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Spices and condiments have bright business prospects ahead

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Will noodle grow faster than other processed foods?

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PROGRESSIVE GROCCER

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FOCUS ON VISION 2020

“We are opening two new stores every month and will launch the 100th store shortly”

— Dharmender Matai
COO, Heritage Retail and Bakery Division

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Two interesting developments have hogged the media spotlight recently. I am talking about the return of Maggi noodles to the Indian market after a five-month ban and the recent launch of Patanjali Ayurved's noodle. While Maggi represents the global face of the packaged food and FMCG industry, Patanjali is the manifestation of our Swadeshi resolve to develop home-grown quality consumer products.

At present, Baba Ramdev-led Patanjali's range of FMCG products include staples, nutrition, hair care, skin care, dental care and toiletries. For the last fiscal, its revenues were in excess of Rs 2,500 crore. What is even more amazing is that the success has been accomplished sans any big-budget marketing. This is quite unlike the high-decibel publicity blitzkrieg surrounding Maggi's comeback.

All of this points to the fact that there are more unconventional methods to attract consumers to your product beyond aggressive marketing. Instead of going for over-the-top advertising, Patanjali has focused on establishing the quality of its products, beefing up distribution, keeping price competitive and educating consumers about the positives of using products that are natural and therefore healthy. I am sure that in the days to come, along with the rising awareness for natural and organic products, Patanjali could well accomplish its goal of achieving Rs. 5,000 crore turnover this fiscal.


Amitabh Taneja
 Editor-in-Chief

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"WE EXPECT TO INCREASE OUR RETAIL SPACE TO 6 LAKH SQ.FT. FROM 3.5 LAKH SQ.FT. IN THE NEXT 3 YEARS"

Dharmender Matai, COO, Heritage Retail and Bakery Division, speaks about the steps and measures that his company is putting in place to achieve its Vision 2020 targets

SPECIAL FEATURE

SPICES & CONDIMENTS

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Are retailers alert to new trends?



“We expect to increase our retail space to 6 lakh sq.ft. from 3.5 lakh sq.ft. in the next 3 years”

Dharmender Matai, COO, Heritage Retail and Bakery Division, speaks to Progressive Grocer about the steps and measures that his company is putting in place to achieve its Vision 2020 targets as well as the technological and capital investments it is making in key areas of operations to become a truly integrated omnichannel player by the next fiscal



Which retail format do you stores come under?

Our stores belong to the supermarket format in food and grocery.

What is the average size of your stores?

We have Heritage Fresh stores, which are 3,000 sq.ft., while our Heritage Mart stores are over 10,000 sq.ft.

How many Heritage stores are currently in operation and where are they located?

As we speak, we are working on our 100th store. Our stores are in Hyderabad, Chennai and Bengaluru.

What is your total retail space under operation?

It's 3.5 lakh plus sq.ft.

Please share the growth journey of Heritage Fresh over the years and how you see its trajectory going forward?

Heritage Fresh was launched in November 2006, initially under the brand name Fresh@; the first set of pilot stores opened in Hyderabad. After going through several changes in the business model that aimed primarily on the perishable category (which

now accounts for one-third of the company's sales), the retail chain was renamed as Heritage Fresh. Today, Heritage Fresh is a modern supermarket stocking about 6,000 SKUs, with its core strength coming from perishable products such as dairy, fruits and vegetables. We have made significant back-end investments in the perishable categories. Heritage Fresh clocked a turnover of Rs. 7 crore in FY 2006-2007 and in FY 2014-2015, it registered a turnover of Rs. 495.1 crore. As part of our Vision 2020, we expect to reach a trading space of about six lakh sq.ft. over the next three years.

How do you see your kind of retail format evolving and sharpening its positioning further? What will be the challenges along the way?

I see our kind of format going the 'omnichannel' way where customers can shop at their convenience on a channel that is most appealing to them (offline/online). I see the format going back to the basics of right assortment, high availability, freshest food products, good customer service and right/targeted pricing.

In terms of challenges, there could be short term/operational challenges along the way. Food and grocery retail is a highly competitive business. It is volume-centric and has relatively low margins. Getting viable store

HERITAGE: AT A GLANCE

Number of stores at Present

NEARING 100, IN HYDERABAD, BENGALURU AND CHENNAI

Average monthly turnover of stores

RS. 45-50 CRORE

Customer base of stores

ABOUT 6-7 LAKH FAMILIES

Average rentals of stores and sales per sq. ft.

RS. 60 PER SQ.FT. RENTALS; RS. 1,160 SALES PER SQ.FT. IN FY 15

Growth Y-O-Y in terms of store count, sales and space

27% GROWTH IN THE NUMBER OF STORES; SALES 32%; AND 22% GROWTH IN SPACE (FY 14-15)

Average weekly footfall at stores

4 LAKH FOOTFALLS PER WEEK

Growth in same store sales

AROUND 8-9% AVERAGE GROWTH OVER THE PAST THREE YEARS

SKU count

ABOUT 6,000 SKUS PER STORE ON AVERAGE, GOING UPTO 10,000 SKUS IN LARGER STORES

Private labels' sales turnover

35% OF TOTAL SALES



Our guiding principle is **“quality is the best recipe”**

Oliver Mirza, MD, Dr. Oetker India Pvt Ltd., speaks to Progressive Grocer about his brand's dominance in the sauces and spreads category and how it is driving further growth for its products across the country

Tell us about your products in the “sauces & spreads” category. What are the consumption trends and the growth factors for these categories?

Dr. Oetker, a celebrated name with 125 years of global food expertise, offers a range of sauces and spreads in India. Our products adhere to the Indian consumer's evolving taste palates and cultural beliefs. Consumers today are bored of their regular food and want to make everyday cooking more fun and desirable by creating global cuisines like Italian, Continental, American and Mexican, etc., in the convenience of their homes, and also add that extra zing and zest to the mundane food. We offer an

array of exciting products like mayonnaise, sandwich spreads, salad dressings, peanut butter, and Italian sauces, which helps create flavorsome and tasty Western food at home. We have also introduced new products and experimented with our recipes to suit the preferences and taste palates of the country's significant vegetarian population.

Today, we have eight variants in the Mayonnaise category, namely Classic, Veg, Tandoori, Garlic, Burger, Green Mint, Olive Oil and Diet, four variants in Sandwich Spread and seven variants in Pasta & Pizza sauces, through which we target Indian consumers. Except for classic mayonnaise, the balance seven variants are vegetarian and we

have been the pioneers in introducing variants like tandoori and olive oil. All our products have specific roles to play in the different segments they cater to and are doing well in the market. Our mayonnaise is one of the fastest-growing ranges in India today with a 25% growth over last year. We are also looking at growing this category by increasing the penetration of mayonnaise as we move forward.

We understand the taste buds of the Indian consumers and have therefore Indianised our products in terms of taste, flavour, aroma and packaging. We see an immense potential in the Western sauces and spreads market owing to the growing popularity of international cuisines, such as Italian, Continental, American and Mexican. There is now a growing appreciation and acceptance for Western food concepts with the exposure gained by travelling, advertising and the influence of social media.

Can you elaborate on the trends identified in the urban areas vis-a-vis rural India and highlight your target segment?

Dr. Oetker, through its brand FunFoods, is mainly functioning in the space of urban households in metros, mini-metros and tier-1 towns. However, we feel that there is a disparity between urban and rural food consumption trends and preferences even though the lines are definitely blurring. Even rural consumers, primarily youngsters, are craving for more Western food concepts with greater exposure to international cuisines and multi-cuisine restaurants, changing eating habits and the need to experiment with food. Today, we are a pan-India brand with a reach across all states in the country. We are present in more than 200 cities, which is more than the presence of any single QSR chain. We will continue to drive growth and expand our reach across various markets, thereby contributing to the food sector tremendously.

Quality and authenticity of ingredients in the 'sauces & spreads' category has often been an issue with consumers. What have been your initiatives in ensuring that both the quality and authenticity of ingredients are of the highest standards and there is no adulteration?

In the Oetker Group, we follow the same high standards when it comes to quality, hygiene and safety in all the countries across the world. This also includes the authenticity of ingredients. For us there is no compromise when it comes to quality. "Quality is the best recipe" is our guiding principle worldwide.

Globally, we follow the ISO 22000 standards of food safety and we follow HACCP. All our plants are ISO-certified. Our Indian plants are ISO-certified as well. In India we have spent a lot of

time in making our quality systems robust. When we acquired FunFoods in 2008, the incoming raw material check happened based on visual parameters only. This was not in line with our global standards. The first thing we have since then put in place was detailed computerized specifications for all raw and packaging materials. Today, each supplier has to match these specifications and they will provide a COA (certificate of analysis) alongside their deliveries. The incoming material will be checked and analysed by our quality department. Certain analyses are outsourced to accredited labs also.

Quality and authenticity of the ingredients can be ensured in many ways. Let me give an example about oil, spices and nuts. Edible oil is a very important ingredient for us. And for our retail products we use only imported soya bean oil and the same is sourced from suppliers who do not process any domestic soya beans. Therefore, a mix-up between domestic and imported quality is impossible.



“We are present in more than 200 cities, which is more than the presence of any single QSR chain. We will continue to drive growth and expand our reach across various markets, thereby contributing to the food sector tremendously

—Oliver Mirza
MD, Dr. Oetker
India Pvt Ltd

“Noodle will grow faster than other types of processed food”

GP Sah, CEO, CG Foods, maker of the popular Wai Wai brand of noodle, talks to Progressive Grocer about the uniqueness of his noodle brand, its major markets and his strategy for greater rural penetration



With so many noodle brands and variants from established players available in the market, how would you describe the differentiators and the competitive USP for the Wai Wai noodle brand?

The intrinsic features of Wai Wai noodles are its clear differentiators. And to highlight these features, which act as Wai Wai differentiators, we came out with slogan “Munch it. Soup it. Lunch it.” Wai Wai is the only noodle available across India that can be eaten straight from the pack as a snack and it can also be cooked by just adding hot water and allowing it to simmer for two minutes.

In India, which are the major markets (states and cities, specific regions) for your brand of noodle? According to your analysis and market feedback, which consumer segment contributes the largest to the sales of your noodle brand?

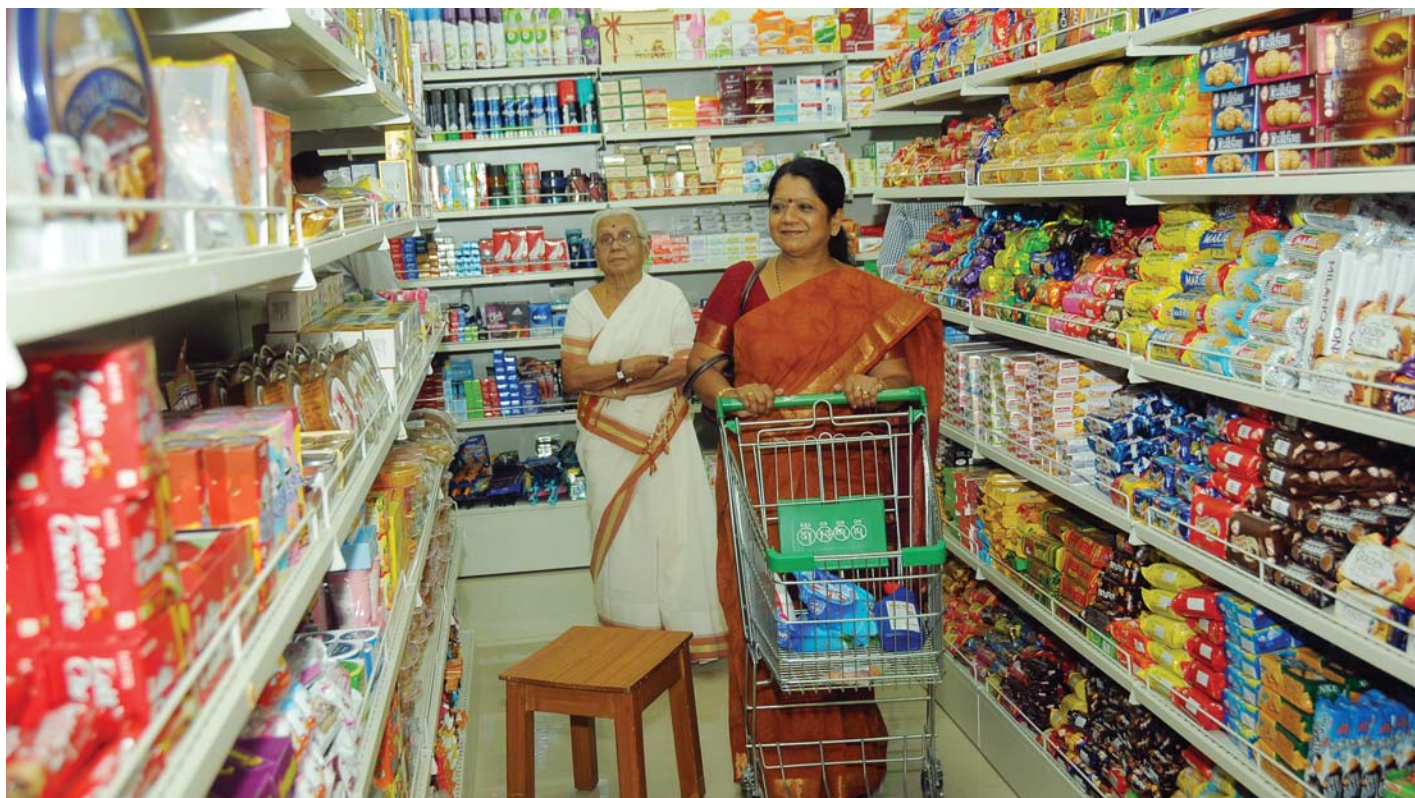
Our major markets are cities like Kolkata, Delhi / NCR, Bangalore, Chandigarh, Dehradun, Simla, Nainital, Siliguri, Darjeeling and Gangtok to name a few. West Bengal, North Eastern states, Delhi / NCR, Karnataka, Gujarat, Himachal Pradesh and Uttranchal are our strong markets.

Do you have a strategy for reaching out to smaller towns and cities and to rural areas?

In fact, reaching out to the rural market is a part of our strategy for the past three years. We have very good presence in the rural markets of many states, where our small value SKUs are very popular.

“Who minds the stores decides the bottomline”

C. Gopalakrishnan, Managing Director of NStores, which merged with NDairy Farm (P) Limited last year, speaks to Progressive Grocer about the uniqueness and positioning of his stores and his franchising strategy to power future growth in newer locations in Karnataka and Tamil Nadu



C. Gopalakrishnan
Managing Director,
NStores

Which retail format do you stores come under?

Our stores can be described as food speciality stores. They are medium-sized neighborhood supermarkets.

What is their marketing positioning?

Our stores are known for high quality premium products, and for offering a wide range of choices to consumers at reasonable prices and in a feel-at-home atmosphere.

What is the typical customer profile? What kind of people frequent your stores and in which age group? Has the customer profile been changing in any way over the years?

Our customer profile comprises consumers who seek quality products, in a well laid-out store that is well-kept and maintains top hygienic conditions. Our customers are people looking for the best available

service and information. Typically, the customer base comprises middle and middle-top income groups who are quality conscious.

Can you give details about the current category split in terms of products currently existing at stores, and plans for category expansion (plans to add new category of products)?

Our current category management focuses on food and accessories. We are open to add new categories as per the local requirements of customers.

What is the location strategy for your stores – malls or high street? Which locations do you prefer?

We go for standalone stores in residential and semi-commercial areas with a good floating population.

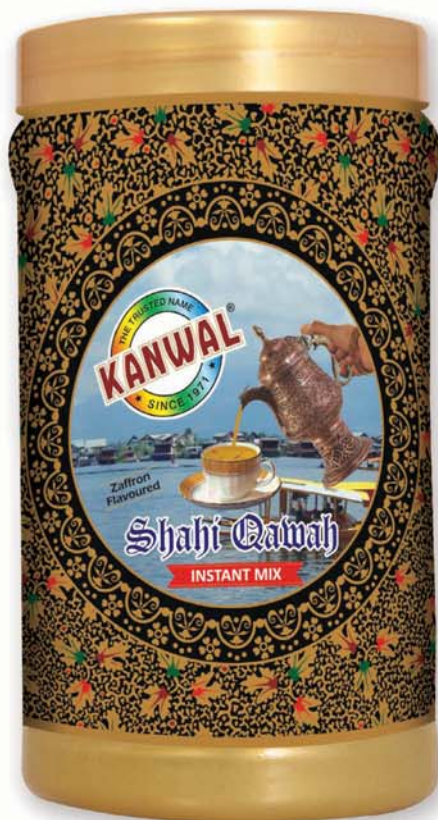
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