



How food operators can avoid tripping up on safety guidelines

Page 42

Ready-To-Eat Foods

The category is establishing a firm footing in the market. What's the way forward?

Page 48

Technology

An online marketplace for farmers and buyers to negotiate price without intermediaries

Page 76

PROGRESSIVE GROCER

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Page 32

SETTING PRECEDENTS IN INTERNATIONAL FOODS

"As pioneers in gourmet food retailing, we need to keep innovating"

– Mohit Khattar, MD, Godrej Nature's Basket

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The bigger they are the harder they fall is an aphorism that aptly describes the current predicament of Nestle in India. Ever since Maggi pioneered the concept of packaged instant noodles in the country over three decades ago, it has been a leader in the space despite several brands entering the fray. But the public furore over the presence of excessive lead in some Maggi samples threatens to seriously dent its market standing and brand value.

For food companies in India, the current debate over Maggi offers an opportunity to serve a bigger purpose. They can draw the right lessons to put in place more stringent norms for adhering to safety, packaging and labelling guidelines. India's market for processed and packaged foods is still at a stage where consumers are largely unaware about the kinds of ingredients used in products. Food manufacturers must share the responsibility of educating consumers in this respect. Companies that take the lead in making consumers more informed about their products will gain in the long run by winning the trust and confidence of buyers. As it is, the government is already working to tighten the Consumer Protection Act, and with more and more consumers making their purchasing decisions based on awareness of the health and wholesomeness of the foods they buy, companies can no longer push their products on the back of big marketing spends alone.

If the current row can be channeled to introduce a more streamlined mechanism governing our packaging, labelling and product approval norms, it would amount to a good wake up call for all of us.


Amitabh Taneja
 Editor-in-Chief

All feedback welcome at editorpgindia@imagesgroup.in

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Ready to Eat/Cook



48

BREAKAWAY STAR: BURNING BRIGHT?

Thanks to the rapid strides in food processing and packaging technology, the ready-to-eat food category is witnessing a surge in consumer popularity and acceptance. However, the category is largely export-driven as it is yet to establish a firm footing in the Indian retail market. What are the factors holding back its potential and what is its future outlook?

16

CATEGORY MANAGEMENT: DELIVERING SOLUTIONS

Reaching across aisles to satisfy shopper need states is the way to boost center store

22

SUPPLY CHAIN & LOGISTICS:

New players in logistics like the movers are acting as a direct pipe for distributors, wholesalers, retailers, and work according to an on-demand model



24

ONLINE GROCERY: APPS MAKE SHOPPING A SNAP

The Momoe team has put in place a snappy payment app, targeted at the F&B and grocery retail industry

26

FRESH FOOD: PLOTING THE FUTURE

Branded items, breakfast offerings are poised to play bigger roles among fresh prepared foods

Cover Story

32

TIGHTLY POSITIONED SPECIALTY FORMATS WILL GROW FASTER THAN THE OTHERS

Mohit Khattar of Godrej Nature's Basket on why gourmet stores stand a better chance of doing well than other formats, factors that will drive the growth, and how his company is making use of both offline and online channels to bring more customers into its fold





42

FOOD SAFETY: TIME TO RETHINK, RE-EVALUATE AND RESOLVE ISSUES

Ways to make the regulatory framework more streamlined and how food operators can avoid tripping up on safety guidelines

46

SUPPLIER: WHAT'S THE BEEF?

Maharashtra's decision to ban beef is causing untold distress to traders, suppliers and retailers of the meat product

Ready to Eat/Cook

54

"WE WILL INVEST TO MAKE SAFE AND AFFORDABLE FROZEN POULTRY PRODUCTS ACROSS CITIES"

Arabind Das of Godrej Tyson Ltd on his company's consumer outreach strategy, strides in product development and initiatives on new products

58

"WE INTRODUCE NEW PRODUCT CATEGORIES, NOT ME-TOO LINE OF PRODUCTS"

Sundeeep C. Kurian, Business Head, Amalgam Frozen Foods, on how his company is regularly introducing new products and sub categories



62

SIMPLY OPEN THE BOX AND CONSUME

How Soulfull, a brand of Kottaram Agro Foods, is aiming for a turnover of Rs.100 crore over the next four years

64

"BRAND POSITIONING HELPS A NEW BRAND TO CONNECT WITH THE AUDIENCE AND BUILD LOYALTY"

Saumil Thanawala, Director Marketing and Co-founder of All that's Good, reveals his retail strategy for taking the new snacking brand across the country



66

SETTING THE BAR FOR HEALTHY SNACKING

How Naturell's RiteBite range is helping to grow and expand the market for nutrition bars in the country

70

"WE FOCUS ON TASTE, WHOLESOMENESS, AND PACKAGING"

Anil Chandhok, CEO & President, Chenab Impex Pvt. Ltd, shares his thoughts on the trends in the ready-to-eat food category and the market opportunities ahead

72

"WE PLAY THE ROLE OF TRUE CATEGORY PARTNER WITH RETAILERS"

Sougata Basu, head of the marketing function of Innovative Foods Limited (Brand Sumeru), speaks about the need for brands and retailers to collaborate more



76

TECHNOLOGY: FROM PLOUGH TO PLATE ON DIGITAL TECH

Farmily.com offers a simple and effective approach to connect directly farmers and buyers in India

78

RETAILER: "ADOPT VALUE PRICING FOR A LONG TERM WINNING FORMULA"

Sunil Jindal of SRS e-Retail on the group's foray into online commerce and how it will strengthen the value proposition of its grocery business

80

MODERN RETAIL: PROFIT THROUGH PARTNERSHIP



10

MARKET UPDATE

What's new in the food business

82

WHAT'S NEXT

New products on the shelves

84

BUSINESS OPPORTUNITIES

Fresh avenues to expand and grow with suppliers and retailers



NATURE'S BASKET

Tightly positioned specialty formats will grow faster than the others

Mohit Khattar, Managing Director of Godrej Nature's Basket, in a wide-ranging and expansive interview to Progressive Grocer, shares his thoughts about why gourmet stores stand a better chance of doing well than other formats, factors that will drive the growth, challenges in the way, and how his company is making use of both offline and online channels to bring more customers into its fold



Which retail formats do you see having the maximum potential for growth in metro cities? What will be the drivers and the challenges?

Each format caters to different needs and divergent consumer segments. To me, with time, each format will continue to grow and evolve and sharpen its positioning further. In the food and grocery space specifically, we have seen co-existence of the cash & carry, hypers and speciality formats over the last couple of years and I don't see this changing radically over the next couple of years. I do believe that the very tightly positioned speciality formats like Nature's Basket will tend to grow faster, especially in metro cities. This is because they cater to a fast growing segment and the evolving needs of discerning consumers – something that hypers, supers and cash and carry formats don't do as well. Of course escalating costs, perfect locations, operational excellence, etc, will continue to be the challenges.

What are the challenges of running and maintaining a gourmet store like Godrej Nature's Basket?

Godrej Nature's Basket has pretty much been a pioneer in the gourmet food retailing space. It's been one of the first in the category, the first to expand, the first to put together the kind of assortment that has become our hallmark, the first to engage with consumers through chef-led demos, the first to hold weekly workshops at stores, and now again the leader when it comes to brick and mortar stores betting online. So, every time we do something there is almost no precedence for us to fall back upon. At a generic level, the biggest challenge for us is to continue to innovate in every aspect of our operation and continue to surpass our own benchmarks. Additionally, in running any retail operation, there are challenges. Running a gourmet retailing business only makes it tougher. Right from taking calls on what to stock and what not to stock, to the in-store ambience, layouts and experience that you aim to create in the hope of it syncing well with the target audience, to recruiting, training and managing your workforce such that they are as passionate about their jobs as you would like them to be. At an industry level, one of the major challenges that most gourmet stores have faced and could continue to face over the ensuing period

“

I also strongly feel that pure play online may find it tough to have profitable operations in the long run.

is the consistent availability of quality products from international sources. This is because some of the changed import and labeling norms in India have yet not been accepted by many reputed manufacturers and brands internationally.

How do you see gourmet stores shaping up and performing in India? Many stores that also stock premium gourmet products to some degree have started branding and calling themselves gourmet stores? What will decide the real McCoy from the pretenders?

I think customers are much smarter. They can easily tell the difference and over time recognise whether the external branding is superficial and consistent with the in-store experience. Over time, it ceases to matter unless it is matched with consistent availability of premium, cutting edge products that are not seen elsewhere as well as with the relevant sharing of knowledge and learning that your customers may seek. Also premium stores offer services that most pretenders are rarely able to offer. That requires a mindset that goes beyond trading of premium products. So just putting up a sign board can attract a customer once but may not keep them coming back.

So, to me it's not something I am too worried about. I see the format in a healthy shape and growing well. In fact, it is its fast growth that is attracting all kinds of new entrants including the ones that you mentioned.

At a generic level, the biggest challenge for us is to continue to innovate in every aspect of our operation and continue to surpass our own benchmarks





Time to rethink, re-evaluate and **resolve issues**

With Nestle's Maggi in the cross-hairs of the regulatory watchdog, the issue of food safety has acquired a new urgency. While Maggi is in the dock for containing higher than the permissible limits of monosodium glutamate, new products from several top food companies regularly fail to pass the regulatory muster, bringing to the fore concerns about whether our safety standards and guidelines are clear and fair enough for food business operators to understand and comply with. In an analytical piece, Dr. Saurabh Arora suggests ways to make the regulatory framework more streamlined and how food operators can avoid tripping up on safety guidelines

There are various types of food products but they essentially fall within two categories – standardised and non-standardised. The standardised food products are those for which safety data is available and for which standards are prescribed in the Food Safety & Standards Act, 2006 (FSS Act), under its various rules & regulations. These products do not require product approval. Non-standardised food products are those for which safety data is not available, and standards are not prescribed. They, therefore, require product approval. In a nutshell, there are about 380 articles of food, for which standards are prescribed under the regulations of the FSS Act, and these are divided into 13 categories. Foods for which standards are not prescribed fall under the category of proprietary foods.

Then there are foods for which standards are not prescribed but which have been used for centuries in India without any health issues. These are called traditional and ethnic foods under the FSS Act. These food items can apply for license straightaway, without the need for product approval.

In brief, food products (ingredient, including additives) for which standards are not prescribed, will require prior approval from FSSAI under the Food Safety and Standards Regulations in India.

What is product approval?

Product approval is the process of getting approval for non-standardised food products (where no guidelines are available) as defined under Section 22 of the Food Safety and Standards Act, 2006. Section 22 of the FSS Act specifies that no person shall manufacture, distribute, sell or import any novel food, genetically modified food, irradiated food, organic food, food for special dietary uses, functional foods, nutraceuticals, health supplements or any proprietary foods and such other articles of food except under prior approval from central government. This product approval has to be obtained before applying for the license, and which needs to be applied through FSSAI.

Nowadays, paperwork for product approval is less time taking as online filing has started. Section 22 specifies that food for special dietary uses, or functional foods or nutraceuticals or health supplements, are foods that are specially processed or formulated to specify or satisfy particular dietary requirements, which exist because of a particular physical or physiological condition or because of specific diseases and disorders and which are present as such wherein the composition of these food stuffs must differ significantly from the composition of ordinary foods of comparable nature. Moreover, novel foods for which new additives are being proposed, which either have no standards or cannot be used in a specific combination, need to be evaluated and a product approval may have to be obtained. Nutraceuticals and health foods may contain proteins, vitamins and minerals from plants/botanicals and animals sources. The proteins, vitamins and minerals should not exceed the recommended dietary allowance (RDA) as specified by the Indian Council of Medical Research. Moreover, these health supplements should not fall under the category of drugs (treatment of diseases).

Recent controversy on product approvals

The issue of product approval has come under the spotlight because of the recent spate of rejections by FSSAI involving big names like Tata Starbucks, Ferrero, Kellogg, McCain and FieldFresh Foods (a venture between Del Monte and Bharti Enterprises) to name just a few in a long list. There seems to be



The issue of product approval has come under the spotlight because of the recent spate of rejections by FSSAI involving big names like Tata Starbucks, Ferrero, Kellogg, McCain and FieldFresh Foods (a venture between Del Monte and Bharti Enterprises) to name just a few in a long list

a lack of understanding and comprehension of the requirements of the FSSAI while applying for product approvals. These include requirements for ingredients, including the additives. Moreover, the food business operators (FBOs) appear to be in the dark when standards are not available. A thorough understanding of all the nitty-gritty of the product approval process, is a pre-requirement for gaining insight, identifying the gaps, and alleviating the problems. This will help the FBOs to get their products approved by the FSSAI without any hassles and delays in the processing time.

The Bombay High Court's stay on the FSSAI Advisory on product approval had brought a halt on the product approval process where the FBOs were the eventual sufferers as PA applications were not processed for couple of months. However, I must mention here that the Supreme Court intervened and asked the food regulator to resume the process of product approval pending the final judgement on the statutory power of FSSAI for issuing advisories.

The product approval process

Generally all the food products for which approval is required are categorised in four categories – 1(a), 1(b), 1(c) or 1(d) – as per the procedures that have been defined in the latest advisory issued by the Govt. of India. Food products, where the safety of its ingredients present are known and are permitted under FSS Act,



Ready to Eat/Cook



Breakaway Star: **Burning Bright?**

Thanks to the rapid strides in food processing and packaging technology, the ready-to-eat food category is witnessing a surge in consumer popularity and acceptance. However, the category is largely export-driven as it is yet to establish a firm footing in the Indian retail market. What are the factors holding back its potential and what is its future outlook?

By **P. Rajan Mathews**

More than 200 years ago, France instituted a 12,000 francs (around Rs.1.4 lakh today) prize for anyone who could find a way to preserve food. The purpose was military — soldiers required an assured supply of food and nutrition to win wars in distant territories. In 1810, 15 years after the prize was announced, Nicolas Appert found a way by cooking food in a glass jar and sealing it with a cork. But Appert, a chef, didn't know the reason why the food he canned stayed fresh for months.

From grandmother's pickles and salted and sun-dried fish to the milk that comes in tetrapacks and stays fresh for months without refrigeration, packaged and processed food has come a long way, meeting the modern day demand for hassle-free instant food. Even fresh vegetables like green peas or cauliflower, once available only in the winter, are now available round the year, if only at a higher price.

In India, food processing is estimated to be a \$121-130 billion (around Rs.7.5-8 trillion) industry,

From Plough to Plate on Digital Tech

In a country that witnesses large-scale farmers' suicides, Farmily.com offers a simple and effective approach to connect directly farmers and buyers in India and a way forward for cultivators to produce food according to the demand

By Roshna Chandran



“Almost 30-50% of the food produced from farms never reach consumers' dining tables, even though all farmers expect 100% of their produce to sell.”

This is an interesting take on India's farm sector by Karthik Natarajan who has teamed up with business partner Christian Stredicke and childhood friend and farmer Balamurugan to set up Farmily.com, an online marketplace that is trying to link and map farmers and buyers. According to Natarajan - whose portal supplants the role of intermediaries in the lives of farmers - the middleman came into the picture only due to the large communication gap between the farmer and buyer. This communication gap, feels Natarajan, jeopardises the farmer's opportunity to upgrade his infrastructure in order to invest in equipment meant for cold storage, grading, sorting, warehousing and maintaining quality control. It also makes difficult for farmers to introduce value additions.

Natarajan says he decided to create the Farmily portal to mitigate the many risks that farmers have to face in producing and selling crops. All of us have been witness to the frequent vicissitudes in vegetable prices. Onions, in particular, are notorious for price volatility in vegetables. There are times when onion prices have shot up to unreasonable rates of Rs 90 to Rs 100 per kg, making the issue of price rise in vegetables a political hot potato. At such times, in an attempt to gain from the price uptrend, farmers try to produce more onions. But then three months later, the price suddenly drops to Rs. 20 per kg and the expected windfall proves elusive. This example highlights how farmers in India are forever at the receiving end of factors that are beyond their control. According to Natarajan, it happens because “there isn't any structural way in which food is being produced or distributed.”

Natarajan, who previously worked with Juniper Networks during the late 1990s and founded several companies, shares an innate empathy with farmers



and the trials and tribulations that they face from time to time. About three years ago he had invested in a coffee plantation, where he got to see firsthand how farmers suffer at the hands of middle men. That year, the farmers at his coffee plantation had grown ginger as an intercrop, but unfortunately decided not to harvest it as its price had dipped drastically. As timely information about the sudden glut in ginger was not available between the market and farmers, the crop fetched zero returns despite the large scale production.

The episode made Natarajan, Stredicke and Balamurugan to come together and figure a way to produce food on demand. Elucidating on this concept, he says: “Take a grocery chain that places an order for 10 tonnes of onions produced for me for three months down the line. So the farmer produces only 10 tonnes and in the remaining piece of land he produces a different crop depending on demand. So we thought of building on the concept and creating an internet presence for the farmer.”

For an industry that was never scanned digitally, Farmily.com has been able to provide each and every member farmer with a micro website. This helps the farmers to showcase their products along



Karthik Natarajan & Christian Stredicke,
Business Partners
Farmily.com



Spring Roll Pastry



Basa Fish Fillet



Breaded Basa Fish Fillet / Strips



Untrimmed Basa Fish Fillet



Tilapia Fish Fillet



Frozen Prawns



Squid Rings



Frozen Chicken

About Us

WISER FOODS based out of New Delhi was founded in 2012 and primarily started with the import of Basa Fish (*Pangasius Hypophthalmus*) from Vietnam. With dynamic business development and continuous perseverance the company today is one of the largest importers of Basa Fish in India.

The company soon diversified in other products and areas and launched Frozen Prawns, Frozen Tilapia Fish, Frozen Chicken and Frozen Squid Rings under its brand.

In mid 2014, the company launched its range of Spring Roll Pastry by 'Orient Gourmet' brand, imported from Thailand.

Today the visibility of the company's products through its nationwide distribution network is in major MNC Hypermarkets, Chain Stores, Institutions & HORECA.

The company has complete modern infrastructure for storage and handling of frozen food products. We have our cold storage facilities at major cities in India to deliver efficiently anywhere in the country with professionalised logistics. We have our own company operated offices at New Delhi, Mumbai and Ludhiana.



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