

Global Fast Food Retailing In India – A Way Ahead

Anitharaj M.S.¹

¹(Assistant Professor, Department of Commerce, Madras Christian College, Chennai, India.)

Corresponding Author: Anitharaj M.S.

Abstract: The Indian economy was a traditional economy with majority of the consumers having a preference towards home cooked foods. This posed a major challenge to the major global fast food giants such as McDonalds and KFC to establish their business in India. In recent years the Indian fast food industry is undergoing rapid changes, reflecting a number of underlying developments. The most significant has been the quality and variety of services which have accelerated and broadened the scope of fast food restaurants in India. The global retailers have to compete with the Indian fast food retailers who offer traditional foods according to their tastes at affordable prices. Today, the fast food industry is adapting to Indian food requirements and is growing rapidly in India. It is gaining acceptance primarily from the Indian younger generations and is becoming part of daily life. Keeping in mind the Indian habits and changing preferences towards food consumption, this conceptual study completely focuses on the fact findings related to the opportunities, problems faced and the challenges of the global fast food retailers to set up their business in India. The findings of the study would help the fast food retailers to shore up their strengths and remedy their shortcomings.

Keywords: Buying Preferences, Challenges and Opportunities, Growth Drivers, Global Retailing, Indian Fast food Industry.

Date of Submission: 25-01-2018

Date of acceptance: 12-02-2018

I. Introduction

Economic growth is typically accompanied by improvements in a country's food supply, both quantitative and qualitative, and a gradual reduction in nutritional deficiencies. It also brings about changes in the production, processing, distribution and marketing of food. Diets evolve over time and are influenced by factors such as income, prices, individual preferences and beliefs, cultural traditions, as well as geographical, environmental, social and economic factors. India's impressive economic growth over the past two decades and a more inclusive growth in recent years have resulted in per capita income steadily increasing in real terms as well as at market prices both in urban and rural areas. The change is occurring both among rural and urban households. Other factors contributing to the change in the consumption pattern is the increasing urbanization. During the most recent decade globalisation has also played an important role in the transformation of food consumption patterns of Indian households.

The scope for global fast food retailers in India is increasing as many regulations for setting up of outlets in India are relaxed. The government has allowed 100 percent foreign direct investment (FDI) in trading of food products. FDI will be allowed through the government approval route in food products manufactured and produced in India. The chain space is marked by the presence of more than 120 brands with more than 4,000 outlets spread across various cities in India. Agnes, Zhao, (2004). To withstand the competition, most of the players are tailoring their offerings in terms of flavours, pricing and services to meet Indian consumers' inclinations. Some efforts reflecting this include the opening of pure vegetarian restaurants in certain parts of the country, offering no beef-based products, establishing separate cooking areas for vegetarian and non vegetarian food, introducing local flavours in the menu, offering home delivery services etc.

Thus it has made Significant for the research to focus on how far these fast food restaurants are doing and how they make themselves to withstand their business in the industry facing a tough competition from other domestic and speciality restaurants

II. Global Fast Food Industry

The Global Fast Food Restaurants industry has managed to grow over the past five years despite being battered by a weakened global economy and society's increasing awareness of the health risks associated with a diet high in fat, salt and sugar. The industry's attempts to respond to changes in consumer preferences have also supported revenue growth. Moreover, over the five years to 2022, IBIS World forecasts that the industry will continue to surge forward. Global fast food restaurants will benefit as the global economy improves and

consumers continue to spend on small luxuries, such as eating out. Rising international expansion of US-based fast food chains will continue to be the primary driver of industry growth as emerging economies increasingly demands more fast food options.

The extraordinary growth of the fast food industry has been driven by fundamental changes in American society. During that period, women entered the workforce in record numbers, often motivated less by a feminist perspective than by a need to pay the bills. In 1975, about one-third of American mothers with young children worked outside the home; today almost two-thirds of such mothers are employed. As the sociologists Cameron Lynne Macdonald and Carmen Sirianni have noted, the entry of so many women into the workforce has greatly increased demand for the types of services that housewives traditionally perform: cooking, cleaning, and child care. A generation ago, three-quarters of the money used to buy food in the United States was spent to prepare meals at home. **Goyal, Pal, (2007)**. Today about half of the money used to buy food is spent at restaurants - mainly at fast food restaurants.

The industry's attempts to respond to changes in consumer preferences have also supported revenue growth. Over the five years to 2017, revenue is expected to grow at an annualized rate of 2.3% to \$602.8 billion, which includes a 2.7% increase in 2017.

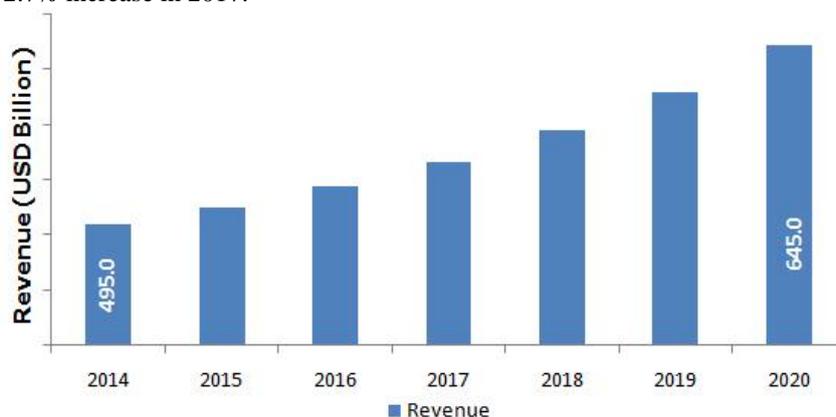


Fig. 2.1. Global Fast Food Market 2014-2020 (in USD)

III. Fast Food Industry In India

The fast food, or QSR, format took off in India about 20 years ago after liberalization policy that came in force in 1991. Fast food industry has grown in India as multinational fast food players such as McDonalds, KFC, Domino's Pizza and Pizza Hut have set up their business either jointly with Indian partners or independently. These players initially had a tough time understanding the Indian consumer, as their home-market models did not work well in India. **Ruth,(2008)**. Over the last decade, though, many of these players have got their act together through a better understanding of the Indian market in the form of Indianised menus, breakfast menus, sit-and-eat formats and positioning their outlets as destinations for family outings.

Indian fast food market is expected to grow at a CAGR of 18% by 2020 due to changing consumer behaviour and demography. Fast food market in India is expected to be worth US\$ 27.57 billion by 2020. About 10% of the fast food market in India is organized. It is estimated that the organized fast food market in India is expected to grow at a CAGR of 27% by 2020.

- Vegetarian fast food constitutes of around 45% of the whole fast food market in India and is expected to grow at a CAGR of 18% by 2020.
- Fast food Casual dining restaurants (CDRs) market in organized fast food sector in India is projected to grow at a CAGR of 27% by 2019-20.
- Non casual dining restaurants (NCDR) or fast casual dining restaurants have gained tremendous market share in the last 10-15 years. Non-Casual dining restaurants (CDRs) market in organized fast food sector in India is also projected to grow at a CAGR of 27% in next 5 years.
- Quick Service Restaurants (QSRs) market in organized fast food sector in India is projected to grow at a CAGR of 20% by 2019-20.
- Ethnic fast food market in India is projected to grow at a CAGR of 31.95% by 2019-20. Millions of people eat ethnic fast food every-day from pani-puri to vada pav to dosa. To leverage the growth of ethnic fast food market many players are entering this market in an organised way.

IV. Reasons For Emergence

The following are some of the reasons for the emergence of fast food restaurants in India:

4.1 Gender Roles

Gender roles are now changing. Females have started working outside. So, they have no time for their home and cooking food. Fast food is an easy way out because these can be prepared easily. This has been seen as the major reason for the growth of fast food industry. Gone are the days when women prepare food for their family. As women also take up jobs their preferences changes for something quick and cheap.

4.2 Consumer Sophistication And Confidence

Consumers are becoming more sophisticated now. They do not want to prepare food and spend their time and energy in house hold works. **Qin, Zhao (2010)**. They are building their confidence more on 'ready to eat and easy to serve' kind of foods. All the fast food brands have created a confidence in the consumers mind as healthy and hygienic. Consumers start seeing fast food restaurants as social symbol for prestige and status.

4.3 Paucity of Time

People have no time for cooking. Because of emergence of working women and also number of other entertainment items. Most of the time either people work or want to enjoy with their family. Fast food restaurants satisfy their appetite in a quick and cheap manner which has increased the growth of fast food restaurants.

4.4 Double Income Group

Emergence of double income group leads to increase in disposable income. Now people have more disposable income so they can spend easily in fast food and other activities. As people start earning more and more income they are willing to spend time and money on more recreation and entertainment.

4.5 Working Women

Working women have no time for cooking, and if they have then also they don't want to cook, because they want to come out of the traditionally defined gender roles. They do not want to confine themselves to household work and upbringing of children's. Working women bring up their children in a more relaxed way which increases their preference towards more of fast foods. All the families who have a working women in home have less preference for home made foods and fast food restaurants comes in handy for their consumption.

V. Macro Economic Factors

Some of the major factors affecting the economy are:

5.1 Increase in per capita income

There is continuous increase in the per capita income of the Indian citizens. More income in hand results into more spending in comforts and entertainment and thus results into more and more spending on fast and ready to serve kind of foods. Fast food industries which are seen as luxury commodity are accessible to every person because of the increase in per capita income in the hands of every individual.

5.2 Economic growth

With economic liberalization of 1991, more foreign and private industries entered the Indian market that result into income generation of the Indian residents. More income in the hands of the citizens results into more savings and more savings means more investment which helps in the overall growth of the economy. The increasing growth in the economy attracts foreign retailers to set up their outlets in the country.

5.3 Large population

India being a second largest country in terms of population possesses large potential market for all the products/services. The composition of the population consists of younger generation and people with high earning group. This results into entry of large number of fast food players in the country.

5.4 Relaxation in rules and regulations

With the economic liberalization of 1991, most of the tariff and non tariff barriers from the Indian boundaries are either removed or minimized. This helped significantly the MNC's to enter in the country. Recently the country is allowing 100% relaxation in FDI limits for food processing industries.

5.5 Growth in number of women's in the work force

There is increase in the number of women work force in the recent years because of the improvement in the literacy rate and also because of the large number of jobs are now available because of the entry of foreign and private players in the Indian market.

5.6 Menu diversification

Increase in consumption of pizzas, burgers and other type of fast foods. Also the major retailers change their menus according to Indian taste and flavours which also has lead to the growth of the industry.

VI. Challenges For The Industry

The major challenges which are affecting the growth of the fast food industry are:

6.1 Social and cultural implications of Indians switching to western breakfast food

Generally, Hindus avoid all foods that are believed to inhibit physical and spiritual development. Eating meat is not explicitly prohibited, but many Hindus are vegetarian because they adhere to the concept of ahimsa. Those seeking spiritual unity may avoid garlic and onions. The concept of purity influences Hindu food practices. Products from cows (e.g., milk, yogurt, ghee-clarified butter) are considered pure. Pure foods can improve the purity of impure foods when they are prepared together. Some foods, such as beef or alcohol, are innately polluted and can never be made pure. But now, Indians are switching to fast food that contain all those things that are considered impure or against their beliefs. Some traditional and fundamentalist are against this transformation of food habit and number of times they provoke their counterparts to revolt against such foods. And that is what happened when McDonald's decided to enter the complexity of Indian business landscape, counting only on its "fast food global formula", without any apparent previous cultural training.

6.2 Emphasis on the usage of bio-degradable products

Glasses, silverware, plates and cloth napkins are never provided with fast food. Instead, paper plates and napkins, polyurethane containers, plastic cups and tableware, drinking cartons or PET (polyethylene terephthalate) bottles are used, and these are all disposable. Many of these items are tossed in the garbage instead of being recycled, or even worse, merely thrown on the ground. This burdens nature unnecessarily and squanders raw materials. Nowadays, government emphasis more on the usage of bio-degradable products in order to reduce soil and water pollution.

6.3 Retrenchment of employees

Most of new industries will be capital intensive and may drive local competitors, which have more workers, out of business. **Ernest, Kelloff, Ashley (2013)**. This poses an ethical consent for the global fast food retailers willing to set up their business in India. It gives a major threat to the employees engaged in the Indian restaurants and other related service industries.

6.4 Profit repatriation

Repatriation of profits is another area of concern for Indian economy. As when multinational enters any of the countries, people and government hope that it will increase the employment rate and result in economic growth. However, with the multinational operation, host country experiences these benefits for a short time period. In long run neither employment increases (because of capital intensive nature of MNC's) nor it increases the GDP or GNP because whatever MNC's earn they repatriate that profit back to their home country.

VII. Problems Of The Industry

The following are some of the problems which hinders the growth of the fast food industries in India:

7.1 Environmental friendly products cost high

Government is legislating laws in order to keep check on the fast food industry and it is emphasizing more on the usage of bio-degradable and environment friendly products. But associated with this issue is the problem that fast food player faces - the cost associated with the environment friendly product. They cost much higher than the normal products that companies uses for packaging or wrapping their products.

7.2 Balance between societal expectation and companies economic objectives

To balance a society's expectation regarding environment with the economic burden of protecting the environment. Thus, one can see that one side pushes for higher standards and other side tries to beat the standard back, thereby making it an arm wrestling and mind boggling exercise.

7.3 Health related issues

Studies have shown that a typical fast food has very high density and food with high density causes people to eat more than they usually need. In most of the countries Fast foods are the major problems for obesity and other related diseases which is directly affecting the growing economy. It is constantly faced with the criticism that it is taking the major toll of the health of the society. Foods cooked in these industries are high in fat content and the ingredients are unhealthy which leads to many health issues when taken on a regular basis.

VIII. Industry Response To The Problems

Though the industry is facing many challenges and problems it has been constantly fighting with these issues which are evident from the increase in the growth of the fast food restaurants in India. Some of their strategies are as follows.

8.1 Healthier options

Franchise concepts based on healthier ingredients and meal choices continue to pop up, and the old stalwarts continue to add healthy options to their menus. Locally sourced ingredients - something that has been counter to much of the fast food industry distribution model - are on the rise. Major chains are promising to source fresher ingredients with less additives, free-range chicken is showing up on more menus, and some restaurants are offering vegetables as a main course or the primary side. A recent report claims that almost 50% of restaurants with organic options have an average check size of \$5-7: that is fast food.

8.2 Higher prices and more efficient operations

Labor concerns are a stickier problem. Some of the increased costs can be passed on to the consumer - but not all. Fast food is desirable in part for the low price, and consumers are price sensitive. Some franchises are working to reduce their labour costs. In other words, figuring out creative ways to employ fewer people, primarily by leveraging technology. **Said, Baig (2012)**. Self-serve kiosks and mobile apps for ordering and paying are the primary examples seen in newer franchises.

8.3 Non-traditional locations

Drive-thru and stand alone stores still dominate the fast food landscape, but some chains are exploring new options such as counter service within larger stores, catering and even delivery. **Rezende, Avelar, (2012)**. This is the most successful strategy followed by the fast food restaurants to suit the Indian tastes as drive-ins are less popular in India. The best example is McDonalds which is a successful drive in restaurant in the US, modified its format as franchise restaurant in the major cities and popular areas like malls. But as they have set up their business and gained popularity they are looking to spread into other formats as consumers are changing and adapting to new and modern recreations.

8.4 Marketing to children's needs

Fast food outlets in India target children as their major customers. They introduce varieties of things that will attract the children's attention and by targeting children's they automatically target their parents because Children's are always accompanied by their parents. This is becoming popular as many outlets are constantly giving exciting gifts and conducting games for children which attracts them to these restaurants.

8.5 Low level customer commitment

Because of the large number of food retail outlets and also because of the tendency of customer to switch from one product to other (as food is one areas where customer wants to try everything new that comes to the market), this industry faces low level customer commitment. This has become a major advantage for the fast food retailers as they attract customers whenever they provide something new and innovative.

8.6 Value added technology services

There is continuous improvement in the technology as far as fast food market in India is considered. The reason behind that is food is a perishable item and in order to ensure that it remain fresh for a longer period of time, there is a need for continuous up gradation in technology. Earlier, Indian people prefer eating at home but now with the change in trend there is also need for improvement and up gradation of technology in food sector. The food are preserved for a long time using latest technology and they are served by reheating and processing whenever the customer demands. Also many apps which help in ordering the food from home are increasing as many consumers prefer to eat fast foods from their home environment also. Home deliveries are made possible with advanced heat retaining options when delivered to the customers.

8.7 Attracting different segments of the market

Fast food outlets are introducing varieties of products in order to cater the demands of each and every segment of the market. They are introducing all categories of product so that people of all age, sex, class, income group etc can come and become a customer of their food line. Though the fast foods are targeted exclusively to children and youngsters many Indianised varieties are constantly introduced to have a mass marketing approach. Anything offered in an innovative way with new tastes excited and delights the consumers who prefer to revisit the restaurants again and again.

IX. Conclusion

Thus, the study shows that there are number of opportunities for global fast food retailers to set up their business in India. The Fast Food Market experiences various growth drivers and is therefore expected to rise in the future as well. As per the study it is analyzed that consumers in today's market are more fascinated to western culture. The increase in the facilities offered by fast food services is driving the growth of the industry. Consumer acceptance of food served by fast food outlets is critically important for the future growth of fast food outlets in any economy. The changing demographic pattern and an increase in the standard of living are the major growth drivers for the global fast food retailers. At the same time they have to look into the challenges and overcome those by designing a proper marketing strategy to reap in more profits by satisfying and serving the Indian Customers.

References

- [1]. Agnes K.Y. Law, Y.V. Hui, Xiande Zhao, (2004) "Modeling repurchase frequency and customer satisfaction for fast food outlets", *International Journal of Quality & Reliability Management*, Vol. 21 Issue: 5, pp.545-563, doi: 10.1108/02656710410536563
- [2]. Goyal Anita and Singh Netra Pal (2007)., *Consumer perception about fast food in India: An exploratory study* *British Food Journal* February 2007 <https://www.researchgate.net/publication/228367124>
- [3]. Ruth Cynthia Klerk (2008)., <https://core.ac.uk/download/pdf/18217480.pdf>
- [4]. Hong Qin, Victor R. Prybutok, Qilan Zhao, (2010) "Perceived service quality in fast- food restaurants: empirical evidence from China", *International Journal of Quality & Reliability Management*, Vol. 27 Issue: 4, pp.424-437, doi: 10.1108/02656711011035129
- [5]. Ernest; Kelloff, Ashley (2013)., "Fast Food Leadership: Valuing What Is Easy over What Is Best" <https://www.questia.com/article/1P3-3153978071>
- [6]. Munazza Saeed and Aysha Karamat Baig (2012) *Review of Trends in Fast Food Consumption* *European Journal of Economics, Finance and Administrative Sciences* ISSN 1450-2275 Issue 48 (2012)
- [7]. Rezende and Avelar., (2012), "Factors that influence the consumption of fast food outside the home", *International Journal of Consumer Studies*, Vol.36, pp 213-240

IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with SI. No. 4481, Journal no. 46879.

Anitharaj M.S.. "Global Fast Food Retailing In India – A Way Ahead." *IOSR Journal of Business and Management (IOSR-JBM)*, vol. 23, no. 1, 2018, pp. 38-43.