

Food Services Trends to Look for in 2014

2014 is likely to be a critical year for the Indian economy. It is hoped that, with a potential change in governance, the thus-far sluggish economy and tepid market sentiment can be revived. The food service industry, alongside many others, stands to benefit from such a change. Keeping this in mind, we have highlighted some trends that are likely to play out over the year ahead, both on the consumer as well as operator fronts. These cover the aspects of operational efficiency, social marketing, choice of menus and concepts as well as their extensions, as also emerging F&B destinations.

The Indian consumer essentially remains diverse in choice and dynamic in nature, demanding newer, better, and more innovative F&B options spanning more variety, delightful taste, superior quality, and better value every day. It is this consumer that drives the growth of the business more than anything else and it is in exceeding the expectations of this vibrant consumer that foodservice operators will find their true calling.

New Appetite for Indian Cuisine

While the past few years have seen the Indian Foodservices market make giant leaps in terms of exploring cuisines from all corners of the world, recent trends suggest a parallel, increased interest in Indian cuisine, even beyond the traditionally popular North and South Indian variants. Having realized the potential of the organized food services market, operators are trying to innovate and come up with newer concepts that can help them cash in on the extant opportunity. Punjabi by Nature, for instance, has launched its 'Punjabi by Nature Express' format aimed at food courts. In the QSR category, Kebab Express, by Rossell India, has launched 2 outlets in Delhi/NCR and plans to open 30 more across the country over the next three years, with a focus on efficiency and speed of service.

This trend is expected to gain traction, especially given the time-poverty of today's consumers. While, on the one hand, Indian foodservice operators continue to focus and innovate by dishing out food that is closer to home, they are also invoking nostalgia in the process. With the change in lifestyles, it has become increasingly difficult to churn out time- and labor-intensive "traditional" dishes which seem to have gone out of our kitchens, but can thankfully still be enjoyed at a restaurant. These restaurants thus create a sense of homeliness and thereby earn the loyalty of their patrons.

Another offshoot of this increasing interest in local cuisine is the pan-national popularity of regional cuisine. Gujarati, Rajasthani, and Punjabi thalis can now be had in any part of the country. Local chains like Vasudev Adiga's, Mast Kalandar, Ammi's Biryani, Goli Vada Pav, and Kaati Zone are rapidly expanding their footprint to venture into newer parts of India and cater to the widespread, value-centric Indian audience.

Indian food will not only continue to be relevant in India, but will thrive and reach new pinnacles of innovation and rediscovery in the years to come. This will happen largely because of, and not despite, a huge youth population in the country, which is as happy to consume butter chicken and masala dosa as pizzas and burgers.

Increased Penetration of Convenience Foods in FS Menu

The traditional craftsmanship of the chefs and their stock of secret recipes are increasingly making way for convenience foods. This is largely due to the evolving Indian dining scenario in India where reach and consistency is getting critical while expansion across format type. The hitherto restricted-to-QSR formats are increasingly finding favor in the casual dining and fine dining formats, although in varying degrees. International players like McDonalds, Pizza Hut, Domino's Pizza, KFC, etc. prefer to use varied forms of convenience foods either as a part of their recipe or as the final serving to the consumer.

India now boasts well-established companies which provide sauces, dairy products, processed meats, frozen foods, ready-to-eat, ready-to-cook, pickles, etc. of a very high quality manufactured in plants operating at international standards. Some of these leading food companies in India like Unilever, Nestlé, PepsiCo, Cremica (Mrs. Bector's), Fun Foods (Dr. Oetker), Capital Foods, etc. are also augmenting their infrastructure and developing new categories of convenience foods like South Indian premixes, soup powders, readymade gravies, cereal-based breakfast options, and various kinds of dessert mixes.

The availability of these ingredients in the market has in turn aided in the growth of the foodservices industry as a whole, with more chefs now believing in "smart" selection of ingredients and therefore procuring ingredients at different levels of finishing, based on their importance in recipes. Additionally, the challenge of finding the desired retail space, amid soaring rental costs, has forced operators to opt for a smaller footprint, e.g. takeaway counters with limited seating and kiosk formats. Convenience foods provide the best fit to adapt to this smaller footprint as a time- and space-saving resource and are therefore poised to take up a larger space in the commercial kitchen.

Sides and Desserts Emerging as Key Contributors

Food service operators, especially restaurant operators, have realized that sales growth is triggered by consumers' tendency to make impulse purchases. Side dishes and add-ons help initiate such purchases. At the same time, side dishes usually have lower costs and therefore add a greater contribution not only to sales but also to bottom lines. Sides also create additional points of contact by widening the customer base, as they encourage the value-seeking consumer, e.g. students, to experience the brand more often. These underlying benefits have encouraged brands to focus on product development. The years to come will likely see an even greater focus on side dishes and desserts as a driver of product differentiation and demand.

However, identifying the right dishes that complement the main course is a prerequisite, alongside training frontline staff members who can not only sell, but also deliver these with a balanced, pragmatic, and customized approach. The need to improve sales despite ever-increasing competition, and the fact that sides can be used to boost Average Price per Check (APC) and sales, has encouraged food service operators to give equal, if not more, importance to getting the right mix of side offerings that matches the core product and also suits the palate of the target group.

The recent focus on side offerings by such prominent brands as McDonald's, Domino's Pizza, etc., which have strong, widely-accepted core offerings, confirms the growing importance of side offerings in ensuring the sustainable growth of business revenues. Domino's, on the other hand, has been marketing a side order menu offering over fifteen products apart from dips and desserts, e.g. Breads, Pastas, Italian Tacos, Chicken Wings, Chicken Kickers, etc.

Additionally, in the recent past, the desserts and ice-creams space has gained momentum as a way of capitalizing on the full-meal experience, with brands extending their menu offerings accordingly. While QSRs have been adding puddings, soft serves, brownies, etc., CDR and FDR operators have indulged customers by offering everything from exotic kulfi flavors to gourmet ice-creams and fusion desserts, i.e. having a western base with an Indian twist or vice-versa.

Emerging New F&B Hubs: Food Hubs and Travel Locations

While malls and high streets have been the traditional locations for F&B outlets, a new breed of food-centric destinations is emerging. Popularly dubbed "Food Hubs", they typically have zero or negligible retail/ entertainment quotient. In turn, these locations depend on commercial and residential catchments; the concentration of F&B offerings also makes them a destination of choice for foodaholics.

The market in Sector 29 in Gurgaon, which started operations two years back, features over 30 F&B outlets, with a mix of kiosks, cafés, QSRs, CDRs, and PBCLs. The fact that the primary catchment features a number of budget hotels, which target business travelers, has contributed to the popularity of this food hub. Cyber Hub, in Gurgaon's Cyber City, is a dedicated food hub which caters not only to office-goers, but has also become hugely popular with local residents. Many new brands have been launched at Cyber Hub, including The Wine Company and SodaBottleOpenerWala. The restaurants present here are registering full houses, with long waiting times, on weekdays as well as weekends, setting a new benchmark in the success of F&B brands in India.

However, operators need to remember that needs differ across consumers and time segments; the menu and service style must recognize this reality. For instance, while the office-goer is usually looking for a quick meal, the casual visitor is looking for an experience. It therefore makes sense to tailor offerings accordingly and have separate lunch/dinner and weekday/weekend offers to maximize revenues and table turns.

Other spaces witnessing increasing penetration of food service formats are travel locations like airports, railways, Metro stations, highways, etc. Over the past few years, Indian aviation has seen plenty of twists and turns. However, airline traffic in India has registered a continuous growth in both the domestic and international segments. This increase in traffic has necessitated the growth of infrastructure in the form of new airports as well as bigger terminals at existing ones. Since F&B is an important component of such terminals, this is expected to create many new opportunities for F&B operators in the years to come.

While economy is the buzzword and passengers are not expected to spend a great deal of money and time at public transport hubs, the sheer volume of traffic makes it an interesting proposition for F&B operators. While smaller stations manage with kiosks and grab-n-go formats, larger junctions like Delhi's Rajiv Chowk station see a more versatile offering comprising cafés and QSRs. As Metro trains become a part of more cities in India, and extend their existing networks, F&B will be carried along as an essential service.

On the whole, with a growing exposure to organized F&B across all consumer segments coupled with the fact that the quality of commuting centers will continue to improve over the next few years, travel-related F&B opportunities are only going to increase and more offerings will be seen at these destinations. Other non-traditional F&B avenues like college campuses, office complexes, hospitals, amusement parks, and cinemas will also see development and provide exciting opportunities for F&B players.

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