

# PROGRESSIVE GROCER

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AHEAD OF WHAT'S NEXT

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**INDIA EDITION**

## TWO-MINUTE WONDERS

The battle for India's  
instant noodles market

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# On the fast track

**Indian retail is evolving and seeing new categories, formats and brands emerge almost every year**

The Indian retail industry is on the crossroads of new policies and decision-making which are bound to have a far-reaching impact on the country's economic future. The recently concluded India Retail Forum 2011 at Mumbai has been an incomparable learning pad for all the stakeholders in India's grocery industry, and a great platform for thrashing out issues and peeping into the future.

I wholeheartedly agree with Kishore Biyani, Founder and Group CEO, Future Group, in his statement at the Forum that Indian retailers in the last ten years have managed to lay a strong foundation of modern retail. Indeed, Indian retail is going through a metamorphosis and seeing new categories, formats and brands emerge almost every year. The customer too has become more adventurous, not hesitating to try out everything, at least once.

The Indian retail industry has matured within a quick span of time, and we must now look forward to an enduring growth story, especially with the possibility of FDI being allowed in multi-brand retail. One can only imagine what that would do to the back-end logistics and expansion of modern retail into India's hinterlands.

In this issue, we bring you an overview of India's instant noodles industry, starting from its inception, the initial resistance it faced from the conventional consumers who refused to accept the ready-to-cook concept, up to its current "highly popular" status.

It is true that instant noodles have not lost any of their sheen since they were first introduced to the Indian consumers over two decades ago. For the growing number of working mothers, professionals in the metros, school and college students, and even older people looking for a quick, wholesome snack, they are often the first food option, given their instant preparation time and, of course, their great taste.

It is hardly surprising then that sensing this huge potential in the Indian market for instant noodles, several players, both domestic and international, have entered this segment in a tough fight for a market share, with even the established retailers launching their in-house brands to woo the customers. Today, Indians are truly being spoiled for choice, as over a dozen brands vie for shelf space and brand recall. On their part, the instant noodles companies, realizing that brand positioning has assumed greater importance in the increasingly competitive Indian retail landscape, are innovating and strategizing with new marketing techniques. They are creating a differentiator with new flavors, luring consumers with several options in packaging, even attaching the "healthy" tag, and investing heavily in branding, advertising and other promotional activities.

Sale of liquor and wine is also witnessing an upward trend in India. The camaraderie between distilleries and retailers is thickening, even as the Government turns a more benevolent eye. Industry watchers foresee the segment becoming a fast-moving category in modern retail, much like in the West where supermarkets and hypermarkets drive sales of beer and wine. In yet another initiative, beer makers in India are experimenting with plastic bottles, following the growing acceptance of beer in PET bottles in several countries, given their re-usability, convenience, and longer shelf life compared to glass. Another growing, though still nascent industry, is that of male personal care and grooming products, which has grown at a CAGR of 12.3 percent over the period 2006-10. Manufacturers are also pegging the products on 'premiumization' and customization taglines as Indian consumers climb up the economic ladder and become more discerning and brand-conscious, as we find in one of our research features in this issue.

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# TWO-MINUTE WONDERS

The battle for India's instant noodles market

By Utpala Ghosh

**T**he instant noodles category has been seeing a flurry of activity with new entrants stocking the shelves in recent months; including some retailers who are betting big on this category, and launching their own private brands to grab a share of the consumer's palate and wallet.

In the early 80s, for the conservative Indian consumer, the concept of 'ready-to-cook' food was both alien and unappealing. Indians preferred fresh, hot, home-cooked food, and were both reluctant and skeptical when asked to experiment with new food types; in this case, noodles, and instant at that!

women were working outside the home, and Maggi became a runaway hit!

A study by Indiquest Research Services reveals, "Despite the unfavorable circumstances, Maggi took the challenge and launched its instant noodles in 1983. The brand's appropriate realization of target segment, effective positioning and strong promotion and sales, made Maggi the most-loved noodle brand in India. Its easy availability and quick-to-make convenience, made it the most preferred snack with the children. Today, the brand continues to be very popular with a market share of over 70 percent, despite the presence of several other brands."

As lifestyles in modern India began to undergo a change due to paucity of time and effort, the food eating habits of the urban Indian began to adapt accordingly. There was an increasing demand for easily prepared food, which was tasty as well as wholesome. Instant noodles fitted this slot perfectly. Besides convenience and easy availability, their low price point added to its popularity, especially with school children, college goers and working professionals who began to enjoy them at their school/college canteens and even in roadside dhabas.

Indiquest Research Services reveals, "The fast-paced growth of the noodles market in India can be attributed to its easy availability and its versatility as a food item. Noodles is considered a good alternative to ordering food from a restaurant or preparing a home cooked meal, and is seen as a wholesome snack. In fact, over the years, it has moved from being an evening snack to becoming a significant part of breakfast, lunch and dinner in India. While the tier 1 and tier 2 cities in India are now saturated, noodle companies see a huge scope for penetration and growth in tier 4 cities."

According to the study, the market for instant noodles currently stands at Rs 1,500 crore and is expected to grow annually at 18-20 percent, to reach Rs 3,000 crore by 2015.

## The instant noodles market in India is set to grow from Rs 1,300 crore to Rs 3,000-3,500 crore by 2015, and all big FMCG players have their eyes set on it.

### Noodle-scape of India

Euromonitor's market survey reveals that both instant and regular noodles have been performing very well in the Indian market, with instant noodles especially, gaining a lot of interest from national players. Pouch packed instant noodles recorded the fastest retail value growth in 2010.

Extensive media advertising, frequent launches of new flavours, and the entry of new brands, has whetted the consumers' appetite for more. Their easy availability in kirana stores as well as in supermarkets and hypermarkets has further expanded their appeal to a wider range of consumers and across all age groups. Nestlé has been very active during

the review period in increasing the penetration of its Maggi brand and familiarizing consumers with its offerings, with the result that the brand enjoys instant recall and has become synonymous with instant noodles.

The average unit price grew by four percent in current value terms in 2010. Certain brands of pouch instant noodles and plain noodles experienced an upward unit price movement during the year as prices of raw materials increased. Some manufacturers maintained their prices but reduced the pack size marginally, thereby increasing unit prices. Independent small retailers accounted for an 82 percent share of retail value sales of noodles in 2010. The presence of super-

markets/hypermarkets is also increasing in India, and this distribution channel accounted for a growing 15 percent share.

Masala is considered the leading flavour, probably because Indians like spicy food, and the reason why both established and new noodle companies have



But when Nestlé began to market its Maggi ready-to-cook-in-2-minutes noodles, targeting children and pegging its USP on convenience, speed and taste, it brought about a huge change in the mindset of the typical Indian consumer. Societal changes also favored the brand's timely launch, as more and more

# Executive Insights

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“There is an upward trend in ice cream consumption due to rapid urbanisation, rising income and changing lifestyle.”

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By Utpala Ghosh

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**I**ndia's ice cream industry is growing at a healthy 15 – 20 percent per annum, but problems such as lack of cold storage, erratic power supply, high taxation, and a large base of unorganized players, are making expansion an issue, especially for the big players. Devanshu Gandhi, Managing Director at Vadilal Industries, talks about the changing dynamics of this industry.

### **What is the current market size of the ice cream industry in India?**

The Indian ice cream market is divided between organized and unorganized markets and the total Indian ice cream market size is around Rs 2,500 crore – out of this the organized segment accounts for a 65 percent share and the remaining 35 percent is held by the unorganized sector.

### **What is the consumption trend for ice creams in India, and what according to you is the future scope of this food segment?**

The hot and humid climate of India definitely favors ice cream consumption amongst the consumers. Also, there is an upward trend since the last five years due to rapid urbanization, rising incomes and changing lifestyles. As the Indian consumer now is more aware of international trends and is spoilt for choices, the ice cream industry also offers a plethora of flavors to the consumers. As the rural and urban divide narrows, the consumption in semi-urban as well as rural areas is also rising.

The per capita consumption in India at around 300 ml per annum is

much less when compared to that of 700 ml in Pakistan, 3 liters in China and 22 liters in developed countries like the USA, Japan, Germany and others. However, even though the per capita consumption of ice cream in India remains very low, the potential for ice cream in India is huge, especially in tier 2 and 3 cities. Currently, the ice cream industry in India is growing at around 15 to 20 percent per annum and there seems to be no reason for the growth rate to slow down at least for the next five years. Improvement in electricity supply and better cold storage logistics would give a further boost to this industry.

### **Why are there few players in the market? Is it a very capital intensive business?**

There are few national players like Vadilal, but many regional players. To become nationally recognized, an ice cream player has to invest significantly in the large retail distribution network, the cold chain supply logistics, regular and good quality milk supplies, as well as in advertising and branding, so as to create and establish strong consumer recall. So, while there are many regional players who cater to a few cities or a particular state, there are very few who have grown to become

## **Despite a decent growth rate of 15–20 percent per annum, the ice cream industry in India faces the challenge of low per capita consumption.**

national players. Looking at the huge consumer market in India and strong economic growth projected over the next few decades, the new entrants will largely be global ice cream majors wanting to tap this big market and possibly a few new domestic entrants.

### **How do you rate the domestic ice cream brands vis-a'-vis international brands?**

There is not much difference between domestic and international

brands as the large number of varieties and flavors available in India today have removed the gap which used to exist some years back. Consumers here get to experience the international variety of taste and quality through domestic brands like those of Vadilal. In fact, this year, Vadilal has launched three new products: Badabite, Gourmet and Flingo, which are of international quality. Also, there are certain Indian “artisan” flavors like “Kulfi” which has become popular in global markets.

### **What is the current market size of Vadilal and its future plans?**

Currently, Vadilal is the second largest ice cream player in India, and we are targeting a sales growth of 40 percent in 2011–12. With sales of over Rs 300 crore in 2010–11, Vadilal holds a 22 percent share of the organized ice cream market in India. We are also increasing the network of retailers from the current 50,000 to 70,000 across India. At present, Vadilal procures 70,000 liters of milk a day and is planning a backward integration to increase it in the near future. By strengthening our milk procurement network from farm-to-factory we will be able to serve ice cream made from the fresh milk.

In the last two years, the company has invested Rs 80 crore to expand its manufacturing capacity and strengthen sales support. It has increased production capacity from



# High Spirited Shopping

Accessibility, ambience, and personalized service is key to retailing of spirits and wines

By Shubhra Saini

**I**t was about two years back, when the Indian government, seeing that sale of liquor had gone up appreciably, and observing a new trend in liquor consumption, allowed liquor to be sold through modern retail stores. This presented a golden opportunity for both retailers, liquor manufacturers and distributors to cull out new avenues for retailing.

Setting a precedent, Globus Wines, a Mumbai-based winemaker, entered a strategic tie-up with retail chain Star Bazaar, and opened its first shop at Star Bazaar in Dahisar, Mumbai in 2007. Spread across 300 sq ft, the outlet stocks almost all major wine and beer brands in the country, including its in-house Miazma brand. Mumbai-based Living Liquidz India Pvt Ltd retails over 1,000 different types of liquor brands and more than 300 wine labels covering every region of the

world. It opened its first 400 sq ft store within Spencer's at Mumbai's Inorbit mall in 2007. The tie-up with Spencer's has now ended but the company has its own Wine 'n' Beer sections at several hypermarkets. It is now present throughout the country through a chain of Living Liquidz boutiques following its tie up with Hyper City, Foodland Fresh, Bharti Walmart, Wadhawan Retail Spinach, Tata Star Bazaar and Aditya Birla More. With floor space ranging from 180 sq ft to 2,000 sq ft at prime



locations within supermarkets, Living Liquidz has 11 eponymous shops and 23 standalone shops in Maharashtra alone. The Living Liquidz store at Tata Star Bazaar stocks more than 500 different types of liquor brands, and also offers customers wine tasting of Indian and international brands at its Wine Bar 'n' Café, and conducts wine training and bartending workshops.

Indian modern retail is witnessing a great camaraderie between winemakers and retailers, and industry experts are of the view that very soon liquor products will be one of the fastest moving category in modern retail. Comments Mohit Kampani, Chief Merchandising at Spencer's Retail Ltd, "Alcohol and wines complement our food and grocery assortment, and hence, is a vital part of our offerings to the customers. Moreover, with our focus on fine foods, the presence of wines and spirits is that much more relevant." Says Sumedh Singh Mandla, CEO (Wines Division), Aspri Spirits, "In times to come, modern retail will drive the sales growth for imported liquor products in India. The phenomenon is very common across Europe and in several other countries. Unlike India, the retail segment there is bigger than the 'on premise segment' (that is, hotels and restaurants).

### Ushering a new era

Generally, a store could only sell alcoholic beverages within a reservation, and provided the particular state's law would allow it. Under this arrangement, a wine shop owner had to pay a certain amount as excise duty to the Government. There are different licence arrangements for selling liquor-based products like low alcoholic beverages (LAB), beer and wine, and there are hard liquor licences for whiskey and rum. The categories of licences vary from state to state as liquor comes under the jurisdiction and supervision of the state government.

But India's liquor market is experiencing a more trade-friendly atmosphere ever since some states have liberalized their alcohol retailing laws, and allowed many supermarkets to stock spirits. For instance, the Delhi government has allowed private stores selling fruit, vegetables and groceries to retail wine, and ready-to-drink liquor like breezer and beer at supermarkets and convenience stores such as 24x7. Alcohol products are also available at the Indian Oil promoted convenience stores, at In&Out outlets and at Future Group's Food Bazaar where the wine counter is operated by Sula Wines at some of

## Industry experts are of the view that very soon liquor products will be one of the fastest moving category in modern retail.

its outlets. Diageo had tied up with Reliance Retail to sell its wines, and as already mentioned, Star Bazaar has an arrangement with Globus Wines.

Karnataka too has taken a significant step by issuing the country's first ever wine policy that allows sale of liquor in marts and malls. Haryana and Maharashtra also permit supermarkets to retail wine; in fact, the latter state even facilitates grape growing and wineries as an important sector of agriculture. All of this is giving a big boost to wine sales and increasing its visibility and acceptance in the

country. "Since wines are categorized under alcohol, starting a retail business in this category can be tedious and cumbersome. Retailers must be prepared to go through a legal process if they want to sell wine in their stores. Getting a license alone can cost them up to Rs 1 crore. Also, since a major part of the distribution network is controlled by government agencies, control over supply remains in their hands," says Kampani as he gives a brief insight into the various legalities involved in getting liquor retailing certificate for a supermarket.

He elaborates, "Some of the fundamental legal formalities involved in liquor retailing include completing all paperwork required by the state excise department under the Ministry of Excise; choosing what kind of store one wants to set up (whether franchise, self-owned or shop in shop); acquiring a list of licensed liquor suppliers; and setting up legal measures for the store as directed by the particular state's excise law. Retailers need to understand the state laws, city laws and the restrictions, not to mention the zoning laws in the vicinity. For instance, the liquor store should be situated 100 to 300 metres away from any educational institution, place of worship or hospital."

He adds, "Different states have different restrictions for selling liquor in Modern Trade and General Trade stores (what to sell and what not to sell). Non-compliance is treated as a criminal offence. In most of the states, the alcohol industry has a





# Good to Eat

Potatoes, apples and cherries are a hit with health seekers.

By Jennifer Strailey

**A**s summer winds down, our nation's appetite for traditional fall produce such as apples and comfort foods like potatoes will undoubtedly return with gusto. This fall, the hottest merchandising strategy for produce, from just-picked apples to end-of-season zucchini, is one that emphasizes nutrition. As consumers continue to take a more active interest in the connection between the foods they eat and their health, produce retailers are judiciously promoting the nutritional selling points of the season's bounty.

#### **Sweet potato's secret weapon**

*Men's Health* has called sweet potatoes "one of the healthiest foods on the planet." In a story entitled "40 Foods with Superpowers," the magazine touted the many virtues of the sweet potato, including the fact that the tuber contains glutathione, an immune system-boosting antioxidant that can help protect against Alzheimer's and Parkinson's diseases, cancer and more.

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