

# PROGRESSIVE GROCCER

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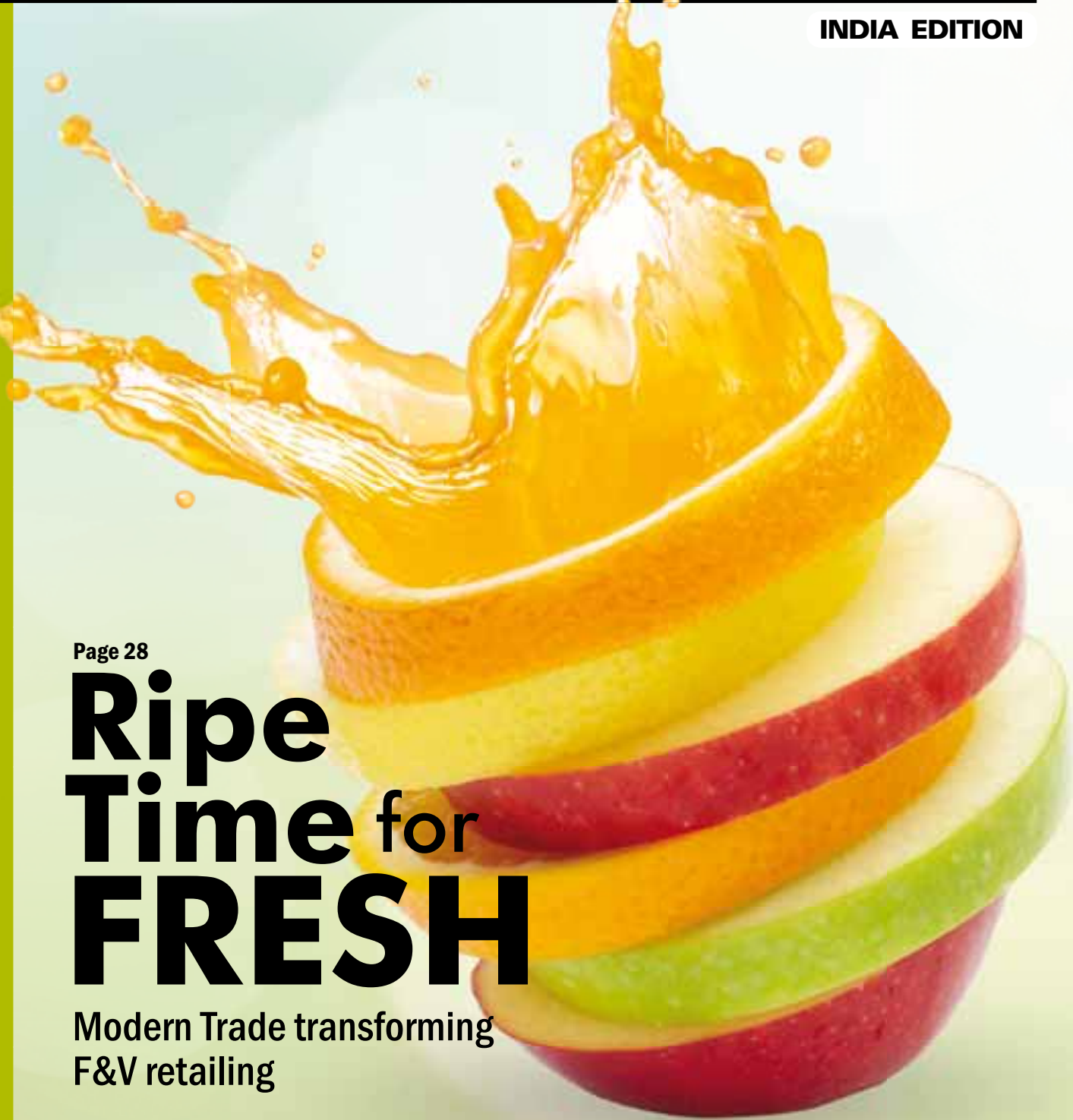


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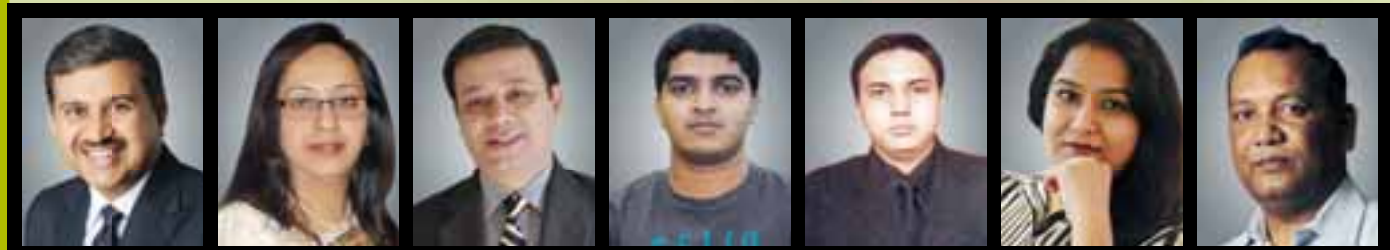
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Modern Trade transforming  
F&V retailing



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## Fresh approach to F&V retailing

Unlike other food segments, the organised fresh fruits and vegetables (F&V) retail sector has been a slow mover. It remains complex, uncertain, ambiguous and volatile, factors that are compounded by the fresh produce's perishability, seasonality and cyclic nature of production. In India, fruits and vegetable selling still remains the mainstay of traditional hawkers and peddlers, who operate through mandis, roadside kiosks and pushcarts; they also hold over 96 percent of the F&V retail.

But there is a gradual, yet noticeable, shift in F&V retailing with more and more organised retailers foraying into this space. The entry of corporate retailers like Reliance Fresh, Safal (Mother Dairy), More (A B Group), Heritage Fresh, Big Bazaar and Food Bazaar (Future Group), Nature's Basket (Godrej), etc, no doubt, has effected a transformation in the F&V retail sector, making it more organised, more modern, and more challenging.

They have brought a fresh approach to the trade by opening new format stores that offer convenience and superior shopping experience. They are reinventing their distribution and marketing strategies, and also testing newer retail formats and practices that may lead to fresh growth channels. They are also networking with farmers for direct sourcing of fresh produce. This has impacted the whole spectrum of supply chain practices, and has increased transport of fresh fruits and vegetables from farms to the end consumers.

More than anything else, the need of the hour is an efficient supply chain from farm to fork to propel the F&V sector. What is also required is for the Government to simplify regulations, debottleneck the current agro supply chain, and encourage private participation through a constructive PPP model. All of this will benefit the industry immensely; after all, the USP of F&V retailers is being able to offer the freshest to their customers.



Amitabh Taneja  
 Editor-in-Chief

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# PROGRESSIVE GROCER



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▲ Subhash Gulati at Empire Stores' Wine and Liquor section

# Measure of SUCCESS

**An opportune transition from traditional to modern trade format has helped Empire Stores hold its rank among key retailers in Chandigarh. Managing Partner Subhash Gulati shares his experiences and future plans with Namita Bhagat**

**T**he over 60 year old Empire Stores in Chandigarh is, today, a premium department store selling a wide range of food and non food items including household items, and has become a name to reckon with. The store is well-known amongst localities who are considered connoisseurs of quality products and superior services. The grocer has not only withstood evolving retail milieu, but also emerged as the city's prominent retailer owing to constant innovation and a timely transition from the traditional to the modern trade format

The foundations of India's best planned city, Chandigarh, were laid in 1952. It was also the year when R. R. Gulati was setting up a specialty food and grocery store called Empire Stores in Nangal, then a small township in Punjab. Since its earliest days, Chandigarh has had a vibrant consumer culture due to the denizens ultra-modern lifestyles, high spending power, and awareness of market trends. It has been home to a large number of affluent people who frequently travel abroad and are exposed to international brands, consumer trends and the latest products.

During the 1960s, the city had only a handful of local shops selling exquisite food products or household goods. As luck would have it, R R Gulati decided to settle down in Chandigarh in pursuit of better business prospects. Today, Shubhash Gulati, his son, and Managing Partner of the business, is gearing to grow the business and take on competitors with a well-worked out strategy that will also be aimed at winning and retaining their customers.

**Empire Stores, which has been growing at the rate of 8 to 10% per annum since the last five years, plans to bring the entire 7,000 sqft property into its retail business, and is toying with the idea of taking the e-commerce route, and opening more outlets**

Subhash Gulati shares, "When my father established Empire Stores in Nangal city in Punjab, it primarily catered to the expatriates who had come there during the construction of the Bhakra Nangal dam. Hence, the outlet stocked a variety of high-quality merchandise that was carefully selected to suit their needs. Subsequently, my father began to consider relocating to Chandigarh as the city offered greater market potential. Eventually, in 1964, the store was opened in the city's centrally located Sector-17 market. We have been serving generations of elite customers since then."

### Finding success

An opportune transition from traditional to modern trade format has helped Empire stores to hold its ranks among key retailers of the city. The USP of the store is that it is a one-stop-shop for all daily needs - from food and grocery to household items. It has positioned itself as a convenient, time-saving shopping destination. Initially, it was set up in about 2,200 sqft area, and is now spread across 3,000 sqft. Its strategic location in the heart of the city has been a key contributor to its growth; sector 17 is a popular shopping area with heavy consumer traffic. Furthermore, the sector's market has ample parking space adding to the comfort of the visitors.

Leveraging its locational advantage, the store also attracts shoppers from adjoining cities such as Panchkula and Mohali. Additionally, to boost sales, the store stocks gourmet and exotic imported food products targeted at the large section of the high-end populace in the tri-city.

Gulati informs that in an expensive and highly regulated real estate market like Chandigarh, leasing or renting a commercial space can materially eat into the retailer's profit margins. But as Empire Stores operates out of its own premises, this substantially cuts down on operational costs, thereby supplementing its overall business earnings.

### Product categories

Empire Stores stocks both food and non food products of known national and international brands. The food categories include Groceries, Beverages (alcoholic, non alcoholic, fruit juices, tea, coffee), Bakery & Confectionery (breads, biscuits, chocolates, snacks), Dairy Products (specialty cheeses, dairy spreads, mayonnaise, baby foods), Processed Foods (jams and spreads, syrups and sauces, condiments, yeast extract, peanut butter, canned vegetables, breakfast cereals, pasta, flaxseed oil, olive oil, prunes, vinegar, etc) and Health Foods. It also offers homemade chocolates that are exclusively made for the store, which also boasts of its own bakery for manufacturing breads and regular and sugar free cakes. Under the non food category, the store sells cosmetics, personal care, kitchenware, plasticware, and miscellaneous household goods.



▲ Cosmetics from Chambor, Loreal, Maybelline, Revlon, Lakme, Ponds, Olay, Lotus and other renowned brands on display

▼ Empire Stores makes constant innovations in modernising its trade practices, improving retail techniques, and enhancing its product offerings



▲ From the initial 2,200 sqft to 3,000 sqft, and plans to expand to 7,000 sqft, Empire Stores is set to grow, following which, it will introduce more household items and lifestyle products



# EXTENDING REACH

**Neti Srinivas, VP Sales & Marketing at Maiyas, elaborates on product innovations, expansion to 20 outlets this fiscal through franchisees, and extending reach across north India**

By Roshna Chandra

**Tell us about the products that Maiyas launched after 2009 and their current performance.**

The first thing that we launched in the processed food segment was the savouries (Indian sweets and snacks). Once we had ended the non-compete agreement with Orkla in 2012, we launched instant mixes and ready-to-eat products. We broadly operate across savouries and snacks with products like soan papdi, which we introduced two years ago and gulab jamoon,

which we launched about two months back. We also offer spices, beverages and frozen foods.

Snacks currently comprise 45 to 50 percent of our turnover, which makes this category our largest moving product; it has been in the market the longest, that is, for almost three years. The other categories are only 18 months old. Instant mixes and masalas give us close to 12 percent each, and Indian sweets 10 percent. Beverages give us 12-13 percent. We launched frozen food about four months ago; the category is yet very small as we are still supplying directly to the market from our manufacturing unit in Kanakpura, and we have to start proper distribution.

**Which are Maiyas highest performing regions?**

Karnataka, Kerala, Andhra Pradesh and Tamil Nadu are our highest performing states. We have launched our snacks in the north, north-east and the west. We are geographically based in the south and these products which are authentic south Indian food, are the largest sellers in India. Our brand is like the Haldiram's of north India. When they launched 15 years ago, they were considered a north Indian product; now they are available in every region across the country. Like them, we are also taking our product assortment across the country

The north-east is a very large market for us, especially for our beverages, sweets and snacks. The only problem is there is no proper distribution channel in the region, so we follow the CNF model for redistributing our products. In the other regions we have our own sales force and offices in Tamil Nadu, Kerala, Calcutta, Andhra Pradesh, Guwahati, Delhi and Mumbai.



▲ Maiyas has become a landmark, and its stores are visited by around 8,000 people in a day

**In 2013, Maiyas had announced an investment of Rs 120 crore in technology and innovations. What has the company since achieved?**

Innovations were mainly in our snacks category, wherein we developed a process of removing the oil after frying (which nobody else does), with the result that we have a cholesterol-free, healthier product. We also innovated in our ready-to-eat/frozen foods. For example, the Mangalore bajji (a popular south Indian snack), can go sour within half an hour. So, we made a batter, which, once fermented, is used to make the bajji and we do not add any preservatives. The result is that we are now able to make the product in large batches, and it is available across more stores. The latest product that we launched is the ragi ball (a Karnataka dish) in a ready-to-eat format.

**What are your manufacturing strengths?**

All our machines are imported and custom designed. For example, our Kodubale machine is made in Italy, and was originally designed for making Italian dough mix. The Kodubale involves a highly laborious (manual) process of cooking. When we saw the Italian machine, we had to customise it in order to use the required flour mix of wheat and rice. Now we have an incredible capacity to make Kodubale, which is extremely difficult to prepare manually. We also have a machine for making chutneys. However, a lot of these machines are not readily available. We had also invented many machines when we were with MTR.

What's more, we offer the same products across all regions, and they are truly authentic products. We do not believe in tailoring the products to suit any particular region; we are making the products the way south Indians enjoy them and this has been our USP, and it differentiates us from the competition.



▲ Maiyas stores are part retail and part restaurant, measuring 1,500 to 2,000 sqft, with over 300 skus

▼ The Rs 70 crore company hopes to reach Rs100 cr this fiscal, and Rs 200 crore next year



We have a 28,000 sqft factory with separate units for each product category. Our manufacturing capacity is up to 700 crores. Currently, we are a Rs 70 crore company, and we hope to reach Rs100 cr this fiscal, and Rs 200 crore next year. When we started operations in 2010-11, our total turnover was Rs 3 crore, so it definitely has been a steep climb.

While at MTR, there were close to 600 people involved in various activities from frying to packaging. Now that we have mechanised the entire process, we actually require only 10 percent of the workforce. Currently, our total factory strength is about 100 people. We are now investing more in creating a strong sales force so as to extend the brand's reach across the country.

**What are the major challenges?**

Reach is a major challenge and so is educating consumers. Since we are introducing products for national consumption, it is a challenge to educate consumers from all the regions about our ready-to-eat products and assure them that they are of good quality. We have invested heavily in customer engagement and in creating awareness. For the past one year, we have been going house to house giving cooking demonstrations so that consumers can experience our products first hand. We also have skilled chefs on board.

All our products are packed in carton boxes, which are transported from the factory to a CNF, who redistributes the

# Ripe Time for FRESH

By Namita Bhagat

**Fruit & Vegetable retail in India is gradually transforming with organised players revisiting their business model at every step of the value chain from farm to fork, in order to restructure it. They are reinventing their distribution and marketing strategies, and also testing newer retail formats and practices that may lead to fresh growth channels**

**O**rganised retailing is gaining momentum in India. The trend has also picked up pace in food and grocery selling which is the largest category, comprising almost 60 percent of total retail. Unlike other food segments, the organised fresh fruits and vegetables (F&V) sector has been a slow mover. The economic liberalisation in 1991 paved the way for modern retailers to foray into F&V business. The entry of corporate retailers like Reliance Fresh, Safal (Mother Dairy), More (A B Group), Heritage Fresh, Big Bazaar and Food Bazaar (Future Group), Nature's Basket (Godrej), etc, into this business was significant too as it made the sector more organised, more modern and more challenging.

They brought with them a fresh approach to the trade by opening new format stores that offered convenient and superior shopping experience. It seemed that their huge investments would give them quick traction and rapid growth. Traditional retailers and small vendors regarded them as a potential threat of 'big fish eating small fish'. But after all these years, fruits and vegetable selling still remains the mainstay of conventional vendors, hawkers, and peddlers. Operating through mandis, small roadside kiosks, or pushcarts, they continue to be fiercely competitive and hold over 96 percent of F&V retail. On the other hand, the extent of modern retail is only up to 3-4 percent of the total retail. This is forcing organised players to revisit their business and distribution models to increase their market share. Further, as the modern consumerist culture takes deeper roots in India, a bigger tussle between organised and unorganised players is inevitable.



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## ORGANISED RETAIL GAINING GROUND



“The F&V trade in India is quite complex, uncertain, ambiguous and volatile. Despite being a low margin business, it offers tremendous market potential. As of now, the organised retailing in this space is very low in our country.”

— Pradipta Kumar Sahoo,  
Mother Dairy F&V

In the U.S., Australia, Canada and Asian countries like Indonesia, Malaysia, Thailand, and Philippines, organised F&V retail is highly developed. In contrast, the Indian market is in the early stages of development. “The F&V trade in India is quite complex, uncertain, ambiguous and volatile. It is further compounded by the perishability factor intrinsic to the category, seasonality and cyclic nature of production system. Despite being a low margin business, it offers tremendous market potential. As of now, organised retailing in this space is very low in our country. The local fruit and vegetable vendors dominate the market,” observes Pradipta Kumar Sahoo, Business Head – Horticulture, Mother Dairy Fruit & Vegetable Pvt Ltd. The company is a leading organised retailer of fruits and vegetables across Delhi/NCR under the Safal brand. Having pioneered the concept almost 25 years ago, it currently runs 350 Safal stores. According to Sahoo, the idea of Safal was to provide a continuous and reliable supply of fresh produce to its customers, all the year around, without compromising on the core values of safety, freshness, and value for money.

Hyderabad-based Heritage Foods has affirmed significant presence in the southern states through 68 Heritage Fresh supermarkets where F&V is the main attraction. S Jagadish Krishnan, Chief Operating Officer of the company’s



Heritage Fresh store

retail and bakery divisions, comments, “Fresh produce retailing in India is largely unorganised. The vendors procure their stock from wholesale mandis and sell by going from street to street or through small roadside shops. Besides, there are local weekly bazaars that spring up in various localities. So, pure organised F&V retail segment is still niche and there are not many players in it. It takes time and patience to understand and sustain in this category as one is dealing with products that have only 1 or 2 days of shelf life.”

Kovai Pazhamudir Nilayam (KPN) is a leading retailer of fruits and vegetables based in Coimbatore, Tamil Nadu. It began its journey in 1965 as a single shop and by 1985 had expanded to four outlets only. However, over the years, it has expanded to become a multi-crore chain of 44 outlets spread across the state. Senthil Natrajan, the Managing Director and son of KPN’s founder N. Natrajan, feels that traditional sellers will always remain their primary competition since they are deeply connected with buyers and know exactly what they are selling, and (mostly) understand quality also. Apart from this, they don’t have rentals or high fixed costs. “Where we can be better is in our ability to provide more variety given the vast space in our outlets, hygienic shopping conditions, and ambient atmosphere,” he adds. The business model of KPN is very basic and suitable for tier 2 and 3 cities. Its further growth will depend on its capacity for maintaining fresh stocks, competitive pricing, adding products that would entail efficient logistics, and a proper cold chain.



“Pure organised F&V retail segment is still niche. It takes time and patience to understand and sustain in this category, as one is dealing with products that have only 1 or 2 days of shelf life

— S Jagadish Krishnan,  
Heritage Fresh



Safal store



# LOVING YOUR PET

From Pedigree, one of the world's favourite brands, to home-grown PetDig and Harley's Corner, and dedicated portals like dogspot.in, the dog food category in India is growing significantly

By Zainab Morbiwala

**T**wo decades ago, the only dog food brand available or known to most Indians was Pedigree. Pet owners, by and large, would feed their dogs home-cooked food. When cable television began to attract brands across different categories for advertising their products, the Pedigree brand too began reaching homes of pet owners, luring them to look at packaged dog food as an option. As the market opened up, many more brands from the home turf began to emerge along with the entry of some international ones. The turning point for this category came during late 2000 when supermarkets, hypermarkets and some mom and pop stores began to shed their reluctance to stock dog food.

## Selling the category

Discussing the current market dynamics, Nitin Kulkarni, Director, Corporate Affairs, Mars India (behind the Pedigree brand), says, "Pets are an emotive aspect of our lives and care for them extends to all product categories related to them. Prepared pet food has gone through its journey of being perceived as a snack, a nutritional supplement, mixer and, finally, food. Even after 12 years in India and growing the category in healthy double digit figures, we have barely managed to scratch the surface

in terms of penetration, or significantly changed the consumption habits of pets. Though most Indians are god lovers, cat ownership is increasing too. As regards breeds, demand for smaller dogs is growing more than for large breeds. Our brand distribution has tripled over the last three years with pet specialty stores leading the growth."

At Auchan, the dog food category contributes about 2 percent of their total FMCG turnover (monthly). The retailer stocks Pedigree, Glenlands and Drooms, of which, Pedigree registers the highest sales. Says Ponnu Subramanian, Senior Vice President - B&M (Foods) & SCM, Max Hypermarket India, "Since 2012 we have been witnessing 12 to 13 percent revenue growth for this category, but for the time being we do not plan to expand the number of skus; instead we will be expanding into pet accessories."

The growing popularity of packaged dog food is evident from the fact that supermarkets and standalone stores in tier 2 cities and towns are also stocking it. Navjeevan Super Store in Jalgoan, a tier 2 town in Maharashtra, plans to stock dog food in its soon-to-be-launched supermarket. As owner Anil Kankariya points out, "The size of my existing supermarket does not allow addition of the dog food category, but at our upcoming store that will open in another 3 months, we will definitely start selling dog food as we have seen demand for it in Jalgoan."

Ankur Modi at Dhiraj Sons Mega Store in Surat, shares, "Surat is considered a tier 2 city in India, but the aspiration level of the people here is at par with the metros.





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