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Mayonnaise, spread and sauces are witnessing fast growth in packaged foods

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How to stay relevant to customers by building omni-channel capabilities

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PROGRESSIVE GROCER



October 2015 | Volume 9 Number 10 | Rs 100 | www.indiaretailing.com

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Party Needs
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**Strengthen
your core
proposition
first**

**“I don’t think in India many
retailers have worked on really
defining the core proposition”**

– Jamshed Daboo
MD, Trent Hypermarket Ltd

Editor in Chief: **Amitabh Taneja**
 Editorial Director: **R S Roy**
 Publisher: **S P Taneja**
 Chief Operating Officer: **Bhavesh H Pitroda**

Editorial

Editor in charge: **Sanjay Kumar**
 Correspondent: **Roshna Chandran**

Conference Content: **Nakul Jain**
Mohua Roy

Contributing Editors: **Zainab S Kazi**
Namita Bhagat

Creatives

Art Director: **Pawan Kumar Verma**
 Dy. Art Director: **Deepak Verma**
 Sr. Layout Designer: **Naresh Kumar**
 Sr. Photographer: **Vipin Kardam**

Production

General Manager: **Manish Kadam**
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Support

General Manager - Administration: **Rajeev Mehandru**

Subscription

Asst. Manager-Subscriptions: **Kiran Rawat**

ADVERTISING

Business Head

Rakesh Gambhir, Vice President
 E: rakeshgambhir@imagesgroup.in M: +91 9910001375

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FOR ADVERTISING QUERIES, PLEASE WRITE TO salesfood@imagesgroup.in

PRIVILEGE MEMBERSHIP/CONSUMER CONNECT

Anil Nagar, Vice President

anilnagar@imagesgroup.in, Mob.: +91 9811333099

Membership Team: **Nabina Bala Lahiri** **Sarika Gautam**
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Come October and Indian businesses gear up for the biggest sales season ahead. Market surveys show that most retailers report better sales during the festive months beginning October. The festive months from October to December are expected to account for 40 per cent of the \$10-billion annual sales that e-commerce firms are likely to record this year, according to consulting firm Technopak. The industry had reported \$7 billion sales in FY15, with 40% sales coming during the festive season.

Not surprising that businesses are going all out to woo buyers. New products and wares, big bang offers and freebies, attractive schemes and deals are all being laid on thick with a trowel. According to industry estimates, top e-commerce companies will be splurging Rs. 3,500 crore on offering an array of discounts, promotions and offers – all with an eye to bump sales this festive season.

As e-commerce in India is still in early evolutionary stage, e-tailers have adopted discount pricing in order to build the market and grow their consumer base. A discount pricing strategy is useful for driving traffic and sales in the short term, which is what the online marketplaces have in mind at the moment. A couple of years down the line, once the online addiction gets fairly well-entrenched and deep-seated in the consumers psyche, expect the current wave of discounts to gradually wither away, making the way for a more mature and evolved market.

But for the time being, there is no doubt that Indian consumers will be spoiled for choice like never before and this festive season will offer plenty of such opportunities.



Amitabh Taneja
 Editor-in-Chief

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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

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Bengaluru: 523, 7th Cross, 10th Main, (Jeevanbhima Nagar Main Road), HAL 3rd Stage, Bengaluru 560 075, **Ph:** +91-80-41255172/41750595/96, **Fax:** +91-80-41255182

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Jamshed Daboo, MD, Trent Hypermarket Ltd., in an exclusive interview to Progressive Grocer, speaks on the viability of hypermarkets in India, the way forward for them and why there is an urgent need for modern retail to address the issues of supply chain and strengthen their core proposition first



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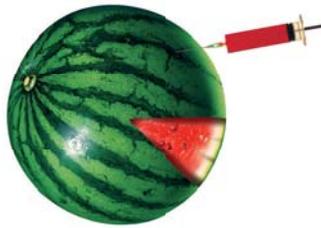


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Fresh avenues to expand and grow with suppliers and retailers

Spreads, mayonnaise and sauces on a roll

Young consumers in India are out to experiment with Western, European and Continental food, thereby making mayonnaise, spreads and international sauces a common household item

By **Oliver Mirza**

In India, food lives at the very center of 1.2 billion people's lives. There is no other sector with a greater influence on the well-being of Indians. The country's diverse and rich palate is a manifest expression of the love and connection that people from different regions of the country have for each other. There is no greater defining expression of culture and identity than food and there is no better way to soak in the warmth of comfort, happiness and home than to partake of indulgences centred around food. In India, everyone is a foodie – people enjoy and love their food, and they want to cook and experiment but at their own convenience. Perhaps more than any other place on the planet, food brands mean far more to Indians than what they eat. The brands are

an extension of the immense creativity that people in India bring to their food.

The Indian food industry has witnessed manifold changes over the past decade. From family-run kirana stores to multi-storied supermarkets, snacking on butter toast to mayonnaise cheese-egg sandwich, or eating out at the local restaurant to picking up from the influx of multiple foreign food chains, the industry has evolved to where it stands now and is continuously growing at an exponential rate. Be it the entry of multinationals, the aggressive rise of commodity branding, opening up of the retail sector, increase in local players or the low cost of technology, each of these factors has contributed in changing the economic demographic of the Indian food industry.

Oliver Mirza
MD, Dr. Oetker
India Pvt Ltd



“I don’t see hypermarket formats going into the future. We are multi-format now”

Multi format is the way ahead for food and grocery retail in India, believes Jamshed Daboo, MD, Trent Hypermarket Ltd. In an exclusive interview to Progressive Grocer, he speaks to Nivedita Jayaram Pawar on the viability of hypermarkets in India, the way forward for them and why there is an urgent need for modern retail to address the issues of supply chain and strengthen their core proposition



Jamshed Daboo
MD, Trent Hypermarket Ltd

What do you see as the big challenges in food and grocery retail in India?

The issue confronting food and grocery retail today is to evolve in tune with the changing consumer needs. I think that is where the biggest challenge is. Modern retailers can evolve faster than traditional retailers. But modern retailers have certain challenges too, the first being finding property at the right location and at the right rentals. For food and grocery, the customer will want to spend the least amount of time in commuting. So proximity is important. Moreover the store has to be of the right size and shape to offer both variety and a pleasant shopping experience.

The second challenge that has been plaguing modern retail for a long time is inefficiency of the supply chain. It is something we need to overcome as a country. It's not related to manufacturers of products (actually they are getting pretty efficient) as much as it relates to the transport, road conditions, taxation, laws, traffic, etc, which cause hindrances in the supply chain. And it's going to take a while to overcome. The kiranas have been surviving because of the distributor model of the FMCG companies, which is a great model. But does that model help meet the evolving needs of the consumers? That's the issue. Therefore you need a supply chain model that supplements the model at the front end. The benefits of a good modern trade outlet in the vicinity are huge. The demand part is not the issue. It's about getting the supply chain issues right.

The other uniqueness in the Indian context is MRP. The quantity of consumption between individuals at different income levels may vary by say 20 per cent but the rentals in an upper class locality could be 200-300 per cent higher than those in an upper-middle class area. Internationally, prices would be adjusted for location. So a bar of chocolate available in an upper-class neighbourhood may not be priced the same in a middle-class neighbourhood. But that's not allowed in India. Of course, you

could sell more premium products in such locations but that has its own issues in terms of supply chain efficiency and range standardization. This, in turn, makes it difficult for standard food and grocery retail to penetrate certain parts of the city. MRP is in many ways very good for the Indian consumer though.

What in your view is the one thing that will benefit retailers in general in India?

I think it's the free movement of goods and services in the market. There is GST of course but there is more than that. I think the regulatory environment around APMC and stuff like that needs to change. We need to take a more mature and objective look at these areas. We need to bring down a lot more boundaries in the marketplace. GST is a great step and any other such initiative that enables the free flow of products and services in the country will really be useful to drive consumption going forward. So we are all looking forward to the implementation of GST and wish it to be as plain and simple as it can be made.

What do you think of the changing consumer behaviour and consumption trends happening in the F&G sector?

The core consumption pattern amongst Indian consumers hasn't changed much. Within that, demands for hygiene, quality, price and consistency are becoming more stringent. So if you are used to eating a particular type of rice, weaning yourself away from it is not happening at a rapid pace. People are not replacing their basic food habits, which is why whenever onion prices go up there is a big hue and cry.

There is another movement towards aspirational products. Aspiration has two elements to it – health and indulgence. It's happening at both ends. But it's a gradual shift and is not overwhelming. It's like moving from upma to pasta. This shift arises from the need to try on new things and is aided by the

“
How do we evolve as retailers quickly to the changing consumer needs? Modern retailers can evolve faster than traditional retailers. But modern retailers have the challenge of finding property at the right location. The key challenge to growth for us is property (both rentals and availability)





HOW TECHNOLOGY IS POWERING THE RETAIL BANDWAGON

With omni-channel strategy gaining ground in India, the retail sector is looking up to myriad innovations that will help them to tap tech-savvy customers

The retail sector is responding to shifts in the consumer-buying behaviour. However, consumer behaviour is changing faster than the number of channels opening up to the retail sector for addressing consumer needs. The fight to claim customers has made the omni-channel approach a must for retailers' survival.

In the present scenario, the omni-channel retail approach is arguably the sharpest arrow in the technological quiver that can win over the hearts and minds of today's fickle-minded consumers. But in order to win the battle for consumer mindshare, businesses need to merge vendor management and technology in a seamless manner. In this context, a study done by market intelligence firm Gartner is

revealing: It predicts that more than US\$2 billion in online shopping will take place exclusively through mobile digital assistants worldwide by year-end 2016. Another market research firm eMarketer projects online purchases will more than double to \$3.551 trillion, or 12.4% of total retail sales of \$28.550 trillion, as more people come online around the world. These tidbits of information should be a cue for charting the future course of action in the retail sector. They point to the many key segments critical to the success of omni-channel retail commerce, which need to come together in order to establish a conducive ecosystem comprising retailers, vendors, payment processors, mobile developers, data providers, advertisers, agencies and investors, and finally consumers.



The omni-channel road

According to Manav Sethi, Group Chief Marketing Officer and Head of Digital Strategy & International Platforms, Askme.com, “The various interactions consumers have with digital media and digital platforms have rewritten the arc of the consumer decision journey, causing shoppers to become accustomed to a much greater level of convenience, choice and accessibility.” Sethi says that the use of a variety of online-only features – such as personal recommendations, product reviews from other customers, huge product assortments and availability, and one-click everything – has given shoppers the power to make purchasing decisions much more on their own terms. “When the doors swing open to the temperature-controlled confines of a store, shoppers bring many of these expectations with them.”

Meeting customer expectations holds the key to success in retail and adopting the omni-channel approach appears to be a good bet in addressing the ever-changing customer expectations. Quite a few of these expectations are already being fulfilled and the bar for meeting such expectations is being set higher every passing day. Modern retail is already taking steps to become a 24x7 proposition. Soon, delivery commitment will be curtailed to within 30-minutes or as per customers’ convenience or even lesser time than ordering a pizza! In fact, Amazon has been testing its 30-minute drone delivery idea for sometime now!

So it could well be a robotic approach! Ordering products from the nearest possible location will be available on customers’ smartphones or even smartwatches! The line between offline and online shopping will become indistinguishable even as consumers will gain access to unheard of benefits and services.

Curtailling speed breakers

India will have more than 200 million smartphone users in 2016, forecasts eMarketer. The smartphone generation is communicating more than ever through various means, mostly digital. This will spur the need for adoption of the omni-channel strategy by tapping brick and mortar outlets, e- and m-commerce together. According to a study by Deloitte, no interaction with sales associates is now a preferred choice of shopping experience among consumers (i.e., automated approach for looking up prices, item availability, product information and in-store item location). Additionally, the report says, they would also prefer to use unmanned in-store devices such as Wal-Mart self-checkout systems (kiosks) and McDonald’s stores with touchscreen applications (digital displays). Needless to say, omni-channel will augur newer concepts based on cultural outlook and technology penetration of a market. Going forward, expect the vast deposits of personal information in our mobile databases to be tracked down and analysed relentlessly for reaching out to customers.

Apps above the world

Retail outlets are getting digitised and in the future, augmented reality (AR) centric efforts will play a big role in winning customers. All information, activities, customers’ behaviour inside a store, etc., will be crunched and analysed for clues to predict shopping behaviour and consumption patterns.

Consider this. While passing a retail store (on your way from office), you get an SMS updating about the size of the T-shirt you have been searching online recently, and which is available at this outlet. No wonder, you will invariably make that purchase. The very next day, you will receive a discount coupon online for another purchase,



THE YEAR OF RETAIL'S

EVERY YEAR, THE CRÈME DE LA CRÈME OF THE RETAILING WORLD CONGREGATE AT THE INDIA RETAIL FORUM (IRF) TO CONNECT AND SHARE ENLIGHTENING EXPERIENCES THAT HELP BUSINESSES CRAFT THEIR RETAIL JOURNEY. IT'S A TICKET TO A WORLD THAT EXPLORES GLOBAL RETAIL TRENDS AND PROGRESSIVE TECHNOLOGY TO DISCOVER EXCEPTIONAL – AND GAME-CHANGING – RETAIL IDEAS

This year, the IRF, which held its annual congregation from September 15 to 17 at the Renaissance in Mumbai, observed 2015 as the year of India's 'Retail Renaissance'.

"India is a consumption-driven economy, not an export-driven one, so the adjustments currently taking place in the global economy have only marginally affected the country's retail sector," observed Krish Iyer, Chairman IRF 2015, and President and CEO Walmart India.

"The present focus on manufacturing is important and laudable but India's future growth will come through the service sector, driven by technology and 300 million new internet users. The bulk of retail sales in brick-and-mortar today are digitally influenced," he added.



Krish Iyer
Chairman IRF 2015,
and President and CEO
Walmart India

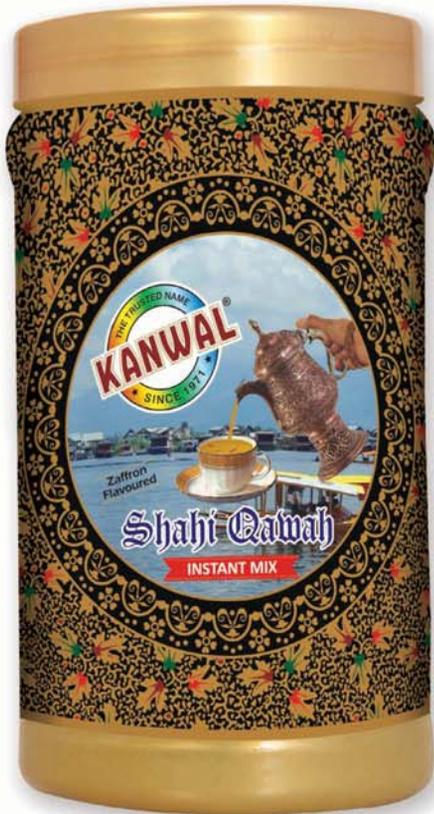
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