

DRIVING YOU NUTS



Specialty Store in Chennai gains a nationwide following

Founded in 1999, Chennai-based Nuts 'n' Spices is a Specialty store that sells a large variety of products such as dry fruits, spices, herbs, health products, sugar-free products, imported chocolates and biscuits, imported dairy products, imported ice creams, frozen foods and many more gourmet products. The 33 Nuts 'n' Spices stores have an average store area of 1,200 sq. ft. with total retail area spanning 40,000 sq. ft. In the last fiscal, the chain grossed a turnover of Rs. 82 crore, which is impressive taking into account its Rs. 57 lakh revenue in the first year of operation.

Progressive Grocer traces the incredibly successful journey of Nuts 'n' Spices since its inception as a small Specialty store to attaining its current cult status as a destination food store for the health-conscious cosmopolitan crowd.

By Sanjay Kumar



SUNIL SANKLECHA

Managing Partner, Nuts 'n' Spices

Nuts 'n' Spices was founded in June 1999 with its first store measuring 600 sq.ft. opening in Nungambakkam, Chennai. With over three generations of experience in the food and grocery business, the retailer currently operates a chain of 33 outlets, all across different locations in Chennai barring one store in the neighboring city of Coimbatore. Its 34rd outlet will open in Pondicherry by the end of May.

Nuts 'n' Spices current owner Sunil Sanklecha had envisioned a store that had a lucrative business in the country considering the numerous change in trends in consumer behavior. Though he had thought

of the idea of a specialty store during the early 1990s, his vision only came into reality by 1999. When the moment came, Sanklecha confidently branched into launching a specialty store as he chose to move away from his grandfather's and father's traditional grocery business model. "It is a more specialized category where we have 3,500-3,600 SKUs across products like dry fruits, spices, orthodox tea, imported chocolates and biscuits, health foods, etc," says Sanklecha, adding that Nuts 'n' Spices own store label contributes about 45-50 per cent of the overall sales today. It has categories like dry fruits, spices and tea. These are our main categories where we do an average of 30-40 per cent sales. The rest are gourmet food and health products."

Dehydrated fruits like kiwi, mango, papaya, pineapple have also been recently added into the product mix. Besides nuts, dry fruits and seeds, Nuts 'n' Spices also offers a range of herbs and seasonings such as oregano, basil, thyme, parsley, mixed herbs, etc. The varieties of spice powders and condiments include Kashmir chilly powder, coriander seeds powder, cardamom, clove, cinnamon, nutmeg, among others. The store also stocks syrups and juices from International and Indian brands. From Pringles

to Doritos to Mumbai's sukhi bhel, low calorie namkeens, oil-free papads, mixtures and other diet snacks for the fitness freaks, the store serves as a one-stop destination for a whole lot of snacking ideas.

"We deal only with food products and don't carry any non-food products. Even in the food category, we don't carry staples, groceries, fresh & other daily needs supermarket products. Our primary focus is on value-added products like dry fruits, nuts, spices and all other premium food products associated with health and wellness," says Sanklecha. "By the end of the day there are statistics to help us, take a call on whether to chase any of the products on sourcing, or whether we need to upgrade certain categories. Ninety-nine per cent of our products have a long shelf life. We do not deal with groceries at all or any fresh products. The only short shelf life categories that we have are curd, ice-cream, etc."

Nuts 'n' Spices also sources and blends the very best orthodox tea. Oolong, black, green, white and black pearls from Darjeeling, Nilgiri and Assam are available in their in-house label, Cup 'n' Saucer. The teas are available in attractive gift packs in velvet bags, wooden boxes and zardosi pouches. Similarly, their variety of areca nuts, mouth fresheners and

The 33 Nuts 'n' Spices stores have a 1,000-1,200 sq.ft. store format and it costs about Rs. 60-75 lakh to set up a Nuts 'n' Spices store, depending on the location. As a premium brand, its preferred locations are places with a cosmopolitan character and with a mix of residential and commercial establishments.

NUTS 'N' SPICES: FACT BOX

- Name of the retailer/ brand name: **Nuts 'n' Spices**
- Headquarters: **Chennai**
- Date of start of operation of first store: **16-06-1999**
- City/ies where the stores operate: **Chennai, Coimbatore, Pondicherry (to open)**
- Retail format of stores: **Gourmet/ Specialty/ Convenience**
- Average size of stores: **1,200 sq.ft.**
- Are the stores self-owned/ rented/ leased: **Partly owned, rest on lease/ rent**
- Investment needed for setting up a store: **INR 75 lakh**
- Time it take for a store to break even: **12-24 months**
- Number of stores currently in operation and where: **32 in Chennai, one in Coimbatore, one in Pondicherry (to be opened)**
- Total retail space under operation: **40,000 sq.ft.**
- Average monthly sales: **INR 6.5 crore**
- Average footfall per day: **Varies from store to store**
- Sales growth y-o-y: **6%**
- Number of employees: **300+**





churans add attraction to the entire range. Apart from all this, the store's value addition comes from its gourmet range of imported food products – pastas, noodles, sauces, fruit spreads, juices & syrup, frozen foods and ice creams. Also, the exotic range of imported biscuits, chocolates and confectionery tempts people from all age groups to visit the store again and again.

In recent years the company has also expanded to another segment – manufacture of sweets under the brand name Indiska Magic – as there is a huge demand of Malai Paneer and Baklava in Chennai. The premium sweets are manufactured at a 10,000 sq.ft. manufacturing unit located in Chennai and the products are supplied to select restaurants in the city. As all the products in this category are perishable, the strategy is to target only the local market. In order to cater to the growing number of internet

shoppers, Nuts 'n' Spices has started its e-commerce portal through which customers can buy all types of nuts and spices at the convenience of sitting at home. "Orders come from all over the country, including places like Gurgaon, Noida, Delhi, Punjab and Goa,"

says Sanklecha. As far as store expansion is concerned, plans are on to set up stores in Hyderabad & Bangalore as well, possibly by end of this year.

The 33 Nuts 'n' Spices stores operate in a 1,000-1,200 sq.ft. store format and it costs about Rs. 60-75 lakh to set up a Nuts 'n' Spices store, depending on the location. "As a premium brand, we always prefer to be located in places with a cosmopolitan character and with a mix of residential & commercial establishments," reveals Sanklecha. While some of the stores are self-owned, the rest operate on a lease or rental model. The stores also operate their own in-house supply chain. All products are sourced from

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across the country from Kashmir to Kerala, and also through various importers in the country.

In the last fiscal, the chain grossed a turnover of Rs. 82 crore, which is impressive taking into account its Rs. 57 lakh revenue in the first year of operation. "We are quite bullish on our offline model for at least another decade or so. But simultaneously, we are also ramping up our online presence and would also like to grow in that segment if it is commercially viable," reveals Sanklecha. "We do not include other products (in e-commerce). The margins are limited and it become a little difficult for us to manage the entire supply chain as logistics is already very expensive," he explains. He confides that he receives multiple enquiries on franchising his brand, but says he has no plans of venturing into it.

Q&A

In a nutshell, please share the exciting phase of the growth journey of Nuts 'n' Spices over the years and how you see its growth trajectory going forward?

The journey of Nuts 'n' Spices started with its first store of 600 sq.ft. opening in Nungambakkam, Chennai, on 16th June 1999. Today, there are 33 Nuts 'n' Spices stores – 32 in Chennai and one in Coimbatore. Another store is scheduled to open in Pondicherry by this month's end. With a mere INR 57 lakh as the first year turnover, we clocked INR 82 crore in the previous financial year. I see both the turnover and store count increase appreciably going forward.

Which are the elements that have become the identifiable hallmarks of your brand?

The concept of Nuts 'n' Spices is its strongest element. The kind of product mix that we carry is our USP.

What is the brand positioning of your stores?

The brand positioning of Nuts 'n' Spices has been in the premium segment from the beginning. We never wanted it to be recognized as another supermarket. Hence, all our marketing strategy has been geared toward strengthening the premium brand positioning of Nuts 'n' Spices.

What is the location strategy for your stores? Which locations do you prefer?

As a premium brand, we always prefer to be located in places with a cosmopolitan character and with a mix of residential & commercial establishments.

What is the average store size? How much investment goes into setting up each store?

The average store size is about 1200 sq.ft., and a Nuts 'n' Spices store requires about INR 60-75 lakh in investment, depending on the location.

Which are the new and emerging categories at your stores and what do you think is driving the demand?

We deal only with food products and don't carry any non-food products. Even in the food category, we don't carry staples, groceries, fresh & other daily needs supermarket products. Our primary focus is on value-added products like dry fruits, nuts, spices and all other premium food products associated with health and wellness.

What are your processes and criteria for identifying new manufacturers, products and categories, and what are your benchmarks for tying up with new manufacturers and suppliers?

We entertain any product, whether Indian or International, only if it can add value to our product line. Our criterion for introducing a new product or supplier is that it should complement and gel with our product line. There are about more than 200 brands waiting to get an entry into our store. But since we are not interested in mass market products, and also due to the space constraint, we can't place them in our store.

What is your private label strategy?

Ever since we started our business in 1999, on a principle basis we haven't entertained any branded products in some categories where we already have our own presence. Dry fruits, nuts, spices, tea & snacks are a few categories where we have our private label products and they account for about 45-50% of our overall sales.

Our primary focus is on value-added products like dry fruits, nuts, spices and all other premium food products associated with health and wellness.

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Our real innovation lies in the product mix and assortment that we sell. We always try to sell products that are normally not available in the supermarkets and we don't stock the kinds of products that shoppers would find on supermarket shelves.

As a specialized retailer, what have been your valuable learnings and experience?

Some of the learnings based on my experience gathered over the years as a specialized retailer include:

- Identifying our core strength with right kind of product mix
- Not to underestimate or overestimate the market
- Right positioning of the brand without diluting the identification/strength of the brand
- Not to deviate/ diversify on the basis of any market temptations

Any noticeable consumption trends for the products in your store that you would like to mention?

The market is always prepared to pay a nominal premium if only we can deliver quality products consistently. Thanks to the country's rapid economic growth till 2014-15, consumer spending and confidence was noticeably buoyant. However, we have observed, especially in the past three years that the purchasing power of the people has come down as the earlier pace of economic growth has slowed down.

Which are the interesting concepts or innovations you have introduced at your stores in terms of merchandising strategy, inventory management, etc?

Since our average store size is about 1,200 sq.ft. and about 30-35% of the products are private label, there is not much scope of innovation in terms of floor

plan, merchandise and display. Our real innovation lies in the product mix and assortment that we sell. We always try to sell products that are normally not available in the supermarkets and we don't stock the kinds of products that shoppers would find on supermarket shelves. We carry only products that offer a value addition to our customers and nor do we carry multiple brands in each category.

Can you share some insights about how you push the boundaries of price-value-quality equation?

Since our strength is retail, to a certain extent we know at what price bracket a product can sell volumes. From time to time we organize promos by giving a price off on products or undertaking wet sampling of the products.



What's in store for the future by way of your expansion? Will you concentrate on growing online or taking your store count up?

We are quite bullish on our offline model for at least another decade or so. But simultaneously, we are also ramping up our online presence and would also like to grow in that segment if it is commercially viable. As far as our store count is concerned, we do have plans of going to Hyderabad & Bangalore later this year.

Tell us about your efforts and initiatives to beef up your omni-channel presence?

So far we haven't spent even a single rupee on digital ads, but going forward we may start with some small initiatives and go for a few experiments and take a call on reviewing our online strategy. **PG**