

PROGRESSIVE GROCER

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WHAT'S NEXT

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keep brands fresh and relevant,
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Keeping the consumer interested

A long time ago, there was tooth powder that ceded to the toothpaste, which began to give way to its more evolved avatar - the toothpaste that offers to whiten teeth as well. Soaps now come as bath gels; yoghurt has bits of fresh fruit to heighten its nutritive worth; and the plain milk has acquired several flavours. The list is long, but the catchwords are the same: innovation and value addition.

Sharp business acumen is driving brands to expand, upgrade, and grow their product line so that customers remain forever loyal to them. Also, to beat competition, and continue to be relevant in the fast-paced modern markets, they have to reinvent and reposition themselves time and again, yet taking care to retain their core identity.

If there is a lot of competition out there, so is passion, creativity and flow of fresh ideas which are driving FMCG companies to throw up new concepts and products. IRI's 2012 New Product Pacesetters report reveals that in 2011-2012, nearly 1,900 new CPG brands hit retail shelves across USA's multi-outlets. A total of 40 brands captured more than \$50 mm in sales during their first year, and 11 soared past \$100 mm. According to the report, 20 percent of consumers are *always* looking for new products to try, and CPG companies are doing their best to oblige.

Nielsen recently announced and awarded 14 Breakthrough Innovation Winners for 2013. The selection criteria was based on three parameters: distinctiveness, relevance, and endurance.

In India, product innovation timeline takes longer than in developed countries, according to Nielsen. But given the opportunity that the country's burgeoning middle-class offers, the planning, researching, marketing, and patience required for gauging a new product's potential, are worth the time, effort, and expense.

This issue's cover story on the topic delves into product development, pricing strategies, and grocer involvement in taking a new product to the consumer.

We look forward to your presence at our forthcoming India Retail Forum (25th and 26th Sept at Renaissance Mumbai Convention Centre Hotel). This year, the event will witness the 10th anniversary of the Images Retail Awards. Do join us at this grand congregation of India's retail business, of which the food segment holds the largest share.



Amitabh Taneja
Editor-in-Chief

All feedback welcome at editorpgindia@imagesgroup.in

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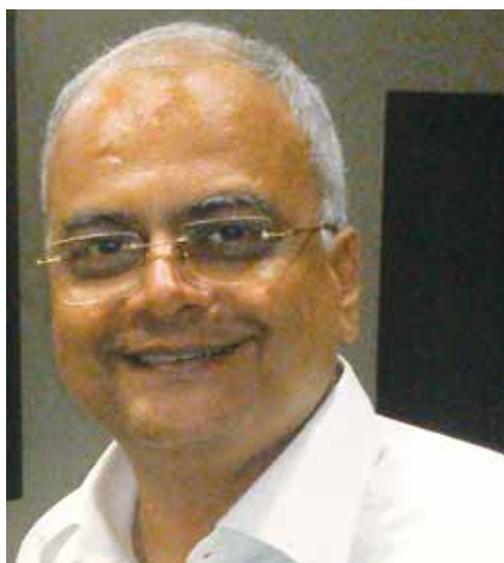
Setting Standards



Anil Kankariya, Proprietor of Navjeevan Super Shop in Mumbai, shares memories of his early days learning the retail business from his father, being inspired to modernise, and the motivating factors that led to expansion of his business, including a franchise store, with **Zainab Morbiwala**

How did you enter the food and grocery business?

My father Zumberlalji Kankariya opened the first kirana store measuring 400 sqft in mid-1964 at Jalgaon, Mumbai. At the age of 12, after coming back from school, I would sit in the store with my elder brother. That is how I imbibed lessons on retail early on in life. Sometimes, my brother and I were bribed with movies and extra pocket money to help at the store on Sundays. Since I was very fast in counting money, I was made to look after accounts. We were given to understand that we had to sit at the shop after school, and being unaware of other choices and opportunities, we became mentally prepared to carry forward the family kirana business. At the same time, inter-family business competition motivated us to do our best.



 Anil Kankariya

My basic nature of self-learning has always inspired me to move forward in the retail industry.

What motivated you towards Modern Trade?

From the beginning, say from the last 50 years or so, Navjeevan has been known for its quality and service. We have maintained consistent quality and transparency in our service and dealings, which has enhanced our goodwill in the marketplace. In the late 1980s, when I was on the way to Chennai, I saw a small self-service store, which gave me my first glimpse of the future of retail. It motivated me to open my first self-service store - a super market - in north Maharashtra, in 1993. We had no competition till Vishal Mega Mart opened in 2008.

Traditional retailers should convert their stores into self-service, modern shops. They should always think of their business in the long term and never look at short-term gains as these could hurt business in the future

Looking at the future and the speed in which the retail industry was moving ahead, we decided to move with the changing times, and expand our horizons. We opened 5 stores and one franchise store from 2007 onwards in Jalgaon district. Opening a store every year has been our target for the last six years,

Current status

No. of stores: 5

No. of staff: 140

Daily footfalls: 75,000 per month

Average billing size: Rs 400

Store location	Sqft	F&G section (%)
Old market center	2,000	95
Heart of the city	3,200	65
Near bus stand	1,200	90
Residential colony	2,600	60
Small town Pachora	2,500	80

Category	No. of skus	Sales (%)
Grocery and FMCG	4,200	85
Fruits and vegetables	48	5
Utensils	20	1.5
Plastic goods	80	0.5
Apparels	180	3
Private labels (dry fruits, spices)	For special occasions	38

which have successfully achieved. We offer customers a complete range of groceries and FMCG products, a wide range of utensils, a select choice of plastic goods, ladies and gents apparels, and a good amount of fruits and vegetables.

What interesting concepts have you introduced in your stores?

We adapted with time and kept innovating to take our business forward. We were the first in north Maharashtra to employ sales girls and a woman cashier at our shop. Women employees who were earlier engaged in cleaning and sorting operation, are now in the front line of our retail business. This helped us building trust in our customer and they too understood the concept of self-service easily. We also introduced computer-generated billing (barcoding), attractive packaging, and free home delivery in the Jalgaon region.

In fact, we have been launching various schemes from time to time. In 1994, we did a survey of 18,000 houses and distributed discount coupons. This helped us in branding and in increasing our walk-ins. People who never used to step in or hesitated to enter a self-service store became aware of this modern retail concept and soon adapted to it.

We introduced the 12+1 scheme, which means that if you buy from here for continuous 12 months, you will get to shop for free in

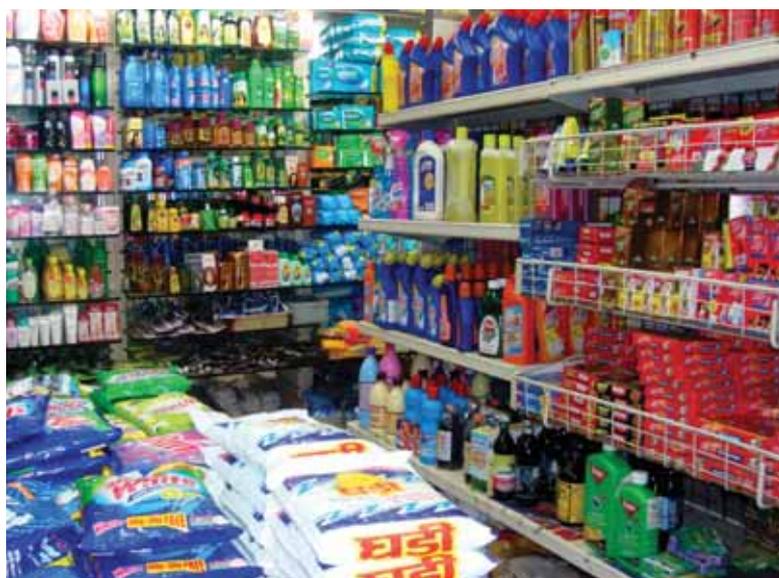
the 13th month. There was a super hit scheme on petrol too. On a purchase worth Rs 300, the customer would get Rs 20 off on two litres of petrol. This was a joint sales promotion scheme with Bharat Petroleum, and it generated a lot of word of mouth publicity. During World Cup 2011, a cricket contest was organised. Around 3,000-3,500 customers attended the event called Grahak Melava (Customer Meet) and enjoyed a Marathi play. The winners of the contest were awarded gifts such as a Honda Activa, gold chains, etc.

Which is your best performing store and why?

The best performing store for us would be the store at Bahinabai Garden Chowk. Not only is the store located in the heart of the city but it is also the most ideal sized store for a place like Jalgaon. The sales per sqft is more than Rs 3,000, and sale per employee is more than Rs 2,00,000. We are planning to open more branches of Navjeevan Super Shop in the future.

What has been your learning in the food and grocery business?

We learned the biggest lesson of service and relationship building from our father who believed that till the time the customer is inside the store it is our responsibility to take care of her/his needs. My father also taught



SO, WHAT'S NEW?

To stay ahead of competitors and continue to be relevant in the fast-paced modern-day markets, brands have to constantly reinvent themselves, innovate, rethink their marketing strategies, and reposition themselves more strongly, while retaining their core identity. This calls for a consistent flow of fresh ideas that could include developing new products as a response to changing customer tastes

Compiled by Juhi Sharma



Pix: shutterstock.com

Filling the need gap

“If you are talking about a new, innovative product in the existing category, then a thorough understanding of consumer behaviour is necessary. What products are being consumed more and why? What are the challenges consumers are facing in fulfilling their requirements? Will the new product meet all their needs? Will it enhance their consumption?” says Vinod Gaikwad, GM, Greenways Food & Beverages.

“If there is a ‘need gap’ or a dip in the level of satisfaction, then that is where you will find an opportunity to develop a product that will fill

the gap. For example, in the case of our Lounge Mix, the consumers were aware of cocktails, but when we asked them why they didn’t make them at home, their first concern was the cost factor, and the second, that they lacked the skill and know-how to prepare such drinks at home. In other cases, they had the skill, but not the ingredients with which to make them.”

“There are a few brands that provide ‘concentrates’ of the drinks, but to make a single glass of cocktail, one will have to buy four different types of concentrates - which again is a hassle. So for us this was a challenge. Once you gauge the problem of the

consumer, then that is where you will get a real understanding of what product to develop, innovate or improvise, because there is a need for it. It could even be developing a more user-friendly packaging, or a package size that fits into the refrigerator at home, or one that a child can carry to school.”

“Although an understanding and analysis of consumer behaviour is the key to conceptualising and developing a new product, there is always a catch! When we developed the Lounge Mixe, we realised that the product would also make the bartender’s job easier. But on the flip side, we thought why would the

20% of consumers are *always* looking for new products to try, and consumer packaged goods companies are doing their best to oblige

– IR's 2012 New Product Pacesetters report

bartender use the mixes, because by doing so, he would be actually killing his bartending skills. The point I am making here is that the effect and counter-effect of a new product should always be weighed and measured before developing it.”

Says Harish Bijoor, Brand Expert & CEO, Harish Bijoor Consults Inc, “Most new product launches are incremental innovations. You have a biscuit that is a salt biscuit. Then you come up with a sweet one. And then a salty and sweet one. The biscuit that can make your brand fly is the missing piece really. What I am saying is that incremental innovation and product development is the norm. The true blue different piece is the tough one! Pepsi possibly has 40 odd innovations in its product development bin, but the one that comes out is the Pepsi Atom. An incremental innovation really.”

“Launching a new product through brand extension is based on market intelligence and monitoring trends in consumer tastes and habits. These things are constantly evolving – hence one has to keep one’s ear to the ground at all times – which would help arrive at the opportune time to launch. As regards line extension, it depends on how the mother brand is doing. For example, if Earl Grey caddies/cartons (containing loose leaf Earl Grey teas) are doing well, there would be a case to explore introducing Earl Grey tea bags,” says Debraj Banerjee, Head of Marketing at Newby India.

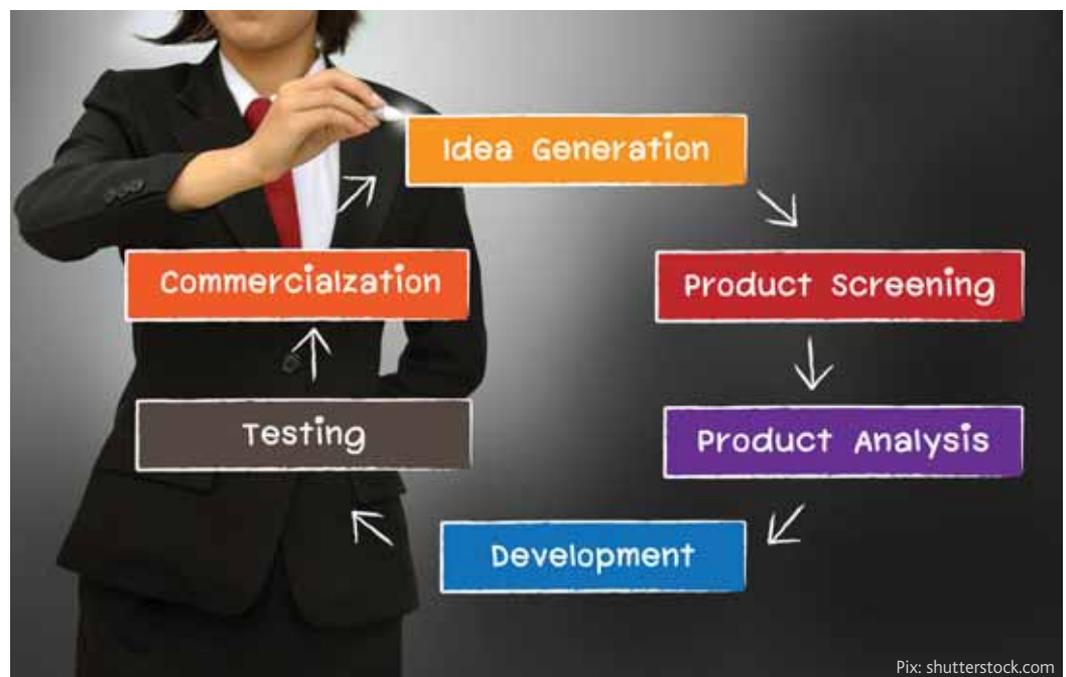
According to IR's 2012 New Product Pacesetters report, in 2011-2012, nearly 1,900 new CPG brands hit retail shelves across US multi-outlets. The report averaged \$39.5 mn in annualised sales, reaching a combined \$7.9 bn in year-one total sales. A total of 40 brands captured more than \$50 mn in sales during their first year, and 11 brands soared past \$100 mn.

The report said that 20 percent of consumers are “always” looking for new products to try, and consumer packaged goods companies are doing their best to oblige. In 2012, 15 new pet care banners achieved IRI

New Product Pacesetter status. Anti-aging remained a big focus in personal care with skin care brands such as Garnier Skin Renew BB Cream and RoC Multi Correxion. The year’s most successful healthcare launches tell a story of proactive health care and the power of nature and new technologies, such as Centrum ProNutrients and Vicks Nature Fusion, formulated with real honey in place of artificial flavours and dyes

of purchase. Our brand visibility activities include hiring end caps, hiring floor space for display, hiring promoters to interact with customers - all of which has helped us get huge conversions. When we look for the right place to launch, we map the area and see where our target consumers are residing. Then we check the place for distributors. In Mumbai, we selected 25-30 affluent places, where we selected 1,000 top retailers, and shortlisted 500. These included stand-alones, modern trade, ice cream and juice parlours and kirana stores. These 500 were selected on criteria such as good relations with customers, high footfalls, and space for displays. Once you start promotions in a few outlets, it will have a rollover effect that can be felt in every outlet,” he adds.

Says Vijay Singh, CEO & MD, AaramShop, the online grocery shopping network, “Retailer’s involvement during a product



Engaging the retailer

Comments Gaikwad, “Today, retailers are much more than point of sale, they are key influencers of the purchase decision and connect brands to the final consumers. Our front line staff regularly updates the retailers about our products and the campaigns to keep them involved and engaged. Activities like workshops to educate retailers about various products and their aspects are conducted. We also hire space inside stores to display our POPs; this way the retailer can get his ROI and his interest is safeguarded.”

“There is a lot of effort required to educate the consumer and create visibility at the point

launch is critical, and brands too want retailers to play an active role. The brands find it easier to engage with the modern trade outlets to create the consumer engagement around the new launch, largely on account of ease of implementation. Involving the general trade retailers is tough on account of the large number, plus there is a fair bit of last mile variation and the consumer engagement varies.”

He informs that AaramShop provides the brands with solutions, which make product launches a lot easier. “We are able to create consumer engagement, both online and offline; this helps in creating awareness and



From the Minds of Innovators

A roundtable discussion sheds light on new product development today and into the future

By Elizabeth Fuhrman

Certainly most retailers hope that sales pick up in 2013, and new products are a lucrative, yet challenging way make that happen. With many companies returning to a focus on innovation, New Products Report sets out to know what some of the top people involved in new product development across the country think about the emphasis companies are placing on innovation. Let's continue to investigate what factors are leading to new product success and the many, many failures. Further, insights from innovation consultants help illuminate critical trends in the marketplace that should be considered. Combined, new product developers and innovation consultants paint a picture of the new products landscape today and into the future. Offering insight for this issue of the New Products Report are Phil Best, COO of LPK, Cincinnati; Laura King, Director of GameChanger Products LLC, Alameda, California; Jonathan Finer, Chief Innovation Officer of Cloverleaf Innovation LLC, Evanston, Illinois; and Joan Schneider, President of Schneider Associates, Boston.

NPR: How would you rate the temperature of new product development in the past year?

Best: Hot, cold and somewhere in between. The general economic conditions over the past few years have made investments in tooling for durable goods pretty cold. We are seeing less in the way of truly innovative new product development and are seeing established brands, particularly fast-moving consumer goods, working commercial innovation to deliver promotion, excitement and revenue.

King: In general, we're seeing a comeback going along with the economy recovering, but we're seeing a lot of variability. There are some companies that are now restructuring. We're seeing a lot of that with companies reorganising in order to strengthen their innovation teams. Some of those are ahead of the curve and some are a little behind.

Finer: New product development has been somewhat polarized – the temperature running both hot and cold. This protracted period of economical stagnation has fostered an increasingly price-conscious consumers and inelastic pricing power among marketers – raising the threat of commoditisation in numerous sectors and categories. Innovation has been an extremely hot strategy for those aggressive brand-driven manufacturers seeking to maintain their leadership position or to leapfrog the competition and to avoid falling into price-driven strategies.

Schneider: In terms of innovation, 2012 has been hotter than ever. In Schneider Associates' Most Memorable New Product Launch Survey, in which we poll consumers across the nation about the most memorable product launches, nearly all of the top 10 products represent a high level of innovation in terms of both product R&D and marketing. What we did see this year is that awareness of new product launches neared an all-time low. So while product innovation was high, consumers may not have recognised these new products and brand messages.

NPR: What are the top three factors in new product success? And will you please pinpoint examples of products/brands that have successfully executed on them?

Best: One is translating consumer wants and needs into products that deliver on promise. L'Oreal/Garnier BB Creams seem to be striking the right balance of product versatility and the challenges of a more traditional beauty regimen. Two is promotional investment that is up to the task of guiding the customer to and through the new offering. Clear haircare products by Unilever stormed into the market with an expansive, focussed and well-coordinated launch across traditional and social media. Three is telling a story that invites discovery and then resonates with your target. For example, a mandarin orange was just a mandarin orange until it became a Cutie.

King: You need a deep understanding of consumer attitudes and behaviours as well as the market trends. A product that creates consumer passion certainly inspires people to talk about it, and that's really an indication of success. The third is clearly speed to market and getting ahead of the competition. Whenever you have a good idea, competitors are going to have similar ideas. A lot of times the

one that gets to market first is the one that wins with consumers. One of the things that I've seen in the marketplace that is very interesting is squeezable fruit from Gerber. In many instances companies underestimate the power of packaging innovation to deliver new benefits to consumers. We know that there is a big trend around portability and there is a big trend around health. They nailed both of those for moms with toddlers.

Finer: One is cross-functional collaboration and online idea-sharing. As an example in category, Supervalu encourages input on strategic business issues, suggested by executives, employees and vendor partners and has established a team of director-level managers from different business units to collaborate, discuss and iterate the suggestions. The company has also established an online mechanism for scrutinizing and refining relevant ideas from this process. Two is an open innovation model – collecting input and perspective from consumers, experts and suppliers. Google's open innovation approach to developing software for its Android version for smartphones has enlisted the contributions of major OEM and independent software firms. Three is successfully engaging the supply chain for effective sell-in, sell-through.

Schneider: One is product innovation as consumers love to try and buy new products. Two is a crisp understanding of the customer through traditional or social research that reveals a compelling insight, trend or area of need. Three is a well-executed integrated marketing campaign leveraging paid, earned and owned media. Products like Pepsi Next, Duncan Hines Frosting Creations, Samsung Galaxy Note, Tide Pods, and Taco Bell Doritos Locos Taco and Cantina Bowl exhibited these characteristics.

NPR: What are the top three factors that contribute to new product failure?

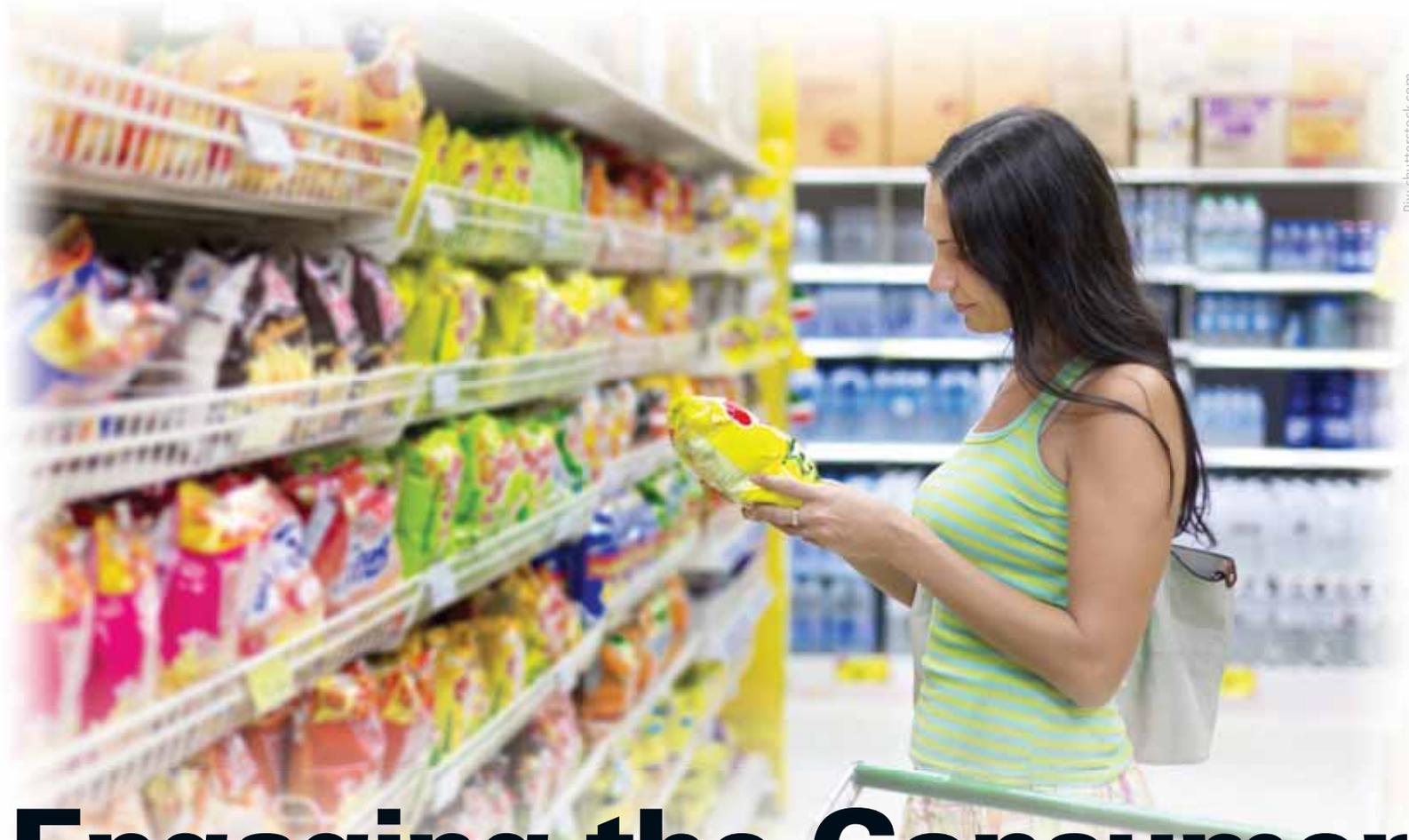
Best: Products that fail to address consumer wants and needs and capture their imagination must fail. Some of those failures come from desires to expand brand portfolios or address the broadest and lowest common denominator of needs. These efforts are usually off target or dilute, at best, and invariably fail.

King: The No. 1 factor is bounding ideas to fit a current core competency. It ends up being just like what they did before instead of breakthrough, because people tend to gravitate to what they



In order to compete more successfully, companies will need to adopt smart entrepreneurial practices like smaller, more agile teams; fewer testing gates; single-point accountability and approval; and look to fail forward, fast and cheap.

— PHIL BEST, LPK



Pix: shutterstock.com

Engaging the Consumer

Consumers want better and safer food products and are willing to pay a higher price for goodness of health. This offers opportunities for product innovation, specialised products, and product extension for food processors

Compiled by **Juhi Sharma**

New categories at play

The first quarter of 2013-2014 saw Dabur launching a host of new products and variants across geographies, all of which have received encouraging response. In the domestic market, Dabur launched India's first drinking yoghurt under the brand Réal Activ, besides a range of super-fruit juices under the brand Réal Supafruits. The quarter also saw the launch of India's first gel-based facial bleach under the brand OxyLife. In the overseas market, Dabur launched a range of hair care products like shampoo, conditioner, hair oil and hair colour under the brand Vatika, besides a range of Fem hair removal wax.

Soft drink concentrate maker Rasna launched four variants of Rasna Fruit Fun at starting price point of Re 1 for two glasses in Nagpur Orange, Alphonso Mango, Shikanji

Nimbupani and Chowpatty Kalakhatta flavours, this summer - all at the same affordable pricing. Claimed Piruz Khambatta, the company's Chairman and MD, "Rasna has always maintained constancy in its pricing strategy, and Rasna's new range of flavours are also priced at an economical price."

The company had undertaken extensive research to identify flavours which consumers would enjoy, and would be familiar with, such as Kesar Elaichi and Shahi Gulab Rose on the premise that consumers tend to identify and relate certain ingredients with a specific region more strongly than others. Following its foray into the ready-to-drink fruit juice segment with the launch of Ju-C, there will be more launches of new products in the coming months, one of which will be vitamin added water, informed Khambatta.

Shift to health and safety

Consumers have become aggressive in demanding better and safer food products and are willing to pay higher for goodness of health. This reflects opportunities mainly into product innovation, specialised products



Prepared or semi-prepared meals is a growth category. According to a study carried out by Third Eyesight a few months ago, a particular segment identified for depicting potential growth was ready-to-eat and ready-to-cook (par-baked) chapatis and paranthas

- **Devangshu Dutta, Third Eyesight**

foodie?

He loves food. He loves life.
To ensure he continues enjoying
lip smacking food, make that
change to a healthier lifestyle...



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