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PROGRESSIVE GROCCER

April 2019 · Volume 13 Number 4 · Rs 100 · www.indiaretailing.com

INDIA EDITION



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**WE HAVE TURNED
PROFITABLE
AFTER 15 YEARS
OF SUCCESSFUL
OPERATIONS IN
INDIA**

— ARVIND MEDIRATTA
MD & CEO, METRO CASH & CARRY INDIA

BREAKFAST FOODS

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How retailers and manufacturers are making consumers stay interested and connected with their products by aligning product benefits with consumer needs.



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Retailers are increasingly serving "phytital" shoppers, who browse and buy in the physical and virtual worlds as their needs require. Consumers have shown an eagerness to cherry-pick more formats more frequently, and the trend of regularly buying groceries online is bound to pick up with time. Within 10 years, 20 per cent of all food would be sold online, it is being predicted.

Connecting with shoppers is the key. Experience continues to emerge as a key point of differentiation for traditional grocers facing digital upstarts, which have conquered convenience, selection and price. Grocers no longer just sell food — they barter in experience and information. Retailers have to become more comfortable talking science, technology and nutrition... and in preparing consumers for the next golden era of retail.

To thrive in this new retail world, innovation has to be pervasive in an organization. Players must experiment, learn and make changes on the fly. Adapting to digital retail is more about mindset than organizational structure; collaboration models need to shift, and retailers must hire digital talent.

One industry study has identified five key issues facing the industry: emerging new consumerism, artificial intelligence and technology, workforce, the new marketplace, and food production. Over the years, the industry has seen trends come and go, but never before has lasting change come on so strong. The truth is that we have not seen before an industry changing as quickly and violently as food retail is changing today.



Amitabh Taneja
 Editor-in-Chief

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Printed & published by S P Taneja on behalf of Images Multimedia Pvt. Ltd. Printed at Modest Print Pack (P) Ltd., C-52, DDA Sheds, Okhla Industrial Area, Phase 1, New Delhi - 110020 and published by S P Taneja from S-21 Okhla Industrial Area Phase - 2, New Delhi. 110020 Editor : Amitabh Taneja

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COVER STORY

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ARVIND MEDIRATTA
Managing Director & Chief
Executive Officer at METRO
Cash & Carry India

METRO CASH & CARRY TURNS PROFITABLE IN INDIA AFTER 15 YEARS OF OPERATION

METRO was the first cash & carry player to foray into India in 2003. Since then it has opened 27 wholesale distribution centers across the country spanning 1.8 mn sq. ft. of gross floor area and catering to over three million customers nation-wide. "It has taken us some time to find the right success formula in India but with a focused approach, we have been able to break-even and turn profitable after 15 years of successful operations in India," says Arvind Mediratta, Managing Director & Chief Executive Officer at METRO Cash & Carry India, in an exclusive interaction with Progressive Grocer.

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Reshaping the morning meal
landscape



Recent market research and analysis support the notion that what we eat for breakfast and how we eat it is evolving amid cultural shifts and emerging trends. Whereas influences like changing health habits, demographics and cost consciousness will continue to alter the choice and consumption of breakfast-oriented foods and beverages, we are also seeing a greater number of choices available even as manufacturers and retailers are aligning product benefits with consumer needs to make consumers connect with their products and stay interested.

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KOSH instant
oats launched
in spicy
variants



Market Update

MORE launches hypermarket in G. Noida; to take its supermarket store count to 1200 in five years



The More grocery retail chain, which was bought by Witzig Advisory Services last year from the Aditya Birla Group, opened a new hypermarket in Greater Noida recently. The chain operates 600 supermarkets and 20 hypermarkets across India currently. With a current turnover of Rs. 4,500 crore, the retailer is looking to grow its supermarket count to 1,200 and its hypermarkets to 120-125 stores over the next five years.

The More hypermarket has a retail space of 45,824 sq. ft. and will be catering to people in the Greater Noida-Noida neighborhood. Located inside the 1 million square foot Omaxe Connaught Place, the store aims to offer unbeatable value and quality in grocery, fresh food, home and apparel. "We aim to create a complete shopping experience that combines best-in-class quality products, customer service and store experience. Our aim is to create customers that keep returning for more," said More's MD Mohit Kampani.

"The mandate from our board is that in the next five years, the company has to grow three times. We would invest Rs. 1,000 crore to open new stores. It's not only the front end, we would invest in the back-end operations also," he said, adding that most of the funds would come from internal accruals as the company is profitable and is generating cash.

In a recent development, Amazon has acquired a 49% in Witzig Advisory Services, the company that now operates More supermarket stores. Amazon and Samara Capital, which owns the majority share in Witzig, have agreed to co-invest in a facilities support and management and value added services in Witzig with a view to invest and create opportunities for skill development, and employment generation. Witzig was fully owned by Samara Alternative Investment Fund when it acquired the More chain from the Aditya Birla Group in September 2018 for about Rs 4,200 crore. Witzig's plans to acquire More, which also includes Amazon's investment in it, had received the approval of the Competition Commission of India in January this year. Samara and its partners have together ploughed Rs. 4,046.45 crore into Witzig via private placement, which will be used to further the business objects of the company.

Q Mart launches second store in Hyderabad

Q Mart, the Hyderabad-based boutique supermarket, has launched its second store in Hyderabad at Gachibowli. The new store – one of the largest stores in the country for a non-chain retail brand – was inaugurated by actress Amala Akkineni. The store offers customers an expansive range of gourmet, imported and specialty food products from all over the globe. The store will host products in both food and non-food categories. The new Q Mart store in the conveniently located shopping zone of Gachibowli is spread over 35,000 sq.ft. and will cater to the daily as well as exclusive needs of localities such as Gachibowli, Madhapur, Kondapur, Miyapur and other surrounding areas populated by citizens employed in the new CBD of Hyderabad. Commenting on the launch



of the new store, BVK Raju, Joint Managing Director, Q Mart said, "We are very happy to launch our second store in Gachibowli. Q Mart store will provide a unique experience to its customers with authentic and premium products from all over the world. Our mission is to deliver the highest standards of customer service and always look for the best quality products and we will consistently strive to be innovative and keep up with the latest International trends."

The company has allocated Rs. 50 crore for opening three new stores. "In addition to the Gachibowli store, two new stores are also being planned to open at Kokapet and Kompally shortly," said Raju. The company, established in 1997, is currently focusing on Hyderabad and would be looking at Visakhapatnam, Chennai and Bangalore in the years to come.



Work in Progress

Don't expect a food safety silver bullet anytime soon as the grocery industry continues to work through blockchain's potential and limitations.

By **Jenny McTaggart**

Blockchain is an emerging technology that holds exciting promise for the future of food safety. Consider these major industry headlines from the second half of 2018:

- Software giant SAP began piloting its SAP Cloud Platform Blockchain with farm-to-consumer produce suppliers, including Naturipe Farms, Johnsonville LLC and Maple Leaf Foods.

- The IBM Food Trust blockchain solution became generally available to the industry after 18 months in testing.
- Walmart announced that all of its leafy-greens suppliers must sign on to the technology in a year's time to prevent further outbreaks (and then Walmart's VP of food safety, Frank Yiannas, joined the U.S. Food and Drug Administration as deputy commissioner for foods and veterinary medicine, seemingly to help boost better traceability efforts in the country).



How organic foods are shaping the future of food industry

The practice of bringing in all food products under the organic label will erode the authenticity and genuineness of the organic category. It is therefore crucial for us to build trust to enable growth and sustain this practice. We must begin to focus on our biodiversity and the rare varieties to sustain the organic food industry in a healthy manner.

By K C Raghu

Over the past few years, India has seen a surge in people aiming at a healthy lifestyle. After decades of imbibing foods that were unhealthy, Indians have suddenly woken up to the fact that a sharp change is required in what they eat and drink.

One of the changes that this trend has brought about is a 'return to roots' in terms of food, particularly focused towards organic foods. The organic food trend has primarily been driven by urban metros like Bangalore, Mumbai, and Delhi. The rural population, though responsible for growing the food we eat, has not yet been entirely educated as to the ill-effects of contaminated food. But there is an age-old knowledge of foods and crops among the rural dwellers that works to their benefit. They also have access to fresher fruits and vegetables, which is one of the key products in demand in the urban metros.

People have begun to realize that more than 90 per cent of the lifestyle diseases are avoidable. Health care is growing more expensive, and

METRO Cash & Carry turns profitable in India after 15 years of operation

METRO was the first cash & carry player to foray into India in 2003. Since then it has opened 27 wholesale distribution centers across the country spanning 1.8 mn sq. ft. of gross floor area and catering to over three million customers nationwide. "It has taken us some time to find the right success formula in India but with a focused approach, we have been able to break-even and turn profitable after 15 years of successful operations in India," says Arvind Mediratta, Managing Director & Chief Executive Officer at METRO Cash & Carry India, in an exclusive interaction with Progressive Grocer.

How do you look at the growth rate of the wholesale cash & carry trade in India in relation to the pace of growth in modern retail and how do you evaluate the opportunities and challenges for this format in the country?

With India becoming one of the largest preferred retail destinations globally, the Indian retail market and cash & carry trade are both growing at a fast pace. Digitization has changed the whole landscape of retail and wholesale cash & carry segment. Demonetization and introduction of GST has further helped the organized wholesale and retail segments gain a significant share of pie from the unorganized market, which augurs well for modern retail and cash & carry business.

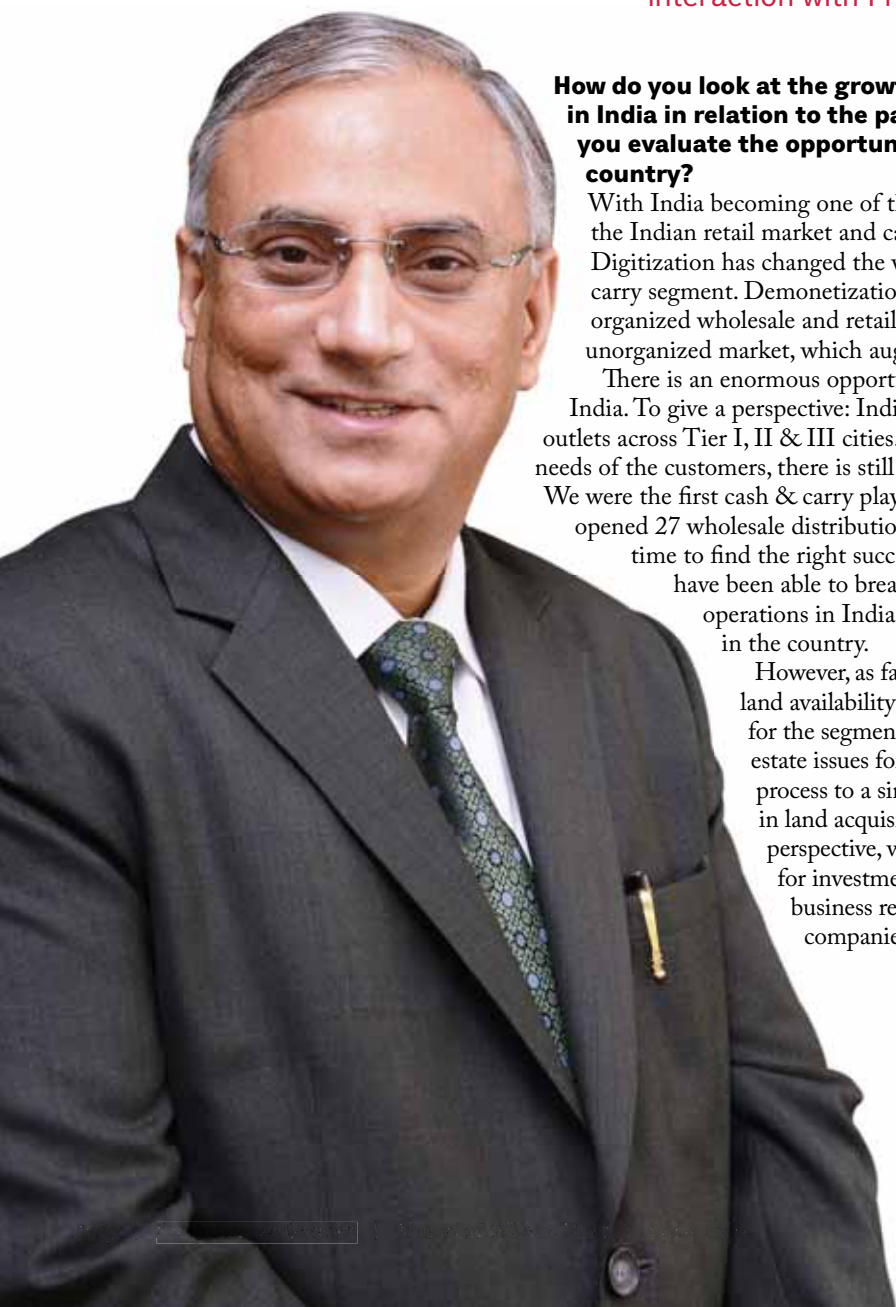
There is an enormous opportunity for the wholesale and cash & carry format in India. To give a perspective: India has a huge potential of about 600 Cash & Carry outlets across Tier I, II & III cities. Considering this sheer potential and the evolving needs of the customers, there is still a huge growth opportunity for this segment in India. We were the first cash & carry player to foray in India in 2003, and since then we have opened 27 wholesale distribution centers across the country. It has taken us some time to find the right success formula in India. With a focused approach, we have been able to break-even and turn profitable after 15 years of successful operations in India. We are committed to profitably expand our business in the country.

However, as far as the wholesale and retail segment is concerned, land availability and acquisition in India still remains a big challenge for the segment to grow. Government should take into account real estate issues for potential investors by streamlining the acquisition process to a single window clearance system and have uniformity in land acquisition regulations across states. Also, from an FDI perspective, we need standardization in labor laws across states for investments. Our labor laws need to keep pace with modern business realities and the Government needs to make it easy for companies to enter India with investments to fuel the economy.



ARVIND MEDIRATTA

Managing Director & Chief Executive Officer at
METRO Cash & Carry India





Reshaping the morning meal landscape

The morning meal is a growing but fragmented meal occasion. For food manufacturers and retailers to operate successfully in this meal space, they need to understand the 'why' behind consumers' morning meal behaviors. Understanding the 'why' behind food and beverage selections provides the knowledge to message to consumer targets in a way that resonates with their individual motivations. Recent market research and analysis support the notion that what we eat for breakfast and how we eat it is evolving amid cultural shifts and emerging trends. Whereas influences like changing health habits, demographics and cost consciousness will continue to alter the choice and consumption of breakfast-oriented foods and beverages, we are also seeing a greater number of choices available even as manufacturers and retailers are aligning product benefits with consumer needs to make consumers connect with their products and stay interested.

By Sanjay Kumar

Providing delightful breakfast foods at affordable prices

➔ **Company and brand profile:** “Tops” by G.D. Foods Mfg. (I) Pvt. Ltd., commenced operations in 1984 and has become one of the largest FMCG brands in the Indian processed food industry today. The brand is committed to providing delightful food experiences for the entire family – from morning to midnight – at affordable prices.

Product portfolio: Tops products are present in 19 product categories – pickles, ketchup, sauces, jams, corn flakes, custards & jellies, ready to cook instant mixes, vermicelli, and more. The brand has a special focus on the breakfast range where it offers a number of SKUs and offerings in different categories – cornflakes, choco flakes, vermicelli, instant mixes and accompaniments such as jams, pickles, and sauces.

Brand USP and differentiator: Tops value proposition is to provide “superior quality products at affordable prices”.

For instance, Tops mixed fruit jam has 60% fruit pulp content as against 46% being provided by the leading national player, which is a testimony to the brand’s quality. Similarly, Tops tomato ketchup has 28% of tomato paste, which conforms to the international standards of the industry.

Key markets: The brand enjoys a prominent national footprint in all trade verticals – General Trade, Modern Trade,

“



With lifestyles becoming busier today, Indian consumers are looking for cereal products that can be had “on-the-go” and comes in innovative packaging that is portable, and makes for easy consumption. Rising adoption of nutritious meal options in breakfast is spurring the demand for cereals, multi-grain products, and foods that include nuts & seeds.

– Nitin Seth
Vice Chairman, Tops
(G.D. Foods Mfg. (I) Pvt. Ltd.)

Institutions, HoReCa, and e-Commerce. The bulk of its business comes from North India and General Trade continues to be the leading contributor to overall sales with Modern Trade, e-Commerce and exports gaining momentum every passing quarter. Tops products are popular

with people of all ages and groups, and housewives in particular who have the dual responsibility of looking after the family’s nourishment needs in addition to managing the household’s budget.

Market opportunity and strategy: Tops marketing approach is to target consumers who are increasingly health-conscious and brand savvy. It employs an array of ATL & BTL activities, which help deliver an emotional connect with the consumer. The brand regularly participates in trade exhibitions and health & wellness events, where it showcases its product range with professional chefs conducting interactive cooking workshops to give audiences an engaging first-hand experience of the products.

In addition, the brand also makes use of conventional marketing tools – TV, print and in-store brand activations – which help to reinforce its brand communication in the customer’s mind. Also, digital activations form a major part of Tops marketing mix, helping it to establish a focused connect with its existing and prospective consumer base.

Tops strategy for entering into any new market is guided by the principle of “staying relevant” to the people of that area and offering products that are in line with the catchment’s disposable incomes.

Way forward: With busier lifestyles today, Indian consumers are looking for cereal products that suit their needs for breakfast, which is “on-the-go” and comes in innovative packaging that is portable and makes for easy consumption. Consumers are now looking for cereals that are fortified with extra vitamins and minerals, options that appeal to families consisting of children, or older consumers whose nutritional needs include added calcium or iron. Rising adoption of nutritious meal options in breakfast is spurring the demand for cereals, multi-grain products, and foods that include nuts & seeds. All in all, the future of breakfast category and cereals definitely looks very promising.



Inspiring Operators

A McKinsey report details strategies for a fast-changing grocery landscape. Independent grocers have already put many of them into practice.

By Kat Martin

McKinsey recently released a report, “Reviving Grocery Retail: Six Imperatives,” outlining the three major factors that are disrupting the grocery industry: consumers’ changing habits and preferences, intensifying competition, and new technologies. Most of the independents honored this month mention at least one of these factors as a driving force behind some of the decisions they’ve made to ensure that their businesses continue to succeed.

To help retailers, McKinsey also offered six solutions that retailers could employ to help address those three disruptors:

1 Define a distinctive value proposition – Convenience, inspiration, value for money: All three of these are right up the independent’s alley. Your stores are typically smaller and easier to shop, providing a quick get-in-get-out shop if needed. “It takes you longer to get from your car to the shopping area in some of the big boxes than it does to walk our whole store,” notes Walt Churchill, owner of Walt Churchill’s Market, in Ohio, and winner in the Outstanding Multistore category. Several operators also offer inspiration; both Gooseberries, in Wisconsin, and Gelson’s, in California, are showcasing new store concepts that are all about spurring shoppers to try new things. Independents further know that value doesn’t necessarily mean the cheapest: Almost all of the winners note that they aren’t the cheapest in town, but they’re the best when it comes to offering value for their products and services.

2 Shape your ecosystem – and either go big or get out: McKinsey’s report noted that technology was the key here, especially winning on last-mile delivery. This is something that BFL Grocery Co., a winner in the Technology category, knows a little something about. The company, which operates several banners near Oklahoma City, is introducing autonomous delivery vehicles that will be able meet customers’ demand for groceries delivered when they want them.

3 Put technology to work in every part of the value chain: This can be anything from self-checkout to digital marketing. Some of the real value, however, may be found in the “back room,” where customers don’t ever see it. Sedano’s, a Hispanic market in southern Florida and a winner for Technology, has introduced an automated hyperlocal fulfillment center that can “shop” 60 items per minute to quickly fill customers’ ecommerce orders.

4 Win back lunch and dinner: Prepared foods or other fresh departments were noted as the key to winning today’s consumer’s dollar. Many of the operators featured in this issue note how they’re using this department to grow sales, but Vintage Grocers and Woodlands Market, both in California and winners for that category, share insights on how their differing operations are using prepared foods to win all three dayparts.

5 Rethink all of your real estate: McKinsey’s report noted that grocers should look at shedding unnecessary stores, something that independents don’t tend to have, but it also suggested looking at how you use the real estate within the four walls of your store. Again, this is something both Gooseberries and Gelson’s had to do with their new concepts. Rob McDougall, CEO of Gelson’s, observes that his team often shrinks the back-room space to add more enticing customer-facing elements.

6 Innovate 10 times faster: This is something all independents excel at doing. They have no long chain of command to approve any needed changes, so if they see something, they can implement it swiftly. Several operators note that they travel around the country and the world seeking inspiration, and can implement ideas almost as quickly as they want.

If you’re interested in reading the whole McKinsey report, you can find it online at www.mckinsey.com. Also, to see how real-life operators are putting these suggestions into action, be sure to read about all of the 2019 Outstanding Independent Operators in this issue. **PG**



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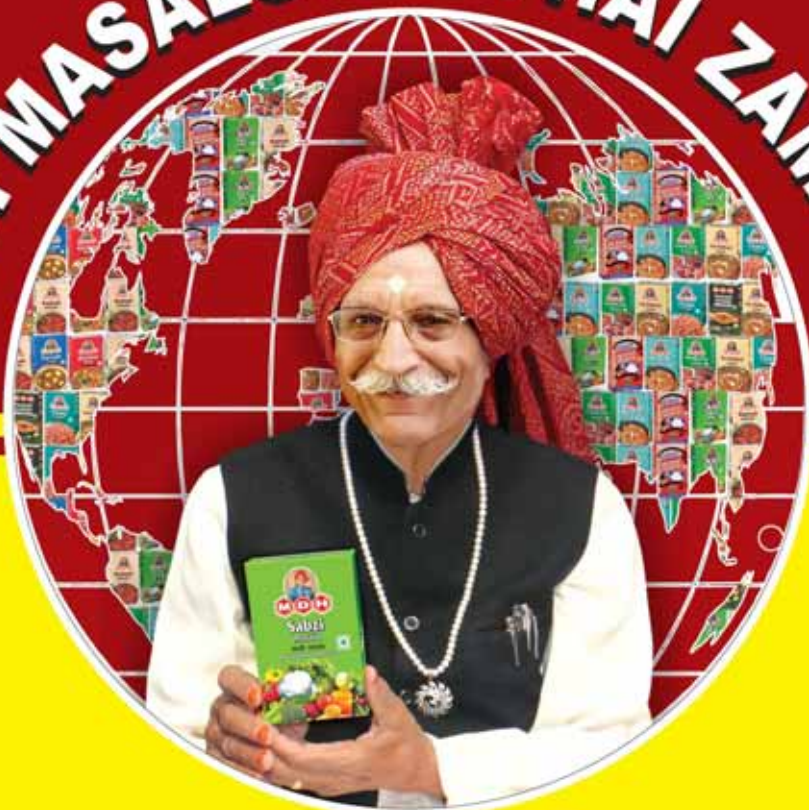
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