

# PROGRESSIVE GROCER

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## What it takes to succeed

Organised players in the Food and Grocery (F&G) sector are resorting to various growth strategies ranging from improving their sourcing and supply efficiencies, launching new store formats, expanding their product portfolio, giving a modern makeover to their stores, expanding in new territories, and deploying technology to improve in-store efficiency. Their ultimate aim: to increase footfalls, enhance customers' shopping experience, and increase sales.

No doubt, groceries are a low margin business wherein achieving economies of scale is not easy. A high density of traditional shops and kiranas continues to impede the growth pace of branded stores across all formats. Also, while consumers want quality, variety and comfort, they remain value conscious. The current phase of economic downturn and resulting cautious consumer spending is also adversely impacting grocers' profit margins.

The F&G sector is likely to touch Rs 27,41,960 crore in 2015, yet, organised F&G share accounts for a meager 3 percent of organised retail worth \$37 billion. So, the business potential in the sector is immense, making it the sweet spot for domestic and multinational retailers.

In this issue's cover story, some of the most respected retailers share the strategies behind their success. These retailers have earned for themselves a place in the history of modern F&G retail; many of whom have won the coveted Coca Cola Golden Spoon Awards at the premium Food and Grocery Forum of India (held annually) that honours the most deserving.

Read and be inspired. And join the list of India's Most Progressive Grocers!



Amitabh Taneja  
 Editor-in-Chief

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# PROGRESSIVE GROCER



## COVER STORY

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From reinforcing the back-end, introducing new formats, expanding the product portfolio, innovative marketing, store makeovers, and technology upgradation, to maximising shopper experience with customer-friendly planogramming, high fill rate and high merchandising mix, night time replenishment to prevent stock-out, product sampling, thematic festivals, interactive sessions and workshops, and customer feedback system, successful retailers are doing it all

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Daan de Vries, Markets Director at UTZ Certified, shares how food and beverage companies, brands and QSRs can ride the organic wave of coffee, tea, and cocoa consumption, and also reap profits on the CSR front

# SUSTAINABLE PROFITABILITY

By Tripti Bisht

## What are the UTZ parameters for certification?

Implementing good agricultural practices on UTZ Certified farms results in higher yields and better quality crops. Life on UTZ farms is shown to be better for farmers, workers, and their families. There is improved access to sanitation facilities, clean drinking water, and better safety facilities. Very importantly, children from UTZ Certified farms are more likely to attend school. UTZ traces the coffee, cocoa, and tea from the farmer to the store shelf.

The UTZ Code of Conduct is based on a model of continuous improvement. This code sets out

requirements for farmers in areas such as professional farm management, good agricultural practices, safe working conditions, and protection of natural habitat. There is a certain minimum criteria that a producer must meet in the very first year so that he can sell his coffee, cocoa, or tea as UTZ certified. More requirements are added in the subsequent years.

This Code of Conduct applies only to the producers. There is a separate set of requirements for supply chain actors (such as roasters, blenders, manufacturers, traders, and brands) called the Chain of Custody, which relates to how the UTZ certified coffee, cocoa, or tea is handled throughout the supply chain.



Netherlands-based UTZ started over a decade ago with the sole aim of making sustainable coffee farming a norm across the globe. Today, it leads programmes and labels for sustainable farming of coffee, cocoa and tea, reaching 500,000 farmers and 400,000 workers in 34 countries. By the end of 2013, the UTZ Certified label appeared on more than 10,000 product packs in 116 countries.

Pix: Tracing Tea / Shutterstock.com

▲ The first Indian coffee producers received UTZ certification in 2003. Since then, 27 tea estates and 72 coffee estates in India were UTZ certified in 2013

#### UTZ CERTIFIED COFFEE PRODUCERS IN INDIA

ABC Group
ABC Planters Group
Carrara Group Estates
Elkhill Estates, BBTC Bombay Burmah Trading Corp Ltd
Emerald Haven Estate Limited
Manamboli-Savamalai Estate
MSP Coffee P Ltd
Nedcommodities India Pvt Ltd
NKG Doddengudda Estate
NKG Jayanti

#### UTZ CERTIFIED TEA PRODUCERS IN INDIA

NKG Jayanti Coffee
Pambadampara Group of Estates
SAS Hassan Farmers Alliance
Sargod Planters Group
Tata Coffee Limited

#### CURRENT PARTNERS - INDIA

NKG Jayanti Coffee Pvt Ltd
Ramesh Exports Pvt Ltd
Aspinwall & Co Ltd

#### CURRENT PARTNERS - INTL

ABC (supplier to Cafe Coffee Day group)
Mars
Ahold
IKEA
D.E. Master Blenders 1753 Migros
Tchibo
Nestle
McDonald's

#### Do you also have eco-labels?

The UTZ Code of Conduct and training programmes include many environmental requirements. However, the use of agrochemicals is restricted, not prohibited, so as to keep optimal balance between farmer productivity and protection of the environment. UTZ certified farmers can carry the organic label, next to being UTZ certified, and this happens in various countries around the globe.

However, UTZ is not involved in the packaging. Having said that, partners can claim UTZ Certified ingredient(s) in their product labelling on their packaging. But this needs to be approved by UTZ before printing so that we can ensure that the claims on the labelling on the packaging are legal and ethical in practice.



▲ Of all coffee sold in the world, 8% is UTZ certified, and 1.4% of the global production of tea

#### What are the key benefits of UTZ Certification for the Food Industry?

UTZ Certified is one of the largest programmes in the world for sustainable farming of coffee, cocoa and tea. Consumers in more than 100 countries enjoy UTZ labelled products and expect assurance in food safety, quality, and stewardship. The industry needs to find new ways of increasing consumer value while providing overall benefits to society, and, if need be, transforming business models to become more competent in the present and future global arena. UTZ certification can also provide added value for a product and a brand through transparency and independent assurance for sustainable farming.

Today, many companies are increasingly becoming aware of the need for sustainability and sourcing UTZ certified coffee, cocoa or tea, as it allows them to meet the growing public demand for environmental and social protection. For consumers, the UTZ label serves as an independent reassurance that the company sourced sustainably produced coffee. UTZ Certified believes that consumers are loyal to their favourite brands rather than to labels, so we work with brands to support their own sustainability communication.

#### How does the UTZ certification or the organic label impact pricing of the product?

UTZ Certified believes in integrating sustainability in the core farming practice,

and is, with partners in India as well as all across the globe, making valuable progress. Having said that, UTZ requires that buyers pay a premium on top of the price they pay to reward their supplying farmers for their sustainability efforts. Normally, this premium cost is absorbed by the supply chain and not translated into a higher price at consumer level.

UTZ certified farmers are empowered to negotiate a better price for their product. The difference between the average commodity price and the price received by UTZ certificate holders is

COFFEE IN NUMBERS	INDIA	GLOBAL
Certificate holders	18	582
Small holders certified	2,207	164,721
Farms/estates certified	72	845
Certified volume	33,5 mn kg	727 mn kg
Certified area	29,583 Ha	473,953 Ha
Coffee workers	24,774	350,786
Permanent workers	6,976	69,338
Seasonal workers	17,798	281,448

TEA IN NUMBERS	INDIA	GLOBAL
Certificate holders (2013)	9	35
Small holders certified (2012)	350	30,757
Farms/estates certified (2012)	24	70
Certified volume	8.5 mn kg	65 mn kg
Certified area (2012)	4,610 Ha	36,034 Ha
Tea workers	12,451	45,707
Permanent workers	9,625	27,279
Seasonal workers (2012)	2,826	18,428

# RETAILERS TO WATCH

By Namita Bhagat



**From reinforcing the back-end, introducing new formats, expanding the product portfolio, innovative marketing, store makeovers, and technology upgradation, to maximising shopper experience with customer-friendly planogramming, high fill rate and high merchandising mix, night time replenishment to prevent stock-out, product sampling, thematic festivals, interactive sessions and workshops, and customer feedback system, successful retailers are doing it all**

## **Winds of change**

Food and grocery in India is still the bastion of traditional shop owners and kiranas. Organised F&G share accounts for only 3 percent of entire organised retail trade, which was pegged at \$37 billion in 2013. However, the winds of modernisation sweeping across the Indian retail market have taken food and grocery segment in its fold. The change is reflected in a spurt of domestic and multinational grocery chains affirming their presence. Acknowledging that future of retail is the modern way; many more traditional retailers are migrating from traditional to modern formats. The F&G sector has vast scope for growth and modernisation but throws up specific challenges for organised players. While mom and pop stores continue to give fierce competition to hyper-/supermarkets and other format grocery stores, they also face a bizarre demand paradox, which is, although shoppers demand quality, variety and comfort, they remain value conscious. The current economic slump and mounting rivalry has also compelled organised players to devise their own gameplans to push sales and increase profits.

## **What's driving success?**

F&G is a capital intensive, tight margin business. As such, obtaining economies of scale is daunting. The current economic downturn and resultant curtailed consumer spending have also put added pressures on profit margins. Hence, to boost sales, organised players are employing varied tactics like improving supply, introducing new formats, expanding their product portfolio, undertaking store makeovers, enhancing customer experience, using innovative marketing, employing trained manpower, and upgrading operational efficiencies with technology. Prominent retailers Auchan, HyperCity, Spencer's, Ratnadeep, Haiko, Godrej Nature's Basket, Twenty Four Seven, Future Group and Foodhall give insights into their strategy for success through 2014 and beyond

## ▼ AUCHAN

The Oracle Retail ERP system at Auchan stores will improve supply chain, supplier collaborations and transportation, reduce labour costs, support multichannel selling, bring in billing efficiency, and maximise shopping experience. The retailer is soon coming up with Wi-Fi enabled electronic feedback options by touchscreen or tablet to address customer grievances in real time.



French hypermarket chain Auchan forayed into India in 2012 via franchising. It has partnered with Bangalore-based Max Hypermarkets India Pvt Ltd, a subsidiary of Landmark Group. Covering a total of 6,01,459 sqft of retail space, the chain has 14 stores in key cities like Bangalore, Chennai, Hyderabad, Pune, NCR, Vijayawada, etc. Last year, its key focus areas have been sourcing and suppliers, customer engagement, employee relations, technology application, etc. Auchan came up with various initiatives to address these areas because they are vital to its growth. Viney Singh, Managing Director, Max Hypermarkets states that by the end of December 2013, Auchan's annual turnover had reached over Rs 65,760 lakh.

**Suppliers:** As regards supply, Singh informs, "We have strived to develop relations with NGOs, small and large farmers. Our tie up with Technoserve for F&V supply facilitates direct linkages between local farmers and modern trade. We have introduced polyhouse fruits and veggies which are of superior quality at a lower price, as well as organics from TVS, a Chennai-based organic F&V supplier, to diversify into new markets. Moreover, we have introduced best price range at Auchan stores by buying 'off-specs' produce at a fair price helping farmers improve their profits."

**Technology:** Retail ERP system was introduced at Auchan stores in 2013. Singh quips, "The project went live in just 9 months. It is the first instance of end to

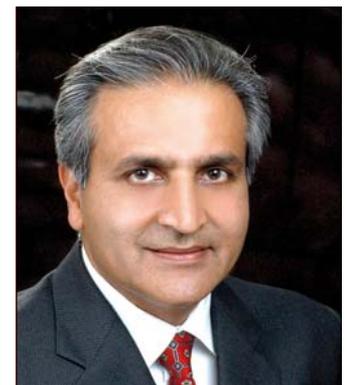


end roll out of Oracle Retail ERP in Indian hypermarket space, and also the fastest implementation as per Oracle retail industry standards for hypermarket business." According to him, the fully automated ERP mechanism will improve supply chain, supplier collaborations and transportation. Additionally, it will reduce labour costs, support multichannel selling, bring in billing efficiency, and maximise shopping experience. Moreover, the retailer is soon coming up with Wi-Fi enabled electronic feedback options by touchscreen or tablet to address customer grievances in real time.

**Employee relations:** The company has taken several employee-centric steps as in setting up cross functional training for shared leadership, SHE (Safety, Health & Environment), internal complaints committee, prevention of sexual harassment policy, internal opportunities via internal job posting (IJP) process and launch of employee referral scheme, etc. The company has launched its own intranet with all people and IT policies connecting employees across all 14 store locations.

### Customer engagement:

"In 2013, our marketing programmes were focused on driving category leadership. They were designed to establish Auchan as a destination of customer preference. Customer engagement programmes like Smile to school, Annual, Kitchen Mela, and Everyone's a Winner, were executed. Extensive use of social media saw our fan base on Auchan's official Facebook page reach 80 thousand and more," apprises Singh. He also shares that a robust customer feedback system with multiple channels like telephone, email, website, feedback form, dedicated customer service desks at all stores, store escalation matrix and standard operating procedure have ensured enhanced customer experience at Auchan stores.



“In 2013, our marketing programmes were focussed on driving category leadership, and establish Auchan as a destination of customer preference. Customer engagement programmes, use of social media, a robust customer feedback system with multiple channels, store escalation matrix, and standard operating procedure have ensured enhanced customer experience at Auchan stores

— Viney Singh  
MD, Max Hypermarkets



# Healthy AND NOT SO HEALTHY SNACKING

For brands, taste, marketing and packaging are playing a key role in determining the success of their products for children, even as they move towards more healthy variants

By Manisha Bapna

**M**uch before the era of globalisation, 73 year old biscuit pioneer Parle G positioned itself around 'Swaad bhare, Shakti bhare, Parle-G' Glucose biscuits and one of the first to have Indian superman Shaktimaan as its endorser. All this to get an approval from mothers who are forever on a look out for healthy food for their children. Last year, when Britannia Industries launched baked 50-50 Snackuits (a product described as bridging the gap between biscuits and snacks), it attributed its success to housewives – the health keepers of the family – who account for half of the packaged snack sales in India. Today, the company expects its 50-50 Snackuits to contribute 10 percent to its sales in the short term.

"Apart from healthy options like whole wheat/multigrain noodles, cornflakes with organic options, energy bars, and flavoured milk, there is a strong presence of the regional portfolio of Indian healthy snacks such as chikkies and various cereal and seed-based Indian sweets," says Devendra Chawla, President, Food Bazaar Future Group. "There are also the Gujarati farsan and wafers that are usually fried,

but many companies are attempting to offer healthier non-fried options."

### Convenience with health

Healthy food is becoming a fast-growing category. Rising awareness and affluence have made health food products accessible to a larger segment of the population. A report by DuPont states that globally, there is a growing concern among parents for products that address healthy growth, development of the immunity system, and digestive and oral health. A USDA survey of nearly 10,000 children revealed that twice as many kids today eat snack foods than 20 years ago. For children younger than nine, nearly half of their recommended caloric intake comes from snacks.

With children playing a major role in purchase decisions, parents are actively seeking foods that improve the nutrient density of their child's overall diet. They want food that is gluten-free, organic, whole grains, omega-3 and vitamin and mineral-fortified, and above all, delicious. To address every mother's concern, Britannia Tiger has undergone a considerable shift in its product offering by transforming into a healthier and tastier

avatar. Identifying the role of biscuits as an important component of daily food and a major carrier of nutrition, Britannia Tiger fortified itself with growth nutrients like iron, calcium, folic acid, vitamin A and D, packed with 25 percent of daily growth nutrients.

The recent ban on junk food in schools in the wake of rising obesity amongst school children has brought back the focus on healthy eating. The tiffin, which used to consist mainly of paranthas, idli, etc, now has children demanding more variety. Says Komal Sahni Roy, Research Director at TNS India, "Children are involved in many more activities now as compared to the generation before. They are always on the go – be it for tuitions, play classes, or extra curricular activities. This has resulted in increased snacking occasions to keep them satiated till the next meal."

The biggest challenge for parents is removing their children's mental block that healthy food is low on taste. Keeping this perception in mind, Del Monte's health range includes '100 percent fruit' juices such as apple and mixed fruit as a healthier alternative

“ The notion of 'healthy indulgence' is driving the need for ingredient modification in snack products, and the inclusion of new categories under the purview of snacking. Both lifestyle changes and increased awareness levels have created demand for healthy between-meal snacks

— P Rashmi Upadhya  
Associate Director - Strategy, PwC India

to colas. The company also offers dried fruits like California Prunes, dried apricots, and dried cranberries, which are fat and cholesterol free, and a source of vitamins and minerals along with dietary fiber and anti-oxidants.

"At least 30 percent contribution of our total B2C sales comes from the healthy range of products," reveals Yogesh Bellani, CEO, FieldFresh Foods Pvt Ltd. "Our olive oil range is highly popular amongst Indian mothers given its health benefits and is extensively used by them to make tasty Indian and international snacks. We are also seeing an increasing demand for on-the-go healthy snacking, and have introduced smaller travel packs of 130 and 40 gms for prunes and dried cranberries, which children can easily carry with them."

## BRANDS ON THE HEALTH BANDWAGON

**Kellogg's:** Positioned Chocos for breakfast with benefits of roti, preferred as a snack with or without milk. Repositioned as made with whole grain, which gives 11 essential vitamins and minerals, and fibre

**Maggi:** Its Aata Noodles 'Taste bhi health bhi' claims to give the same nutritional values as roti and subzi to appeal to mothers

**Knorr:** Its campaign redefines soup as the ideal healthy, tasty snack that satisfies the 7 p.m. pre-dinner hunger pang with Tummy bhi khush, mummy bhi khush

**Britannia:** Its 50-50 Snackuits bridges the gap between biscuits and snacks; its fortified tiger biscuits contain vitamins and iron; and Nutrichoice Health Starter Kit

**ITC:** The company placed its Sunfeast Marie Light Oats variety in the healthy food category

**United Biscuit:** It came up with its popular brand of Mcvitie's Digestive in the whole grain fibre category

**Horlicks:** Offers calcium-enriched biscuits

**Nestle:** Launched probiotic yogurt in 2007 under the Nesvita brand

**NDDB:** Launched probiotic curd b-Activ under the Mother Dairy brand.

### Health indulgent foods

"The notion of 'healthy indulgence' is driving the need for ingredient modification in snacks as well, and the inclusion of new categories under the purview of snacking. Both lifestyle changes and increased awareness levels have created demand for healthy between-meal snacks," says P. Rashmi Upadhya, Associate Director-Strategy, PwC India.

"Like any category, many products contain healthy and nutritional ingredients and many are probably on the edge in terms of health. Most brands from larger Indian and international MNCs will carry the best permissible ingredients as they are very quality conscious, and will not put any ingredients that are even marginally unhealthy or risky," says Rajat Wahi, Partner, Head – Retail, KPMG in India.

Several companies are creating value additions in their products for the health and taste benefits, for instance, Amul's probiotic icecreams, probiotic lassi, high calcium milk; butter with no or reduced salt, Dabur's vegetable juices, ITC Foods' Benne Vita Flax Seed biscuits, Frito Lay, etc. The snack food division of PepsiCo, was one of the first to do away with transfat and MSG across the entire range of its foods. Healthy Bite namkeens are grain-based, which make them much healthier than the ordinary paste-based namkeens available in the market. Further, they are prepared by roaster technique that not only makes them easier to digest but also retains their natural vitamins, fibres and proteins. Demand for roasted snacks has risen appreciably, and comprise 25 percent of India's namkeen sales.

Tesco offers 48 products, including chicken and vegetable smiley pie, shepherd's pie and sweet and sour chicken, all of which meet nutritional guidelines that limit use of artificial additives, salt and sugar levels.

Vegetables or fruits are being added to increase the amount consumed by children. Greenways Foods & Beverages' Notty drink for children is a rich source of dietary fibre and vitamins A,C,E and does not contain any kind of synthetic ingredients or stimulants in its formulation, according to the company. Kids & Babies account for a 22 percent share of the Indian Syrups & Spreads market by value. "More and more parents now prefer packaged juices more than the coloured CSDs (continuous sugar

dissolver) given the negatives associated with these drinks and positives of fruits and fibre in the juices," comments Komal S Roy.

### How healthy are packaged snacks and drinks?

From baked wafers, oat biscuits and energy drinks, to diet bhel, low-calorie sweets, etc, brands are claiming their products are healthier, and therefore better than their fried or sugar-loaded counterparts. But how nutritive are they really?

For established brands, this is a double-edged sword, as the healthy snack category, while growing sales the category to some extent, threatens to cannibalise their other products. "A company cannot suddenly dive into healthier products. If the brand is famous for its pizzas and burgers, will consumers want to buy salads or healthy foods from them?" questions Nidhi Sharma, consumer and parent of two school going kids. Many brands are leveraging their offerings on the magic word 'sugar-free' or are marketing them as healthy, low-fat, or diet, but the real information on the quantity of ingredients used or the process of making the product healthy is not disclosed. The fact is that many companies use the same amount of fat in the dough and then bake or roast them instead of frying them.

According to health nutritionist Pooja Sanghvi "Health drinks like Boost, Complian or Horlicks are not needed routinely. It is only a requirement for children who are active in sports, or involved in a lot of physical activities, and need to boost their energy. Health drinks are made of milk, grains, etc, and fortified with vitamins and minerals, but they also contain preservatives. On the other hand, 'natural' drinks like coconut

“ The category which has seen a shift in sales and demand is the edible oils, where consumers have switched quickly to healthy cooking oils. It is probably because the awareness and government initiatives spread by the media about health and heart related illness. Here, consumers see a direct connection between edible oils and health

— Rajat Wahi  
Partner, Head – Retail, KPMG India



◀ SILVER PEARLS FOR ALL



Rajnigandha, one of the leading non tobacco mouth freshener brand from the house of Dharampal Satyapal Group (DS Group) has introduced, saffron blended, silver coated cardamom seeds, Silver Pearls. Rajnigandha Silver Pearls are claimed to have strong flavour and aroma, leaving the mouth fresh for long. It comes packed in an exclusive and stylish packaging, which keeps the fragrance intact. The product will be available pan India in sachet for Re1, zipper for Rs 10 and a plastic dispenser for Rs 50.

ESSENTIAL SEVEN IN ONE ▶

Homegrown FMCG major, Emami Ltd has entered the light hair oils segment with the launch of its Emami 7 Oils in One. It is claimed that the oil has been developed in collaboration with international hair expert, Tony Pearce and Indian hair specialists. According to the brand, Emami 7 Oils in One is enriched with power dose proteins, vitamins and minerals derived from the potent combination of almond, coconut, amla, argan, olive, walnut and jojoba oils. Besides it also has seven herbal aushad complex, which is made by mixing seven herbs namely, brahmi, arnica, henna, lata kasturi, meethi, bhringraj and japa. The oil is believed to offer a remedy for damage repair and nourishment. The oil will be available in 50 ml and 100 ml packs, priced at Rs 28 and Rs 55 respectively. There is also a 3 ml, trial sachet being offered, priced at Re1.



◀ REAL COCONUT WATER

The leading packaged fruit juice and beverage maker, Dabur India has expanded its brand, Réal Activ's portfolio with the launch of coconut water. The company claims its coconut water is 100 percent natural with no added sugar, preservatives, making it the purest liquid second only to water. The new Réal Activ Coconut water will be available in 200 ml bottle, priced at Rs 35. Dabur will soon be executing a 360-degree marketing campaign to promote the product.

▼ FRUITY CHOCOLICIOUS

Cadbury India, a part of Mondelez International, has enlarged Oreo's product portfolio with the launch of Orange Crème biscuit. The new Oreo Orange Crème offers a combination of chocolate cookies and a fruity, orange creame center. The new orange flavoured biscuit will be available for Rs 15 for a 6-unit pack and Rs 30 for a 12-unit slug pack, at all food and grocery outlets, pan India.



◀ RE-DEFINE YOUR EYES

Renowned make-up brand Lotus, has introduced new improved Hypnotica eye contour definer, a long lasting, smudge-proof and water-proof eye liner. The brand claims, it is enriched with botanical extracts and vitamins that is completely safe for the eyes. It is 100 percent vegetarian and free of animal products. It claimed to stay up to six hours. It is available in the onyx shades and is priced at Rs 225 at select hypermarkets, department stores, high-end grocery outlets, premium beauty stores and exclusive Lotus outlets across the country.





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