

# PROGRESSIVE GROCCER

JANUARY 2013

AHEAD OF WHAT'S NEXT

VOLUME 7 NUMBER 1 Rs 100

INDIA EDITION

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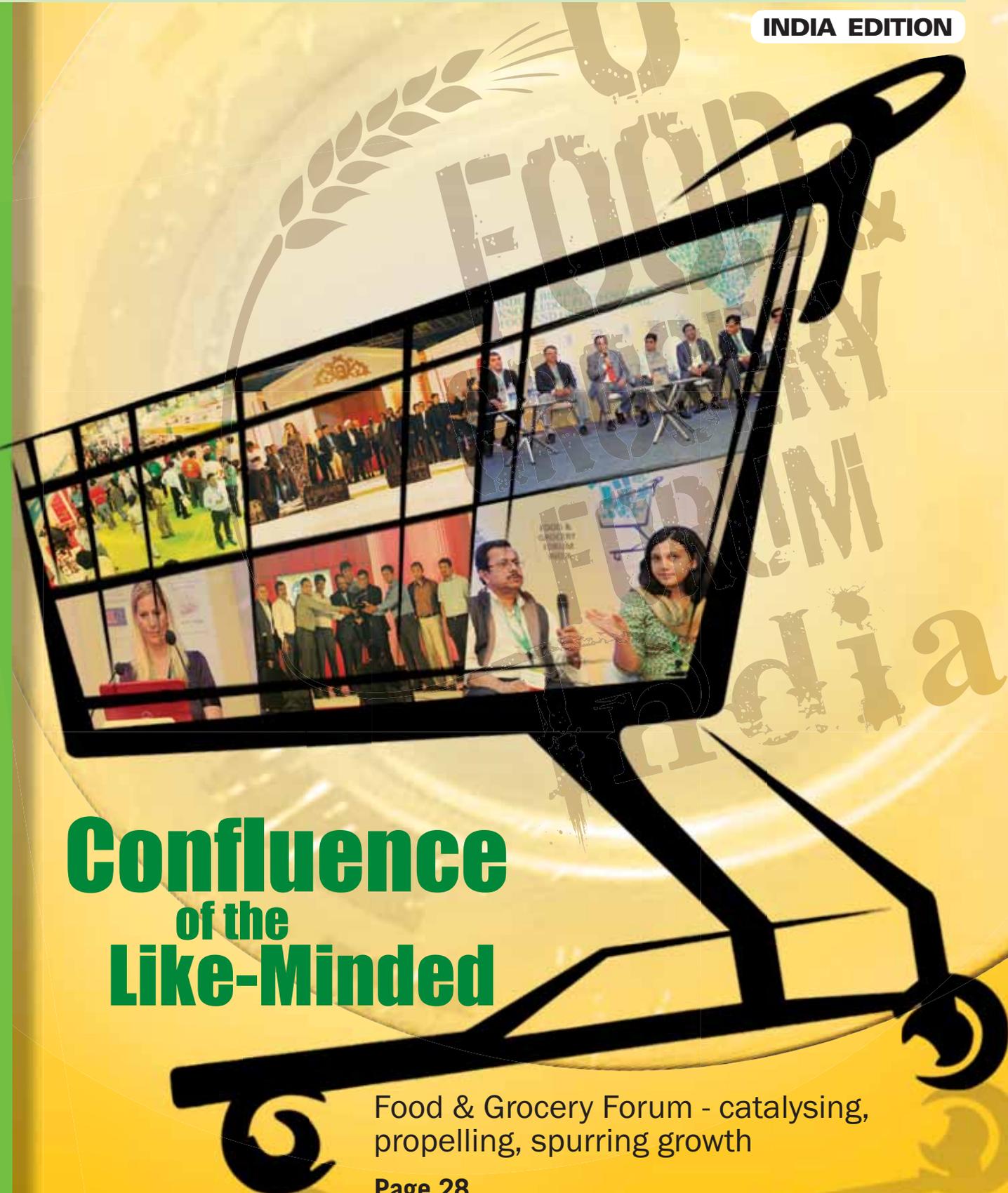
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# Progress is inevitable

It was that time of the year again - the annual forum for food and grocery - a time when the business of food viz manufacture/production, retail and consumption finds fresh avenues for growth: when food creators, food retailers, and food consumers join hands and take a three pronged approach to optimise production and consumption of safe, healthy, affordable food; when big, medium and small players hobnob with each other and share common interests and concerns with the fraternity.

This year, discussions and debates veered towards FDI and the likely impact on the F&G industry. While opponents voiced fears of job losses, of small shopkeepers getting displaced, of global giants gobbling up the business of Indian importers, the truth is far from scary. Big retail chains will actually hire a lot of people, and kirana stores will continue to co-exist with supermarket chains, because they are an integral part of the country's social and commercial fabric. Furthermore, stores like Wal-Mart, Metro or Tesco set up their retail business on the outskirts of cities, so how can they cannibalise the neighbourhood stores?

As regards fears voiced by small businesses, retail's big players will actually create an environment of intense competition, resulting in better prices and product choices for consumers. FDI has been a contentious issue for long, but the general opinion is that it will impact India's economy more favourably than not.

I thank all of you for being at the Forum and helping us forge a deeper bond with the industry. Those who were not there will find within this issue's pages interesting bytes and loads of information that flowed at the Forum; and find out who the awardees were amongst the many achievers.

Our US principal has also accorded due recognition to manufacturers in the USA market by designating them 'Industry Captains'. They were adjudged on their capacity to understand the value of management, and who, through close cooperation with retailers are working together for the greater good of specific categories, and the inevitable growth of the food and grocery industry.

Let's all welcome FDI and make the new year even more prosperous and happy for all of us.



Amitabh Taneja  
Editor-in-Chief

All feedback welcome at [editorpgindia@imagesgroup.in](mailto:editorpgindia@imagesgroup.in)

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# PROGRESSIVE GROCER



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# Brewing A Fine Blend

Madhav Sarada, Managing Director, Chief Tea Taster & Master Tea Blender at Golden Tips Tea Company - a tea processing and trading company - narrates the 80 year old brand's journey and current repositioning to **Juhi Sharma**

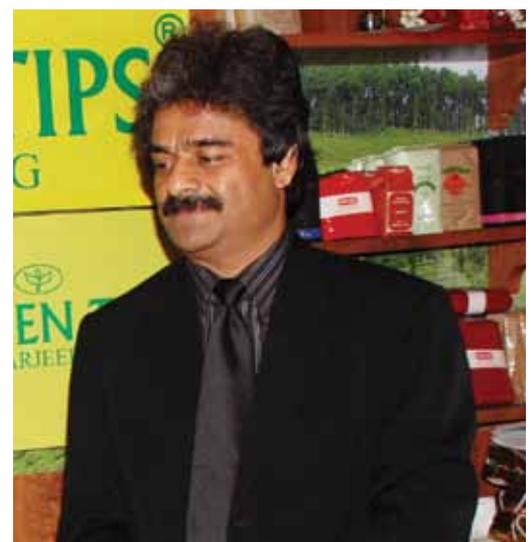
**Golden Tips Tea is an established brand amongst connoisseurs of fine tea, who savour its handpicked Darjeeling tea and can choose from over 150 varieties sourced from across the world. What were the early years like?**

We are among the first tea companies. We established the first tea store in Darjeeling in 1933. It was a small store that catered primarily to local buyers and tourists. As we became better known, dignitaries visiting the hill station would also request for tea from our store. Many foreign tourists, who used to carry our teas back home, used to write to us asking for tea to be sent to their address. With the negligible infrastructure at that point of time, delivering to a far off country used to take as much as three months. Now, our consumer base has increased significantly, thanks to

simplification of payment gateways, credit cards, fax, e-mail, and express couriers. And there is on-line ordering as well through our website [goldentipstea.com](http://goldentipstea.com).

The enterprise, now known as Golden Tips Tea Company, was incorporated in the year 1989, following which it branched out of the decades-old retail business and became a multi-faceted tea company in Darjeeling. The diversification from retail to wholesale, packaging, marketing, and finally e-commerce was a natural progression. We started exporting the finest Indian teas in indigenous, handcrafted gift packages. The exquisitely packaged teas have been received with lot of enthusiasm in countries across Asia, Europe, and America.

The tea business gathered momentum in 1993 with the opening of our first packaging



 Madhav Sarada, Managing Director, Golden Tips Tea Company



## Current status

**Total number of stores:** 15

**Location of store(s):** Darjeeling, Gangtok, Mumbai, Pune, Bangalore, Kolkata

**Store size:** 300-1000 sqft

**Average investment:** Rs 30-80 lakh

**Average footfalls per day:** 20-30

**Average bill size:** Rs 800-1200

**Sales growth year-on-year:** 30 percent

**Technology:** POS

**Number of skus:** 500+

**Largest selling tea variety:** Golden Tips Green Tea

unit. Today, we have two well-equipped and state-of-the-art tea processing and packaging plants in Delhi and Kolkata each. Over 75 percent of our teas are packaged and marketed under the Golden Tips name. Golden Tips Tea Cosy, Nathmulls of Darjeeling and Kho-Cha are other trade marks and brands owned and operated by us.

We launched almost 35 variants of the finest teas, and packaged them attractively. We began to market them in department stores, supermarkets and in duty-free stores. In 2005, we decided to increase our retail presence and began to open stores across metros. In the same year we also launched a brand, Golden Tips Tea Cosy in the modern retail. Today, Golden Tips Tea Cosy has more than 15 outlets across the country and is considered India's largest chain of tea boutiques. Our customers are connoisseurs of fine teas, foreign tourists, diplomats, corporates, etc. We have a strong distribution network across the country and are catering to international markets, mainly the US, Europe, Russia, Australia, Japan, Taiwan and Korea.



Tea lovers can choose from over 150 varieties sourced from across the world

and many other exotic teas sourced from all parts of the world.

Our aesthetic packaging is the perfect foil to the teas. We are getting queries for franchisees from across India and countries like US and Australia where there is a strong demand for Indian teas. We will be rolling out strategic partnership plans and opening boutiques across the places by the end of 2013.

We have positioned teas as jewels in the minds of our consumers through our unique and innovative handcrafted gift packaging in jute and wooden boxes, brocade and embroidered bags, as well as in fine velvet and jute boxes sourced from different parts of the country.

tea bags, metal caddies and other consumer packs for the domestic as well as the international market. Our brand colours will be gold, black and white, which will reflect the rich and exclusivity of our teas.

### What are the current trends in tea consumption?

The total branded tea market in India is currently Rs 6,000 crore approximately, and is growing at a rate of over 5 percent year-on-year. There is a lot of potential and space in the category for many brands to co-exist. However, the market size for premium or high-end tea is wafer thin.

I believe that with increasing awareness about tea as a health beverage, the market

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## The total branded tea market in India is currently Rs 6,000 crore approx, and growing at a rate of over 5% year-on-year. With increasing awareness about tea as a health beverage, the market size could double in the next 5 years

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### What is the USP of your retail business?

We offer no less than 150 variants of tea, and stock more than 500 skus, along with a wide range of tea paraphernalia such as tea pots, tea sets, tea cosies, tea strainers, etc. There is the regular black tea, flavoured teas such as blooming tea, green tea, jasmine tea, Oolong tea, white tea, organic tea, orange pekoe tea,

However, over the years, we have realised that there was an increasing demand for fine Indian teas from our customers in India and across the world for everyday use and in proper consumer packs. Seeing the same, we are totally re-branding ourselves as a premium consumer tea company with our new range of exotic and high quality teas in tea bags, luxury

size could double in the next 5 years. India is the largest consumer of tea in the entire world, and with such a sustained growth rate, India is definitely a major market for tea, even the finer varieties of tea.

Awareness of the health benefits of teas such as green tea, which is abundant in antioxidants, has significantly contributed to this

# Confluence of the Like-Minded

The Food and Grocery Forum (FGFI) has been catalysing, propelling, and spurring growth of the F&G industry since its inception in 2008

By Annie Johnny

Once again, the FGFI mega event brought together industry leaders, experts, and professionals from the support industry under one roof to share and discuss common issues, especially in the wake of the FDI ruling.

The 6<sup>th</sup> edition held at the Bombay Exhibition Centre, Mumbai, on the 12<sup>th</sup> and 13<sup>th</sup> of December was a hot bed of discussions on the most pressing concerns of retailers and manufacturers, who exchanged views on the upcoming FDI and the likely impact on the industry, category management, growth of private labels, and other such interesting issues.

It was a platform for fresh learnings, broadening and sharing of knowledge, and for networking. It also provided an opportunity for both established and upcoming companies to connect and showcase their brands and newly launched products.

Organised by the Images Group and supported by the Ministry of Food Processing Industries (MOFPI) and Forum for Indian Food Importers (FIFI), the FGFI is the largest congregation of key food retailers, manufacturers, and trade bodies in India's food business. It covers all business segments viz food retail, food technology and processing, food logistics and support, and information technology.



## MARKETING THROUGH SOCIAL MEDIA

Insightful workshops provided practical steps for enabling the participants to improve their business prospects in the coming new year. A workshop held by Elin Kilicarlsan, New Media Specialist and Co-founder, SME Rebuilders (UAE), discussed social media as a tool for marketing, which she described as more “pull marketing rather than push marketing.”



○ Elin Kilicarlsan explains use of social media to elevate a brand

According to her, more than advertisements, it is recommendations by friends and family that can induce buying. So it has become imperative for brands and retailers to have an online presence if they want to connect with the millions of potential shoppers who are wired in everyday. “There are so many people using social media like Orkut and Facebook on a daily basis. India stands at number three in terms of the number of

Facebook users. So imagine how powerful it is for the retail industry. You want to have your business on Facebook where people can find you; you want to be where your customers are,” said Kilicarlsan.

She added, “Great customer service and customer engagement equals customer retention and more money. Typically, 80 percent of the revenue will come from 20 percent of the customers. You want to have loyal customers who are talking about your brand and selling it for you.”

Kilicarlsan reiterated the importance of having the infrastructure in place before entering online marketing, while giving retailers valuable tips on how to start their online ventures. “When you get online, you have to be sure that you have the foundation. Even after you have a strategy in place, you have to revisit it every year because there could be new platforms that you need to be present in. Ensure that you have back-end support to handle your website, and a customer service, call centre or support service that can handle the inquiries which will pour in.”

She also explained the basics of using social media to elevate a brand and why it was important to plan ahead. “All the campaigns that you do should be social. You have to set up a full plan for a year, so you know exactly what has to be done. You need to have an in-house team for managing it, although you can even outsource it to a company handling social media management. But you still need to engage with the team on a regular basis.”

Giving practical tips on content creation, she said that the only way to engage customers is by giving them content that can be shared and has some value. “Give away free e-books, for instance, recipe books that grocers can create online; find out what people are saying about your brand. If they are criticizing your brand, you can always check and rectify.”

She gave an example of Burger Kings whose marketing campaign for a new chicken burger, uploaded on YouTube, had a man in a chicken suit performing a range of actions based on the user’s input. While the actions were all pre-recorded footage, users actually believed that their commands were making the chicken move! The subservient chicken had about one million hits!

## FOOD DIVERSITY AND OPPORTUNITIES

Karishma Bhalla, Principal, BCG, explained how food retailers and brands can harness the vast reservoir of opportunities by understanding consumer preferences and creating an attractive price/quality trade-off. “Food is very deeply engrained in the Indian psyche. We have a dish for every occasion. An average Indian housewife spends around 9.6 hours a week just cooking. It is 50 percent more than women anywhere else in the world,” said Bhalla.

India is processed or packaged compared to 40 percent in China and around 80 percent in Malaysia. “There are 330 bn dollar food being consumed today, of which less than 10 percent is processed. We are going to become a 900 bn dollar food consumption market. What percentage of this is going to be processed, and which player is going to get a piece of that pie?” she asked. So there is a huge untapped opportunity for manufacturers and retailers, which they have not captured.



○ Karishma Bhalla, BCG, urges retailers and brands to understand consumer preferences

While fresh food is most desired, there is increasing consumption of processed packaged food. Unfortunately, this has not led to a rise in the penetration of packaged and processed foods. Less than 10 percent of food in

**“Indians are like the Chinese in many ways. Like them we are also brand conscious, which means that while we will pay more for a brand, there has to be a discernible quality. We will not pay simply for the emotional quality (of owning a brand)”**

– Karishma Bhalla, Principal, BCG

According to her, Indians are like the Chinese in many ways. “Like them we are also brand conscious, which means that while we will pay more for a brand, there has to be a discernible quality. We will not pay simply for the emotional quality (of owning a brand). So how do we create this price-quality trade-off for Indian consumers? By creating smaller skus or by innovating a product?”

Giving an example of an FMCG product which was specially created for the Indian market, she revealed, “We worked with a leading FMCG player and helped them develop a product, where, just by sourcing locally and by making the ingredients more India-specific, we were able to



# Coffee Craze

**Existing brands are investing heavily in analysing the market dynamic and the changes in consumer behaviour, while retailers of packaged and instant coffee are required to innovate on their strategies and seek new ways of ensuring sales**

By Pratiche Kapoor

In the global coffee production scenario, India ranks among the top 10, with Brazil and Vietnam leading the way. Domestically, the coffee story in India has two distinct halves, depending on geography. The southern states have a unique coffee-drinking culture, with higher levels of household consumption than the rest of India's population. This is in line with the fact that Karnataka, Kerala and Tamil Nadu alone contribute over 90% of India's total coffee production, which is estimated to be 314 thousand metric tons (MT) in 2011-2012, as per Indian Coffee Board. Also, for 2011-2012, India's coffee exports totaled 304 thousand metric tons, underlining the low level of domestic consumption. In terms of coffee types, while the Arabica variety dominates worldwide production, comprising ~60%, in India it is the Robusta type that is more widely produced (~68%), due to the tropical climates in India's coffee-producing regions.

However, the coffee consumption pattern in India has changed in the recent past, with the proliferation of café chains across the country. In particular, India's youth are consuming increasing amounts of coffee, usually at the rapidly-spreading cafés. It may thus be said that established coffee chains such as Café Coffee Day (CCD) and Barista Coffee have successfully introduced a coffee-drinking culture into India. This has in turn whetted the appetite of international café chains, which are consequently foraying into the Indian market. This includes brands like Costa Coffee, Gloria Jean's, The Coffee Bean & Tea Leaf, Caffe Pascucci and, most recently, Starbucks.

Household consumers tend to buy packaged coffee either as freshly ground coffee powder or as instant coffee, which can again be classified as pure coffee, or as a coffee-chicory mixture. In terms of packaged coffee sales as well, southern India is the frontrunner, although most coffee retailers

in this region are unorganised. These players usually roast and grind coffee into powder based on consumer preference. This model has been mimicked by organised national players like Café Coffee Day's Fresh 'n' Ground outlets, and regional players such as Leo's Coffee and Cothas Coffee. Many coffee powder retailers also sell coffee beans, usually along with their coffee vending machines. Additionally, some cafés offer packaged coffee powder, but this is not their primary sales focus.

The other aspect of the coffee powder market in India, that is, the instant coffee segment, includes brands like Hindustan Unilever's Bru, Nestlé's Nescafé and Tata Global Beverages' Kaapi. Bru and the Classic and Sunrise sub-brands of Nescafé have a nationwide presence, and account for close to 40% and 50% of sales respectively. There are also some regional brands like Narasu's that compete stiffly in their home markets. Instant



## Win-Win

### PG's 2012 Category Captains understand the value of management through close cooperation

By James Dudlicek, Bridget Goldschmidt and Jenny McTaggart

**T**he retail environment is more competitive than ever before — grocery stores, convenience stores, drug stores, dollar stores and warehouse clubs are all competing for the consumer's food dollar. And amid an economy that's still struggling to gain its footing, cooperation between grocery retailers and their product suppliers is of the utmost importance.

"Grocery stores today need to drive traffic and build real basket size to remain vital in today's competitive environment," says Willard Bishop managing partner Jim Hertel.

Crucial to driving that traffic is superior category management, which consumer packaged goods companies can achieve only through understanding the needs and goals of their retail partners. As Hertel further notes, "Any progress toward trade promotion collaboration must begin with understanding wins for your trading partner."

The latest winners of *Progressive Grocer's* Category Captains awards truly grasp this, as evidenced by this year's entries.

For the 16<sup>th</sup> year, PG's Category Captains awards honor the savviest suppliers for their acumen in the realm of category management. This year, there were 73 total winners — 58 Category Captains and 15 Category Advisors. From perimeter to center store, these suppliers demonstrated their understanding of retailer goals and offered innovative ways to achieve them, elevating seemingly complex challenges into lucrative opportunities for category growth.

Our staff judging panel was truly impressed with the extent to which this year's entries dissected their respective categories and engineered unique methods to boost visibility

and relevance, not merely for their own brands, but also for their entire categories. Ideally, category management is brand-blind, although the biggest players obviously have more skin in the game, but our winners know category sustainability is more about what's in the package, and how it can help the consumer, than whose name is on it.

For example, E&J Gallo Winery helped one of its retail partners align its business goals and category objectives by focusing on two non-Gallo brands to pursue maximum category lift. J.M. Smucker researched the entire warm beverage aisle, including segments it doesn't compete in, to better understand how to optimize the coffee category. Dietz & Watson worked with Nielsen to develop a brand-neutral tool to more effectively understand and plan deli meat promotions.

Meanwhile, PepsiCo tackled specific regional issues concerning salty snack category growth at different retailers. Coca-Cola dissected loyalty card data among multiple national retailers to boost the chilled juice category. Egglund's Best tapped monthly market data reports to help its partners grow egg sales. Tyson Deli launched major online initiatives to inspire consumers and retailers regarding prepared foods. Kellogg is finding new ways to spark interest in a very mature cracker category. And Anheuser-Busch showed how a balanced approach to beer sales can lift the entire alcoholic beverage category.

So, as you'll see on the following pages, manufacturers and retailers are working together for the greater good of specific categories, and with such cooperation, true industry growth is inevitable. ■

## methodology

*Progressive Grocer's* annual Category Captains competition aims to applaud the outstanding category management initiatives implemented in the retail grocery sector over the 12-month period ending Sept. 1, 2012. The list of winners reflects some of the best strategic thinking and execution in the category management field, as revealed in the winning companies' summaries that follow below.

The award criteria factored into the judging of the entries were as follows:

- Product innovation
- Creativity in merchandising, marketing, promotion and advertising
- Consumer insights
- Innovative, dynamic category management tools
- Demonstrated commitment to meeting retail customers' specific needs
- Effectiveness at differentiating a line or brand within the category
- Effectiveness at lifting sales for a brand's products in the category
- Effectiveness at lifting an entire category's sales for a retailer or retailers
- Fact-based evidence of market-specific or account-specific sales results that support the vendor's claims of excellence

## Grocery Foods and Beverages

### Category Captain Alcoholic Beverages – Beer

#### Anheuser-Busch

Faced with an overall beer category gone flat, Anheuser-Busch commissioned a study of 128 retailers to explore the effectiveness of different merchandising strategies. This study aimed to explore, and help retailers understand, the emerging craft segment trend and how to effectively market to consumers, given this shift in the beer category.



The findings? Retailers focusing on one segment at the expense of another can win, but taking a balanced approach to the category grows market share higher and more often. This analysis has helped show retailers how to win with all beer and total alcohol sales, by focusing on assortment, promotional support, shopper engagement and retail analysis.

With A-B's category guidance, grocers have seen growth revitalization in the beer category. Premium has stopped a two-year decline; value has slowed its decline, with the smallest losses since 2009; FMBs and craft continue to show growth; and, thanks to a few new products, premium plus has had tremendous gains.

### Category Captain Alcoholic Beverages – Wine

#### E&J Gallo Winery

Gallo worked with a major Southeastern retailer to reinvent the traditional category management process using innovative tools, real-time intelligence, engaging strategy drivers and a blueprint for category growth. The process drives engagement at senior levels by focusing on what's important to Gallo's partners. The visual, metric-driven blueprints create a strategic plan to follow, and progress is tracked on an ongoing basis using real-time intelligence allowing for on-the-fly course correction.



Gallo worked with its partner to determine the largest opportunities, and then helped the retailer align its business goals and category objectives. Focusing on two non-Gallo brands that accounted for about a quarter of the retailer's luxury business, Gallo developed a comprehensive plan that made luxury wine more accessible and encouraged shoppers to purchase for multiple occasions.

As a result, the retailer's wine category grew at twice the rate of the competitive market, the superpremium segment at 2.5 times, and the targeted luxury segment more than five times. Since the initial period, category growth has accelerated further.

### Category Captain Baby/Toddler Food

#### Nestlé Infant Nutrition

Nestlé Infant Nutrition continues to lead the baby/toddler food category, thanks to its ever-evolving Gerber brand, which holds a 73 percent share of the market. In the past few years, Nestlé helped grow the category even more by launching Gerber Graduates Grabbers and Gerber Organic Pouches. The pouches account for approximately one-third (\$26 million) of total pouch year-to-date dollar growth.



On the category management front, Nestlé joined forces with several retailers to help reinvent the total baby aisle. Nestlé's team provided insights on consumer, shopper and category dynamics, leading to space allocation, placement and assortment recommendations. The company also tested stage-based navigation and educational signage, which resulted in a 4 percent lift for the category, as well as increased browsing and engagement in the aisle, not to mention elevated shopper perception of the retailers.

Thanks to Nestlé's hard work, one of its retail partners asked the company to become a "strategic captain/advisor" across the total baby department.

### Category Captain Baby Formula/Toddler Nutritionals

#### Abbott Nutrition

Business has been down in the \$6.8 billion baby care category (which includes baby food, infant formula and other consumables such as toddler nutritionals), so Abbott Nutrition has been hard at work with its retail partners to turn things around.

In one example, Abbott worked with a national retailer to make merchandising recommendations to improve category shopability. Historically, the retailer hadn't leveraged toddler nutritionals as a point of maintaining



shoppers while promoting the baby care aisle. Abbott developed a new planogram based on consumer purchase patterns. Shelf space was expanded, while SKU assortment resets were completed in about 2,000 stores across the country. Toddler nutritionals, including Abbott's PediaSure brand, were placed in consistent 4-foot blocks anchoring baby formula.

The changes coincided with Abbott's national rollout promoting new toddler nutritional items, such as PediaSure SideKicks. In-store demos were executed at the top 206 non-WIC stores.

Thanks to Abbott's help, the retailer's total baby care category was up 4.7 percent after the resets. Infant formula

improved by 4 percent, toddler nutritionals were up 14 percent, and the electrolyte category improved by 7.7 percent. In addition, the households purchasing toddler nutritionals increased 11 percent.

In another case, Abbott worked with a Northeast retailer to boost infant formula sales (Abbott makes the popular Similac brand). Abbott implemented new planogram concepts for all of the retailer's banners. Changes included merchandising by formula types, and carving out a 4-foot kid/toddler vertical block for ease of shopping and to target the different shopper segment. Thanks to the new arrangements, year-to-date formula is up 7 percent, which has helped drive an increase of 8.2 percent for the total infant toddler nutrition category.

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