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PROGRESSIVE GROCCER

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INDIA EDITION



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**“WE AIM TO BE
THE CHAMPION
OF INDEPENDENT
BUSINESS”**

– Arvind Mediratta
MD & CEO, METRO Cash & Carry India



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We have revamped our India operations and sharpened our regional focus.

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Frozen & processed vegetable, non-veg as well as dairy segments are growing rapidly in the packaged food category. Many of the brands in this segment are focussing on bringing more health-conscious products with good quality, hygiene as well as convenient and innovative packaging. A few players are paying importance to develop strategies based on regional local flavour and taste, and some of them have been successful too.

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Packaged Goodness

The shift in buying behaviour and consumer perception has opened the consumer ecosystem for packaged and processed foods, which has been witnessing a spurt in consumer adoption, market penetration and category growth.

With the category pulling in robust growth over the past few years, brands and manufacturers have not only increased their assortment depth but also substantially improved the quality and availability of their products.

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Tin cans – A portable warehouse

Tin cans offer maximum shelf life compared to any other pack, whether it is for dry products or liquid products like fruit juices, beverages, etc.

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Time to tap the consumer co-operative movement in India

Consumer co-operatives in rural areas present a big opportunity for food companies to reach out to the rural population and expand the consumer base for their products.

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“We have revamped our India operations and sharpened our regional focus”

Managing Director & Chief Executive Officer of METRO Cash & Carry India, Arvind Mediratta, speaks to Sanjay Kumar of Progressive Grocer about the company's recent initiatives across various functions, which have not only helped METRO dig its feet firmly in India but also marked it out as a trend-setter and benchmarking partner for all cogs in the wheel of the wholesale industry. “We have kicked off many recent initiatives to sync with our global aim of being the ‘Champion for Independent Business’, says Mediratta.

The company has carried out top-deck leadership changes in recent months, and is focusing to enlarge its footprint in the northern and southern markets of India – its traditional strongholds. It has also split its operations into north-east & south-west for better business focus and leadership across specific regions. “We will continue with our focus on these markets while also keeping an eye on emerging markets in Tier II & III cities,” points out Mediratta, adding that India is among the countries where METRO Group is set for sure-footed expansion as a Wholesale & Food Specialist company.



Arvind Mediratta
MD & Chief
Executive Officer
of METRO Cash &
Carry India





After 14 years of operating experience, how does METRO weigh the opportunities and challenges of doing business in India?

METRO has definitely evolved and come a long way after its foray in Indian market way back in 2003. The Indian market is extensive and diverse. This provides us with both opportunities and challenges. In India, what works in the north will not work in the south because of the penetration of regional and local brands. We are focusing on these brands, especially in food and groceries, because people want a particular brand of spice or oil. So, for instance, when we opened a store in Gujarat, we found people were using cottonseed oil, which is not common in other parts of the country. Likewise, there are brands in the south that are specific to that region. Likewise in apparel, in Punjab, we need to stock a lot more of the large sizes whereas in Bengaluru, the large sizes don't sell. In Amritsar, we used to stock small thalis (plates) and small bowls, but we noticed nobody was buying those. So, these are the things that we have to localize according to the market. We keep evolving and growing with every city we enter into.

Where do you stand today on your earlier proclaimed target of expanding your network of distribution centres to about 50 by 2020?

We will continue our steady expansion in India in the coming years as the market offers great potential and opportunities. Since the organized wholesale market in India is growing at an even higher rate than modern retail, there is no dearth of opportunities in the country. India is among the countries where METRO Group is set for expansion as a Wholesale & Food Specialist company. Recently, we revamped our India operations and split it into North-East & South-West, to sharpen our regional focus. METRO India has a new leadership team in place to drive this goal. Several expansion projects are already on the agenda. To sum it up, we are pretty much on track.



North and south are basically the two regions where METRO has been very much focused now. What are your plans and pace of consolidation in these two regions?

In our kind of business, a cluster approach to markets is the best way to grow the business. North and south markets have been our traditional strongholds and there is plenty of headroom for growth in these regions. We will continue with our focus on these markets, while also keeping an eye on emerging markets in Tier II & III cities.

For a heterogenous market that India is, how has METRO been customising its solutions and services to best serve the diverse needs of specific regions?

We have a simple strategy to suit diverse needs – we listen to our customers. Our exemplary customer satisfaction levels are majorly because we constantly analyse local requirements and bring products that the market demands. A large percentage of the goods are sourced locally and are tailor-made to meet the specific demands of the region. We are constantly engaged in customer interaction to ensure that we understand the pulse of the market and provide products and services accordingly. This gives us the knowledge and insights into what exactly works in each catchment.

We have a simple strategy to suit diverse needs – we listen to our customers. Our exemplary customer satisfaction levels are majorly because we constantly analyse local requirements and bring products that the market demands.

Quest for convenience drives poultry innovation in India

The Product Innovation 2017 report by Mintel provides an insight into the poultry and frozen food industry in India; and how innovation in offerings and strengthening the cold-chain have shaped the growth of the segment.

By **Patty Johnson**

- ▶ Chicken rises as 'go-to' meat for convenience-seeking urban Indians
- ▶ Frozen chicken dominates retail poultry innovation in India, but chilled NPD is slowly rising
- ▶ For busy Indian consumers, value-added chicken provides convenience, naturalness, easy flavour and an invitation to explore new cuisines



“**CONVENIENT FORMATS ARE PARAMOUNT TO GAINING UPTAKE WITH INDIA'S MORE AFFLUENT URBAN CONSUMERS, BUT NATURALNESS AND FLAVOUR ARE ALSO INCREASING IN IMPORTANCE.**”



The time pressures of modern life in India are driving consumer uptake of convenience-led products. This trend has been growing, especially in urban areas, as the lifestyles of consumers change and incomes rises.

Chicken rises as ‘go-to’ meat for convenience-seeking urban Indians

According to a 2015 Associated Chambers of Commerce of India study, 76% of nuclear families in India feel that they have less time to spend in the kitchen. This lack of time is fuelling packaged food sales, which grew at an average annual rate of 32.5% between 2010 and 2015. Urban households accounted for 80% of packaged food sales, according to the study.

Poultry consumption in India is quite low by international standards, estimated at about 1.7kg per capita, compared to the world average of about 13.5kg per capita in 2015, according to OECD data based on FAO Agricultural Outlook data. India has a relatively high percentage of vegetarians — about 25% of the population — which partially explains low poultry consumption. Moreover, Indian consumers who do eat meat products are likely to enjoy them only once or twice a week, according to the USDA.

However, a preference is given to poultry, as beef/bison consumption is limited for religious reasons, and pork consumption remains negligible because of unfavourable consumer perceptions of pork meat. With increasing incomes and more exposure to international trends via travel and Western fast food expansion, demand for processed chicken products is anticipated to rise, driving continued high growth in the overall processed meat and poultry market in India.

India continues to be a predominantly fresh market for poultry, with the majority of chicken products sold in traditional ‘wet’ markets. However, volume sales of more convenient processed and

packaged poultry are rising at 15-20% annually, according to a December 2016 US Department of Agriculture GAIN report. To meet rising consumer demand for convenience, major poultry producers and processors have expanded production and are supplying retail as well as foodservice sectors, including fast food restaurants, full-service restaurants, hotels, and institutional feeders. Broiler chicken production in India is projected to grow by 7% in 2017, to 4.5 million tonnes, with processed products accounting for an estimated 7%-10% of total production, according to the USDA.

Frozen chicken dominates retail poultry innovation in India

Retail poultry innovation in India reflects mostly frozen NPD in the three years ending February 2017. Indeed, frozen products have accounted for more than three-quarters of launches over the three year period.

FIGURE 2: PROCESSED POULTRY PRODUCT INTRODUCTIONS, BY STORAGE, INDIA, MARCH 2014-FEBRUARY 2017

Storage	Mar 2014 - Feb 2015 %	Mar 2015 - Feb 2016 %	Mar 2016 - Feb 2017 %
Frozen	81	76	75
Chilled	16	18	24
Shelf stable	3	5	1

Source: Mintel GNPD.



The Global Cold Chain Alliance estimates that the cold storage market in India has grown at a rate of 25% per year to reach US\$8 billion in 2014. The government is also aiding the growth of cold chain infrastructure by allowing 100% foreign direct investment and by investing US\$15 billion in cold storage infrastructure.

FIGURE 1: PROCESSED MEAT AND POULTRY RETAIL MARKET VOLUME, PER CAPITA CONSUMPTION, VOLUME GROWTH, VALUE, VALUE GROWTH AND CAGR, INDIA, 2011-20

	Units							CAGR%	
		2015	2016*	2017*	2018*	2019*	2020*	2011-15	2016-20*
Volume	(ooo) tonnes	38.5	45.5	52.6	61.6	72.1	82.3		
Consumption per capita	kg	0.03	0.03	0.04	0.05	0.05	0.06		
Volume Growth	%	19.2	18.3	15.5	17.2	17.0	14.1	18.3	15.9
Value	bn INR	8.9	10.8	12.8	15.3	18.4	21.5		
Value growth	%	19.7	21.6	18.4	20.2	20.0	17.0	22.0	18.9

* forecast

Source: Office of the Economic Advisor- Ministry of Commerce & Industry, Govt. of India, Economist Intelligence Unit, Mintel.



Food processing sector and major segments

Frozen & processed vegetable, non-veg as well as dairy segments are growing rapidly in the packaged food category. Many of the brands in this segment are focussing on bringing more health-conscious products with good quality, hygiene as well as convenient and innovative packaging. A few players are paying importance to develop strategies based on regional local flavour and taste, and some of them have been successful too.

By Amod Ashok Salgaonkar & Rajesh Kumar Prasad

India is one of the fastest growing large economies of the world, ranked 7th globally GDP-wise with a value of US \$ 2.3 trillion in 2016. However, per capita GDP stood at US \$ 1,745 which is quiet low and puts the country at 160th position among 203 countries. Agriculture, Forestry and Fisheries were the major Gross Value Added sectors in the economy last year.

The USA and UAE are the most favoured destinations for our exports last year with the value of products exported reaching more than US \$ 25 billion. The recent launch of the “South Asia Satellite” earlier this month will enable India to gain a footprint that extends all over South Asia. Data from GSAT-9 will be shared with Nepal, Bhutan, Maldives, Bangladesh & Sri Lanka and this will help to make the relations stronger with these countries and in improving trade volumes. The participating nations anticipate a INR 10,000 crore benefit from the satellite’s 12-year life span.

Following Brexit, on one side, and the win of Emmanuel Macron in France on another side, there are clear chances that India and UK will sign a trade agreement to boost their economic relations. At the same time, it can be expected that Europe too will become more proactive on trade with India to recover from the Brexit impact. Back home, the improving pointers of trade – share market at its high with the listing of D-Mart being a phenomenal success – indicate that the general mood on domestic



consumption seems right and is peaking well. Also, the new policies of government of India toward food processing and local production of food items offers a strong leeway to international retail and trading companies for building a larger footprint in India and to rapidly expand their business. It is expected that major multinational companies in the food sector will invest hugely in the coming months and years.



Packaged Goodness

By Sanjay Kumar

Consumers today are willing to try different types of foods but are time crunched. They seek convenience in everything, including the foods they need to prepare/ eat. The shift in buying behaviour and consumer perception has opened the consumer ecosystem for packaged and processed foods, which has been witnessing a spurt in consumer adoption, market penetration and category growth.

With the category pulling in robust growth over the past few years, brands and manufacturers have not only increased their assortment depth but also substantially improved the quality and availability of their products.

Today, processed food products are manufactured under extremely hygienic conditions and with the best-in-class recipes to give consumers an authentic taste experience.

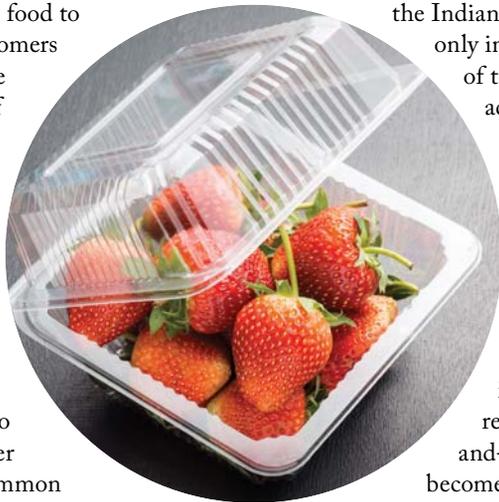
Thanks to the rapid strides in food processing and packaging technology, the ready-to-eat and ready-to-cook food category is witnessing a surge in consumer popularity and acceptance. The past two decades have seen widespread use and development of food processing technologies in India, especially in the form of retort processed foods. These don't need rehydration or preparation and may be consumed straight from the pouch, with or without pre-warming. These foods meet the particular wants of convenience, organic process adequacy, ambient storage and distribution to the centers. Thanks to easy access to developed processing and packaging technologies, manufacturers in India have been able to produce many ready-to-eat, quick-to-cook instant foods with a longer shelf-life. Ready-to-eat and ready-to-cook

products are either pre-processed (ready to cook) or processed foods (ready to eat). Once a product is pre-processed it loses its “fresh” status. Most people are aware of that but still prefer to purchase them for the sake of convenience. However, since most of these products are made with zero additives, they can be safely heated and served even to children without worrying about added chemicals. However, it will take some time for RTE food to reach this section of the customers since consumers at large have to be made aware of many of these products in the market and about their value.

Advanced packaging technology and cutting edge processing techniques, has made available an array of RTE/ RTC products available in the market today. These products are perfectly safe to consume and pass the muster on quality and hygiene. Common examples of some of these products are long keeping chappaties (shelf-life 6 months), high protein snacks (shelf-life 9 months), spiced potato parathas (6 months), fruit bars (9 months), mutton pickle (6 months), stabilised chikki (1 year), among others.

Today, retort processing is the most acceptable form of food preservation and is an essential attribute of ready-to-eat food products, which require just warming in a microwave oven or water bath before eating. Shelf stability has made retort processed foods extremely successful and most suited to Indian cuisines. Hence a number of tasty Indian dishes in retort pouches enable consumers to enjoy their favourite foods such as sooji halwa, upma, chicken curry, etc. The use of retorting technology has thus made the sale of ready-to-eat foodstuff commercially viable and in vogue with contemporary food styles.

As per an industry estimate, the total processed food market in India is estimated at US \$69 billion of which the frozen, par-fried & fully cooked market is estimated about US \$300 million. According to **Bodhisatwa Datta**, DGM- Marketing, Surji Agro, which operates the Shelly’s brand, “the processed/ packaged food industry in India is currently valued at INR 410,000 crore and it will grow at 10% CAGR to INR 671,866 by 2020.”



RTE adoption in India

The ready-to-eat category was commercially first introduced to the country in 1987, but suffered a slow beginning with consumers preferring traditional cooking. During this period and till the late Nineties, Tasty Bites was the only brand of RTE available in the Indian market. Due to a lack of acceptance, Tasty Bites had to be withdrawn from the Indian markets and is now available only in export markets. By the turn of the millennium, and with the advent of new technologies to improve the shelf life of ready-to-eat products, alongside a growth in storage and distribution centres and life style changes, the segment gained momentum. With the development of retort technology, and increased differentiation among ready-to-eat players, the heat-and-eat segment broke away to become a market in its own right.

The RTE / heat-and-eat market has been growing at a rate about 18% over the last three years. Over the next five years, it will reach 22% per annum as a result of rapid urbanisation, increasing disposable income and expected improvement in retail infrastructure. Ranjana Sundaresan, Senior Research Analyst at Mintel says that India’s ready meals category is still a tiny market with an estimated retail value of INR 4.3 billion, and is expected to grow at a CAGR of 17.5 per cent between 2016 and 2020. This category is driven by



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— **Sudhanshu Mathur**
Director, BMS Enterprises



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