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Impacts on Food Service Industries Due to COVID -19



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ABSTRACT

The COVID-19 pandemic might affect consumer demand for foodservice industries. These impacts relate to the structure of preferences in the context of a pandemic, income and time constraints, and price effects. Discussion includes accounting for differential impacts of COVID-19 on demand for foodservice across socio-demographic characteristics in India, and several high level issues and observations related to where and how to impact of out of home consumption. My own thinking leads me to conclude that demand side factors will account for most of the changes, we see in Out of home consumption. These demand side effects will be dominated by income effects, the opportunity cost of time, and longer planning horizons on the part of Food Service Business.



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INTRODUCTION

The COVID-19 pandemic is an unmatched episode in the last 100 years of human history. All of Indian society will feel the impact of this pandemic. Beyond the immediate threat to health, employment, and income, food is one area where we will see an impact all across the country.

A night hang out in metro cities and spend time in any bar and restaurants with crowded surroundings, Get together parties had taken over the restaurants on weekdays for lunches and dinners. Feel like celebrations were never end. In the middle of the coronavirus pandemic, it's unfortunate that the restaurant industry is one of the worst-hit sectors. With more than 50 days of lockdown in the country, many restaurants have been shut down, generating hardly any revenue. And even though many restaurants are open for delivery and takeaway, the coronavirus pandemic and lockdown has led to many people not opting to eat out, even if given a choice. According to the National Restaurant Association of India (NRAI)¹ over 20 lakh, Indians may lose their jobs in the restaurant industry amid the coronavirus pandemic. The NRAI represents over 5 lakh restaurants across India, this is a matter of concern, estimated might one out four outlets will be shut down in this predicament situation.

As of March-20, coronavirus disease (COVID-19) has been confirmed in 125048 people worldwide, carrying mortality of approximately 3.4% (By WHO), which create a panic condition in India also, the most effective method to treat the virus to live along (Quarantine) or to avoid with crowd.

SO since 12th of march In India and before that word wide all Food Service Industries(FSI) shutdown, So drastic fall down in out of home consumption has been noticed, Foodservice is one of aggressively growing emerging channel in India and the present market size 4.1 Lac Cr and its estimated 5.52 Lac Cr by 22-23. estimated The present market size from details given in FICCI Report as past and future)², Still FSI serve well they modify their pattern and increase new business line Take away and online business have served well after having fall down in demand, Organized sector will recover early because of high infrastructure cost and can maintain hygiene and quality standard Urban in semi urban towns. Unorganized sector may take time because of awareness & Fear about quality and Hygiene.

The restaurant industry contributed around 3% to the country's GDP, being the single largest employer with more than 73 lakhs people. Well, that was life before COVID-19 decided to precipitation on the carnival. The losses shot as high up as 1, 00,000cr.

The NRAI confirms that the pandemic has already left 5 lakh people jobless and more 15 lakh people are expected to be laid off soon.³ Moreover, industry estimates suggest that one in every four restaurants in India may never open. The biggest question that comes to us now will the Indian restaurant industry ever be the same again. Business experts on their thoughts on the revival of the restaurant industry and here's what they had to say.

The Battle Of Survival The Staff Struggle **Digital dining**



Introduction

A food service system is defined as an entity composed of several systems designed and functioning together to accomplish specific objectives

Simple definition- "Provision of food and drink ready for consumption away from home"



Out of Home Consumption⁴⁻⁵

Food Services emerge as a key segment in Indian economy. Indian Food Services market in India (organized and unorganized) is estimated at INR 3,37,500 cr. in 2017-18 and is projected to grow at a CAGR of 10% over the next 5 years to reach INR 5,52,000 Cr. by 2022-23.

The share of Food Services in Indian GDP is expected to increase to 2.6% by 2022-23 from 2.3% currently on account of its growth at faster pace compared to GDP growth. Also, growth of Food Services market is expected to outpace its growth till now i.e. from 8% to 10%.

Hotel and Restaurants and other food-service providers are so widespread that half of all adults have consuming food at Quick Service Restaurants (QSR's) and other food joint.

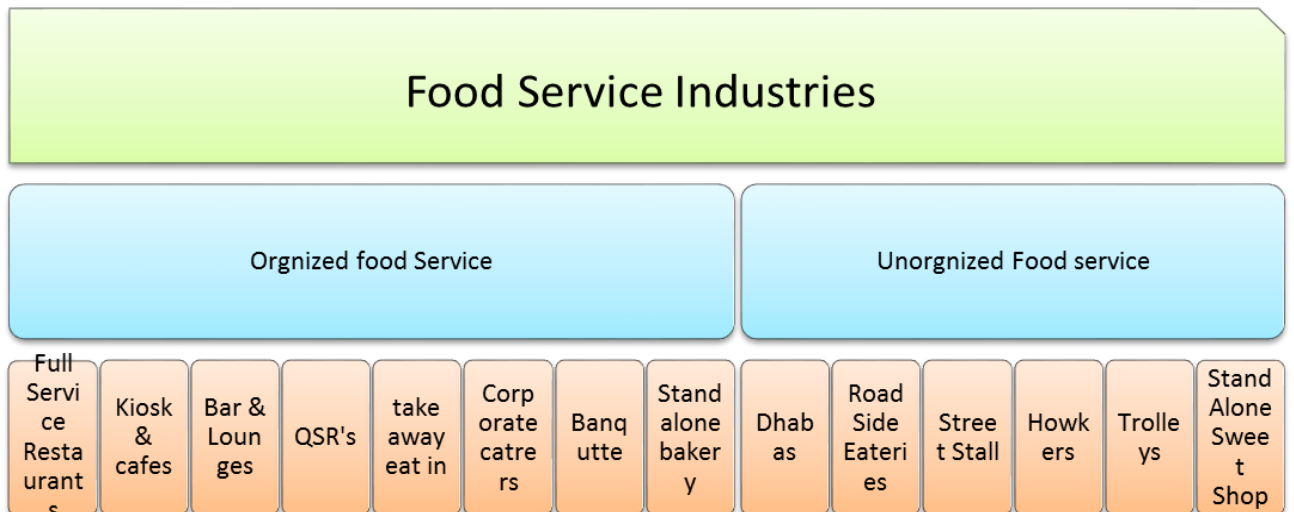


Comfort and entertainment

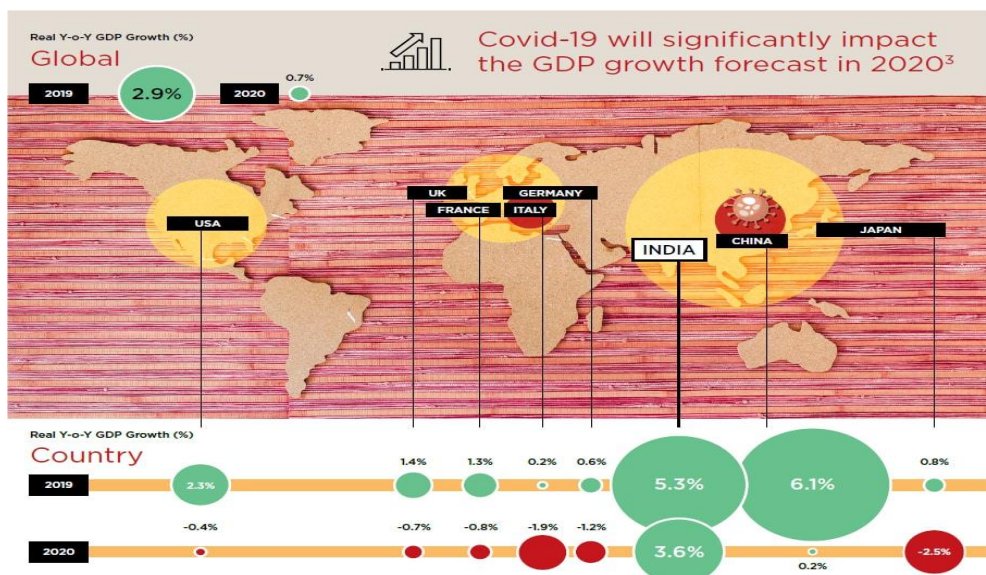
Traditionally, food has a comforting role. During the current COVID-19 pandemic, food will continue to play a major role in providing something for consumers to fall back on when the going gets tough. Even during this difficult period, consumers are getting creative and turning to food preparation for diversion and entertainment, surfing food preparation increased by 250%

Food Service Market- (Organized & Unorganized)

(*Source: Maxima Online; 6park.com*)



How Covid-19 Impact Food Service Market- in other countries⁶⁻⁷



<i>Real y-o-y growth (%)</i>	<i>'19</i>	<i>'20</i>	<i>'21</i>
Gross domestic product			
World	2.9	1.6	3.2
US	2.3	0.7	0.9
Eurozone	1.2	-0.1	1.2
- Germany	0.6	-0.3	1.1
- France	1.3	0.3	1.4
- Italy	0.2	-1.6	0.7
- Spain	2.0	0.7	1.1
United Kingdom	1.4	0.3	-0.3
China	6.1	2.4	5.9
Japan	0.8	-0.4	1.3
Brasil	1.2	1.8	2.4
India	5.3	5.3	6.4
Australia	1.8	1.2	2.3

Source- IMF-Rabo Research- “Global Economic Outlook-COVID-19 has taken hold of the Global economy)⁷

Four Practical Food Service Solutions to Cope with Covid-19⁸

(By report- By Tan Heng hong-APAC Food & Drink Analyst- Details given in references)

Home Delivery

- Restaurants Suppliers and fine dining Restaurants are sifting to home Delivery.

Grocerants-

- Restaurants are also having grocery stores, means selling food and provisions for take away/delivery- Major QSR;s and Online companies are already started in China and in India also Companies like JBL/Swiggy/Zomato are having tie-up with ITC/Fortune/Nestle/MTR etc.

Frozen Meals-

- Food Service brands are selling frozen ready meals in bulk for HH to eat throughout the week.

Table for one-

- Brands are developing individually portioned meal kit and recipe boxes to appeal to those living alone.

Covid-19 impact on different food Industries¹¹

Industry	Current Industry Scenario	Post Covid-19 Scenario (After Dec-20)
Biscuit Industry	Production capacity achieved-70% of Pre Covid Level	Production capacity utilization will reach around 90% (expected)
	National Brands were struggling with supply chain but regional or small players gained market share. Overall Industry Sales declined by 30-35%	Cities-Bigger pack sizes will be preferred, Rural- Small pack sizes will be preferred to conserve Cash
	Cities- Bigger pack sizes preferred, Rural- Small pack sizes preferred to conserve Cash	Products focusing on Immunity enhancement will be introduced Eg. Turmeric Biscuits, Vitamin enriched biscuits
	Direct Supply to Retailers/Customers(D2C) and Societies through in house App	Focus will shift towards Digital platform (Ordering through app) Companies will focus on rationalizing the SKU (80:20 Pareto Principle)
Noodles Industry	Production capacity achieved-40% of Pre Covid Level	Production capacity utilization will reach around 80% (expected)
	Reduction in consumption as major target segment i.e Hostel/College students, bachelors and kids are consuming home cooked and healthy food	In long term Branded market share (Nestle, ITC) will make up the volume
	Out of home consumption has drastically reduced as small eateries, restaurants and outlets are closed	Unorganized market, street food, small eateries, South Asian cuisine restaurants will remain impacted
Table Margarine	Production still not started	Business will start picking up during winters but will be affected as Table Margarine is majorly consumed in Dhabas and small restaurants
Savoury Snacks Industry	Production capacity achieved-50% of Pre Covid Level	Production capacity utilization will reach around 90% (expected)
		Sales will increase as people will start travelling (sold at Bus stand, Railway Stations) and more preference will be given to packed snack food
Chocolate Industry	Production is around 50% (Branded)	Growth in healthy snack bars (Will introduce Immunity enhancing compounds in the chocolate/ snack bar)
Ice Cream Industry	Frozen desert production is almost nil	Ice cream industry will introduce Immunity boosting compounds (Vitamin C)

Non Dairy Whipping Cream	Production around 20%	Will remain affected because cafes, hotels will open but people will be reluctant to visit Cafes and stay in hotels
	Affected because hotels, cafes etc. are closed	
Bakery Products	Production around 40% with reduced working time	Hygiene factors will be of paramount importance
	Majorly unorganized Industry and hygiene factors are not maintained, Production mostly done by migrant labors	Ready to bake dough (Frozen Dough) will be introduced reducing the manpower required
	Lesser production of Cakes, Muffins and pastries due to short shelf life and huge reduction in demand	
	Premium Bakery products sales is majorly impacted	Counter Sales will remain affected
	Production shifted to Bread, Rusk and Bun	
Food Service	Demand reduced by 50% due to closed restaurants, QSRs and Frying Industry	Might shift to economical food variants because of high infrastructure cost.
	QSR's are working at 20% efficiency	They introduce Healthy menu in packed packaging.

Reduction in Monthly demand for Essential Food products-

- The monthly demand for edible oils in the country has fallen by 30 percent, even though at home consumption of cooking oil shot up by 20-25 percent, according to the Indian Vegetable Oil Producers- Association (IVPA), apex organization of vegetable oil producers in the country.
- In other essentials food products demand fall down by 70% in foodservice and increase by 50% in retail sector, 4-50% demand shifted to retail.

(Sources while discussion with Different Market Sources)

By ET Retail – 74% Customers avoid to Visit Restaurants.

- Fear of catching Coronavirus is paramount as 87% they don't want to visit restaurants and 61% reluctant to spend on eating out.

Change in Market trend-

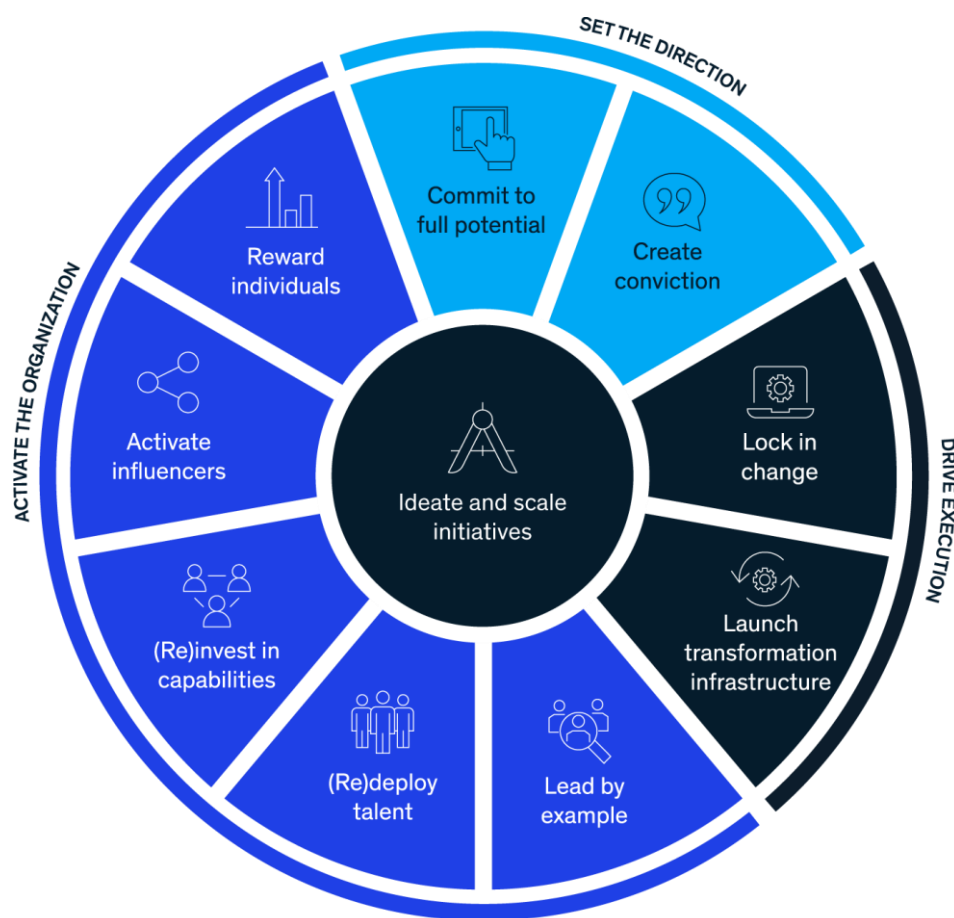
- On Line Business – food delivery/ On Line Orders are continuing, Restaurants to steer Delivery & takeaway model impacted to recovery post lockdown.

- Swiggy Started Home Delivery of Alcohol, Amazon Launches Food delivery Services in India.
- QSR industries will be normal by Nov-Dec-20.
- Standalone outlets Restaurants/Sweetshop/bakery will grab more business share from Takeaway and online business.
- Dineout and Zomato have begun conversations with restaurants to adopt contracting dining products.
- NRAI- Declared nearly 70% fall in the Food Delivery Business.
- Swiggy shut down \$24.5 Million Cloud Kitchens, closed some private brand kitchen & Lays off 1100 employees.
- FS Key Customers like-Rebel Foods which operates Fassos and Behrouz Biryani and Impresario's Smoke House- have Introduced DIY meals targeting consumers who are cautious about ordering cooked food based on different diet plan- DIY kits are very popular in US, also planning to launch "Ready to Cook" option from marinated Foods.
- Domestic hotel industries fall down by 20% in Q1.

Suggestions for fast recovery after opening the Food Service outlets⁹

One of the biggest things that is going to define how the restaurants make a comeback is consumer behavior; which is expected to change drastically. "There will be a paradigm shift in the way people live post lockdown and restaurants will need to adjust to that for future.

Firstly of course, the restaurants will have to put the right processes in place to maximize hygiene and sanitization and minimize any risk to customer or staff. This would have to extend to all supply chains, staff and restaurant processes," says AD Singh, founder and Managing Director of Olive Group of Restaurants.



As Suggestions Ten critical step to driving¹⁰ the Food Service Business for successful implementation -

1. Commit to full potential.

-An Outlet must be determined to achieve its full potential, measured by both performance and quality parameter, which includes.

- To visualize its potential,

- A firm needs a detailed baseline analysis,

- Aspiration to achieve ambitious goals.

2. Create conviction.

-An outlet must engage all employees with a compelling change story that explains the ongoing change.

-The story must be crafted to excite employees by persuading them that this change will be meaningful for them.

-Convey this change story, Employer need a sophisticated communication strategy using different channels to reinforce the drumbeat of this message.

3. Deploy talent.

-For a successful transformation, Employer positions the right talent in critical roles.

-Leaders must identify the talent they'll need to lead this transformation and decide where to deploy them.

-may possible for some employees, this could require changing career-progression plans.

4. Lead by example.

-leaders must align around, and serve as role models for, the transformational change, often altering their business practices and behaviors.

-The Firm must be aware of the challenge this poses and be willing to help these leaders evolve.

5. Activate influencers-

- Change must also come from the bottom up,
- individuals will use their networks to build excitement,
- Participation, and activity from the ground level up.

6. Invest in capabilities.

- Transformation plans require significant capability building like
- Development and refinement of new executioner skills,
- Functional abilities, and leadership traits
- Identifying the most effective learning techniques,
- Firm can teach people the skills they need to improve their performance.

7. Reward individuals.

-Successful transformation needs a system of incentives—both financial and nonfinancial—to motivate the behaviors that will help to achieve the expected goals.

8. Hardwire change.

- Transformations often require new ways of doing things.
- Create a plan to design or use the tools, technology, processes, and operating models needed to support change.

9. Design and scale initiatives.

- Design a portfolio of initiatives and make sure that each is robust.
- Sequence the execution of these initiatives to maximize impact while at the same time
- Should not forget to figure out how to scale these initiatives to be sustainable.

10. Launch a transformation infrastructure.

-Every transformation effort needs top flight governance and performance-management system to oversee implementation.

- Creating a Firm- maximizes the likelihood that every aspect of its plan happens on decided timelines.

Post Lock- Foodservice

- Dineout and Zomato have started conversation with Restaurants owner to adopt contactless dining products. That may increase cost by 4%-5% and stricter social distancing norms may see dine out occupancy fall by minimum 20%.
- DIY meals and “Ready to Cooks” can play good road in coming time and new line of business in India.
- 61% are reluctant to spend on eating out, Indian are known to be Food Lovers out with colleagues, family and friends.
- Food Delivery App and Take away will be popular in coming time, also HH grocery can be added with home supply by this year, may possible a new line created like Zomato.
- Assuming Things will be start normalizing after July-20.

Possible Future trends in Food Service Industry¹¹

- Pre-packaged food trays, vending machines and contactless dining practices will become the order of the day, replacing traditional food courts, live counters and shared resources like microwaves and coffee machines in office cafeterias.
- Ready to Cook and DIY meals (targeting consumers who are cautions about ordering cooked food based on different diet plan) will become popular.
- Digital delivery and pre-order takeaway will gain prime focus of restaurants.
- The crisis will drive a renewed push towards contactless options in payment, ordering, and delivery. Smartphone ordering options will become a necessity, whilst more restaurants

will begin offering pickup with minimal human contact. As restaurants become more like vending machines, actual vending machines will proliferate.

- As consumers become more concerned about hygiene, they will move from street vendors to the organized sector with keen preference for delivery model.
- QSR will collaborate to widen menu and reach post lockdown eg. Wow, Momo Foods and Cafe Coffee Day tie up in an effort to piggyback on each other stores network and widen menu of rivals that don't sell competing products.
- Restaurants will having grocery stores, means selling food and provisions for take away/delivery.
- Restaurants will use Internet of Things and hardware solutions to automate high-touch point tasks, like tea counters and manual kitchen processes.
- Dark Kitchens will make more sense than Pre Covid-19.
- Established brands will get the bigger chunk of the pie driven by trust factor.
- Restaurants in Malls will be badly hit in short and medium term.
- Brands are developing individually portioned meal kit and recipe boxes to appeal to those living alone.

SUMMARY AND CONCLUSION:

The COVID-19 pandemic holds a number of implications for food Service Industries in India. The first is a need to focus on maintaining and enhancing supply chain elasticity. The just in time supply chain model is efficient and effective under normal circumstances, which can full fill the takeaway and on line of demand if required they may merge with other essential food products also. Experience in the early stages of the pandemic suggests that this model may be vulnerable to short run disruptions caused because of interruption in demand. Nevertheless, once the initial demand shock subsides, these Foodservice chains have shown themselves to be responsive, future efforts to enhance resilience through strategic inventory management plans and flexible procurement strategies will be important.

By observing above all

- The monthly demand for edible oils in the country has fallen by 30%, even though at home consumption of cooking oil increased by 20-25%.
- The major issues faced during Covid-19 Pandemic are Labor Shortage and Supply chain Issues. As majority of migrant labor has left for their native places, the Production capacities and supply chain will remain affected till end of this year.
- Out of home consumption will remain affected as people will be reluctant to step out of their homes pertaining to health concerns.
- Consumers will pay close attention to hygiene and their **awareness to improve immunity** is expected to surge.
- The need for business travel and use of office spaces will see a dramatic decline.
- Post Covid-19, we are looking at the new consumer who is healthier, caring, frugal, more conscious, less mobile, and yet more productive.

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