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IGNITING INNOVATION IN DAIRY

“Developing products, which at its core are essentially Indian, is the driving force for innovation at Heritage”

– Brahmani Nara
Executive Director, Heritage Foods Ltd.



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As we breeze through the early days of the year, there's a lot to expect in the coming days. The demonitization move has put fresh wind into the sails of the retail sector. As more numbers of consumers have taken to digital modes of payment, a veritable windfall is blowing the way of organised retailers. For instance, Big Bazaar has reported increased footfalls and a sharp spike in sales over the past two months. With consumers going cashless and adopting digital payment methods, the organised retail sector is on a gravy train in the post demonitisation era.

There will be many other trends to watch out for. Expect to see new foods and beverages come roaring in, new sub-categories to come out tops, freshly minted flavours finding their way to our table and existing trends like health and wellness gain greater consumer traction. Food companies will take on fresh commitments, formulate new ways to engage with customers, strategise on expanding their store brands and bolster their supply chains, reduce food wastage and focus on the origins of food to enable food traceability and recall. All of these measures will help retailers to build consumer confidence and brand loyalty.

In fact, the forthcoming India Food Forum, from 31st January to 2nd February in Mumbai, will be just the place to catch up on the latest trends, new products, and business plans of food companies. To get a ringside view of the developments that will shape the food industry in the days to come, and also to network with its movers and shakers, don't forget to make a rendezvous at the Forum.



Amitabh Taneja
 Editor-in-Chief

All feedback welcome at editorpgindia@imagesgroup.in

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Fair winds to blow

Why 2017 will be a profitable year for grocery retail to bank on

By Pratik Jindal

Modern grocery retailing has come a long way, registering a value growth of 17 per cent in 2016. This increment was stronger as compared to the 10 per cent growth for traditional grocery retailers. The jump in growth has been credited to increased footfalls by urban consumers at hypermarkets and supermarkets, with young urban consumers preferring to shop for their groceries once a week. Convenience is the key here, as offers given by these retailers when purchasing in bulk translate to lower pricing as compared to that offered by traditional grocery retailers. Demand for luxury and ready-to-eat food items result in higher spending on food and groceries, with hyperlocals providing exclusively sourced products at local prices. The experience of shopping in a comfortable setting, along with a variety of local and global products housed in an affordable range, makes modern grocery platforms such as hyperlocals and supermarkets a viable/ popular choice in a developing nation like India.

In fact, world's top most retailers rated India as the second most preferred destination when they were asked about their next targeted countries for expansion. The food and grocery segment enjoys the larger chunk of the market pie and is expected to grow consistently over the next few

years, owing to its product catalogue that caters to every household requirement. Improving living standards, a strong desire for a healthy lifestyle, and a rising affluent middle class population are influencing the overall market, in terms of products consumed. Although India is majorly made of rural regions and low income consumer still consume unpackaged food and groceries, a rise in the number of consumers turning towards packaged food and groceries has helped the market in acclimatising grocery retailship for a substantial period of time.

A few factors that will define grocery retail this year:

- **Diversity of preferences** – India's status as a melting pot of diversity remains unchallenged. Multiple cultures, languages and religions end up having a huge influence on the preferences of the Indian consumer. With no two consumers alike, this gives space for multi-functional platforms such as supermarkets to flourish, catering to the myriad demands efficiently. This will help retailers to develop their business and cash in on the underlying diversity of tastes and consumer preferences.
- **Sourcing base and efficiency** – The fragmented agri-supply base coupled with an inadequate legal

framework makes it easy for organized grocery retailers to trounce the unorganized mom-and-pop shops.

- **Real estate availability and cost** – Rentals account for 7-7.5 per cent of the combined costs for organized retail in India, in comparison with global benchmarks of less than 3 per cent. Real estate availability and costs will ease up post the recent move of demonetization. Real estate expenditure for grocery retail space would be nominized in the upcoming years.



- **Manpower availability** – As organized retail expands, there is expected to be a rise in the demand for manpower. The lack of institutions and courses for catering to diverse aspects of retail management may have an impact on the supply of quality of manpower. Yet the country's young and burgeoning population would supplement the manpower requirement with the sheer force of quantity and bulk hires.
- **More players to enter the retail space** – Globally, retailers are realizing that size influences profitability, not just through scale in operations but also by way of higher bargaining power leading to better margins. With this in mind, many international players are primed to infiltrate the retail space in India and the growth stage will be characterized by rapid expansion and consolidation among these players.

- **Rise of organic and wellness** – Consumer attitudes and preferences are undergoing a tectonic shift owing to factors such as increase in disposable incomes, changes in lifestyle choices, increase in number of working women and multi cultural exposure. These lead to increasing health consciousness, which will frame the purchase behaviour of the average consumer. Organic foods and wellness products would be emerging opportunities that champion the organized retailers in their tryst for market infiltration.
- **Increased focus on private labels** – Discounts and promotions will continue to play a critical part in generating footfalls. To counter the impact on factory-made banal products, organized players will find it more profitable to promote private labels or store brands given their higher margins. The consumer too would benefit from lower prices available in the retailership, as compared to those in standalone stores.

Here are a few ways through which retail innovation can be a game changer in 2017.

- Through targeting specific customer segments and serving their needs in an efficient manner e.g. working women, single office goers, etc.
- Through altering the product mix, catering to specific needs, e.g. entirely private label stores, exclusively fresh produce stores.
- By offering new forms of convenience, enhancing consumer experience significantly, e.g. tele-retail and internet retail.
- Through incorporating self-scan checkouts that have the potential of reducing both check-out time lag and excess expenditure on the manpower cost for the retailer.
- Using RFID tags which can help keep tabs and reduce in-store inventory management costs and provide retailers better insights into customer in-store movement patterns.

Growth will continue for India's retail food market while major organized food and beverage retailers begin expanding into semi-urban markets, escalating their reach through consolidation. High land or rental space prices, stringent food and labelling laws, and rising capital costs may prove to be small roadblocks to retail growth. Yet, with industry members exploring new formats and adding more locations, 2017 will be another profitable year for grocery retail to bank on. **PG**



World's top most retailers rated India as the second most preferred destination when they were asked about their next targeted countries for expansion.



The writer is MD, SRS E-Retail



↑ OP Khanduja
Business Head
DS Group

Winter warmth with Catch spices

Indian cooking is based on the time-tested tenets of Ayurveda. In the ayurvedic system, maintaining body balance is essential. The way to do it is to prepare food in accordance with the seasons and understand their impact on the body. Catch spices offer innumerable options to create winter recipes, which not only provide warmth but also help to ward off the impact of adverse seasonal changes to our bodies. Fortunately, Indian cooking traditions understand the *taasir* (characteristics) of each food group and why it is important to cook winter dishes with a warm *taasir*.

In keeping with this tradition of Indian cooking, Catch spices have been specially blended to enhance the flavour and impact of the dishes created for colder climes. The Catch garam masala offers a magical pinch of heat and taste to all dishes, which is especially beneficial when cooking in the winter. Add a dash of Catch spice to your daily daal to not only enliven the tastebuds, but also to boost your immunity. Catch dry ginger powder is a great for chutneys and warm drinks. It can also be added to hot water to soothe

an irritable throat! Catch dry saunf powder has heat giving properties and is a great digestive, which is especially helpful in the winter months when body systems tend to become a trifle sluggish. Along with a touch of Catch black or Catch white pepper powder, you can add it to your daily home-made breads for a new taste twist.

Non-vegetarian fare is also quite popular in the winter. Catch blends for meat masala, chicken masala, kitchen king and biryani masala not only save time but also augment the taste. Catch blends for vegetarian dishes help in the vibrant cooking of whole lentils like chhole, rajma and also a melangé of vegetables with Catch sabzi masala. Hing has great heat giving properties and is a flavour enhancer. Use Catch hing ka tadka in a multitude of dishes to make the winter deliciously bearable!

Though fresh fenugreek is amply available during this season, it is sometimes more convenient to use Catch kasuri methi. It is full of medicinal properties and acts as a natural cleanser, a cure for arthritis, and to whet the appetite. Catch spices are rich in antioxidants, natural vitamins, flavonoids, and are natural allies of the body in the cold season. Add a bit of Catch in your health regimen and make your winter months zestful.



↑ Ramesh Menon
With English
cricketers

HyperCITY-Waitrose bring England cricket stars to felicitate customers

To add to the spirit and enthusiasm of the ongoing cricket season, HyperCITY Retail, in association with Waitrose, one of the top supermarket chains in the United Kingdom, recently hosted a net session with England cricketers Eoin Morgan and Jos Buttler. Morgan and Butler are Captain and

Vice-Captain respectively of the England ODI cricket team.

The session was hosted at HyperCITY's flagship store in Malad, Mumbai, to felicitate five lucky customers selected through a draw of lots. The event was attended by Ramesh Menon and Hemant Taware, CEO and COO respectively, of HyperCITY Retail and by Anthony Wattenbach and Jeremy Hall, Manager International & UK Growth and Marketing Manager, Events and Sponsorships, Waitrose.

The winners were given a chance to practise and interact with the English cricket stars at the store. Post the session, each winner was presented with signed shirts from the cricketers and the officials.

Speaking on the occasion, Menon said, "We are delighted to have exclusively partnered with Waitrose in India and are thrilled to celebrate the England Cricket team's tour of India. Through this activity, it is our endeavour to continue to strengthen our association with the Waitrose family and bring them closer than ever to cricket aficionados across the country."

Speaking up, Wattenbach said, "It's a pleasure to have partnered with one of the largest Hypermarkets in India. As proud sponsors of the England Cricket team, we want to connect with Indian customers by bringing them closer to the brand through their favourite sport. We have always received a great response to our products in India and we hope to continue getting similar traction via our exclusive partnership with HyperCITY."

Waitrose are the official sponsors of England Cricket teams since May 2014. HyperCITY exclusively retails Waitrose in India with the aim of making international gourmet foods available to a larger number of patrons in the country. HyperCITY exclusively offers over 100 Waitrose products at its stores. **PG**

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BRANDING



Limited budgets? *Try building a word of mouth programme instead!*

To supplement conventional communication efforts in building a positive association for the brand, it becomes imperative for brands to also invest in building word of mouth.

By **Mohit Khattar**

With evolving consumer preferences and media habits, consumers are spending an ever increasing time on their smartphones and on internet. So gaining their attention and building brand propositions and equity has become only tougher for marketers. It's a given therefore that the inclusion and integration of new mediums in marketing plans can't be ignored. **However, merely having a spend plan that integrates all new mediums to reach out your core message to prospective customers isn't enough;** especially when there is a need to differentiate and gain consumer traction rapidly.

To supplement conventional communication efforts in building a positive association for the brand, it becomes imperative for brands to also invest in building word of mouth. This is especially

important for businesses and brands that seek to challenge the status quo or wish to influence deeply ingrained consumer habits; though it's proven to be as useful for brands that simply seek to up their shares in highly competitive contexts.

Building word of mouth is not as easy or as simple as having a great product or service that your consumers like and then spontaneously talk about.

In an increasingly cluttered & noisy world, it requires a dedicated, structured programme with multiple interventions, initiatives and a sound understanding of the cascading network effects that each can achieve.

Research indicates that consumers, especially millennials, are in active ad avoidance mode. They switch channels on TV & radio, block ads on the internet and on their smartphones or get into similar ad avoidance behaviour across other mediums. Most

see ads as an unwanted disruption that they can live without. Their preference is moving increasingly to content that they can download and consume at their convenience. Conventional ad heavy media options are increasingly out of sync with this changing reality. On the other hand, there is growing evidence of the staggering growth of personalised feedback and recommendations shared by friends, family, colleagues, especially on social media platforms. Whether you intend to try a new restaurant, or buy a new washing machine or a food brand to lose weight, a word from a friend or acquaintance makes a huge difference. At the core of this is the broad understanding that as social creatures we love to share, boast, display, project, etc. What is undeniable is that we trust and believe the personalised feedback and comments so shared by a group as an objective, non-partisan and without the associated commercial trappings of paid advertising.

It is in this context that service businesses (retail, hospitality, etc) & new product businesses can benefit immensely by operating programmes that systematically channel the writer, photographer and critic that social media has made us all. Knowledge so shared tickles us more than any form of paid advertising. Additionally, there is implicit trust in the information so shared.

The crux of a word of mouth programme therefore rests on credible content generated by consumers like us.

The guiding principle behind building a word of mouth or advocacy programme is to use your consumers as influencers by channeling their individual energy and interest in your brand and providing platforms for them to share the same with other like-minded consumers. As the owner of the programme, your business or brand needs to continuously **provide relevant insights and, in general, the fuel to inspire, educate, excite and intrigue customers in equal measure.**

Customers imbibe what your brand shares and layer this with their own experiences. They generate it as their own content and share it with their extended families on social platforms as well as in one-on-one interactions. **The role of your brand is to manage and facilitate this process.**

To supplement conventional communication efforts in building a positive association for the brand, it becomes imperative for brands to also invest in building word of mouth.

How to create positive word of mouth

- **Identify target segments that are most likely to share experiences and generate content.** Let's say, your brand targets a chosen demographic of (say) urban women, 25-50 years old belonging to upper socio-economic segments. From this – basis your brand needs – you could identify specific



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TEA



BISCUITS

Service businesses (retail, hospitality, etc) & new product businesses can benefit immensely by operating programmes that systematically channel the writer, photographer and critic that social media has made us all.

psychographic segments that are more likely to benefit and share your brand with others. For instance, you could choose women who are in their mid 30s, are highly health & fitness conscious, and lead an active lifestyle as well as those who are in their mid 40s but more affluent and prefer brands that showcase their status.

- **Put a structure in place.** Avoid making your content and programme appear as ad-hoc or inconsistent. Put in place a structure to generate continuous content that's relevant to your target customers. This should encompass:
 - a) **Activities and events** that are staged offline in the real world. This diverse blend of activities can include performances, lectures, talks, demonstrations, one-on-one with celebrities, celebrity appearances, wine & cheese evenings, fun events for kids or whatever that's relevant to the brand and the business.
 - b) **A list of influencers** that can include **domain experts** (fitness experts, chefs, journalists, doctors, fashionistas, tech experts, R&D guys, etc), **social media experts** (bloggers, journalists, home chefs, or people relevant to your category) and fans of the brand with a large following on social media, and maybe a few celebrities that you can work with.

Experts must ideally be seen as objective, trustworthy and as thought leaders by customers; not those who are seen to be making recommendations due to monetary considerations. So film and sports celebrities must be used judiciously and sporadically. Also, they should be from the fields that are relevant to customers and to your business. You must be able to work with them over time and understand their area of expertise as much as you expect them to understand your business.

A diverse set of influencers, say, a mix of celebrities, social media experts, and domain experts can be a potent combination to build a strong network effect.

- c) **A consistent tonality and defined zone for content.** As brand owners, define the broad contours for content to operate in and make efforts to keep it relevant and unique. Brands willing to walk this path must look at themselves as thought leaders and be honest in their tonality and in ensuring the authenticity of content being shared.
- Grow your fans and social media community over time with consistent and relatable content. Don't be in a hurry to accumulate fans or followers overnight. Cultivate them over time. To get your fans talking via social platforms, just having a presence on these networks isn't enough. The trick is consistency in dishing out relevant content, being friendly (not preachy) in your tonality, and humanising the brand to make it more relatable.

The most critical aspect of the programme is the right content. A brand must identify the right content themes for itself that are not just relevant to its TG but, importantly, help build long term value as well as topicality. For instance, an appliance maker struggling to establish itself as a serious brand can choose to talk about technology, what went into it and how much effort the brand takes to ensure customer needs are met or exceeded. Frivolous content may help virality but not in building a serious preference for the brand. Also different content pieces should not start looking disjointed, making customers wonder what the brand stands for.

While you are engaged in growing your base of followers, be wary of acquiring customers through excessive paid promotions. My own experience is that for the sharply positioned brands, paid acquisitions end up targeting and acquiring sets of customers who don't necessarily relate to the brand and thus serve no real purpose in influencing others. However, it's a great option for brands that target the large mass of consumers.





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To get your fans talking via social platforms, just having a presence on these networks isn't enough. The trick is consistency in dishing out relevant content, being friendly (not preachy) in your tonality, and humanising the brand to make it more relatable.

• **VARM your customers, fans and followers**

- a) Value your customers and their contribution by acknowledging and viraling good content generated by them.
- b) **Acknowledge** their achievements as much as you would like them to acknowledge your achievements and milestones. Go beyond wishing them on their birthdays and anniversaries. Integrate with their lives. Build stronger one-to-one relationships with them; and the buzz will follow naturally.
- c) **Responsive** platforms are appreciated by customers. Nothing irks customers more than delayed responses. A well-handled complaint, irrespective of the issue, is more likely to keep customers happy and engaged and talking positively about your brand or service.
- d) **Make** them feel **privileged**. Invite a select few to preview your new content before it becomes public or invite them to your events and programmes or get them to try your new products or services before they are out in the public domain. The feeling of being part of an exclusive set and being recognised gets their creative juices flowing and gets them to generate positive content and share it happily on their walls online and with their friends offline.

Word of mouth marketing can be highly effective and relatively inexpensive if it's part of a larger integrated content strategy.

• **Create and maximise network effect**

To be able to maximise the impact, you could plan a mix of offline events and social media activities running sequentially and sometimes concurrently. The target is to have different sets of your target consumers and fans talk about your brand and help build its equity distinctly.

For instance, for say, an apparel retail business or for a cosmetic retail store or an upmarket furniture or gourmet retail business, you need to have the following:

- a) **Content themes** – Have your regular social media content themes centred around your specific product lines, new launches, your sourcing approach or the refined nature of your products or about how to choose fine products from the rest, etc., etc.. Choose topics that give potential customers a clear reason to prefer your brand over others. Run contests regularly to keep customers interested and your brand on top of their mind.
- b) **Experts** – You can intersperse this social platform activity by getting domain experts (say every month) to conduct live demos at your stores and one-on-one with customers. These demos need not be drab. These could be made exciting so that keen customers can learn a trick or two. The big idea lies in milking every event – before, during and post the event both offline (through leaflets, newspaper listings, etc) as well as online.
- c) **Events / Evenings** – In some months you may wish to either skip these demos or just add onto them, say, a wine and cheese evening for your social media stars and keen customers or a super celeb to visit your stores or endorse a product line or two.
- d) **Surprise Events** – Keep the interest alive by surprise events and news of sightings of stars (from films, sports, TV world, etc) at your stores.
- e) Needless to say, whatever you do offline, take the pain to viral the same online.
- f) **Changes in your policies and promotions** must be actively disseminated on your platforms to allow customers to both know about it as well as discuss it if need be.

A consistent, transparent and exciting approach to building word of mouth helps create multiple ripples across diverse consumer segments and generates for the brand a wave of ongoing support, sooner than later. **PG**



The writer is Head-Retail Strategy & Branding with Godrej Industries Ltd and former MD of Natures Basket Ltd. Views expressed in the article are personal. He could be reached at @mohitkhattar on twitter and via email at mohitkhattar7@gmail.com



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Products with Indian concepts will drive growth in dairy

Brahmani Nara, Executive Director at Heritage Foods Ltd, speaks to Progressive Grocer about the trends in India's dairy industry, the sector's trajectory, and the major initiatives taken by her company in its pursuit of becoming a pan-Indian dairy player. "Heritage has clear national aspirations and is currently testing its milk products in Mumbai and Delhi. We will continue to grow our revenues in south India by driving brand penetration in our core markets and consolidating our business in new markets," she says. As per its Vision 2020 agenda, Heritage Dairy division is expected to reach Rs. 4,100 crore in turnover @ 23 per cent CAGR, which it hopes to accomplish with the launch of new value-added products in the days ahead.

← **Brahmani Nara**
Executive Director
Heritage Foods Ltd.



Which are the emerging dairy trends to watch out for in the Indian market?

In today's India, three large trends are driving dairy consumption. With increasing modernisation in cities, there is a large premium on time. So there is an emerging need to find dependable everyday products that were earlier largely homemade. A decade back, this need drove the demand for ghee in south India, where households moved from making ghee at home to buying it in the packaged format. Today, we see the same cycle repeat in curd/ dahi. We believe this cycle will repeat in many other products, which today are being made from milk being bought in a packaged form, like flavoured milk.

We are seeing a growing demand for products that at its core are essentially Indian concepts. Examples are the resurgence in the demand for cow ghee and the trend towards local ingredients and tastes. This trend is serving as a huge driving force for the innovation pipeline at Heritage.

What are the products in your portfolio?

Our milk products include curd, butter milk, lassi, paneer, doodhpeda, milk cake, flavoured milk, ghee, SMP, PT butter, cooking butter, UHT milk, sweetened condensed milk, ice-cream and frozen dessert.

Which are the products with maximum demand in specific markets?

Nationally, four product groups contribute to 90 per cent VADP (value-added dairy products) revenues for the industry. These are curd/ dahi, drinkables (flavoured milk, lassi, chaas, etc.), dairy fat (butter, ghee, fresh cream, etc.) and ice-creams. Heritage has a presence in all of the above categories. While all these businesses are sizeable and growing, curd/ dahi stands out as a category that is growing at the fastest clip. India has been largely a milk drinking country and penetration of packaged VADP products has been low. VADP innovation is yet to largely happen.

Which are the new products that Heritage Dairy is placing its bets on?

Heritage is guided by its company credo "Health & Happiness". The company's innovation pipeline is led by the belief that new products should have strong value propositions for the consumer. It is this belief that make the company credo come alive. The categories that we want to focus on should find mass acceptance and should break through the barriers of affordability & access to the larger population.



What is the sales contribution from your different milk products and how do you see their growth ahead?

VADP currently contributes about 25 per cent of our total revenues for FY 16. By 2020, Heritage plans to almost double this contribution.

What is the marketing and distribution strategy for your dairy products?

Unlike other Food and FMCG companies, the Dairy Go-to-Market (GTM) is significantly different. The distribution needs for different products vary vastly. Heritage's current GTM is led by four different verticals:

- Everyday Milk & Products (e.g. milk, curd, etc.) needs a large scale operation spanning twice a day with the focus on speed and agility so that markets and consumers receive the freshest products. Here it is important that there is a sealed cold chain to prevent any deterioration of the products.
- With the ice-cream range, the demands are quite different. This requires work on asset management, chiller purity, restocking and managing a sub-zero cold chain.
- Thirdly, with ambient products, the endeavour is to build a working relationship with retailers with the focus on building width and depth in the relationship. This is closer to the FMCG model, which is focussed on building a pipeline for existing and new product placement and delivery.
- The fourth GTM model is to have a parlour network, which has exclusive dairy products'

The categories that we want to focus on should find mass acceptance and should break through the barriers of affordability and access to the larger population.



distribution of Heritage foods. Heritage largely follows a franchise model, which are deeply subsidised till the franchisee can find a foothold and break even. While exclusivity is one of the benefits of a parlour model, there are other significant advantages. Heritage parlours are the testing ground for new products, for measuring the response to new products and keeping a close watch on critical shifts in the market. It also provides for a first hand relationship with consumers, which helps us in crafting products better. They also are part of a larger social cause of providing an entrepreneurship opportunity. Finally, parlours also offer a great branding opportunity.



Unlike other global markets, milk procurement in India is decentralised, making it very difficult for large global players to enter and establish sourcing quickly.

Which are your bigger markets and what has been the sales growth like?

The average industry growth rate of fresh milk volumes is approximately at 7-8 per cent. Heritage has been growing consistently faster than the industry. While our bigger markets remain in south India, we are currently expanding our footprint to large markets like Mumbai and Pune in the west and Delhi and Punjab in the north.

Why is it that apart from Amul, no Indian dairy player has been able to scale up nationwide. Can Heritage reach there someday?

Expanding milk presence nationally is a slow and arduous process. Unlike FMCG, for every litre of milk sold to a consumer, procurement needs to be built to ensure a steady supply. Amul built its national image on the back of products (e.g. butter) and has been in the industry long before most private dairy players.

Heritage has clear national aspirations and is currently testing its milk and milk products in

Mumbai and Delhi. We will continue to grow our revenues in the south by driving brand penetration in our core markets. In new markets, Heritage is looking to consolidate the dairy business. For instance, we recently acquired Reliance Dairy's milk procurement business. Our focus is to make the availability of our milk and milk products nearer to the consumers through our exclusive parlours, which are run by the franchisees and have been able to compete very well in the marketplace.

What is holding back global players from entering the Indian dairy market?

The key reason as to why global players have not been able to find a foothold in India in the dairy segment is because the right-to-win and competitive advantage comes from being able to set up and grow procurement of good quality milk by sourcing directly from the farmer at a scale that makes it cost efficient. Unlike other global markets, milk procurement in India is decentralised, making it very difficult for large global players to enter and establish sourcing quickly.

What is your current milk handling capacity and how do you see it growing?

Heritage currently collects about 18 lakh litres per day, growing at about 10 per cent CAGR in the last 10 years.

Two core beliefs drive procurement in Heritage. Firstly, the procurement of milk has to be as close to the market as possible. This ensures the freshest milk for consumers by cutting down the time that milk travels. As a result, Heritage's investment in production hubs is relatively higher. Today we have about 14 distributed state of the art, production hubs which process milk. This is relatively a large number of production hubs for the volume of milk that Heritage collects.

Secondly, almost all our milk is sourced from 3,00,000 farmers directly from villages across seven states in India. While this process is arduous, the benefits are many. Direct sourcing ensures better

EMERGING DAIRY TRENDS

- A growing demand for products that at its core are essentially Indian concepts. Examples are cow ghee and curd.
- Demand for fortified milk to grow
- Increased segmentation in milk category with products launched to meet specific needs.

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- **Contact Person:** Mr. Puneet Gupta

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control over the quality of the milk procured. The benefits are also directly passed on to the farmer.

How do you see the prices of dairy products trending in the days ahead?

The procurement prices of dairy have been largely stable with minor inflation. We expect that trend to continue from a national perspective. However, from a regional perspective, there might be acute changes in certain markets depending on a variety of factors like local weather conditions, etc.

What capital are you investing to ramp up capacity and build infrastructure?

In dairy, investments are broadly in three different buckets:

- Procurement, which is largely about building a foolproof cold chain and procurement centres with the capability to measure quality at different stages accurately
- At the processing level, investment includes not just building capacity but also improving the level of processing and building packaging capability, which is critical in driving milk shelf life and improving product delivery
- Front-end investments include building a brand franchise and driving sales and distribution

Heritage is a leader in south India in the first two buckets. The philosophy is that if we build a strong supply chain in procurement and milk processing, the resultant quality will drive the front end. But now with our national aspirations, there is a significant increase in investment in the third bucket as well.

With the passage of time, there will be a significant segmentation in the milk category with products introduced for meeting the specific nutrition needs and also to help the country fight the scourge of malnutrition.



MARCHING AHEAD



➔ **Heritage Foods' Dairy division is betting on:**

- Products that find mass acceptance
- Products that are affordable and accessible to the larger population

➔ **Heritage's milk procurement capacity:**

- 18 lakh litres per day (growing at 10% CAGR)

➔ **Markets for Heritage Dairy products:**

- Bigger and core markets remain in south India
- Currently expanding its footprint to other large markets like Mumbai and Pune in the west and Delhi and Punjab in the north

➔ **Heritage's dairy initiatives:**

- Driving brand penetration in its core southern markets and consolidating the dairy business in new markets like Mumbai and Delhi
- Putting in place mechanisms for making timely and accurate payments to farmers
- Installing milk analysers at procurement centres to measure the quality of milk
- Bringing down the cycle time for payments by the financial inclusion of Heritage suppliers. Example: Opening bank accounts for the farmers
- Tying up with banks to provide credit to farmers to buy cattle
- Helping farmers in insuring the cattle to drive down the risks of business
- Providing free veterinary care at the door step of the farmer
- Extending hospitalisation facilities to the farmer and his family
- Setting up Heritage Institute of Milk Sciences for disseminating knowledge to farmers on cutting edge dairy practices

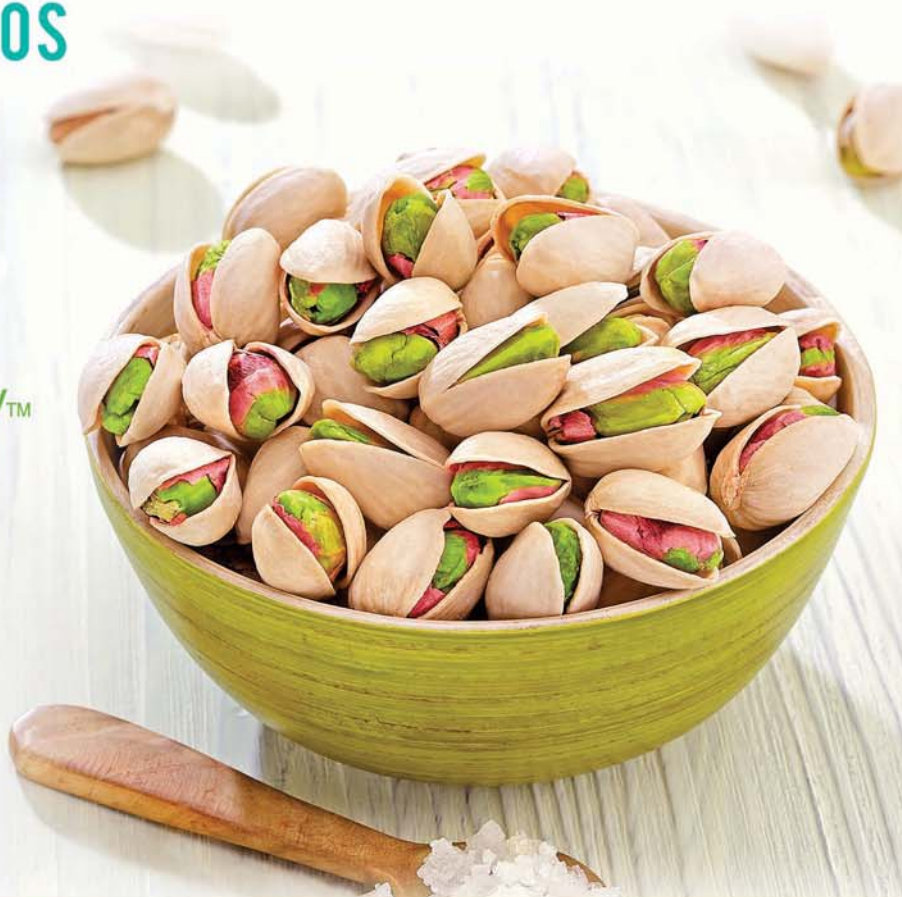


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India has been largely a milk drinking country and the penetration of packaged VADP products has been low. VADP innovation is yet to largely happen.



What have been your initiatives in bringing more farmers to your fold?

This is an ongoing process and has many legs. Some of the larger initiatives that we have been taking for the past 25 years are as follows:

When Heritage began its operations, one of the key issues which marred the dairy industry, especially in South India, was that the farmer did not receive timely and accurate payments. Heritage consistently has worked towards making payments in a timely and accurate fashion for the milk procured. We have installed milk analysers at every procurement centre to measure the quality of milk. This is the most transparent method to measure the quality of milk in front of the supplier and make payments accordingly. We believe this initiative is the most important part of our relationship. Heritage also has significantly attempted to bring down the cycle time for payments. This has been made possible because we had planned for the financial inclusion of Heritage suppliers and opened bank accounts long before the demonetisation era. Today, Heritage's payment policy is the gold standard, which most players in industry are striving to achieve. Heritage won the Golden Peacock Award for corporate governance in the year 2016, which is essentially an endorsement of its transparency in processes, from farm to folk.

The other large contributions are for building an enabling environment to encourage dairy farming. Dairy farming's biggest inhibitor is the lack of credit or start-up finance with farmers. Heritage is a facilitator for tie-ups with banks to provide credit to

farmers to buy cattle, etc, and also to drive down the risks of the business by insuring the cattle. Heritage strives to bring down the large cost heads for the farmer in running his dairy business. To drive this initiative, Heritage launched a new division called VETCA (short for veterinary care), the primary focus of which is to provide subsidised feed to the farmer. Heritage also provides free veterinary care at the door step of the farmer. There is also a larger insurance cover and hospitalisation facilities extended to the farmer and his family.

Moreover, Heritage pioneered Heritage Institute of Milk Sciences, which is an initiative for information dissemination on the cutting edge dairy farming technology to the next generation of farmers.

At Heritage, we believe that the farmer is not just a partner in the business, but also a part of the larger Heritage family. All these initiatives work to build dairying as a viable option.

How do you see the dairy market in India developing for value-added products?

Milk and milk products have become a one-stop solution for the health and nutrition needs of Indian households as they are a lead carrier of essential nutrients. The FSSAI has now allowed fortification of milk. Heritage believes that milk has a large role to play in solving the problem of malnutrition. With the passage of time, there will be a significant segmentation in the milk category with products introduced for meeting the specific nutrition needs and also to help the country fight the scourge of malnutrition. **PG**



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The simple mantra to succeed is to partner, promote and persevere.

Sumit Saran
Head of International Foods
Future Consumer Limited
Future Group



Gourmet is going to be a serious category for food retailers as it has the potential for better value, volume and margins.

Sudhish Sukumaran
Buying Head
Gourmet West TATA Westside

Titans of the Trade

→ Role and Responsibility



SUMIT SARAN

- Sourcing of International foods
- Establishing international partnerships
- Promotions and launch of international foods and brands through our store formats

Experience in Retail: Three years of direct experience and 13 years indirectly.

Area of Specialisation: Understanding the subtle nuances of launching and marketing International foods in a diversified and heterogenous market like India.

Challenges in the Current Job: Getting stakeholders – both domestic and international – to believe that India is not price but value conscious.

SUDHISH SUKUMARAN

Head of buying and merchandising for gourmet foods.

Experience in Retail: 14 years+ years in Retail and Hospitality.

Area of Specialisation: Buying, Operations and Supply chain.

Challenges in the Current Job: Dealing with the new and everyday updates of FSSAI and the attendant legal terminology as a majority of gourmet products are imported. Making the food business at Westside profitable.

→ Your solution to the challenges

- Be premium to masses
- Build bridges to luxury
- Import in bulk (if needed) but package and process locally

Most satisfying part of your current job: Establishing new products and categories for Indian consumers to delve into.

- Getting the sales mix right.
- Working on the sales and margin by increasing the sales of perishables, which is currently 52% of the total gourmet business.

Most satisfying part of your current job: Passion for the food business keeps me motivated everyday.

→ **Learnings**

- India is one of the most rewarding market, if you are willing to be in the game for a long term.
- There is no room for fly-by-night operators.
- Learnt to be spontaneous in this business and in dealing with the customers, which opens up many new opportunities for sales.
- You need to be always on the curve and be updated in this industry.

→ **Observation about the category**

- Consumers today are aspirational.
- The simple mantra to succeed is Partner, Promote and Persevere.
- I have a customer profile which is Sec A+ to SEC B. This segment of customers know what to buy and where to buy.
- Their patterns of buying has given us the confidence to be in the market for the past six years and helped us create a better customer profile inside our stores for food.

→ **Prediction of future trends**



- Every day, Future Group brings multiple products, opportunities and services to millions of customers in India. Through more than over 17 million square feet of retail space, we serve customers in more than 240 cities across the country. Most of all, we help India shop, save and realize dreams and aspirations to live a better quality of life every day. However, the growth achieved is just the tip of the iceberg.
- Sky is the limit for companies and brands who believe in the India story and are willing to work on ground with a long term vision.
- As Indians are travelling all over the world, they are becoming increasingly receptive to world class cuisines and international food brands. Gourmet Food is going to be a serious category for food retailers as it has the potential to give a better value, volume and margins to the organization.
- Also the awareness of superfoods and health foods is increasing and it will further catalyse the gourmet sections in Indian Retail.

Career Goal: To help global food brands find a successful base in India.

Your top sellers: Our top sellers are products that appeal to the aspirations of the young Indians. It cuts across categories and consumption points.

Career Goal: Lead a successful and profitable business venture and create my own benchmark and milestone in the industry.

Your top sellers: No comments

→ **Approach to buying from local SMEs**

- Buying yardsticks are the same for all.
- If the local SME has a global vision and a will to achieve, we are always happy to partner.
- We really welcome them.
- It is good to see their energy and the kind of innovations that they put into the business, which add value to the customers shopping experience.

Criteria for tapping new suppliers: Willingness of the partner to work with us on ground to bring the best value for our customers.

Criteria for tapping new suppliers: We look for integrity, quality and a win-win combination.



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Cuts above the rest

India's growing bulge of middle class consumers is pushing the growth of the meat sector. Research shows that there will be around 80 per cent growth in meat demand by 2022 driven by the desire for convenience, which will be at the heart of the adoption of processed meat, fish, and poultry products.

By **Sanjay Kumar**

India's growing and expanding middle class is showing a marked preference for moving toward high-protein food such as meat. This is evident from India's largest household consumption survey conducted by the National Sample Survey Office (NSSO), with a sample size of over one lakh households. The survey reveals that 62.3 per cent of Indian households consumed non-vegetarian food in 2011-12 compared to 58.2 per cent in 2004-05. The figure is interesting in the sense that meat consumption is a good marker of economic development. The economic gap between developed and developing countries is often reflected in their meat consumption. While people in developed countries meet more than half (56 per cent) of their protein needs from animal sources, it is only 18 per cent in the case of people in the developing countries like India. The annual per capita consumption of retail processed meat and sea food products, though still low at 29.36 gram and 6.65 gram respectively, is growing in the country, according to Mintel Market Sizes.

Contrary to the conventional belief, growing economic prosperity alone is not the reason for

increased animal protein consumption in India. Meat consumption in India is also dependent on religious beliefs. Therefore states such as Punjab and Gujarat are predominantly vegetarian in spite of their economic prosperity. At the same time, however, as consumers become more health aware, protein found abundantly in meat is getting well established as a muscle building aid. Protein foods are linked to attributes like satiety, weight management and energy, all of which enhance the appeal towards its consumption. As a result, the volume of processed meat and fish consumption in India is set to grow at an annual rate of 15.9 per cent and 14.3 per cent respectively.

Drivers of Rising Meat Consumption

As per research, there will be about 80 per cent growth in meat demand by 2022. Convenience is at the heart of adoption of processed meat, fish, and poultry products. Time pressed urban consumers are looking for easy to prepare meals, fuelling the demand for processed food products. According to Mintel Market Sizes, Indian organized retail sector is expected to witness a CAGR of 15.6 per cent



during 2016-20. According to Yogmaya Chatterjee, Food and Drink Analyst, Mintel, “A young demographic, rising disposable income and time pressed urban consumers looking for convenient meal solutions without compromising on health aspects are driving the market for the category.” Says Dnyaneshwar Phadtare, Buying & Merchandising Head for meat/ fish/ frozen category, HyperCITY Retail, “The category is growing at an excellent rate and has a promising future. The market for this category in India is worth Rs.2,00,000 crore and is expected to triple by 2020” (source: India Food Report 2016). In India, non-veg consumption is the highest in the State of Telangana followed by West Bengal and Andhra Pradesh.

In India, the growth in the meat sector is led by poultry whose market size is expected to grow tenfold by 2050. Poultry’s share in total meat consumption stands at 28 per cent currently, as against 14 per cent ten years ago. According to Mintel research, chicken consumption has been growing the most with India becoming the fourth-fastest growing market for the product in the world. The proportion of households consuming chicken has shot up from eight per cent in 1993-94 to 38 per cent in 2011-12, while that of fish-eating households increased marginally from 30 per cent to 32 per cent over the same period. At the same time, the proportion of goat-meat/mutton-eaters has fallen significantly — from 30 per cent in 1993-94 to 15 per cent in 2011-12. The population of beef and buffalo meat-eaters has remained more or less constant at about six per cent over this period, according to NSSO 2011-12. The poultry market is expanding faster as there are very few social barriers for poultry meat consumption and also because of its relatively more affordable price. As chicken requires limited feed and the birds are ready for consumption within two months, chicken meat is gaining in popularity over the other kinds.

Consumption Trends

Over 90 per cent of meat and poultry in India is still sold through wet markets and butchers. The trend remains strong even though many established and new brands in the frozen meat category have come up with innovative launches and products even while trying to reach out to more numbers of consumers. The well-known brands available nationally in the frozen meat category are:

- Poultry: Venkey’s, Yummiez, Sumeru, Suguna, Keya, Republic of Chicken
- Lamb/Chevon: Al Kabeer, Chevon, Carnivore
- Seafood: Cambay, Gadre, IFB, Big Sam

The fresh meat category has also attracted some branded players but they are more focused on specific regions and are available within only a limited geography due to the short shelf life of products. Fresh meat brands available in only certain markets are:



“Currently more than 90 per cent of the chicken is sold through the wet market in the raw fresh segment, and that is where the opportunity lies for selling branded products through organised retail channels.”

— Krishna Kumar Maurya
Business Head
CPP and Veg Division
Baramati Agro Ltd.

- Poultry: Real Good Chicken, Zorabian, Suguna, Venkeys
- Lamb/Chevon: Al Fahad, Al Kabeer
- Seafood: Cambay

The reason that Indian consumers prefer to buy fresh meat from open/ wet/ live bird markets is because a perception exists among a majority of meat buyers that fresh meat or a live bird slaughtered in their presence is of better quality. Consumers have more confidence in the quality of fresh meat that is slaughtered by butchers in shops. Even when refrigeration is available, consumers lack the confidence in chilled or frozen meat because of the unreliability of electrical power. The preference for fresh meat also extends to the belief that it is superior in taste and texture. According to Krishna Kumar Maurya, Business Head, CPP and Veg Division Baramati Agro Ltd., which sells the ‘Delicious brand of fresh raw chicken and other value-added products, “Currently, more than 90 per cent of the chicken is sold through the wet market in the raw fresh segment, and that is where the opportunity lies for selling branded products through organised retail channels.”

Due to the still lingering large-scale preference for fresh meat, the market size of processed and frozen meat is very small. The size by volume of

Private label launches in meat category are gaining momentum



Yogmaya Chatterjee
Food and Drink
Analyst, Mintel



Which is the fastest growing category in meats and what are the broad consumption trends for these categories?

Chicken consumption grew the most with India becoming the fourth-fastest growing market for the product in the world. The proportion of households consuming chicken shot up from eight per cent in 1993-94 to 38 per cent in 2011-12, while that of the fish-eating households increased marginally from 30 per cent to 32 per cent over the same period. The proportion of goat-meat/mutton-eaters has fallen significantly — from 30 per cent in 1993-94 to 15 per cent in 2011-12. The population of beef and buffalo meat-eaters has remained more or less constant at about six per cent over this period according to NSSO 2011-12.

Which are the features that consumers strongly identify with when buying meat?

Convenience is at the heart of adoption of processed meat, fish, and poultry products. Time pressed urban consumers are looking for easy to prepare meals, fuelling the demand for processed food products. According to Mintel Market Sizes, Indian organized retail sector is expected to witness a CAGR of 15.6 per cent during 2016-20. To a large section of consumers, freshness is a key criterion, which explains the rise in the private label launches of chilled, cleaned, and processed fish products.

How would you assess the potential of the frozen meat market in India?

A young demographic, rising disposable income and time pressed urban consumers looking for convenient meal solutions without compromising on health aspects will drive the market for the category.

What are the buying and consumption trends for the frozen and fresh category?

According to Mintel Global New Products

Database (GNPD) estimates in 2016, in retail processed fish products, (frozen fish, seafood and seaweed, and also meal centers and ready meals) 57 per cent launches were in the frozen segment while chilled fish products (this includes all packaged fish, seafood and seaweed, which have been further processed in some way. It also includes smoked and salted fish but not plain filleted or portioned products) have also started to emerge with a 26 per cent share in new launches compared to 31 per cent launches in frozen fish and a 1 per cent launch in the chilled fish segment in 2014. Private label launches are gaining momentum and they are likely to gain owing to the strong preference for fresh food consumption.

In meat and poultry products, frozen meat products that include meat patties, kebabs, and meat balls take the greater share of 81 per cent launches in 2016 compared to a 64 per cent share of new launches in 2014. For poultry, in the chilled segment that includes pre marinated chicken and smoked products, new launches have grown from 16 per cent in 2015 to 28 per cent in 2016.

What is the scope for greater value-addition in these product categories?

According to Mintel GNPD, on-pack claims on launches from 2014-16 reveal that after no 'additives and preservatives', ease of use and microwavable are emerging as the top claims along with halal. According to the Food & Agriculture Organization of the United Nations, the growing demand for animal protein is changing the production system radically. This is also making healthy perceptions of meat and poultry products a key challenge. Health risks of factory farming and the power of Internet to quickly spread bad news is creating fear in consumers minds. To address these, chosen poultry products

with the claims ammonia and antibiotic-free are being observed. As consumers become more health aware, the demand for more 'clean label' products is expected to increase in line with the global trend.

Sourcing information will also be looked at by the health-conscious consumers as it can aid in reiterating healthy perceptions of animal protein. Providing detailed provenance and sourcing information such as on animal breeds offers a rare means for companies to differentiate a product and to look to communicate more effectively. QR coding systems on packaging is also used to track the source of the meat.

In packaging, value addition can happen by aiding on the convenience front. Cook-in-bags in the fish segment, with brands launching cooking bags that promise to seal in flavour and aroma, are gaining popularity. Such products are likely to appeal to young, urban time-pressed consumers who don't have the time to cook.

How do you see these product categories evolving and growing over the years?

High quality and safe for consumption products will gain importance among consumers, as will innovations centered on aiding convenience. Organic, no additives and preservatives, no hormones and antibiotics based claims are growing globally as consumers become more conscious. High protein snacks that provide a high level of satiety make meat snacks an excellent option to bridge gaps between meals. Animal protein based high-protein snacks will also gain in the times to come.

What role can technology play in making the market more vibrant?

One role that technology has to play is to strengthen the cold chain infrastructure. As majority of the meat, fish and poultry market operates through unorganized retail in India, therefore the cold chain network expansion is critical for the growth of the category. The Global Cold Chain Alliance estimates that the cold storage market in India has been growing at a rate of 25 per cent per year. Opportunities exist for cold chain operators to create or utilize technologies that reduce dependence on the electricity grid. Since the energy infrastructure is lacking, it is an impediment to integrating cold chain capabilities across the supply chain. Technology can also encourage increased use of mobile apps, links to sites, short video links on the back of packs that can educate consumers on quick and easy recipes. It can also be effectively used to educate consumers on the merits of frozen food to address the perceptual barriers that consumers have towards the category.

retail processed meat products and fish as of 2015 are 38.94 and 8.21 thousand tonnes respectively, according to Mintel Market Sizes. But this is just a fraction of the overall consumption of these products. Processed fish also is less than 1 per cent of the domestic fish consumption in India. According to Mintel estimates, more than 70 per cent of the retail processed fish market in India comprises frozen products. Innovative Foods Limited is the market leader in processed seafood in India with West Coast Group and IFB Agro Industries Limited as other leading players in the category.

The average consumption of poultry and beef/veal in India is about 2.9 million tonnes per year. The consumption for sheep and goat meat is 0.9 million tonnes. Pig meat consumption is on lower side (0.3 million tons) because of religious limitations.

As for meat consumption patterns elsewhere in the world, trends suggest that the highest consumed meat is of pig and poultry followed by beef and sheep/ goat. But this is set to change as poultry will lead in meat consumption across the world with China gaining a 37 per cent share, Brazil with 28 per cent and USA with a 16 per cent share by 2022.

Meat and Modern Retail

In recent years, the demand for frozen or chilled meat products from hotels, fast food restaurant chains and urban consumers is on an upward spiral in India. “From an institutional point of view, we’ve seen a good acceptance of our products. More and more hotels and caterers are using our products from a banqueting point of view. From a retail standpoint, we’ve seen an increased willingness of consumers to try frozen products and they have accepted it as a healthy and quick option for a snack. The credit for this goes to the youth of this country,” says Sudhanshu Mathur, Director, BMS Enterprises, which manufactures its own ready to eat frozen snacks in eight SKUs – veg spring rolls, chicken spring rolls, cheese cigar, prawn rolls, veg dimsums, chicken dimsums, black pepper chicken shaomai and spinach & corn dimsums. The products are all sold under the brand name “King’s Delight” and caters to HoReCa, Modern Trade and General Trade as well.

Over 65 per cent of the population in India is below the age group of 35 years and a majority of them are now exposed to the global media and malls, which is causing the demand for food hygiene

Top claims for processed fish, meat & egg products launches in India in 2016

No additives/preservatives	39%
Ease of Use	30%
Halal	23%
Premium	13%
Time/Speed	11%

Source: Mintel.

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From a retail standpoint, we've seen an increased willingness of consumers to try frozen products and they have accepted it as a healthy and quick option for a snack.

— **Sudhanshu Mathur**
Director
BMS Enterprises



People are becoming aware of the hygiene and quality of processed meat and this segment is picking up wherein we see a huge demand and there is plenty of scope to expand.

— **Rafi Baig**
GM, Sales & Marketing,
Suguna Foods Ltd

to grow by leaps and bounds. Rafi Baig, General Manager, Sales & Marketing, Suguna Foods Ltd., India's largest integrated poultry operator known for its chicken products as well as a wide range of meat, eggs, ready to eat offerings, etc., believes that there is a huge opportunity for branded players and for the organised retail to grow and expand the market because "in India, people have until now preferred fresh meat and so open and live bird markets have played a major role in meat retailing. But now people are becoming aware of the hygiene and quality of processed meat and this segment is picking up wherein we see a huge demand and there is plenty of scope to expand." Suguna focuses on retail and HoReCa as its major consumer segments besides also catering to other segments such as the armed forces and other institutions like KFC, Marry Brown, Vista, Nando's etc. "Our presence is across India but our major focus is in south India where we have more than 200 Suguna Daily Freshhh outlets to cater to the retail segment," informs Baig.

"With rapid urbanization across the country, wet meat markets will shrink and live bird slaughtering will get restricted," asserts Maurya of Baramati Agro, whose products – marinated chicken lollypop, marinated chicken drumstick, chicken wings, chicken nugget, chicken rings, chicken popcorn, chicken seekh kebab, chicken marinated tikka, chicken sausages, salami and mortadella, to name a few – enjoy a special youth appeal. "We have a range of 29 products in different categories like fry and serve, grill and serve, heat and serve and cold cuts, and these are some of our most popular products in the youth segment," informs Maurya.

With supermarkets and shopping malls spreading to even Tier II and III towns, it is expected that there will be greater support for the growth in the retailing of chilled/ frozen meat products. "In recent years, new players have been emerging regularly, which indicates that the market size is expanding. A lot of MT stores have started selling chilled meat as well," says Baig of Suguna Foods. "Our key focus is Modern Retail Trade, 'A Class' super stores and self-service stores selling non-veg products. We have a pan-India presence with leadership status in a few markets and some Modern Retail Trade accounts," informs Maurya.

"Meats have always been a popular category and contribute a good percentage of sales in big stores. The most important factor while dealing in meats has to be the freshness and quality. We as a brand do not deal in frozen raw meats. We make sure the customer gets the freshest catch of fish or seafood and the most tender chicken products. You



India: Market size – in volume ('000 tonnes)		
	2014	2015
Fish and Seafood	7,218.40	7,576.80
Beef and Veal	1,614.20	1,807.90
Lamb, Mutton and Goat	1,409.70	1,466.10
Pork	596.50	608.50
Poultry	3,166.30	3,315.00
Other Meat	0.40	0.40

India: Market size – in retail value sales (INR bn Current Prices)		
	2014	2015
Fish and Seafood	2,093.70	2,354.40
Beef and Veal	314.30	372.60
Lamb, Mutton and Goat	525.80	595.30
Pork	128.10	146.40
Poultry	574.70	656.80
Other Meat	0.10	0.10

Source: Euromonitor

can never go wrong in this category if your focus is on freshness," says Angad Singh, Founder, Good To Go, an NCR-based online home delivery brand for chicken, meat, seafood and ready to eat non-veg food. He points out that the meat category has distinctively marked a space of its own in the grocery world. "With time we have seen more and more stores adding this category to their product line. Margins in this category are a way more than the traditional branded products and that is one big factor that invites people to add this line to the store. It is a quality controlled category and that is where specialization matters." Agrees Jehangir Lawyer, MD, Fortune Gourmet, a leading importer of cheese, processed meat, seafood and other fine foods. "Retailers often get a decent margin on this category. So most retailers are very keen on increasing their range and allocate more shelf space to the category, which is witnessing an increasing demand from consumers."

"Today, a majority of Modern Trade food and grocery retailers are inclined toward selling frozen meat as compared to fresh meat," points out Avinash Tripathy, Category Head - Godrej Nature's Basket, which sells a wide and eclectic range of meat products comprising chicken, turkey, duck, lamb, pork and seafoods. This range can be further divided into subcategories such as Fresh Chilled (raw and processed), Frozen & Cold Cuts and Canned Non-Veg, which is mainly driven by imported brands like Zwan, Ayam, John West, among others. GNB also has a reputation for carrying a very

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Meat Products at shop shelves

Fish and Seafood

This is the aggregation of fish, crustaceans, molluscs and cephalopods. Includes fresh, raw (chilled and frozen), packaged and unpackaged unprocessed fish and seafood. Chilled and frozen fish and seafood can be cleaned, gutted, peeled/trimmed/filleted/cut to a different extent, but not cooked and no sauces, herbs or condiments can be added. Excludes all packaged/processed fish and seafood products typically sold via the self-service counters in retail outlets.

Beef and Veal

Includes all fresh uncooked and unprocessed beef and veal including steak, cuts and mince, whether sold packaged or unpackaged, chilled or frozen. Buffalo meat is included here. Excludes processed products whether packaged or unpackaged such as canned beef, cured, salt or dried beef, beef burgers or sausages, etc. Packaged plain meat cuts, which are further prepared typically with the addition of other ingredients such as sauces/condiments/herbs/coating/stuffing, etc, are also excluded.

Lamb, Mutton and Goat

Includes all fresh uncooked and unprocessed lamb, mutton and goat including steak, cuts and mince, whether



sold packaged or unpackaged, chilled or frozen. Excludes all packaged and unpackaged processed products such as lamb sausages, burgers, kebabs, etc. Packaged plain meat cuts, which are further prepared typically with the addition of other ingredients, such as sauces/condiments/herbs/coating/stuffing, etc, are also excluded.

Pork

Includes all fresh uncooked and unprocessed pork including pork cuts, chops and mince, whether sold packaged or unpackaged, chilled or frozen. Excludes all processed products such as pork sausages, ham, gammon, bacon smoked and cured

pork, pate, etc whether packaged or unpackaged. Packaged plain meat cuts which are further prepared typically with the addition of other ingredients, such as sauces/condiments/herbs/coating/stuffing, etc, are also excluded.

Poultry

Includes all fresh uncooked and unprocessed chicken, duck, goose, turkey and guinea fowl, whether sold packaged or unpackaged, cut or whole, chilled or frozen. Excludes all processed products, such as chicken/turkey sausages, hot dogs burgers and nuggets, smoked poultry meat, pate, etc, whether packaged or unpackaged. Packaged plain poultry that is further prepared typically with the addition of other ingredients such as chicken with stuffing, chicken wings in sauce, chicken drumsticks in seasoning, etc, are also excluded. This category does not cover eggs.

Other Meat

Includes all other types of fresh uncooked and unprocessed meat whether sold packaged or unpackaged, chilled or frozen such as horse meat, venison, camel meat and meat of other camelids, game meat, rabbit meat, etc. Excludes all processed products whether packaged or unpackaged.



distinctive meat range – lamb meat from Australia and New Zealand, turkey meat from Spain, raw pork from Belgium, German sausages, fresh seafoods (Salmon and Basa), and imported cold cuts from Austria, Spain and Germany.

According to Tripathy, there are very limited chains even in Modern Trade that have an in-depth assortment in the meat category. The other Modern Trade players to have a meat section across all their stores are Star Bazar, Foodhall, HyperCITY and SPAR. “We ensure that we have the best in class assortment of premium, International and gourmet range of meat and seafood products at HyperCITY stores. Meat products include raw chicken, mutton, fish, different cuts of chicken, mutton, marinated chicken/mutton, all major varieties of sea water and fresh water fish, marinated fish, fillets of fish, prawns, lobsters, dry fish, all kind of cold cuts of local and international brands, fresh chilled imported salmon, New Zealand lamb, different varieties of eggs – Omega 3 enriched, herbal, brown, free range, duck, quail; season based SKUs like turkey and many more,” says Dnyaneshwar Phadtare of HyperCITY Retail, which boasts of having one of the finest and premium range of meat / seafood / cold cuts. Non-veg products contribute about 6 per

cent to the entire business of HyperCITY’s food sales. “This is the one of the most important drivers of footfalls in our stores,” says Phadtare.

Players like Big Bazar, More, Spencer’s carry a selective range in their stores at some locations as per the catchment. Then there are some standalone stores like Dorabji and Haiko that also keep a good assortment of meat products. “Our major business in meat products comes from the hyper and super formats. At the same time, frozen and chilled packed meat ranges are also gaining traction in our small stores,” says Shashwat Goenka, Sector Head – Spencer’s Retail Ltd, whose stores offer close to 400 products in fish and meat, including fresh chilled, frozen non-veg and delicatessen offerings.

There is a good reason why it is difficult to come across a wide assortment of meat products at traditional grocers. For one, non-veg retailing is not an easy business to be in and not every retailer can manage the inventory. “Having an end to end strong cold chain, sufficient storage space, merchandising/ display of products, skilled knowledgeable manpower to handle these ultra-fresh products are critical factors to launch this category, which are rarely found at traditional grocery stores. Also, it is equally important to get

“
Retailers often get a decent margin on this category. So most retailers are very keen on increasing their range and allocate more shelf space to the category.”

— Jehangir Lawyer MD, Fortune Gourmet



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“
Meats have always been a popular category and contribute a good percentage of sales in big stores.

— Angad Singh
Founder, Good To Go

region-wise/ store-wise best vendors who follow all GMP/GHP/Food safety standards while handling these products. Launching meat and fish section at traditional grocery stores is not an easy business and such products can be made available only if traditional grocers have a full-fledged cold storage or a tie-up with a vendor who has such capabilities,” explains Tripathy of GNB.

Apart from offering a wide and varied assortment, there is also a much higher level of convenience that Modern Trade retailers have to offer vis-a-vis the open/ wet market. “Convenience of shopping in a hygienic and comfortable environment, availability of a wider range under one roof, assurance of correct weight and quality, right pricing, cutting, cleaning of choice free of charge are the key differences over the wet market, which encourage shoppers to buy meat products from organised retailers,” says Shaswat Goenka, pointing out that of all the meat products available at Spencer’s stores, it is seafood that is clocking the highest growth, primarily due to the stores offering a superior level of convenience over the wet market. The sentiment is shared by HyperCITY’s Phadtare and GNB’s Tripathi. “Customers are shifting from



buying non-veg from unorganized /open market outlets to modern retail stores where products are handled in a much hygienic way – products are stored at the right temperature, staff gives you the right product information, and they come with the experience of buying and prompt customer service. Our customer promise and brand positioning of ‘something fresh every day’ ensures that we bring fresh products to the customers as soon as possible and reduce whatever time we can from sourcing to selling. This way our customers are able to get a wide range – be a normal lamb or New Zealand



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Today, a majority of Modern Trade food and grocery retailers are inclined toward selling frozen meat as compared to fresh meat.

— **Avinash Tripathy**
Category Head
Godrej Nature's Basket



We ensure that we have the best in class assortment of premium, International and gourmet range of meat and seafood products at HyperCITY stores.

— **Dnyaneshwar Phadtare**
Buying & Merchandising
Head for meat/ fish/
frozen category,
HyperCITY Retail

lamb, Catla fish to smoked salmon – under one roof. Another aspect is that we understand the catchment and make the products available as per the requirements of specific regions. For example, the HyperCITY store in Janakpuri, Delhi, sells more chicken than fish – the reason being that the locality is dominated by Punjabis. On the other hand, our Noida store sells more fish as it has a strong Bengali catchment. Hence assortment must be planned as per the requirement of the customers in the catchments. We study and cater to the needs of our customers in the areas and catchments where we operate our stores,” says Phadtare.

Category Growth and Prospects

The category has some established players who have been there for over two decades and have worked to build this category. McCain Foods, Venky's, Sumeru, Red Lobster, Godrej Real Good Chicken and Godrej Yummiez are some of the major brands that have been there in this segment for quite sometime now. But as consumer preferences are changing, only those companies will grow and thrive that will work on product innovations. “Consumers are experimenting more and more today and they are ready to spend on good and differentiated products, which stand apart in taste and experience,” says Maurya of Baramati Agro, which is banking on its wide product range to corner a greater share of the market. “On the product front, taste and quality are the most profound factors coupled with the availability and visibility of the product to the consumers, which will drive the category performance,” he adds. His company is aiming to realize a 20 per cent market share in the value-added chicken segment and Maurya says it will be able to achieve this with the variety, freshness, availability and visibility of its products across all leading stores.” Baramati Agro, under its ‘Delicious’ brand sells a range of 29 non-veg products in different categories like fry and serve, grill and serve, heat and serve and cold cuts. “In our opinion, this category has a very good potential as we are still way behind the developed and evolved markets. Within the category, the appeal for frozen products is growing as consumers are experimenting more and more today,” states Maurya.

By all accounts, it seems that Frozen is a growing industry. “Over the years a lot of people have come to accept this category. It's still on a growing stage of the industry life cycle curve. As the industry grows, more and more players will try and enter the market.



For us it's a good thing and will keep us on our toes. When we started off, it was a herculean task for us to convince our audience to accept the concept of Frozen. The situation is different now. People have options. Some want a better price. Some consider quality as the utmost criteria,” says Sudhanshu Mathur of BMS Enterprises, adding that in the Frozen snacks category the availability of products at all point of sales backed by regular merchandising and promotions will play a quintessential role in the performance of these products. “In addition, there has to be a continuous improvement and innovation in the products' bandwidth in order to keep up with the market trends and growing demand. It's food and everybody wants something different, something new,” he says.

Most manufacturers agree that exciting products and great taste will drive the category, provided the products are showcased well and the consumer is in a position to taste the same before making an informed purchase decision. “Keeping this in view, in-store sampling is one of the key initiatives that brands and retailers can take up and this is an area where we strongly focus,” avers Maurya of Baramati Agro.

“Quality, variety and specifications based on consumer





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Method of preparation



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Cook for 3-5 minutes



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3. Cook well (3-5 minutes) with steam and serve hot.



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TOP MEAT CONSUMERS IN INDIA		
STATE	MEN	WOMEN
Telangana	98.8	98.6
West Bengal	98.7	98.4
Andra Pradesh	98.4	98.1
Tamil Nadu	97.8	97.5
Kerala	97.4	96.6
Odisha	97.7	97.0
Jharkhand	97.2	96.3
Bihar	93.2	91.7
Chhattisgarh	82.7	81.4
Assam	78.6	80.2
Karnataka	79.1	78.7
Uttarkhand	74.5	70.8
Jammu & Kashmir	69.0	68.1
Delhi	63.2	57.8
Maharashtra	59.0	60.6
Uttar Pradesh	55.0	50.8
Madhya Pradesh	51.1	47.7
Gujarat	39.9	38.2
Punjab	34.5	32.0
Haryana	31.5	30.0
Rajasthan	26.8	23.4
*Figures in percentage		

Source : National Sample Survey on Household Consumption, Govt. of India, 2014



needs will be the growth drivers of the category,” notes Baig of Suguna Foods, who feels that the prospects for chilled meat is equally bright. “Fresh chilled chicken meat has more movement than frozen meat as consumer prefer chilled. There is growth in this category as the demand is always high for the same because of the huge market size.” Baig is of the strong view that brand awareness about the product, nutritional balance and health awareness, hygiene and quality will be key parameters in shaping the category’s performance.”Also, people are more inclined toward convenience foods like ready to eat products, and their availability will play a major role in the category’s performance,” he opines.

According to Jehangir Lawyer of Fortune Gourmet, “There is a greater awareness among the people about the category and there is also a willingness to try new food. People are very much influenced by the trends in the West and the same practices are seen and being replicated here. People of this generation are travelling and are exposed to different cuisines; also the rising income and spending power of the middle class is playing a great role in creating demand for this category.” He adds: The opportunity for growth and expanding the category is enormous. Right now, we are only catering to major metro cities. I foresee a huge market in the upcoming smart cities where certain groups of people will have that curiosity to try new products along with a greater spending capacity.”

Retailers say that the future of the category is promising and it will continue to grow at a healthy rate. “With incomes rising, protein consumption will continue to grow and will intensify even further with the increased use of bigger home refrigerators, which will spur an increase in the ticket sizes,” says Goenka of Spencer’s. He is optimistic of the category’s good performance in the future as well and says that Spencer’s stores expect mid- to -high-teen level of growth in the category. “We are growing in high double digits among all groups of meat and fish. Chicken and mutton products are growing the highest whereas seafood

“
Our major business in meat comes from the hyper and super formats. At the same time, frozen and chilled packed meat ranges are also gaining traction in our small stores.

— **Shashwat Goenka**
Sector Head
Spencer’s Retail Ltd

has grown at a healthy clip. The cold cuts segment has also shown a good growth. We are aiming for a higher growth in FY 2017-18 and we are sure to achieve it with the introduction of new ranges across categories,” states Phadtare.

Retailers have a key role in upgrading the category as they can capitalize on the preference for fresh produce in India. According to Mintel GNPD data, there has been a growth in private label launches by key retailers in meat, fish and poultry products. As the penetration of organized retail grows along with the cold chain network, some of the key things that retailers can look at include the following:

- As disposable income goes up, young urban consumers will look for convenient cooking options. Therefore, convenience-led innovation in terms of product format, packaging offers potential for growth.
- Highlighting sourcing information, free-from products will enhance appeal among consumers looking for healthy and safe product options. And as alternative sources are also growing, globally building on the safe, healthy and fresh image of meat, fish and poultry products is important to gain traction.
- Targeting specific demographics can also hold appeal. Mintel GNPD data shows that South Africa’s major retailers are at the forefront of new product development, targeting those trying to lose weight by offering products with controlled calories and low-fat attributes. **PG**

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Why processed chicken is just 5 per cent of the total poultry market!

Only about five per cent of poultry meat is sold in processed form, of which just about one per cent undergoes processing into value-added products (ready-to-eat/ready-to-cook). The recent emergence of supermarkets and shopping malls is beginning to support the growth in the retailing of chilled/ frozen poultry products.

By **P. Rajan Mathews**

India's poultry industry represents a major success story. While agricultural production has been rising at the rate around two per cent per annum over the past two to three decades, poultry production has been rising at the rate of around eight per cent per annum. What was largely a backyard venture before the 1960s has been transformed into a vibrant agri-business with an annual turnover of Rs. 20,000 crore. Today, India is the third-largest egg producer in the world (after China and the United States of America), and the nineteenth-largest broiler producer. Undoubtedly, this impressive growth is a result of several factors, such as active developmental support from the state

and central government, research and development support from research institutes, international collaboration and private sector participation. A point worth mentioning here is that Indian poultry is self-sufficient, supported by a broad and strong genetic base in which the productivity levels of broilers and layers are equal to those achieved elsewhere (e.g., the USA and the European Union). Undoubtedly, these achievements are quite significant. Today, however, globalization is posing greater challenges: namely, making the industry globally competitive and viable; and fulfilling the quite enormous potential for growth that is presented by changing food habits and preferences.



Poultry is today the major source of meat in India. Its share in total meat consumption is 28 per cent, as against 14 per cent ten years ago. It has outpaced its competitors – beef and veal, and buffalo meat. High mutton prices, religious restrictions on beef and pork, and the limited availability of fish outside coastal regions have all helped to make poultry meat the most preferred and most consumed meat in India. Expanding domestic production and increasing integration have pushed poultry meat prices downward and stimulated its consumption. The annual per capita consumption of eggs and chicken meat has grown from 10 eggs and 146 gram in 1970s to about 44 eggs and 1.8 kilogram, currently. The National Institute of Nutrition recommends that a balanced diet should contain 30 gram of eggs/day (i.e. 180 eggs per annum) and 30 grams of meat daily (11 kg per annum).

The future outlook for the Indian poultry sector appears to be bright. The most optimistic forecasts predict a two- to three-fold increase in poultry production. According to one projection, egg production is expected to reach 106 billion eggs by 2020 and poultry meat production to 4.2 million tonnes.

Processed poultry

Indian consumers mostly prefer live and fresh chicken butchered before their eyes, which results in 95 per cent of chickens being slaughtered by the retailers in a very unhygienic manner. Traditional poultry dressing facilities at the wholesale or retail level are completely manual, with no sanitary measures taken for the dressing floor or the workers. As a result, hygienic slaughtering and proper utilization of byproducts are currently the most important issues in the Indian meat industry.

Most poultry meat in India is marketed to consumers in the form of live birds, with only a small share of output now marketed as chilled, frozen, or further processed products. The costs of moving live birds, including transport, shrinkage, and mortality costs, severely limit inter-regional movements. As a result, Indian poultry markets are regional, rather than national, in scope and there is a limited potential for low-cost producers to market their product in higher cost regions. The limited information on costs and market price behavior collected for this study suggests that the presence of poultry integrators in a region has a significant impact on the returns received by poultry producers and the margins between producer and consumer prices. For example, retail prices and producer-retail margins were found to be significantly higher in the northern region, where poultry integrators are least active.

But with the development of modern retail there is some demand for frozen or chilled poultry products from hotels, fast food restaurant chains



and some urban consumers. About five per cent of poultry meat is sold in processed form, of which only about one per cent undergoes processing into value-added products (ready-to-eat/ready-to-cook). The recent emergence of supermarkets and shopping malls is now supporting the growth in the retailing of chilled/ frozen poultry products.

The modern poultry processing sector in India consists of just about 12 firms as of FY 13-14, which are mostly operated by poultry integrators located in or near major urban areas. These firms use imported equipment and follow hygienic procedures, including monitoring employee health, water supplies, sanitary conditions and refrigeration facilities.

Chilled whole birds and parts are sold in markets and shops in major cities. Acceptance of chilled meat is higher than that of frozen meat, yet growth in chilled meat consumption could help to accelerate the transition to frozen poultry products. Growth in the retail segment is being encouraged by new approaches from poultry integrators, including establishing integrator-owned or franchised chilled/ frozen poultry shops, opening sales counters in existing food shops, and home delivery services.

Today, there are various indicators of the processed poultry growth in India such as:

Poultry is today the major source of meat in India. Its share in total meat consumption is 28 per cent, as against 14 per cent 10 years ago. It has outpaced its two competitors – beef and veal, and buffalo meat.

Major Poultry Retailers

➔ Suguna Daily Freshh

Founded in 1984, Suguna Foods Limited is one of India's largest and the world's 10th largest poultry enterprise. The company's fully integrated operations include broiler and layer farming with its own state-of-the-art hatcheries, processing plants, feed mills and vaccine plant, all of which have played a vital role in the growth and success of the company.

Suguna Daily Freshh retail outlets make available to the consumers its various brands of Suguna value-added eggs and chicken. The outlet retails a varied range of fresh chilled chicken. Currently, Suguna Daily Freshh outlets are located in the States of Tamil Nadu, Kerala and Karnataka. The objectives being met by these Suguna Daily Freshh retail outlets are as follows:



- Create a hygienic and positive image of the Suguna Brand. Earlier Suguna Chicken tried branding with local stores which was later abandoned because consumers began perceiving Suguna as a local brand.
- Availability of the complete range of Suguna products.
- Launch new innovative products that have product detailing.
- Enable house wives/ women to visit the store for purchases. Traditionally, chicken or any meat is purchased by the men due to the poor store conditions.
- Approximately 97 per cent of the chicken is still sold in wet markets. Suguna Daily Freshh retail outlets create opportunity for more awareness on the safe and hygienic aspects of processed chicken through intense marketing.

➔ Republic of Chicken

Promoted by Alchemist Foods Ltd, an enterprise with diversified interests, Republic of Chicken is amongst select broiler integrators involved in the breeding, hatching, processing, marketing and distribution of poultry products across north and east India. Republic of Chicken supplies poultry products to leading institutions and Hypermarkets apart from serving through their several retail stores across Delhi NCR, Chandigarh, Punjab, Haryana, West Bengal & Himachal Pradesh.



➔ Godrej Tyson

The company operates plants near Mumbai and Bangalore and its flagship brand Real Good Chicken is a leader in fresh poultry and meat products among retail and institutional customers. Its vertically integrated poultry process offers fresh and frozen poultry in a variety of cuts for ready use. Real Good Chicken is available in cities such as Mumbai, Pune, Bangalore and Chennai through various super markets outlets of Modern Trade and stand-alone outlets. Godrej Tyson has invested into creating its own chilled freezer for making chilled Real Good Chicken available.



➔ Venky's XPRS

Venky's (India) Limited is a subsidiary of V H Group, an Indian company that specialises in chicken meat processing, and pharmaceutical products for both poultry and human usage. Today, the diversified VH Group is a large Asian poultry company and has diversified into 29 fields including poultry, processed food, animal vaccines, pharma and healthcare products.

In December 2010, the group launched Venky's Express, a ready to eat chicken outlet. The first outlet opened in Pune, and has expanded its presence in western and southern regions of the country. These Venky's outlets sell only frozen poultry meat along with its large range of frozen ready-to-eat/ heat-and-eat poultry products. Many outlets also function as a quick service restaurant with seating arrangements and takeaways.



➔ Green Chick Chop

Green Chick Chop outlets are prominently present in the Delhi-NCR and serve frozen poultry meat, lamb meat and processed chicken products. Founded by Lt. Jarnail Singh, who started the concept in 1969 with Jarnail Poultry farm, with the aim of fulfilling the need for a quality product served in a clean environment. Over the years, it has come up with innovative ideas for the expansion of its product line.



- The changing lifestyles and demographic profiles of Indian households. Consumers are exposed to Western lifestyles, cuisines and cooking and expect the same from Indian markets also.
- Indian Consumers are becoming more health-conscious and are willing to spend more towards healthy and clean food.
- The rapid growth of QSRs such as McDonalds, KFCs, Nando's, Marrybrown and various such outlets are fuelling the growth of processed poultry.
- The recent emergence of Modern Trade such as supermarkets and shopping malls is also supporting growth in the retailing of chilled and frozen poultry products. The investments in the cold chain by these modern retailers are creating channels for the growth of processed poultry.
- To streamline the meat and poultry processing industry and the production of hygienic meat, the government of India launched the National Meat and Poultry Processing Board. The board is raising domestic standards in meat and poultry processing to international levels; developing uniform and effective meat quality testing systems and improving conditions in the wet-market.
- The National Meat and Poultry Processing Board has a greater role to play in educating consumers



about the possible health hazards of chicken bought from a wet market as well as to accelerate the pace of the transition from a live-bird market to a chilled/ frozen poultry product market. This will also be an important factor in the future expansion of broiler production.

Major challenges for processed chicken

- The major challenges faced in expanding the processed chicken market in India are:

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Opening April, 2017

The future outlook for the Indian poultry sector appears to be bright. The most optimistic forecasts predict a two- to three-fold increase in poultry production. According to one projection, egg production is expected to reach 106 billion eggs by 2020 and poultry meat production to 4.2 million tonnes.

Consumer awareness: Tremendous growth potential for the Indian broiler industry exists provided consumers are educated on the benefits of processed hygienic poultry products.

- Regulatory and policies for healthy development of the poultry sector: Policies governing from farm to the consumer plate needs to be oriented towards the development of the processed poultry.
- Raising domestic standards to international levels in processing, supply chain management, retailing and delivery.
- Current environmental pollution issues created by slaughterhouse waste materials, especially in large cities and towns. Certain states such as Kerala have taken initiatives to promote a clean environment and new chicken slaughter houses are not allowed within the municipal limits.
- Developing uniform and effective national meat quality testing systems and laboratories.
- Setting up training institutes for workers, technicians and managers in meat processing industries.
- Providing research and development for production and marketing of new value-added meat products for domestic and international markets.
- Government should actively promote and regulate the meat industry for increasing exports. There should be proactive initiatives from the government in creating and promoting Indian brands of healthy poultry products.



Bottlenecks to growth of processed market
In the other farm products such as grains, fruits and vegetables, processing can be carried into dehydrated

dry ambient products and frozen products. But in meat products, the processing can only be done to its best natural form into frozen processed products. Hence a cold chain becomes very critical and a vital link in the development of processed chicken products.

From the processing plant to the end consumer's plate, the development of cold chain depends on the following:

- Stable power supply: Cheaper and uninterrupted power will help to develop cold chain across the length and breadth of the country.
- More governmental support and concessions should be provided to attract the private sector for investments in the cold chain.
- Modern retail development will ensure private sector and FDI involvement in the development of cold chains. Today, the skeletal cold chain is developed only to Tier I and tier II cities, which needs to grow further into smaller towns and only then can the processed poultry products reach the masses.
- Development of retail outlets for frozen/ chilled products: When the frozen products are nearer to the consumer, the acceptability and demand for these products increase. Today any organized supermarket has a cold freezer of about 400 liters and hypermarkets have about 800-1200 liters of cold freezer space, which is grossly insufficient. Hence, there is a large potential in such retail outlets for selling all forms of frozen products.
- Consumer end of the cold chain: For encouraging the full development and growth of the cold chain, it is important for the domestic consumer to have adequate freezer space at home. However, the domestic household penetration of refrigerators is dismally low in India and a majority of Indian households have refrigerators with not more than 200 liters capacity. Of this, the freezer space is just sufficient to keep the daily requirements of dairy products, which results in no freezer space for meat products. Even in households having more than 400 liters capacity refrigerators, not more than one kg of packaged meat products can be stored at home. In the European and American markets, every household possesses deep freezers of 200 liters for storing frozen products along with the regular refrigerators. Indian markets consider deep freezers as an institutional appliance and not as a domestic appliance.



Government initiatives

Government should first ensure the uninterrupted supply of power at affordable costs. Only if affordable power is available can the investments in cold chains be attractive. Government should also give priority in power supply to cold chains.

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Indian poultry markets are regional, rather than national, in scope and there is a limited potential for low-cost producers to market their product in higher cost regions.

The extant concessions on investments are not attractive enough to any investor. More tax holidays and concessional support in terms of lower sales taxes on frozen product sales and support to the trade in selling frozen products are required.

Attractive foreign direct investments into processing plants and cold chain is urgently required. Till date only two plants have received FDI in poultry processing. The investments in cold chain have been limited only to Snowman Logistics. More FDI will give the necessary momentum to the cold chain industry in the country.

Currently, India has no restrictions on FDI in the poultry industry, hence investment opportunities in poultry production and marketing can be much stronger than the opportunities for trade in poultry or feed. So far, there have only been relatively small amounts of FDI in poultry feeds, production equipment, and processing, and none in poultry breeding or integration. Market price volatility, uncertainty on feed availability, poor power and transport infrastructure, and high taxes on processed food are key disincentives for foreign investment.

Retail initiatives

Indian consumers lack the confidence in chilled or frozen meat because they believe live birds have a better taste and texture. As a result, the Indian broiler sector operates almost completely as a live-bird market. With manual poultry processing accounting for more than 90 per cent of consumption, hygienic slaughtering and proper utilization of byproducts are currently the most important issues in the Indian meat industry.

Regional poultry production and consumption imbalances are also prevalent. The dominance of the live-bird market restricts the movement of poultry because of the high mortality associated

with transporting live birds. Broiler prices are based on the demand and supply in a particular market on any particular day. A preference for live birds limits broiler meat consumption in markets where poultry consumers are sensitive to price.

A number of religious rituals in various regions of India adversely affect meat consumption leading to a significant drop in demand. Negligible sales of frozen products coupled with the limitation in inter regional movement of live birds create volatile broiler market prices. A shift to mechanical and more hygienic processing is integral to the transition of the broiler industry towards a chilled/ frozen-product market.

Growth in the retail segment is being encouraged by new approaches from poultry integrators, including establishing integrator-owned or franchised chilled/ frozen poultry shops, opening sales counters in existing food shops, and home delivery services. The recent emergence of supermarkets and malls is also supporting growth in the retailing of chilled/ frozen poultry products.

Most poultry integrators in India are marketing dressed and chilled products, and ready-to-cook and ready-to-eat products to institutional and retail customers. With the establishment of Hazard Analysis Critical Control Point certified processing plants, many processed chicken brands are becoming popular in urban India. Consumers are paying more attention to quality and hygienic food and the demand for processed meat products is increasing.

Each of the major player is doing its own bit to create cold chain to reach nearer to the consumers by creating neighborhood cold freezer outlets to reach the end consumers at their doorsteps. Suguna has created its chain of franchised retail outlets “Suguna Daily Fresh”, which sell chilled and frozen products. Similarly there are outlets of Republic of Chicken from AI-Chemist, Venky’s Express and those from other poultry majors.

With each player creating its distribution infrastructure across the country and into the smaller towns, the demand for creation of cold chains and storages is increasing. Today you can find distributors with small cold storage rooms in smaller towns and this trend will strengthen further. All the leading players are investing into the creation of freezer spaces in independent outlets.

Major poultry players should join hands with the white goods manufacturers/ appliances makers to create demand for frozen food appliances such as deep freezers and microwave ovens with a defrost facility. **PG**



The author is a passionate food marketer, and has worked across various segments of products in the Food and Beverage categories. He can be reached at rajanmathews@gmail.com.



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Wow's for 100 years!

As Wegmans Food Markets marks the centennial anniversary of its founding this year, *Progressive Grocer* commemorates the occasion with a special salute to the wow-worthy regional supermarket chain that woos shoppers to its cathedrals of consumption with market-leading innovations and superior service.

By Meg Major

Synonymous in the supermarket business with excellence and innovation and renowned for its expansive destination stores, well-oiled execution, magnificent merchandising and fanatical customer fan base, Wegmans has left an indelible mark on the U.S. grocery scene, which has categorically become a better place as a result of the company's rising-tide-lifts-all-boats leadership.

Admired for its engaged front-line associates, quality-first approach, spectacular displays, restaurant-quality prepared foods, and big, beautiful stores, Wegmans has had an undeniable impact on the grocery industry on its way to becoming one of the largest family-owned companies in America.

Racking up a dizzying array of accolades and generating barrels of virtual ink on all sides of the internet buzz-meter, as its inviting, experiential food-shopping experience reaches new geographic markets, Wegmans never fails to cause a sensation when it comes to town. In 2015, more than 4,000 people contacted the retailer to ask for a store in their respective communities, alongside another

7,300 who wrote the company letters proclaiming their love of shopping at Wegmans.

As one of the most admired retailers on the planet, Wegmans, based in the Rochester, N.Y., suburb of Gates, has long marched to its own beat. With a relentless quest for continuous improvement via calculated risks, a willingness to experiment and an enlightened approach to honing the talents residing in its people, the resulting payoffs are self-evident. Widely credited for raising the food retailing bar, Wegmans has all but single-handedly changed customer expectations for grocery shopping by prioritizing an exceptional overall experience with a whatever-it-takes mindset.

Opening no more than four new stores each year, Wegmans opted for deliberate growth in a relatively compact six-state footprint — New York, New Jersey, Pennsylvania, Massachusetts, Maryland and Virginia — belying the dynamic impact it's had in new expansion markets, particularly during the past 35 years, when the 89-store retailer's stellar reputation for quality, quantity, consistency, price points and customer

experience made it the institution that modern consumers have come to embrace.

It's no accident, of course, that the timeframe of its ascent to the captaincy of the industry coincided with the tenure of Danny Wegman, CEO of the family-owned company and son of Wegmans' legendary chairman, Robert, who died in April 2006.

While the company's foundation was already rock-solid, the ensuing years of good-to-great progression following Danny's appointment to president in 1976 are unmistakably linked. In recent years, his two daughters — President Colleen and SVP Nicole — have infused even more fresh thinking into the well-respected organization, which proclaims its extended "family" of associates to be its deepest point of pride.

Fortune Continuously Smiles

Viewed as the indispensable ingredient of Wegmans' secret sauce is a high-trust/high-performing culture that strives to treat each associate as an integral part of an articulated set of core values made up of caring, high standards, making a difference, respect and associate empowerment.

Proof of the same can be found in the company's perennial place on Fortune's 100 Best Companies to Work For list, on which it landed at No. 4 this year, in addition to being the top-ranked retailer. Wegmans is one of only 12 companies that have remained on the list since the ranking's inception in 1998.

"When our people feel cared about and respected, they turn around and make our customers feel that way, too," said Danny, who sent out a Wegmans-size thank-you, after this year's Fortune honorees were revealed, to both customers and employees, "because together they make Wegmans a happy place to be."

Hammering home its guiding belief — that good people, working toward a common goal, can accomplish anything they set out to do, to accomplish its greater purpose: to be the best at serving the needs of its customers — Wegmans



When our people feel cared about and respected, they turn around and make our customers feel that way, too.

— Danny Wegman
CEO



LOOKING BACK, MOVING FORWARD: Throughout its 100-year history, Wegmans Food Markets has achieved many attention-getting milestones, many of which stem from the visionary leadership of the its late chairman, Robert Wegman (center), who expressed his gratitude to company associates when the company was named No. 1 on Fortune's 100 Best Companies to Work For in 2005. The building blocks of its inventive store design began in the 1960s (top left), and have since given rise to stand-alone Wegmans Pubs (top right) and in-store Burger Bars. Today, Robert's son, Danny Wegman, leads the company as CEO, alongside his daughters, Colleen, president (right), and Nicole, SVP.



SWEET EATS
Wegmans' in-store bakeries are renowned for specialty baked goods, desserts, and authentic European pastries and artisan breads.

With its upscale, open-air market appeal and lively displays accentuating an excellent assortment, Wegmans — also acclaimed for its spacious aisles — carries 50,000 to 70,000 products, depending on the specific floor plan, which ranges from 75,000 to 140,000 square feet in an ever-expanding geographic base.



fortifies its ambitions by taking care of its teams with attractive benefit programs, including an employee scholarship program that provides \$4.5 million in tuition assistance to associates each year.

Its role as an exemplary employer mirrors its commitment to the communities it serves with exceptional levels of charitable donations focused on programs that reduce hunger, help young people succeed, promote healthy eating and activity, strengthen neighborhoods, and support United Way initiatives. Last year, Wegmans donated about 13.5 million pounds of food to local food banks and programs that feed the hungry.

Indeed, while much has changed over the century that Wegmans has been in business, the company's beliefs about the way to treat people have endured, as Danny affirmed in his letter that appeared in the 100th-anniversary-themed issue of Wegmans' Menu magazine: "Our values remain the same. They're the foundation for our core business philosophy that my dad outlined years ago: To do something that no one else is doing, and offer customers a choice they don't have at the moment. This is the only reason for being in business. This is the basic premise on which we at Wegmans operate."

Indeed, the company lives up to that premise in spades. With its upscale, open-air market appeal and lively displays accentuating an excellent assortment, Wegmans — also acclaimed for its spacious aisles — carries 50,000 to 70,000 products, depending

on the specific floor plan, which ranges from 75,000 to 140,000 square feet in an ever-expanding geographic base.

The chain is currently prepping for its next wave of evolutionary growth, which includes three more new stores in 2016, in Short Pump, Va.; Owings Mills, Md.; and Charlottesville, Va. Two more are on tap next year for Hanover Township and Montvale, N.J., followed by a new store on the board for 2018 in Natick, Mass. A little further down the road, on dates yet to be announced, Wegmans will break ground for new sites in Chantilly and Tysons Corner, Va.; Lancaster, Pa.; and Medford, Mass.

However, the most watch-worthy project in Wegmans' development pipeline is a 74,000-square-foot store slated to open, perhaps by late 2018, in the Brooklyn Navy Yard. As Wegmans' first-ever store within New York City's five boroughs, the Navy Yard location will be the retailer's smallest — and Brooklyn's largest — supermarket. This certainly promises to be interesting for the vertically integrated company, which controls its entire distribution and supply chain. Moreover, Wegmans' keen focus on its private brands throughout the store has been a linchpin in solidifying its strong price image.

Social Significance

Inspired by Wegmans' trailblazing industry innovation throughout its 100 years of existence, as well as its unrivaled ability to generate a flood of social feedback, we took to Facebook for the first time to enhance our reporting by inviting PG's followers to tell us about the various ways that Wegmans wows them.

All told, we received 200-plus comments from folks all across the country, who weighed in with comments to the following questions:

Which department/section in Wegmans wows you the most? Why?

What's the rarest "wow" product find you've encountered in a Wegmans?

What's the most indulgent "wow" moment you've had in a Wegmans?

How will Wegmans' first New York City store next year in Brooklyn's Navy Yard wow otherwise jaded New Yorkers?

The following pages of our centennial salute to Wegmans are peppered with some of our favorite comments captured in our pilot experiment with citizen journalism, which we feel best highlight the various ways the sensational supermarket chain wows its legions of food-shopping aficionados. **PG**

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“We hope to partner with over 40,000 stores by April 2017”

Vijay Singh, MD & CEO, AaramShop, an online grocery platform that leverages the strengths of neighbourhood retailers by making them digitally enabled, speaks to Progressive Grocer about the unique business model of his shopping network, which is focused on helping grocery shoppers make smart shopping decisions through better and deeper engagement with FMCG brands and retailers.



Vijay Singh
MD & CEO, AaramShop



Take us through the period that saw the conception and formation of AaramShop. When and how was it conceived and how did the idea become flesh?

We started our operations about six years ago on a core premise that consumers are adopting an increasingly digital lifestyle and the day is not far when the grocery-buying process would have a significant digital component that will present interesting and large opportunities for digitizing the entire eco-system. As we studied the market, it was clear to us that an imported business model would not be the way to go. But there was an opportunity to create a unique business model based on the ground realities of an emerging market like India.

The near ubiquitous presence of independent retailers across the country meant that we could leverage their strengths, and work closely with them as partners to help them digitize in ways that make them interesting to the modern consumers. *Our ambition was to be the enabler of engagement between consumers and retailers, rather than be a retailer ourselves.*

What made the space really exciting for us was the presence of great product brands that we could work with to create interest amongst consumers, who could purchase the specific product from our partner retailers. The presence of these marketing savvy brands enabled us to forge revenue models that were not focused on further squeezing the retailer margins.

What is the typical customer profile on your platform?

Our users are the normal grocery buyers. Folks who walk into our partner retailers are also the kind of

people who order on the phone, on the app or on the web. And we are working hard to ensure an omni-channel access to our customers.

What is your marketing positioning and customer value proposition vis-a-vis the competition – online as well as offline?

We enable grocery shoppers engage with brands and retailers to make smarter shopping decisions. We recognize that there are existing relationships between the shoppers and their neighbourhood retailers. We support this by enabling consumers to select their preferred “home store/s” from the multiple stores available in the neighbourhood. We are then able to showcase that store’s catalog, its offers and deals in their full glory to the consumers for them to choose and order.

The shopping environment at the cluttered neighbourhood stores is far from ideal. However, with our tech tools, the process of discovery, shopping and tracking of orders at the same store becomes easy and fun. Our objective is to enable transactions – not just on the web or the app, but also in-store and on-call. *And I believe, most importantly, our unique business model makes us a valuable and a long-term partner for retailers with no potential conflicts areas.*

What is your business model and how is it differentiated from those of other hyperlocal players?

Our business model has always been robust and our unit economics positive. Our approach to business is to leverage the strengths of each member of the retail eco-system and ensure that every retailer can benefit from the opportunities offered by digital engagement across the country.

The consumers, when they use AaramShop on the web or via our mobile apps, are prompted to select their preferred home store/s. They can browse through that store’s catalog, offers, deals, etc, and place the orders. The orders are moved to the retailer on the retailer’s app, where they get processed before being packed and delivered. AaramShop enables the retailers to create their own unique catalog, pricing and offers. The retailers, who are closely tracked via the delivery app, undertake all the deliveries. The entire process, including usage of the related technology, is provided to the retailers and consumers at no cost. As their business partner, we

operate with transparency and ensure that consumer details, etc, are always available to the retailers.

We help the retailers use our tools on their own to create and distribute store-specific coupons and undertake other marketing initiatives to ensure they are able to grow their business. AaramShop’s revenue models are based on premium services that we offer the brands and retailers. These premium services are predominantly marketing and analytics linked and based on subscriptions.

How tough or easy was it for you to convince the investors of your business model? What are the investors’ expectations?

Investors are excited about the opportunities in the space and have invested heavily in the category. Most of the investments have been in the conventional e-com or logistics-heavy models, especially in the last couple of years. *However, AaramShop’s asset-light, tech-heavy business approach has seen a lot of interest.*

Tell us about AaramShop’s current range of operations and progress? How do you convince retailers to come to your platform in preference to other more established online grocery players?

We partner with grocery stores, personal care stores and pharmacies. Almost 95 per cent of our partner stores are independently owned and operated. We have partnered with over 18,000 stores, in over 100 cities across the country. We will significantly increase the number of partner stores in the months ahead, and hope to partner with over 40,000 stores by April 2017.

The retailers’ association with AaramShop has been designed to be easy, quick and based on the existing business practices of the retailer. Further, our business services, revenue model, etc, is fairly differentiated from other players and therefore partnering with retailers poses not a big challenge. Until a few years ago, we had struggled to communicate the benefits of digital to retailers. However, the adoption now is a lot easier. Today, there is also a kind of a perfect storm helping to build the digital base – the adoption of smartphones, decreasing cost of connectivity, increased penetration of digital monies, and the forthcoming GST. *A number of factors have come together to ensure that there is real interest among retailers to adopt our technologies and tools.*

Today, there is also a kind of a perfect storm helping to build the digital base – the adoption of smartphones, decreasing cost of connectivity, increased penetration of digital monies, and the forthcoming GST. A number of factors have come together to ensure that there is real interest among retailers to adopt our technologies and tools.



Which are the product categories available at your platform? Tell us about your product basket and the sales contribution from each of these categories.

The retailers drive the availability of product categories. While we support the retailers to select from our database of over 74,000 products, we also enable the retailers to put up their private labels and commodities for sale. *Our top five categories in terms of volume are water & beverages, chocolates & sweets, breakfast items & cereals, biscuits & cookies, and dairy & bakery products.*

The top five categories in terms of value are breakfast items & cereals, edible oils, rice, atta, dals & lentils, soaps & sanitizers, and home care items. However, since the retailers have the option of creating their own categories and adding their own products, the variation from retailer to retailer is very high.

What is the number of daily transactions at your platform and what are your projections for the future?

Our number of transactions is growing at a fairly rapid pace and our average order value for the month of November 2016 was Rs. 510. This has come down from the earlier highs of Rs. 750 keeping in mind the increase in the number of orders. *What is of interest is that the online transaction values are still higher than the offline values.*

We have partnered with over 18,000 stores, in over 100 cities across the country. We will significantly increase the number of partner stores in the months ahead, and hope to partner with over 40,000 stores by April 2017.

How would you describe the consumer buying pattern online? How much of the purchase are under 'planned' and 'top-up' list?

Consumer behavior is fairly diverse and still evolving. There are customers that use the "shopping list" feature including the auto re-order mechanisms. These can range from monthly shopping to just the milk subscription. Coupons, whether issued by the store or brands, have an immediate and predictable impact on unplanned purchases. *Some of our product features like "udhar" extended by the retailers to their known customers, drive repeat usage in a big way.*

Margins, range of products, consistency of product availability and freshness remain a challenge for online players dependent on physical stores for customer fulfilment. How do you propose to overcome these challenges?

We have overcome this by working with seasoned retailers on the ground. Our service is faster and due to the close proximity to the retailer a number of issues get highlighted and solved on the fly. *There are however stock-out situations and similar challenges that we face and are working to fine-tune the process further.*

Does being overly dependent on your partner retailers come in the way of listing and delisting of different products on your platform?

We are completely dependent on the stocks of partner retailers and we are designed to be like that. Our partner retailers have decades of experience on stocks that move in their areas and so we don't really need to worry too much on that count. However, we are trying to make it even more seamless in a few more ways. *These include direct integration of AaramOn (merchant app) with the retailers' various POS system; increasing the ease of listing and delisting products on the mobile app by the retailers and making that reflect across all access points; sharing B2B insights on buying patterns with the retailers and thus helping them enhance their product mix.*

How do you propose to encourage customer stickiness for your platform? What is your strategy for nurturing a stronger and deeper relationship with your retailers?

Our partner retailers already have a strong and sticky customer base. Our objective is to offer increased convenience to this customer base and increase the frequency and value of orders for our retailers. *Our CRM solutions, built into the retailers' mobile, etc., enable a number of nifty solutions. For example, these solutions enable the retailer to design and push/ flash mobile coupons directly to his consumer base, thereby increasing footfalls and orders specific to the nature of store's coupons.* **PG**



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Tips for buying organic food on a budget

There are different places from where one can source organic food. Apart from the costly super markets people could also look for organic food products from health food stores, specialty stores, local cooperatives, farmer's market, community-supported agriculture programs and convenience stores.

By S. Madhusudhan

In accordance with the nutritional trends in India, the word 'organic' has been in vogue for quite a while now. However, the one aspect that hinders 100 per cent proliferation of the organic lifestyle is the price point of organic food products. Nevertheless, if one is willing to do some recce of their vicinity and online shopping options and shop resourcefully, he/she can enjoy the freshness and goodness of organic food, without burning a hole in the pocket.

The first step towards imbibing the habit of organic food is reducing the dependence on conventional supermarkets. Furthermore, in a bid to adopt an organic lifestyle, people mostly limit themselves to the organic section or natural foods

section in these super markets and end up paying a 300-350% premium for their wholesome food selection. Here's where a little bit of research on organic food availability would come handy. There are different places from where one can source organic food. Apart from the costly super markets people could also look for organic food products from health food stores, specialty stores, local cooperatives, farmer's market, community-supported agriculture programs and convenience stores.

The reality is that the agricultural sector remains largely fragmented and disorganized, and one requires a nuanced understanding of the category to avoid paying large premiums for high-quality produce. While a majority of us are not hesitant to

shell out some extra bucks for organic food, paying sky-high prices for a daily meal could prove to be an expensive affair. To keep such posh concerns at bay, here are few tips to keep your organic food budget under check.

Research: As maintained right from the beginning of this article, a little online research on the matter could add to your plethora of choices, as to where you could purchase organic food from. Perhaps you have more options in your vicinity than you ever thought of. Various organizations and associations in the state could be a good idea to start with. The key words for such online researches could be the name of your state plus 'organic food'.

Shop from the farmer's market: In India, farmers mostly sell their produce through village level markets, fairs, mandis (wholesale markets) and co-operative societies, where the middle man mostly exploits not only the farmers, but also the consumers. In view of such corruptions, many NGOs and government bodies in India have started organizing farmer's markets on a weekly basis. All you need to do is keep an eye out for such announcements and shop products directly from people who produce it, at affordable rates.

Join the community supported agricultural program: There are various community supported agricultural programs (such as WWOOF) and being a part of them by volunteering to help or attending informational events could open gateways to the world of organic food directly from farms.

Raid the state food co-operatives: As mentioned earlier, many farmers sell their products through co-operative societies. Therefore many of the products lined up on the shelves of the co-operatives are organic and most of the products actually come from the local family farmers.



Bulk-buying could be another way: Wherever you choose to purchase your organic food from, buying them in bulk could be a great idea. All dry stores like pulses, beans, grains, nuts, etc., could definitely be bought in bulk and stored for few months. However, for better health of the food stored, it needs to be stored in a cool and dry place.

Apart from these tips there are other things that you could consider: like buying big when fruits and veggies are in season or simply grow your own food.

Why organic is expensive

While the above mentioned tips will definitely serve the purpose of saving a few bucks on organic food, the question still remains – “why organic food is more expensive as compared to conventional food?” There are several reasons that make organic products relatively costlier. The general perspective on the price point of organic food is that it should cost less. A major chunk of the masses think that organic products should cost less because its production is devoid of various costs, viz., chemicals, synthetic pesticides and antibiotics.

In an economy like that of India, which is slowly recovering, while many would prefer organic food over conventional food, many Indians can't really afford food the former kind. Although many understand the reason behind such pricing policy, a vast majority still wonders what's behind that cost. Given below and discussed are some of the factors that contribute to the high price of organic food.

More laborious due to absence of chemicals:

Modern day farmers are absolutely dependent on synthetic pesticides and chemicals in order to expedite the process of production. Not using these chemicals calls for hiring more workers for various field tasks like hand-weeding, cleaning up of polluted water and the remediation of pesticide contamination.

In a bid to adopt an organic lifestyle, people mostly limit themselves to the organic section or natural foods section in these super markets and end up paying a 300-350% premium for their wholesome food selection.





The organic price tag more closely reflects the true cost of growing the food: substituting labor and intensive management for chemicals, the health and environmental costs of which are borne by society.

This point has been very well explained by Organic Farming Research Foundation, which said: “The organic price tag more closely reflects the true cost of growing the food: substituting labor and intensive management for chemicals, the health and environmental costs of which are borne by society.”

Fertilizers used in organic crops cost higher: Conventional farmers mostly use sewage sludge and chemical fertilizers owing to their inexpensive pricing point and cheap transportation cost. Contrariwise, organic farmers avoid using such fertilizers because they understand the harmful impacts for such chemical substance. In order to keep their crops more natural and chemical-free, right from the roots they use as compost and animal manure, which also has relatively expensive shipping costs.

Crop rotation in lieu of weed killers: Conventional farmers mostly resort to chemical weed-killers to prevent weed growth in the crop field, whereas organic farmers work harder and conduct sophisticated crop rotation to keep their soil healthy. Basically, post the harvesting season, an organic farmer may use the area to grow ‘cover crops’ which add nitrogen to the soil to benefit succeeding crops.

Likewise there are various other costs, viz., post-harvest handling cost, cost of covering higher loss, organic certification and so on. However, the most important of them all is ‘Time’. As they say – Time is of essence and Time is money! Not only are organic farms typically smaller than the conventional ones, but they also, on average, take more time to produce crops because they refrain from using the chemicals and growth hormones used by conventional farmers.

Looking ahead

Considering the situation on the ground, it will be safe to say that organic farming has a long way to go, notwithstanding its benefits in terms of human health and natural health. Additionally, in order to cater to the ever growing population of the country, it has become mandatory to not only stabilize agricultural production but also to increase it further in a more sustainable manner. In a way that considers the long-term health benefits of humans along with the nature.

Furthering the point, there are many scientists who are of the opinion that ‘Green Revolution’ with high input use is stagnating and is now sustained with a diminishing return of falling dividends. In view of this, a natural balance needs to be maintained at all costs for the existence of life and property. The obvious choice for that would be more relevant in the present era, when these agro-chemicals that are produced from fossil fuel are not renewable and diminishing in availability. Additionally, it may also cost heavily on our foreign exchange in the future.

Organic food is richer in vitamins, minerals and fiber and retains the levels of nutrients for longer. Switching to organic food enables the body to be more resistant to disease as it will have higher levels of the essential nutrients needed to fight off infection. Therefore, the best thing about organic food is that it is healthier and can immensely cut down on medical bills. Eat healthy and live healthy! **PG**



The writer is an IIM-B alumnus and Chief Farmer, back2basics, which supplies organic produce from its farms to many grocery chains, retailers, organic stores and gated communities in Bangalore.



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Distribution Redefined



How to ensure safe practices across food businesses

Food is the closest product of human consumption and it has the power to delight consumers. This aspect alone makes it very critical for food products to be safe for human consumption and for food businesses to test the safety of their products.

By **Dr. Pankaj Jaiminy**

Food producers across the country are increasingly growing sensitive about the fact that the food they produce should be the safest for human consumption. Industrialisation has transformed the quality of the value chain that raw materials pass through. Prior to its widespread development, it was safer to source raw materials in a purer form. However, with the advent of globalization, raw materials are today sourced from various parts of the world and the safety of the value chain is now the responsibility of each of the member that constitute the value chain.

Sensitizing members of the value chain about the importance of safety along with partnership among

stakeholders is key to overhauling the food safety environment in India. This involves partnership between producers of food, various stakeholders such as regulators and policy makers and the government. One critical aspect of food testing in India that has witnessed a radical change in approach is the change from testing for adulteration to testing for safety. While the two aspects might seem similar, testing for safety requires a higher extent of precision and expertise. Food was traditionally adulterated to achieve higher profits while compromising on the quality of raw materials. However, with stringent laws in place, the focus has now shifted to ensuring the safety of food products. At times, there is a vast difference of time and location between food's country of origin and consumption.

It is therefore imperative for today's food businesses to test the safety of their food products. The Food Safety and Standards (FSS) Act has helped food manufacturers to drive the focus on quality and move beyond adulteration. A majority of the testing labs today carry out tests at the part per billion (ppb) trace level as per international standards. The implementation of mass spectroscopy method along with state of the art technology is required for detection of contaminants at the ppb level. An encouraging number of labs in India operate on mass spectroscopy instruments, which examine contaminants through unique mass number and characteristics.

These methods, although internationally acclaimed, require high levels of customization as per local needs. Still, the test results can be inconsistent based on the type and location of food items. But food testing methods have immense scope and they can be consistently improved upon in order to be effective from time to time. Processes that are highly impactful today might not be as impactful 10 years from now. Process and policy are two sides of the same coin and they consistently need to move parallel in order to be highly effective. Collaboration is key to drive innovative thought processes.



The Make in India campaign has encouraged a considerable number of food producers to set shop in India. The next few years will witness increasing number of global brands establish manufacturing units in India. Most global brands are self-regulated and require the larger infrastructural landscape in any market to be able to support their self-regulatory patterns of functioning. Global businesses should be empowered in the country through strong partnership with regulators and policy makers. Talent is also one of the challenges the sector faces. Students aspire to enter the sector and should be encouraged by providing them with the right kind of environment to further their career. As infrastructure improves, the opportunities for talent will become more lucrative and a higher level of expertise will be infused into the sector.



Traceability is a critical part of food safety testing. As complicated supply chains from farm to fork challenge the industry it is critical for businesses to adopt a nimble approach towards traceability. A proactive step to this effect is to have a constructive approach towards increasing safety standards. While cost effectivity to adopt the concept is initially low, in the long run it helps ensure the safety of the end consumer and in the upkeep of the brand value of the food manufacturer. Industry bodies and governments should take the lead in ensuring the adoption of such safe practices across food businesses of all sizes. Such practices can help reduce the instances of product recalls and win the trust of the end consumer as well.

Our experience through the recent past has been that irrespective of the size of business, food manufacturers are proactively adopting the concept of food safety. It is indeed capital intensive, however, there is an increased level of sensitivity towards the concept. The Food Safety and Standards Authority has taken commendable efforts to ensure that self-mandate is complimented by favorable infrastructure and policy. If the FSS act has to succeed in the country, collaboration is a must among stakeholders, including the ones that are even the most remotely associated with the mainstream supply chain.

The state of development of a nation is not always reflective of the level of food safety in a country. But as a country develops, food safety incidents help the authorities to plug issues along on the path to development. India is well prepared to succeed as a nation and the state of food safety in the country is set to succeed like never before. It is now the responsibility of the consumers, business and regulators to join hands and work towards making the food on our plates as safe as possible. **PG**

Traceability is a critical part of food safety testing. As complicated supply chains from farm to fork challenge the industry it is critical for businesses to adopt a nimble approach towards traceability. A proactive step to this effect is to have a constructive approach towards increasing safety standards.



The writer is Assistant Vice President (Food, Health and Cosmetics), Testing, Certification & Inspection – TÜV SÜD South Asia, a leading consulting, testing, inspection and certification company with presence across India, Bangladesh and Sri Lanka.



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All Systems Go

Supermarket HVAC equipment is becoming more sophisticated and efficient.

By Bob Ingram

Food retailers spend more than \$4 per square foot annually on energy, according to Energy Star, with a large portion of this expenditure for HVAC (heating, ventilation, and air conditioning) systems.

This fact is noted by Greg DuChane, retail-restaurant vertical market leader at Davidson, N.C.-based Trane, who says that for an average-sized supermarket of 50,000 square feet, this equates to more than \$200,000 in annual energy costs and 1,900 tons of carbon dioxide emitted into the atmosphere.

Advances in HVAC systems are aimed at reducing those figures.

“The introduction of variable-speed technologies in light commercial rooftop units — 3 to 25 tons — provides improved energy savings, dehumidification and moisture control,” notes DuChane. “Previously, variable-speed technologies were only available in much larger units. The variable-speed technology matches the HVAC unit’s capacity to the store’s varying demand, which is based upon numerous factors that include customer traffic, building occupancy and heat-emitting equipment. By adjusting

speed to meet the demand, this HVAC system affords the store greater efficiency and energy savings.”

The integration of equipment controls is another advance, according to DuChane, who explains that a building automation system (BAS) allows for precisely controlled store conditions, which prevents product damage and spoilage, and enables additional energy management solutions.

Trane offers light commercial unitary rooftop units that use variable-speed technology for fans, compressors and condensers. The HVAC systems also provide interoperability so they can communicate with other building systems like lighting and security.

DuChane anticipates the continued adoption of dedicated outside-air strategies and expanded use of variable-speed technology across all HVAC platforms.

Benefits of VRF

Dennis Cobb, senior director, national accounts at Mitsubishi Electric Cooling & Heating, in Suwanee, Ga., says his company has educated supermarket architects and engineers on the benefits of variable refrigerant flow (VRF) in store designs.

“
If a retailer is only monitoring the temperatures in food cases, they are missing out on the potential efficiencies and gains from also monitoring their HVAC systems.

—Paul Hepperla
Emerson Climate
Technologies
Retail Solutions



INCREASED SAVINGS
Mitsubishi’s VRF technology enables less energy use.

“These benefits are most obvious in areas that have proven cumbersome or challenging to properly condition with traditional HVAC systems, such as pharmacy areas, offices, and training or break rooms,” he notes, adding that VRF solutions offer increased energy savings during part-load conditions, and that Mitsubishi Electric’s VRF systems are designed to vary their capacity to meet a space’s exact conditioning demands.

“The unit’s inverter-driven compressor automatically modulates its speed to provide the exact amount of conditioning needed to cool and heat the space,” he says, “rather than overshooting the desired temperature and turning off altogether once meeting the demand. This technology saves energy and money.”

With each generation and update to Mitsubishi systems, continues Cobb, benefits like smaller unit size and more efficient performance are added.

Additionally, he’s observed smarter HVAC systems meeting the needs of each facility. “More frequently, we are seeing urban renovations where existing buildings are being purchased and repurposed into supermarkets,” says Cobb. “Our technology works well in these scenarios, because of the minimal impact on the structures versus other traditional HVAC technologies.”

Keeping it Together

Paul Hepperla, director, new solutions development at enterprise product management for Kennesaw, Ga.-based Emerson Climate Technologies Retail Solutions, points out that recent advances in grocery refrigeration have also led to advances in supermarket HVAC systems.

“Doors on refrigerated grocery cases and air management systems are solutions that improve the shopper’s experience and comfort level,” he notes, “as well as help the HVAC system operate at the ideal temperature.”

Hepperla points out that another item that affects supermarket HVAC is dehumidification, and that removing moisture from the air allows retail HVAC and refrigeration systems to work better while also improving shopper comfort.

A third advance he highlights is the integration of all retail facility systems. “Unlike a commercial building, where HVAC systems are separate and distinct from lighting,” he explains, “the HVAC, refrigeration and lighting systems can be integrated through a facility management system, for improved control and visibility across all equipment. If a retailer is only monitoring the temperatures in food cases, they are missing out on the potential efficiencies and gains from also monitoring their HVAC systems.”

According to Hepperla, technology solutions for food retailers incorporate monitoring and facility controls for HVAC systems, as well as connectivity



throughout a store to control HVAC, refrigeration and lighting systems, as well as visibility and monitoring throughout an entire chain of stores, for facility insights to improve operational efficiency.

“Displacement ventilation is on the horizon for retailers,” he predicts, explaining that a floor-level diffuser the length of a wall or a refrigeration case pushes a tremendous amount of air out at low velocity so that the air pools out onto the store floor, creating a chimney effect that takes the warmer air up and above shoppers, while the cooler air at floor level allows the refrigeration equipment to operate more efficiently and maintain a comfortable shopping environment.

Remote Detection

Dan Kubala, director of business development at Siemens Retail & Commercial Systems, in Austin, Texas, points out that managing HVAC systems has been advanced by two key technology enablers: enterprise analytics and data integration.

“Enterprise analytics refers to cloud-based systems that automatically monitor HVAC performance over time to provide an indication of that unit or site’s operation, in comparison to the overall portfolio,” he explains. “This allows facility managers to become more proactive in managing a limited repair and maintenance (R&M) budget, focusing on the highest-impact problems first.”

Kubala adds that data integration refers to the ability of information produced by one enterprise application — in this case, the energy management system (EMS) — to travel seamlessly to another enterprise application — in this case, the grocer’s facility maintenance or work order dispatch management system. “Through the use of APIs — application program interfaces — automated system-to-system communication is possible,” he notes, “facilitating improved HVAC R&M management while reducing administrative costs.”

Taken together, these trends allow grocers to reduce R&M budgets by 10 percent to 15 percent, according to Kubala, on top of any energy savings from the EMS, while simultaneously improving the customer experience.

“We see technology advancing so that enterprise analytic systems will not only be able to remotely detect HVAC problems,” he concludes, “but they will be able to automatically take steps to resolve issues.” PG



SMARTER SYSTEMS

This Mitsubishi installation at the Market at Liberty Place in Kennett Square, Pa., automatically modulates itself.



We see technology advancing so that enterprise analytic systems will not only be able to remotely detect HVAC problems, but they will be able to automatically take steps to resolve issues.

— Dan Kubala
Siemens Retail & Commercial Systems

The roadmap to profitable retail in 2017

Shoppers today are being bombarded with exciting offers through all means of communication by leading retailers of Modern Trade keen to grab their wallet share in the best possible ways. But as consumers are becoming increasingly media-savvy, it's time for all grocers to look for new ways of driving sales, and thus pave their road to profit. The scope for increasing the selling price of most SKUs in today's environment is almost nil due to better awareness. A possible way is to negotiate better on the sourcing price with brand owners, vendors, companies, and manufacturers in case of food brands and put together an efficient supply chain management. In the case of basic commodities under Fresh and Dry groceries, grocers should resort to smart buying and taking positions for select commodities at harvest times or through imports.

Demand from stores need to be correctly assessed while making purchases so as to avoid shortage or excess stock during the consumption cycle.

While most brands seem to be willing to offer better discounts, margins and promotions to modern retailers in lieu of tactical visual displays, sharing of consumer data, and branding opportunities in high footfall areas of the stores, many are still reluctant to give better discounts to avoid competition or price cut in the local market. In many cases, acceptance of sales budgets from brands by merchandising teams of retail chains has also helped them earn special promotional budgets for the extra support extended to the brands during certain periods.

Better margins in commodities is possible mainly through smart buying or growing areas during harvesting period, and by taking position for the select commodities after factoring in all trends of demand and supply, besides the international scenario. Government notifications issued from time to time regarding storage limits of various commodities area-wise and export policies, also play an important role for taking decisions regarding advance buying and storage of the same.

Building an efficient and dependable supply chain set up right from the farm gate and mandis to the selling areas is critical. Demand from stores need to be correctly assessed while making purchases so as to avoid shortage or excess stock during the consumption cycle. Mapping of the sources/origins, the variants, and the harvesting cycle, needs a complete understanding in a country where there are



more than 900 varieties of rice grown in different parts, with three harvesting cycles followed in different areas. A similar understanding of wheat, spices, pulses, oilseeds, and dry fruits is required for building a seamless and efficient supply chain. Commodities once bought and kept in warehouses or cold storages at the place of origin need regular upkeep to save them from pests and damage from bad weather conditions, etc. The next step is ensuring timely movement of the stored stocks to different consuming areas, and making them consumable as per specifications laid out under the Food Safety Act. Packaging centres need to be developed at central locations near the cities of consumption, and with all the logistic support for easy and cost effective transportation to ensure timely replenishment at the stores so that they do not experience any stock-outs.

Developing a competent team that understands the basics of harvesting cycles of various crops, and which is also attuned to the modern system of functioning, is a big challenge today. Modern Retail, although it is maturing in the country, is yet to have a system wherein there is a competent team to handle all these issues. This calls for more retail institutes for imparting learning and training to the young students on emerging trends so that they can take on job responsibilities with confidence in the future, as the modern retail sector across the country has tremendous scope and potential to grow, and become one of the biggest employers. **PG**



The author has over 25 years of experience in FMCG and Modern Retail. He is on the selection panel of 'Hunar' skill centre (Retail and Hospitality), a collaboration between Delhi and Singapore governments. He can be reached at rakeshgambhir@imagesgroup.in



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what's next



▲ **New dipping sauces by ADF Foods**

ADF Foods Ltd has recently introduced new dipping sauces under its brand Soul. The sauces come in four variants: Tango Mango, Sizzly Aam, Naughty Chilli and O Schezwan with olive oil. These sauces are a blend of tangy, fiery and sweet flavours.

The sauces are priced at Rs.75 for 240 gm of O Schezwan, Rs. 90 for 250 gm of Tango Mango, Rs. 90 for 260 gm of Sizzly Aam and Rs.90 for 260 gm of Naughty Chilli. The products are available at all leading retail outlets.

▶ **Bira 91 launches easy to carry cans**

Home-grown beer brand Bira91 has recently launched on-the-go cans of its popular variants 'Blonde and White'. Inspired by on-the-move lifestyle of consumers, Bira 91 comes in a quirky packaging, which is easier to stock and carry around. The cans are made of 100 per cent recyclable material that makes it environment friendly. The cans will be available in 500 ml, and are currently retailed across three cities – Delhi, Mumbai and Bangalore.



▲ **Pass Pass Pulse gets a new orangy flavour**

Multi-diversified conglomerate DS Group has recently come up with a new orange flavour of Pulse Candy under its brand Pass Pass. This candy comes with a tangy powder filled center, infused with a sweet orangy coating. Priced at Rs. 1, this candy is available in a pillow pack at all retail outlets.

▶ **Conscious Food launches Gir Cow Ghee Natural**

Organic and natural products brand Conscious Food has added Gir Cow Ghee Natural to its existing repertoire of products. This ghee is rich in saturated fats and contains medicinal properties. Made with pure cow milk it contains A2 proteins which are beneficial for health. The ghee is priced at Rs. 2,500 for 500 gram, and is available at Godrej Nature's Basket and FoodHall stores and also from the brand's online store.



▲ **LuvIt introduces Luscious chocolate bars**

LuvIt, from the house of Global Consumer Products, has rolled out a new range of LuvIt Luscious chocolate bars. Enriched with Ghana cocoa beans, these chocolate bars come in four variants such as chocolate with rice crispies, dairy rich milk, roasted almonds and fruits & nuts. What's more, these chocolate bars also come in vibrant colour packaging and are available at leading retail outlets. The prices start at Rs. 10 and goes up to Rs. 50.

▼ **Sri Sri Ayurveda introduces Ojasvita Strawberry**



Leading FMCG brand Sri Sri Ayurveda has recently introduced a new strawberry variant of its health drink Ojasvita. A source of energy and nutrition, it has the best of both worlds: health and taste. Enriched with seven herbs like Ashwagandha, Brahmi, Shankapushpi, etc, Ojasvita helps in building immunity, rejuvenates system and nourishes body. It comes in packs ranging from 25 gm to 1 kg per jar. The products are available at srissriayurveda.com and other e-grocery portals.



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