

COLD SUPPLY CHAIN

Ambient, Chilled, Frozen Movement

The advent of home grown/regional and international QSR brands in India is ancillary to the growth in cold chain logistics. Consumers are more discerning of quality, and to meet demand, QSRs have to take the services of the best cold chain suppliers

by Manisha Bapna

QSR food chains are penetrating deeper into metros and mini metros as the aspirations of the Indian consumer undergo a change, which includes eating out experiences. With the growing number of QSRs, local cold chain companies like Kelvin Cold Chain, Gati, Crystal Logistics and Snowman are seeing their business grow by 15 to 25 percent. Cold chain companies deliver food from centralized kitchens to the brand's foodservice outlets, where minimal cooking takes place. These cold storages are serviced from manufacturing sites or mother warehouses through long-haul refrigerated trucks.

"Storage, packing, picking, grading, sorting, etc, are part of the service delivery chain. This includes pick-up of RTE products, bakery and frozen items, and other ingredients that need to reach their destination fresh. So QSR chains look forward to an end-to-end solution, including reverse pick-up of damaged/expired products from retail stores/restaurants to their source/vendor," says Jasjit Sethi, CEO TCI SCS. The company is geared to take advantage of QSRs growth across India with its integrated pan India service, KPI-based services, GPS tracking and temperature tracking.

"On the supply-side, the entry of international brands, expansion by existing players, and an improving retail infrastructure are expected to ensure strong growth, and increase in demand for logistics companies that have a pan-India

presence," says Ravi Kanan, CEO, Snowman Logistics Limited.

"In addition to meat, poultry, ice cream and dairy segments, we see QSR chains, food processing and pharmaceuticals as potential segments. However, a large number of cold storage projects in different parts of the country are based on old technology, but the modern day user expects advanced systems and hygienic operations at these units," says consultant Krishna Kumar.

Reaching small towns

Currently, metro and mini-metro cities comprise 90 percent of the QSR market, according to Technopak. The QSR industry's expansion to tier 2 and 3 cities is being limited due to lack of proper road connectivity and 24x7 availability of electricity. This is leading to high wear and tear of infrastructure, high depreciation, lack of quality cold storages, no support in case of emergency or vehicle breakdown, non-availability of electric points for running reefer units at petrol pumps or transit parking, etc.

Arabind Das, COO, Godrej Tyson Foods, says "Unlike Europe and USA, most mom and pop stores in India do not have the facility to sell a product at + 5 C or -20 C. Godrej Tyson has been pro-actively investing in the last mile supply chain assets to provide wholesome poultry protein products to the masses, besides investing in back-end supply chain. Incentivizing retailers for these assets through government subsidies would give a



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stimulus to the food processing industry to flourish even in tier 2 and 3 cities, to make quality and affordable products".

"The lack of return loads will continue to hamper growth in rural areas, and at the end of the day, if the clients don't look into dedicated movement, LSPs (logistics solutions providers) will not make margins thus affecting the overall industry," says Sethi.

"In this context, it is very important to identify desirable locations near competitors who have a lower perceived quality or value. It is necessary to pinpoint the desired market and areas where demographic, psychographic, and income characteristics are best aligned with the brand," adds Ravi Kanan.

Delivery challenges

The biggest challenge is to deliver products on time so that the quality, integrity and freshness are intact, with minimum temperature shocks across the supply chain. Freezing (under required temperature conditions) can preserve meat and other food products and retain their wholesomeness and quality for long periods ranging from 6 months to a year. Upon thawing, the quality of the meat should be as acceptable to the consumer as a fresh product.

"Unfortunately, there is a limited number of knowledgeable and trained third party operators despite the increasing number of cold storage projects. Godrej Tyson Foods is being supported by a logistics company in developing refrigerated trucks with lower operating cost. This technology is under extensive trial in Mumbai with plans to expand it to Bengaluru, Chennai and Hyderabad. Our capital investment as well as maintenance of the refrigerated system will be reduced to a great extent," says Das.

At Snowman Logistics, HVAC, Commercial Refrigeration, and Cold Room Parallel Compressor Unit provides thermal comfort and acceptable indoor air quality, and GPS/Data-Loggers monitor the temperature throughout, with real time location of vehicle and logging of temperature details, such that the correct efficiency is maintained throughout the chain. However, the company has to contend with high cost of technology, having sufficient equipment, technical know-how, and creating awareness of their services. Before delivery, proper route surveys are planned to ensure timeliness, and in case of multiple-point deliveries, proper route optimization is done in advance to minimize time and cost. "But when the raw materials, processing area, storage and distribution are all at one place, costs can be saved to a great extent, for instance, price of frozen green peas are not affected during off season because of the efficient supply chain," says the company's spokesperson.

"At TCI, a Control Tower keeps a real time tracking and control on the status of its vehicles for scheduled delivery without temperature abuse; this ensures safety of the products transported.

Additionally, the drivers are incentivized to ensure that transit times are maintained," informs Sethi.

Within cities, smaller trucks are used depending on the traffic regulation, and upcountry product availability is ensured through 'hub and spoke' cold chain storage facilities. "However, due to growth of the processed food industry, India is moving towards a dedicated railway corridor service that will enable chilled/refrigerated rail containers to connect all cities, and provide a cost efficient and timely delivery system," feels Das.

Making progress

Godrej Tyson is growing at the rate of 30 percent and envisages the same growth rate for the next two to three years due to its expansions and development of innovative, affordable, frozen products. "Our frozen products are currently available in 62 cities and we plan to expand to 72 cities in 2015," says Das.

Snowman is operating in Mumbai, Pune, Delhi, Chennai, Bangalore, Hyderabad, Cochin, Kolkata, Vishakapatnam, Ahmedabad, Surat, Ballabgarh, Chandigarh, Phillaur, with a warehousing capacity of 75,000+ pallets, offering both temperature-controlled and ambient warehousing, connecting more than 100 cities and distributing to more than 4,400 outlets.

TCI Supply Chain Solutions is establishing its own network of cold storages at all major metros where these centers will assist Ambient, Chilled and Frozen movement. It also offers sorting, grading, cleaning and packing of stored products to its clients.

The Indian cold chain industry is expected to reach Rs 64,000 crore by the end of 2017, says an ASSOCHAM report. Although government initiatives have been encouraging, it will take time for the sector to become better developed. Managing a food supply chain has inherent challenges that require players along the chain to adhere to stringent practices so that products are safe for consumption when they reach the end consumer.

Unfortunately, the sector has not attracted many private players as they are still grappling with issues on latest technologies, ways to reduce investment and operational costs, and ensure seamless service from farm to retail. Market fragmentation, reverse logistics, highway bottlenecks and check-posts, non-integration and non-standardization across companies and processes, long gestation periods at warehouses, temperature shocks, are other challenges.

The advent of home grown/regional and international QSR brands in India is ancillary to the growth in cold chain logistics. Consumers are more discerning of quality, and to meet demand QSRs have to take the services of the best cold chain suppliers. The entry of international brands, expansion by existing players, and an improving retail infrastructure are expected to ensure strong growth, and increase in demand for logistics companies that have a pan-India presence. ♦♦



Jasjit Sethi
CEO, TCI SCS



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COO, Godrej Tyson Foods Ltd



Ravi Kanan
CEO, Snowman Logistics Ltd

GROWTH PROSPECTS

According to a report 'Opportunities in Cold Chain - Emerging Trends and Market Challenges', India is the second largest producer of vegetables and fruits after China. India (on an average) produces 85MT of vegetables and 45MT of fruits annually. But the country's overall contribution to world trade is quite dismal as it loses 30 to 40 percent of the fresh produce due to inadequate cold storage/transport facilities. Food forms less than 14 percent of organised retail trade in India, while an average Indian middle class consumer spends around 50 percent of his/her income on food and food products. Crisil expects the QSR market to double to about Rs 7,000 crore in 2015-16 from Rs 3,400 crore in 2012-13, driven largely by new stores coming up in small cities.