

# THE CHANGING LANDSCAPE OF FOOD RETAILING IN INDIA

– By Zainab S Kazi

*The food and foodservice market in India is witnessing a phenomenal change. Alibaba investing in BigBasket, Huzaiifa Khorakiwala of the Wockhardt fame setting up cafés, Amazon India receiving a nod to sell packaged and locally sourced food items, international brands like MooCow all set to give a taste of their frozen yogurts and ice-creams to India and many such instances accentuate the potential of Food Retailing in India. We track the changing dynamics...*

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joint report by National Restaurants Association of India and Technopak Advisors state that the food service market in India is projected to touch ₹4.98 trillion by 2021. These are no small numbers as in 2016, the market was at ₹3.09 trillion, thus India is expecting a growth of 10 percent YoY on an average.

## The Changing Landscape

India recently had Amazon investing \$500 million in its food retail business to sell locally made and packaged food. With Amazon now running successfully and Amazon Pantry too becoming a hot favorite for daily household items and grocery, it is only a matter of time before we have the online retailing giant giving stiff competition to players like BigBasket and Grofers. But the growth seen by BigBasket cannot be negated, especially when Alibaba has received a nod from the Competition Commission of India to invest in them.

Launched in 2014 as a mobile app wherein small merchants could list and sell their products, Grofers has now evolved into an inventory-led online grocery delivery firm with an expanded portfolio of home-care products, apparels and other merchandise. The company's revenue made news in November 2017 where the chief executive officer, Albinder Dhindsa confirmed that the revenue tripled thus putting an end to speculations that they were soon to shut shop /sell the property created. In a news article, he was quoted as saying that 2018 is going to be a breakout year for the online grocery industry with the convenience benefit giving way to value benefit.

Where Amazon is planning an all India roll out from March 2018 onwards, Flipkart has already entered the genre with a soft launch into the grocery business in Bengaluru. Innovative Retail, which runs BigBasket, crossed the ₹1,000-crore sales mark in FY17, doubling its business with a 107 percent jump from ₹527 crore in the last financial year.

According to a report in Kotak, FY 2017 saw Swiggy leading the segment of food delivery platforms, growing its revenues by more than 5 times YoY; Freshmenu, a food kitchen with some delivery operations posted a







124 percent revenue increase followed by Foodpanda, a food delivery company at 63 percent. Zomato's India business posted revenue growth of 91 percent, though this includes contribution from advertising business also.

### The Spiritual Touch

Where multinational giants have long since got Indians used to their products, an unexpected player entered the market and began giving stiff competition to the likes of HUL and ITC. Baba Ramdev's Patanjali Ayurveda has introduced a range of products – from honey to muesli! The brand is available online as well through major market place models and its not uncommon to see them occupying prime space with entire wall racks being devoted to them in majority of the super/hypermarkets. The brand also plans to enter the diaper and sanitary napkin market soon.

Sri Sri Tattva as an FMCG and ayurveda brand by Sri Sri Ravi Shankar is catching momentum at par with Patanjali. They have gone ahead to introduce products that comes with the goodness of ayurveda. Arvind Varchaswi, Managing Director - Sri Sri Tattva

shares, "In the past several years the food business has evolved immensely in India. Consumers are more aware and are keen about natural and healthy substitutes. Packaged commodities are gaining popularity and trust, despite of their volatile price point and lesser shelf life, and this segment has shown a substantial growth in the food industry. Sri Sri Tattva packaged commodities aim at presenting the innovative FMCG products to the market place that demands the same. These commodities are sourced from farms following best agricultural practices. Sri Sri Tattva also aims at transforming the mindset of Indian customers towards the packaged food products by having achieved, high standards of safety, health and hygiene throughout the

manufacturing process and also in packaging."

Varchaswi further talks about their reach across the country stating, "Sri Sri Tattva effectively and efficiently facilitates the trade through its Omnichannel structure. We have channelised our products through general retail stores, modern trade outlets and are also available online through our website [www.srisritattva.com](http://www.srisritattva.com)."

Very soon, we shall also have exclusive outlets of the brand. Revealing information on the same, he shares, "With an increasing demand for the brand's products in the health and wellness space, Sri Sri Tattva will now launch its offerings through exclusive outlets pan India. The franchisee stores will provide an exclusive experience to the shopper looking for high quality, effective and authentic products in Ayurveda and FMCG space. Our franchise model alone as a vertical, will mark ₹400-500 crores in the coming year"

With a roll-out of franchise models pan India in early January, the brand expects to launch 1,000 stores across different formats. The Sri Sri Tattva Mart will carry its entire range of FMCG offerings in the food, personal care and home care categories. It will also carry the herbal OTC range of the brand.



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The second format called Sri Sri Tattva Wellness Place will be focused on health care and will house an Ayurveda Doctor who will provide a detailed diagnosis and prescribe lifestyle as well as ayurveda medicines to patients. Sri Sri Tattva Home and Health, the largest of the three formats will carry the entire range of daily use products as well as medicine and also have an Ayurveda Doctor. It is notable for the brand to have launched more than 350+ products ranging across personal care, health care, home care and incense and fragrance categories and more surprising is the fact that the brand is available in 33 countries across the globe.

Varchaswi adds, "Our front runner products include Health drink Ojasvita, Cow's pure ghee, 100 percent Natural Honey, range of high





quality *masalas* and staples. From the other categories we have Sudanta which is a non-fluoride toothpaste, an anti-acne range of Face wash, immunity builder Shakti Drops and healthy herbal juices.”

Shankara, a luxury brand of the company, offers an array of all-natural skincare products and they are currently available online at [www.shankara.in](http://www.shankara.in).

**The Market Dynamic for Snacks and Ready to Eat /Cook**

To further delve into the segment of niche food products, nachos have gained quite a bit of fan following in India. Cornitos is one leading brand offering nachos in various flavors. Vikram Agarwal, director of Greendot Heath Foods Limited, Cornitos shares, “The journey has been good with our flagship brand, Cornitos with sales increasing annually. Cornitos not only commands a sizeable share in the Nacho Crisps market but has also kept pace with the evolved taste of healthy India. Initially Nacho Crisps was launched in Delhi, Chandigarh, Mumbai, Bengaluru, Chennai and Kolkata. Over the years, it has expanded to Tier II & III towns.”

The brand is growing at the rate of 20 percent YoY and commands more than 70 percent market share in Nacho Crisps Category in the country. It is interesting to take note of the challenges Agarwal and his team faced to make inroads in the taste palate of Indians.

Revealing the same, he shares, “Initially, we have faced difficulties in gaining wide consumer acceptance for these products. Our products at times have even



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– Sanjana Desai, Business Development, Desai Brothers Ltd.

been equated with *papad*. A strong consumer focused approach has helped us create awareness around these products. Consumer preference and choices are changing slowly. This is evident from the fact that earlier Cornitos products were displayed alongside international gourmet products by modern trade channels such as Eazy Day and Spencer’s. Now this has changed, and our products are displayed alongside domestic chips and other snack products.”

Elaborating on the reach



the brand has managed to have across the country, he shares, “Our complete range of products are available in retail, e-retail and modern trade stores. We also have institutional sales across through airlines, HORECA, multiplexes and cafés. Mom and Pop Stores accommodate products that are in demand, smaller in size, premium quality but for budget customers. Cornitos range preferred by them includes Nacho Crisps 30g Packs, Taco Shells, Specialty Sauces, 30g Packs of Roasted Nuts – Cashews, Almonds and Pumpkin Seeds, 26g Packs of Coated Green Peas and Pickles - Jalapeno Peppers & Gherkins.”

With a pan-India presence, Cornitos products are available across 300 cities with over 30,000 retailers. Sale contribution is 40 percent from modern trade, 55 percent from general trade and 5 percent from export sale. Cornitos is one of the few brands exported not only to the US but also Australia, China, Singapore, the UAE and South-East Asia.

Besides the market for packaged snacks, there is a strong potential in the genre of ready to eat/ ready to use category as well. The 2-minute noodles phenomena is fading, giving way to packaged *pohas*, *upmas* etc. Sanjana Desai, Head of Business Development, Desai

Brothers Ltd. – Food Division (Mother’s Recipe) says, “Over the years we observed that culinary skills are diminishing among the youth. The pride of cooking resonates mainly with the older generation. Today’s younger consumers have grown up seeing their mothers use RTC products. They are okay with the even more convenient ready-to-eat (RTE) products. A change in lifestyle – rising dual-income families, diminishing culinary skills and numerous food delivery apps – has triggered a transition from the RTC to the RTE segment. This shift in consumer behavior offers huge market potential for RTC, RTE and instant mix categories. Having said that, the penetration of this category is limited to urban markets, and even in the urban scenario, the consumption patterns are not very consistent.”

Recently, the brand launched ‘mom’s style *poha* on the go’ pack. Apart from this, in the paste category they have revolutionised the packaging by launching convenient tub jar packaging



for our ginger garlic paste. When we see Mother's Recipe entering the segment of ready to eat and ready to use, it makes us think if they are deviating from their core product line - that of pickles. But then that is not the case. Desai explains, "Mother's Recipe as a brand was synonymous with pickle and has always enjoyed a strong brand recall. With consumers being more open about experimenting new and different cross-regional

Over the last decade or so, people do not make pickles at home anymore. Lack of knowledge, paucity of time and availability of proper open space can be attributed as major reasons for this change. This offers huge market potential and has resulted in increased demand for packaged pickles in India."

According to her, pickle as a category in the retailing space has undergone a huge transformation both in terms of product offering and



flavors, we have seen a great traction for region specific packaged pickles. Mother's Recipe was the first brand to offer consumers several variants of region specific pickles, with recipes sourced locally and made in the most traditional way without any chemical preservatives." She further adds, "The consumption of pickles has changed over time, Pickles used to be considered as an essential element of everyday meals. Consumption was higher, and a meal used to be incomplete without pickles. Today's generation sees pickles as an occasional usage product. However, the exposure to various cuisines has ensured that they are consuming more variety and newer flavors and want to experiment with food. Also, with changing times, the traditional pickle making as an art is slowly dying,

packaging. From standard range of pickle to region specific variants to now exotic pickles, in line with the ever-evolving consumer preference. Also, from the packaging perspective the products which once use to be retailed through glass bottles jars has seen innovative and convenient packaging like pouches, pet jars and sachets. She says, "Online retailing has the advantage that people can order and try pickles that they are used to, or newer flavors that may not be available in their respective areas. So yes, the demand for exotic pickles has definitely gone up."

Sharing numbers on the market size for various categories within the ready to eat segment, she says, "Research data from Nielsen suggests that, the breakfast mixes market is growing at 17 percent and is currently



pegged at ₹275 crore. The RTE meals market is currently valued at ₹23 crore. It grew at a compounded annual growth rate of 3-5 percent in the last five years."

Ensuring that the new age customer is well tapped, Desai Brothers have gone ahead to launch their very own portal as well. Desai shares, "Yes, we do have an online store from where people can view and order their favourite items - www.shop.mothersrecipe.com. All our Pickle Pouches, Papads, RTC's, Masalas and Instant Mix ranges are available on our websites as well as on other e-commerce platform. Our presence on all relevant e-grocer sites and our own e-commerce site has helped us increase our depth of product availability."

### Eating Out Culture and Changing Dynamics

To talk about the 'eating out' options, each street today has at least one fast food joint or a fine dining restaurant or an ice-cream parlour/café. Little wonder we see names like the Burmans' of Dabur fame and Khorakiwalas entering into this segment.

Huzaiifa Khorakiwala is working on a startup which is rolling out chain of cafes. According to a news report, the venture, Peace Mission, promoted by him, has opened its first outlet at Wockhardt Hospital in Mumbai. These cafés, called as Peace Cafes, will not just serve delicacies for the stomach but they will also retail specially themed gifts like apparels and accessories. It is believed

that the venture has already broken even with sales of ₹1.4 crore in its first year of operations. Khorakiwala shall be opting for the franchise model of operation and the cities being targeted are Jaipur, Kolkata, Ahmedabad and Mangaluru.

We recently saw the opening of international coffee chain Papparoti in Mumbai. With a presence in over 32 countries, Papparoti set its foot in India getting inspired by the prevailing bun and tea culture and it seems to be betting bit on the response the chain would receive in the country. Bengaluru and Chennai shall soon have an outlet of Papparoti each.

When it comes to cafes, fast food joints, restaurants and especially ice-cream parlors, majority of the players opt for the franchise model



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- Albindeer Dhindsa  
Chief Executive Officer, Grofers



and the above just proves the point. Mumbai's Jumbo King that revolutionized the simple *vada pav* making it look like a *desi* version of the burger, spread itself across the country through the franchise route. Similarly, Natural Ice Creams too made inroads across the length and breadth of the country via the franchisee model. In fact, they are so over loaded with franchisee queries that the WhatsApp status message of Srinivas Kamath of Natural Ice Creams reads – No Franchise Query Please.

To take the case of Kolkata's Pabrai's ice-cream, that has been pampering the taste-buds of ice-cream aficionados across the country, young entrepreneur, Harsha Gupta, Master Franchisee for the brand for the city of Bangalore shares: "It has been a very challenging yet rewarding experience to work with a niche brand like Pabrai's. The challenges of embracing a new premium brand definitely offered lot of lessons and experiences to cherish. Over the last three years we have managed to create a fan following across Bengaluru purely based on the quality of product and service. Our employees both past and present have been instrumental in providing the best experience to our customers which in-turn has spread the reputation far and wide. The loyal customer base we have acquired over the last few years is primarily through word of mouth rather than extravagant advertising spends.

With this we have managed to expand to four stores in three years' time." On what led him to associate with the brand, Gupta says, "Pabrai's manufactures some of the most unique and tasty ice

creams one can have. When I was looking to start a business of my own, Pabrai's offered the perfect combination of a differentiated offering and a potential to become really big. This was one of the prime reasons I got into it."

Out of the four stores in Bengaluru, he owns and operates two and the remaining two are operated by franchisees appointed by his company – HA Foods LLP. The potential that ice-creams have can be seen from the fact that we saw the South Korean Lotte Confectionary took over Havmor for ₹1,020 crore in an all-cash deal.

MooCow is entering India in partnership with FranGlobal, the overseas arm of franchise solutions company Franchise India Holdings Ltd. FranGlobal will be investing \$200,000 towards marketing and advertising and they plan to open 100 stores in key cities across India in the next five years.

One of the key destinations for majority of the fast food brands and cafes is the city of Bengaluru. The city is



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– Nishant Chandran, Chief Executive Officer, TenderCuts

becoming the melting pot of India with a lot of people from different cities across the country settling in there. This most certainly gives a fillip to the food industry in the city. Yumlok, Bengaluru's street food restaurant plans to invest ₹50 crore in setting close to 50 stores by 2020. Yumlok serves specialty cuisines from across the country. For eg. Delhi *chaats*, Mumbai's *pav bhaji*, Bihar's *sattu paratha* etc, apart from other Indianised Western cuisine.

### Exploring the Untapped Market of Meats

With Amazon Pantry, Amazon Now, BigBasket, Grofers etc., the genre of online food has witnessed an unprecedented growth. We see a lot many young minds entering the space with niche offerings like fresh meat, bakery and deserts etc. South Mumbai's Garten Fresh serves chicken and mutton delivered to the customer's doorstep, packed neatly in trays and covered well with cling film. A customer needs to just WhatsApp their order and the same is fulfilled the next morning.

Nishanth Chandran – Chief Executive Officer, TenderCuts shares, "Non-veg consumption has increased as most people are moving towards a healthy protein diet form carbs. The Chennai market alone has been estimated at potentially ₹2500 crore. We believe that the trend of increased meat consumption will get stronger. We will do everything we can to ensure that TenderCuts' success continues for the coming decade as we are getting around 4,000 customers every month and is growing at 100 percent rate for every quarter."

Chandran further adds,



"There is no denying that technology has changed the way we live and TenderCuts is 'tech driven' online meat delivery company and utilizes the latest technology for its betterment. We have launched - Refer a Friend! Where any customer can invite his friend through WhatsApp or Facebook and instantly both get 100 rupees off." 2018 shall see TenderCuts expand their base in Chennai along with entering Hyderabad.

To conclude, it wouldn't be an exaggeration to say that the dynamics of food retailing in India have not just introduced new brands to the country but the with the changing tides, we have also witnessed the local mom and pop stores and restaurants pulling up their socks and being at par with the change.

From offering home delivery option on orders placed on WhatsApp or through a telephone call or tying up with service providers like Scootsy, Grofers, Swiggy etc. they have been quick learners. ■