Emerging Trends in Food & Beverage Services Retailing in India

The Indian Food and Beverage Services market is expanding rapidly. The compounded annual rate of growth is expected to be 25% and will continue to grow with similar pace in the next few years. The overall scenario of the F&B market has evolved over the few years. There was a time when handful of brands were available in the market to eat out. But today, the customers are spoilt for choices. We have witnessed immense activities in F&B Services industry in the last 5 years, including exciting new concepts, food and beverage offerings and new and innovative service elements. We have also seen increased interest in the investment circle for this segment with some big investments deals taking place in the recent times.

Therefore, what are the emerging and current trends in the F&B Services industry? How will people eat, behave and be served in coming years? In this document we look at some of these foreseeable trends that will become part of the everyday life soon.

www.technopak.com
a quarterly report by technopak | Outlook June, 2012
Transformation of Cuisine

Despite India’s great tradition of food, eating out was not as common as in the West until recently. Now, eating out is a regular form of entertainment, especially in the metros, mini-metros and Tier I cities, driven by rise in income, greater number of nuclear families and working women, and urbanization. Focused marketing by brands, with more emphasis on the menu, is also attracting customers, as is the dissemination of culinary concepts and preferences through print and television media. Closely linked to these developments is the transformation of cuisine from simple and familiar offerings to a menu that offers diversity in taste, style and origins.

At the customer end, a greater willingness to experiment with novelties, exposure to international cuisines, and a fast-paced lifestyle have contributed to changing cuisine preferences. Ingredients like truffles, artichokes, asparagus, Australian lamb, Norwegian salmon, black bean sauce etc. have found their way to the Indian F&B space. Blending of cuisines, e.g. Italian with Thai is another customer choice. The trend is increasing for customers to choose cuisines that reflect their lifestyle, and in the process reject the traditional options.

Consequently, industry-side trends are also changing, with international players also entering the arena. Even casual dining players are prepared to provide such flavors as quick Chinese, raw and rustic Italian, fine French, convenient American, etc. which were once specialty and fine-dining dishes. On the other hand, customers are also being wooed with “street food” options served in a hygienic setting and good ambience. Another industry innovation is the dual format, e.g., café + bar, café + grill, bar + lounge, etc. While these give more choice to customers and can also make more profits for the brands, they need to be clearly positioned to avoid any confusion in the customers’ minds. Multi-cuisine restaurants, which offer a non-specialized feel, are however losing ground to specialist players with customers willing to pay more but unwilling to compromise on quality.

The way forward is likely to be an adoption of both lesser known Indian flavors from the Himalayan and tribal belts as well as other international cuisines. While South Indian, Punjabi and Mughlai cuisines tended to dominate the Indian offerings, there is now also demand for such dishes as Andhra Chicken Pepper Fry. Similarly, Bhutanese, African and Korean cuisines can also find acceptance among customers. Thus, there is opportunity for F&B players to mix the traditional and new Indian flavors while offering both individually. Further, while a niche segment may be created around specific international cuisines, customization may be needed to ensure that they suit the Indian palate.
Trend 2

Evolution of Beverage as a Game Changer

Most people in India are exposed to a variety of beverages from an early age: mothers serve homemade milkshakes, sharbat, chocolate drinks etc. However, beverages are themselves only a “sidekick” and at best served as fillers in-between meals. Given this backdrop, the recent surge in the Indian beverage segment is exciting and can open up many retail opportunities. This emergence began with the introduction of coffee chains more than a decade ago. This was also a first in terms of organized beverage retail, since the segment was earlier dominated by small local players like juice shops. Also, restaurants which focused solely on food have also added-expanded their beverage offerings. This has boosted development of both alcoholic and non-alcoholic beverages at both product and retail level.

Non-Alcoholic Beverages

This segment primarily comprises coffee, tea and aerated drinks. In the past few years, coffee has become a fashion statement among the young and upwardly mobile. With both Indian and international coffee chains mushrooming across the country, cafés are playing a key role in tuning customer preferences and also creating a retail space. This growth has also prompted bigger players like juice shops. Also, restaurants which focused solely on food have also added-expanded their beverage offerings. This has boosted development of both alcoholic and non-alcoholic beverages at both product and retail level.

Alcoholic Beverages

At Product Level, there is a shift in preference from classical cocktails and straight drinks to using signature spirits and personalized mixes. Infusion of flavor into spirits, e.g. tea in vodka, chili infused wine, is also becoming popular. Cafés and casual dining chains like Café Coffee Day, Barista and Pizza Hut are also trying to cash in by offering beer and wine, with wine in particular gathering momentum - wine drinking is consistently growing at 20% to 25% per annum. Many Indian and international winemakers have run promotions and programs to educate the Indian consumer in the past few years, resulting in increased sales not only in Metros and Tier I cities, but also in Tier II cities. Another innovation in products is the introduction of diet versions of beer, vodka and whiskey by United Spirits Ltd. to cater to health-conscious consumers.

New lounge formats and microbreweries are among the Retail Level developments in the alcoholic beverages segment. While new formats provide an avenue for showcasing an eclectic mix of beverages, microbreweries reflect an attitudinal shift towards consuming freshly-brewed beer. There are also places which combine beverages with sports, e.g. Howzatt which offers both beer and cricket. Increasing awareness has also resulted in launch of exclusive formats such as the Delhi Wine Club for wine connoisseurs.

“Athletic has not only become an occasional part of our lives but it has evolved into one of the strongest influences on our civilization”.

Homer Simpson

Going forward, brands are expected to focus on the beverage segment, which offers high margins and also a point of differentiation from competitors. However, such factors as complementary food, ambience and engagement activities will also be crucial in determining the vitality of the business model and will help in creating a niche for this segment.
Increasing Infusion of Entertainment in F&B

The development of the organized F&B market in India has taken time, due to which brands are still focusing on getting the fundamentals (the menu, the service etc.) in order. Despite this, growth in the market has resulted in a shift towards customer engagement at the dining space through different means. As a result, F&B brands now operate in two main spaces, viz.

- Brands which were established as F&B players have introduced entertainment-driven elements. E.g., Cafés offering live music or games
- Brands which were primarily entertainment oriented, with F&B elements as add-ons. E.g., Sports bars, bookstore cafés

By adding entertainment options, F&B brands give customers another reason to spend more time at the dinner table, thus improving the average spend per visit. While some forms of entertainment are offered free of cost (for instance, live music), others games such as snooker require some additional payment. Further, with increasing competition and fast-growing markets, F&B brands need to create an opportunity to differentiate them from other brands. Traditionally, restaurants were rated in terms of theme and ambience; now they vie in offering varied entertainment.

One benefit of such extras is the buzz it can create among customers, who then become an alternative marketing tool by spreading the word about the F&B brand. This ‘talk value’ is vital for brands as their customers are also passive advertisers. Brands which host musical events, for instance, may also capture indirect media attention through such customers. However, the onus is on the brands to ensure higher consumer interaction and engage younger consumers, who are more likely to seek such venues as “hang-outs” and visit frequently.

Brands also have to make a studied choice in terms of these bonus offerings, which are limited in number and have different levels of appeal among customers. Music is generally the strongest crowd-puller, and positively impacts a restaurant’s business, image and customer experience. It can be offered variously through live performances, as songs played on request and karaoke. Blue Frog, The V Spot Café’s Bar and Hard Rock Café are some examples of successful players offering music.

Another entertainment choice is Comedy, which gives customers a much-needed ‘laughter break’ in a stressful world. This has been successfully adopted in the West, but is still novel to India, with The Comedy Store, Bombay Elektrik Project and Kyra the pioneers here. Also attracting a good number of customers are Sports offerings, with themed outlets cashing in on the popular love for football (soccer), cricket, Formula 1 racing, etc. Players in this space include The Manchester United Café Bar, Delhi Daredevils Sports Bar and Golfworn. One relatively new option which is still being explored is Art & Literature. It’s connection with the F&B space is not well understood, and thus the existence of only a few players such as Mocha Arthouse and Indian Art Café, which encourage art and art appreciation, and places which provide books to read for customers, like Café Turtle.

Going forward, the need of the hour is to find unique ways to engage the consumer in ways that ensure a long term relationship between the brand and the consumer. The primary goal in this space is creating excitement for the consumer and giving them more than they asked for in terms of beyond-the-palate, entertainment options in a bid to encourage repeat visits.

“And in my opinion, entertainment in its broadest sense has become a necessity rather than a luxury in the life…”

Walt Disney
Outlook June, 2012 | Emerging Trends in Food & Beverage Services Retailing in India

**Trend 4**

**New Expansion Opportunities**

India’s growth is seen not merely in big cities but also in smaller towns. Further, there is tremendous growth across sectors, which has created deeper pockets. The F&B sector is also booming, thanks to the new middle class wishing to taste different cuisines and also due to the youth looking to emulate the Western lifestyle. Thus, F&B brands have an opportunity to consolidate in the metros and also foray into smaller cities and towns.

The lack of uniform economic growth meant that quick service restaurants and cafés were largely located in northern, southern and western India. The National Capital Region, or NCR, of Delhi alone has 408 franchised brands, according to a study, while western India has 386 brands with the majority concentrated in Mumbai. In southern India too, the 250 brands are mostly split between Bangalore and Chennai. In comparison, eastern India has a mere 58 brands, largely located in Kolkata.

On the brighter side, there has been a spurt in economic activities in this region in the recent years. For instance, automotive manufacturer Maruti registered a 40 percent year-over-year growth in West Bengal and Orissa in the nine-month period ended December 2010, and also posted an improvement of over 50 percent in Bihar, Chhattisgarh and Jharkhand. Such indicators reflect the rising demand for improved lifestyle options.

With the services sector also recording exponential growth in the past five years, a number of banks, insurance providers, telecom and IT companies have come up, bringing fresh investment, projects and new employees to the eastern states. The interaction between the locals and the migrants help locals become aware about branded Indian and international food chains. Further, thanks to the introduction of special tourist circuits, e.g. the Buddhist Circuit in Bihar, there is an influx of both domestic and foreign tourists. Thus, there is an opportunity for a variety of F&B brands, in various formats. Players in this space have already begun to cash in on this – Café Coffee Day, for instance, has spread into Bihar, Jharkhand and West Bengal, while Barista operates in Kolkata. Smaller cities like Patna, Guwahati and Ranchi are also coming up on the radar of F&B brands.

Evolving consumer needs have also contributed to the growth of niches within the F&B sector. Initially, their sensitivity to price made the 25 to 40 age bracket the core target for F&B brands. With consumers now desiring customization and showing a willingness to experiment and indulge themselves, F&B brands need to reposition

“Improved transport options have created new retail avenues at airports and metro stations and along highways.”

Improved transport options have created new retail avenues at airports and metro stations and along highways. In the West, it is common to see quick service restaurants and cafés along freeways, unlike India, where are only unorganized players like dhaabas. This opportunity for F&B brands is accentuated by consumers focusing more on hygiene and quality. The high footfall and captive customer population at railway and metro stations and airports has resulted in a mushrooming of F&B brands in these locations. There is also more demand for “to go” food options at transit locations, offering another window for F&B players. Rising income levels and changing lifestyle has given the F&B sector a chance to expand and tap new markets. Going forward, higher retail presence is one way of exploiting this opportunity, while creating niche segments is another. The sector is also expected to expand its presence at transit locations.
The Indian F&B sector continues to invite huge amounts of investment and still sees high growth and opening of new chains at a rapid pace. Established players in this space also need to consolidate and/or expand in order to keep pace with competition and changing consumer behaviour and choices. These brands will need to “understand” the consumer as not merely being a bill value or table number and further, manage the transition in a systematic way, with adequate oversight. Embedding analytics into a business process can help F&B brands in this process.

How Does Analytics Help an F&B Business?

Understanding the customer requires knowing what they buy, when they buy, how they buy etc. by analysing customer data at both an overall and segment level. This analysis can require devising elaborate mechanisms for data collection, or, minimally, can be based on Point of Sale, or POS, data. In the F&B sector, “Trip Segmentation” is popular as it helps understand the kind of meals customers expect. For example, customers who only order single items (dubbed “Solo Trips”) may be willing to buy another item if it’s offered as a “combo” with their usual item, thus boosting sales.

Another possible segmentation focuses on time of the day to see which offerings can be offered at specific times as per customer choices. This also helps in kitchen management with the restaurateur being aware of what orders to expect at what time. Continuing the solo trip example, it might be that such items are most in demand between 3 pm and 6 pm on weekdays, and so offering combo items during this duration offers maximum potential for the restaurant to maximize sales.

Analytics can also help in building a loyalty strategy, which is, surprisingly, rarely found in the Indian F&B sector despite a high probability of repeat visitors. Loyalty programs need not be cash-heavy, or involve plastic cards and heavy discounts. They can also involve understanding the customers’ buying habits through tracking their purchases (by, for example, asking for their personal question while making a seat reservation or while billing) and rewarding the customers suitably in small ways. An open communication channel, with incentives to promote frequent trips, and a personal rapport with the customer can also be helpful. For instance, if the customer’s favourite starter or wine is known, the waiter can serve/ask to serve the same, thus creating an instant connect with the customer.

F&B brands also need to devise a pricing strategy in a well thought-out manner as price changes should be carried out strategically and only after analyzing the impact thereof. Implementing such a strategy also needs care during both the pre-price change period - when the brand decides which products’ prices need to be changed - and post-price change period – when the impact of the price change is measured. For example, it is possible that certain menu items can be premium-priced without adversely impacting sales, while others are highly price-sensitive. Also, while reducing prices can be intended to impact sales positively, it may happen that decreasing the price of an item results in lower sales due to a perception that the lower price implies lesser quantity. Broadly speaking, brands should only marginally change prices of price-sensitive items, but can increase prices of items which are bought by upmarket customers. Introducing price trials to check price-sensitivity can be helpful.

Developing a menu strategy is another area where analytics finds a role. A famous example in the retail sector is the analysis that stocking beer adjacent to nappies resulted in higher sales. The F&B sector’s analogue of such “product bundling” is menu mix, e.g., McDonald’s offering fries and a soft drink in combination with its burgers. Such a “combo” reflects the restaurant’s analysis of, and response to, customer preferences, and also improves customer service efficiency. Also, customers pay less for such a combination as compared to the price of each item individually and thus find “value” in buying the clubbed offering. On the flip side, too many combo offerings can end up confusing the customer.

Menus can also be analyzed from the perspective of incentivizing customers for purchasing their favorite products, which would encourage repeat visits and build loyalty. Further, analytics can help in product trials by mapping the acceptance of the new product and compare it with the sales of similar products to gauge its success.

Thus, investing in analytics can help F&B brands develop a robust database which is useful for developing business strategies. Given the current inflationary scenario, analytics can help eliminate errors in understanding customers which can be crucial when contemplating growth and expansion.
this initiative in 2011, by rewarding every 3rd customer who checked-in at Café Coffee Day through Foursquare with a 15 percent discount. Further, a consumer who was a “Mayor” on Foursquare received a free coffee, besides a 20 percent discount on every 3rd check-in. Incentivizing consumers is yet to take-off in a big way and is a future opportunity to be grabbed through Facebook and Twitter.

**A Look at How F&B Brands Stack Up Across Popular Social Media Channels**

The social media presence of F&B brands and their level of engagement on Facebook are discussed in Table 1 below. The channels’ appeal among the youth is reflected in the statistics, and thus, if an F&B brand wants to be seen and heard through a social media channel, Facebook is its best bet.

<table>
<thead>
<tr>
<th>F&amp;B Brand</th>
<th>Number of Facebook Fans*</th>
<th>Avg. No. of Posts per month**</th>
<th>Avg. No. of Interactions per month**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pizza Hut</td>
<td>1,561,035</td>
<td>35</td>
<td>24,100</td>
</tr>
<tr>
<td>CCD</td>
<td>1,525,451</td>
<td>35</td>
<td>24,100</td>
</tr>
<tr>
<td>Dominos</td>
<td>1,090,198</td>
<td>75</td>
<td>43,607</td>
</tr>
<tr>
<td>Cocoberry</td>
<td>1,020,337</td>
<td>40</td>
<td>22,400</td>
</tr>
<tr>
<td>KFC</td>
<td>773,248</td>
<td>n.a.</td>
<td>n.a</td>
</tr>
<tr>
<td>Hard Rock Café</td>
<td>142,751</td>
<td>n.a.</td>
<td>n.a</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>159,544</td>
<td>n.a.</td>
<td>n.a</td>
</tr>
<tr>
<td>Barista Lava</td>
<td>42,962</td>
<td>24</td>
<td>1150</td>
</tr>
</tbody>
</table>


### Trend 6

**Social Media Transforming Relationship with Consumers**

The advent of social media as a marketing tool has seen companies from every consumer-driven segment rush to adapt to the new phenomenon. In a “reach out or lose out” world, it is no surprise that F&B brands have also entered into the social media space. Further, irrespective of their individual offerings, the brands all need to converse with the consumer: the better this “conversation”, the greater their share of the pie. The reach of social media primarily covers the age bracket of 13 to 34 years, which overlaps the core target segment for F&B brands. The leading social media channel, Facebook, alone has a total audience of 45 million people in India, with 90 percent in the 13 to 34 years range. Through Facebook, and other popular channels like Twitter, Foursquare and blogs, brands can gather reviews and dispense loyalty incentives. However, social media is not an ideal channel for fine dining brands which have affluent consumers in older age groups, as this might impact their exclusivity and brand image. Even brands that do have, say, a Facebook page (e.g., Bukhara, Olive and Lodi-The Garden Restaurant), do not leverage it currently.

Broadly speaking, F&B brands see social media as either a **core marketing channel** or as a **support for traditional media**. For brands which do not use traditional media to communicate with consumers — Café Coffee Day, Hard Rock Café, Mocha etc. — social media helps gain visibility and generates “talk value”. McDonald’s, KFC, Pizza Hut and Dominos Pizza use social media in addition to traditional media to connect with consumers and continuing being the “top of the mind” options.

Social media is often seen as a **Touch Point**, allowing brands to inform consumers about existing and new products, store openings, media coverage, and promotions and offers. However, such communication varies from brand to brand, especially in terms of content and presentation. For example, while both Café Coffee Day and Pizza Hut advertise products through Facebook, Café Coffee Day changes product pictures, while Pizza Hut plays around with captions. Also, with such channels as Twitter, the clarity and relevance of the communication is crucial to ensure better reception. In this respect, while Hard Rock Café focuses on music, Dominos Pizza promotes offers and discounts.

Brands also use social media as a tool for **Open Communication**, which takes the form of contests, polls, and quizzes, e.g., Barista engages its fans on Facebook through such games as Scrabble, Spot the Difference, etc. Social media channels like Twitter and Facebook also provide a space to consumers to air their complaints and grievances, which brands need to immediately address. Reviews and blogs, another form of Open Communication, are consumer-initiated rather than brand-controlled. Websites such as Zomato.com also allow consumers to review and rate restaurants. This trend is being adopted by some of the brands, e.g. Dominos Pizza and Hard Rock Café, which use blogs as another platform for reaching out to consumers.

The use of social media to promote **Incentives** is presently limited to a few brands and certain social media channels. For instance, consumers receive incentives through Foursquare by means of “check-ins”. Café Coffee Day pioneered this initiative in 2011, by rewarding every 3rd customer who checked-in at Café Coffee Day through Foursquare with a 15 percent discount. Further, a consumer who was a “Mayor” on Foursquare received a free coffee, besides a 20 percent discount on every 3rd check-in. Incentivizing consumers is yet to take-off in a big way and is a future opportunity to be grabbed through Facebook and Twitter.

### Table 1

<table>
<thead>
<tr>
<th>F&amp;B Brand</th>
<th>Number of Facebook Fans*</th>
<th>Avg. No. of Posts per month**</th>
<th>Avg. No. of Interactions per month**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pizza Hut</td>
<td>1,561,035</td>
<td>35</td>
<td>24,100</td>
</tr>
<tr>
<td>CCD</td>
<td>1,525,451</td>
<td>35</td>
<td>24,100</td>
</tr>
<tr>
<td>Dominos</td>
<td>1,090,198</td>
<td>75</td>
<td>43,607</td>
</tr>
<tr>
<td>Cocoberry</td>
<td>1,020,337</td>
<td>40</td>
<td>22,400</td>
</tr>
<tr>
<td>KFC</td>
<td>773,248</td>
<td>n.a.</td>
<td>n.a</td>
</tr>
<tr>
<td>Hard Rock Café</td>
<td>142,751</td>
<td>n.a.</td>
<td>n.a</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>159,544</td>
<td>n.a.</td>
<td>n.a</td>
</tr>
<tr>
<td>Barista Lava</td>
<td>42,962</td>
<td>24</td>
<td>1150</td>
</tr>
</tbody>
</table>
In comparison, Twitter emerges as a channel buzzing with activity and hype, but is less-understood and hence lower brand presence and activity (Table 2).

<table>
<thead>
<tr>
<th>F&amp;B Brand</th>
<th>Number of Twitter Followers*</th>
<th>Total No. of Brand Tweets*</th>
<th>Total No. of Brand Retweets*</th>
<th>Retweet %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCD</td>
<td>5383</td>
<td>5393</td>
<td>929</td>
<td>4%</td>
</tr>
<tr>
<td>Hard Rock Café</td>
<td>4651</td>
<td>2811</td>
<td>1300</td>
<td>46%</td>
</tr>
<tr>
<td>Domino</td>
<td>3333</td>
<td>2375</td>
<td>1100</td>
<td>46%</td>
</tr>
<tr>
<td>KFC</td>
<td>1227</td>
<td>156</td>
<td>13</td>
<td>8%</td>
</tr>
<tr>
<td>Barista Lavazza</td>
<td>510</td>
<td>530</td>
<td>104</td>
<td>20%</td>
</tr>
<tr>
<td>Cocoberry</td>
<td>289</td>
<td>640</td>
<td>28</td>
<td>4%</td>
</tr>
</tbody>
</table>

*As on 19th March 2012 (Source: Twitter, Klout.com)

Going forward, F&B brands need to have a clear strategy as regards the tone and theme of communication via social media channels. Further, such communication should be integrated and uniform across various channels. Again, brands need to understand which mode of communication works best with the target consumer group so as not to alienate patrons.

Despite the current popularity of Facebook and Twitter, such channels as blogs and YouTube have tremendous potential and may be leveraged to improve brand presence. This is also necessitated due to the competition in the segment and also wavering consumer preferences. Social media is thus an open field which F&B brands can exploit to gain competitive edge.

Sustainability, which encompasses health, environmental and societal trends, is slowly getting incorporated into the Indian psyche. Both consumers and businesses are increasingly conscious about their carbon footprint, with businesses charting the complete route of all their products and services as a controlling measure. A desire to reduce operational costs, changing investor attitudes, emergence of corporate social responsibility, or CSR, programs, and increased regulatory focus on facility operations and development is also driving the sustainability trend.

While there is still need for more awareness regarding sustainability, certain initiatives like use of organic and locally sourced food and adoption of healthier food options are gaining momentum. There are also activities such as Indian restaurant chain Nirula’s collecting squeezed lemons, planting them in plastic cups and distributing the same to customers in a bid to promote recycling and planting trees. However, the lack of understanding and appreciation prevents “green” restaurants both from charging premium prices to compensate for their environmental efforts and from reaping any benefits to their brand image. Wider adoption of sustainability practices requires that such exercises should be financially viable and have a positive impact on the restaurant’s operations.

**Focus Areas in Sustainability**

The use and conservation of energy is one area where restaurants can contribute to sustainability and also save on costs. Attempts to cut down on energy costs have however been limited to the front-end, whereas the food preparation area accounts for 60% – 80% of energy usage in the form of heating, lighting, refrigeration and air conditioning. Also, kitchen equipment is often neither efficient nor environment-friendly, and there are limited governmental regulations in this respect. Even existing norms like the BEE guidelines are not mandatory for the restaurant business.

“Use and conservation of energy is one area where restaurants can contribute to sustainability and also save on costs.”

While such environment-friendly equipment as computer-controlled fryers, ovens and refrigerators are available in the international markets, their cost, especially with the addition of import duties, is too steep for smaller and unorganized players. Construction of restaurant buildings can also contribute to energy savings. “Green” residential and commercial...
construction projects are currently underway which encourage, inter alia, the use of natural light as a way of lowering electricity costs. Another option in terms of lighting is the use of compact fluorescent lights, or CFLs, and Light Emitting Diodes, or LEDs, which can be expensive, but are increasing in popularity.

Recycling and Waste Management is another concern for restaurants, which are required to “clean” their wastes before releasing them into the environment, usually using air scrubbers and effluent treatment plants. People are also worried about the dangers associated with landfills. In malls and shops, plastic bags are being replaced by paper bags. Some government policies help further such practices, but there is need for stricter regulations relating to recycling practices to be observed by F&B businesses. Restaurants need to switch to using recyclable paper and packaging and cut down on usage of plastic crockery and cutlery.

Also rising in prevalence is the use of fresh, organic food and ingredients, with India among the top ten countries in terms of demand for such food. Though organic food is not a part of consumers’ daily diet due to its higher cost, restaurants are however focusing on developing back-end teams to access organic ingredients. The bottleneck, again, is awareness, with customers not knowing the difference between organic and non-organic food. But with more education, organic and locally-grown food could find emphasis with restaurants seeking to create a premium aura and differentiate themselves from rivals.

Corporate Social Responsibility, or CSR, is another emerging trend among F&B brands as CSR initiatives help in enhancing brand image and have value in international markets. In India, restaurants have hired specially-abled and impoverished people, e.g., RJ Corp employs over 450 specially-abled people across India. Café Coffee Day also employs about 90 people with hearing impairments. Encouraging government policies can give a further boost to such efforts.

Going forward, intensive and far-reaching educational programs can be useful in promoting sustainability initiatives. Governmental measures, including grading restaurants on their “green” efforts and providing tax benefits/ subsidies, can also be helpful. Further, F&B brands need to implement sustainable systems at both the front- and back-end, in pioneering ways if needed.
Growing Importance of Grading System

Grading restaurants highlights their distinctive features while giving customers greater clarity about the offerings. It also gives restaurants valuable feedback, helping them improve their standards. This practice began in 1900 in France, with the tyre manufacturer Michelin establishing a guide to evaluate restaurants. Over the years, this guide, based on the feedback of qualified inspectors, is an important aid in improving the overall quality of restaurant food. A similar system used in the UK was pioneered by its Automobile Association and awards Rosettes instead of Michelin’s Stars. Another system, the Zagat ratings, is based on actual reviews by customers rather than inspectors.

India presently lacks a standardized system by which restaurants can be rated. Growing consumer discernment and increasing F&B prices also necessitate a transparent and credible grading system. This has resulted in the launch of review systems like Zomato.com and Times Food Guide. However, these are nowhere near as well established or reputed as the Michelin Guide. An official grading system exists in Mumbai (vide the Mumbai Shops and Establishments Act of 1948) and rates restaurants on the basis of seating, general hygiene, air conditioning, location of restrooms etc. However, these ratings are seen as being obsolete and largely ignored.

Food and restaurant-related awards such as the NDTV Good Times Award and Times Food Guide award, adjudged by critics employed by the sponsor media agencies, are also controversial since there is no official validation by government agencies. Certain restaurant review websites such as Zomato.com and Burpp.com post details about restaurants and provide a platform for customers to upload reviews and feedback. There is thus a lack for an independently audited grading system, preferably based on reviews by renowned food critics as well as consumer reviews.

In rating a restaurant, the most crucial factor is Quality of Food, which includes not just the final product but also the ingredients used and their sources. Further, creativity and innovation also come into play given that customers are looking to experiment with cuisines. The presentation of the food can win instant approval from customers and also accentuate the taste of the dish. Additionally, a restaurant’s Quality of Service is also vital, with servers required to be polite, knowledgeable, pleasant and smartly-dressed.

Since customers often make a dining choice based on the overall ambiance, this is another criterion in ratings. The décor, theme, lighting and seating in a restaurant not just set the mood for diners but can also help classify the restaurant as being premium or casual. From the customers’ perspective, pricing is a major consideration and therefore must be factored into reviews. Customers are always looking to get proper value for their money, which makes their feedback decisive in any price-based rating.

Thus, a uniform grading system that incorporates these factors is very much the need of the hour. Apart from creating a transparent and unbiased rating system, regular updates of the same are also needed to ensure validity and relevance.
India’s leading management consulting firm with more than 20 years of experience in working with organizations across consumer goods and services.

Founded on the principle of “concept to commissioning”, we partner our clients to identify their maximum-value opportunities, provide solutions to their key challenges and help them create a robust and high growth business models.

We have the ability to be the strategic advisors with customized solution during the ideation phase, implementation guide through start-up and a trusted advisor overall.

Drawing from the extensive experience of more than 175 professionals, Technopak focuses on six major divisions, which are Fashion & Textile, Retail & Consumer Goods, Healthcare, Education, Food & Agriculture and Leisure & Tourism.

Our key services are:

Business Strategy: Assistance in developing value creating strategies based on consumer insights, competition mapping, international benchmarking and client capabilities.

Start-Up Assistance: Leveraging operations and industry expertise to ‘commission the concept’ on turnkey basis.

Performance Enhancement: Operations, industry & management of change expertise to enhance the performance and value of client operations and businesses.

Capital Advisory: Supporting business strategy and execution with comprehensive capital advisory in our industries of focus.

Consumer Insights: Holistic consumer & shopper understanding applied to offer implementable business solutions.
For further dialogue, please contact:

**Saloni Nangia**  
President  
saloni.nangia@technopak.com  
T: +91 98185 98626

**Pratichee Kapoor**  
Associate Vice President  
pratichee.kapoor@technopak.com  
+ 91 98914 49806

**Inderpreet Kaur**  
Associate Director  
inderpreet.kaur@technopak.com  
T: +91 98101 57562