

Different stores

India awaits the proliferation of speciality food retail.

By Piasi Sinha

Typically, core shoppers of speciality foods are globally exposed urban consumers who seek a wide range to choose from and a luxury association with the products. Rising incomes and evolving lifestyle standards typically create room for premium and specialised food retail.

Apart from retailing imported fresh produce, exotic ingredients and gourmet specialities, fine food stores also often host live demonstrations of gourmet cooking and recipes to build awareness of the concept. The Gourmet Food Bazaar outlet in Select City-Walk, New Delhi is a case in point, as is the 'Live Kitchen' concept evident at Spencer's stores across India.

Movement in the organic food sub-category—virtually a non-existent concept until recently—is also to show. Bon Appetit, a six-year-old firm situated in Pondicherry, south of Chennai, strives to create awareness about the environment and healthy living by promoting organic & health food products. From baby food to condiments, syrups, herbs, desserts, health beverages to pastas, grains and more, this organic and health food store is a speciality concept that extols the virtues of 'natural' in all that it retails. The store has tied up with leading Indian firms, associations and local farmers, and is also associated with Keystone Foundation, an NGO based in the Nilgiris whose mission is to enhance the quality of life and the environment with indigenous communities using eco-development.

Bon Appetit has also tied up with 11 of Europe's most reputed firms to

promote their certified organic food products in India.

Yet another example is that of Navdanya, which started as a program of the Research Foundation for science, Technology and Ecology (RFSTE), a participatory research initiative founded by world-renowned scientist and environmentalist Dr. Vandana Shiva, to provide direction and support to environmental activism.

Navdanya stores sell over 100 organic products produced by over 200,000 farmers it has trained in organic production.

Decoding success

Describing itself as "Your unique grocery store", the Trader Joe's chain in USA offers gourmet foods, organic foods, vegetarian foods, unusual frozen food, imported fresh foods and imported wine. The retailer also offers basics such as cereals, bread, dairy products, coffee, eggs, along with personal hygiene products, household cleaners, pet foods, vitamins, plants and flowers. With 280 stores in 23 U.S. states, the strategy helped Trader Joe's to rack up an impressive \$ 6.5 billion USD in sales in 2007.

Trade Joe's USP remains its assortment of quality products and fair



pricing. The store emphasises on its store brands rather than mass market brands. According to industry experts the chain's success has been driven by its understanding of consumer demographics and its exclusive chain of logistics.

Another success story is Whole Foods Market (WFM), the leading organic and health food retailer with over 270 stores in North America and United Kingdom. Starting operations in 1980, the retailer offers food items that do not contain artificial preservatives, additives, sweeteners or colouring, a whole range of beverages, snacks, pantry staples, frozen food and supplements. Along with grocery the store has departments for bakery, cheese, coffee & tea, meat & poultry, seafood, wine, and baby products, to name a few.

With its unique speciality positioning firmly established, the company is expected to register USD 2.5 billion in 2009.

Though the retail industry evolution in India strongly suggests the growing potential of speciality food & grocery stores, the concept will take time to proliferate and become profitable. "There is certainly a prospect for speciality grocery stores in India, though it could take upto five years to happen," says Purnendu Kumar, associate vice president, Technopak Advisors India Limited.

According to retail experts, driving traffic to an individual speciality store can be a challenge in the current context. "The speciality grocery store is a future format of retail but in the present scenario it looks ahead of time," says Samar Singh Shekhawat, vice president, marketing, Spencer's

Retail. "We don't have a speciality grocery format but we have introduced shop-in-shop formats for certain product categories such as meat & fish, bakery, premium olive oils etc.," he adds.

Clearly, an international format cannot be transplanted to deliver similar results in this highly complex market. But a speciality format can be derived from in-depth analysis of local conditions, buyer behaviour and market insight to deliver the right mix.

"In India speciality grocery stores can be spread across six to eight cities where I think the consumer profile would be viable for such format. Looking at the present scenario, the Indian market has the potential to have 100 individual speciality stores. Simply because the penetration level of is quite low, the segment has the potential to grow at 25-30 percent. But store viability in terms of generating enough traffic, demand need to be analysed," says Kumar.

A key strategic choice would be the right format. Though a large speciality store can occupy 20,000 to 60,000 sq.ft of area, for the Indian market the viable size for a speciality grocery store would range from 1,000 to 2,000 sq.ft, according to analysts. The profitability of a speciality grocery store also depends on factors like effective product range and the ability to generate store traffic.

"One has to analyse the primary catchments areas to understand the demographics, taste, education, spending pattern of the consumers," says Kumar. "Gourmet Food Bazaar in Select CityWalk in Delhi is doing well because the mall automatically draws a profile of customers who are core shoppers for speciality food formats," he adds.

"The biggest challenge for any individual speciality grocery store would be to drive traffic. So, one has to be experimental and innovative in terms of selecting merchandise. A speciality store in India can offer 35

percent products of what an international format offers. So if WFM has 85 different types of cheese, we can have 35. To cater to the Indian palate, a speciality store can offer categories like dairy products, chocolates, deli items, bakery, imported fresh produce and organic produce," says Kumar.

Analysing the potential categories, Sheikawat says, "As the Indian consumer has developed a taste for global cuisine, items like cheese, bakery, caviar, wine, cigars and imported fruits have the potential to attract the young, educated Indian shopper."

"These days, even non-core shoppers are aware about the category. So while offering limited categories, the range of brands has to be wide enough to satisfy the consumer," Kumar points out.

"Indian consumers have to be taught to experience the format. Long term and sustained efforts will gradually develop the category."

This view is endorsed by Rohan Ghosh, president, C3 & Tai Group,

who says, "At C3, at least five percent of the total merchandise is speciality grocery but the offtake of such products has not been so great. Although the category registered a growth of 15 percent last year, with last year being so dismal with extra overheads and high rentals, the margins could not justify the cost."

"We cannot transplant an international format; the basic idea has to be innovated to match the market environment in India. I believe that in India the speciality grocery store will be a mix and match of speciality grocery and speciality food stores with live kitchens, exotic items etc. An individual grocery store offering only wine and cheese or imported fruits or chocolates may not be able to generate traffic but it can be offered with other such items that will draw customer traffic. For the time being, a speciality shop-in-shop inside a supermarket looks more feasible in terms of profitability," Kumar states. ■