

Retail Insight

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PROGRESSIVE GROCCER

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HYPERCITY SHOWS ITS MOJO

With a clear positioning:
Something Fresh Everyday



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The Indian consumer is a force to reckon with. A strong and growing middle class of 360 million, most of them being young, educated, well travelled, living in nuclear families and well aware of the global trends. They are concerned about the quality of their food and they don't mind spending more on quality food, especially for their kids.

This upward mobility of consumers is also influencing food trends. Imported global food, specialty food like organic food, functional food and other pure forms of food like vegan food are becoming a part of the food habits of most city slickers. But the more heartening thing is that even people in smaller cities are now opting for more protein, specialty grains, healthy options of refined food, condiments, wines and healthy sides. They are more open toward experimenting with a variety of food options not only from other states of India but also from global destinations.

This huge demand from small towns and rural markets has not gone unnoticed. Retailers and marketers realise that the next set of large consumer groups is to be found in rural and semi-urban areas. They have already started taking steps to make inroads in these markets, which will become major catchments in the next 5-7 years.

I expect the next phase of revolution – in terms of growth – in the food sector to come from tier-II & III cities and rural areas. If the economy has to grow 8-10 per cent, then there is no way that it can happen without investing in these emerging pockets. That is where the future demand will come from.



Amitabh Taneja
 Editor-in-Chief

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Selling to 10 million grocers in India

Selling is as old as the hills. It started with Eve persuading Adam to eat the forbidden apple. So selling is an ancient art. Selling in a complex country like India is also a science, requiring a deep understanding of trade dynamics, consumer behaviour, retailer psychology, and markets. Selling is a very challenging profession in India, where millions of consumers enter the market daily.

In this article, the first in a two-part series, **Rajendra K. Aneja** – a retail veteran with experience of working for 28 years with Unilever in Asia, Latin America and Africa – illuminates in the light of his vast repository of knowledge and experience in the Sales domain, how FMCG companies should go about cracking the challenge of ‘selling’ in a complex retail market like India.

“Baniyon se seyono,
so dewano”

(He who claims to be wiser than a grocer, is a fool)

– Birbal, Counsellor to Emperor Akbar



Patricia and I went shopping last week. We bought some apples and cauliflower, from street shops in Colaba, Mumbai. The fruits and vegetables were laden with dust. Now, Patricia after a decade in Dubai, is habituated to shopping in air-conditioned hypermarkets, where 11 varieties of apples, 8 varieties of oranges and 7 varieties of tomatoes sell after cleaning, grading and packing. “Where is the supermarket in Colaba?” she laments. I explained to her that the high real estate prices make supermarkets unviable in South Mumbai. Patricia was confused.

A month ago, on a drive from Delhi to Muzzaffar Nagar in west UP, we had stopped at “Lal Kisan Hatti”, in a village to buy some bottles of mineral water. The shop overflowed with consumer products

viz: hair oils, shoe polish, ball-points, washing powder, razor blades, biscuits, savouries and snacks. They were piled on shelves and floors, haphazardly. But Lala Lal Krishan did not have the inclination or time to arrange all stocks systematically. “Does he not realise his sales will increase if he operates more systematically?” queried Patricia.

The sales of Fast Moving Consumer Goods like toilet and laundry soaps, dishwash liquids, detergents, shampoos, toothpastes and toothpaste, snack and packaged foods, shaving products, shoe care products household accessories and electronic goods are booming in India thanks to its vast and diverse market.



India's complex retail market

This voluminous market is scattered across 5,000 towns, urban conglomerates and 6,38,000 villages. Therefore, to reach the 1.2 billion Indian consumers, through approximately 10-12 million grocers, is a daunting challenge. No other country in the world offers such boundless opportunities, accompanied by knotty complications. Every day is a challenge, despite good systems, due to poor infrastructure, logistics, untrained manpower and “short-term gain” mind-sets of traders.

Selling to India is also complicated by the massive variances in culture, consumption habits, income differentials, etc., within the vast country. The Gujaratis flavour all their dishes with sugar, Andhraites love chillies, Punjabis love all things made of “paneer” or in the “tandoor”! Income and wealth disparities in India are mind-boggling. About 25 per cent of Indians subsist on 1-2 USD per day, but the rich Indians in cities have life-styles, which cost USD 20,000 and above per month.

Translating sales vision into reality

The vision of any bright company should be to render excellent customer service and ensure its products reach every customer in the shortest time and lowest cost.

Sales is one of the most important activities in any organisation. Sales management converts

the finished products of the company into money. This money enables the company to buy fresh raw materials to produce more products. Sales is like the ignition key of a car. The car moves only when the key is switched on. Similarly a company runs as long as people buy its products.

Here are 11 building blocks to convert the sales vision into reality. I will discuss five of these building blocks now and the rest in my next write-up.

Build a strong distributor system

The distributors are the first customers of the company. They buy products from the company to distribute them to over 10 million grocery shops



Selling to India is also complicated by the massive variances in culture, consumption habits, income differentials, etc., within the vast country. The Gujaratis flavour all their dishes with sugar, Andhraites love chillies, Punjabis love all things made of “paneer” or in the “tandoor”!

in India which sell tooth powder and salt to 1.2 billion customers in India. About 70 per cent of the country's population, i.e. 840 million people, live in about 6,38,000 villages. Another 360 million Indians live in urban areas, scattered in about 5,000 towns and cities. Modern trade, i.e. hypermarkets and supermarkets are at a nascent stage of growth, accounting for about 4 per cent of the business.

It is impossible for any company to cover these scattered markets on its own. Consumer product companies rely on a robust distributor system to supply products to the eventual consumer. Company depots supply stocks to distributors, who in turn feed wholesalers and retailers in the urban and rural markets.

Distributors are long-term partners of the company. It is wise to choose them prudently and then keep them with you. Companies that have a track record of keeping their distributors with them, over decades, always prosper. Over the years, distributors imbibe values of the company and master the operational practices. They are thus able to operate independently, without inordinate supervision. A strong distributor network is like a strong steel framework for any company.

When I commenced my career with Hindustan Lever as a young Sales Manager for foods, in 1975, Dalda vanaspati was also in the portfolio. It was a highly sensitive product. It was frequently subject



How to increase sales throughput

Various analysts and industry reports suggest that modern retail trade will see more than a six fold increase in revenues over the next five years. In numerical terms, this translates to a CAGR of 17 per cent, reaching an industry turnover of \$1.3 trillion by 2020. The share of modern trade in this industry will triple (from 8 per cent to 24 per cent) in the same period.

How should the retail sector respond to this staggering growth?

By Sivaramakrishnan Narayanan & Atif Malik

The answer is certainly not simply opening more storesⁱ. The industry has to address this growth challenge through a combination of efficiency gains and effective supply chain management, in addition to opening new stores.

A recent BCG study on the Indian retail sector indicates that the sales throughput (sales/ unit area) is 20 per cent of that of international retailersⁱⁱ. This implies that smart planning; efficient operations and supply chain management alone has a huge scope of growth that can address consumer demand without the need of aggressively opening more stores.

As the industry grows and matures, the focus will slowly but surely shift to the sales per unit area metric. Eventually, we believe that this will transition into the profit per unit area metric. In

such a scenario, given a highly competitive, crowded market like India, what can the retail industry do?

A few things, in our opinion.

Squeeze a bit more

We know for a fact that floor space (or real estate) is the single largest infrastructural or fixed requirement in the retail industry. It is also true that the competition for real estate is the strongest in the urban centres. Rentals in high street in India are comparable to world averages. However, the mass market requires larger format retail stores and this will continue to be a challenge in urban centres in India.

This competition for space does have the effect of pushing up the rentals in the most attractive markets. However, retailers can ensure that they get a bit more from the existing floor space.



AN EXAMPLE CAN BE FOUND IN TESCO, SOUTH KOREA

Just like everybody else, South Koreans are busy at home and tired after a long day at work. So offering the opportunity to shop while doing something else has a lot of value. Tesco settled on commuters waiting for their train: they have time on their hands and they must have jobs, so they're likely to have money but little time.

Rather than expect them to search through menus labelled with tiny text that says such unattractive things as 'fish' or 'homeware', they plastered the glass walls of subway stations with pictures of their products, laid out just as they'd be in a traditional shop. The 'shelves' featured QR codes - squares filled with a black and white pattern, unique to the product in question, they're a more versatile successor to the bar code - which could be scanned by the traveller's mobile phone, building up a shopping basket in the few minutes before the train arrives. If your train comes before your basket is complete, you can carry on shopping without the pictures and codes if you wish.

Here, Tesco has effectively used advertising space and saved on more expensive floor space to drive revenues. A combination of technology, marketing and fulfilment effectively impacting Sales per Unit Area.

Focus a bit more

The future will require that a combination of technology, local awareness and marketing be employed to address customer needs. Some key questions:

- Who is a typical customer of your store?
- What does she want?
- Does she get what she wants as in your store?
- Do the items you stock deliver the best possible sales and profitability metrics?

In today's scenario, the modern retail stores stock similar assortment of products and run similar promotions across all stores. While this is certainly an efficient way of managing inventories and sales, whether it is effective needs to be examined. In a diverse country like India, there is likely to be variations across different suburbs.

AN EXAMPLE CAN BE FOUND IN INDIA

A large multinational Consumer Packaged Goods company wanted to assess retail coverage and brand loyalty of customers in a south Indian city for their detergent brands. They deployed point of sale data capture devices in several modern retail outlet in the city.

These devices captured data for the product category that the company was interested in not just for their brand but also the competitive brands. Overlaying the collected information on GoogleMaps and using business analytics tools, the company could derive information on the sales of the category in the different parts of the city and also the likely market share.

Thus, the company could create a mechanism to observe & capture consumer behaviour at the retail outlet, analyse the data and create solutions that aided effective fulfilment of demand or servicing additional outlets.



A somewhat similar approach has been taken by retailers in the Western world - Walmart, Macy's and Kmart. These retailers are designing marketing campaigns and stocking products that appeal to the growing Hispanic population in the U.S.^{iii iv}.

Be more responsive

How often do you go into a modern retail store to be told that what you are looking for is out of stock? The age where the portly gentleman at the cash-till knew what you wanted and made sure it was available to you is slowly going away.

Studies in the western world have shown that 72 per cent of stock-outs in modern retail are attributable to faulty in-store ordering and replenishing practices and the remaining 28 per cent are attributable to the planning and supply issues in the supply chain.

Of course, the problem also exists in reverse - over stocking of items that are not really in demand. The multiple offers, discounts and stock clearances provide enough indications in India of the extent of this problem.

A recent BCG study on the Indian retail sector indicates that the sales throughput (sales/ unit area) is 20 per cent of that of international retailers. This implies that smart planning; efficient operations and supply chain management alone has a huge scope of growth that can address consumer demand without the need of aggressively opening more stores




Ramesh Menon
CEO, HyperCITY

Smart is as smart does:

HyperCITY shows its mojo

HyperCITY's just launched its latest 49,000 sq. ft. store in Noida at Logix City Center, the third such store to come up in Delhi-NCR. About seven months ago, HyperCITY launched its first store in Delhi-NCR at Noida's Garden Galleria mall and added another in Janakpuri, West Delhi in January. It now has plans to expand in NCR with more stores in Noida, Ghaziabad and Gurgaon in the near future. What caught our attention though, at the new Noida store, was the new look of the store that connoted space, convenience, and freshness without compromising on value. HyperCITY seems to have repositioned itself with a new look and positioning statement, which is quite against the trend of retailers chasing the discount retailing model.

Progressive Grocer caught up with HyperCITY's newly appointed CEO Ramesh Menon and discussed with him about his plans and vision for taking the company forward in the company of his colleague Manoj Jain, VP Marketing, Visual Merchandising & Loyalty.

By Sanjay Kumar



The mood at the inaugural launch of HyperCITY store at Logix City Center in Sector 32 Noida is festive. There are bunting and colorful pennants all around announcing the launch of the store and streams of visitors can be seen making their way into the store either to have a look or to partake the thrill of buying from a hypermarket that has just been unveiled. The overall look and layout of the store is very impressive and experiential. Salespersons, in smart uniforms, are cheerfully greeting the customers who amble between the aisles deciding to pick up the products they have on their mind. With plenty of shoppers moving around in the first hour of the store's opening, it goes without saying that the store will act as a magnet for consumers in Noida who are looking to experience a superior shopping experience and a differential product. The location of the store is an added advantage for HyperCITY. It will have ready access to consumers who understand modern retail and prefer shopping in modern retail outlets. In fact, the premium location of the store is in line with the retailer's strategy of opening its outlets only in the top catchment areas across the country.

Founded in 2006, HyperCITY Retail is part of the K. Raheja Corp. Group, a leader in the Indian retail sector. K. Raheja Corp helped create modern retailing in India with Shoppers Stop, Inorbit Mall and Crossword chains, in addition to its successes

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what's next

◀ Cremica Fruit Crush



The newly launched Cremica Fruit Crush is made with fresh fruits and can be mixed with milkshakes, mocktails, ice creams, dessert topping, faloodas, and many other sweet delights. Billed as a healthy drink, it has real fruit pulp to give you a wholesome experience. It comes in a variety of flavours – orange, mango, apple butterscotch, strawberry, black currant, Kiwi & pineapple. Prices start at Rs. 100 and the product is available at all the leading departmental stores.

▶ Asbah Platinum basmati rice

ASBAH by DCP India Private Limited has launched its premium basmati rice – Platinum. With elongated aromatic rice grains, 'Platinum' is meant for special occasions. Priced reasonably, the product is available at retail counters and supermarkets like V-Mart, Vishal Mega Mart, Sabka Bazaar and Modern Bazaar. For those buying online, Asbah's Platinum Basmati Rice is available on Amazon, Big basket and Sangam Direct. The product is also available on B2B portal like JustBuyLive.



▼ Manpasand Beverages launches Coco Sip

Leading fruit juice player Manpasand Beverages has come up with its coconut drink segment – Coco Sip. This new product is made with 100 per cent natural packaged tender coconut water. Positioned as a healthy and premium beverage, the product will be available in 200 ml PET bottle. "Coco Sip will be made available through 1,000 modern retail stores and with select retailers having strategic tie-ups with the company. The company also plans to deliver Coco Sip at consumers' doorsteps through the e-commerce route. "With consumers becoming more health conscious, there is a growing demand for healthier alternatives in recent times," said Dharendra Singh, Chairman & MD of Manpasand Beverages Ltd.



▼ Del Monte introduces dried apricots



Adding more goodness to its wide range of products, Del Monte has launched dried apricots, which are naturally fat & cholesterol-free and a rich source of dietary fibre. A premium healthy snack, this dry fruit is indeed a guilt-free option to munch upon. Priced at Rs. 175 for a 130 gm packet, Del Monte dried apricots is available in all superstores and retail outlets.



◀ Emami Navratna Almond oil



Emami's Navratna oil has added a new variant to its portfolio by introducing Navratna Almond Cool oil. The oil is supposed to have therapeutical benefits as it comes enriched with natural ingredients like amla, bhringaraj, pudina ka phul and almonds in a fragrant, non-sticky formulation. The brand has recently roped in Bollywood actress Shilpa Shetty to endorse this new variant.

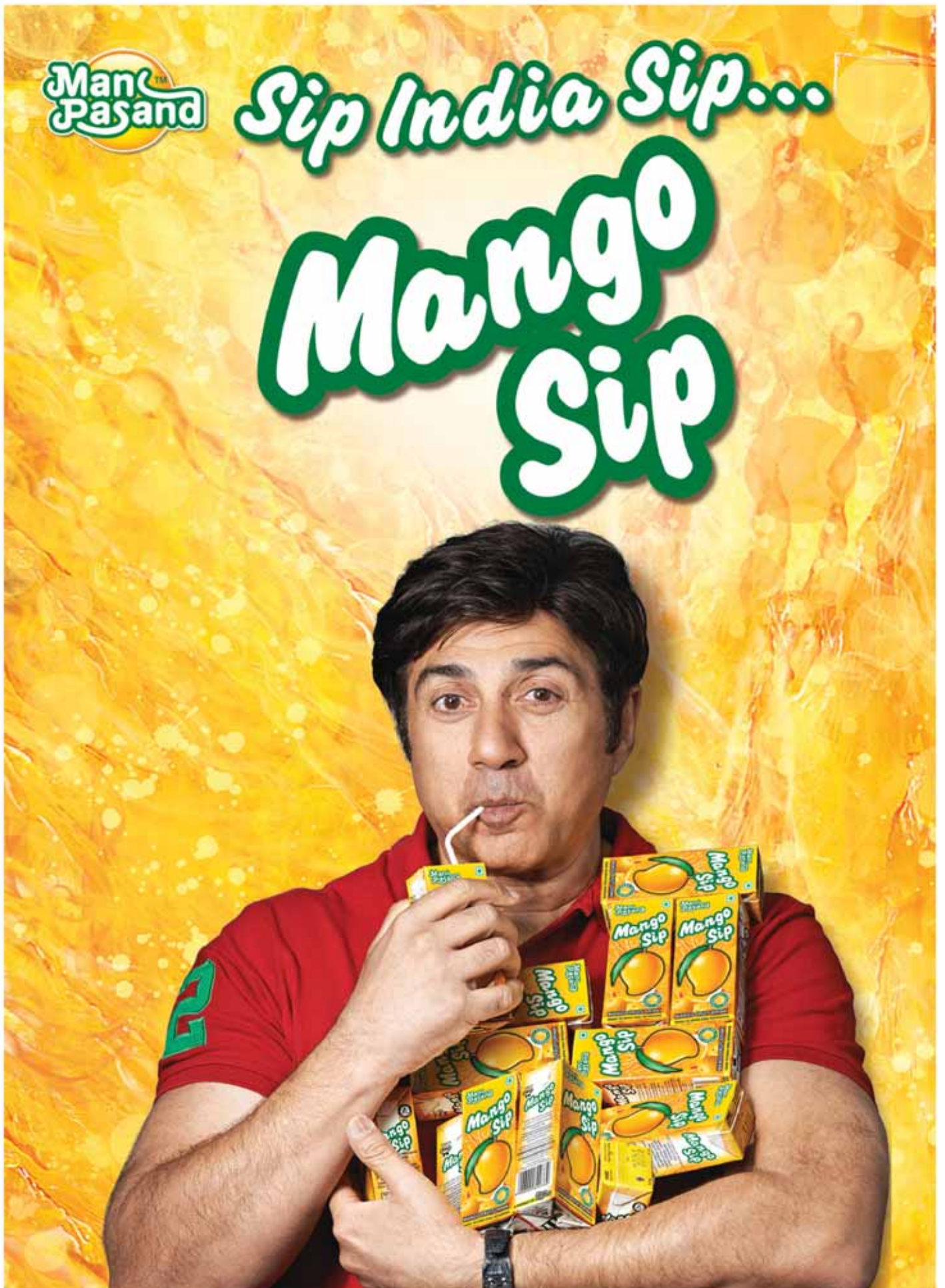
▲ Gadre introduces crab sticks

Gadre Marine has launched tasty crab sticks for the first time in India. Made of a unique paste called Surimi, these sticks are low in calories and fat, which make it ideal for anyone who is on a weight-loss programme. Crab sticks are used all over the world in sushi, salads and other dishes. The product is priced at Rs. 150 for 250 gm. It is available at Nature's Basket, Food Hall & other leading retail stores. across India.

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Pasand**

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**Mango
Sip**



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