation?
Our innovation culture is evident on three fronts: Product R&D– R&D has been the backbone of all

Trends

Rallying the **Troops**

Indian retailers are making seismic changes to their human resource practices

By Manisha Bapna

Retail outlook

The current levels of retail space and its projected growth indicate that human resource requirement would increase from the current level of 0.3 million to 17.6 million by 2022, leading to an incremental employment opportunity of 17.3 million people. This will intensify intervention of Human Resource departments across levels in the retail sector. Now is the time for consolidation of the best talent and an imminent need for retailers to shred their traditional mindset barriers and attract a wider talent pool.

The Indian retail industry is slated to grow from US$ 500 billion to US$ 1.3 trillion by 2020. Retail is the second largest employer, engaging close to 33 million workforces with manpower costs adding upto 7 percent of the total costs. Retail, that was growing at an unprecedented rate until recently, became sluggish over the past 12–18 months due to indecisive FDI norms in the sector. At present, the sector is witnessing consolidation and reorganisation in the service delivery model, and HR is playing a strategic role in the process.

India Ratings & Research (Ind-Ra), a Fitch group company, has revised its FY15 retail sector outlook and shows that median employee cost as a percentage of sales for players, like Shoppers Stop, Trent, Lifestyle, Provogue, Brandhouse Retail and others, in FY13 has been almost the same as that of last year. This indicates that companies decelerated hiring and implemented measures to increase employee productivity per square feet.

Over the years, specialised talents have been hired across functions but in reality, trained manpower is still unavailable for the retail industry. With the influx of many international brands, the demand for groomed, informed and confident individuals has increased. Salaries have become competitive; and individuals have the liberty to choose from an array of brands. However, the brands face a challenge, as the right set of talent is a scarce resource.

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