

Analysis Of Challenges And Opportunities Prevailing In The Indian Food Industry

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ABSTRACT: *According to Neilsen survey the middle-income urban millennials (Income from 3 lacs to 10 lacs annually and age group is from 18 to 24 years) of India, spend roughly 10% of their total food expenditure, or Rs7,914 annually, on dining out—purchasing cooked meals from restaurants, caterers, and canteens. This trend is growing exponentially, as more and more youngsters are joining this group, the opportunities in the Indian restaurant industry is booming. This study is an attempt to understand changing and diverse market scenario of Indian food industry, the challenges and opportunities present in this sector. A careful study has been done, taking into consideration various factors involved. It can be derieved that a restaurant which focuses on selling traditional Indian cuisine has better changes of becoming a huge success.*

KEY WORDS: *Indian Cuisine, Food Industry, Market Analysis*

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I. INTRODUCTION

Food is a big part of the Indian culture.

In addition to the state-specific specialties, India is also home to a number of fusion cuisines that have taken birth as a result of globalization. As more Indians travel abroad and foreigners travel to India, a cooking style that is a blend of both Indian and foreign cuisines has emerged.

Thanks to the growth of restaurants, now people don't have to wait to visit a particular state to taste its local cuisine. Most tier 1 and 2 cities in India have specialty restaurants serving up authentic local dishes of different Indian states to people who are missing home food or those keen to taste cuisines from different parts of the country.

For any entrepreneur who plans to achieve success in the restaurant industry has to have a understanding about the psyche of the typical Indian customer. Understand the strict and stringent rules prevailing in the country regarding the establishment and running of quick service restaurant and multi-cuisine restaurants.

II. CURRENT SCENARIO:

Food moves from the street to online space:

Fast growing city culture, higher spending capacity of people have encouraged people to eat outside giving rise to restaurant and food outlet culture.

With the advent of Chinese and western cuisine and slowing them being termed as junk foods. People have begun to turn towards indian cuisines served at the food outlets.

Developing on traditional cuisines:

Kulchas ,vadapavs , dosa , idli , litti-chokha and why not the entire haldiram's product set. All these are innovations on traditional indian food to give them brand value.

Competition from foreign players:

A lot of foreign players have entered QSR (Quick service restaurant) segment as the growth rate is phenomenal it is estimated to grow from 9,125 crore in 2016 to 25,000 crore in 2021. Subway, McDonalds, Dominos, KFC, barista and other foreign brands have made their presence felt and are also continuously investing in the indian market. They have gained a huge market share in the urban cities where people are looking for quick and tasty food.

E-COMMERCE IN THIS INDUSTRY:

As the e-commerce industry is growing day by day, the food industry is also keeping pace with the changing trend. Some of the largest snack manufacturing companies are revamping their business model for e-

commerce. For example, Kellogg's announced last year it would end direct-store delivery for its snacks division, and instead shift resources and efforts to direct-to-consumer marketing. As, in the US, last year the e-commerce sales of Kellogg grew by 70 percentage.

The consumers are enjoying groceries delivered to their door or meal kits with pre-measured ingredients, but this had also led to a worry about the additional packaging needed to deliver that convenience. Sixty-six percent of millennials said they would be willing to pay more for sustainable products. So, many firms like nestle and coke are working to make bottles made of wood pulp rather than the conventional plastic.

Packaging of food in right way is an integral part to succeed in the e-commerce segment. When it comes to the Indian food industry the challenges involved in packaging them is very diverse and complicated. As the gravies cannot be rolled up in a sheet of paper like the burger or cannot be put in a cardboard box like the pizza, so there is a need to create indigenous and sustainable package material.

Other companies also have to come up with new and innovative products which should be packed in recyclable meal kits, which can keep the freshness intact. Also, to succeed in direct delivery to customers, we should maintain an effective supply chain system which can deliver the products in time to the customers.

III. REVIEW OF LITERATURE:-

There are papers which explain the changing trend in the food system and consumption pattern in India, and how the asian food has undergone westernization.[1] It discusses about various determinants such as globalization, rapid spread of global supermarket chains like walmart and food chains like Dominos etc. In another paper, a Survey has been taken to understand the customer's perception of service quality.[2] For collecting information to analyse the case, interview techniques were adapted. Around 270 members visiting 4 and 5 star hotels in delhi were the participants in the survey. A paper written by students of IIMT focused on the challenges faced in the Indian hospitality industry, and also it spoke about some possible feasible solution.[3] The study collected primary data from the structured interviews of senior finance managers working in major hotels. Another paper published in the USA tries to understand the perception of Indian restaurants by South Asians, Americans and people of different ethnic background.[4] The findings suggest that they are some universal patterns of likes and dislikes, as well as different perception between ethnic groups.

IV. ANALYSIS

To understand the challenges and opportunities facing the Indian food industry, we need to analyse the macro environmental factors which play a major role in the functioning of the industry. By the PESTEL analysis we can get a holistic view about the market.

A PESTEL TOOL ANALYSIS OF THE MARKET AND CONSUMER SCENARIO:

Political: The Indian market has been thrown open for direct foreign investments. A single cell for the facilitation of foreign investors and various schemes has been launched to attract multi-national corporations. So, the small scale restaurateurs and local food manufacturers will have to adapt themselves to technological advancement so as to stay relevant in the field. There are several initiatives by the food processing and packaging department of central and state governments that determine the standards and incentives for these enterprises like subsidies , food parks , equipment fairs and distribution centres and several related schemes (yojanas) that help promote or fund these industries. In the 2018 budget, funds have been allotted to establishing infrastructures such as cold storages and processing units which will help the food industry prosper.

Economic:In terms of market size, the Indian food market was worth \$193 billion in 2016 and is expected to cross \$540 billion in 2020, so there is huge scope. Though, the availability of raw materials to be used as ingredients is varying due to inflationary effects. Healthier alternative foods are pricier compared to fast food or easy-to-make meals, but are in demand in the upper class societies of cities, so a niche market has already been created in this segment. There is an increase in the number of small eateries and snack manufacturers, so as other brands or outlets throwing up discounts and offers one is forced to keep the price low even if the qualitative input from his side is good. Also, as the middle class is price sensitive and they form the major chunk, it is important to price competitively.

Social: There is plenty of scope and opportunity in this aspect as there is rising concern for healthier and closer to home-made food among youth and parenting population, still around 48 percent of the Indian youth prefer traditional food when they eat out. Rising purchasing capacity especially among consumers of big cities has enabled them to taste and try new food centres and items. So, the market for new innovative cuisines is increasing day by day. Though, there is agitation and protest by people against the sale of red meat especially beef, so it is better to avoid venturing into this segment

Technological: New entrants face obstacles in investing on and opting to advanced preparation and packaging techniques but the well-established ones find it easier to switch over to new technologies. Some brands like yellow diamond and golivadapav have expanded successfully by purchasing new technology as they

have been able to get investors on board. Also, making machines is quite difficult as the traditional food preparation process is complex and labour intensive, difficult to automate.

Environmental: Changing government rules and regulations have pressed the brands to adopt a greener approach; snack manufacturers like cola are trying to give back water more than they draw. These factors have a cascading impact on cost of raw ingredients. Also, the degrading qualities of fruits and vegetables due to excessive usage of chemical fertilisers and pesticides on field and increased customer awareness have paved the way for organic farming. There is growing craze for organic products but only among a small affluent class is buying it as it is costlier, the price can come down only if the organic farming is taken up on a large scale.

Legal: The usage of preservatives in packaged products has sparked controversies in the past as well; consumer laws and quality standards for food industry are very important and somewhat challenging for the owners to keep up with it. Even though, India has gone up in the ease of doing business list, when it comes to food industry, there are stringent rules and various government bodies have to provide approval

FEW ANALYTICAL STUDIES

CASE STUDY 1:-

Golivadapav

This food outlet brand was launched in the year 2004 on its first centre in kalyan- a suburb near Mumbai. Indian traditional cuisines are abundant in variety but choosing one that could be both mass produced and in minimum time was a challenge.

The search for the appropriate food item ended on vadapav because it was quick to prepare and easy to fit in the mould of a snack cum dish. In 5 minutes you can make 5 vadapavs, but you can't make 5 masala dosas in 5 minutes. Adding to its features was it being a finger food not necessary to be eaten with a spoon and on table. Venky and Shivadas started with their own investment and the conventional way of hiring a cook and other staff. However, this model presented them with many problems initially: from wastage, pilferage and even the risk of shutdown, in case the cook decided to move out. This unpredictability didn't go down well with Venky and he started looking for solutions. The much needed help poured in from someone who was heading the processed food business of a US company that supplied frozen vegetables and chicken patties to McDonald's in India. This was how vadapavs started getting automated when machines helped make standard sizes that could be uniformly packed, accomplishing the finished product in minimum time. Thanks to this investment in technology, Goli overcame three big problems in a single shot – of wastage, pilferage and standardization.

Today, Goli prepares vadas and ships them across the country from a central manufacturing capacity. The technology employed by them enables vadas to be stored in a frozen form and sent every 2 or 3 days to the actual shops, where they are again stored properly. These changes have translated for the Golivadapav to have a shelf life of as much as nine months. This approach is also what has helped Goli grow aggressively to have 277 stores across 61 cities, while other Indian foods chains like SaravanaBhavan and Haldiram's still have lower double digit stores. According to Venky dependence on human capital alone has restricted the capability of other stores from growing.

CASE STUDY 2:-

This enterprise carries a name that easily strikes a chord with the local tradition of rajasthan state, chokhidhani was established in 1990. Their aim was to make affordable and authentic rajsthani food and offer a dining experience that gave customers the feel of being in a traditional village in rajasthan. This feature drew customers from all over the country and world as it became their unique selling point when compared with other centres of restaurants.

CASE STUDY 3:-

Due to the hectic lifestyle of an average working class youth in indian cities. It is difficult to find time to prepare dishes like idli, dosa, uttapam and vada at their home. Therefore there is a market for batter of these items. Some brands like IDfresh have become a huge success on this segment by providing natural and reliable products.

PROBLEMS FACED IN THE CURRENT SCENARIO:-

According to 2017 Ease of Doing Business (EoDB) rankings released by the World Bank, the overall scenario of doing business in India is relatively less favourable as compared with other emerging economies in the world. The number of permissions required are usually dependent on service offerings of a restaurant and state-level requirements where the restaurant or QSR is set up.

While the number of licences and no-objection certificate can go more than 30 to set-up a restaurant. Also, the licensing are from various different bodies, no single regulatory body is in place to take care of the process. This doesn't allow the smooth opening of new restaurants and fast food chains. The rich and powerful

alone are able to gain permissions by using their money and muscle to heave their way through the corrupt system.

Also, in some conservative places in India like the south, it is difficult to make people get accustomed to the different and new cuisines which any food chain wants to introduce. People are not so comfortable in trying out new variety of food. To overcome this the food related enterprises need to invest huge amounts to market their products, which again makes it very difficult for small and medium scale entrepreneurs.

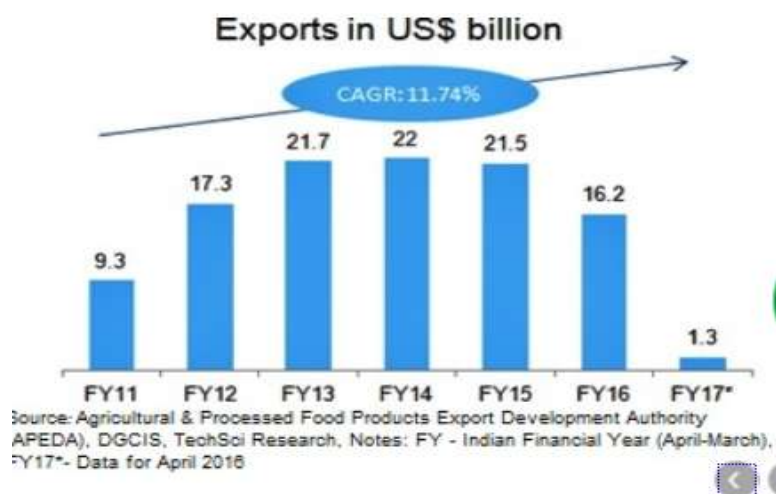
In case of food trucks, the rules and regulations are not very clear about the permissions which are to be taken as it is a very new concept in our country. The permissions required are lot and some of them are the Shop Act License, Fire Safety Certificate, NOC from RTO and Municipal Corporation, Food and Drug license (FSSAI) and updated vehicle papers. Other than this in many states they have to take special licenses from the local bodies put up by the state governments.

Challenges faced by indian cuisine based industries:

1. Due to implementation of GST in the country, packed food items (like papads, pickles, namkeen snacks like khakhra, have been levied with more taxation amount, hitting their business, making it less profitable.
2. Large scale production of traditional Indian prepared food item needs expertise and automated machines. Packaging is an issue with them.
3. Availability of fresh fruits and vegetables grown and ripen without excessive chemical treatment is short in big metropolis.
4. Some Indian snack items are mistaken to contain excessive oils and trans-fat because of long years of roadside stall experience. However in reality fast-food items contain more bad fats and calories.
5. Due to inflation among cereals, fruits and vegetables keeping the price of traditional Indian cuisines within attractive limits is a growing challenge.
6. Also acquiring and managing skilled work force is a major concern related to the food industry.
7. Creating a foreign market for traditional Indian taste is a pending challenge.
8. Taste is a very personal attribute of a person, so many a times some people may not find the taste and quality good enough, may spread bad word of mouth about the brand or outlet, making the seller lose out on people who would have appreciated the taste and quality if they would have themselves eaten.
9. Creating a very distinguishable brand of taste and quality is difficult in case of food and beverage industry.

Scope for Indian cuisine industries:

1. Unlike fast-food items which can be easily prepared with readily available ingredients, traditional Indian food need more time and effort to get prepared. In a fast moving lifestyle of big cities, these food outlets serve them will fulfil the needs of a nutritional and healthier snack rather than junk food.
2. Working professionals in big cities either bachelor or young couples lack time for preparing but still have a craving to eat their traditional and nutritious food as they got at home.
3. With improved income levels of people in big cities, evening outings and also people are preferring to taste on some improvised versions of traditional cuisines as exploring various food outlets is on the card.
4. Growing awareness about the ill effects of junk food and growing alertness towards road side and not so hygiene vendors with Indian food, have given rise to standard and reliable enterprises of Indian food items.
5. These major factors are creating inroads for traditional Indian cuisines in the market.



(Source:-APEDA)

- During FY11–16, India's exports of processed food and related products (inclusive of animal products) grew at a CAGR of 11.74 per cent, reaching US\$ 16.2 billion.
- Main export destinations for food products have been the Middle East and Southeast Asia

V. CONCLUSION

In spite of some entry barriers such as high initial investments, licenses and permissions needed from different bodies, the food industry in India is very lucrative business venture. It is one of the fastest growing economies of the world and has a huge potential market for food related industries. It is to be noted that, Indians still lure for the traditional and homely food, but want it readily available due to their hectic life style. New technology has enabled faster modified formats for production and packaging of food items which were served in our kitchens since ages, such as dosa and roti maker machines. Indian cuisines are considered quantitatively fulfilling and also retaining nutritional value unlike foreign products like Pizzas and burgers. If a restaurateur can manufacture traditional Indian food and deliver it efficiently to the customers, there is huge scope for growth.

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