

Retailer

Society Stores' strategy to grow its top line and bottomline amidst rising costs

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Creating a win-win through partnership between retail and digital

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PROGRESSIVE GROCER

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A decorative graphic featuring various spices and seasonings like cinnamon sticks, star anise, and a red chili pepper, arranged around a central text box.

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New and innovative offerings and the big areas of opportunity for condiments players

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REVVING UP!

How the retail sector is set to roll and rumble during the festive and gifting season



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Come October and the retail industry in India goes into a celebratory overdrive. Starting with the festival of Dussehra and Diwali and through New Year, it is the time when maximum purchasing and gifting takes place by consumers and corporates. There is higher footfall in stores and thus more sales opportunity, which revs up almost 20-40 per cent during the festival season. It is the reason why retailers, manufacturers and brands consider this period to be the best time to go in for new launches and offerings.

This strategy of launching new products pays as even consumers expect something new to come up and are searching for newer and more innovative options. Brands and manufacturers launch attractive gift packs especially designed to appeal to the festive mood of consumers. More often than not the payback proves beneficial for both the producer and consumer. Consumers get more options and choices and the manufacturer gets the benefit of placement of the product.

Brands utilize this opportunity for making inroads into the customer's heart through effective messaging, new products and innovative packaging. This approach not only allows companies to boost their sales, but it also helps brands to maximize visibility. The gift packs are a great way to increase sales and packaging bumps the offtake of FMCG products.

In this special 9th Anniversary issue of the magazine, we have put together the distilled essence of targeted product packaging, advertising and instore promotions across food, grocery and FMCG categories this festive season. Read and enjoy!



Amitabh Taneja
 Editor-in-Chief

All feedback welcome at editorpgindia@imagesgroup.in

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The retail gravy train rolls and rumbles!

It's that time of year again, when the festive season is in the air with all its exuberance. Rakhi and Janmashtami celebrations in the later half of August act as the perfect harbingers to the festive months ahead, culminating with Christmas and New Year. As the festive mood and fever looks set to catch on and spread in the days to come, it is time for businesses to set their house in order, get their act together and brace up for the shopping frenzy ahead.

By Sanjay Kumar



Festivals in India have always meant joy, happiness, celebration and gifting. And true to the festive mood and spark, this season is expected to bring in all the jollies. The customer enjoys going out in the market and looking for different buying options and is in the mood to spend. Naturally, the festive season brings in higher footfall in retail stores. So a thumbs up for the demand, and the ensuing sales. In general, the volume of all products increase during the festive season. Overall, F&G business zooms, lead by chocolates, dry fruits, juices, sweets, biscuits, staples, oils, spices, namkeens, etc.

Gifting is a characteristic feature of the festive season. In fact, gifts have come to occupy an important part and place in our lives, especially during the festive season. The outpouring of love and sublime emotions finds ready expression during the festive months. And could there be a better way to show love to our near and dear ones than to shower and pamper them with gifts? “Gifting builds human relationship. In this fast-paced life we occasionally get time to meet and greet our friends, relatives or business associates. Festive season, through the medium of gifting, establishes connect and this is a theme present across all product categories. This trend helps brands to create buzz by launching new products in the market,” says Vikram Agarwal, Director, Green Dot Health Foods. According to Madhulika Tiwary of Technopak, the gifting industry in India has registered a strong growth over the past decade thanks to the rising income levels and aspirations. Also, aiding this growth are such factors as (on the demand side) the widening of the customer base, and (on the supply side) the offering of innovative products at attractive prices. The gifting market’s size is estimated at close to USD 44 billion, with many industry players reporting annual growth in the range of 20-40 per cent during the festive months.

In the past, the focus for gifting was predominantly on traditional Indian sweets. Mithai gift packs still rule close to 65 per cent of the gifting market and sales are close to 40 per cent during festivities. It is still an auspicious gesture for many Indians to carry a mithai/nuts gift pack on every celebrated occasion. Leaders in the mithai and namkeen category like Haldiram’s deliver a range of ready-to-eat snacks, sweets and also have fast food outlets in different states. From namkeen products like chanachur, mixtures and dalmukh to sweets like kaju barfi, rasgulla, gulabjamun, Haldiram’s plays on both its widespread brand recognition and strong association with traditional Indian foods and mithai. “We are the preferred brand for gifting products like burfi, sohan papdi and rasmalai among others. We are known for our unique innovations, quality and value for money products and are recognised for our



“
For mithai, namkeen and snacks, we remain the best choice for family gifting, corporate gifting and for our unique packaging.”

—Sharad Agarwal
Director & CEO,
Haldiram’s outlets
(Kolkata, Nagpur
and Delhi)

variety and product range, valued package products, custom made packaging as per the requirements and remain the best choice for family gifting, corporate gifting and for our unique packaging,” says Sharad Agarwal, Director & CEO, Haldiram’s (Kolkata, Nagpur and in Delhi).

“In general, the volume of all products increase during the festive season, however, our signature products such as kaju katli, motichur laddoo, kalakand, rosagullas and rasmalai bring in good numbers. In traditional Indian sweets, it’s usually our sugarfree range of sweets and Bengali sweets, such as Rosagullas, Sandesh and Rasmalai. This tends to extend a little into the dry fruits category as well with figs, dates, prunes and apricot, says Anuj Goyal, Head - Business Development, Brijwasi Sweets (India) Pvt. Ltd, one of Mumbai’s oldest Indian confectioners and retailers. “The sales go up almost by three times during October and November. The target range starts from corporates to households – everyone from LIG to HIG,” says Sharad Agarwal.

However, over the years the trend of gifting mithai has spread to categories such as dry fruits, western desserts, silverware and now into electronics and gold and silver. Brands and manufacturers are able to get significantly higher volumes during the



“Stagnant margin structure is one of the biggest problems of F&G retail”




Manan Gada
 Society Stores, Mumbai

Running a successful supermarket operations these days is not easy. Especially when competition from big national chains and online players is intensifying every day. So with the going getting tough, how do supermarkets keep their business from falling away?

Progressive Grocer speaks to Manan Gada of Society Stores, Mumbai, about a failsafe strategy for supermarkets to grow both their top line and bottomline at a decent clip. “Retail supermarkets have paper-thin 16-18 per cent gross margins and these are becoming even more razor-thin as the cost of operations are rising every year. So we have to play the turnover game – the faster the stock rotates, faster the store is able to make money,” says Gada who discusses, among other things, his sourcing and vendor strategy, focus on in-store brands and his expansion game plan via the brick-and-click online model

How would you describe the growth journey of your stores over the years and its course of trajectory going forward?

Society Stores was started by my grandfather Ratanshi Gada in 1969 in Santacruz West, Mumbai. My father, Laxmichand Gada soon took over the management of the store in 1975 at a very young

age. We continued serving best quality groceries and supplies as a traditional “kirana” store till 1997. That’s when we took the first leap towards technology and modern supermarket format. The whole store underwent a complete renovation to become a modern, self-serving supermarket – a concept that was quite new at that time. *We were*

probably amongst the first in the supermarket category in Mumbai to go fully computerised and install barcode systems. The store got revamped again in 2004 and 2010 as we believe in providing best shopping experience to our customers. In October 2014, our second store was inaugurated in Lokhandwala, Andheri West, Mumbai, and are now planning more physical stores in the future to take the business ahead.

Which retail format do your stores come under?

Society Stores is a supermarket, which offers a plethora of products and convenience to the customers and where consumers can find all their daily needs' products under one roof. Thus, we can also categorise our stores under the Convenience Mart format.

What is the location strategy for your stores?

Location for any retail supermarket is of utmost importance. *Marketing costs reduce drastically for a store at a prime location. Residential areas with multi-storey towers and societies make good locations for convenience stores.*

What is the average size of your stores?

Average store size is 1,500 square feet. The Santacruz store is a little smaller at 1,200 square feet while the Lokhandwala store is 1,800 square feet.

How much investment is required for setting up such stores?

Well, to give customers a warm ambience and an excellent shopping experience, investing in good interiors and maintaining a proper inventory is vital. Therefore, the total investment that goes into setting up a new store ranges between Rs. 1.00 - 1.25 crore depending on the size of the store. The bigger the size, bigger the investment.

Tell us about the product range available at your stores.

Almost all the brands and their SKUs that are available in the market – Indian & imported – are available with us. Apart from all the different specialty and gourmet food products that we specialise in, we also make sure to stock various products in the personal and household care categories. Basically, we try and cater to everything a person needs after s/he wakes up in the morning to the time s/he goes to bed at night. For example: if you are planning pasta for dinner, our staff will assist you in shopping for different types of pasta, sauces, basil leaves, cheese, bell peppers and some Italian seasoning as well!

What is the SKU count in your stores?

We have about 9,000 SKUs in each store.

What is the price range for products at your stores? Which price band is the most popular with customers?

At Society Stores, customers can choose from products like Parle-G biscuits, which start at a price point of INR 5 to expensive protein supplements that may cost around INR 10,000. We stock an interesting mix of product categories, but it is difficult to comment on the product price band that is popular with customers.

What is the sales velocity (sales per square feet) for your stores?

Our current sales per square feet is INR 125 per day, up by 12 per cent from last year.

Which are the new and emerging categories at your stores?

Health and organic food is one of the fastest growing categories today. *People have already started consumption of different super-foods like quinoa, chia*

Typically, supermarkets operate at about 16-18 per cent gross margins. Finally it is a turnover game – the faster the stock rotates, faster will the store break-even. After huge investments into setting up the supermarket and big marketing budgets, a store should typically start making profits in 3-4 years even as the cost of operations keeps rising every year.





Spicing up the market

The demand is increasing for various spices and seasoning products as consumers have taken to using different spices for making different dishes. This shift in the consumption trend and behaviour has led to the development of new and innovative products. At the same time, the introduction of new and international condiments is helping the traditional Indian spice offerings to evolve innovatively. Looking ahead, providing unadulterated and pure spices offers a big area of opportunity for all spice players.

By Sanjay Kumar

India is the largest producer, consumer and exporter of spices and spice products in the world. The country has had a reliable history in trading spices since ages. Historically, the Indian sub-continent was well connected with the world's trading powers, which purchased spices in abundance from here. As a consequence, spices have played an important role in inviting various cultures from around the globe and got them converged at a single point. It was a remarkable achievement of the Indian trade to have witnessed all trading powers of the past, and the present era patronising the collection of spices which India could and can still provide them.

As per the Spices Board of India, during 2013, the total spice exports from India has already crossed US\$ 2 billion, which is in tune with the export target of US\$ 3 billion set for the year 2017. Spices exports from India is expected to achieve the target of US\$ 3 billion by 2017, based on the support of creative marketing strategies, innovative packaging, strength in quality and a strong distribution network. India is estimated to consume over 5 MT of spices annually. According to industry experts, this consumption is almost 90 per cent of all spices produced in the country. Ginger-garlic, dry chillies and turmeric together contribute 44 per cent to 48 per cent of total spices in India. This consumption share is not much varied in the rural and urban markets. The southern region of the country plays a significant role in the spices market. It is not only the largest market but also its average monthly per capita consumption is the highest among all regions. Although the region of north India follows next to the southern region in terms of market share, but its monthly per capita consumption is among the lowest at Rs. 92. On the other hand, the western region with a 23 per cent market share has a monthly per capita figure of Rs. 118, which is the second-highest after the southern market. Both regions exhibit higher per capita consumption than the all-India per capita consumption figure of Rs. 103. "As per the 2013 data available with us, the spice market in India is estimated to be around USD 6 billion, of which only 15 per cent is packaged. The supply to the foodservice and B2B segment constitutes almost 70 per cent of the total spice consumption. There is no single brand in the country that uniformly leads the market, as there are several leading regional players in markets across the country," points out Paras Budhiraja, Managing Director, Paras Nutritions Pvt Ltd.

New offerings and drivers of growth

Spices are a necessity. So its demand is going to increase in the future. "The demand for spices is becoming more specific. Earlier, a garam masala would also act as a biryani masala. But today, the

world wants to have spices and seasonings for catering to the more specific and niche needs. So we now have different spices for making shahi paneer, kadhai paneer, etc. Innovation is needed for providing the consumers the right product to suit his palate," opines Sudeep Goenka, Director, Goldiee Group, which sells the popular range of Goldiee Spices. Initially, spices meant only traditional spices like haldi, jeera, mirchi, etc. But now the demand from the consumer is increasing for various spices and seasoning products leading to the development of new and innovative products. "Introduction of new and international condiments is surprisingly helping our traditional Indian offerings to also evolve innovatively. Who would have thought of products like peri-peri samosas until five years ago," asks Budhiraja. His company Paras Nutritions operates the Paras Spices brand, which offers a diversified bouquet of offerings that include spices, seasonings, herbs, dehydrated vegetables, dried starches, chicory, pulses, and sugar & salts, among other food products. "Our major markets are Karnataka, AP, Telengana, Tamil Nadu, Kerala and Goa. We aim to become No. 1 in the particular category of masalas we are into in these states," he states.

Conscious Food, which offers a wide range of high quality and differentiated food items across cereals, grains, pulses, flour, spices, oils, beverages, snacks, etc., is India's pioneering organic and natural foods company since 1990 and produces wholesome spices products as well as seasonings. "We have a wide range of spices and mixes for Indian kitchen and a line of herbs for western cooking. Some of our items are turmeric, cumin, fenugreek, coriander, cinnamon, cardamom, Kashmiri red chilli etc. whole and ground and herbs like basil, oregano, parsley, mint, peppermint, thyme and rosemary," says Kingshuk Basu, Chief Executive Officer, Conscious Food Pvt. Ltd, which has been clocking an annual growth rate in the range of 50 per cent owing to an increasing demand for its products. "There has been a surge in global as well as domestic demand for spices and seasonings in the last five years. In the domestic market, factors like people travelling more,



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The demand for spices is becoming more specific. Earlier, a garam masala would also act as a biryani masala. But today, the world wants to have spices and seasonings for catering to the more specific and niche needs.


—Sudeep Goenka
Director, Goldiee Group



Catching them fresh!

The market for Frozen Foods in India has grown at a double digit rate over the last few years, reaching a size of about INR 19 billion in 2012. Although the growth number looks impressive, it does not truly reflect the potential of the industry.

By Arjun Gadre



More than 45 per cent of the current Frozen Foods market in India comprises export of minimally processed marine products, meat products, fruits and vegetables. Domestic per-capita consumption of frozen food is close to negligible and is about 50 times less than in China. Though the retail market for frozen food products, compared to its size in 2008, has doubled to INR 3,650 million in 2012, it is still primarily driven by minimally processed vegetables. There is no remarkable growth in the market share of high value products such as ready meals in the consumption basket during the last five years.

However, convenient Indian seafood is the requirement of the customer today. India is a huge market for all types of consumer products. We are expecting India to be one of the most significant markets for seafood in the next 10 years. A lot of people like to eat seafood but are not able to cook it at home owing to time constraints. By offering convenient seafood, we at Gadre Marine are trying to provide what the consumer wants. Gadre had sales of 250 tonne last fiscal, and we are targeting sales of 500 tonne this fiscal. On the export front, we exported 34,000 tonne of fish and produced about 14,000 tonne of value-added products.

Export markets go through their ups and downs. Strategically, it will be important to be a leader in the Indian market and keep doing exports.

The fastest moving product within the seafood category is the ready-to-eat crab stick. Crabsticks were first created in Japan in 1975. Over the last five years, they have gained immense popularity in developed countries and are widely used in sushi, salads and other dishes. It's time for India to stop being left behind when it comes to consumption of premium quality frozen food. Besides that, there are Masala Prawns, Masala Mackerel and Premium Pomfret, to name a few, for which the demand is growing.

Gadre, as a brand, endeavors to cater to the people serving premium hygienic seafood and also a variety of ready-to-eat and ready-to-cook products. Sea food consumptions are constantly increasing in the past few years and we believe it will play an important role in contributing to the overall turnover. As we see it, even the range of packaged food that we have will eventually increase the availability of the seafood product, which was once tough to buy.

There are only a few well-known brands available for premium frozen sea food products in retail. Many regional players are also entering in this segment. But most of them are having only raw





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