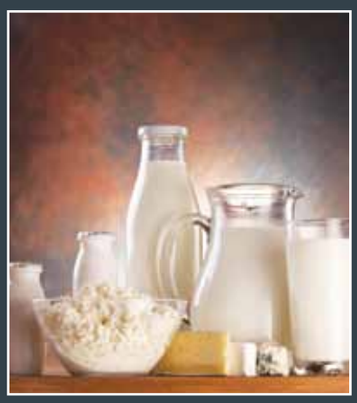
PROGRESSIVE GROCER

SPECIAL ANNIVERSARY ISSUE

SEPTEMBER 2011 | AHEAD OF WHAT'S NEXT | VOLUME 5 NUMBER 9 Rs 100

INDIA EDITION



GRAND DESIGNS

11 Winners of Progressive Grocer Store Design Contest

Page 45

EDITOR'S NOTE By Amitabh Taneja

Success With Design

Winners of the Progressive Grocer Store Design Contest

Design is one of the most important elements in the success of any supermarket or a grocery store. It is hard creative work which takes a lot of planning and skills to deliver perfect customer experience. A good store design attracts customers and results in increased efficiency and reduced operational costs, thus directly impacting the bottom-line.

In this edition, we announce the winners of the second annual Progressive Grocer Store Design Contest, divided into five categories. These 11 of the industry's most engaging and inspiring supermarkets – from downtown Milwaukee to a New Orleans neighborhood – set the standard for overall excellence. We profile and applaud their innovative and functional masterworks.

Apart from design and ambiance, there is a lot of action happening on supermarket shelves too. Take organic food, for example. An increased health consciousness and dietary concerns are prompting Indian consumers to seek better food options. Not surprising then is their new-found interest in organically produced food which is beginning to enjoy prominent shelf space as demand in India picks up. Growing at a steady rate of 40 percent annually, organically grown food is poised to become a significant segment of food retailing in the near future.

Talking about food, Indians are also taking to fresh seafood with renewed gusto. They, however, still prefer to buy it from the neighborhood fish market despite poor facilities and unhygienic conditions. Most Indian consumers ironically remain wary of the tinned and frozen varieties of seafood in terms of freshness. Our story on seafood concludes that only a proper infrastructure related to packaging and refrigeration along with an efficient supply chain and competitive pricing can wean Indian consumers away from the unorganized market in seafood and lead them to supermarket shelves.

More than any other nation in the world, India is the land of milk. However, in this segment too, the local milkman rules the roost, with his supply of fresh milk delivered at the consumer's doorstep every morning. Packaged milk had few takers until quite recently, that too restricted to the metro cities. But changes in consumers' dietary habits and preferences are seeing the demand for packaged dairy products picking-up, driven largely by the convenience factor and the increasing nutrition and health consciousness. The opportunity for the organized sector is huge as the Indian dairy market currently stands at a staggering $70bn. Our story "Milk-Made Nation" notes that the sector is headed for some interesting times, with increasing participation of foreign players even as domestic players increase investments to take them.

Endorsing the freshness and natural factor in the Indian market is Dabur, one of the most trusted and oldest companies in India. In this issue, we talk to its vice-chairman Amit Burman who believes that the modern-day consumer is increasingly embracing natural and traditional products. He reveals the reason why Dabur has recently ventured into carbonated fruit-based drinks. One thing is clear though: in the modern age ruled by synthetic products, the natural and herbal products industry – from organic food to natural health supplements – offers a vast opportunity that is just waiting to be tapped.

Food & Grocery commands almost two third share of Indian retail and the sector will be adequately deliberated at the ensuing India Retail Forum. Let us all use the forum to explore the emerging opportunities in the Indian market and bring the global best practices in Indian food retail and serve safe and healthy food to Indian consumers in the most efficient manner. Be there at the IRF. And be counted.

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

PROGRESSIVE GROCER INDIA
AHEAD OF WHAT'S NEXT

Editor-in-Chief ..... Amitabh Taneja
Editorial Director ..... R S Roy
Deputy Editor ..... Sanjay Choudhry
Contributing Editor ..... Nupur Chakraborty
Director – Planning ..... Anjali Sondhi
Sr. Assoc. Editor & Chief of Bureau (Mumbai) ..... Nivedita J Pawar
Assoc. Editor ..... Seema Gupta (Delhi)
Assistant Editor ..... Utpala Ghosh
Correspondents ..... Shubhra Saini
Varun Jain
Art Director ..... Pawan Kumar Verma
Asst. Art Director ..... Mohd. Shakeel
Sr. Photographer ..... Vipin Kardam
Asst. Photographer ..... Deepak Malik
Photo Coordinator ..... Kamal Kumar

Publisher ..... S P Taneja
Chief Operating Officer ..... Sandipan Singh

Business Office

General Manager, Product Head ..... Lokesh Arora
Assoc. Vice President/Regional Heads ..... Waseem Ahmad (Mumbai)
Piyali Roy Oberoi (Kolkata)
Managers (Advertising) ..... Karun Saluja (Delhi)
Anirban Sarkar (Kolkata)
Marketing Associates ..... S.Venkataraaman (Chennai) 9444021128
Hemant Gupta (Ludhiana) 9814019745

Assoc. Vice President - Circulation ..... Anil Nagar
Sr. Manager (Circulation) ..... R P Singh (Mumbai)
GM (Production) ..... Manish Kadam
Sr. Executive (Production) ..... Ramesh Gupta
GM (Logistics) ..... Rajeev Mehandru
GM (Customer Relations) ..... Hemant Wadhawan
Subscriptions ..... Rajesh Kumar

PROGRESSIVE GROCER
AHEAD OF WHAT'S NEXT

Publisher ..... Olivia Wilson
Editorial Director Retail Food Group ..... Don Longo
Editor-in-Chief ..... Michelle Moran
Fresh Food Editor ..... Meg Major
Nonfoods/Tech Editor ..... Joseph Tarnowski
Managing Editor ..... Bridget Goldschmidt
Group Creative Director ..... Michael Strong

nielsen

President ..... Greg Farrar
Senior Vice President, Human Resources ..... Michael Alicea
Senior Vice President, Brand Media ..... Andrew Bilbao
Senior Vice President, Media & Entertainment ..... Gerry Byrne
Senior Vice President, Finance ..... Sloane Googin
Senior Vice President, Retail ..... David Loechner
Senior Vice President, Content ..... Scott McKenzie
Senior Vice President, Building & Design ..... Joe Randall
Senior Vice President, Central Services ..... Mary Kay Sustek
Chief Operating Officer, Entertainment ..... Howard Appelbaum
Vice President, Manufacturing & Distribution ..... Jennifer Grego
Vice President, Licensing ..... Andrew Min
Vice President, Client Marketing ..... Sue Tremblay
Vice President, Audience Marketing ..... Joanne Wheatley

SEPTEMBER 2011 • VOLUME 5 • NUMBER 9

PROGRESSIVE GROCER

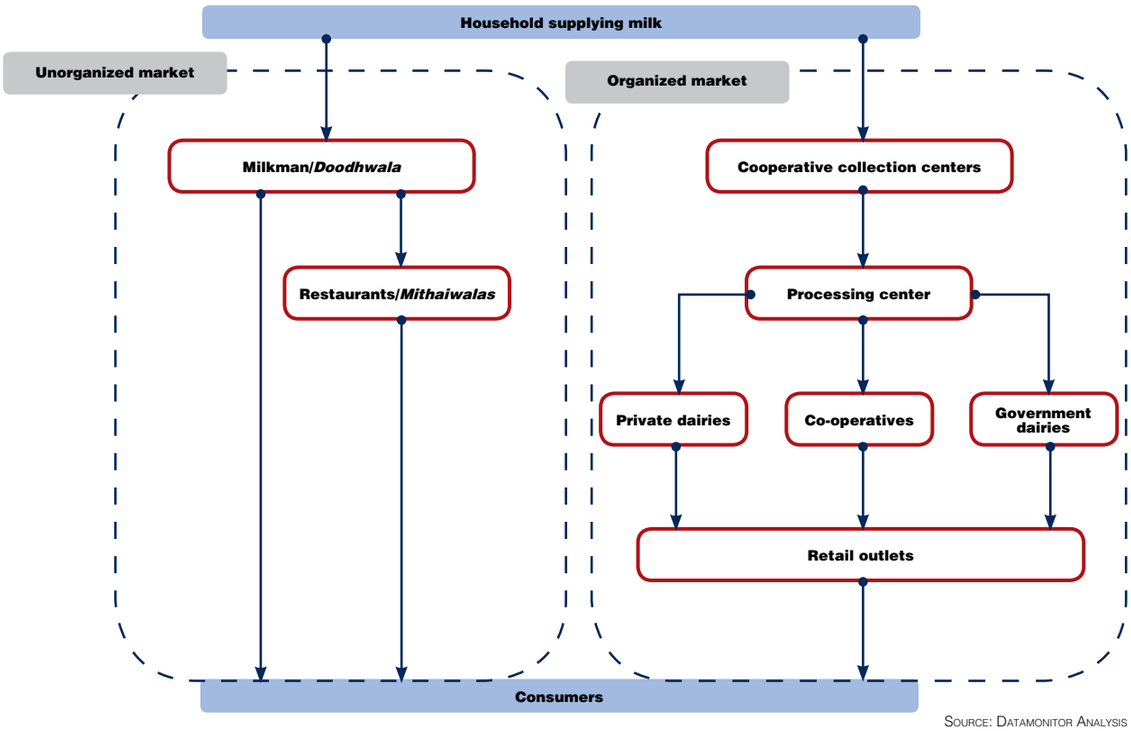
Milk-Made Nation

The $70bn Indian dairy market is seeing an upsurge in participation of foreign brands even as domestic players increase investment to take them on.

By Varun Kumar

From a low volume of 55 mn tonnes in 1991 to nearly 110 mn tonnes in 2009, milk production in India has come a long way over the years. The market includes nearly 75 mn rural households, for which it acts as an essential direct and supplementary source of income. This success story is primarily due to the robust supply, as India is home to the world's largest dairy cattle population of nearly 115 mn.

From the beginning of the decade, the country has produced more milk than any other nation in the world, with production steadily rising since 2006 at a compound annual growth rate (CAGR) of 4.3 percent, well ahead of the world average rate of 1.3 percent. The Indian dairy market currently stands at a colossal $70bn, accounting for around 15 percent of global milk production.



Source: Datamonitor Analysis

The demand for this high level of production in the country is chiefly due to its population of 1.2 bn people, for whom milk is an integral part of their diet. Since a large section of the country's population is vegetarian, milk serves as an important source of protein. Furthermore, milk is a popular ingredient for use in tea and coffee, and in making dahi (Indian yogurt). Indian parents often encourage their children to consume milk due to its high nutritional value.

Although milk production has grown at a rapid pace during the last three decades, the organized dairy processing market is still very small. It is estimated that as little as 10 percent of all milk in India is delivered to dairy plants for processing.

Local doodhwalas still leading the market

The dairy market in the country has traditionally been unorganized, with this channel having a share in the market of about 75 percent. The *doodhwalas* (milkmen) essentially drive the unorganized channel. Milk is collected by the doodhwalas from farmers and then sold to restaurants or halwais (an ethnic group involved in sweet making) for further processing, and these then sell consumers value-added processed milk products. The *doodhwalas* also sell and supply milk directly to consumers at the doorstep. The organized channel of the market is mostly associated with dairy cooperatives and private and government dairies. These dairies acquire, process, and market dairy products, acquiring milk directly from village collection centers and then supplying it to various milk parlors or retail outlets.

Dairy has also been a focus area for government proposals. Several government initiatives have provided a boost to the dairy market. Notable examples among these include foreign contribution amounting up to 51 percent in dairy processing, and full waiver of excise duties in dairy processing machinery. These initiatives by the government have provided a boost to the organized market, most significantly by inviting foreign participation in selling dairy products in the country.

Nutrition and health consciousness is cultivating demand for processed offerings

The Indian consumer has historically held a preference for loose milk because of its perceived freshness. Loose milk is typically unpasteurized and is carried in large metal cans on bicycles and motorcycles from farms to homes in India.

Of late, however, the demand for processed dairy products has gained momentum, driven primarily by increasing urbanization and a

Grocery Retail
The Changing Tides

Seen against the backdrop of rising retail prospects in India, the food and grocery retailers are leaving no stone unturned to make the best out of it for the Indian consumers as well as for the country's growing retail industry.

By NV Sivakumar

According to PwC estimates, India's retail sector is worth $350 bn, has an organized retail penetration of 5 to 8 percent and a CAGR of 15 to 20 percent. Some of the world's largest retailers and brands (across categories and prices) have entered India, undeterred by the fact that the retail sector has yet to be fully liberalized. Over the past few years, we have also seen some of India's largest business houses setting aside between $2 to 5 bn to launch major retail initiatives in jewelery, eyewear, footwear, consumer durables and electronics, fashion, food and grocery, and many more segments. Food and grocery is interesting to observe and according to the Images Retail Report 2011, this category accounts for 67.6 percent of India's total retail market (the largest category in retail); in organized retail penetration terms, food and grocery accounts for 12.5 percent (the second-largest category in organized trade).

Food and grocery retailers offer a range of products that include fresh, frozen and processed food, personal care, skin care, home care, home linen, hair care, and so on. A large middle class, rising disposable incomes and new product launches are just some of the factors influencing India's food and grocery landscape. Some of these factors can be discussed as below:

Consumer confidence

Consumers are earning increased incomes due to the growth of capital markets, the emergence of new industries like telecommunications, information technology and real estate, overall economic buoyancy, and such other factors. Some

studies have confirmed that Indian consumers are amongst the most confident in the world; their confidence is the result of higher incomes coupled with optimism in the direction of the economy, their employment prospects and the state of their personal finances. Consumer confidence has manifested itself in increasing consumption and purchasing activities occurring in both non-food and food (imported cheeses, non-carbonated beverages, tetra-pack milk, ready to eat foods). Consumers are willing to try new products, buy new brands, trade up in some categories, spend more on non-essential products, trade down in some (this makes private labels particularly attractive to value-conscious Indian consumers).

Convenience

Convenience is an emerging theme that is affecting food and beverage brands and food and grocery retailers. Consumers want to use food and beverage items that make their lives easier in terms of both the preparation of and consumption of food. Products in this category include packaged foods, ready to eat foods, frozen foods, processed foods, cooking purees and sauces, marinated deli items. Food and grocery retailers are, in turn, responding to the consumers' demand for convenience in terms of strengthening their operations in urban centers, entering tier II and III cites, establishing outlets in new regions, using a mix of hypermarkets and supermarkets and so on in order to create a strong pan-India presence, given that room to grow exists in organized trade for this category.

New products

Food and beverage brands have been increasing manufacturing capacity and launching new products that they believe will delight Indian consumers. Indian brands are entering new categories like easy to prepare breakfasts, noodles, cereals, and such others. Global brands are increasingly introducing some of their best sellers overseas into India banking on the fact that Indian consumers are not too different from their counterparts overseas in that price, quality, taste and convenience are key purchase drivers.

Choice encourages experimentation

By launching a range of SKUs, FMCG (food and beverage, personal care, skin care, hair care, home care, etc) are giving Indian consumers increased choice with which they purchase products. In this way, consumers can be tempted to try a competitor's brand since it is available in a smaller size and at a lower price point, reducing their risk in experimenting between products, brands and categories. Trying out new products has never been easier, for the Indian consumer!

These factors are helping shape India's modern grocery landscape in several ways as enumerated below:

1. Offering consumers a diverse mix of products and brands: Indian consumers with their increased exposure levels (access to international magazines and TV shows, travels abroad, awareness of the importance of health and wellness) are demanding access to new products and brands, whether domestic or imported. Urban customers especially are asking for niche products, such as imported olives, sun-dried tomatoes and Thai cooking pastes. Food and grocery majors are responding by stocking their shelves with products that they believe will meet the needs of consumers in a catchment area.

Convenience is an emerging theme that is affecting food and beverage brands and food and grocery retailers.

And it does not stop at food items. Indian consumers also want access to non-food items like imported personal care items, home care items, some home goods items (for example, towels, bath mats), and so on. Food and grocery majors take into account the considerations of the local markets and catchment areas in which they have stores since the merchandize mix may vary between 8 to 15 percent, even in the same state!

2. Creating a pan-India presence: Most food and grocery operators want to create a strong pan-India network of stores. Some food and grocery operators, after having built a strong presence in cities and states near their headquarters, are now looking to establish stores in other regions. As the retail market evolves, we are likely to witness smaller chains being acquired by larger chains, thereby establishing a stronger foothold in the market. Most modern grocery operators are looking at using supermarkets and hypermarkets as their formats of choice.

3. Focusing on supermarket and hypermarket formats: We observe that most of India's modern grocery chains are using a combination of both supermarkets and hypermarkets.

Location, freshness of produce, access to imported items, adequate parking and the availability of lifestyle items (ready to eat meals, processed foods, etc) are some of the

Research and analysis by IRIS RETAIL

Marine Drive

An overview of seafood business in India

This report examines fishery hubs and consumption of seafood across different states, imports and exports of seafood, and the challenges within this vast industry. Despite a thriving industry, organized retailing of seafood is a dismal 3-5 percent, with the unorganized sector dominating the consumer market. In view of the fact that consumption of seafood is increasing across the country, a 'sea of opportunities' exist in the Indian seafood retail market, provided retailers put in place a proper infrastructure to ensure quality and an efficient supply chain to wean away consumers from the unorganized fish sellers.

Barriers in Domestic Fish & Seafood Market

- High preservation costs – High costs for preservation of fish due to lack of mechanized refrigerated systems. An average wholesaler spends up to ₹6,000 daily on ice for preserving fish stock from damage.
- High labor cost – Daily wages for co-workers are fairly high than in any other trade due to the nature of work. This is another reason for raise in internal costs.
- Tight margins – Returns on Investments are fairly low.
- Improper facilities in markets – Poor facilities & unhygienic conditions in fish markets prevail across the country.
- Unstable prices – The prices vary from state to state. Moreover, the price depends on the quantity of the category catch which fluctuates on a daily basis.

Retailing of seafood in India can be divided into two segments: unorganized and organized. The unorganized retailers are fish mongers, roadside stalls/kiosks and small to medium size shops in traditional markets. The organized retailers include hypermarkets, supermarkets, food and grocery stores. The unorganized local retail markets account for more than 97-98 percent of the total sales. One of the major apprehensions in the minds of the consumers is regarding the freshness, taste and quality of seafood stocked in the organized retail outlets, and hence these consumers rely on the local vendors for their daily consumption needs. Branded seafood in the packaged form is a relatively new concept for the Indian market, which is now taking-up shelf space in the high-end organized retail outlets.

The challenges and issues faced by the retailers in this market segment are:

An average retailer is able to sell up to 200 kg of fish daily in the peak season which is lower than the consumption in other countries.

- Consumers prefer to buy fresh fish in small quantities which can be consumed completely by the end of the day.
- The stock purchased by large retailers does not last for more than 3-4 days, whereas a small retailer purchases stock on an everyday basis as they cannot afford the high stocking / refrigeration costs.
- Lack of adequate storage facilities in traditional markets is another major constraint.

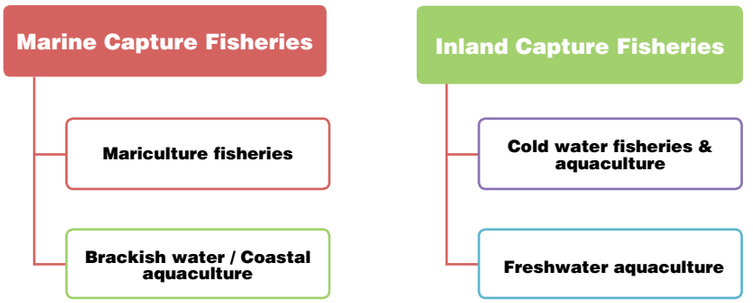
SEAFOOD IN INDIA

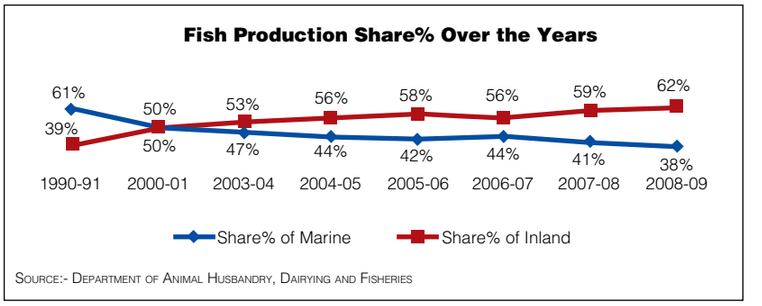
India is the seventh largest country and has an important seafood market in the world. India consists of 35 states and union territories, of which there are 9 maritime states and 4 maritime union territories along with Andaman and Nicobar Islands in the Bay of Bengal and Lakshadweep in the Arabian Sea respectively. The Indian Seafood industry is developing with near double-digit positive levels of growth posted consistently year-on-year since the beginning of the decade. Marine capture, mariculture, brackish water aquaculture, freshwater aquaculture, cold water aquaculture and inland capture fisheries are some of the key modes of fish farming in India. India is a leading country in aquaculture production and is expected to cross 2 mn tonnes of production by 2025.

Fish production has increased at a higher rate compared to food grains, milk, eggs and many other food items generally, but the consumption of fish among fish eating population still remains at about 9 kg per capita per annum. The country has currently 429 Fish Farmers Development Agencies (FFDA's) and 39 Brackish water Fish Farms Development Agencies (BFDA's) for promoting freshwater and coastal aquaculture. Along with food fish culture, ornamental fish culture and high value fish farming are gaining importance in the recent past. With over 2.4 lakh fishing crafts operating in the coast, 6 major fishing harbors, 40 minor fishing harbors and 151 landing centers are functioning to cater to the needs of over 3.5 mn fisher folk.

Key Facts

- India ranks amongst the top 10 producers of marine and inland capture fish, according to FAO.
- The country had seen 80.8 percent growth in inland capture fisheries produce between 2004 and 2008, to 9,53,106 tons, and continued to be among top 10 producers with 4.3 mn tons produced in 2008.
- India experienced a CAGR of 7.1 percent in aquaculture production during 1990-2008, from 10,17,000 tons to 34,79,000 tons.
- India contributes 15.7 percent of the world's carp freshwater fish catch.
- Being home for more than 10 percent of the global fish biodiversity, the country ranks third in the world's total fish production of nearly 7.3 mn metric tons per annum.
- Producing about 4.4 percent of world's fish, India trades to the extent of 2.4 percent in the global fish market (source: Handbook of Fisheries and Aquaculture, 2006).
- In the year 2007, the marine fish landings of India were nearly 2.88 mn tons showing an increase of about 6.3 percent as compared to the previous year.
- India ranks third in global fish production, contributing over 1 percent of the total GDP and nearly 5.3 percent to agricultural GDP (as per CSO).





Source:- Department of Animal Husbandry, Dairying and Fisheries

Table I

State	Coastal Length (Km)	No. of Landing Centers	Fishing Villages	Active Fisher folk		
				Full-Time	Part-Time	Occasional
Gujarat	1600	123	263	68956	10185	4181
West Bengal	158	44	346	50924	15630	4196
Tamil Nadu	1076	352	581	185603	15954	5351
Orissa	480	57	641	74980	34315	11987
Maharashtra	720	152	406	54901	12484	4689
Goa	104	34	39	1511	817	187
Andhra Pradesh	974	271	498	109644	13008	15962
Karnataka	300	88	156	32274	4152	1206
Kerala	590	178	222	124103	10488	5631
Pondicherry	-	26	28	9503	401	437
Others	2127	7	22	5600	194	74
Total	**8129**	**1332**	**3202**	**717999**	**117628**	**53901**

Source: Central Marine Fisheries Institute Cochin, Kerala

Beauty Begets Beauty

In-depth assortments and effective merchandising buoy supermarket beauty sales.

By Debby Garbato

A supermarket can't wear "just a little lipstick" if it wants to be successful in beauty. It must carry almost every SKU and make impactful merchandising statements in cosmetics, hair care and other key categories. Otherwise, beauty is generally not worth the bother.

In recent years, some grocers have decided that beauty involves too many SKUs and too much space. Those that remain in the category, however, understand these commitments. They also understand that beauty departments must look beautiful to stand out. This can involve special merchandising, fixtures, packaging and lighting. Frequently, beauty is separated from in-line categories in its own corner or department.

"For the most part, grocers haven't paid a lot of attention to personal care or beauty," says John Coyle, director of in-store visibility at Englewood Cliffs, New

RNI NO.: DELENG/2007/33157