

# PROGRESSIVE GROCER

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AHEAD OF WHAT'S NEXT

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## Budding Market For Organic

The category is sprouting fresh retail opportunities for grocers

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## PROGRESSIVE GROCER INDIA

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# Sprouting Fresh Opportunities

Once considered niche, India's organic food market has been experiencing steadfast growth for the past few years, and has now transformed into a full-fledged industry with high growth potential. The industry is witnessing organic food stores sprouting up across the country; offering more and more varieties, more investments are pouring into this sector, and greater marketing techniques are being deployed.

The perception that organic food was a luxury product meant only for the elite or for exports to developed markets abroad is changing, as now India's middle class is taking to organic products. Factors such as greater awareness of the nutritional benefit of organically grown products, increasing health concerns, incidental benefits of these products such as better taste, environmental concerns, growing awareness of the dangers of consuming food grown with the aid of chemicals, or food grown from genetically-modified seeds, are driving consumption.

In the long term, increase in organic sales will translate into increased organic acreage. In fact, the government is encouraging farmers to develop more and more organic agriculture lands and cultivate health-oriented crops. While government support of organic agriculture will be crucial to maintain the industry's growth potential, food safety law enforcers must continue to stress upon the required standards in order to garner consumer interest and trust in the products.

And in the years to come, it is envisaged that as the organic food sector grows, it will find a permanent place in Indian households. The major organic products in demand are cereals, pulses, vegetables, fruits, confectionery, snacks, bakery, non-dairy beverages, tea, meat and baby foods. Grocers who are dedicating shelf space to organic products will definitely have the first mover advantage, plus they will be able to leverage their brand width and value as they will draw more footfalls from a more educated class of consumers, thereby enhancing their overall image.



Amitabh Taneja  
Editor-in-Chief

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# Budding Market For Organic

**Organically grown food products are sprouting fresh retail opportunities as grocers begin to dedicate shelf space to them, but the organic market is yet to reach full bloom. Shanti Padukone delves into this segment to understand the advantages and challenges at the retail end**

With inputs by **Juhi Sharma and Roshna Chandran**

It's been some time since the urban Indian woke up to the potentially life-threatening effects of an unhealthy lifestyle. Since then, the focus has been on healthy living, be it imbibing eco-friendly practices, reducing pollution, or reassessing one's lifestyle and food choices. Over the years, consumers have been consistently exploring newer avenues to eat and live healthy — from embracing gluten-free food products to becoming vegans. It is these consumers who are driving the organic industry.

The estimated size of the world's organic food and drink market is over USD 60 billion, where the biggest contributors are North America and Europe with a 49 and 48 percent share, respectively. The estimated year-on-year growth of this market is 10 percent, with India's estimated contribution to the world organic export market about 1 percent.

A report released by Technopak Advisors in 2012 states that India ranks the 7th largest in the world with a total of 1.5 mn hectare under organic production. In fact, in the last six years, land under organic cultivation has increased by almost 250 percent. By 2015, the organic

food market is expected to grow to Rs 7,000 crore with a CAGR of 60 percent from Rs 675 cr (including exports) in 2010. Currently, about 85 percent organic products produced in India are exported to European and Asian countries, with the balance 15 percent available for domestic consumption, which has been pegged at approximately Rs 200 crore.

Currently, the organic food industry is concentrated in the metros, with about 95 percent of the brands having their presence in top cities such as Delhi (NCR), Kolkata, Mumbai, Pune, Chennai, Bangalore, and other tier 2 towns. The major organic products retailed include cereals,



Pix: shutterstock.com

pulses, vegetables, fruits, confectionery, snacks, bakery, non-dairy beverages, meat and baby foods. Organic India, Navdanya, and Morarka Organic Food are some of the leading players.

### Demand and availability

Increasingly available organic products that are being picked off the shelves are catching the eye of the retailers and suppliers alike. There is greater availability and better accessibility as health-conscious consumers drive demand. But the segment has been receiving a lukewarm response, even though the concept of organics is not new to Indians.

According to Swati Maheshwari, Co-Founder of the brand Rustic Art, Indians lived a completely organic lifestyle for centuries since everything was sourced from nature. However, when Western culture began to influence our lifestyle, use of synthetic products became rampant. It is rather ironic that India needs to re-learn its own philosophy and culture.

Says Kishan Gupta, Director and Global CEO of Lucknow-based Organic India, "Organic food is not a new phenomenon, during the ancient age people consumed natural and fresh food, which was grown without the use of chemicals and fertilisers. It is only in the last few years, we have become accustomed to using and consuming chemicals in our food. In fact, in some far flung villages, farmers are still growing and consuming organic food, as they do not have money to purchase chemicals for their farms. Through organic food, we are trying to bring the same pure and naturally grown food to the consumers for healthy life. Experts can help in spreading the knowledge in favour of consuming organic food, which will propel growth in consumption and sales."

"In India, environmental concerns, impending health hazards and better farming practices have led to the promotion of organic farming," says N Balasubramanian, CEO, Sresta Bioproducts. "Consumers are becoming aware of the dangers of non-organic food ingredients in everyday food, and more people are learning about the harmful chemicals and pesticides found in non-organic food.

"Several other factors support the growth of this niche market," says Sunil Kumar, AGM-Sales & Marketing, Morarka Organic Foods. "These include the increasing number of players in the segment; aggressive marketing and promotional activities; increasing awareness and rising disposable incomes; and the increasing number of lifestyle diseases and cases of food adulteration."



## Customers do not understand the difference between organic, natural, and chemical-based products. Maybe that is why there is such an imbalance in the supply and demand of these products

– Sanjeev Azad, Conscious Foods

Says Abhinandan, Director of Bangalore-based Brown Tree, "Eating is one of the most important events in everyone's life. The quest for healthy life always starts with healthy food and the diet that one takes. Concept stores for health food such as ours offer a healthy lifestyle to consumers."

"Organic food has been always perceived as the food of the rich and famous. So far, we have seen their presence in only specialty stores, targeted at the affluent consumers, and offering only the exotic variety," says Varun Gupta, CEO & Founder, Pro Nature Organic Foods, who in 2006, saw the potential in the domestic market and broke the norm by launching a range of every day staples and placing them in every outlet for potential consumers, irrespective of their socio-economic status. "My aim is to make organic food the first choice for all consumers in India," he declares.

"Retailers would say that this category has limited buyers due to high prices. But today, I feel organic is a key differentiator on retail shelves. However, the range is not complete, as organic alternatives to jams, milk, eggs, pickles, fruits and vegetables are still not widely available," he adds.

### Natural, not organic

According to the US Food and Drug Administration (FDA), 'organic' refers not only to the food/product itself but also to how it has been produced. The raw materials of such food must be grown and processed using organic farming methods that recycle resources and promote biodiversity – two key elements of environmentally sustainable agriculture. Crops must be grown without using synthetic pesticides, bio engineered genes, petroleum- or sewage-sludge based fertilisers. Moreover, organic livestock





# Not Against The Grain

**Time and convenience are driving  
growth of the packaged rice segment**

By **Reetesh Shukla & Vidul Sharma**  
and inputs by **Juhi Sharma**

**F**rom visiting a nearby rice mill to buy rice grains to scooping it out from open jute sacks at kirana shops, the Indian consumer is now relieved from the daily sieving, cleaning and washing of rice prior to its cooking. Now, she has the convenience of packaged rice that promises hygiene, quality, and an endless array of brands to choose from.

It is obvious that the growing popularity of packaged rice is a consequence of the comparative convenience and ease of procuring clean, high-quality rice as opposed to the labour-intensive processing required in the traditional purchase of loose rice from wholesale grocery markets, rice mills or ration shops. While consumers could touch and taste the rice to gauge their quality, but the loose rice meant checking for small stones, washing and cleaning thoroughly before cooking. In the case of packaged rice, since cleaning tends to be handled on a large scale by machines, the consumer gets clean, ready-to-cook rice.

The growing middle class populace, with its double income households, does not mind the additional expense on a staple product, especially given the hectic lifestyles and paucity of time, which heightens the attention given to quality and health. This is an added boost to the burgeoning of the packaged rice market in India.

Affirms Rohit Aggarwal, Joint Managing Director, Sunstar Overseas, a leading rice manufacturer and exporter specialising in basmati rice, “The primary reason that marked the evolution of packaged rice is convenience, as earlier, all the rice variants including basmati rice were sold loose. Convenience here means purity, consistency in quality from a brand, and ease of cooking, as packaged rice is free from impurities such as stones and does not require sieving.”

“With an increasing number of women joining the workforce, they are looking for quick and easy ways to reduce time spent in the kitchen. So they are not averse to paying a

little extra for the convenience that packaged rice offers,” he adds.

“Yes, time and convenience are the most important determinants along with health assurance, which makes packaged rice a perfect option for consumers,” agrees Aayushman Gupta, CEO, Best Foods, a leading manufacturer, retailer and exporter of basmati rice variants.

In a country where thousands of rice varieties are grown, branding has come to play a role in both the domestic as well as the export market. Now, the brand is the new mantra for success; and basmati rice, considered the ‘king of rice,’ is in the middle of the increasing competition, as the urban affluent and the upper middle class gradually warm to the concept of buying branded rice.

## **Driving brands**

The number of players in the packaged rice market has doubled in the past three years, reflecting the confidence of the new entrants in

the segment's high-growth potential. The major brands are also expanding their distribution network, and focussing on their pricing strategy to offer value-for-money and also the 'high-quality' proposition, in a bid to capture a share of the domestic market, and are even splurging on advertising and marketing of their products. The most visibly active brands include Lal Qilla, Double Diamond, Hanuman, RST, Resham, Tilda, Hello, India Gate, Best, Amira, Pari, Adora, Daawat, Kohinoor, Bue Label, Lal Haveli, Doon, amongst many others.

The packaged rice space is highly fragmented and competitive with the presence of national brands, regional brands, and private labels launched by several retailers. Well-known private label brands include Max Economy, Max Premium, More, Shoprite, Spencer's Smart Choice Regular, Nilgiris, Food Bazaar, Metro, Heritage, Vishal Mega Mart's V Fresh, Reliance Select, etc. The rice comes in various pack sizes from 1 to 5 kg, and from 10 to 25 kg.

Says Ayush Gupta, Marketing Executive at Khushi Ram and Behari Lal (KRBL), one of the largest basmati rice selling company under the brand India Gate, "As a brand with an exhaustive reach across the country, we do not view regional players as direct competitors. However, with the advent of modern retail, private label as a segment has grown rapidly and captured a big chunk of the market. But at KRBL, we look at this as an opportunity and not a threat. Private labels are actually



## We have been indulging in a 360-degree communication programme to reach out to our target audience

- Aayushman Gupta, CEO, Best Foods

widening the market and opening up more opportunities. The target buyers of the private labels are customers who buy loose rice as private label products are more reasonably priced than manufacturer's brands. In fact, in most cases, their price range is very close to that of loose rice. So, they are actually helping convert consumers of loose rice to packaged rice, which indirectly is generating new customers for us."

He adds, "Currently, we offer more than 125 skus under 15 different brands. The variety comprises of different qualities of rice suiting various geographies and customer preferences. Also, a major differentiator is the price. We have

products priced from Rs 150 to Rs 30 per kg. Our flagship India Gate brand offers a wide price range to meet demand in this highly fragmented and varied Indian market in terms of customer behaviour and preferences, and we have a product for every taste and pocket."

"We come from a school of thought which supports the ideology that there is enough business for everybody. Any structured player having a long-term business perspective

in the segment is a welcome entrant, but he needs to analyse and understand that packaged basmati rice (specifically) needs sustained patience and strong back-end support, and new entrants must be prepared to invest considerable time, effort and money in the business," comments Aggarwal.



### Indian packaged rice market leads across Asia Pacific

While rice remains an important part of the food and drink retail landscape across Asia Pacific, new research from Mintel highlights that it is India leading the way in the packaged rice market across the region. Indeed, Mintel's new rice research reveals that new product development in packaged rice in India has more than doubled in the past 2 years, with over 200 packaged rice launches in 2012 compared to around 100 in 2011.

Furthermore, in 2012, India was the most active country in terms of new product development, accounting for 50 percent of packaged rice introductions in Asia alone, followed by Vietnam and Thailand which accounted for 10 percent and 8 percent respectively of NPD in the region. Malaysia came forth with 7 percent of new packaged rice launches in APAC followed by Australia with 6 percent. And there is further good

news for the market in the future too as Mintel expects the market to grow even further to reach an estimated Rs 333 bn and Rs 4 mn kg by 2016 (+175 percent).

Ranjana Sundaresan, Food and Drink Analyst (India) - Mintel, says, "Changing lifestyles could also lead to further opportunities for the rice market in India, with labelling claims addressing specific consumer needs, such as "convenient or fast-cooking" or nutritional benefits. Indeed, in terms of convenience, 60 percent of all microwaveable packaged rice variants in Asia were launched in India and a further 23 percent carried a time or speed claim. Microwaveable pouch rice products have begun to appear in the market and there is room for further expansion of convenience rice products, specifically tapping into affluent consumers' preferences."

### Modern vs traditional

The evolution of modern rice retail mechanism has provided various platforms such as hypermarkets, supermarkets, stand-alone stores, and online portals, which has promoted branding in this segment. The increasing brand awareness among consumers has helped in widening packaged rice presence. In the past, premium basmati rice variants were available through a limited number of players; now, a large number of brands are present not only in the premium range but also in the value range for basmati rice, and even in non-basmati rice variants. Brand consciousness is facilitating growth of the segment, which is, in turn, providing opportunities to both existing players and new entrants to streamline their businesses and products and move in tandem with the segment.

Suppliers agree that modern trade has played a vital role in pushing consumption



Liquor section at Kipps Mart, Ludhiana

# On a High

**Increasing urbanisation, societal acceptance, availability, high intensity marketing, and relaxation of import rules are favouring consumption of liquor in India**

By Juhi Sharma

If industry body Assocham's estimates were right on mark, then Indians would have consumed 10.2 million cases of vodka in 2012. According to Assocham, alcohol consumption comprising beer, wine and spirits is registering a robust growth of about 30 percent every year, and is set to cross Rs 1.4 lakh crore-mark in 2015 from the current Rs 50,700 crore (approx). India is one of the fastest growing alcohol markets in the world and the largest consumer of whiskey, which accounts for almost 80 percent of the entire liquor market.

## Growth factors

India's strong affinity for hard liquor has been driving growth of this segment, with the

size of the whiskey market worth around Rs 40,500 crore, and expected to cross the Rs 54,000 crore mark within the next two years. Affirms Arun Kumar, "In the imported alcoholic beverage segment, whiskey continues to dominate followed by white spirits such as vodka, tequila, wines and other liquors."

Kumar co-founded Aspri Spirits along with Jackie Matai in 2004 to market and distribute international brands in wines, beer and spirits segment in India. Today, Aspri is one of the leading players in the country with renowned international brands in its portfolio, and is backed by a nationwide network of sales and logistics.

Commenting on the growth of whiskey, Ahmed Rahimtoola, Senior VP Marketing at

Allied Blenders and Distillers (ABD), which is India's third largest spirits company, points, "As the state government increases duties and taxes on the segment, value growth will take place. Whisky in India is segmented on the basis of price. Currently, six segments exist, Scotch, super-premium, premium, semi-premium, regular and cheap variants. Whilst the whisky as a category has grown at 3 percent, it is the semi-premium and above variants that have been growing at 15 percent. This clearly indicates the consumers' appetite to upgrade as the need for badge value grows."

The Indian liquor market is divided into various categories such as IMFL (Indian-made foreign liquor), imported liquor, domestic liquor, and country-made liquor. Imported

liquor is everyone's favourite, and with the market getting crowded with a slew of foreign brands, the Indian consumer is getting spoilt for choice.

Says Rahimtoola, "The market for IMFL is about 295 million cases in terms of volume, out of which whiskey would be about 165 million cases, So, whiskey holds 50-55 percent share in the market. The second largest category in IMFL segment is brandy, which is around 76 million cases (predominantly driven by South Indian market); third would be rum, with about 43 million cases; followed by vodka - about 7.5 million cases; and finally gin, holding about 3.3 million cases in the market.

Wine, I feel would not be more than a little above a million cases. The slowdown in the IMFL industry has been predominantly due to increase in levies and taxes by state governments and monopolistic practices in certain states. This has resulted in increased consumer prices, which in turn has resulted in lower consumption. The beer segment, which has traditionally growing at double digits over the past few years has seen a single digit growth. Total volumes in FY 12 was approximately 265 million cases."

According to Assocham, growth of imported spirits in India is being driven by increasing aspirations of young Indian professionals and entrepreneurs who want to upgrade to international brands from local brands. Agrees, Rahimtoola, "As the Western culture gains more and more popularity, consumption of international brands, which are bottled in origin (BIO) brands such as Black Label and bottled in India (BII) brands such as Teacher's will increase."

Kumar informs that Aspri's best performing wine brands are Two Oceans and Zonin; Peroni is the largest selling beer brand; in cider it is Savanna; and amongst Spirits it is Don Angel, Stoli, Skyy, and Patron XO Café. He admits that promoting their wide product portfolio and creating awareness about the brands and labels is a challenge as there are several importers bringing various brands and products into the Indian marketplace.

"The most important step in a geographically vast and diverse market like India is to ensure width and depth of distribution so that the product is visible and available with ease to the end-consumer. To facilitate this, we keep conducting product-based training, sampling and value-added promotions across our markets. Fortunately, Aspri carries a globally renowned brand portfolio, so most consumers are familiar



## The most important step in a geographically vast and diverse market like India is to ensure width and depth of distribution so that the product is visible and available with ease to the end-consumer

– Arun Kumar, Aspri Spirits

with a lot of the brands and labels that we are importing - some of them are aspirational brands for the consumers," shares Kumar. The company is supplying to retail outlets in various parts of the country, either directly or through sub-distributors. Its strong markets are Karnataka, Mumbai, Pune, Gurgaon, and Chandigarh - "all of which are dynamic and their performance keeps changing".

channel can aptly be considered a 'partner in progress', especially for the premium brands in increasing their awareness and sales. Modern trade offers a comfortable shopping environment along with the platform to 'see, touch and feel' the products," he says. "But the problem is that very few states such as Bangalore allow liquor to be sold through modern retail stores."



Liquor section at Le Marche, Gurgaon

### Challenges

The biggest impediment in the growth of the liquor market is the rigid rules and regulations for licensing and other legal requirements, along with the high taxes and duties. The legislative framework governing the liquor retailing has been preventing most modern food and grocery retailers from opening a liquor counter in their stores.

However, Rahimtoola feels that modern retail is a great channel in promoting the liquor consumption and brands. "This

Kumar attributes this to the complex laws in the country both for import and state level supply, which do have a deterring effect on modern retailers' plans to operate a liquor counter in their stores. "Also, transportation between locations and to end-consumers continue to face disruptions due to legislative restrictions and laws," he adds.

Rahimtoola informs, "A big problem for us, specifically in case of our flagship brand, Officer's Choice, is that to be competitive, economically viable, and save on costs

# Here's How

## Retailers and vendors decant tips to sweeten already rosy wine sales

By **Bridget Goldschmidt**

**C**entral Market's goblet runneth over. "We have noticed consumers spending more per bottle, being more adventurous and open-minded to trying new recommendations from our store experts," says Chris Potestio, Business Development Manager for wine, beer and cooking schools for the gourmet banner of San Antonio-based H-E-B. "We have seen consumers who love domestic reds realising the great values in import categories like France, Italy and Argentina."

To keep the momentum going in its wine departments, Central Market has joined forces with St. Helena, California-based Kuleto Estates, buying most of the production of its premium Napa Cabernet, which retails for \$49.95, and is also offering an exclusive new Pinot Noir for \$17.95 from the Santa Rita Hills winery in Santa Barbara, California.

Recent promotions include a two-week initiative with the aim of educating shoppers about French wines, and when it comes to merchandising, Central Market has taken pains "to ensure our displays and end caps are easily shoppable and approachable for the average consumer," asserts Potestio. "This means each display and end cap must be neatly organised, and we have merchandising guidelines for the stores to follow, along with the appropriate signage to go along with each."

All of these strategies have paid off where it counts: at the cash register. Wine sales at the nine-store Lone Star chain "were strong last year and on pace with our overall company performance," says Potestio. "We faced many new competitors last year entering the Texas market and were well prepared from an assortment, promotion, pricing and service perspective."

### Pairing up

Wine suppliers are similarly optimistic about the category, particularly in supermarkets. "The grocery channel has historically been a good channel for us, and continues to be so," says Don Sebastiani

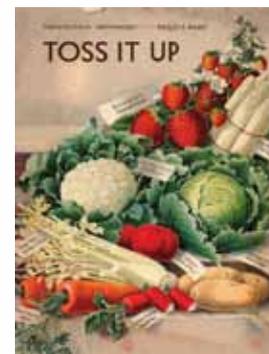
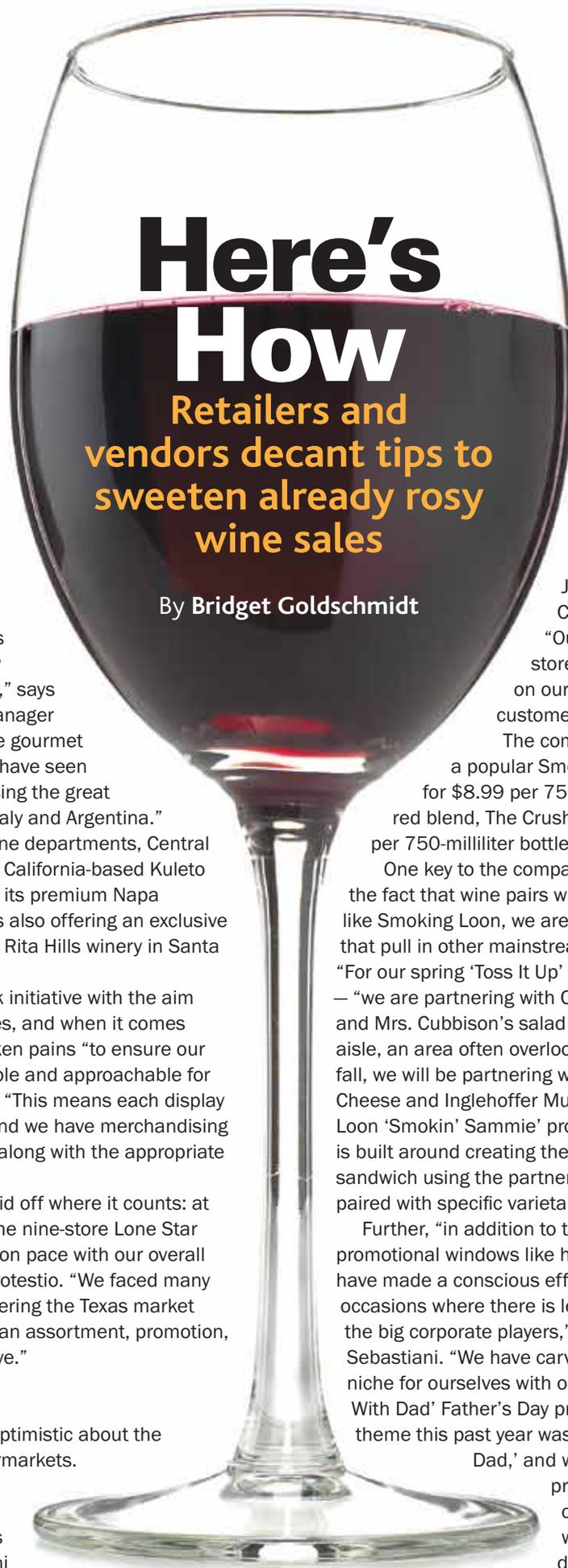
Jr., president and CEO of Sonoma, California-based Don Sebastiani & Sons. "Our creative packaging, compelling in-store promotions and accessible pricing on our broad-based wines resonate with our customers."

The company's latest releases include Steelbird, a popular Smoking Loon unoaked Chardonnay retailing for \$8.99 per 750-milliliter bottle, and a Tempranillo-based red blend, The Crusher Sugar Beet Ranch, retailing for \$12.99 per 750-milliliter bottle.

One key to the company's success is to take full advantage of the fact that wine pairs with food. "For our broad-market brands like Smoking Loon, we are increasingly doing thematic promotions that pull in other mainstream grocery brands," observes Sebastiani. "For our spring 'Toss It Up' program" — selected nationally by Kroger — "we are partnering with Colavita Olive Oil and Balsamic Vinegar, and Mrs. Cubbison's salad toppings to target displays in the produce aisle, an area often overlooked by other wine producers. This fall, we will be partnering with the National Pork Board, Jarlsberg Cheese and Inglehoffer Mustard in our second annual Smoking Loon 'Smokin' Sammie' promotion, which is built around creating the ultimate sandwich using the partner ingredients paired with specific varietals."

Further, "in addition to the typical promotional windows like holiday, we have made a conscious effort to target occasions where there is less noise from the big corporate players," explains Sebastiani. "We have carved out a nice niche for ourselves with our annual 'Time With Dad' Father's Day promotion. The theme this past year was 'Fishing with

Dad,' and we targeted the seafood aisle with some pretty creative displays designed to look like crab crates. The stores loved them, and we had a nice uptick in white wine sales during that window."





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# California Prunes

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### How do prunes keep me healthy?

Prunes are a rich source of fiber, minerals and vitamins. Besides lowering blood cholesterol and risk of heart disease, prunes also provide the following benefits:

#### Promotes Digestive Health:

Prunes provide both soluble and insoluble dietary fiber. Insoluble fiber helps speed food through the digestive tract while the slow-moving soluble fiber is good for enhancing satiety, lowering cholesterol and regulating blood-sugar levels. They both add up to a very healthy gut.

#### Powerhouse of Antioxidants:

Prunes have the highest antioxidant power of all fruits. Antioxidants are special compounds that help protect cells from damage caused by free radicals. Prunes are high in antioxidants called *phenols* which are believed to be beneficial to the tissues of the body.



**Builds Healthier Bones:** Prunes are a rich source of several micronutrients involved in bone metabolism, including potassium, vitamin K, and boron. In fact, a recently-published study conducted by researchers at University of Oklahoma Health Science Centre University indicated that prunes prevent hormone related deterioration of the bones, preserving bone mass.

#### How do Prunes help in weight management?

A serving of 4-5 prunes provides about 3 grams of dietary fiber for about 100 calories. The high fibre in prunes leaves you feeling fuller for longer, so you won't feel the need to snack on high calorie treats. They are low in fat too. Therefore, California Prunes make a perfect snack for those trying to lose weight.

#### Where can I buy California Prunes?

California Prunes are available at all leading retail stores and supermarkets across India.

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