



IJSRM

INTERNATIONAL JOURNAL OF SCIENCE AND RESEARCH METHODOLOGY

An Official Publication of Human Journals



Human Journals

Review Article

November 2020 Vol.:17, Issue:1

© All rights are reserved by Arun Kumar Lal et al.

Development of an Organized Food Service Structure for Indian Market



Arun Kumar Lal^{*1}, Arvind Saraswat², Mamatha S P³, S.B.Puranik³

¹Research scholar OPJS University, Churu, Rajasthan,
India

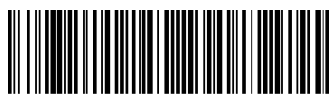
²Research Guide OPJS University, Churu, Rajasthan,
India

³Drishti Institute of Distance learning, Bangalore, India

Submission: 25 October 2020

Accepted: 31 October 2020

Published: 30 November 2020



HUMAN JOURNALS

www.ijsrm.humanjournals.com

Keywords: FSA Food Systems Approach, GDP, HRI (Hotel Restaurants Industry), FDI (Foreign Direct Investment)

ABSTRACT

Indian food service industry is ranked among the ten largest retail markets in the world. The attitudinal shift of the Indian consumer and the emergence of organized foodservice formats have changed the face of retailing in India. With the sign of recurrence of economic growth in India, growing customer buying (having outside food) in food Service sector is being projected as a key opportunity area. As a consequence, Indian corporate houses are refocusing its strategic perspective in foodservice marketing with the idea to use resources optimally in order to create core competence and gain competitive advantage. The paper theme is to analyze finer strategic perspective for the food service sector in India and suggest measures so that the corporate strategists could incorporate the same both qualitatively and quantitatively. Based upon the qualitative judgment, a retail unit may be given an overall understanding about the expected performance that can further be corroborating by quantitative analysis. The food service trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. Organized food service is showing signs of enormous creativity. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. As a matter of fact food service in India is gradually edge its way towards becoming the next boom industry. This paper provides detailed information about the growth of food service industry in India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in India and how the urban and semi-urban food service markets are witnessing significant growth. The paper includes growth of food Service sector in India, strategies, strength and opportunities of food service outlets, foodservice format in India, recent trends, and opportunities and challenges. This paper concludes with the likely impact of the entry of global players into the Indian Market.

INTRODUCTION

The Indian Hotel Restaurants Industry (HRI) sector continues to expand, as consumers increasingly demand a greater variety of food and beverage products at hotels and restaurants. Consumer demand for healthier and natural food options has become a major trend that the sector is working hard to accommodate. The ongoing growth of household incomes along with a shift in tastes and preferences by Indian consumers presents a great opportunity for high-value food and beverage imports to penetrate the Indian market.

India is the world's second most densely inhabited country with a population of 1.3 billion of which 62.3 percent is below the age of 35. The median age in India is 27.1 years. India's GDP is expected to grow 7.5 percent in Indian Fiscal Year 2019-2020 and already exceeds \$2.9 trillion. The economy is on track to become the world's third-largest economy by 2025. Food processors, importers, wholesalers, retailers, food service operators, hotel and restaurants are all part of a massive agribusiness sector. Apart from being a large food producer, India's bulk, intermediate, consumer-oriented, and agricultural related imports grew from \$24.6 billion in 2014 to \$24.9 billion in 2018.¹

The "Make in India" program encourages manufacturing development as a major goal. Although India was ranked 130th out of 190 countries in the (World Bank's Doing Business 2017 Hotel Restaurants Industry report), the country made progress since 2014 by implementing several business friendly laws and the country is on the verge of instituting a nationwide Goods and Services Tax (GST) to replace existing state-by-state taxes and duties. In addition, the country's food safety authorities are looking at a move to more risk-based inspection of imported items. Despite efforts to improve business and trade, the government of India has not lowered tariffs or noticeably improved access for imported food and agricultural products over the past several years.²

India's bulk, intermediate, and consumer-oriented; fishery and forestry imports grew from \$13.2 billion in 2009 to \$25.3 billion in 2015. Imports of consumer-oriented foods, led by tree nuts and fresh and dried fruits essentially have doubled since 2009 to \$4.5 billion in 2015. India's food and agricultural exports jumped from \$16.8 billion in 2009 to \$35.06 billion in 2015. India's HRI sector is benefiting from India's relatively strong economic growth, stable political environment,

foreign investment, rising incomes, high aspiration level, a young population, increasing tourism, and changing consumer consumption patterns. While opportunities for foreign food exporters to supply into the HRI sector are improving, the market for imported food products continues to be relatively small due to high tariffs, ongoing import restrictions, and strong competition from the domestic industry.

According to Euro monitor International, India expects to see median incomes per household increase by 90 percent in real terms from 2015-2030. This will not only bring discretionary spending power to large groups of new potential foodservice customers, but it will also help transition India from a “bottom of the pyramid” market towards a middle class consumer market with greater and more sophisticated dining-out demand.

Hotel industry

India has a huge hotel sector, but only a small percentage of hotels are considered three stars and above as part of organized food service. The hotel industry in India, partially organized and majorly unorganized caters to ~1.8 Billion domestic travelers and 9-9.5 Million foreign travelers. About 55% of organized hotels in India belong to 3-star or higher categories. Tamil Nadu and Uttar Pradesh account for more than 35% of all domestic tourist visits in India.

Air traffic reform in India, initiated in 2005 with the rise of low cost carriers had a major role in driving the hotel industry growth in India. As a result, the tourism industry in India has been growing and has vast potential for generating employment and earning foreign exchange. Among five most important hotel ownership models globally, franchise and lease and license models are now getting increasingly popular in India as compared to owned hotels category. Over the past five years, the 2-3-star hotel occupancy has grown at the highest (~7%) rate YOY. A large chunk of that can be attributed to the growth in organized hotel industry in India. The Indian organized hotel industry market size was estimated at ~11,920 Cr. INR (\$1.7 Billion) in 2019 and average annual revenue/room was ~\$12,400 per annum. Post COVID, revenues will decline by ~48% in 2020 YOY but the market will also see a sharp recovery in 2021 and 2022 led by domestic leisure tourism. The share of organized sector is expected to increase from ~5% in 2019 to ~8% in 2025 on account of growing pipeline from bigger brands and inventory reduction in unbranded hotels due to COVID. In the organized hotel industry in India, the Indian consumer internet

market is largely concentrated in urban and affluent cities. As a result of that, most of the online bookings for hotels are done by residents of tier-1 and tier-2 cities. The operating margin for budget and mid-category hotels is between 18-25% in India, which can be even lower considering heavy discounting by online hotel aggregators and thus the market will always need high inventory and >60% occupancy rates. Foreign tourist arrival led to FOREX earnings of ~\$30 Billion in 2019. Bangladesh, US and UK accounted for ~21%, 14% and 10% of all arrivals respectively in 2019. Expanding compulsory quarantine for a minimum of 14 days by passengers coming from International countries coupled with travel bans issued for many countries as a measure to prevent the spread of Covid-19 resulted negatively for the tourism industry of India this year. India has a robust domestic market which could soften the impact as compared with nations that rely largely on international tourists. India receives 11 million foreign tourists, which is small compared to its size and relative potential. At least 24 million Indian tourists travel abroad each year and spend an estimated \$25 Billion. Most of the below 3-star hotel industry in India is catered by economical range of hotels i.e. which offer rooms at \$20(1,400 INR) / night or less. The premium segment i.e. >\$100(7,000 INR) per night makes up for less than 5% of total market. This is the reason OYO has been able to scale up its operations so rapidly in just 6 years of its existence. OYO majorly caters to urban domestic travelers. For domestic travelers, traditional and emerging themes of tourism including nature, heritage and cultural, religious, adventure, medical and wellness, wedding have been a key attraction.

Systematic growth, maintenance and sustainable development of tourism destinations and focus on promoting emerging avenues of tourism will be essential towards unlocking its true potential. In October 2019, OYO announced that it was planning to raise \$1.5 Billion in its upcoming funding round, to expand its position in the US and Europe. In FY 2019, OYO had a net loss of \$332 Million on revenue of \$900 Million, China operations accounted for ~40% of overall losses. The annual filing also stated that OYO will post a profit in its India and China operations starting 2022. As per OYO, in the final six months of 2019, its China operation could generate a loss of ~\$175 Million in EBIDTA. Data and Artificial Intelligence (AI) technology are also bringing revolutionary changes on the supplier side of the hotel industry globally. In India, personalized hotel recommendations and better promotions are now possible via hotel's online reviews and is happening on a much bigger scale now as compared to few years ago. AI is also finding application in improving sustainability. For example, in Sep 2019 JW Marriott took the

initiative of going 'plastic-free' with its Artificial-Intelligence technology-based water treatment and purification plant.

Key Highlights of Hotel Industries ³

- 1. The organized hotel industry in India market size grew at ~4% CAGR between 2015-2019. The demand from domestic travellers remains a bright spot and thus the mid-scale hotel segment (\$45-\$65 ADR) holds higher growth potential.*
- 2. COVID will directly impact business travellers, both domestic and International and revival will only begin by Q2-2021.*
- 3. Post COVID, due to growing promotion of Hindu mythology related destinations by central and various state governments, the industry can expect a boost in spiritual tourism in under penetrated markets of North and East India.*
- 4. The branded hotel room inventory in India has grown at 7.4% CAGR in 2014-2019. Total inventory in Sep 2020 was ~135,000-140,000 units.*
- 5. Majority of the new hotels are now being built in tier-2 cities, outskirts of tier-1 cities and less explored leisure destinations. Going by Pre- COVID announcements in June 2019-March 2020, Radisson India has one of the biggest pipelines in the Industry of ~1,900 rooms.*
- 6. IHCL remains the market leader by a significant margin accounting for more than 38% market share in 2019 but its revenues have grown at just 1.4% CAGR in past 5 years.*
- 7. Lemon tree and Chalet Hotels have grown their revenue at ~18% and 17% CAGR respectively in past 5 years.*



Competition with international Brands:

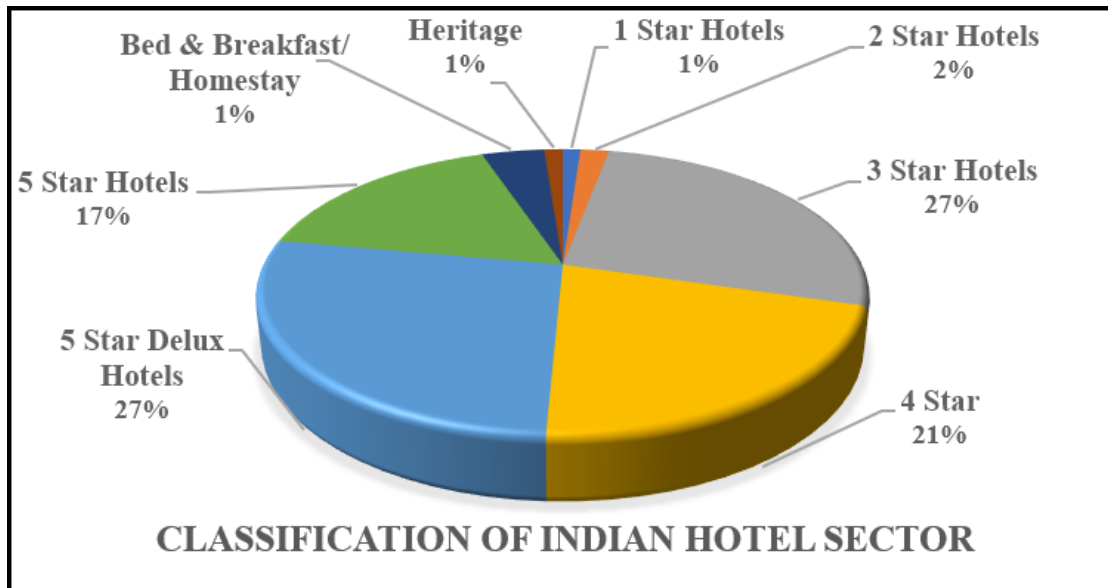
In the branded hotel category, Marriott International with the merger of Starwood Hotels and Resorts, has outpaced Taj hotels palaces resorts safaris (including Ginger) to hold the largest hotel inventory in India. IHCL and ITC Hotels are the most popular operators with a very wide presence. Chalet Hotels Ltd (CHL) and lemon tree hotels are scaling up rapidly post COVID-19. In 2019, CHL launched a successful IPO in early 2019. It also decided to scale up partnership with Marriott Intl by signing 5 new contracts in Dec 2019. Choice Hotels India, a wholly-owned subsidiary of the US-based Choice hotels international, is looking to open 11 new hotels in India, mainly in Tier-II and -III cities, in 2020. At present, it has 32 operational hotels in India. Radisson South Asia Pvt. Limited is aggressively expanding its presence and as per annual filings generated a Revenue of 75 Crore (~\$11 Million) in FY 2019. Chicago headquartered Hyatt hotels corporation currently has 32 hotels across 20 cities under its eight brands in India. In 2019, it had announced that it will open 11 new hotels in India by the end of 2020. It is also looking at expanding in tier II and tier III cities in coming years. Tamara hotels will be investing INR 350 crore (~\$50 Million) in Tamil Nadu and Kerala by 2022 and plans to take its room count to 1,000 by 2025 from ~300 at present.

The major players in hotel industry in India are-

1. IHCL

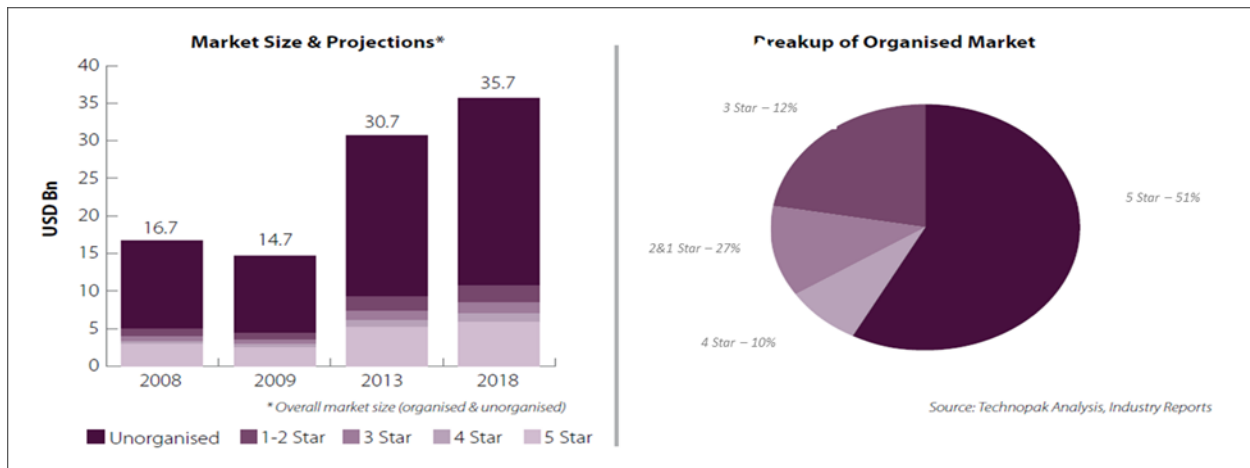
2. Chalet Hotels
3. ITC Ltd
4. Radisson Hotels (South Asia) Pvt Limited
5. Intercontinental hotels group (India) Private Limited
6. Wyndham
7. Lemon tree Hotels Limited
8. EIH Associated Hotels Ltd.
9. Bharat Hotels Limited

Profile of organized food service in India- Hotels



India has a vast hotel sector, but only a small percentage of hotels are considered four stars and above. The overpowering majority of hotels are small, traditional outlets that provide economical accommodations and source all their food locally. According to the survey conducted by the Federation of Hotel & Restaurant Associations of India (FHRAI) there are over 2,503 hotels and resorts in India that constitute the “organized” or modern sector. Nevertheless, as foreign and domestic travel has increased in recent years, the number of modern hotels that carry at least

small amounts of imported foods on their menus is on the rise. Furthermore, hotels are able to obtain a special license that enables them to purchase food and beverage items (and other items such as equipment and furniture) duty-free subject to their foreign exchange earnings. Hotels tend to use the duty-free licenses to purchase the items with the highest import tariffs and may not use the licenses to purchase food.



Classification of Hotels-⁴



Hotel rating is based on a scale of 1-5 stars, 5 stars means the highest level of services, 1 star means the lowest/poor standard. Five-star system helps to classify hotels according to their quality and makes that it is easier to compare them. Hotel star rating system is used almost all over the world, but there are some exceptions e.g. in the USA instead of star system, **diamond system** (AAA Five Diamond Award) is used. In England, in addition to star system there exists **crown system**. Despite the existence of other systems, the star system is an essential tool to rate hotels.

Different countries have different requirements for hotel standard. The same number of stars not

exactly means the same in other country:

- ***** Five-star hotel (luxury) – provide the guests with the highest level of accommodation and services. The highly qualified and multilingual staff (receptionist, concierge, page boy, doorman etc.). Reception and room service opened 24 hours. The lobbies are spacious, the rooms complete with stylish furnishing and quality linens. There are various amenities and facilities to meet the needs of most demanding customers. Locations of the 5* hotels can vary from the very exclusive locations of a suburban area to the heart of down-town.
- **** Four-star hotel (first class) - provide the guest with the level of service above average. The rooms are spacious and they are well lit and furnished. Room service and other facilities and amenities are present. The highly qualified staff. Hotels are usually located near shopping malls or city centers, there are dining areas and other major attractions.
- *** Three-star hotel (middle class) - provide the guest with the average level of services. Large, well-appointed rooms and decorated lobbies. They are often located near major express-ways or business areas, convenient for shopping trips, have moderate to high priced attractions.
- ** Two-star hotel (economy) – It is usually small to medium-sized and conveniently located. The facilities typically include telephones and TV's in the bedroom.
- * One-star hotel (budget, tourist) – small hotels managed by the proprietor, usually have a more personal ambiance. In the room, there are only basic equipment. Poor standard of services.

Exception from the five-star system:

- ***** Seven-star hotel - The Burj Al Arab hotel in Dubai (described as "the world's only seven-Star hotel")



Hotel Classification System in global group-4

(Hotel Stars system)	Australia	Germany	India	Portugal	South Africa	USA
Implementing	AA Tourism on	Under the	A voluntary system	National Tourist	Tourism Grading	American
organization	behalf of Australian Auto Club	patronage of HOTREC,	implemented by the Hotel and Restaurant Approval and Classification	Board	Council of South Africa (TGCSA)	Automobile Association (AAA)
		Hotel Stars Union was established in 2008 with seven countries. Now has fifteen countries.	Committee under the auspices of the Ministry of Tourism and Hotel Associations			
		The system is implemented under the auspices of the national hotel associations				The AAA was selected from multiple systems as it is best known and with

						greatest coverage. Evaluates 33,000 premises annually in USA, Canada, Mexico and the Caribbean.
Nomenclature	One to Five	One to Five Stars	One to Five Stars	One to Five	One to Five	One to Five
	Stars	plus a “Superior” award where the standards are just short of the next highest rating. A Garni is awarded for hotels only offering breakfast.	plus Five Star Deluxe	Star	Star	Diamonds
ISO /	Through Tqual - the Australian quality Assurance system	Mystery Guests are used to check service and comfort quality	No	No	No	No
Independent quality assurance						
Criteria and implementation	The criteria were updated in 2013. and comprise 216	270 criteria. Some of which are mandatory with	144 criteria. Self-assessment followed by formal	139 criteria. Self-assessment followed by	947 criteria. Self-assessment followed by formal	199 criteria revised in 2013 to reflect evolving industry

	criteria over five	emphasis on:	application and	inspection by the	assessment by	trends and guest
	key areas: Facilities, Services, Cleanliness,	Quality management; Wellness,	assessment by the Classification Committee	National Tourist Board.	TGCSA. The quality level	Expectations. Approval granted first then assessed
	Quality and Condition.	Sleeping, Accommodation.	composed of ministry and association	The measurement is based on the presence or	of the elements is included.	For Diamond rating. In addition there is a
	Each area is weighted to reflect importance to	The measurement is based on the presence or	representatives. The measurement	Absence of the criteria.		Third section for four and five diamond ratings. This
	The guest, e.g. Bedroom 25% weighting; Recreation facilities 12% weighting. The cleanliness and the quality level of the elements are included.	Absence of the elements. Revised criteria as of January 2015.	 is based on the presence or absence of the elements.			includes the four and five diamond hospitality service expectations within the following areas: Reservation, Arrival and Check-in Evening Housekeeping Room Service Departure Services
						The quality level of the elements is included.

Most recurring criteria in 4 and 5 star hotels across European and global groups Most recurring criteria in 4 and 5 star hotels

Most recurring criteria in 4 and 5 star hotels across European and global groups		Percentage Recurrence				
CRITERIA		4 star		5 star		Average (%)
		Europe (%)	Global (%)	Europe (%)	Global (%)	
MISCELLANEOUS	Maximum number of floors before lift is mandatory	90	83	93	83	87
	AC or ventilation in public areas	45	83	80	83	73
	Heating option in room	59	67	85	67	69
	Rooms with adjustable AC	24	67	83	100	68
	Sporting facilities		50		67	29

Most recurring criteria in 4 and 5 star hotels across European and global groups		Percentage Recurrence				
CRITERIA		4 star		5 star		Average (%)
		Europe (%)	Global (%)	Europe (%)	Global (%)	
FOOD AND BEVERAGES	Dinner service restaurant	69	83	93	100	86
	Room service breakfast	69	83	83	100	84
	Room service offer	76	83	90	83	83
	Beverage offer lobby area	86	83	76	83	82
	Breakfast requirements	97	67	97	67	82
	Bar	72	83	86	83	81
	Room service beverage offer		83	66	100	62
	Lunch service	10	33	52	83	44

Most recurring criteria in 4 and 5 star hotels across European and global groups		Percentage Recurrence				
		4 star		5 star		Average (%)
		Europe (%)	Global (%)	Europe (%)	Global (%)	
R E V I E W S	Fax available	72	100	72	100	86
	Wake-up service	69	100	72	100	85
	Laundry service	86	67	93	83	82
	Hotel Information (a – z)	79	83	83	83	82
	Internet available in public areas	55	92	69	92	77
	Public phone in lobby	83	67	83	67	75
	Iron board & iron	34	67	72	83	64
	Guest PC	59	67	62	67	64
	Photocopying available	52	67	52	67	60
	Shoe polish service/machine	62	50	72	50	59
	Daily newspaper available	72		83	67	55
	Ticket and transport service	31	17	76	50	43
	Daily cleaning & change of linen on request		83		83	41
	Turn down service	3	17	62	67	37
	Message delivery service		67		67	33
Business centre		67		67	33	

Measurable criteria in global group Hotels Chains-

CRITERIA	4 star	5 star
Front Office operation	19 hours	24 hours
Number of floors before lift is required	1,8 floors	1,8 floors
Number of towels per person	2,2 towels	2,4 towels
Room service operation	16 hours	24 hours
Room size single room	14 m2	18 m2
Room size double room	16 m2	20,5 m2
Bathroom size	3,4m2	4 m2
Language skills front of house	2 languages	2,3 languages
Bed size single bed	92 cm * 200 cm	92 cm * 200 cm
Bed size double bed	163 cm * 200 cm	177 cm * 200 cm
Number of power sockets in room	2,8	2,8
Suite requirements	Min 1	Min 2

Restaurants Industry in India:

Food Services Industry is classified in two segments: organized and unorganized based on following three key parameters-

- (i) Accounting transparency
- (ii) Organized operations with quality control and sourcing norms,
- (iii) Outlet penetration.

The food services outlets that do not conform to the above three key parameters would be categorized under the 'unorganized' segments. This segment primarily comprises of dhabas, roadside small eateries, hawkers and street stalls.

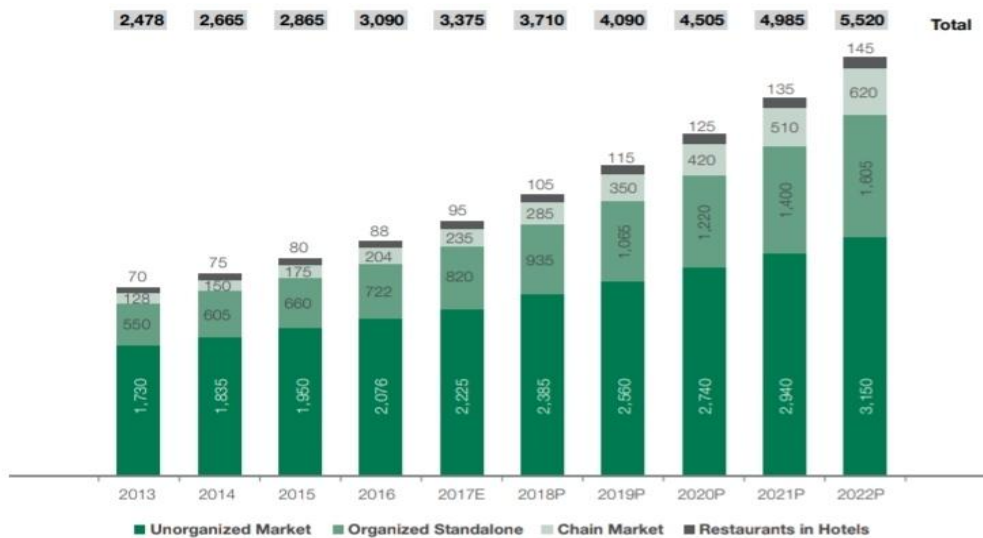
The organized segment conforms to above three parameters and is further classified in Chained and Standalone formats. Chained formats are domestic and international formats with more than three outlets present across the country.

The Chained formats are further classified in six sub segments based on price (avg. price per person), service quality and speed, and product offering. The sub-segments are: Fine Dining, Casual Dining, Pub Bar Club & Lounge (PBCL), Quick Service Restaurants (QSR), Cafes and Frozen Desserts. The size of the Indian food services market in India (organized and unorganized) is estimated at INR 3,37,500 cr. in 2017 and is projected to grow at a CAGR of 10% over the next 5 years to reach INR 5,52,000 cr. by 2023.

A large percentage of the restaurant sector in India is “unorganized” where small restaurants and street-side stalls are common. According to information from the Federation of Hotels and Restaurant Associations of India, there are approximately 1,137 restaurants in the “organized” or modern sector, which is defined as restaurants with more than twenty seats and a restaurant menu. There are an estimated 63 foreign restaurants brands across India compared to 57 in 2015. (Refer to January 2018).

Institutional: The institutional food service sector comprises catering services for event organizers, Indian armed services, railways, ships, airlines, hospitals, schools, government meal programs, prisons along with government and corporate offices. Cost is a major consideration, and procurement of most food and beverage requirements, including the imported goods, are purchased through local importers or distributors rather than directly from the source.

Indian Food Services Market Size (INR ‘00 cr.)

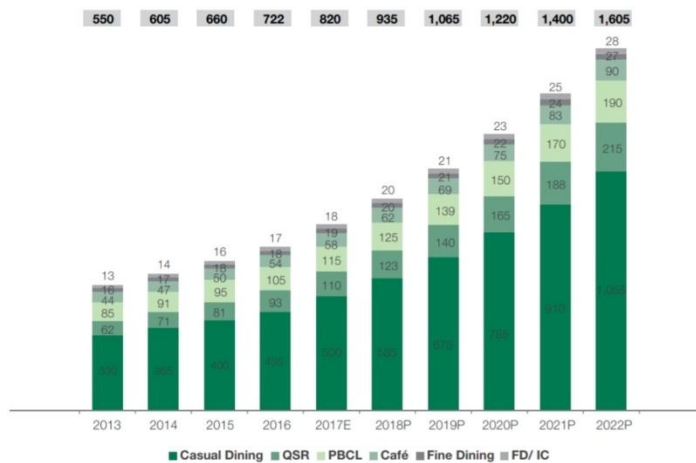


Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The unorganized segment’s share in the Food Services market reduced from 70% in 2013 to 66% in 2016 and is projected to fall to 57% in 2023. This is the case as many unorganized businesses are moving towards the organized sector.

The organized market (chain and organized standalone outlets) is estimated at INR 1,15,000 cr. in 2017 and is projected to grow, at a CAGR of 16%, to reach INR 2,37,000 cr. by 2023 gaining a share of 40% from 31% in 2017.

Organized Standalone Market in India- The organized standalone market is the largest organized segment with a market share of 24% in 2017. The segment is expected to grow at a CAGR of 14% from INR 82,000 cr. in 2017 to INR 1,60,500 cr. by 2023.



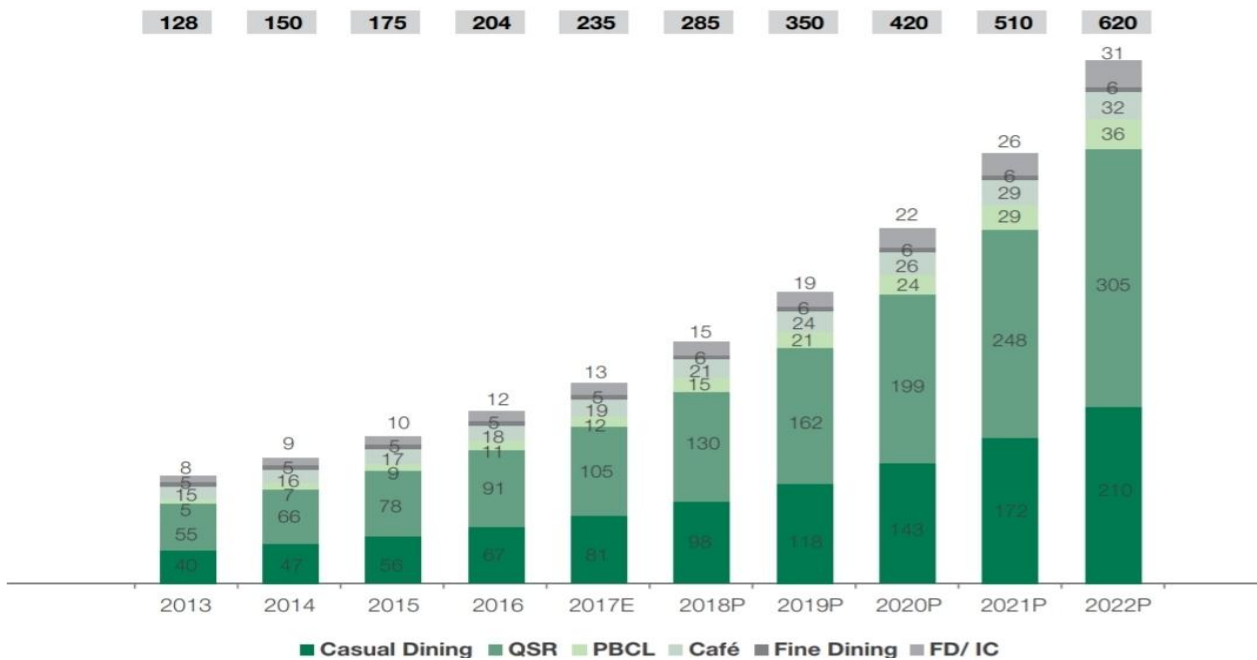
The Casual Dining Restaurants at INR 50,000 cr. in 2017 formulate around ~61% of the organized standalone market and is growing at a CAGR of 16% to reach INR 1,05,500 cr. (66%) in 2023 followed by QSRs growing at 15% to reach INR 21,500 cr. in 2023.

Organized Standalone Format's Market Share & CAGR

Format	Market Share (%)			CAGR	
	FY 2013	FY 2017	FY 2022P	FY 2013-17	FY 2017-22
Casual Dining Restaurants	60%	61%	66%	11%	16%
Quick Service Restaurants	12%	13%	13%	15%	14%
PBCL	15%	14%	12%	8%	11%
Cafés	8%	7%	6%	7%	9%
Fine Dining Restaurants	3%	2%	1.5%	4%	7%
Frozen Dessert/ Ice Cream	2%	2%	1.5%	8%	9%

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The chain market is expected to grow at a CAGR of 21% to reach INR 62,000 cr. by 2022 from INR 23,500 cr. in 2017. QSRs have the maximum market share followed by casual dining restaurants.



In the chain market, QSRs and CDRs constitute 79% in 2017 and the same is expected to grow to 83% by 2022.

QSRs will be driving the growth based on the operating model, where centralized commissaries and robust supply chain will be help in attaining deeper penetration in Tier II and Tier III cities.

The market share of CDRs will remain the same at 34% in 2023. However, the segment will grow at a healthy CAGR of 21% to reach INR 21,000 cr.

The growth for CDRs will be fuelled by more CDRs in the chain segment making inroads in Tier II and Tier III cities., Also, as the food services market has evolved over time, each format caters to a distinct primary target group and occasions. Within the eating out space, the CDR segment is best placed in the overall chain segment based on pricing, wholesome offer and involvement of the entire family.

Apart from convenience and quick bites, the consumers are also looking at experiential format due to higher disposable income and changing eating out habits.

CDRs continue to be a popular format in Tier I and Tier II cities along with the metros and mini metros.

Chain Market Format's Market Share & CAGR

Format	Market Share (%)			CAGR	
	FY 2013	FY 2017	FY 2022P	FY 2013-17	FY 2017-22
Casual Dining Restaurants	31%	34%	34%	19%	21%
Quick Service Restaurants	43%	45%	49%	18%	24%
PBCL	4%	5%	6%	24%	23%
Cafés	12%	8%	5%	6%	11%
Fine Dining Restaurants	4%	2%	1%	2%	3%
Frozen Dessert/Ice Cream	6%	6%	5%	13%	19%

The chain market is dominated by the international QSR brands operating in India such as Domino's, McDonald's, KFC, Pizza Hut, Burger King etc. The overall share of international

brands in terms of outlets in the chain market is around 37%, contributing 45% share to the total revenue in chain market. For the International brands, the QSR segment is the maximum revenue contributor with around 70-75% share followed by CDR, whereas in the domestic segment, the market is dominated by CDRs with around 50-55% revenue share. Home grown players like Moti Mahal Delux and Sagar Ratna dominate the value segment in casual dine market whereas brands like Barbeque Nation, Sigree and Main land China are the key players in the premium space.

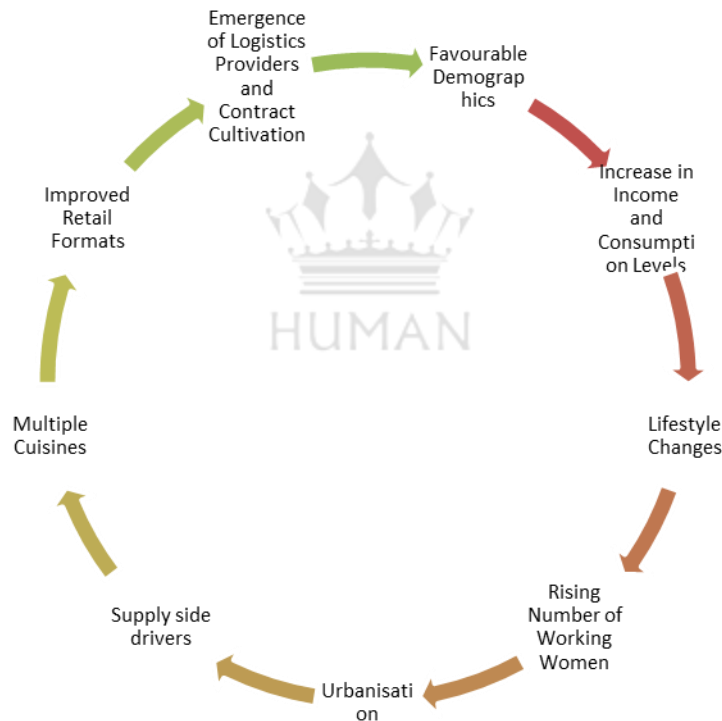
Revenue Growth of Key Players (INR ‘00 crore)

Company/Brand	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	CAGR 2013-16
QSR						
Jubilant Food Works/ Domino’s	14.15	17.35	20.95	24.40	19.35	20%
Westlife**/McDonald’s	6.80	7.40	7.65	8.35	9.3	7%
Conaught Plaza Restaurants/McDonald’s	7.45	7.20	7.25	7.30	NA	-1%
KFC	12.50	12.85	12.50	12.25	NA	-1%
Subway	3.55	4.35	5.60	6.80	NA	24%
CDRs						
Pizza Hut*	6.00	6.50	6.90	6.25	NA	1%
Specialty Restaurants	2.25	2.65	3	3.21	2.37	13%
Barbeque Nation	2.75	3.60	4.40	3.95	NA	13%
Café						
Café Coffee Day	10.75	11.85	11.25	12.45	9.32	5%

Pizza Hut revenue includes revenue from both formatsWestlife revenue of 12 months in FY 201-Source: Website of Jubilant Food works, Westlife, Specialty Restaurants, Coffee Day Group and Industry Sources*

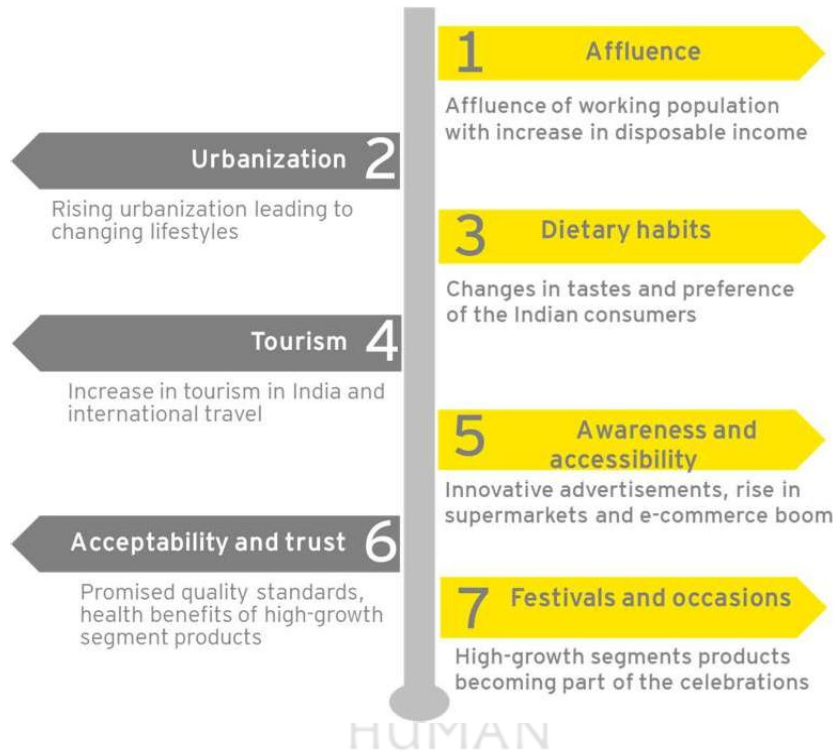
The top eight cities in India have been the center of development, especially for organized food services. Due to increased economic activity, rising disposable incomes, a greater need for convenience and an increasing women workforce, the chain food service brands have done well in these cities. The two mega metros, Delhi & Mumbai, contribute a total of 22% (11% each) to the food service market. The 6 Mini-Metros constitute ~20% of the food service market, while the rest of the contribution comes from the Tier I & II cities along with the rest of India.

Factor driving organizing Food service growth-



- High percentage of young and working age population driving the growth of food business
- Demographically youngest consumer market (33% of the population is younger than 15 and 50% younger than 24)

- Largest working age (15-54 years) population (will rise by 135 Mn by 2022, India to soon have 20% of the world's working-age population)
- More than 50% Population younger than 24 Years



- More Than 33% population younger than 15 years.

Urbanization in India is happening at fast pace, with every sixth person getting urbanized globally is an India. India is second largest urban community in the world after China, with an urban population of about 430 mn (2015).

It is estimated that by 2020, 35% of India's population will be living in urban centers and will contribute to 70 – 75% of India's GDP.⁵

Urban India will see growth in households where both husband and wife work. Higher income and lesser time will fuel growth of eating out and ordering in and many players have recognized this and offer value meals or combos for this target segment.

Smart Cities initiative by Government to create new ‘urban clusters’ will also expedite urbanization in India.



Emerging Cities in 2025



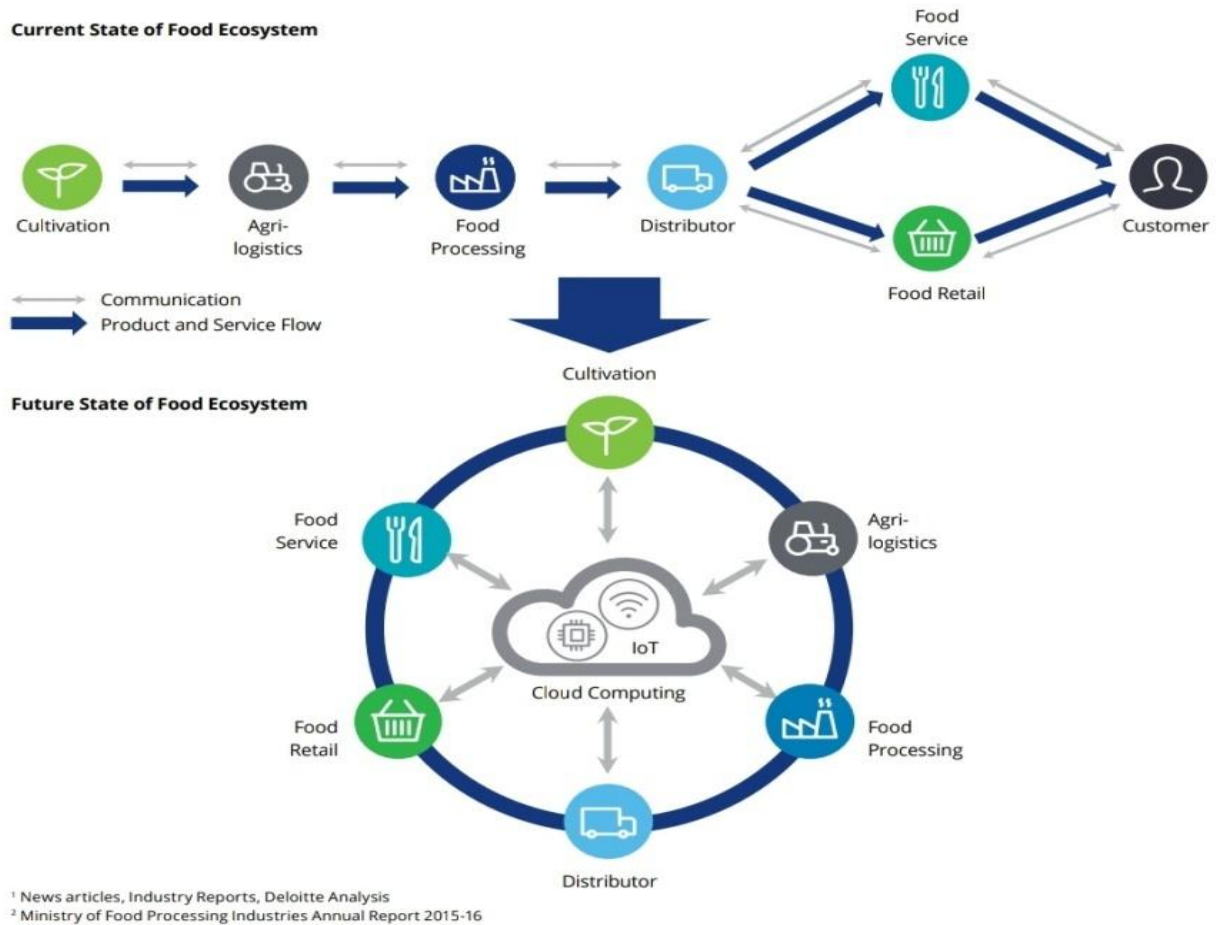
Number of days in a year spent by an Urban Indian Couple on various activities⁶

Food ecosystem in India-Current and future-⁷

The Indian Food Service universe (including organized and unorganized segments) has grown at a 7.7% CAGR over last three years and is expected to grow at a rate of 10% over the next five years. The growth in Food Services has provided impetus to allied industries. Key allied industries which support Food Services and have benefited from its growth are-Agriculture and Food Processing-

- Supply Chain and Logistics

- Real Estate
- Kitchen Equipment and Commissary



Major highlights of the major Products requirement by Organized Food Industry-⁸

The major sub-categories in food Service Industry comprise staples (rice, wheat, oilseeds, pulses & sugar), alcoholic beverages, fresh fruits & vegetables, dairy, non-alcoholic beverages, chocolates and confectionery, ready to eat segment, breakfast cereals and bakery products, frozen foods and food additives.

Segments/Criterion	Major Highlights of the Sector
Rice	Rice is majorly consumed in loose and unbranded form sold through wholesalers and local mom and pop stores.
	The overall domestic market and consumption volume is estimated at USD 44.2 billion and 99.1 million MT respectively with approximately 5-10% in the organized segment.
Wheat	The wheat milling is largely unorganized with over 300,000 small scale millers operating in the country.
	The overall wheat consumption is estimated at 79.1 million MT. In the branded flour market, the segment is valued at around USD 0.8 billion.
Oils & Fats	The domestic market size and consumption of edible oil in the country during 2013-14 is estimated at around USD 24.4 million and 20.7 million MT respectively.
	Out of this around 8.0 million MT is domestically produced while around 60% of the total demand is met by imports (primarily Palmolein, Sunflower and Soybean Oil) mostly in the crude form.
Sugar	The industry is largely dominated by co-operative mills operating in Maharashtra and Gujarat and private players in Uttar Pradesh, Karnataka etc.
	The overall Indian sugar industry is valued at around USD 13.0 billion in value terms and 24.3 million MT in volume terms.
Pulses	India is the largest producer of pulses in the world with production of 19.0 million MT (2013-14 estimates).
	The main regions with highest production of pulses are Maharashtra, Karnataka, Madhya Pradesh, Uttar Pradesh, Gujarat and Andhra Pradesh.
	The consumption of pulses is estimated at 22.5 million MT.

Alcoholic Beverages	India is the 3rd largest liquor market in the world and more than one-fifth of alcohol produced in the world is consumed by Indians.
	The size of alcoholic beverages industry is 7.0 billion liters in volume terms including country liquor.
	In value terms, it is estimated at USD 35.0 billion at consumer prices in the year 2013-14. This includes alcoholic beverages sold through both retail and foodservice industry. ⁷
Fresh Foods	The fresh foods segment is the largest segment in agricultural production in India amounting to 258 million MT. The industry is dominated by the unorganized segment with more than 90% market share.
	Fresh fruits and vegetables accounts for 95% of the segment followed by meat or poultry and fish & sea food accounting for 2% and 3% respectively.
	The domestic market size of marine industry is estimated at 8.0 million MT translating to approximately USD 10.5 billion in the year 2013-14.
	The domestic market size of poultry is estimated at USD 12.3 billion with domestic consumption of poultry meat being 3.7 million MT during 2013-14.
Dairy	Indian dairy market is amongst the largest and fastest growing market in the world. The domestic market size of the industry is around USD 60.0 billion.
	The industry is still predominantly unorganized with only 20-25% of milk production being routed through the organized channel.
Beverages	The overall market of soft drinks industry is estimated at 16.7 billion liters translating to USD 8.6 billion.
	The Indian hot drinks industry is mainly dominated by two hot beverages i.e. tea and coffee. Tea continues to be the most popular beverage in India followed by coffee.

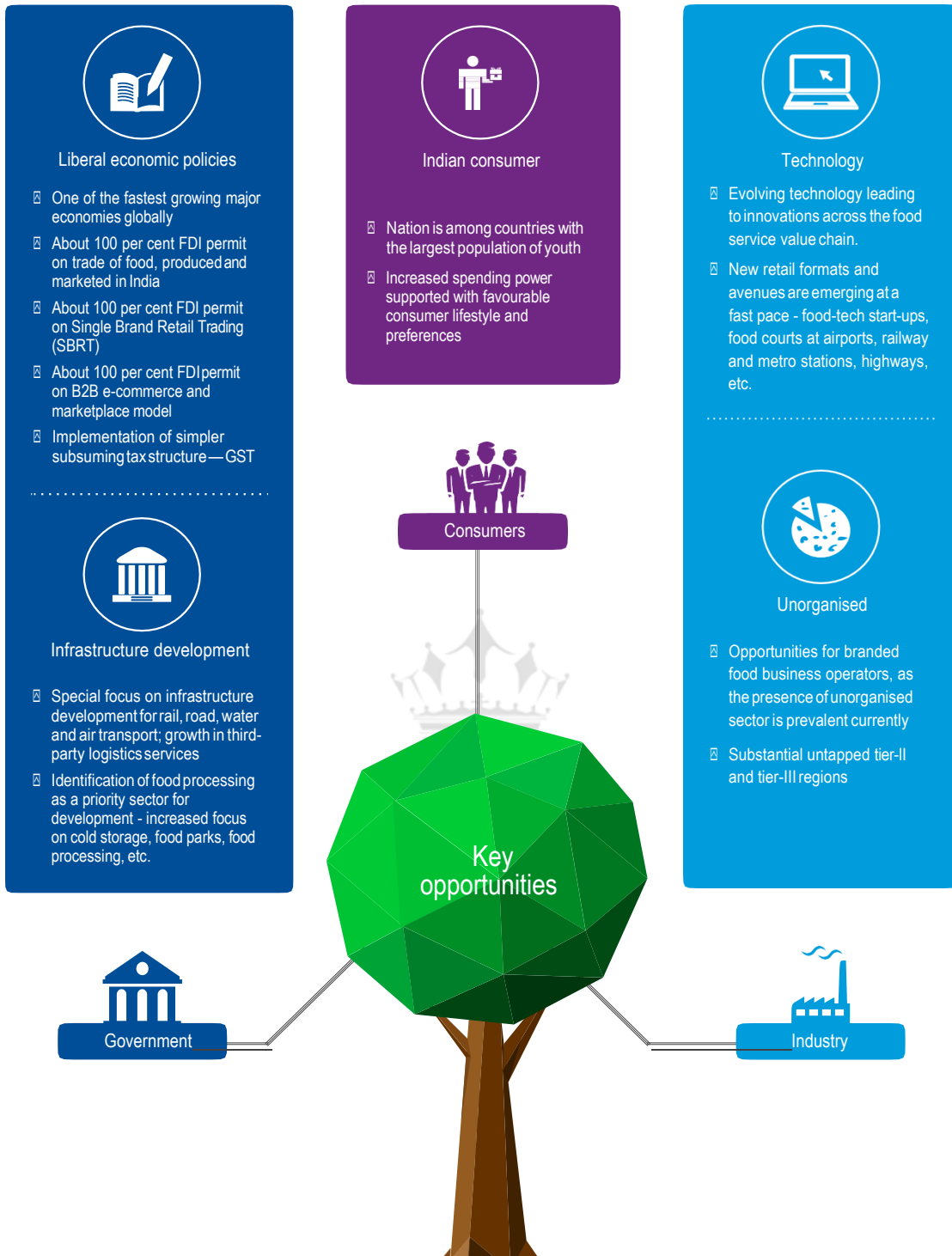
The domestic market size and consumption of hot drinks in India is estimated at USD 5.6 billion and 1.3 million MT respectively.

Segments/Criterion	Major Highlights of the Sector
Bakery Products	Bakery industry consumes a large amount of raw material from the staples sub-sector: primarily wheat flour, edible oil and sugar.
	The overall bakery industry is estimated at USD 7.1 billion.
	The organized retail bakery market is valued at around USD 5.0 billion and 5.3 million MT in volume terms (2022).
Confectionery	The retail confectionery industry is valued at USD 3.0 billion in value terms and
	0.5 million MT in volume terms (2014).
	In value terms, amongst the sub-categories chocolate confectionery enjoys the maximum share (54%) followed by sugar confectionery (30%) and gum (16%).
	Confectionery is a very low-involvement category driven by impulse purchases and majority of sales happen through small grocery shops.
RTC/RTE & Ready Meals	The RTC/RTE segment comprises sub-categories like noodles, pasta, sauces, dressing, condiments, soups, spreads and ready meals.
	The retail RTC/RTE Industry is valued at USD 2.8 billion in value terms and 0.9 million MT in volume terms (2014), projected to USD 3.2 Billion 2023.
	In value terms, amongst the sub-categories sauces, dressings & condiments have the maximum share (53%) followed by noodles (30%) spreads (6%), pasta (6%), ready meals (3%) and soups (2%).
	In this segment, companies are launching their products in smaller pack sizes and at

	low price points to attract consumers.
Sweet & Savoury Snacks	The domestic sweet and savory snacks market is estimated at USD 8.0 billion.
	An increasing number of consumers have started buying branded sweet and savory snacks instead of loose products from bakeries, due to hygiene concerns.
Food Additives/ Ingredient	<ul style="list-style-type: none"> The food additives/ingredients industry comprises flavors, colors, preservatives, emulsifiers, stabilizers and sweeteners.
	<ul style="list-style-type: none"> While the global market for food additives is largely controlled by few large companies, the Indian market is served by subsidiaries of those global players and few local Indian companies.
Canned & Preserved Food	<ul style="list-style-type: none"> The retail canned and preserved foods industry is estimated at USD 102 million in value terms and 48,900 MT in volume terms (2014).
	<ul style="list-style-type: none"> Canned/preserved fruit is the fastest growing segment under canned/preserved food.
Frozen Foods	The domestic frozen foods market is estimated at 0.1 million MT translating to
	USD 0.3 billion. Foodservices segment has a major share (approx 50%) of total volume sales.
	Export of frozen produce is around USD 8.6 billion with major share of frozen marine and meat.
	The frozen foods industry is one of the fastest growing food processing industries in India. The category has grown mainly due to increasing consumer appetite and acceptance of frozen foods and deeper penetration by organized retail players.

Growth Opportunity for food service Industry in India ⁸
















The Growing India economy united with a rapidly evolving consumer demand offers platter for opportunities for Food Service Industries-



Effective Marketing Strategies for a Food & Beverage Business⁹

- **Brand Positioning Your Restaurant**
- **Packaging Your Product**
- **Make A Statement With Your USP**
- Blogging
- Email Marketing
- Social Media Marketing
- **Hosting Events at Your Restaurants**
- Listing Your Business in Online Directories or Websites Festive and Seasonal Offers
- Partner Or Associate With Other Brands
- Re-inventing Your Image



Restaurant Search Portal	B2B Delivery Aggregators	Food B2C Delivery Aggregators	Food Virtual Restaurants	Restaurant Reservation Portals	Global Food Tech Companies
 	   	   		 	 

CONCLUSION AND SUMMARY

Managing a food service establishment requires a keen sense of taste as well as a thorough understanding of systems. A successful food service establishment puts out meals with high enough quality to earn return customers and operates efficiently enough to earn a profit while also paying careful attention to food safety issues. Effective food service managers are skilled at multitasking and paying close attention to a range of processes while also orchestrating and motivating individuals performing arduous tasks in a hot environment.

Purchasing and Inventory- Food service managers are responsible for making sure that their kitchens have enough inventory on hand to produce enough product to meet demand. This responsibility involves knowing how much stock you have as well as how quickly you will go through the inventory you buy. In addition, it is important not to overstock perishable items in order to minimize waste. Food service managers are also responsible for making sure that inventory is properly rotated in order to keep ingredients optimally fresh.

Prep-Most food service establishments organize their production processes by designating some tasks as prep, or processes that can be initiated in advance in order to use production time most efficiently. Organizing a prep schedule involves thoroughly understanding the way different ingredients behave as well as the steps required to complete menu items. For example, when preparing burgers, the patties may be shaped and the bread may be sliced in advance, but the burgers should not be cooked and the buns should not be warmed until the customer places his order, so that the final product is appealing and served warm.

Personnel- As a food service manager, you are responsible for motivating and coordinating a team of employees. Time is critical in many aspects of food preparation and service, playing into everything from profitability to quality: if it takes too long to prepare your products, then payroll costs will be too high and if food is overcooked or undercooked it may be unappealing or even unsafe. Learn your team's individual strengths and weaknesses, and also study every nuance of your production process. Schedule staff thoughtfully and monitor processes meticulously to maximize quality and minimize down time.

Food Safety- Food safety is a critical responsibility for a foodservice manager. Rotate stock conscientiously, monitor temperatures regularly, and enforce a cleaning schedule that includes

daily tasks as well as periodic deep cleaning. Make sure that equipment is working well enough to keep hot foods sufficiently hot and cold foods sufficiently cold. Train your staff thoroughly so they understand the importance of food safety protocols, as well as the specifics of temperature control and safe food handling.

REFERENCES:

1. <https://www.fas.usda.gov/data/india-food-service-hotel-restaurant-institutional-5-HRI Sector in India-2019>
2. <https://www.fas.usda.gov/data/india-food-service-hotel-restaurant-institutional-HRI Sector in India-2016>
3. <https://mobilityforesights.com/product/hotel-industry-in-india/>
4. <http://prohotelia.com/wp-content/uploads/2015/03/UNWTO-Hotel-Classification-System.pdf>
5. High-Growth Segments of Indian Food and Beverage Industry-World food India-2017 Nov.
6. Foodzania-2017-Indian food service industry –Engine for Economic growth & employment –A Roadmap for unlocking Growth opportunity-2017-FICCI
7. Industry 4.0 in Food industry –India Food report-January-2018 by deloitte
8. Indian food service Industries –Growth recipe –KPMG-FICCI-2016
9. ALICE JACKSON _ Tweet - September 6, 2017, in MARKETING IDEAS

