

Meal Solutions

What all should grocers look for when partnering with meal-kit services?

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Steady domestic demand at 10% per annum but exports growing at over over 30%

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PROGRESSIVE GROCCER

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INDIA EDITION



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“OUR CUSTOMERS ARE AT THE CORE OF OUR BUSINESS AND WE ARE A ONE-STOP SHOP FOR ALL THEIR BUSINESS NEEDS”

TANIT CHEAVANONT
MD, LOTS WHOLESALE SOLUTIONS

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PROCESSED & PACKAGED FOODS

Busy lifestyles and rising demand for health and convenience are catalyzing a growing uptake in packaged food over unpackaged alternatives



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At the front end of the food business, as most food retailers in India have learned, there is really no one-size-fits-all formula. Brands today have varied formats – from large-scale hypermarkets to smaller supermarkets. The crucial part here is to get the mix right across these varying formats. Retailers will need to strike the right balance to be truly successful.

Large-scale formats work well in key metropolitan cities where the trend increasingly is for families to do weekly shopping trips for household supplies. The challenge on this front often comes from the inadequate supply of space and land bank to build large-scale hypermarkets. With the smaller supermarket format, finding the right location is the key. India's high population density, and the presence of well-entrenched unorganized retail often makes this a challenging proposition.

The focus for most retailers will be to capitalise on smaller formats, which are more cost-effective. Smaller convenience stores and supermarkets are the way forward for most big retail chains. This format will continue to grow in the coming years, as retailers look at sizably growing their presence in the market.

The key future focus across these formats is to improve footfalls and basket size. Brands need to improve in this area while ensuring that they continue to provide excellent customer service, convenience and exceptional value to give customers a truly remarkable shopping experience.



Amitabh Taneja
Editor-in-Chief

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COVER STORY

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LOTS to cheer for the Cash & Carry business in India

LOTS Wholesale Solutions recently unveiled its second Cash & Carry wholesale distribution centre in India at Akshardham in East Delhi. The launch of LOTS' second store follows closely on the heels of its first store three months ago. Inaugurated by Amitabh Kant, CEO, NITI Aayog, this is second of the fifteen distribution centres that the firm is aiming to open in India over the next three years.



CATEGORY WATCH

Processed & Packaged Foods

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Food Processing & Packaged Foods: Hitting Great Strides

India, as a country, has progressed from scarcity to surplus in food during the past decade or so. The progress has resulted in an increased trade in the production of food commodities which, in turn, has paved the way for the food processing industry to grow and become profitable. At the same time, the demands of accelerated lifestyles of younger urban consumers and their relatively high levels of health and hygiene awareness are set to be key factors in the growing uptake in packaged food over unpackaged alternatives.



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Purple Carrot, which makes kits for plant-based meals, and Whole Foods Market complemented each other's better-for-you image by partnering to sell the kits in Whole Foods stores.

Match Game

Grocers must consider values, variety, common goals and more when looking to partner with meal-kit services.

By **Randy Hofbauer**

Meal kits are a big business, rocketing to \$5 billion in sales today, according to market researcher Packaged Facts. And the Rockville, Md.-based firm expects solid continued growth in the space.

But with an oversaturated market for delivery services and grocers rolling out kits of their own — along with Amazon introducing its own kits and likely to sell them at Whole Foods Market, which it now owns — it's becoming vital for delivery services to seek added exposure and captive audiences inside brick-and-mortar stores, especially as shoppers seek to purchase products wherever, whenever and however they desire.

This has made the market ripe for acquisitions. In September, Boise, Idaho-based Albertsons Cos.

acquired meal-kit service Plated, advancing a shared strategy to reinvent the way consumers discover, purchase and experience food. Additionally, the CEO of Green Chef has said that he's open to accepting offers for his company, while another service, Home Chef, has hired bankers to explore a possible sale, signaling an opportunity for it to be snatched up by an interested retailer. Further, Blue Apron recently shedding 6 percent of its workforce has left industry speculators wondering if it, too, will soon be scooped up.

However, more strategic partnership deals between grocers and meal-kit services have been inked in recent times, including Southern California grocer Gelson's with Chef'd, and Whole Foods with Blue Carrot (the latter of which wound down earlier this year). Moreover, eMeals — which

doesn't individually package portioned ingredients in kit format, but still essentially functions as a meal-kit service — has added Walmart, Kroger and AmazonFresh to its list of grocers willing to offer click-and-collect (and, in AmazonFresh's case, delivery, too) shopping for its meal-building program.

Consider Carefully

But with so many meal-kit services out there to choose from for a partnership, how should grocers know which one to team up with?

"It's ... critical for grocers to realize that while they may see similarities in looking across meal-kit brands, there are critical differences that can materially alter the customer experience," says Rich DeNardis, chief revenue officer of Chicago-based meal-kit service Home Chef.

When looking to partner with meal-kit services, food retailers should look for these six things:

1) The common, clear goal of a partnership: Working with a meal-kit service can't be a one-way street. For the partnership to be successful,



both parties must get something out of it to make everything worthwhile. These goals will usually reside in the driving of either revenue or profit, says Mike McDevitt, CEO of Baltimore-based meal-kit provider Terra's Kitchen. Understanding what's expected of a partnership — for example, how one defines success — helps ensure that all parties are heading in the same direction.



STORE SPECIALTIES
SoCal grocer Gelson's chose to partner with Chef'd due to Gelson's focus on high-quality gourmet foods, and Chef'd's partnership with renowned chefs and organizations to develop kits for gourmet meals.

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LOTS to cheer for *the Cash & Carry business in India*

LOTS Wholesale Solutions recently unveiled its second Cash & Carry wholesale distribution centre in India at Akshardham in East Delhi. The launch of LOTS' second store follows closely on the heels of its first store three months ago. Inaugurated by Amitabh Kant, CEO, NITI Aayog, this is second of the fifteen distribution centres that the firm is aiming to open in India over the next three years.

By Progressive Grocer Bureau

The newly launched store will cater to over 45,000 registered business customers, which include hotels, restaurants, and caterers (HoReCa), kirana stores, corporates, MSMEs and institutions such as government agencies, educational institutes, and hospitals. Spread over an area of more than 53,000 sq. ft., the newly opened store has all the facilities including automatic system orders for re-stocking, predicting the demand as per customer's behaviour, and designated goods receiving and dispatching, live bakery, among many more. Other notable features are transparent pricing, round-the-year promotions, consistent product availability, customized last mile delivery and credit facilities, all of which are tailored to satisfy the needs of its registered members.

"We had promised to open two wholesale distribution centres in India in 2018. Today, that promise has been fulfilled. From our first store, we have exceeded the expectations we had set for ourselves. We have been getting very good response and we are getting 600-1500 walk-in customers daily. We decided to open our second store in Akshardham in view of the unfulfilled potential of the area in terms of wholesale buying options. The facility is all set to cater to the requirements of our members in east Delhi and nearby catchment areas. Through this store, the business customers of LOTS Wholesale Solutions





will have a wide range of more than 5,000 food and no-food products to select from. Besides, they will also benefit from customized delivery solutions, competitive pricing and personalized service through our business development associates,” **Tanit Chearavanont, Managing Director, LOTS Wholesale Solutions**, said commenting on the launch of the new store. With its expanding footprint in Delhi-NCR, LOTS Wholesale Solutions will generate 5,000 direct and indirect jobs over the next five years.

The launch ceremony was presided over by the chief guest **Amitabh Kant, CEO, NITI Aayog**. Also present at the launch ceremony was **Chutintorn Gongsakdi, Thailand’s Ambassador to India** and LOTS’ global and Indian leadership team. “I congratulate LOTS Wholesale Solutions on opening its second store in Delhi-NCR. The Retail sector in India is poised for higher growth as we are growing at 8.2%. We have jumped 65 spot and moved up substantially in the ease of doing business. India is the only country to have repealed 1,300 regulatory laws as part of our efforts towards creating a better business environment. Indian FDI has grown 62%

whereas globally the numbers have shrunk by 16%. This is a unique story for Indian retail and the government is pushing for greater financial inclusion and working closely with other stakeholders. Such enabling regulatory norms and liberalised FDI policy should make it easier for global companies like LOTS to invest in India and on mutually benefiting terms. We will act as a facilitator and assure them of all the support they need to excel and deliver on the demands and expectations of their customers,” said Kant.

In recent years, India has emerged as one of the top destinations for FDI. The inflow of FDI into India has gone up significantly with receipts flowing in from across the world, which has given India access to the latest technology, best practices, and global innovations. The arrival of multinational companies like CP Wholesale Solutions in India, which has chosen a 100 per cent FDI route to establish its operations in India, further vindicates the popularity of Brand India in the world. With India’s retail sector projected to grow to USD 1.3 trillion by 2020, the country is the land of opportunities for potential investors and companies looking to start operations here.

“We place our customers at the core of our business. The facility is all set to cater to the requirements of our members in East Delhi and nearby catchment areas. Through this store, our business customers will have a wide range of more than 5,000 food and non-food products to choose from.

– **Tanit Chearavanont**
MD, LOTS Wholesale Solutions

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FOOD PROCESSING & PACKAGED FOODS: HITTING GREAT STRIDES

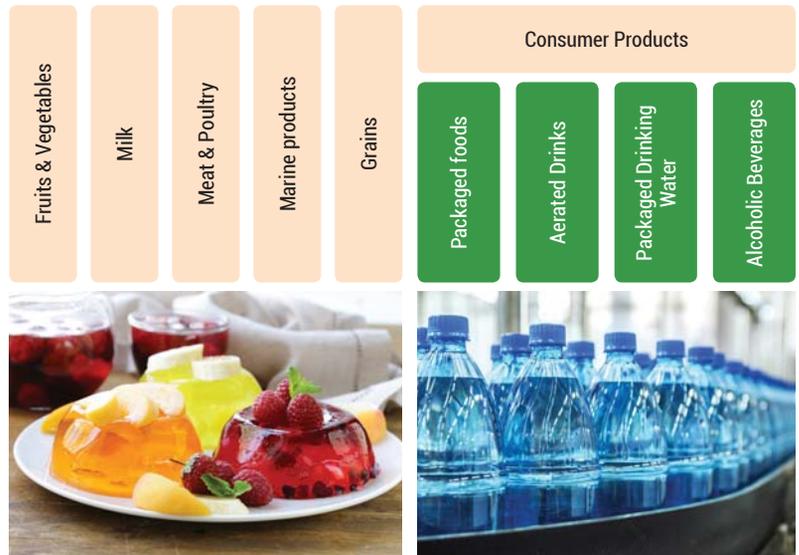


India, as a country, has progressed from scarcity to surplus in food during the past decade or so. The progress has resulted in an increased trade in the production of food commodities which, in turn, has paved the way for the food processing industry to grow and become profitable. At the same time, the demands of the accelerated lifestyles of younger urban consumers and their relatively high levels of health and hygiene awareness are set to be key factors in the growing uptake in packaged food over unpackaged alternatives.

By Sanjay Kumar



KEY FOOD PROCESSING SEGMENTS



448 billion in FY16, growing at 9.5%. It contributed 9-10% of manufacturing GDP in India in FY 17 and employed 1.7 million people in 2012-13. Of the overall food and beverage market, the packaged food segment emerged as the fastest growing food segment with double digit growth. However, the Report noted that only ~10% of agri-produce is being processed in India and so experts foresee an immense improvement in the areas of specialty processing, packaging, frozen food, refrigeration and thermo processing.

Industry Size and Construct: IBEF estimated the food processing industry in India at Rs. 16,51,200 crore (USD 258 billion[^]) in 2015. Growing at a CAGR of 13.3 per cent, the industry size will be Rs. 30,84,800 crore (USD 482 billion[^]) by 2020. The organized share of food processing sector is estimated at 25 per cent, dominated by the segment of rice mills; around 42 per cent of the sector is unorganized whereas 33 per cent is operated by small scale industries. The sizeable presence of small-scale industries points to the sector's role in employment generation. Though a larger share falls under the unorganized sector, the organized sector has a larger share in the secondary processing segment than the primary one.

Economic Perspective: A well-developed food processing sector with a higher level of processing helps in the reduction of wastage, improves value addition, promotes crop diversification, ensures better return to the farmers, promotes employment as well as increases export earnings. This sector is

A well-developed food processing sector with a higher level of processing helps in the reduction of wastage, improves value addition, promotes crop diversification, ensures better return to the farmers, promotes employment as well as increases export earnings.

Already, one of the largest food producers in the world, India is estimated to double its food production over the next 10 years. The increased production is expected to attract huge investment, not only in the form of capital, human resources and skill development, but also in processing technologies, equipment and financial areas. The fast rising food segments benefiting from this growth will be fruits & vegetables, fisheries, milk & milk products, meat & poultry, alcoholic beverages, soft drinks, packaged/ convenience foods, health foods & supplements and grains. According to Ministry of Food Processing Industries Annual Report 2015-16, the country's food and beverage market was estimated to be USD

Packaging Trends for Food and Grocery Industry

The food and grocery industry has witnessed major advancements in the packaging sector with active and intelligent innovations. These advancements have led towards improved food quality and safety. Here's an overview of the recent advances in the food packaging sector with regard to security and sustainability.

By **Kailash Agarwal**

The food processing and packaging industry is a multi-trillion dollars industry. This is a direct result of the rise in the living standards of the residents in developing countries. Moreover, people are turning towards readymade and easy to cook dietary preferences.

The usage of paper in the packaging industry is growing tremendously. This evolution of paper industry coincides with the recent advancements in food and grocery packaging sector, which includes active packaging, intelligent packaging, smart packaging, non-destructive inspection methods, printing techniques, applications of robotics and types of machinery, automation, architecture, software systems, and interfaces. Worldwide, the sales of processed foods are estimated to be at a staggering \$2 trillion whereas that of packaged food is about \$1 trillion. This is due to the growth in the incomes in developing countries, which has resulted in a rise in the standard of living for the population.

Packaging is the cornerstone of the food and grocery processing industry. The materials used for



packaging are based on the precise type of food. For example, oxygen-sensitive foods require packaging with some barriers, which prevents the spoilage caused by oxidation. The use of green plastics, which are biodegradable and environment-friendly, is increasing as we know that there is a lot of waste generation from the food processing industry.

Packaging material should be developed in such a way to get more of recovery and less wastage. For example, polylactide acid plastics, sugarcane pulp, fiber composite, starch-based films and so on are great choices for packaging. Besides wood and glass, the aluminum active packaging is an advancement in which the packaging material itself interacts with the food for longer shelf life and safety. Similarly, nanotechnology-based packaging acts at a molecular level for shelf life enhancement of the product.

Active and intelligent food packaging plays a key role in the conservation of food as it allows the package to interact with the food and the environment. These advancements lower the oxidation, control the rate of respiration, arrest the microbial growth and eliminate the moisture migration. Active packaging technology basically includes carbon dioxide absorbers or emitters, odor absorbers, ethylene removers, and aroma emitters.

The presence of oxygen inside the package can accelerate oxidative reactions, which may result in



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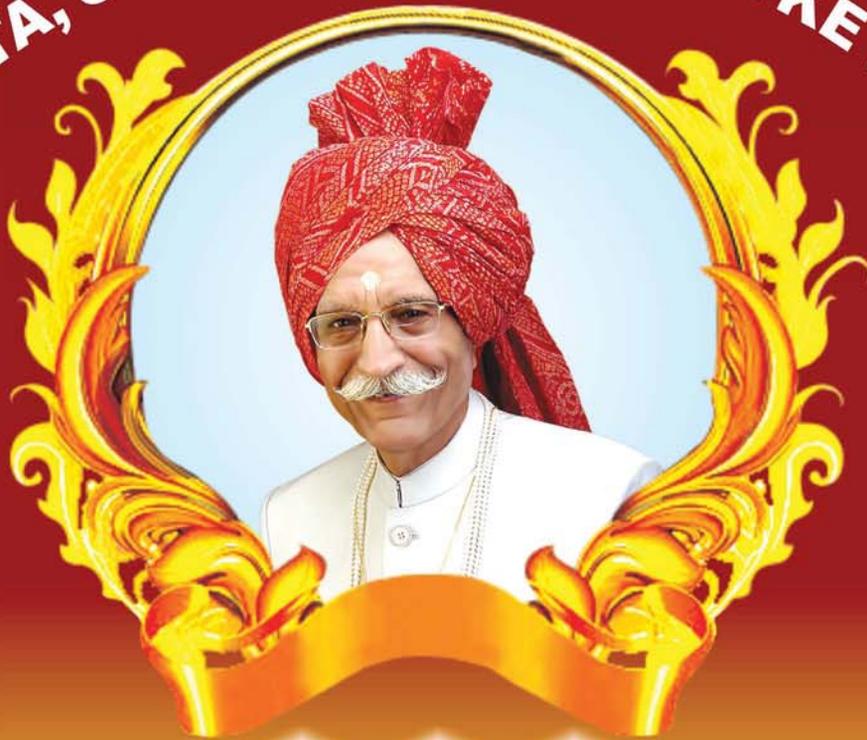
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