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PROGRESSIVE GROCCER

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INDIA EDITION



WINDFALL FOR THE LARGEST DUTY-FREE RETAILER IN THE SUBCONTINENT

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CEO, DELHI DUTY FREE



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The organised grocery business is a very challenging sector. It requires substantial long-term investments and the returns are often not commensurate in the early years. Competition in this sector is growing every single day with new online and offline players entering the market.

Unorganised retail continues to grow with new neighborhood outlets opening literally every day, making this one of the most competitive sectors in the country. The industry also faces massive challenges in procurement, transportation, distribution, infrastructure, investments, technology and manpower.

At the same time, e-commerce is expanding at a frenetic pace and is expected to dominate the future of retailing in urban India. While brick and mortar sector will continue to grow, online retailing will bring in much needed conveniences for shoppers and save on the time that is often spent on travel and navigating in-store shopper traffic.

Despite all of these challenges, retailers who make calculated strategic growth decisions and invest in the right channels will benefit from the potential this sector offers. The Indian grocery sector is currently valued at close to Rs. 17 trillion and that is not a small number. With India's rising population, increased consumption and growing economy, it will continue to be a sizeable opportunity for players resilient enough to stay invested for the long term.



Amitabh Taneja
 Editor-in-Chief

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COVER STORY

16 On a high: The largest duty-free retailer in the subcontinent

Delhi Duty Free Services is on a roll. India's biggest duty-free retailer achieved its highest monthly sales in the month of June. The company also recorded its highest daily sales yet, at over \$600,000, besides registering over +50% growth in Shop & Collect sales, and highest ever sales in the beauty and liquor categories.



Luke Gorrige
CEO, Delhi Duty Free



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Greens Hypermarket Typifies Kannur's Retail Boom

In this coastal district of Kerala, with local retailers modernizing their formats to offer a more wholesome and delightful shopping experience.

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The game changer

GST is expected to play a pivotal role in expanding the retail sector to USD 1.3 trillion by 2020, at a CAGR of 16.7 per cent spread over a span of five years from 2015–2020. Here's how GST will transform the retail scenario in India.

By Nishank Goyal

GST is much more than just a tax reform. It's a whole new way of conducting business. It's been over a month now of GST implementation and it has already brought more than six million businesses across industries under its ambit with more to come in the future.

The Indian retail sector, which is the fastest growing industry in the world, is expected to benefit hugely from this potential game changer. GST is expected to propel the growth of the Indian retail and there are many evident benefits, which the industry experts foresee: reduced taxes, enhanced supply chain efficiency, seamless input tax credit, and stretching of retail markets. Retail is penetrating rapidly in Tier-II and III cities of India (5th largest retail destination in the world). The industry is well supported by FDI policies, which allow 100% FDI on single brand and 51% in the multi-brand retail.

Reduced taxes

The retail industry in the pre GST period [prior to 1st July, 2017] was taxed with a bunch of indirect taxes like VAT, CST, service tax on warehousing, octroi, entry tax, etc. The unified GST taxation system is bound to shrink the overall taxation burden on the retailer and the taxation percentage will be substantially lower than the previous regime.

Enhanced supply chain efficiency

The pre GST period had complexities and challenges in the retail supply chain: long queues and complex documentation at check posts, which added to the transaction time and costs. All of this has now been considerably reduced with the one-nation-one tax being enforced. The industry has started witnessing lower costs, reduced waiting time and minimal logistics in the overall supply chain, adding to their bottom line profitability. There would also be a considerable consolidation in the number of warehouses and it is only logical that retailers will prefer to have lesser warehouses serving extended boundaries resulting in a hefty drop in warehouse costs.

GST will reduce the burden of tax on the retail sector as it will set off the tax, starting from the manufacturer – wholesaler – retailer to the customer. It will benefit retailers by eliminating the cascading effect of taxes, thereby reducing the overall tax burden.



Seamless Input Tax Credit

GST will reduce the burden of tax on the retail sector as it will set off the tax, starting from the manufacturer – wholesaler – retailer to the customer point. It will benefit retailers by eliminating the cascading effect of taxes, thereby reducing the overall tax burden.

Stretching of retail markets

GST will open doors for the new markets as it will subsume all the indirect, state and central taxes and a new scenario of a unified tax across the nation with much clarity and transparency will emerge. The business expansion will become relatively easy across the states and anyone can now sell anywhere with a single GST registration.

Tax on sample items and gifts

The GST model levies taxes on every supply without consideration and every gift or sample item is now taxed in the new regime, contrary to the earlier ecosystem. Earlier, the gifts and the sample items used in the marketing efforts of the retailers were tax free. However, now the retail industry will feel the pinch of it and there would be a significant upsurge in the marketing budgets. The sector will see new laws pertaining to invoices creation, which are as follows:

- Invoice creation is mandatory for sale value above Rs. 200. However, an invoice must be essentially provided, if the customer insists for anything less than Rs. 200 too.
- Invoice above Rs. 50,000 should have the customer address.
- Individual invoice details are not required for return filing. A consolidated filing will suffice.
- Sale through e-commerce operator has to be reported per operator.

GST benefits on Indian retail will strengthen and fuel the growth of the sector exponentially and have a ripple effect on the economy. **PG**

The writer is CEO, Masters India, a GST Suvidha provider solution company.



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Greens Hypermarket *typifies Kannur's retail boom and modernization*

The development of an International airport has fuelled a modern retail boom in this coastal district of Kerala with local retailers modernizing their formats to offer a more wholesome and delightful shopping experience.

By **Roshna Chandran Stonebridge**

Kannur, in Kerala, is enjoying its heyday of retail boom after long years of relative obscurity. Located in Kerala's northern coast, Kannur was once an ancient trading port bristling with International trade and known as a great emporium of spice trade. However, along the way, the city lost its halo as a thriving

centre of commerce and the mantle passed down to magnets emerging along the State's southern coast – Thiruvananthapuram, Alleppey, Kochi, Kollam, Kasargod, Kottayam and Kozhikode. These cities shot into the public ken for their touristy appeal and other attractions.

But in recent years, Kannur has been witnessing a turn in fortunes. An International airport – Kerala's second greenfield airport to come up in public-private partnership mode – is on its way and scheduled for commissioning by September this year. The prized infrastructure development has brought in its wake a swirl of other commercial and real estate activities. Most notably, Kannur has become the epicentre of a retail boom with a sudden spurt in swanky shops and stores opening up with metronomic regularity.



Muneer Mattoo
MD, Kannur's Greens
Hypermarket





PRODUCT CATEGORIES IN GREENS HYPERMARKET	
Fruit (4%) and vegetables (6%)	10%
Frozen	2%
Packaged	40%
Staple	15%
Non-food category	25%
Home products	10%

According to Muneer Mattool, Managing Director at Kannur’s Greens Hypermarket, the change in the city’s retail landscape has been dramatic. “There is a sizable population in the city comprising expats from the Gulf countries and so it did not take long for people to adapt to modern, organized retail.” He says that business in Kannur today outperforms those in the neighboring districts. “Retail sales in Kannur are a lot higher in comparison to Kozhikode (Calicut), about 90 km away. Also, unlike its neighboring districts, Kannur has a higher number of women shoppers and those seeking a more modern shopping experience.”

As Kannur’s retail transformation continues unabated, Greens Hypermarket stands out as an enduring shopping icon. But for its promoter Muneer, the venture into retail was not smooth sailing in the beginning. His first brush with retail was when he joined the Margin Free store in 1997 as its Director of North Malabar. The enterprise operated under a franchise model but failed to haul in appreciable profits and had to be shut down. Making a bold gambit of his experience in retail, Muneer launched Greens Hypermarket in 2001 by taking up a 3,500 square feet area near the RTO at Fort Road. “We started with 5,000 SKUs and were able to manage an annual growth rate of 25%,” says Muneer.

During the early years of business, Muneer’s biggest concern was to gain consumer trust. To win customer loyalty, he introduced an effective card system for redeeming points against any purchase made at the store. On its part, the card proved to be

a valuable tool for providing accurate data of place-wise sales as well as location-wise high-end sales. By analyzing and interpreting the data generated from sales, Muneer crafted special offers and schemes for customers, which helped bring in more business for the store. “We started out by offering bonus points during festivals like Onam, and the strategy turned out to be a big hit. This helped in gaining the customer’s trust,” he says.

Thanks to his retailing nous and customer-centric approach, Muneer has been successful in expanding the footprint of Greens Hypermarket beyond Kannur. The enterprise today boasts of 13 stores with branches in Kannur, Calicut, Wayanad and Ernakulam and encompasses a product range extending to over 25,000 stock keeping units. With an annual growth rate of 10-15%, Greens Hypermarket model is known for its mall-attached format and for leveraging a large number of walk-ins from in and around commercial hubs.

But like every successful venture, there have been plenty of challenges to overcome along the way. Attrition rates in the sector pose a big challenge for retailers and Muneer has been trying to battle it by offering better facilities to his people. “Apart from the challenges of retaining the team, there are issues related to scarcity of trained labor, management and maintenance of inventory and the challenge of plugging leakages and thefts,” points out Muneer, who is now planning to open a couple of stand-alone stores while keeping Kannur and Calicut his primary locations. **PG**

Thanks to his retailing nous and customer-centric approach, Muneer has been successful in expanding the footprint of Greens Hypermarket beyond Kannur. The enterprise today boasts of 13 stores with branches in Kannur, Calicut, Wayanad and Ernakulam and encompasses a product range extending to over 25,000 stock keeping units.



CROSS PURPOSES
Mollie Stone's Markets wows with California avocados and Hatch chiles.

Cross-promotional Power

Build bigger baskets with produce pairings.

By Jennifer Strailey

“
Cross-merchandising always has been a great tool, but I think its importance has increased.

— Tom Wheeler
Mollie Stone's Markets

Categories within fresh produce, from avocados to tomatoes to onions, can be strong sellers on their own, but put them together in a colorful display complete with tempting, easy-to-prepare recipes, and sales will surge.

“Cross-merchandising always has been a great tool, but I think its importance has increased,” affirms Tom Wheeler, director of produce operations for Mollie Stone's Markets, a family and locally owned grocer with nine stores in the San Francisco Bay Area.

“It's really about building an idea in the consumer's mind of how they might use the product,” he adds, “and it's critical to reaching the younger-generation consumer. Millennials are super-experimental, but they didn't have home economics [in school] like we did.”

Some of Mollie Stone's most successful cross-promotions to date were achieved with the support of the California Avocado Commission (CAC), based in Irvine.

“We've worked with the CAC for quite a few years, and it's been a huge success for us,” notes Wheeler,

who points to Super Bowl-themed California avocado promotions, a Hatch chiles-and-avocado cross-promotion, and another for Cinco de Mayo.

“Cinco de Mayo was probably the biggest success we've had with a cross-promotion,” he says. “We saw a massive increase in sales year over year.” The promotion featured California avocados, Mollie Stone's in-house guacamole, its private label tortilla chips, and more — all conveniently merchandised together for customers to grab and go.

“Cross-merchandising definitely increases sales,” Wheeler continues. “You can eat an avocado by itself, but it goes a lot better with other things. It's a nucleus for building a bigger basket.”

Mollie Stone's supports its promotions with in-store signage and through social media and recipes on its website.

Whether it's a simple cheese-and-apples pairing or a caprese salad promotion with mozzarella, basil, heirloom tomatoes and Mollie Stone's private label olive oil, the grocer sees value in frequent cross-promotions — so much so that Mollie Stone's recently hired a marketing person to help develop its cross-merchandising plans throughout the year.

Advancing Avocados

In the 18 years that VP of Marketing Jan DeLyser has been with the CAC, the commission has put together hundreds of successful cross-promotions. While each had its merits, DeLyser says there are two key elements that are consistent throughout the most successful examples.

“First, the program must be supported by and be turnkey for the retailer,” she asserts. “Second, the partner products need to make sense together and fit the brand communication.”

While promotions featuring California avocados and tomatoes or fresh-cut salads are natural pairings, spicing things up can also be effective.

“A late-summer cross-promotion with Melissa’s Hatch chiles last year generated a lot of excitement,” recalls DeLyser. “Sometimes a unique idea can bring together two products that may not seem to have a natural fit, and create a successful pairing, such as when we promoted the idea of serving guacamole in a hollowed-out watermelon for the Fourth of July.”

The watermelon and avocado cross-promotion had a “wow factor” for consumers, she says.

Capitalizing on hot trends in avocado usage, from sushi to avocado toast to creative avocado cuts such as ribbons, are also valuable promotional tools, notes DeLyser.

“Retailers can showcase these in ads, social media, demos and via the deli,” she suggests. “Seasonal ideas are an opportunity to bring on the green, such as Big Game spreads, avocado shamrock cutouts for St. Patrick’s Day and avocado deviled eggs for Easter.”

Salad Savings

Shoppers love to save, so pricing is a powerful component of successful cross-promotions in produce.

San Antonio-based NatureSweet reports that one of its most successful cross-promotional partnerships has been its Better Together salad promotion with Fresh Gourmet Baked Cheese Crisps. The program offers consumers substantial savings.

Cross-merchandising the salad pairing outside of the produce department has also contributed to the program’s success.

“Getting our NatureSweet tomatoes to the center store helps to increase basket size for retailers, and is a convenient reminder of fresh ingredients for consumers,” says Brand Manager Lori Castillo.

Repositioning Pistachios

While pistachios have been successfully cross-promoted with beer as a game-day snacking sensation for years, Joseph Setton, of Setton Farms, in Commack, N.Y., is encouraging retail partners to look at new ways of promoting these nutritious and delicious nuts.

“Over the last several years, pistachios are increasingly being promoted as a great-tasting healthy snack. We see pistachios frequently promoted with bottled water and vegetables,” observes Setton, who adds that Setton Farms’ pistachios and pistachio-based products, like its new Chewy Bites, now carry the American Heart Association Heart Healthy checkmark.

Setton Farms is also reaching out to kids and their families with regular cross-promotions of pistachios alongside fruits and vegetables through the Orlando, Fla.-based nonprofit organization Produce for Kids.

Further, for easy cross-promotions anywhere in the store, Setton Farms offers a quarter-pallet bin. “Our pistachio bin is all inclusive for retailers,” he says. “They can just roll it out on the floor, so there’s no labor involved.”

Holiday Delights

While many grocers, including Mollie Stone’s, use cross-promotions to drive produce sales throughout the year, Wheeler admits that the produce department really ramps up on cross-merchandising during the holidays.



“Cross-merchandising is very important during holidays and special sporting events,” agrees Sarah Deaton, of Zespri Kiwifruit North America, in Newport Beach, Calif. “Retailers can place all of the ingredients for appetizers and cocktails together to help promote healthy party foods and drinks.”

Zespri Kiwifruit is extending the availability of Zespri SunGold and Green Kiwifruit through the winter for the first time. Previously, Zespri was available only from May through October.

“The extended availability of high-quality fruit is important as consumer demand increases,” says Deaton. “This demand is driven by consumer education about the health benefits of kiwifruit, as well as discovering just how tasty a premium-quality kiwifruit can be.”



Sometimes a unique idea can bring together two products that may not seem to have a natural fit, and create a successful pairing.

— Jan DeLyser
California Avocado
Commission



Zespri has developed many kiwifruit-centric recipes, from appetizers, entrées and desserts to breakfast items and lunches, as well as cocktails and drinks. Deaton recommends that grocers include recipe cards at the point of purchase.

“It’s important to include educational POS that shows consumers how to eat Zespri Kiwifruit, as well as how to choose and store it,” adds Deaton, who further notes that offering kiwifruit by the pound helps to increase sales.

Meal Makers

This year’s Produce Marketing Association (PMA) Fresh Summit, held in Orlando, featured an array of products ripe for cross-promotion. Among them were a host of on-trend, meal-ready vegetables that offer consumers the flavor and convenience they crave.

At the show, Coral Gables, Fla.-based Del Monte Fresh Produce introduced fresh, ready-to-cook Del Monte Vegetable Noodles in Zucchini, Yellow Squash, Sweet Potato and Butternut Squash varieties.

“Our vegetable noodles align perfectly with the recent consumer trend focusing on healthy alternatives to pastas and other carb-heavy products,” says Dionysios Christou, VP of marketing.

“This versatile new product line also allows for ample cross-promotional opportunities, especially since they can be enjoyed as both hot and cold dishes,” continues Christou, who suggests cross-merchandising with complementary products such as pasta sauces, other vegetables, seasonings, protein, and ethnic-cuisine sauces and spices.

“They also make excellent cold salads; thus, cross-merchandising with salad dressings and other fresh ingredients such as tomatoes, avocados, cucumbers and olives would work well,” he adds.

Meanwhile, Melissa’s Produce, in St. Vernon, Calif., showcased its Ready to Cook Vegetables at the PMA Fresh Summit.

The line of fresh specialty baby vegetables in 1-pound retail packages offers a convenient ready-to-cook dish, serving two to three people.



“We will continue to extend the line with items like Butternut Noodles and Zucchini Noodles in the coming months,” notes Robert Schueller, director of public relations.

Cause-related Cross-promotions

Responsibly cultivated produce that’s better for the environment and farm workers was another top trend at the recent PMA show. Wholesum Harvest, of Nogales, Ariz., displayed new Fair Trade signage that offers participating retailers a simple and effective way to communicate the complex message of Fair Trade Certified produce with shoppers.

“PMA proved to be a huge Fair Trade success for us, reassuring us that our customers care, and that they are hearing that consumers care how their products are sourced,” affirms Marketing Manager Jessie Gunn. “The POP helped them visualize the message, and helped them understand how to help their customers understand.”

All Wholesum farm-grown produce is available in Fair Trade versions for retailers willing to share in the responsibility of fair sourcing. For retailers building a cross-promotion with Fair Trade Certified produce, Gunn recommends communicating the direct correlation of the premium to the benefit.

“We turn tomatoes into school buses.” “We turn bell peppers into soccer fields.” “We turn cucumbers into playgrounds.” These are messages that will resonate with consumers.

Wholesum, which helps its partner growers become Fair Trade Certified farms, expects that in the near future, all of its product could be 100 percent Fair Trade purchases.

All in the Family

With its highly visible brands, including Pom Wonderful juices, Wonderful Pistachios and Wonderful Pom Poms, The Wonderful Co., based in Los Angeles, offers a range of items that can be seamlessly cross-merchandised.

“Awareness of the Pom brand is higher than ever before,” says a Pom Wonderful representative. “We want to leverage this excitement and awareness of

“**Cross-merchandising is very important during holidays and special sporting events.**”

— Sarah Deaton
Zespri Kiwifruit North America



Pom and get consumers to embrace our products by reminding them about the nutritional benefits of our Pom Poms Fresh Arils through advertising, in-store displays, online promotions, PR, and cross-merchandising efforts across our family of products.”

Additionally, since Pom Poms Fresh Arils are in season for only a short period of time, creating a sense of urgency in cross-promotions can spur sales.

“Pom is uniquely positioned in the produce department to cross-sell our family of products, and consumers identify packaged goods sold in produce as fresh and healthy food,” notes the Pom Wonderful rep. “When Pom Poms ready-to-eat fresh pomegranate arils cross-promote with Pom 100% Juice, consumers can bundle the two products for a grab-and-go breakfast or a healthy snack.”

Going Bananas

In an effort to convert light and medium consumers of bananas to frequent customers, Chiquita North America implemented two highly successful cross-promotions through its partnership with Universal Studios and the sequels of two of the highest-grossing animated films in U.S. history: “Despicable Me 2” in 2013 and “Minions” in 2015.



“The two campaigns were designed to drive consumer engagement and impulse buying to incite higher banana purchase frequency,” explains Suyapa Mansilla, global business strategy manager for Cincinnati-based Chiquita.

The campaigns were supported by a microsite, MinionsLoveBananas.com; advertising; radio; social media campaigns; and in-store POS.

According to Chiquita, its retailer partners that fully executed the promotions saw an 8.3-to-11.6 percentage point advantage in volume growth per store per week over their competitive markets or control stores. **PG**

In an effort to convert light and medium consumers of bananas to frequent customers, Chiquita North America implemented two highly successful cross-promotions through its partnership with Universal Studios.



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On a high: The largest duty-free retailer in the subcontinent

Delhi Duty Free Services is on a roll. India's biggest duty-free retailer achieved its highest monthly sales in the month of June. There were other windfalls as well. The company also recorded its highest daily sales yet, at over \$600,000, besides registering over +50% growth in Shop & Collect sales, and highest ever sales in the beauty and liquor categories. Progressive Grocer spoke to Luke Gorringe, CEO, to get a sense of the company's retailing strategy and what it does to make its cash register ring resoundingly month after month. He was joined by Abhijit Das, Head - Marketing, who offered insights into DDFS's marketing game plan and its digital push.

By Sanjay Kumar



The month of June went down with a bang for Delhi Duty Free Services Pvt. Ltd., which runs a cluster of duty-free stores at Delhi International Airport.

The shops retail the best in categories spawning liquor, tobacco, confectionery, perfume & cosmetics, and luxury apparel and accessories. All the shops are located between Arrival and Departure junctions at Terminal 3 of Delhi International Airport. Duty-free shops at airports sell products without duty, i.e., without the local government sales tax added in. At duty-free shops, the size of the duty-free exemption varies depending on the country, but prices are often competitive in relation to what you'd find in a normal store. (The types of products that duty-free shops sell – liquor, cigarettes, perfume, etc – would otherwise attract high excise taxes bumping up their prices.)

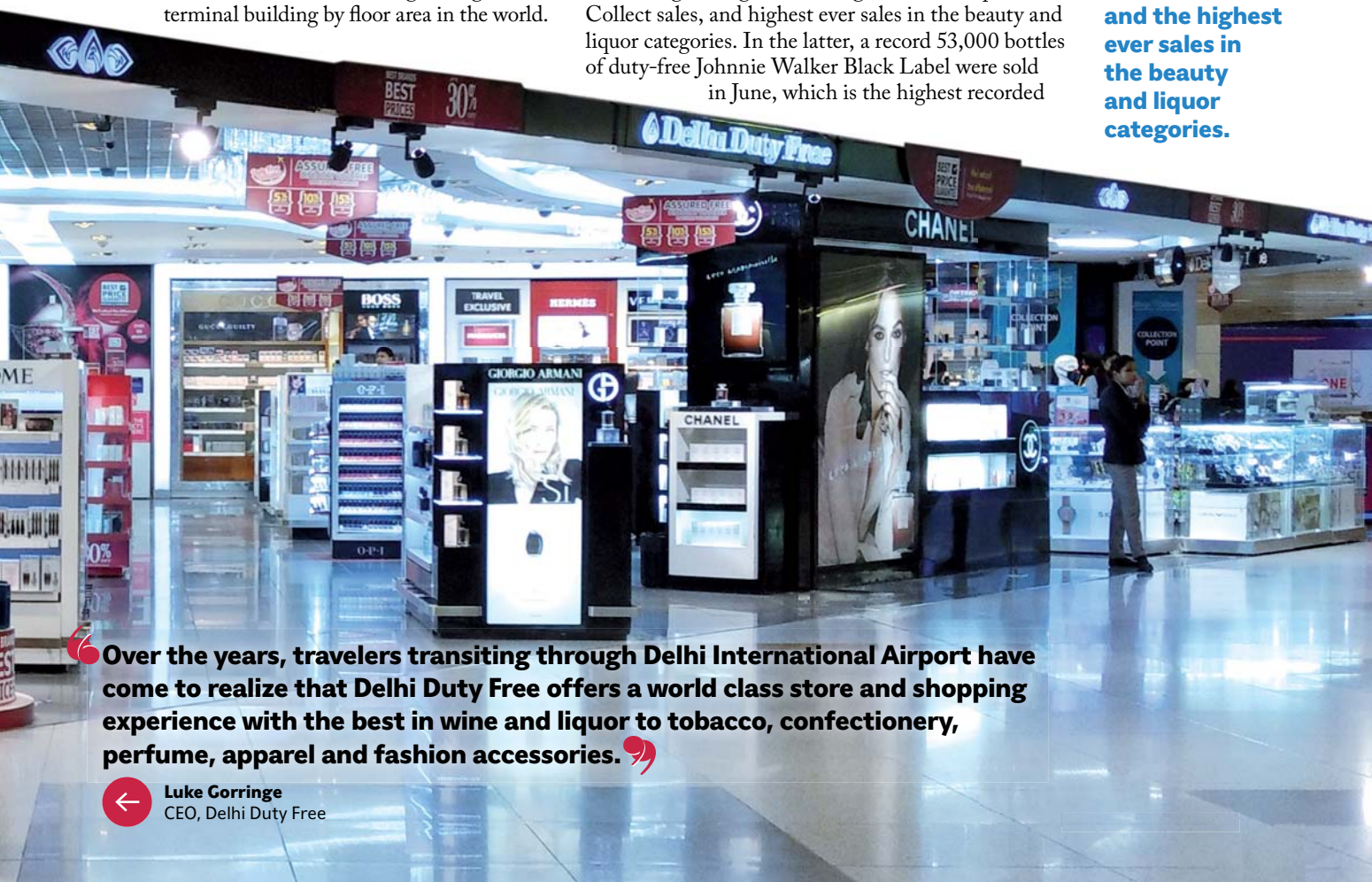
For Delhi Duty Free, June proved to be a month in clover with sales climbing to giddy heights, and bringing cheer to its three stakeholders. The three partners in the joint venture are Delhi International Airport Pvt. Ltd. (DIAL), Yalorvin Ltd. – a subsidiary of Dublin-based Aer Rianta International cpt (ARI), a world-wide pioneer in operating duty-free shops globally, and GMR Airports Ltd, which owns and operates Delhi International Airport and Hyderabad International Airport. As an enterprise, Delhi Duty Free is India's largest duty-free retail space and the Terminal it is located in is the sixth-largest single terminal building by floor area in the world.

Highest sales in June

The company posted its highest monthly sales in the past seven years at a time when retailers across the country were by and large circumspect ahead of the GST roll-out and were trying to shake off a prolonged market chill brought about by the demonetization storm. In the travel retail industry as well, business sentiment had remained muted. The past 18 months had seen sure signs of a global slackening in duty-free spend. Various reasons were attributed for the slowdown, ranging from slide in the value of pound sterling due to Brexit concerns and a concomitant strengthening of the rupee against the US dollar. "In spite of such aggravations and the intensifying competition for wallet share of the Indian traveler, we continued to register growth in sales. Delhi Duty Free was able to build on gradual growth during the early part of the year. We moved to double digit growth in the past few months and sales hit a record high in June," says Luke Gorringer, CEO, Delhi Duty Free Services Pvt. Ltd. He has a particular and personal reason to celebrate the June revenue gusher, over US\$ 15 million. The record sales – higher than in the corresponding month last year – comes after he took over his present assignment at Delhi Duty Free in May last year.

The June windfall also saw Delhi Duty Free record its highest daily sales until now, at over \$600,000, besides registering over +50% growth in Shop & Collect sales, and highest ever sales in the beauty and liquor categories. In the latter, a record 53,000 bottles of duty-free Johnnie Walker Black Label were sold in June, which is the highest recorded

The June windfall also saw Delhi Duty Free record its highest daily sales yet at over \$600,000, besides registering over +50% growth in Shop & Collect sales, and the highest ever sales in the beauty and liquor categories.



Over the years, travelers transiting through Delhi International Airport have come to realize that Delhi Duty Free offers a world class store and shopping experience with the best in wine and liquor to tobacco, confectionery, perfume, apparel and fashion accessories.



Luke Gorringer
CEO, Delhi Duty Free

sales figure for Johnnie Walker anywhere in world at any single location. In terms of sales split and best performing brands, liquor accounts for nearly half the overall business with Johnnie Walker, Pernod Ricard and William Grant among the best-selling brands. In fashion and cosmetics, the spotlight is shared by Chanel, Dior and Loreal while Kraft leads in confectionery. "Cosmetics, single malts, fashion products are growing very fast at our stores with growth hitting above 20 per cent," says Abhijit Das, Head - Marketing, adding that Delhi Duty Free stores stock products in the price range extending from \$25 to \$4,500.

Liquor is the key category with increasing number of young Indians moving towards single malts and premium white spirits. Deluxe Scotch remains the biggest category and contributes significantly to growth of liquor business. Similarly, the cosmetics category is witnessing high growth as more women are now travelling abroad for both work and leisure. According to Luke, middle-class shoppers with high disposable income are increasingly becoming planned shoppers. "They do a lot of research before embarking on travel, they look for best value and key brands, and a premium range."

Pioneering strides in travel retail

Ever since it opened in 2010, Delhi Duty Free has been a runaway hit with international travelers. Until then, people had a very poor notion of duty-free shops in India. Most such shops were operated by the public

sector ITDC, which lacked the special expertise that is required for efficient and profitable duty-free retailing. Indian duty-free shops were thought of as dingy places, cluttered and shabbily run. The launch of Delhi Duty Free marked a dramatic shift in the way duty-free stores were run until then. Spanning 55,000 sq. ft. of retail area, Delhi Duty Free offers the largest duty-free space in the country.

"We introduced stores that were a radical departure from the tired and shopworn concept that people had about duty-free shops in India. Suddenly, travelers using Delhi International Airport were able to see a duty-free shop that was 25 to 30 times bigger than the typical ITDC stores of yore and many duty-free shops run by other private operators today. People saw a store that was large and capacious, elegantly designed and stocked with an unbelievable range spanning the most internationally premium brands," says Das.

In fact, Aer Rianta International, which is a partner in Delhi Duty Free, enjoys a sterling reputation for operating some of the best and most profitable duty-free stores across International airports around the world. It is credited for actually introducing and inventing the concept of duty-free shops when it opened the first such store at Shannon Airport in Ireland, way back in 1947. Today, Aer Rianta operates duty-free stores at 13 International airports – Montreal, Halifax, Winnipeg, Barbados in the Americas; Dublin, Cork, Larnaca and Paphos in Europe; Abu Dhabi, Beirut, Muscat, Bahrain in the Middle East; and

Delhi Duty Free has been able to ensure a wide range of products and an assortment of world-class brands at benchmarked prices, along with a keen focus on retail service and experiential retailing.



DELHI DUTY FREE FACT FILE

- ▶ Retailer/ Brand Name: **Delhi Duty Free Services Pvt. Ltd.**
- ▶ Launch Year: **2010**
- ▶ Parent Company: **Delhi Duty Free is a JV comprising three partners – Delhi International Airport Pvt. Ltd. (DIAL); Yalorvin Ltd., which is a subsidiary of Aer Rianta International cpt (ARI); GMR Airports Ltd.**
- ▶ Key People in the Company: **Luke Gorrige, CEO | Abhijit Das, Head Marketing | Ashish Chopra, COO | Rajiv Madan, CFO | Dilpreet Singh - Head Buying**
- ▶ Number of Employees: **900+**
- ▶ Total Number of Stores as on date: **Delhi Duty Free runs 14 stores at Terminal 3, Delhi International Airport**
- ▶ Total Retail Space as on date: **55,000 sq. ft.**
- ▶ Annual Turnover: **Over\$ 150 million**
- ▶ Average Sales per sq. ft. Per Day: **Highest in the country**
- ▶ Average Bill/ Ticket Size: **Over \$80**
- ▶ Same Store Sales Growth in % : **Above travel retail industry trends**
- ▶ SKU count in Store: **7,500**
- ▶ Average Foot Traffic: **Delhi International airport gets over 35 million pax per year**



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The average Indian traveler spends \$1,200 per visit abroad as compared with Americans who spend about \$700 and Brits who spend about \$500.

Delhi and Auckland in Asia-Pacific. Aer Rianta International continues to expand and was recently awarded a number of contracts, including one at Abu Dhabi International Airport and Quebec City Jean Lesage International Airport.

“Thanks to our long years of expertise in this business, we have been successful in making Delhi Duty Free the most profitable duty-free retail outlet not only in India but in the subcontinent as well. Now that we have been in operation for the past seven years, our turnover is more than the combined turnover of other duty-free shops at key airports in India. That is the kind of business we do and that is the kind of growth we have witnessed over the years,” says Luke pointing to the fact that Delhi Duty Free is on way to becoming the fastest growing retail venture in the country. “We probably have the highest retail sales per square feet anywhere in India and in the subcontinent. We have been able to achieve a fast break even that could be the envy of other retailers,” asserts Luke.

Until recently, Delhi Duty Free was concentrating on stabilizing and growing the liquor, tobacco, perfume and cosmetic categories, besides some destination products. However, in the past couple of years, it has added several new internationally acclaimed concepts, which have made Delhi Duty Free an extremely admired retail destination and comparable to the duty-free shops in Dubai, Bangkok and Singapore. “Due to fast growth of the travel industry, change in the demographic profile of travelers, emergence of new tastes, preferences and shopping habits, we need to keep a tab on all these changes by constantly looking at the trends and through consumer research and keep evolving our offerings,” says Luke. To keep in step with the trends, Delhi Duty Free made the inclusion of fashion – a much sought after category in travel retail – to its range of offerings. “Our biggest selling point is that we stock a line of exclusive products and brands at a competitive price and we ensure that the most sought after brands that travelers typically go out looking for



A record number of duty-free Johnnie Walker Black Label bottles were sold in June, which is the highest recorded sales figure for Johnnie Walker anywhere in the world at any single location.

Compelling customer proposition

Over the years, travelers transiting through Delhi International Airport have come to realize that Delhi Duty Free offers a world class store and shopping experience with the best in wine and liquor to tobacco, confectionery, perfume, apparel and fashion accessories. “Many travelers from the US, on landing at Delhi International Airport are flummoxed to see the incredible range and quality of products at our stores. Many cannot escape the tinge of buyer’s remorse. Just imagine coming out of a long haul 16-18 hour flight lugging your baggage with the goodies you have brought along only to come up against a store stocking all the right kinds of products on your wish list and available at much competitive prices. Many cannot believe their eyes!,” points out Das.

are available at our stores. In our experience of the business, ensuring that the right products and brands are always available makes a big difference to the business. If a traveler walks into our store and finds that his favorite brand of perfume, malt or cigarettes is missing on the shelves, there is certain likelihood that he will not saunter in your store the next time he is at the airport. At the same time, price difference as compared to other duty-free shops and markets is the key driver for purchase of products like tobacco and cigars,” explains Luke. He adds that on the whole, duty-free shops at arrivals do more business than their peers at departure. In fact, arrivals account for a lion’s share of the business at duty-free shops. This is because inbound travelers like to pick up items on their way back to the city. “The highest selling



category in arrivals has been liquor. This is primarily because the prices offered on liquor at the duty-free shops are extremely competitive.”

Opportunities and challenges

The sheer size of the rapidly expanding middle class guarantees that India’s travel retail story remains irresistible for many years to come. The numbers speak for themselves. India’s middle-class, at 350 million people and counting is bigger than the entire population of the US. Every year, more than 5.4 million Indians go abroad to conduct business, attend meetings, take study trips, go on holidays and vacations, shopping tours, celebrate honeymoon and for other myriad reasons. With more than 20 million Indian nationals now living throughout the world (3.4 million in the US alone), the volume of outbound travel has been climbing at the rate of about 25% a year.

The Indian traveler is also known for his propensity to indulge and splurge on trips overseas. The average Indian traveler spends \$1,200 per visit abroad as compared with Americans who spend about \$700 and Brits who spend about \$500. “Thus, our duty-free offerings have to be better than other duty-free shops in the region,” says Das. The nature of the business enjoins that if there is a new perfume launched by Chanel, it should be available at Delhi Duty Free. Or if there is global launch of a big single malt brand, its stores at Delhi airport should be amongst the first in the region to stock it. “While price is a key factor, so is the newness of products and merchandising innovation, the range and depth of assortment as well as staff knowledge in handling the products and interacting with customers. We train our staff for over 45 days every year with a few going for higher studies as well. All of these are important considerations in our line of business and how we perform on these parameters help to attract valuable spenders to shop at Delhi Duty Free,” says Luke.

Paying close attention to the details has helped Delhi Duty Free amplify and grow its customer base. “The international style and layouts of our stores, brand assortment, category depth and benchmarked pricing (compared to other duty-free shops in Bangkok/ Dubai/ Singapore, etc.) have helped us create the desirability in the minds of customers,” points out Das. Explaining about the retailing strategy, he says that the stores follow a simple rule: display the merchandise as it is done in the best stores the world over. “We follow the brand guideline of each brand but with a rule: all brands must be within the sightline of the customer. And the merchandise must be available almost at the same time as its launch anywhere in the world and at a price that offers value to the customer.”



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Until 2010, people had a very poor notion of duty-free shops in India. Most such shops were operated by the public sector ITDC. Indian duty-free shops were thought of as dingy places, cluttered and shabbily run.

With the knowledge, experience and expertise of three leading partners, Delhi Duty Free has been able to ensure a wide range of products and an assortment of world-class brands at benchmarked prices, along with a keen focus on retail service and experiential retailing. As a result, its stores have garnered the notice and attention of the admiring shopper-traveler. People in large numbers have taken to checking out the stores when passing through Delhi International Airport. “Delhi International Airport carries over 35 million pax per year and we have a huge and excellent catchment to cater to comprising the National Capital Region, Punjab, North UP, and Rajasthan among some other regions. All of it makes for a far more lucrative market from a business perspective. People from these cities are well traveled and their understanding of brands and markets is better than many other parts of the country,” feels Das. He says that it is also a matter of pride for many Indian travelers to buy from Delhi Duty Free stores. “Why should someone buy a bottle of Scotch from Europe when you can get the same brand at a more competitive price at our shop? Is it not a service to the country if you spend your dollars buying a product here rather than spend it on the same product abroad?”

“The success of our marketing is when a traveler decides to buy the products on his wish-list from the duty-free shop in Delhi instead of buying it from a duty-free shop in Singapore or Dubai – two of my bigger and direct competitors. The duty free at Singapore and Dubai are bigger than our stores even though we stock the same range and quality of products,” says Das.

It is the nature of challenges faced by duty-free shops, which they need to solve with the help of the available promotional tools at their command. More than any other retailing format, duty-free marketing has to lean heavily on customer engagement through tools such as travel retail exclusives, new launches, raffles and innovative gifts with promotion (GWP). “We do a lot of innovative marketing campaigns and

HR training alongside maintaining an overwhelming relationship with our suppliers. To increase shop penetration and consumer spends, we focus significantly on our retail pricing and have been able to balance the fine line between average transaction value and shop penetration,” informs Luke.

As in many other industries, digitalization is changing the way business is being done. The nature of customer interaction, too, is constantly evolving. “In order to reach customers at the start of their travel journey and induce them into making a purchase at their home or office when planning for their travel, we are focusing on increasing our digital touch points at the shop level to better communicate with shoppers in innovative and dynamic ways. We are the first duty-free retailer in the country to exclusively promote our own mobile app and put in place our online pre-booking service with a pre-payment option. At the same time, in keeping with the efforts to improve our customer service, Delhi Duty Free has one of the most customer friendly refund / return policy with 24/7 customer support at our end,” says Luke.

To leverage its digital capabilities, Delhi Duty Free invests heavily in digital marketing, which comprises 30 per cent of its marketing budget. “At our stores, you can pay by Paytm and other kinds of electronic wallets, through credit and debit cards as well as by credit card points,” discloses Das, adding that the company has also sewed up strategic alliances with key partners to drive business further. “We have entered into alliances with Jet Privilege, Paytm, Free charge, ICICI Bank, SBI, Ola, Yatra, Thomas Cook and many more players.”

Going forward, Delhi Duty Free, which is the biggest and most awarded travel retailer in the Indian subcontinent – it has been a winner of the prestigious travel-retail industry’s “The Frontier Awards” and the Asia-Pacific HR award, among others – has plans to redo its shops and introduce many more new brands and exciting retailing concepts. “The refurbishments have already started and we expect the shops to be ready in phases, beginning from the last quarter of 2017 onwards. Come January 2018, you will see new shops at arrival and by mid-year 2018, our departure shops will be revamped,” reveals Luke who is confident about Delhi Duty Free staying on its course of clocking double digit growth whilst it goes through a fresh round of development in the months ahead.

He reaffirms that the company is poised to continue its growth momentum with continued investments in staff training and skills upgrade alongside creating new product offers and marketing campaigns. “I would like to thank our great team, our suppliers and shareholders and, of course, our loyal customers who are all key to the success of Delhi Duty Free. We have much to look forward to in the coming months with the opening of new shops featuring exclusive brands and concepts that are going to further elevate the customer experience at our stores,” concludes Luke. **PG**



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Does Your Breakfast Cereal Lie to You?

In the hurly-burly of morning activities, breakfast means having a bowl of cereal for many families. The claimed nutritional value of cereal breakfast such as corn flakes, oats, porridge and muesli has helped these products gain a huge share in sales. India, being a large market with a growing middle-income group and double-income households, holds great potential for the breakfast cereal market which, in turn, must provide healthy, convenient, and tasteful options.

By **Dr Saurabh Arora**

Breakfast cereal is a food item made from processed grains and consumed as the first meal of the day. It is easy to prepare and can be eaten either hot or cold.

Milk and sugar are usually added to make it more appetizing and palatable. Some people prefer to add yogurt and fruits in order to enhance the taste and nutrition value.

Breakfast cereals involve processing of the grains into fine flour before cooking. The flour may be mixed with water, sugar or chocolate. This is followed by a process known as extrusion, which shapes the cereal at high temperatures using a special machine. The cereals are available in a variety of shapes and sizes. They may be flaked, shredded or puffed during processing. They can be coated with chocolate or frosted with sugar before drying and packaging.

Corn Flakes – The first breakfast cereal to be developed

Kellogg’s corn flakes is a household name across the globe, but only a few know about its origins and how it was developed. The product was initially developed as an anti-aphrodisiac by Dr. John Harvey Kellogg in 1898. But it did not serve its purpose. The original product was rather bland and unpalatable. His brother, Will Keith Kellogg, is credited for developing the cereal into a wholesome breakfast product in 1906, for which Kellogg’s corn flakes is now famous all over the world. He developed and perfected the “flaking technology” by which corn could be flaked. He also improved the taste and palatability of the product, which has become a breakfast staple for over a century now. With the passage of time, other delicious recipes emerged – Kellogg’s All-Bran in 1915, Kellogg’s Raisin Bran during the period of World War II (1942-1945) and Kellogg’s Special K, which was launched much later in 2006 to mark the centenary year of the company. A variant of this is Kellogg’s Special K Red Berries. To this day, Kellogg’s has maintained its standards and values that were instilled by its founder Will Kellogg since its inception way back in 1906.

Breakfast cereal options

Nowadays, there is a vast choice of breakfast cereals for consumers. Some of the major healthier varieties include wheat flakes, oats, porridge, muesli, rice crispies (poha) and others. There are a number of brands that offer wholesome breakfast cereals, which are also good value-for-money. Some of these are Crunchy Nut Cereal (Kellogg’s), Crunchy Fruit Whole Grain Oat Flakes (Sante), Crunchy Muesli (Bagrry’s), Wheat Flakes (Vitalia), Ragi Flakes (24 Mantra Organic), French Toast Crunch (General Mills), and Cheerios (General Mills).

Nutrients in breakfast cereals

It is said that our breakfast is the most important meal of the day. This is true as consuming a wholesome breakfast packed with nutrients in the morning boosts our energy and keeps us pepped-up till lunchtime. As per the data published by the United States Department of Agriculture (USDA), a 100 gm serving of a typical breakfast cereal provides nearly a fifth of the daily calorie intake (based on a daily diet of 2,000 calories). The nutrient content of breakfast cereals can be broken down into:

Fats: Total fat contained is 7 gm, which is 10 per cent of the daily intake. The levels of mono- and polyunsaturated fats are double that of saturated fats, making it a healthy option, coupled with the fact that there is no cholesterol.



Carbohydrates: Breakfast cereals are high in carbs, accounting for 22 per cent of the daily intake. Sugar content can be high in some cereals due to chocolate coating or sugar frosting.

Dietary Fiber: They are rich in dietary fibers and take care of 40 per cent of our daily needs for it.

Protein: Approximately 26 per cent of the daily protein needs are met by a typical breakfast cereal.

Vitamins and Minerals: Breakfast cereals are rich in iron and magnesium, moderate in calcium and vitamin B6, and low in sodium and potassium. They do not contain vitamins A, C, D and B12.

How healthy is your breakfast cereal?

It should be noted that many cereals are high in sugar and refined carbs. Added sugar is a bad component of our modern diet. Importantly, most of the sugar coming in our diet reaches through processed foods, of which breakfast cereals contain relatively higher amounts of sugar. This can lead to

As per the data published by the United States Department of Agriculture (USDA), a 100 gm serving of a typical breakfast cereal provides nearly a fifth of the daily calorie intake (based on a daily diet of 2,000 calories).



There are many other artificial chemicals that are used during processing of the cereal. These can include binders, carriers, emulsifiers, stabilizers, raising agents, texturizers, fillers, colors, flavors, and other chemical agents.

Type 2 diabetes mellitus, heart disease and even cancer. Processed food is essentially any food that has been modified from its normal state, mainly for the convenience of consumers. That is why these are also dubbed as “convenience foods”. Breakfast cereals are an ideal example of this type of food.

Artificial processing of cereals by frosting with sugar or chocolate-coating leads to over-consumption of sugar than the recommended dietary allowance. The fact that many young children are becoming over-weight or even obese, indicates that the problem of over-consumption is very real, especially among the economically upwardly mobile classes in India. Manufacturers are also producing breakfast cereals as per the consumer’s preference, but at the cost of their health.

There are also instances of misleading labelling of the cereal boxes, intended to coax the consumer to buy the product. The cereal package often highlights the presence of “whole grains”, but on further scrutiny, these are usually in low amounts compared to other unhealthy components. The consumer should keep in mind that actual healthy foods do not require any health claims. This warrants further studies to ascertain whether the health claims are correct or misleading. Moreover, manufacturers often adopt shrewd business tactics by displaying cartoon characters, superheroes, etc., on the cereal box thereby attracting the attention of children, in a bid to increase sales. Sadly, such tactics seem to be actually working.

Choosing healthy breakfast cereals

It is important to be aware that your average breakfast cereal doesn’t just contain the nutrients

discussed above. There are many other artificial chemicals that are used during processing of the cereal. These can include binders, carriers, emulsifiers, stabilizers, raising agents, texturizers, fillers, colours, flavors, and other chemical agents. While these components can enhance your breakfast experience, they can also be harmful if they are present beyond the maximum recommended levels. For this reason, the Food Safety and Standards Authority of India (FSSAI), as per the Food Safety and Standards (Food Products Standards and Food Additives) Regulations, 2011, has suggested food additives like Erythritol (max. limit as per GMP) and Butylated hydroxyanisole (BHA) (max. limit of 50 ppm) for breakfast cereals.

Arming yourself with the right information about breakfast cereals will help you choose wisely. Keeping yourself and your family healthy should be your first priority. Therefore, be on the lookout for wild health claims displayed on the cereal packages. Always read the display panel carefully. Pay attention to the following details:

- Nature and amounts of ingredients
- Avoid cereals high in sugar and carbs
- Closely read the nutritional information on the label
- Ensure that all the nutritional information is displayed on the label
- Look for “best before” date or “expiry” date
- Never buy expired food items
- Check for vegetarian / non-vegetarian logo
- Breakfast cereals should ideally be vegetarian in origin
- Check for FSSAI logo and license number
- Quality of the packaging
- Do not buy damaged or torn packages
- Ensure that the inner lining (primary packaging) is intact and the food is properly sealed

Conclusion

Checking out on all the above mentioned points will ensure that the product you pick up is wholesome and nutritious. By and large, whole grain breakfast cereals are a healthy option. However, you should keep your eyes peeled and be alert when buying these products. Go for natural, wholesome cereals than the artificially processed ones. This will be a healthy option, with lots of dietary fibers, minus the unwanted components like sugars, thereby ensuring a nutritious breakfast for you and your entire family. **PG**



The writer is founder of Food Safety Helpline www.foodsafetyhelpline.com and has a number of national and international research publications and patents to his credit.

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Good Morning to Breakfast Bowl

India's vast market holds a huge potential for the growing base of breakfast foods, which includes cereals like oats, corn flakes, muesli, dalia and mixes of traditional breakfast like idli, dosa and upma, among other choices. Rising urban population, increase in disposable income, and higher consumer health awareness are key sales drivers for the category, which has witnessed healthy year-on-year growth in the past couple of years and retains bright prospects for business in the future. With sales in the category concentrated largely in first- and second-tier cities characterized by fast-paced, modern lifestyles in which convenience and, increasingly, health are prized, players in the breakfast market are focusing on product offerings with enhanced variety and innovation, and on efforts to boost consumer trials and penetration.

By **Sanjay Kumar**

Breakfast in India is considered to be one of the most important meals of the day just like anywhere else in the world. Here, by and large, tradition dictates that breakfast is a family meal where the woman of the house ensures that her family is served a wholesome breakfast at the start the day. Our home-cooked breakfast tradition is quite unlike the norm in America or Europe where grabbing a quick breakfast on one's way to work is very popular and convenient.

According to research done by a leading foodservice operator, as high as 98 per cent of the Indian population prefers to have breakfast at home. The research reveals that there are many reasons why the culture of eating out has not grown in the breakfast segment in India. The out-of-home breakfast market in India is very limited and concentrated mostly in either 5-star hotels or on the street. The mid-segment has been missing, unlike in the West, where a wide choice of options exist at every corner, eliminating the hassles of cooking or cleaning. Cost is another factor here, especially when there is easy access to fresh, home-cooked meals.

The easy availability of a cook or domestic help ensures that it is convenient to eat at home. Also, in deference to tradition, a lot of people choose to eat specific or regional Indian dishes like *parantha*, *aloo-puri*, *dhokla*, *idli-dosa*, etc. These dishes are often perfected to taste in every house and served in a basic home-style manner. So, there is little need to venture out.

Be that as it may, the trend of eating breakfast at home has been changing in recent years. People's lifestyles have been evolving in response to various social and culture stimuli. Consumer insights tell us that India has been witnessing a marked increase in higher

disposable incomes, the number of young adults in the no-kids category is steadily expanding, nuclear families are on the rise, and working hours and commute time too are increasing. All of these factors leave people with very less or almost no time for indulging the traditional, elaborate home-cooked breakfast except, perhaps, on weekends or holidays. Paucity of time and an increased focus on convenience are pushing people to eat out nearly seven to eight times a month compared to three to four times until just a few years ago. At the same time, Indian consumers, in increasing numbers, are gaining exposure to international environments and cultures, which is creating a demand for world-class



products at affordable prices. Today, the profile of the Indian consumer has evolved to being hygiene-conscious, taste-conscious, brand-conscious, experimental and seeking not only international standards but also value. All of these factors are responsible for the shift that we see today in a large number of Indians preferring breakfast on the go rather than sitting down to a home-cooked meal.

While global food habits and practices are gradually shaping the way people engage with food in India, a majority of Indians still prefer breakfast at home to eating out. "Traditional breakfast options continue to be a part of the Indian breakfast table and there is a big segment of people who still prefer home-cooked food for breakfast. However, given the growing importance of health and wellness in our lives, consumers are now making an effort to 'healthify' traditional meal items by using healthier ingredients," says **Mohit Anand, Managing Director at Kellogg India and South Asia**. For the most part, Indians are inclined to consuming their quintessential hot, cooked breakfast. *Parantha* remains a popular breakfast item in north, *idli* and *dosa* in south, flattened rice flakes (*chivdal poha*) with milk in western and central India, whole wheat grits (*dalia*), and a mélange of regional staples in many other parts of India.

Popular Breakfast Foods and Brands

Bread and eggs continue to be a popular breakfast staple for many households. But the choices have increased even in this segment. The range of breads available today include white bread, brown bread, whole wheat bread, multi-grain bread, sandwich bread, multigrain oats and flax, baguette, and croissant. For egg lovers too, there has been an explosion in choice at the retail level – there are brown eggs, white eggs, quail eggs and free-range eggs (cage free) to choose from. Leading egg producers like Venky's and Suguna are making innovations related to packaging, nutritional content (the addition of omega-3s), egg color, and production method (cage-free, organic and free-range). As a result of such initiatives, the market share for organic and cage-free eggs, while small, continues to rise as egg companies increase their focus on cage-free egg production.

Apart from bread and eggs, supermarkets across the country are reporting growth in sales across many breakfast categories. At Foodworld, a chain of supermarket stores, which is owned by Hong Kong based Dairy Farm International Holdings Ltd, the breakfast cereal range has been performing well with offerings that include muesli, all bran wheat, corn flakes, ragi flakes, almond corn flakes, strawberry corn flakes, granola, Special K (for women), and millet muesli. In the oats category where Quaker, Kellogg's, Saffola and Bagrry's are its top performing brands, the chain has been recording good sales for classic oats, masala oats and oats shake. In the millets category, brands such as Manna, 24 Mantra, Organic Tattva, and Arya are the sales pullers at Foodworld, which rakes in about 3% of its overall sales from breakfast category.

Alongside good sales of breakfast cereals, the chain has also seen an impressive show put up by Indian breakfast mixes comprising products like upma mix, rava idli mix, rava dosa mix, vada mix,



At Bagrry's, we have been innovating our oats category and have created oats for atta, suji and poha. The idea behind these innovations is to make oats a staple for Indian consumers.

— **Aditya Bagri**
Director, Bagrry's India



oats upma mix, ragi dosa mix, vermicelli mix, poha mix, multigrain dosa mix and oats idli. MTR, 24 Mantra, Maiyas, and Pillsbury are its top brands in the Indian breakfast mix segment. In the kid's breakfast segment, honey loops, choco's, pan cakes, oat-bites and choco-fills are the popular offerings with Kellogg's, Soufull, Pillsbury and Betty Crocker as the best-selling brands. Other brands – Tropicana, B-Natural, Silk, Sundrop, Fun Foods, Veeba – are also big sales pullers at Foodworld, which allocates 4-5% of its shelf space to the breakfast category that has been clocking 15%-20% growth.

At SPAR Hypermarkets, which enjoy a strong presence of its own store brands in each of the breakfast sub categories, south Indian RTC mixes, millet flours, oats and breads are the popular breakfast foods in demand. "This is one of the fastest-growing categories, witnessing strong double digit growth. However, we are excited to see the regional brands witness stronger growth in this segment compared to the national brands, led by product categories like millet flours, brown breads, oats, etc," says **Rajeev Krishnan, MD & CEO.**

At HyperCITY, another large chain known for its great mix of breakfast food items, instant breakfast mixes, cereals, cereal bars, muesli, oats, granola & energy bars, fresh fruits, fresh juices, cold-pressed juices, green juices, etc, are the most popular offerings in the breakfast category. The total sales contribution from breakfast foods at HyperCITY is about 4%-8% on average. "While routine product offerings like cereals, oats and muesli are showing ongoing stability in sales, we have observed an aggressive growth of around 30% in the new range of premium breakfast category products comprising quinoa, muesli and oats. We are also seeing an upsurge in the consumption of instant ready-to-eat/ cook breakfast mixes because of the changing economic scenario and the needs of evolved urban consumers," observes **R. Sankaranarayanan, Vice President - Buying & Merchandising, HyperCITY Retail (India) Ltd.** The chain allots, on average, about 8% space to the breakfast range



at its stores across India. While brands such as Kellogg's, Bagrry's, Quaker, Saffola, Nibble Box, MTR, Soufull and Patanjali have been receiving great response from HyperCITY customers, regional brands like Ruchi, Kwaliti, Mohan's and Gits are also in demand at its stores.

Rise of Cereals and Other Breakfast Foods

For some time now, a quiet revolution has been simmering on the breakfast table. The home-made *idli* is being replaced by a packaged branded ready-to-cook batter. A bowl of cereal is elbowing out the hot-from-the pan *aloo-parantha*. Even the regular quick-fix *kanda-poha* is being shoved aside by multi-grain oats flaunting health benefits. So even as regional and ethnic breakfast eats have their followers, the need for convenience and health consciousness is driving many to replace traditional staples like *atta*, *suji* and *poha* with oats, millets and muesli.

Given the rushed urban lifestyles of today, consumers are looking for convenience without compromising on health and taste. So food makers are picking up popular breakfast recipes like *idli*, *dosa* and *upma* and making them healthier. The need for convenience and health is also the reason why



Every Soufull product bears out our company's USPs: honesty, goodness of ingredients, ancient grains, Indianess, convenience and taste.

— Prashant Parameswaran
MD, Kottaram Agro Foods





packaged and ready-to-eat breakfast cereals – both hot and cold – have risen as an important category in the food and beverage industry. While the rise of oats and muesli as a category is a global trend, multinationals and large domestic food companies are all now fighting for a pie of the fast-growing breakfast category, which includes oats, cornflakes, muesli, dalia and mixes of traditional breakfast like *idli* and *upma*.

In the urban areas especially, owing to factors like a faster pace of life, time poverty, increasing spending power, need for convenience, and health consciousness, people are opting for ready-to-eat, packaged hot and cold breakfast cereals. The breakfast cereal market is divided into hot cereals viz. mostly oats, but also oat bran and wheat bran, and ready-to-eat cold cereals such as corn flakes, wheat flakes, and muesli. According to a report titled India Breakfast Cereal Market Outlook, 2021, “Indians prefer hot breakfasts, so hot cereals are growing at a faster pace than ready-to-eat cold cereals.” Owing to urbanization and increased income of people, western India has the largest market share in breakfast cereals, followed by north and south. Nowadays, manufacturers have also introduced a range of brands appealing separately to kids, adults and the entire family. RTE cereals, for instance, fortified with vitamins and minerals and positioned at children, are proving increasingly successful.

“Ready-to-eat cereals are super-fast, nutritious and taste great. The cereal’s role in a nutritious breakfast goes beyond the nutrients in the cereal itself. Cereals serve as an excellent centre piece for a balanced breakfast, which includes milk and fruit. Ready-to-eat cereals offer the goodness of grains (which are an excellent source of complex carbohydrates), are naturally low in fat, are a source of fibre (with many being high in fibre) and, in our case, are enriched with key vitamins and minerals. Over the past two decades, Kellogg has introduced consumer-relevant products in the market and continues to innovate and invest in both ready-to-eat cereal and hot cereal category to introduce distinct and relevant products in the market. Kellogg has been involved in creating and developing the ready-to-eat cereal category in India and has established itself as a leader in the breakfast cereal category,” states Kellogg’s Mohit Anand.


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We have observed an aggressive growth of around 30% in the new range of premium breakfast category products comprising quinoa, muesli and oats.

— R. Sankaranarayanan
Vice President - Buying & Merchandising, HyperCITY Retail (India) Ltd.

With health and wellness emerging as one of the fastest growing segments in India, the breakfast cereal category has been on a growth trajectory and the segment is growing both in urban and semi-urban markets. The increasing trend of healthy eating with emphasis on well-balanced meals is reflected in our breakfast consumption habit today with the rise in the frequency of purchase and penetration of offerings such as oats and muesli. The emphasis now is on having a healthy, nutritious breakfast that helps the consumer get a head start on his/ her day. Also, with more women joining active careers, more families are looking for convenient ready-to-eat yet healthy options in all meals. Ready-to-eat breakfast cereals fit the bill as they are tasty and are fortified to meet Indian nutrition needs.

Breakfast Consumption Trends

Focus on health and convenience

Indian breakfast habits and food choices have seen some very interesting shifts over the last decade. “There is increased snackification of food in general and breakfast in particular. This shift is riding on the big trend driven by the rise of ‘health & wellness’ and ‘convenience’, the two big pegs constituting this trend. On-the-go solutions have also started to gain traction, again due to convenience,” says Kellogg’s Mohit Anand. For a company that is widely credited with creating and developing the breakfast cereal category in India, Kellogg has been instrumental in growing the category by 1.5X over the past five years and it continues to hold a leadership position in the category by a significantly large margin. Speaking of



We are excited to see regional brands witness stronger growth in the breakfast segment compared with the national brands, led by product categories like millet flours, brown breads, oats, etc.

— Rajeev Krishnan
MD & CEO, SPAR Hypermarkets



Kellogg’s portfolio of products, Anand says that they not only cater to the health and wellness market but also meet specific needs that have become relevant for our times. “Our Special K breakfast cereal acts as an ally to people on their weight management journey. Our muesli is full of nourishment and so are our other products. As long as consumers have health and wellness and convenience on their minds, we will be part of their breakfast choice.”

Health and convenience are the two driving factors for many new companies entering the breakfast category. Bangalore-based Pagariya Food Products Private Limited, which is a leading manufacturer, importer, exporter and supplier of a wide variety of breakfast cereals, masala, spice powders, instant powders and soup powders, entered the breakfast cereals category by adopting health and convenience as its two major planks. The company’s products, marketed under the brand name Kquality, covers one of the biggest range of breakfast cereals across India and includes corn flakes, chocho flakes, Fruitooos (fruit flavored rings), choco delight and berry delight (cream filled snacks), oats, ragi flakes, a range of muesli, flavored corn flakes, and wheat flakes. Kquality products are marketed in India and also exported to over 12 countries now. “We have been growing in this category for over 50% plus year on year for last 3-4 years and we will continue to grow at the same pace or even higher in the years to come. The bulk of consumption of breakfast cereals happens in Tier-1 and Tier-2 cities because of the long working hours and the growing share of working women, which is pushing them to look for faster arrangements for breakfast. Affluent consumers who shop at modern trade outlets and A-class outlets are our target customers and the key market for our products,” says Naresh Pagariya, MD & Founder, Pagariya Food Products Pvt. Ltd.

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Realizing the huge potential of India's growing health and wellness industry, Gaia was founded in 2009 in the belief that nature, through earth's diversity of flora and fauna, offers the best solutions for all our health needs. "We are a one-of-its-kind healthy food producer for the high-end fitness-conscious consumer. Our products range from nutritional supplements to a complete set of health foods. In the breakfast category, we have seven exciting variants in muesli and two variants in oats," says **Dolly Kumar, Founder & Director at Gaia**, adding that the company is focused on implementing a variety of initiatives to enhance its brand identity and make its products more visible in the market. Founded at a time when the health food industry was at a budding stage, Gaia's fruit & nut muesli and real

fruit muesli are recording a maximum growth among all the products in its breakfast portfolio. "Consumers today seek out for a breakfast option that is not only healthy but also convenient. Since these two mueslis contain real fruit extracts and crushes, they are healthier than the other choices and are recording maximum growth. With the growing incidence of lifestyle related diseases like diabetes and obesity, consumers worldwide are showing great interest in a preventive lifestyle rather than a curative approach, which is leading to the evolution of the health food industry in India and elsewhere," explains Kumar.

Another company with its sight firmly focused on healthy living is Mapleleaf Distribution Pvt. Ltd, which has over 15 years of experience in retail and wholesale trade alongside supply and distribution

MARKET SIZE PRODUCTS' GROWTH PROFILE

As Indians, especially in the urban areas, opt in increasing numbers for breakfast cereals, the category holds great market potential for both retailers and manufacturers. The success story of Quaker, Kellogg's, Bagrry's, and other players reinforces the belief in the potential of the breakfast cereal market. Quaker had a 13.3% share (value) of the packaged breakfast market in India in 2015 – up from 9.5% in 2010 – whereas US-based Kellogg had a roughly 37% share of the country's breakfast cereal market in 2015, according to market research agency Euromonitor International. Market analysts believe that the breakfast market in India is growing @22% approximately overall. Metros and Tier 1 cities are the major markets for breakfast product range, while Tier 2 and Tier 3 cities are the emerging new markets. "But the breakfast category is still under penetrated and has a huge growth potential. Brands should bring in innovations in the market and a change should come in the consumption pattern," says Eby Mathews, Chief Operating officer, Foodworld Supermarkets Pvt Ltd.

Though the segment is still at a growing stage with a limited number of national and international players, it has witnessed healthy year-on-year

growth in the past couple of years. The prospects of future business growth are definitively bright and positive as consumers will increasingly look for healthy breakfast options in easy-to-adopt formats. According to Rajeev Krishnan, MD & CEO, SPAR Hypermarkets, "The breakfast category is witnessing strong growth largely fueled by regional players. There is a strong demand seen in the easy-to-prepare healthy food options. For example, there is a steep increase in consumption of products like brown breads, oats, millet flour and idli batter. The traditional healthy breakfast products are witnessing higher growth than Western food alternatives like corn flakes, jams, juices, etc. There is also a great demand from customers for products that are tasty, healthy and affordable. There is already a strong participation from regional brands that meet these needs and are helping to drive repeat purchases. While there is a natural pull for these categories, the demand generation for conventional breakfast cereal products like cornflakes needs a push."

As per "India Breakfast Cereal Market Outlook, 2021", India's breakfast cereal market has been growing at a CAGR of 22.07% over past five years and was pegged at USD 157 million in 2013 with the promise of double digit growth over the next five years. The breakfast cereal market in India grew 24% in 2015



to Rs.1,440 crore and is estimated to touch Rs.2,610 crore by 2020, according to Euromonitor. Being a large market with a growing middle-income group and double-income households, India holds great potential for the breakfast cereal market. "With growing awareness for a healthy lifestyle, the breakfast category at our stores has been observing mounting growth and I foresee further advancement. Consumers are constantly enquiring and looking for newness in this category, which is giving rise to new products in the quinoa and granola range," opines R. Sankaranarayanan, VP - Buying & Merchandising, HyperCITY.



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The bulk of consumption of breakfast cereals happens in Tier-1 and Tier-2 cities because of the long working hours and the growing share of working women.

— Naresh Pagariya
MD & Founder, Pagariya Food Products Pvt. Ltd.



Our strategy is to provide good quality products at the right price and offer good value for money. Also, we have a range of value packs priced Rs.10 and below to target Tier 2 cities and smaller towns.

— Dheeraj Jain
Director, Pagariya Food Products Pvt. Ltd.

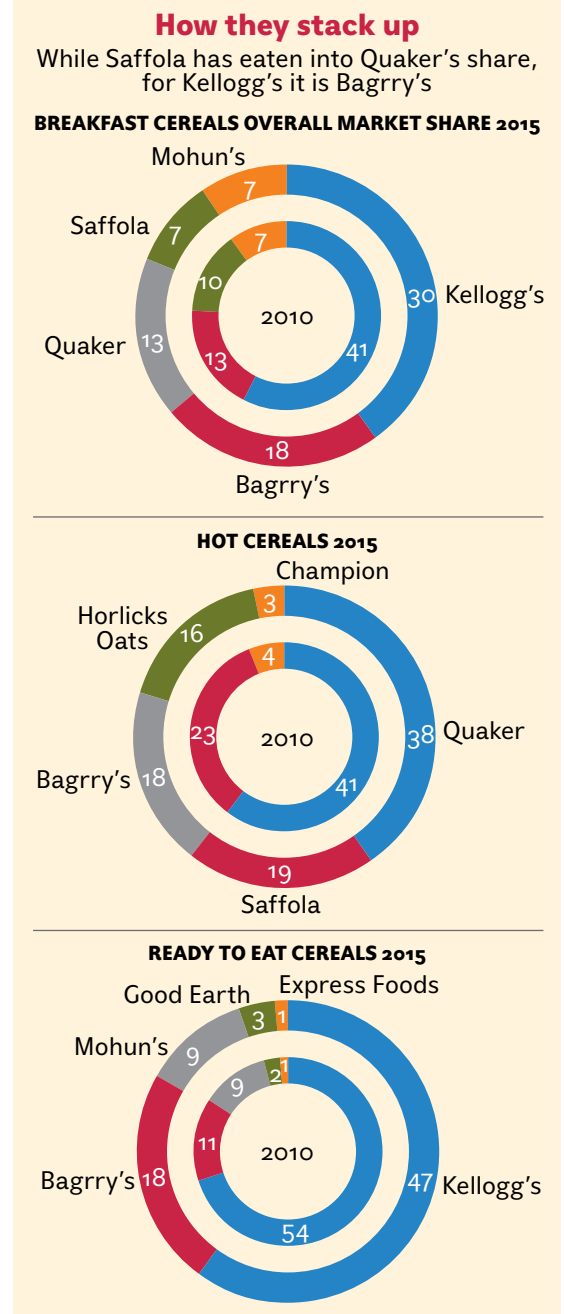
arrangement with the HoReCa sector. The company is looking to beef up its breakfast range by tying up with more international brands and distributing/marketing their products in India. “We have grown and established ourselves as one of the largest importers of Asian and Mexican cuisine in India. We import appropriate products from our international clients and then distribute them across the country through our network of wholesale, institutional and retail stockists,” says **Niraj Murarka, Managing Director, Mapleleaf Distribution Pvt. Ltd.**, which distributes a range of Oriental, Mexican and Japanese cuisine products from international food companies operating in the ready to eat, confectionery and breakfast categories.

The latest addition to Mapleleaf’s growing roster of global food brands is Sante, which has been a major food operator in the Polish market since 1992. The Polish food major specializes in the production of healthy food and over the years it has successfully diversified from selling para-pharmaceuticals, herbs, cereal products, sunflower seeds, lentil seeds and soy beans to becoming a producer of a whole range of health foods spawning breakfast products like muesli and oat cookies to natural and healthy plants’ products like wheat bran, oat bran, wheat germs, soy products, kasha and grains besides much else. “As of today, we distribute and market a complete super market range of food products covering 380 SKUs across various categories, including breakfast range, superfoods and 100% natural coconut water,” reveals Murarka.



2 Adoption of alternate grains

As consumers search for cereals that are natural, organic, gluten-free, high in protein and lower in sugar, these need are generating increased interest in ancient grains, superfoods, superseeds, low-glycemic sweeteners, increased fiber and protein, as well as organic and non-GMO products. With lifestyles changing and our lives becoming busier, consumers are holding back to values and traditions that are giving rise to an emerging trend for foods with natural goodness. Brands like Soulfull by Kottaram Agro Foods Pvt. Ltd. focus on ancient grains like millets and it has developed innovative



product formats for delivering the natural goodness of age-old Indian grains to consumers. “Soulfull’s core specialty is to bring out the goodness of India’s rich culinary heritage and we do it by creating products that are truly innovative and customized for the modern and discerning Indian consumer. Every Soulfull product bears out our company’s USP: honesty, goodness of ingredients, ancient grains, Indianess, convenience and taste,” says **Prashant Parameswaran, Managing Director, Kottaram Agro Foods**, whose ragi flakes and millet muesli are a great hit with health conscious urban consumers

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With millet meal substituting conventional breakfasts in thousands of homes across the country seeking healthy and hot breakfasts, Soufull Ragi Bites are a particular favorite of mothers across the country. Ragi Bites scores big as healthy cereal for kids since it ticks off on all the nutrition requirements for growing children. “Kids love the flavor and it makes breakfast fun. Similarly, our Loopies are preferred by kids and teenagers who enjoy the mild sweetness coupled with the chocolate flavor. Our latest launch of desi muesli is a perfect fit for health-conscious consumers who also love to enjoy the flavors in each meal. The flavors and the goodness of our products come from India’s own culinary history,” informs Parameswaran, adding that Ragi Bites has the biggest market share in its product portfolio and witnessing faster growth. “Our millet muesli and Loopies are relatively newer to the market but have seen the largest percentage growth over the past two quarters. We believe that our desi muesli will be a game changer and expect it to clock unprecedented growth in the industry, which will also help retailers to grow the muesli category significantly.”



We are a one-of-its-kind healthy food producer for the high-end fitness-conscious consumer. Our products range from nutritional supplements to a complete set of health foods.

— Dolly Kumar
Founder & Director, Gaia

Today, increasing numbers of people in India are taking to alternate grains for making popularly consumed dishes. AdiTree Naturals, whose focus



market is Bangalore, is one such company leveraging this trend with its range of ready-to-cook products, which are made of healthier grains to give maximum nutrition. “We believe that a lack of time should not translate to a lack of nutrition, so our range is ready to cook and includes *upma* and *khichidi* mixes for our breakfast line. We have substituted commonly used suji rava in upma with a variety of grains like wheat daliya, foxtail millet and even quinoa. Similarly, with *khichidi*, we have substituted white rice with brown rice and millet. Our focus is on the fact that comfort food need not be unhealthy. So our segment consists of people with fast-paced lifestyles who are also health-conscious and want to maintain a healthy lifestyle but not at the cost of time, says **Likitha Bhanu, CEO & Co-founder, AdiTree Naturals.**

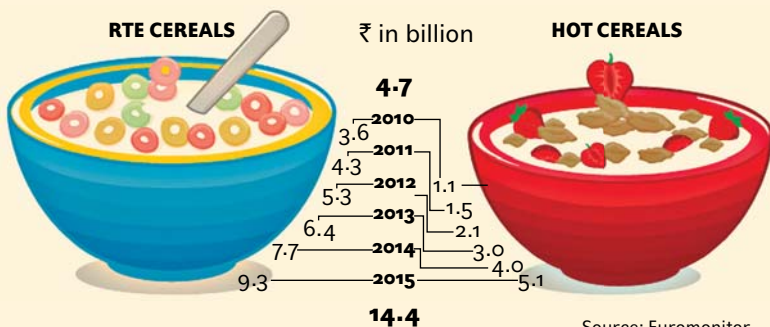
The company, whose fastest moving product is its millet line, is focusing on alternate grains in comfort food to stand out in the market. “Millets have gained lot of popularity in the Bangalore market over the past couple of years. Since organic food is an integral part of healthy eating, we use organic ingredients to make our products and we are not in the more commonly found ready-to-cook segments,” informs **Padmaja Bhanu, Co-founder, AdiTree Naturals,** which has recently launched chikki in three variants and will bring out its line of jowar noodles and soya noodles shortly.

3 Yogurts, bars, beverages as breakfast foods

While the popularity of breakfast cereals continues to grow, fast food joints and chains are beginning to make their presence felt in this segment. Already, an increasing number of fast food restaurants such as McDonald’s, Wendy’s, Subway and Taco Bell offer breakfast items. It is expected that going forward, India will see the emergence of specialized breakfast providers that cater to office-goers who increasingly have little time to make and have a sit-down breakfast at home. This space is likely to grow as consumers start to demand greater choice and convenience for breakfast. Breakfast cereals also face stiff competition from alternate breakfast choices such as Greek yogurt, probiotic drinks and even milkshakes. Once considered a novelty, products like yogurt and probiotic drinks are now fast-growing categories in the healthy food universe and finding a growing and ready acceptance with consumers seeking healthy, lean, protein-rich foods. Also, health-conscious people are now ever more concerned and aware about their gut health. “About 70% of the body’s immune cells are present in the intestine, which plays vital role in maintaining our overall health. Through our product Yakult, we are focusing on intestinal health because including Yakult as a part of daily diet helps improve digestion and build your immunity,” says **Amitabh Chaturvedi, Head Marketing, Yakult Danone India Pvt. Ltd.,** a 50:50

Hotting up!

Hot cereals market is growing twice as fast as ready-to-eat cereals



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“
Major market shareholders should focus on products like ready to eat that have enough proteins and calories sufficient for maintaining a healthy body.

— Eby Mathews
COO, Foodworld
Supermarkets Pvt Ltd.



“
Consumers are becoming more aware of the importance of intestinal health and are including Yakult in their daily diet, which is helping the brand to grow at a rate of about 15%-20% currently.

— Amitabh Chaturvedi
Head Marketing, Yakult
Danone India Pvt. Ltd.



JV between Yakult Honsha of Japan and Groupe Danone of France, both of which are global probiotic leaders. The JV was formed in 2005 to manufacture and sell probiotic fermented milk products in the Indian market. Yakult, a probiotic drink, was launched in India in 2007, and is presently available in Delhi/ NCR, Nasik, Chandigarh, Punjab, Jaipur, Mumbai, Pune, Ahmedabad, Hyderabad, Chennai, Bangalore, Kolkata, Lucknow and Goa. As a functional food, Yakult can be consumed any time of the day; however it can be an essential part of breakfast as a daily diet mix. “Consumers are becoming more aware of the importance of intestinal health and are including Yakult in their daily diet, which is helping the brand to grow at a rate of about 15%-20% currently,” reveals Chaturvedi.

Apart from health and product purity, taste continues to be an important driver in the breakfast category. Consumers want foods that are produced with higher-quality and better ingredients but also healthful and tasty grab-n-go items and specialty breakfast products like cheeses, spreads and mayonnaise. Additionally, for many players in the breakfast segment, selling strategies revolve around the product’s versatility as an anytime snack or meal, or even as a recipe ingredient. Retailers confirm that they receive lots of interest from consumers about unique recipes that mix cereals and other healthy foods to make great-tasting and nutritious snacks. “Our products in the breakfast category, which include mayonnaise, sandwich spreads, peanut butter and milkshake mixes, help consumers create exciting recipes at home and assure culinary success to mothers who want to serve their kids with exciting food every day. We have the largest range in vegetarian mayonnaise and an exciting range in milkshake mixes (MSMs), which

the kids love. The USP of our sandwich spreads range is that you can apply them directly on bread and eat. No additional veggies are required to make a great tasting sandwich,” points out **Oliver Mirza, Managing Director & CEO, Dr. Oetker India**, which operates the Fun Foods brand, a leading purveyor of western cuisine in India. Mayonnaise is the star product in Dr. Oetker’s breakfast range and has grown at nearly a 100% rate last year, and contributing significantly to the company’s market leadership in the category. “Mayonnaise is a magic ingredient, which helps a mother to cook restaurant style recipes at home - from juicy sandwiches, wraps, burgers to even a creamy white sauce for macaroni. What makes this one product unique is its versatility, as it can be used as a spread, binding agent, dip or sauce. This one category of product simply empowers people to experiment with food at home and create multiple recipes,” affirms Mirza.

According to retailers and food manufacturers, a growing base of consumers in the age group between 30 and 40 years are embracing specialty breakfast cereals like Special K, muesli with yogurts, organic food and millets. At the same time, the younger generation is moving away from regular breakfast cereals to breakfast bars and drinks to save on time. Due to the change in our lifestyles, people prefer to have on-the-go breakfast on workdays and leisure breakfast on weekends.

So there is a huge demand for products like ready to eat, ready to cook, breakfast bars, protein shake and processed meat that is healthy and replete with proteins needed for a healthy body. “Due to an increase in the demand for on-the go breakfast products, major market shareholders such as Kellogg’s, Quaker Oats, Bagrry’s, Saffola, and others should focus on products like ready to eat that have enough proteins and calories sufficient for maintaining a health



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Given the growing importance of health and wellness in our lives, consumers are now making an effort to 'healthify' traditional meal items by using healthier ingredients.

— Mohit Anand
MD, Kellogg India
and South Asia



We distribute and market a complete super market range of food products covering 380 SKUs across various categories including breakfast range, superfoods and 100% natural coconut water.

— Niraj Murarka
MD, Mapleleaf
Distribution Pvt. Ltd.

body,” opines **Eby Mathews, Chief Operating Officer, Foodworld Supermarkets Pvt Ltd.**

A natural and often necessary accompaniment to a healthy morning breakfast is the ubiquitous cup of tea. Tea is an integral part of our daily consumption, from the time we wake up and till the end of day. Indian consumers prefer a strong flavorsome cup with breakfast to kick-start the day. Given the growing demand for convenience, the younger generation and, typically millennials, prefer teabag over loose tea. People in the age group 25-38 years, young working professionals, frequent travelers and those looking for convenience and a premium lifestyle are key consumers of premium brews in teabags. “Each of Typhoo’s large variety of teas and infusions are specially created to accompany all our food moments. A few of our varieties are a perfect companion to all types of breakfast. Typhoo serves three types of black teas and seven varieties of green teas, especially created for the breakfast occasion. Typhoo English Breakfast, a unique blend of Assam orthodox and CTC with a rich taste, bright liquor, strength and aroma to match, is perfect to go with an English/ Continental breakfast. For all types of traditional Indian breakfast, the Typhoo classic Assam teabag, or its loose version with milk, is an ideal accompaniment. Typhoo natural green tea and the six varieties of flavored Typhoo green tea combine perfectly well with a rather heavy breakfast. Similarly, Typhoo flavored masala tea is an all-time favorite to go with other breakfast products. Typhoo’s blend of natural Indian spices with premium Assam tea acts as the best complement to the Indian breakfast,” avers **Subrata Mukherji, Business Head, Typhoo India**, which enjoys an over 100 years of brand legacy in bringing the finest tea drinking experience to consumers.

Product Innovations and New Offerings

Breakfast food makers need to introduce constant innovation in order to ensure that the category stays on the growth track and consumers remain engaged in the product. This calls for new product development, product innovation, and renovation to keep the category relevant. “Our R&D is constantly working toward developing new products, keeping the health and nutritional perspective in focus. We were one of the first food makers in India to come out with products like ragi flakes and Fruitooos and we have plans to come with three to four newer products in the cereal range this year, which will be quiet innovative and different than what the competition is offering,” says Naresh Pagariya of the Kwalita brand. In fact, the key to

successful innovation that will actually grow the category is to offer the right product at the right price for the right consumer. “Our strategy is to provide good quality products at the right price, and at a good value for money. Also, we have a range of value packs, which are priced Rs.10 and below to target Tier 2 cities and smaller towns,” informs **Dheeraj Jain, Director, Pagariya Foods.**



Manufacturers will need to continue to invest in taste and health improvements across their portfolio so as to keep increasing the consumer appeal for their products. Keeping in mind the palate of Indian consumers and realizing that unlike Westerners, Indians will not be attracted to plain boring grain just because of the health pitch, global cereal makers like Kellogg’s and Quaker have incorporated flavors in their offerings. For instance, Quaker was one of the first players to offer a range of flavored oats with real fruits such as strawberry with apple, kesar with kishmish as well as tomato. It is therefore essential that breakfast brands curate innovative products according to the needs of the market. Such products will surely ensure subsequent growth in the category. “We have a team of dedicated researchers who work very closely with India’s ancient grains like ragi and other millets. We also work with established research centers to innovate on millets to make them more adaptable as breakfast food. Our food researchers constantly innovate to increase the health and taste quotient of our products. For example, we have added dhals to our ragi bites to increase the crunchiness and nutrition value of the end product. At the same time, we are driving growth for our products through constant innovation, extending market reach through sampling, by educating consumers on the goodness of the age-old millets, and by dint of strong production and retail support.

But our retailers understand that our aim is to grow the category by bringing in new consumers and not just gaining share within the category,” says Soulfull’s Parameswaran.

Savvy manufacturers are rising to the challenge by formulating innovative products for the breakfast food aisle, many with the kind of convenient, healthy nutritional profiles that more and more consumers seek. Manufacturers know that consumers are searching for cereals that are natural, organic, gluten-free, high in protein and low in sugar, and so they are



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We believe that a lack of time should not translate to a lack of nutrition, so our range is ready to cook and includes upma and khichidi mixes for our breakfast line.

— **Likitha Bhanu**
CEO & Co-founder,
AdiTree Naturals



Since organic food is an integral part of healthy eating, we use organic ingredients to make our products and we are not in the more commonly found ready-to-cook segments.

— **Padmaja Bhanu**
Co-founder, AdiTree
Naturals

bringing in varieties that fit these needs. “The health food category in the breakfast segment is huge and constantly growing. We don’t want to just stop at health foods and nutritional supplements. That’s why we launched two specialized lines, i.e., Gaia Sport and Gaia Lite. These specialized lines cater to the needs of weight watchers, diabetics, go-getters or anyone looking for healthier choices. Furthermore, we are also venturing into organic foods this year,” informs Dolly Kumar. Going ahead, the industry will see more breakfast products come on the market that have better taste and offer excellent nutritional benefits. Going ahead, the breakfast market will continue to evolve, which will create more room and scope to overcome the challenges of spreading product awareness, creating brand loyalty, understanding consumer buying behavior, and developing products that tantalize the taste buds besides offering health benefits.

With demand for healthy breakfast foods expected to shoot up appreciably in the future, there is also a need for manufacturers to provide healthy, convenient, and tasteful options. “Consumers today expect very high quality food products. Their preference was earlier price driven but now it is quality driven. At Bagrry’s, we have been innovating our oats category and have created oats for atta, suji and poha. The idea behind these innovations is to make oats a staple for Indian consumers,” says **Aditya Bagri, Director, Bagrry’s India Ltd**, pointing out that the majority share of the breakfast category in India is taken up by cornflakes and choco flakes (around 60%). “But oats and muesli are the fastest growing categories. In the US and UK, cornflakes as a category is already de-growing as people now know they are not as healthy and have no fibre. But we have created a range of all natural and delicious tasting corn flakes with 2X fibre than regular corn flakes.



We also make high fibre additives of wheat bran & oat bran, which are extremely nutritious and are recommended by leading dieticians for weight loss, informs Bagri who, like his competitors, is looking to tap Indian flavors.

The company has contributed significantly in making popular breakfast cereals healthy through its innovative research and development and has also helped create some key categories of breakfast cereals and health foods that exist today. The Bagrry’s range of products today includes a variety of wholesome products such as muesli (11 variants), oats, corn flakes, bran and makhana (foxnuts). “We have pioneered oats as a category in India. Our quick cooking white oats are extremely popular. We also have a range of all natural masala oats, and steel cut oats. We have created a special range of oats – Oats for India – which is a unique innovation in bringing the goodness of this grain to Indian dishes. We have created oats for atta, oats for suji/ rawa, oats for poha and oats for daliya with the objective of making everyday dishes healthier by using oats,” says Bagri, adding that his company has made recent forays into many new products. “We have recently launched organic superfoods such as quinoa and chia packed with protein and fibre besides making our foray in healthy snacking with nutrient dense foxnuts (makhanas) in three exciting flavours. Also, we have developed another brand Lawrence Mills, which brings the promise of international quality and great taste at affordable prices. We have two products under Lawrence Mills – corn flakes and choco crunch.”

Speaking of cereal offerings and innovative product introductions, PepsiCo India recently launched ready-to-cook idli, dosa, upma and khichdi, all of which are tailored to local tastes and can be cooked in 3-5 minutes. To be sold under the label Quaker Nutri Foods, the products have been



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Typhoo serves three types of black teas and seven varieties of green teas, especially created for the breakfast occasion.

— Subrata Mukherji
Business Head,
Typhoo India

developed in collaboration with celebrity chef Vikas Khanna and seek to tap into local nutrition needs and offer local products that suit the palates of the Indian consumers. The company also plans to launch, in the months ahead, a few more products under Quaker Nutri Foods brand based on different regional palates.

PepsiCo's strategy seems to be a sound one going by the success that Kellogg has courted in the Indian market by adopting a similar tack. Realizing that India is a country of diverse cultures, many languages and distinct tastes in food, clothing and rituals, the one way for a food company to build familiarity for its products is by adapting to the unique palates of India, which change every 300 kilometers. Accepting the fact that the preference for natural local food is ingrained in our food culture, Kellogg looked at synthesizing modernity with Indian traditions as borne out by some of its recent launches.

Kellogg's innovation through ragi choccos is a perfect example of bringing traditional Indian grains to the centre, while retaining the credentials of taste and convenience. Its portfolio of flavoured oats is another example that attempts to balance tradition and modernity, while retaining the core of what Kellogg's stands for. "We understand the need to innovate and be more locally relatable. Hence we launched ragi choccos by using a local grain. Mothers in India introduce ragi to their child as the first cereal. We are proud that through ragi choccos, we are able to provide this nutritious option to mothers across India. Further, we have included locally loved flavours in our breakfast cereals. India specific flavors such as Kellogg's corn flakes with honey and almond and mango flavor are some examples. In order to cater to the 'hot breakfast loving consumers', we have developed savory variants within our oats portfolio like Mast Masala, Simply Pongal and Shahi Kheer. This, again, is a first in the global Kellogg's world. While Ragi is popular in the south, Shahi Kheer is a trending north India food phenomenon. We look at

such regional pockets and opportunities to create brands like ragi choccos or shahi kheer oats to cater to the different palates. We are also looking at more opportunities for snackification and I strongly believe in its potential. We expanded our portfolio in India last year by launching the



Our products in the breakfast category, which include mayonnaise, sandwich spreads, peanut butter and milkshake mixes, help consumers create exciting recipes at home.

— Oliver Mirza
MD & CEO,
Dr. Oetker India



Pringles brand, which is off to a great start," says Mohit Anand.

Challenges and Opportunities

While there is no doubt about the potential of the breakfast market in India, challenges abound. The biggest challenge is competition, as there are more than 50 regional players in the segment apart from major players like Kellogg's, PepsiCo's Quaker Oats, Bagrry's, and others. The ambitions of players like Marico and Heinz will intensify the competition further in the breakfast category. Patanjali has already launched its product range in categories such as flour, rice, and noodles, which is pushing companies like Quaker, MTR and ITC to focus on the regional food category. Competition is also expected from other FMCG chains, which are not currently focusing on packaged breakfast as their core product offering.

Regional players have a competitive edge over bigger brands with their strong and robust local distribution network. Regional manufacturers are targeting not only kirana stores but also using multilevel and consumer-to-consumer marketing approaches to deepen their market penetration. These players are not spending aggressively in branding; however, they offer relatively better margins to kirana owners to push their products. Again, their products are relatively economical, compared to the bigger brands, and suit the pockets of the middle and lower economic classes. Bigger brands will need to develop a wholly new business model that can extend their reach amid such cutting edge competition. "In-store sampling has worked very well for us as well as the wide availability of our products. We have ensured increased brand awareness of consumers for our products through traditional media and brand comprehension by reaching out to opinion leaders as well as by ensuring social media presence in new markets (both demographically as well as geographically). The strategy has worked well for us in the past, and continues to be our thrust. Our online partners help us reach out to markets where our presence is limited," says Soufull's Parameswaran.

Inflation in raw materials' prices is another big hurdle not only because of increasing product prices, but also via limiting profit margins. This is increasing the cost passed on to the final consumer, who might be tempted to switch over to relatively economical breakfast options. Another challenge is that Indian consumers have entrenched behaviors in their food consumption patterns, which can be hard to change. It's a challenge that exists for the entire packaged food industry across the globe but is somehow

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Q&A WITH BREAKFAST FOODS' IMPORTER

Tell us about your company and your range of products in the breakfast category.

Savencia Fromage & Dairy India Private Limited is the Indian subsidiary of Savencia Group – the world's largest producer of specialty cheese. It has an elaborate breakfast category with food items sourced from different countries and marketed under brand names that enjoy a global reputation and footprint. We sell branded products from France such as Elle & Vire milk; Elle & Vire butter; Elle & Vire cream; Granini juice; Elle & Vire yogurt; Elle & Vire cheese; Ile De France cheese. We also have a global brand from Denmark – Cocio Chocolate milk.

How would you describe the competitive USP and differentiators for your breakfast products vis-a-vis the competition?

Our milk, butter and cream are processed with UHT technology, which helps to preserve the taste, quality and consistency of products. Our products are especially suitable for a country like India where the infrastructure of chilled logistic is a problem. Products with UHT are safe for consumption in hot climate conditions.

What is the consumption pattern and growth rate of your products?

We have noticed that there is a significant change taking place in the breakfast menu of urban households. Since a decade now, consumers prefer healthier and nutritious food. Consumption of cereals, milk, juices and fruits have increased. We have all these products in our portfolio – whether it's a juice, milk, butter or cream – that are sufficient for meeting the breakfast needs of the consumer who wants to get going with a day with a healthy and energetic breakfast.

Which are the factors driving the growth for your products?

There are certain factors driving the growth of our brands. As our products are imported, maintaining their quality and consistency is very important. Our brands have been able to adhere to the quality and consistency principles scrupulously. Educated and informed consumers in top urban centres drive



Sanjay Tandon
President, Savencia Fromage & Dairy India Private Limited

the sales of our products and their numbers are growing. Customers nowadays are more evolved and they have a good knowledge about the brand or a product, which is good for us as we deal in premium imported products catering to elite and affluent urban households and high net income individuals.

Any suggestion for better category management and how retailers can help the category grow more impressively?

A better category management involves a lot of factors: right shelf space allocation to each product; assortment planning, product promotion, and right pricing. Retailers can play a significant role in the development of breakfast category by becoming more customer-centric and by imparting knowledge about the product to the customers. I feel, every F&G retail store should have a dedicated breakfast space.

more pertinent in the case of India where consumer behavior shows a marked preference for home-cooked food made by a home maker. The packaged food industry is under penetrated because of this habit. Cereals form an important part of the breakfast platter but, to a large extent, people are still inclined towards consuming a quintessential hot, cooked, savoury naashta. Given our traditional breakfast eating culture, it will take time for the category to gain mass appeal, not to mention focused efforts from the industry. People will continue to eat breakfast at home for a few more years and until then, it is difficult to craft a business model based purely on breakfast, even though some players seem to have cracked the code successfully.

As breakfast products still account for low single digit percentage share of store sales, there exists a substantial room to grow the category. Intake of breakfast cereal is still limited in India and research by Mintel shows that per capita consumption was just 0.032kg in 2015. "Breakfast cereals in India are still in infancy but the current size of the market is expected to grow exponentially once the segment attains a critical mass. If we look at per capita consumption of this category in organized markets such as the UK, it is 8 kg of cereals per person every year! That said, the segment is taking off as it offers time-pressed consumers a viable breakfast option, which is healthy and suitable in terms of taste," opines Soulfull's Parameswaran. And while

there is significant potential for breakfast cereals to grow, there is also a similar scope for prepared or semi-prepared traditional Indian breakfasts to take flight as well. This growth potential will be driven primarily by the convenience that the products offer as well as the variety available.

To expand and grow the category, meal solution based merchandising can be a useful tool that retailers can tap. Creative merchandising that satisfies the shopper's need for solutions and hit on key consumer drivers, including health-and-wellness benefits and a desire for home-made meals and convenience can work impressively for retailers while also providing them the opportunity to differentiate from the competition. To be successful in cereal, smart retailers will need to optimize their shelf sets to 'fix the mix' for their consumers and their neighborhoods, and provide the right products at competitive and everyday promotional prices.

For retailers in India, breakfast food can be a huge category as it is in the West where it is a significant business driver. In the US, cereal is the second-largest breakfast category behind fruit and one of the most economical breakfast options available to consumers. Additionally, research shows that when ready-to-eat cereals are in the grocery cart, the average cost of all groceries is 25%-40% higher than when cereal is not in the cart. Health-savvy supermarket operators can replicate the success of their American peers by exploring and offering an expanded selection of products and increasing promotional activity to deliver not only the products that shoppers are looking for, but also offering them at a value. Retailers can collaborate with brands to promote the trend of cereal being consumed at various times outside of breakfast – as a snack as well as a different dessert option, and accordingly create some marketing that focuses on this aspect. “Even in our portfolio, we see a significant evidence of consumption beyond breakfast for our cereals. Chocos is a great example



of food that is seeing strong traction as a snack food. Our on-the-go consumption with smaller packs at convenient price points of Rs.5 and Rs.10 is helping us drive the snacking codes,” reveals Kellogg’s Mohit Anand.

Organized retail can help pioneer the breakfast category to a new level by introducing more variety and through increased assortment, which can help to significantly increase the consumer’s interaction with the category. “Another important thing is to encourage trials and sampling to develop the consumer habit for breakfast cereals. Awareness through category focused in-store marketing will also help it see a steady increase in adoption,” feels Bagri. According to Typhoo’s Mukherji, brands will need to better understand the shopper behavior, which is key to category management. “Brands will need to keep evolving various tools for staying relevant and innovative to the retail so that the latter accords more prominence and attention to the category. The focus should be on brand engagement and activations with retail store owners who can ensure consumer engagement at the store.” On his part, Bagri believes that modern trade with its advantage of a steep learning curve in growing the breakfast category can offer valuable insights for brands, which can help the latter add value to products.

Going forward, greater demand for healthier and more wholesome products will be the key growth driver for the breakfast category. As awareness rises, consumers will look for options that give them functional benefits in their endeavor to stay fit. Another trend playing out and expected to gather further momentum in the days ahead will be the merging of ethnic tastes with convenient lifestyle habits and a need for nutrition. These will present retailers and producers plenty of opportunities for creating contemporary breakfast offerings that are convenient, healthy and tasty. **PG**

Retailers can collaborate with brands to promote the trend of cereal being consumed at various times outside of breakfast – as a snack as well as a different dessert option, and accordingly create some marketing that focuses on this aspect.



How to run a profitable shop-in-shop model for modern trade

Organized retailers can make handsome gains by riding the “Nano Wave” of health-cum-organic stores.

By Sunil Kumar

The combination of Natural, Ayurveda, Nutraceuticals and Organic can be said to constitute the NANO segment in the FMCG category. Analysts predict that it is a segment on the cusp of an explosive boom and where modern retailing will see at least 100% rise in sales as well display space in the next three years.

Health is the new mantra nowadays and this is manifest in the way supermarket shelves are crowded with so many ayurveda, organic, natural products and nutraceuticals these days. As health concerns become pervasive, the market for such products is booming.

As per various reports by Assocham, McKinsey and other consulting organizations, the market for nutraceuticals in India is expected to touch USD 2 billion, about USD 1.5 billion for organic, and about USD 2 billion plus for ayurveda – by 2020. Companies like Patanjali, Himalaya, Dabur, Sri Sri Products, and others have captured big slices of the organic and health and wellness market in India and have big plans for the future.

The combination of Natural, Ayurveda, Nutraceuticals and Organic can be said to constitute the NANO segment in the FMCG category. Analysts predict that it is a segment on the cusp of an explosive boom and where modern retailing will see at least 100% rise in sales in the next three years.

To get more perspective on the growth potential of this segment, one only needs to look about two decades ago, when the health and wellness movement in this country showed the first signs of surging ahead. At that time, nobody realized that the segment would witness rocket-fuelled growth in the years to come. Since then organic retail



chains in cities like Bangalore, Chennai, Hyderabad and elsewhere have mushroomed. Today there are hundreds and hundreds of organic stores across the country with south India taking the lead.

But organic stores can't drive profitability by themselves. There has to be a combination of Health and Organic for a store to ring in the profits. That is why I am suggesting that present day Modern Retail must capture the NANO wave and capitalize on the market potential of the segment.

What is the investment involved for a shop-in-shop NANO store? An organic-cum-health store will, on average, require about 400-500 square foot of retail space, one billing software and carts. There can be four sections, each showcasing one NANO category. There can be 400-500 SKUs, which will be the core of a NANO store. In all, there can be a maximum of about 1,000 SKUs. The average investment required for a 400-500 square feet NANO store would be about Rs. 6 lakh and would be inclusive of the investment on rakes, etc. The expected ROI will be in range of 18-20% p.a. net, after meeting all expenses from the day of inspection. The break-even can be easily achieved in two years time. If one can combine online and offline in a NANO store, then expect the returns to be even faster.

I cite one example of a NANO store that has done very well: The Roots Organics Lifestyle Store in Adchini, Delhi. The store, on average, has a turnover of Rs. 80 lakh plus per annum and its monthly expenditure is about Rs. 25,000-30,000. Its average margin is about 20% on sales. So the store makes about Rs. 12-24 lakh profit per annum.

There are many more examples of NANO stores doing good and profitable business. That's all the more reason why modern trade must explore the NANO option for a shop-in-shop concept. **PG**

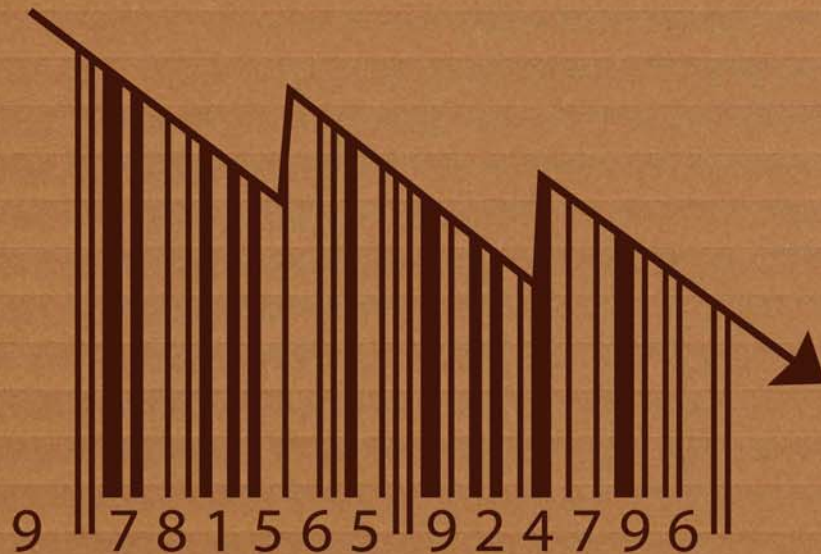


The writer is GM, Kejriwal Bee Care Pvt. Ltd. Views are personal.



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Titans of the trade

Ganesh Mishra, Head Commercial, Trent Hypermarket Pvt. Ltd, has his fingers on the pulse of shifting shopper trends and the canny business sense to make changes accordingly with regard to assortment, promotions and planogram in a way that delivers on both sales and margin targets.



One trend that is clearly emerging is that shoppers are moving towards healthier choices and more natural products.

— Ganesh Mishra
Head Commercial, Trent Hypermarket Pvt. Ltd.

Experience in retail

About 11 years in the retail business.

Your current job and designation

I am designated as Head, Commercial, and I handle category management of the grocery business and also part of the general merchandise at Trent Hypermarket.

Role and responsibility

The primary accountability is to drive my category teams to deliver on the sales and margin targets. Also, I am accountable for developing and executing the overall category strategy, lead supplier relationship and develop a joint business plan with key national and multinational suppliers. Responsible for analyzing emerging shopper trends and preferences and accordingly make changes in assortment, promotions and planogram to meet the changing needs of shoppers. As a people's manager, I am also responsible for developing the capability of the commercial team and put in place the right talent, structure and size to support the business growth.

Area of specialization and excellence

I have handled the FMCG business for a long time in various roles. So I can say that I understand this business well. I strongly believe that if I have to continuously excel in something, it should be on the 'people' front. Our business is all about people – be it our team, suppliers or our customers. We need to have a better understanding and relationship with each one of them and to win with them. Treating people with respect is one of our values and that is embedded in our culture here.

Challenges in the current role

The challenges are typically with regard to the decisions on trade-offs that have to be made – sales versus margin, one brand vs. the other, range vs. space, etc. It's a challenge because we would love to maximize on both but that is not so easy.



Ganesh Mishra
Head Commercial, Trent Hypermarket Pvt. Ltd.

Solutions to the challenges

We have probably the leanest team amongst all the multi-format retailers and with that we have been able to support our growing business. This has been possible because of the revised commercial team structure, which has helped us to effectively move out repetitive jobs like data fetching, etc. We have deployed a good model for making new launches successful. We call it the Five Star launch. All Five Star launches have over-delivered on the KPIs agreed with the brands and have out-performed the market.

Most satisfying part of your job

The best part is working with my team to co-create business ideas with suppliers and landing them in stores for shoppers and then seeing the results. This requires creativity, strategic thinking, ability to take risks and, finally, good execution. And when all of them come together as planned and achieve great results, it brings us utmost satisfaction.

Observations about the category

The shopper's behavior in each category is very different and it's changing quite fast. One trend that is clearly emerging is that shoppers are moving towards healthier choices and more natural products. At the same time, they are also looking for indulgence. Premiumization is happening across categories. Value-seeking behavior is on the rise.

Prediction of future trends

Health, Indulgence and Premiumization are the hot trends.

Your learnings from this sector

The key learning has been with regard to the shopper behavior and customers' response to various stimuli and how it differs from one category to another. I have seen great strategies of different brands in action and the shopper's response to them. This learning, I think, only the retail sector can provide. The cost-efficient processes that we have developed over a period in the business has been another big learning.

What's your goal in the job

The main goal is to strengthen our position as the preferred retailer for our shoppers. **PG**



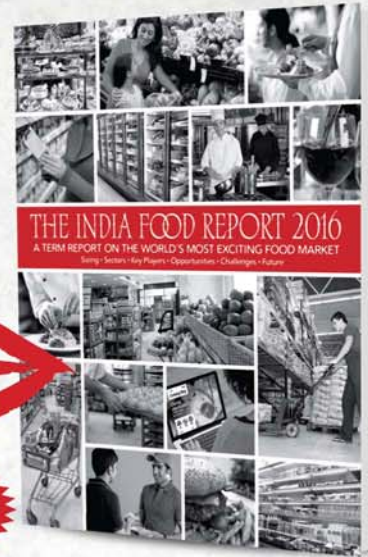
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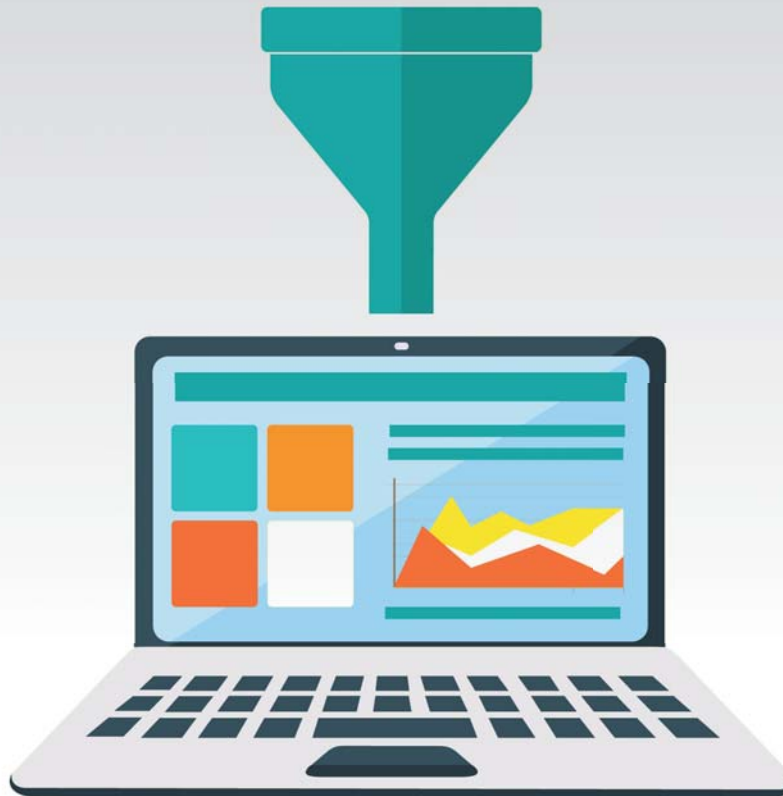
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Big Data: *In Search of Benefits*

Making insights actionable is key.

By **John Karolefski**



Big Data means big business for grocery chains. Kroger leverages data to drive basket size, shopping visits and retention over time via highly targeted promotions. Raley's, in Northern California, creates a world-class customer experience by analyzing its transactional and shopper card data, connecting this with customer comments, and by listening to shoppers on social media.

"In order to use Big Data to the fullest, grocers need transaction history with data like demographics, social media activity, geolocation, and personal preferences and behavior, to predict their consumers' next product purchase and deliver coupons, offers and messaging that they're actually going to respond to and use to make a purchase," explains Craig Alberino, CEO of Grey Jean Technologies, a New York-based AI-powered personalization company.

But not every grocer has the resources of a Kroger or a Raley's. Experts advise food retailers of all sizes to make leveraging Big Data more of a priority, and perhaps partnering with a consultancy to guide them within the limits of their budgets.



Why? Because the insights from Big Data may prevent them from losing customers, and will enable independent and midsized retailers to compete more effectively with larger chains.

"It's clear that grocery chains are taking learnings from their data and using it to target customers in smarter ways," affirms John Kyriakides, assurance office managing partner with BDO USA, a Chicago-based professional services firm. "We're seeing this in strategic shelving as well as how they send targeted coupons to customers through email, text and sometimes in-app.

"As for the smaller and more niche grocery stores, they know that they must be conscientious of their regular customers," he continues. "It's impossible to say, in general terms, whether all grocery chains and all small grocers are using data to the fullest, but it's obvious that many are clearly using it to their advantage in smart and meaningful ways."

Here are some of the specific benefits that grocers can gain by leveraging Big Data:

MINING FOR INSIGHTS IN LOYALTY DATA

Retailers with mature loyalty programs have household-level shopper data showing basket activity over time that experts say can be used to identify product trends, segment shoppers, define product affinities, and more.

Hari Shetty, global head — retail vertical at Bangalore, India-based consultancy Wipro Ltd., agrees, but only if grocers have the capability to analyze the data in a mature loyalty program.

"The more grocers and other retailers know about their customers — the way they shop and when, their preferred methods of communication, their buying patterns

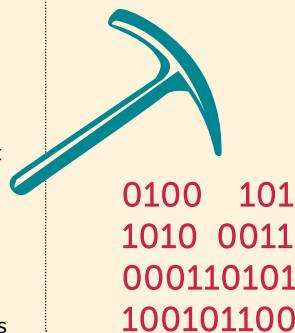
and habits — the better they can tailor products and services, which improves the overall customer experience," asserts Shetty.

As evidence, he cites key findings from a study of retailers by the London-based Economist Intelligence Unit:

- 64 percent believe data increases brand loyalty

- 52 percent say Big Data enabled them to expand their sales by offering the next logical item
- 64 percent of retailers have made financial gains in customer relationship management through Big Data
- 66 percent significantly increased the amount of information held about customers last year

"It's obvious that the more you know about your customer, the more effectively and efficiently you can deliver on their needs," notes Shetty, "and loyalty programs are one way to do just that."



Understanding Customers Better

"One of the biggest benefits grocers can acquire from Big Data is a better understanding of their customer base, which in turn drives revenue," says Eileen Kolev, marketing program manager for Tysons Corner, Va.-based MicroStrategy, provider of an enterprise analytics platform. "This understanding is especially critical in the grocery industry, where margins are razor-thin and food waste is a crucial issue. By effectively leveraging shopper data, grocers can customize marketing activities, pricing, product assortments and customer service in order to build consumer loyalty and increase revenue."

She adds that one available source of Big Data — mature loyalty programs — provides grocers with a wealth of customer insight that can be used to identify product segments, silo shoppers and define product affinities. By combining these data with other sources of information — nutritional trends, preferred method of receiving promotions, weather-related events and customer traffic patterns — grocers can focus on improving the overall shopping experience and drive revenue, according to Kolev.

“**What you do with your data is much more important than how much data you have.**

— Craig Alberino
Grey Jean Technologies

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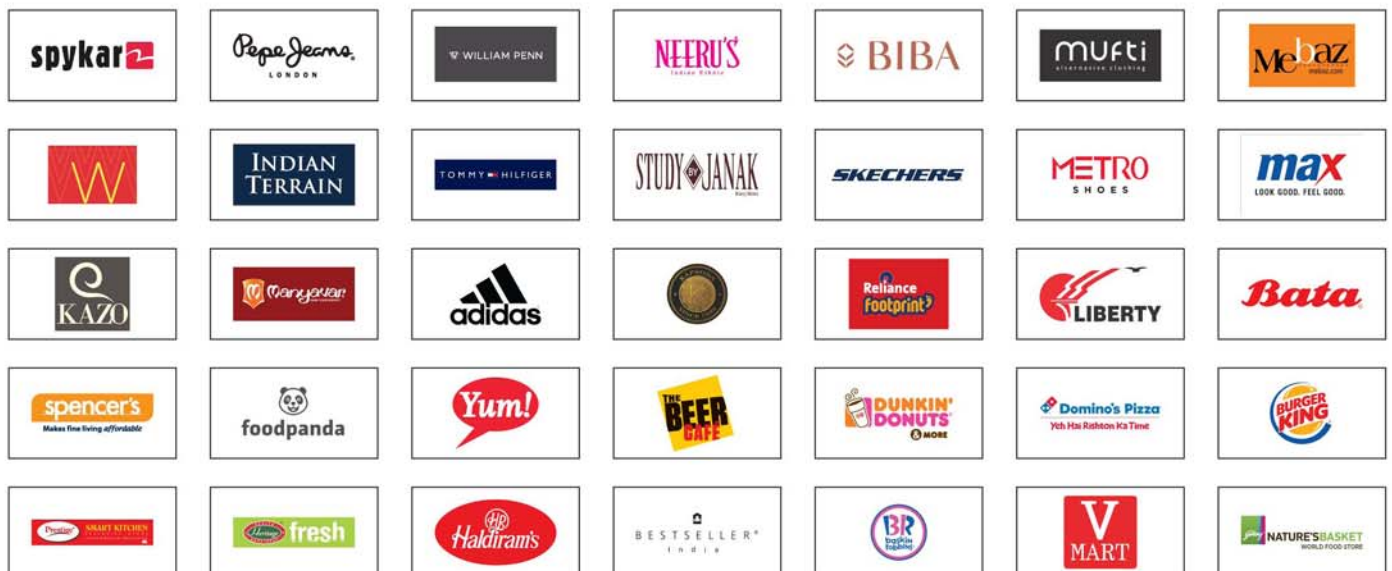


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Segmenting Shoppers

“With Big Data, grocers can understand which items to sell at which prices to which shopper segments that will drive loyalty of trips and stimulate incremental demand,” notes Brian Elliott, CEO of Periscope by McKinsey, a global consultancy. “This insight into consumer behavior impacts pricing, promotions, assortments, personalization and even vendor negotiations.”

Elliott gives an example regarding assortments: Big Data enables grocers to optimize which products shoppers see in the store, how many facings are needed, and the total linear feet by category, given the shopper segments in the store.

“With Big Data and advanced analytics,” he explains, “we better understand which store clusters need to be sharper on price and which can save money by not investing in price quite as deeply. With a better understanding of willingness to pay by customer segment, by key value item and by store

cluster, retailers are better able to make investments in loyalty that pay off.”

Optimizing Promotion Pricing

“Making correlations between verified price-to-consumer information and a retailer’s own POS data allows individual stores to optimize pricing by location,” points out Guy Amisano, CEO and founder of Salient Management Co., a Horse-heads, N.Y.-based software provider. Retailers can do this in three ways:

- Finding the best price point for a specific product or an entire brand
- Effectively offering promotion
- Tracking product flows and understanding profitability

“Combining the mass amounts of data already at a retailer’s fingertips – from invoice info to scan records to vendor rebates – allows them to gain a clear picture of profitability by day, as well as digging deeper into performance of each vendor, department or individual store as a whole,” he says.

Personalizing Promotions

According to Elliott, the consultant, there are two ways that Big Data enables companies to motivate their customers. The first is localization, which allows companies to tailor which products are available in which stores and which promotions best appeal to the local shopper market.

“The second approach is personalization, which is a step beyond localization,” he explains. “With this, companies move from a segment of many to a segment of one. This can be reflected in simple targeted pricing promotions as well as ‘awareness’ promotions targeted to shopper interests without requiring a price promotion to get their attention.”

He gives the real-time example of a store sending a text to alert a shopper that an item they have purchased a lot previously is currently on clearance in a nearby store, or to share a recipe near dinnertime to spur an incremental trip for the ingredients.

Summing up the benefits, Alberino, of Grey Jean Technologies, stresses that the biggest piece of knowledge grocers can take away from the data they’ve accumulated is that perceived “volume” of data doesn’t matter.

“What you do with your data is much more important than how much data you have,” he says. “In order to provide the biggest value for your customers – and, consequently, grocers themselves – grocers need to make those data insights actionable. The key to successful Big Data use is the ability to identify exactly which customer data points will help them understand individual buyers, what motivates them and what drives them to purchase – and understand that this data can and will change from purchase to purchase.” **PG**

“By effectively leveraging shopper data, grocers can customize marketing activities, pricing, product assortments and customer service in order to build consumer loyalty and increase revenue.”

— Eileen Kolev
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New ways to unlock value in retail



Monitoring and measuring the impact of data-driven initiatives against company-specific metrics such as gross profit, revenue and inventory carrying costs, can offer significant benefits.

Organized retail in India is only 10 years old but the sector has shown excellent adaptability in absorbing some of the best practices and is moving to the next frontier in retail and brand practices. Most of these changes underway or afoot are good and progressive but they need to be handled with care. Some of these developments for the retail industry to pay close attention to are:

Retail experience: Nowadays, retail stores are providing unique experience to customers besides selling merchandise. For consumer experience and perspective, brick and mortar stores are still extremely relevant; however, customer experience is something that goes beyond the bounds of the physical retailer. For example, promotional features like the use of technology, displays and in-store designs, personalization along with service and operational excellence have been adopted and implemented by brands to attract footfall at retail stores. These initiatives help to build an important connect with consumers.

Confluence of online and offline retail: The trend is fast catching up with shopping centers in India. They are realizing the need to complement the physical ambience of stores with an online presence. Going ahead, e-commerce and brick-and-mortar will co-exist and finally reach a level of maturity and translating into sound business sense for omni-channel players.

Research-based investments: Big Data, fast data and data deluge is taking over the world of

businesses, especially the customer-focused ones, by storm. Retail is no exception as more and more customers leave digital footprints with every transaction, interaction and engagement at every retail touch-point — online, mobile, social channels, in-store and even contact centers. Technology is enabling businesses to collect shopper data from these touch-points, analyze it and derive insights to make informed decisions, whether it is for providing a better customer experience, running marketing promotions, deciding on product assortment or gaining tighter stock control. Monitoring and measuring the impact of data-driven initiatives against company-specific metrics such as gross profit, revenue and inventory carrying costs, can offer significant benefits.

Digital and m-commerce: Post demonetization, consumers have adapted to digital payment in a big way and are using digital channels for various transactions. The transition from traditional commerce to e-commerce and now m-commerce is being driven by retail segments. Mobile today is more than just a calling device as the internet-enabled smartphone is becoming a point of commerce for retail outlets and customers. We see consumers now shopping across websites, apps and in-store as per their convenience. The growth is fuelled by the availability of affordable smartphones and mobile data plans backed by an improving telecom infrastructure.

Today, consumers are split into two categories – those who shop online and those who don't as they prefer to experience the look and feel of a product. The second type of consumer opts for cash transactions, being new to the concept of using technology as an enabler for financial transactions. Demonetization has thus formalized the process of going digital for financial transactions where concepts such as UPI (unified payments interface) have become easily available to consumers with the regulatory and policy push accelerating the process.

Looking ahead, the retail sector is poised for substantial growth and organized retailing will grow at a rate of more than 18-20% CAGR. E-tailing will form a significant part of the revenue for various retailers. Apart from cashless transactions, changes in the regulatory environment with FDI, GST, and various initiatives to improve the ease of doing business augur well for the future of retail industry. **PG**



The author has over 30 years of learnings and winning experience with Food Retail, New concept/ brands, FMCG and Organised Retail. Currently he heads Dubai Overseas Trade office in India and is on the Board of Skill Development – SME for Retail – besides also advising on international food retailing in India. He is reachable at rakeshgambhir@imagesgroup.in

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what's next

► **A cream-filled breakfast**

Kwality food products from the house of Pagariya Foods has recently unveiled two interesting cream-filled breakfast munchies: Berry Delight and Choco Delight. These centre-filled munchies are made with cereals, which make for a good breakfast and snacking option. These cream delights come in a variety of pack sizes of 20 gm, 75 gm, 250 gm, and are priced at Rs.10, Rs.49 and Rs.199 respectively. The munchies are available at leading retail outlets across the country.



▼ **Ginger garlic paste from Vedic Kitchen**

Apis India has recently forayed into a new product category by introducing ginger garlic paste from Vedic Kitchen. Loaded with the goodness of ginger and garlic in perfect proportion, this paste is minimally filtered to provide maximum nutrients and retain the aromatic flavours.

Currently, the Vedic Kitchen ginger garlic paste is available in a 30 gram pack and is priced at Rs. 5. Very soon, Apis India would be coming up with aroma seal and zero wastage packs of 300 gm and 500 gm for modern trade retailers like Aditya Birla Retail, Spencer's and HyperCity among others.



► **Delightful chocodates with almond**

Arabian Delights, marketed in India by Dugar Overseas Pvt. Ltd., has introduced a range of sweet delicacies – chocodates. These healthy delicacies are enriched with the goodness of Arabian dates and golden-roasted almonds wrapped with a variety of chocolates such as European white, milk chocolate, dark chocolate and chocolate with coconut sprinkles. These chocodates are made with almond stuffed dates coated with chocolate. Available in a variety of pack sizes, these traditional Arabian sweets make for a perfect gifting option.



▲ **Healthy gym bites from Baramati Agro**

Baramati Agro Ltd has recently come up with Gym Bites, a new range of wholesome chicken snacks for fitness enthusiasts and health-conscious consumers under its brand name 'Delicious'. These ready-to-eat snacks are basically chunks of chicken lean meat stewed or roasted and seasoned to perfection with natural ingredients, herbs and rock salt. These on-the-go snacks are easy to heat and are available in two variants: roasted fennel and garlic chicken and stewed chicken & corn. Priced at Rs.125 for a 200 gm pack, these healthy snacks are meant for a single serve. At present, Gym Bites are available only in Mumbai and Pune.

◀ **A healthy twist to coconut water**

Mapleleaf Distribution Pvt. Ltd has recently introduced FOCO pure coconut water with a twist of six flavours such as natural, mango, lychee, pineapple, pink guava and pomegranate. This 100 per cent pure coconut water is enriched with the goodness of handpicked green coconuts and contains five essential electrolytes. Moreover, FOCO has no added sugar, no preservatives and has no fats. This on-the-go drink is available in handy tetra pack packaging.



► **Organic almond milk from Europaea Vegan Farms**

Europaea Vegan Farms, marketed by Olive Tree Trading, has recently introduced organic almond milk in the Indian market. Enriched with the goodness of nature, this almond milk is a certified organic product by the Italian Institute for Organic Certification. The product has no chemical additives, no emulsifiers or artificial thickeners. It comes in a 1 litre pack priced at Rs. 390 and is available online at olivetree trading.com and at selected retail outlets.



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