Technology

With automation in retail picking fast, cloud telephony is emerging as a hot choice

Dairy

Indian dairy market is becoming an investment destination for many players

Bakery

Trends, developments and opportunities for manufacturers and retailers in India





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Whether you're a supplier or a retailer, we all face the same challenge today: How do I achieve success in a fiercely competitive business environment where it is becoming increasingly challenging to reach consumers immersed in a world of choice and differentiation?

One key to driving success in any kind of environment is innovation. With competition in the F&G space heating up in the past few years, brands and retailers have been coming up with new ideas and propositions to stay ahead of the curve. They understand that to survive and thrive in today's cutthroat market, companies need to embrace innovation approaches for truly unlocking and optimizing the growth potential of every product they launch.

But, while many companies swear to have made innovation a part of their overall strategy, very few have been able to successfully deliver on the promise of true innovation. In this issue of the magazine, our story *Breaking the Mold: With Force and Fanfare* (page 48), looks at a range of exemplary food products that reflect inventive thinking in coming up with as-yet-unthought-of concepts and successfully morphing them into products of high quality standards and consumer mainstays.

In selecting these products, we came across several areas of opportunity for innovation: in areas such as health and wellness, meeting the needs of varying demographics, and tapping into the markets for minimally processed foods. Turn the pages and read how savvy companies and retailers are heeding consumers' demands and posting impressive growth.

Amitabh Taneja Editor-in-Chief

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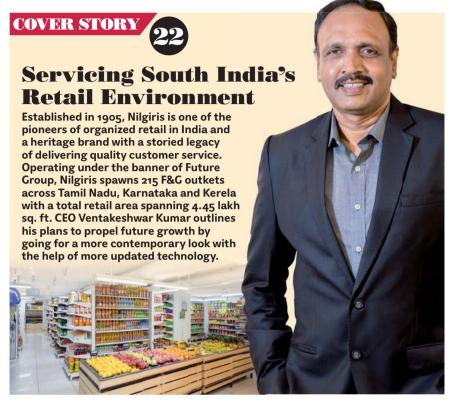
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FOOD INNOVATION

How to innovate to make your brand a big hit



We bring you examples of innovation in products that reflect a wide variety of on-trend formats, new concepts, and ingredient and flavor mashups. These success stories are rooted in a compelling value proposition of brands that have positioned themselves to exploit the world's soon to be third-largest food and beverage market.

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Trailblazer of South India's F&G Retail

Established in 1905, Nilgiris is one of the pioneers of organised retail in India and a heritage brand with a storied legacy of delivering quality customer service. Operating under the banner of Future Group, Nilgiris spawns 215 F&G outlets across Tamil Nadu, Karnataka and Kerala with a total retail area spanning 4.45 lakh sq.ft. The supermarket chain is positioned as a neighborhood store that guarantees assortment, range and freshness. "Nilgiris operates on the foundation of personal connect that translates into quality service and continues to build on its product range in order to respond to its customer's evolving needs," says CEO Venkateshwar Kumar in a chat with Progressive Grocer during which he outlines his plans to propel future growth of Nilgiris by going for a more contemporary look, by building on its existing infrastructure and with the help of more updated technology.

Describe your personal journey as a retailer. How has it translated into the monumental success of Nilgiris' retail operation?

I started my retail journey with the Future Group in 2005 and I operate on the group's core belief that retail is our religion, stores are our temples and customers are no less than God. This philosophy has helped me spearhead Future Group's operations in South India through an aggressive expansion initiative that encompasses all states and population strata in the southern region. While I was heading the large-format hypermarket Big Bazaar in the initial phase of my retail career, I have expanded into Future Group's FBB (fashion format) and supermarket business through the Nilgiris brand over the past few years. While retail is my passion and has been a significant part of my career, I began my professional journey in FMCG after completing my MBA from T.A. Pai Management Institute (Manipal) in 1991. After a 12-year successful stint of working with various national and multinational FMCG and tele-com companies, I ventured into retail. As Head of the South Zone at Future Group, I am now overseeing 70 hypermarkets, 15 FBB stores and more than 200 Nilgiris supermarkets with over 5,000 employees, and am on a single-minded mission to delight millions of customers walking through the aisles of Future Group retail stores.

What are Niligiris' marked differentiators that set it apart from other F&B retail players?

Nilgiris, a heritage brand that is one of the pioneers in organized retail in India, epitomizes excellence in ethical and professional practices. Established in 1905, this national brand firmly rests on a strong

foundation of core Indian values that translate into quality customer service through personal connect and experience. Nilgiris' loyal customers over the generations have returned to this store solely because of the great quality and freshness that the brand promises and delivers consistently. Its customer-friendly practices that are reflected in its overall operations make Nilgiris a hallmark for retail excellence. The relentless effort to provide our customers with "whatever, whenever" through a catchment-curated assortment is another feather in our cap. We are also proud of our high productive stores and their unstinted commitment to deliver on our service promise.

TECHNOLOGICAL

- Nilgiris' vision for the future involves its digital strategy of 'Retail 3.0', which envisages a 'store' as a community marketplace where physical retail is layered with technology and hence, gives a connected community experience to our
- The emphasis is on data-enabled and real-time decision making, with an objective to provide customers a seamless and infinite aisle, through an assortment in store and out of store. Membership will be core to Nilgiris' Retail 3.0 strategy and product assortment at its stores will not be decided by the retailer but will be especially member-curated.
- Technology will pervade every touch point. Mobile POS at the front-end, app-based multiple delivery convenience, and a unique membership program giving benefits beyond functional discounts, will be the hallmark of Nilgiris.

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Increased investments in India's dairy sector is driving competition

Dairy is witnessing consistent growth in the consumption of value-added products such as flavoured milk drinks, lassi, curd and yoghurt. The Indian dairy market, though dominated by cooperatives, is also witnessing increased interest from financial institutions as an investment destination. Progressive Grocer spoke to Prashant Roy, Senior Research Analyst Food & Nutrition at Euromonitor International and Dilip Radhakrishna, Research Analyst - Food & Nutrition at Euromonitor International about the trends and developments influencing the dairy industry in India and prospects ahead for its different product segments.

Give us a sense of the broad segmentation of the dairy market in India - the size of the market overall and the volume and value share of the products in India's dairy market? How is the market size of the dairy category growing in India in recent years?

Euromonitor International's dairy coverage includes retail sales of packaged drinking milk products, butter, cheese, yoghurt and sour milk and other dairy products. As an exception, unpackaged hard cheese, such as Cheddar, Edam, Parmesan and Gouda, is also taken under consideration. We have also included soft cheese (paneer) in our coverage. However, the majority of cottage cheese produced is sold in unpackaged format.

The Indian dairy market recorded a 16% yearon-year value growth, through 2013-17, in line with the growth of fresh milk. Besides the shift from unpackaged to packaged, increasing health consciousness and awareness is driving growth. Consumers are increasingly shifting from carbonated drinks or drinks with high amount of sugar content, towards healthier alternatives such as milk.

To cater to these shifting consumers' preferences, the manufacturers have expanded their range of value-added dairy products, such as flavoured milk drinks, lassi and yoghurt, which are a better and healthier alternative to the traditionally available carbonated and sugary drinks.

Value-added milk products such as flavoured milk drinks, buttermilk, lassi, yoghurt and curd have also witnessed a huge spike in demand during summer season in the country. As a result, the industry is expected to witness a high growth momentum soon, primarily guided by improved distribution capabilities and operational efficiencies, which will ensure the availability of milk and milk-based products catering to the rising consumption pattern across the country.

How do you look at the outlook and prospects ahead for the category - which product segments will gain more of market traction?

Even though milk is a mature category, yet the prospects look extremely promising in the future. Dairy is witnessing consistent growth in the consumption of value-added products, such as, flavoured milk drinks, lassi, curd and yoghurt, which offer better alternatives as compared to carbonated beverages, because of rising health awareness.

Even the central and the state governments are supporting consumption by promoting initiatives such as the Mudra scheme, which offers soft loans to dairy farmers to increase milk production or making consumption of fresh milk mandatory under midday meals schemes in government schools.



What are the new trends and developments within the category?

The major trends for the category are: **Increased health awareness:** The modern consumer is very aware about their health and is reducing dependence on the traditional carbonated drinks and migrating to healthier alternatives. As a result, Pepsico Inc. and Coca-Cola India Pvt Ltd, have witnessed considerable headwinds in carbonated beverages and are experimenting with new products, such as sugar-free drinks or non-aerated beverages to drive their organic growth and maintain their footprint in the Indian market.

In fact, products such as cow ghee and cheese are perceived to have significant health benefits over other cooking fats, such as Vanaspati or ghee. Consumers are increasing purchasing such products and which is contributing to growth.

Healthy Living: Healthy living is gaining precedence among consumers, and the demand for health and wellness dairy products is constantly on the rise. Other than the growth in milk and milk products consumption, even the growth of fortified milk products has been looking promising.

The Food Safety and Standards Authority of India's (FSSAI) made it mandatory for milk producers to add more vitamin A and D to packaged milk products, and even private players, such as Nestle SA, have already started implementing the suggestions.

According to Gujarat Cooperative Milk Marketing Federation, with the rising per capita consumption of milk at 360 grams per person per day in 2018, up from 110 grams in the late 1970s, and expected to touch 800 grams in a few decades, these initiatives will ensure that the nation is able to decrease the population of malnourished in the country.

Dairy is attracting increased investments:

The Indian dairy market, though dominated by cooperatives, is also witnessing increased interest from financial institutions as an investment destination. For instance, KKR India, local arm of the New York-based buyout entity KKR & Co. Inc., had invested INR6000 million in Kwality Ltd., a major producer of dairy products with the 'Kwality' brand. The Lactalis Group of France, had invested INR 1,7500 million and INR 4,700 million in Tirumala Milk Products Pvt Ltd and Anik Industries Ltd., respectively. Cargill Ventures also invested INR1,100 million in Dodla Dairy

These investments are driving some competition in the Indian market, promoting private sector players and co-operatives to revamp their strategy, and invest in brand building, expansion, direct procurement and distribution. As a result, Heritage Foods Limited spent approx. INR 750 million in brand building exercise, while Gujarat Cooperative Milk Marketing Federation, producer of the Amul brand of dairy products, have plans to invest INR 30,000 million by 2020. Parag Milk Foods Ltd. and Prabhat Dairy Limited have invested INR640 million and INR400 million on strengthening their industry presence.





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— Prashant Roy Senior Research Analyst - Food & Nutrition, Euromonitor International





How to innovate to make your brand a big hit

Consumers are eager for innovation when it comes to packaged goods and are interested in trying new food products at the grocery store. This shows immense opportunity for manufacturers and retailers to offer consumers something fresh. Innovation and new products spark excitement in the consumer and generate more opportunities for buying regardless of the shopping channel or medium. New products are the lifeblood of retailing – they infuse verve into existing lines, create completely new categories, and fulfill unmet needs not previously on consumers' or retailers' radar. It is not surprising that brands today are continuously looking to the wider food and drinks market to spot trends early on and promote continuous development of more experiential, convenient and innovative product propositions.

By Sanjay Kumar



he food and beverage industry in India is currently on the verge of momentous trends that are both transformative and disruptive. The most pronounced of these trends is buoyant growth of the consumer packaged goods (CPG) industry over the past quarter century, which has been nothing short of exhilarating. Riding on the crest of success, CPG companies have launched innovative products to meet an ever-growing array of consumer needs and desires.

While product launches have been taking place at a fast clip, companies have also had to constantly innovate to differentiate their products from others. Indeed, innovation is key when it comes to addressing the challenges in the F&B sector. These include having to cope with rapidly changing consumer needs, shortened product life cycles, margin pressures, and rising technological advancements. Innovation-led new product development, thus, plays an important role and acts as a growth driver for the industry.



Innovation is viewed as the application of better solutions that meet new requirements, unarticulated needs of consumers, or existing market needs. This is accomplished through better products, processes, services, technologies, or business models that are readily available to markets, governments and society. Innovation is a wide concept which aside from creating, launching and marketing new products also includes improving shopping processes, providing consumers with a range of tools to purchase products and ensuring that the entire organization is focused on the singular goal of improving the customer's overall experience. As Indian consumers become more global in their aspirations and desires, as they travel abroad and are exposed to global products, their appetite to consume products in their home market will only increase.

Newer players are faster on food innovations

As the consumption of processed food in India is on an upswing, the demand for healthy, safe, hygienic and convenience driven food is slated to increase at an even more significant pace in the future. Thus, food and beverage offerings that are healthy, value added, safe and hygienic and provide value for money, are the order of the day. A large number of companies are coming up with offerings in the healthy snacking category, including roasted makhanas in numerous flavors, dry fruits/nuts with a twist, vacuum fried vegetable based snacks (palak, okra, kale snacks), freeze-dried fruits, smoothies, juices, certified organic ingredients-based snacks, indigenous ingredient-based products, millet based cookies/snacks and traditional Indian flavor-based candies.

To cope with the whirligig of change in the food industry, manufacturers and retailers are adapting to emerging consumer trends to stay relevant and afloat in times of widespread disruption of conventional business models. In particular, larger and more

established companies find themselves encumbered by less agile innovation processes as they struggle to launch winning innovations. This is evidenced from their growth contribution to the category, which has been systematically waning in recent years.

Category growth, which occurs when game-changing products attract new buyers to the category or prompt current buyers to accept higher pricing, is a strong indicator of innovation success – and major manufacturers are only driving a small portion of it, according to various market reports. A Nielsen study finds that the top 25 food and beverage companies are able to generate only 3-5% of total category growth, despite accounting for 45% of category sales. In other words, despite maintaining an enormous piece of the pie, these large manufacturers can only take credit for a minuscule share in sales from new growth.

In contrast, hordes of new players and startups are joining the fray and upending the game of innovation with new ideas and propositions in







The aspiration levels of customers are going through an upward evolution. **Customers are** becoming aware of themselves, of what they consume and the impact of the products they buy on their health and the world. This is changing the way they look at their lives and what they consume.

— **Rajeev Krishnan** MD and CEO, SPAR Hypermarkets





Consumers now have enough information on chemicals, additives and insecticides/ pesticides used in growing to make an informed buying choice.

— Arjun Sahni Founder and Director. Nature's Soul

Briefly describe your company and its business operations. What was the idea behind setting up your own shops?

Being a mountaineer and an avid traveller, I have come across a number of people occupied in the agricultural industry growing the most salubrious produce in multiple regions of the country. Even subconciously, I have noticed a large majority of farmers practising organic methods of growing and organic cultivation. My inspiration to open an allorganic neighborhood grocery store in the heart of a metropolitan city stemmed from the idea of localizing the tradition of organic living in city dwellers.

Tell us about the product range at your store across various categories.

As a full-fledged retail outlet, we cover a number of conventional categories that are important to today's buyer. The idea is to provide fresh organic produce to consumers looking to buy healthy items for everyday use. The product range includes organic fruits and vegetables, superfoods such as brazil nuts, cacao nibs and goji berries, staple dairy and grocery items and organic meat including turkey, prawns and duck, apart from other staple meats.

The Organic v of

Nature's Soul is an organic and sustainable grocery outlet that caters to consumers who are looking to incorporate healthy buying habits into their lifestyle. With an extensive product range consisting of gluten-free and vegan variants, the enterprise aims to bring back traditional and chemicalfree methods of farming. Founder and Director Arjun Sahni speaks to Nimisha Gautam of Progressive Grocer about modern purchasing trends in organic and his outlet's sourcing strategy.

Who are your major clients and what demographics do you target?

We see an equal mix of Indian families and foreign nationals shopping at our store. Our most loyal customers include those who are organic and responsible consumers looking for the right price and the best quality in the organic market.

Which are the best-selling products in your portfolio?

The maximum contribution comes from fresh fruits and vegetables. Even as we see a rise in consumerism and the popularity of processed, ready-made consumables, nothing can replace wholesome vegetable laden meals rich in vitamin. It also helps that a number of consumers now think of fruit as a healthy snack.

How have the company and its products grown and evolved over the years?

Even though the company is a year old, there is a huge potential we are yet to tap into. We have tried including the best, most healthful products in our offerings. A customer can stop by at our store to pick up basic everyday items as well as exotic and

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