

# THE NEW INDIAN CONSUMER: FOOD SERVICES TRENDS

<sup>1</sup>KrishniMiglani, <sup>2</sup>Veronica Jenvild

<sup>1</sup>Management Student at Shaheed Sukhdev College of Business Studies, University of Delhi, India

<sup>2</sup>Economics student at School of African and Oriental Studies, University of London

---

## I. BACKGROUND INFORMATION

The Indian QSR industry is facing major challenges from both demand and supply sides. On one hand, inflation has contracted the purchasing power declining the demand and on the other, macroeconomic instability has challenged the supply situation. India is currently on the eve of development, and the outcome of the macroeconomic reforms made by the newly elected government is still to be seen. Intrigued by the dynamism in the Indian economy, two interns at Ogilvy and Mather conducted a market research aimed at understanding The New Indian Consumer. This collaborative international research involves a combination of both statistical and economic tools to understand and predict the behavior of the Indian Consumer. Veronica B. Jenvild is a Norwegian economics student specializing in the Indian Economy at School of African and Oriental Studies, University of London. Krishni Miglani is an Indian undergraduate management student at Shaheed Sukhdev College of Business Studies, University of Delhi. This report is based on both management and behavior economic tools to analyze 'The New Indian Consumer'.

## II. MARKET CHALLENGES

India's QSR market exploded following the entry of McDonalds and other international brands. Those players were key in establishing a consumer preference for "fast food", and encouraged the entry of multiple international chains. Today the industry is facing tremendous competition, much due to the unproportionate growth (22 per cent) of the industry to the population. Simultaneously, the market is expanding as the number of workingwomen is rising, urbanization and nuclear families. India also has a massive young population contributing to making it conducive for QSR consumption. Positive predictions are attracting further international and national suppliers into the market, forecasting an intense competition in the future. The present threat local vendors are posing to big brands are expected to decrease in the long run, as individuals will not be able to estimate and operate the supply demands such as established chains. Thus, the exhaustive expansion of outlets observed today is a long term advantageous strategy gaining endowment of market share and visibility.

A further reason behind the current demand slowdown is the absence of brand loyalty amongst Indian consumers. Emerging tastes are still experimenting. However, due to sustained presence of established brands, loyalty is predicted to develop in approximately five years' time. Another challenge for operators is getting "Indianisation" right, an integral key to success in the Indian market. The values of the Indian consumers are rapidly changing and have evolved since liberalization. The aspirations of the nineties have reached new formats, and such is essential to account whilst targeting consumers. Meeting the new and higher demands of the complex and dynamic consumer is the core challenge for the future in the QSR market. Brands that wish to succeed must evolve in hand with the new aspirations, such as importance of health, knowledge, refinement, etc. The socio-economic development had further divided India into multiple split segments, and as a QSR supplier to the wider consumer; the key opportunity is to exploit the communalities amongst disparate groups to stay competitive and consumed.

### III. PROBLEM DEFINITION

Indian consumers are spoilt for choice due to the elevated QSR supply, both from national and international brands. The increased competition had led to a price war between operators, a signal of drawback in the industry.

The main challenge is to identify the driving forces behind consumer choices and utilize these to gain a competitive advantage.

### IV. OBJECTIVE

This report is an attempt to identify the prevalent and future trends amongst consumer tastes, focused on the food and beverage industry. We have focused on the main challenges and opportunities suppliers meet in capturing the consumer demands. Throughout the report we have focused on “**The New Indian Consumer**”, a term identifying the vibrant and heterogeneous nature of future tastes. We have emphasized the importance for operators to supply intact with the new and increasing demands.

The **New Indian Consumer** presents a modern challenge to operators that will require innovative solutions.

Due to the socio-economic development, different groups have developed in divergent directions and rates. Thus, to encapsulate the demands of disparate groups we have decided to separate diverse individuals and their demands into different consumer groups.

### V. DATA ANALYSIS

#### *Methodology:*

Questionnaires were circulated via various online and offline channels. The data was then subjected to statistical analysis and depicted in the form of bar graphs and pie charts for understanding the research in a more comprehensive manner.

The research was further carried out in the form of focus group discussions accompanied by some fieldwork in Delhi and Mumbai. This information was analysed using management and behaviour economic tools.

#### *Sampling Techniques:*

A survey sampling methodology was applied to analyse and further predict the behaviour of the **New Indian Consumer**. Convenient sampling was employed to conduct a market research to measure quality and quantity progress.

The research involved conducting surveys and personal interviews of urban population in and around Delhi-NCR which was succeeded by a feedback session to understand their needs and problems better. The survey was conducted amongst people of heterogeneous age and class groups to conduct an exhaustive analysis.

#### *Data Collection from Primary Sources:*

A number of questionnaire surveys and personal interviews were conducted in various metropolitan and non-metropolitan cities with assistance from **Mr. Vaibhav Aggarwal** (Former Consultant Bain & Company and Founder, FabFurnish India) A total of **782** responses were collected through various online and offline mediums.

Following that we also conducted a focus group discussion and feedback session to understand needs and drives of consumers better.

#### *Data Collection from Secondary Sources:*

The research procured from various secondary sources included research guidance and mentorship from **Mr. Reteesh Shukla**, Associate Director at **Technopark** India.

We also referred to a couple of Television commercial clips, media articles and various social media channels online to understand the food and beverage industry in India better.

## VI. STATISTICAL DATA

1. Do you prefer to order in or eat out?

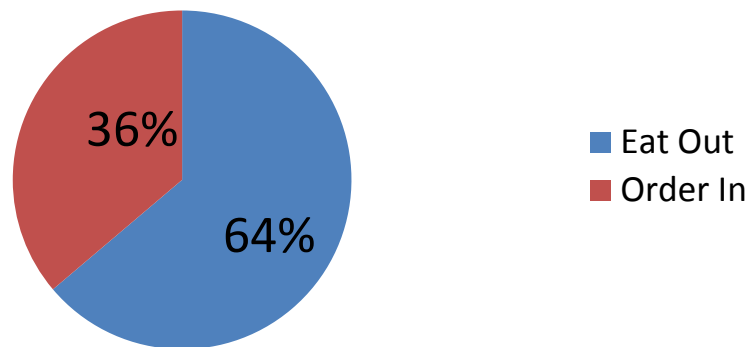


Fig. 1

2. How often do you eat out?

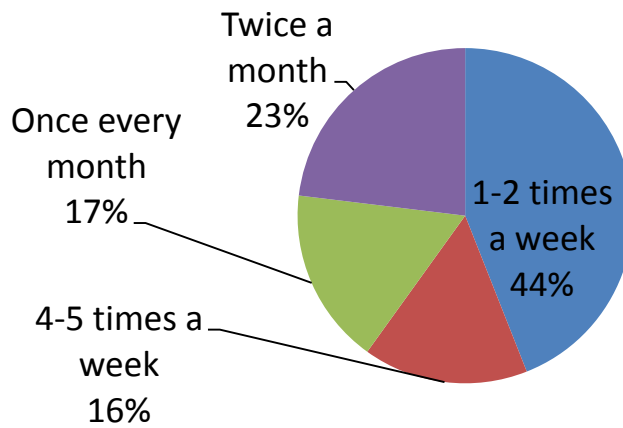


Fig. 2

3. How often do you order in?

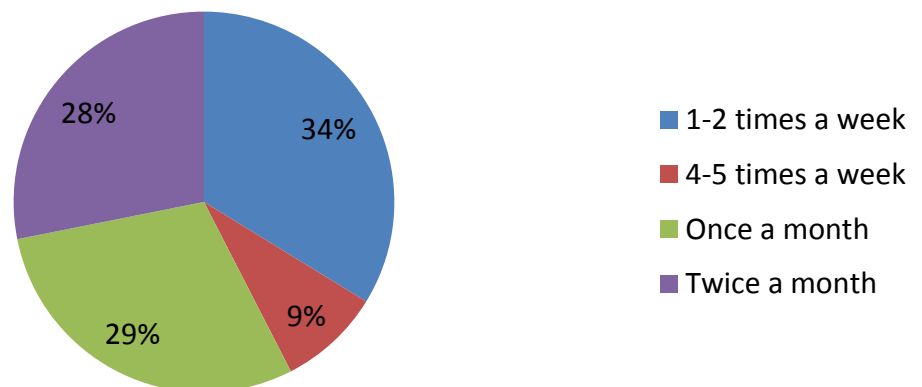
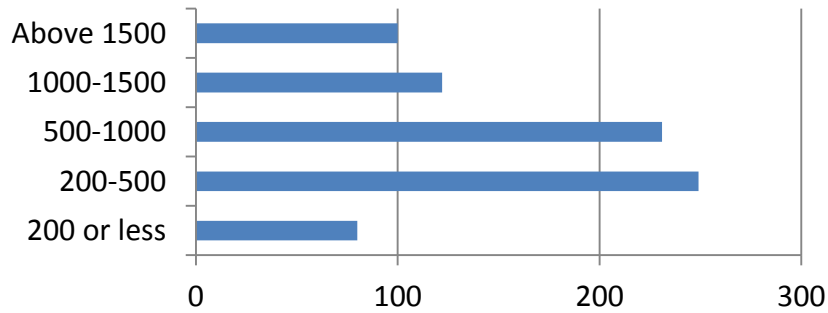


Fig. 3

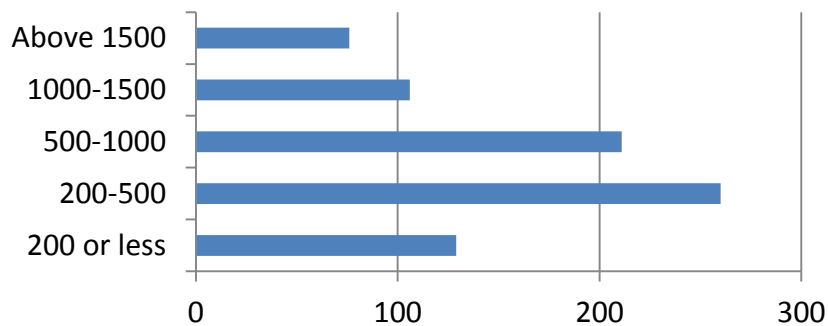
4. How much do you typically spend on a meal per person (including beverages) when:

- Colleagues
- Alone
- When eating with Family :



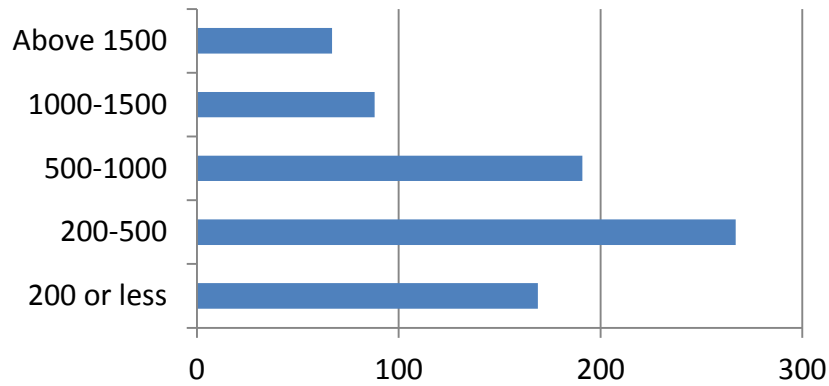
Money Spent	Absolute Data	Percentage
200 or less	80	10.20%
200-500	249	31.80%
500-1000	231	29.60%
1000-1500	122	15.60%
Above 1500	100	12.80%

- When eating with Friends:



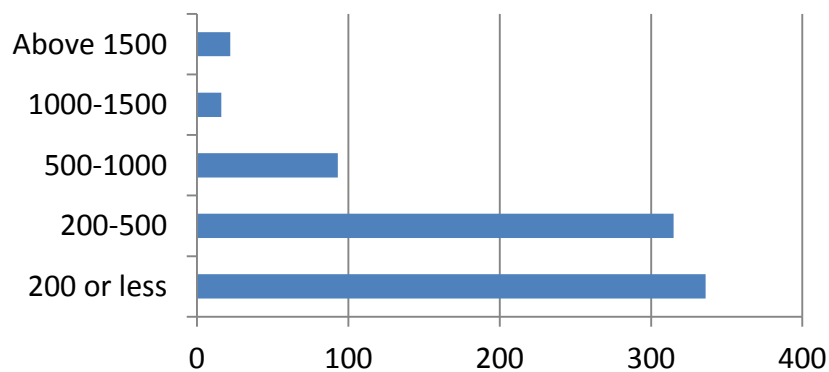
Money Spent	Absolute Data	Percentage
200 or less	129	16.50%
200-500	260	33.20%
500-1000	211	27.00%
1000-1500	106	13.50%
Above 1500	76	9.80%

● When eating with Colleagues :



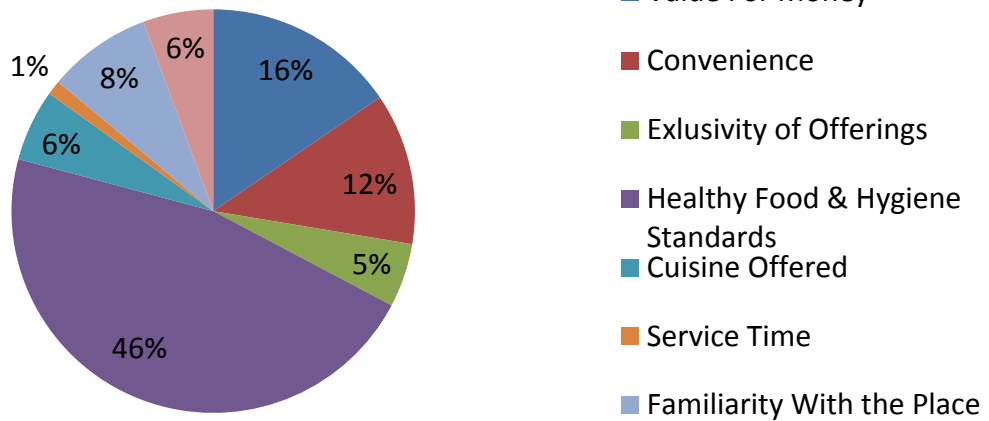
Money Spent	Absolute Data	Percentage
200 or less	169	21.60%
200-500	267	34.10%
500-1000	191	24.40%
1000-1500	88	11.20%
Above 1500	67	8.70%

● When eating Alone :

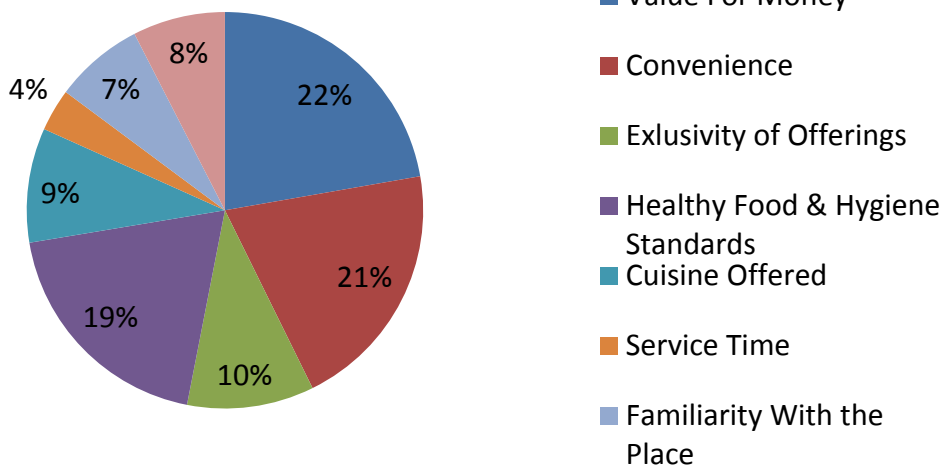


Money Spent	Absolute Data	Percentage
200 or less	336	43.00%
200-500	315	40.30%
500-1000	93	11.90%
1000-1500	16	2.00%
Above 1500	22	2.80%

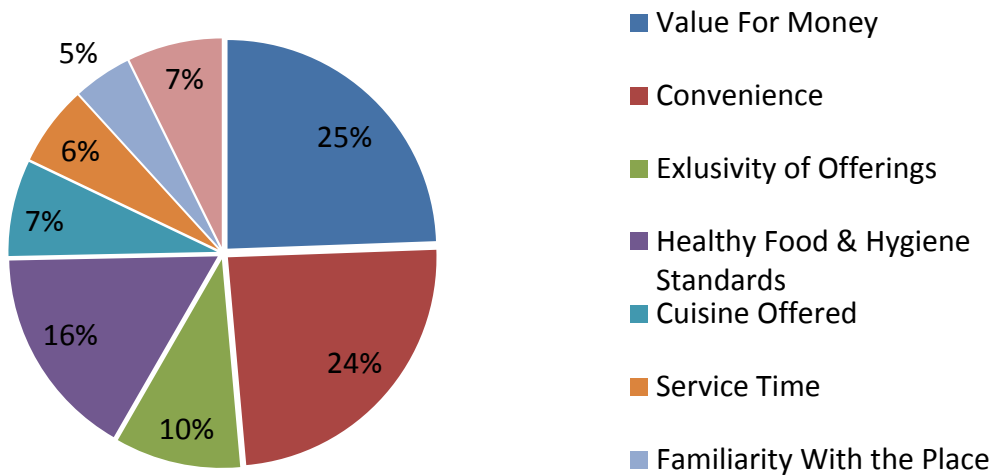
5. Which is the most important factor when eating with Family?



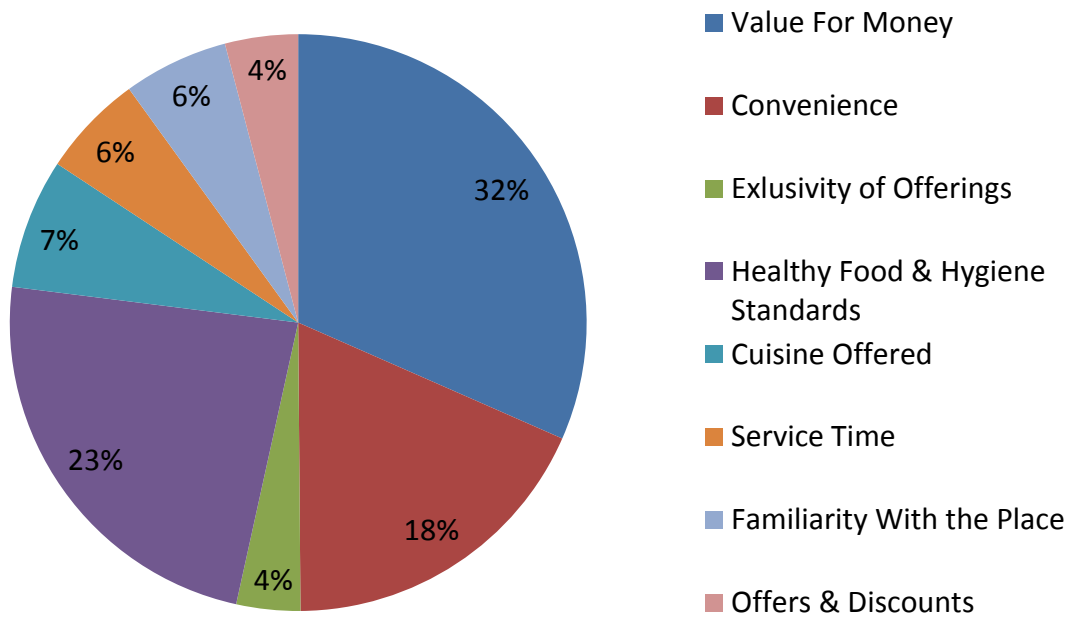
6. Which is the most important factor when eating with Friends?



7. Which is the most important factor when eating with Colleagues?

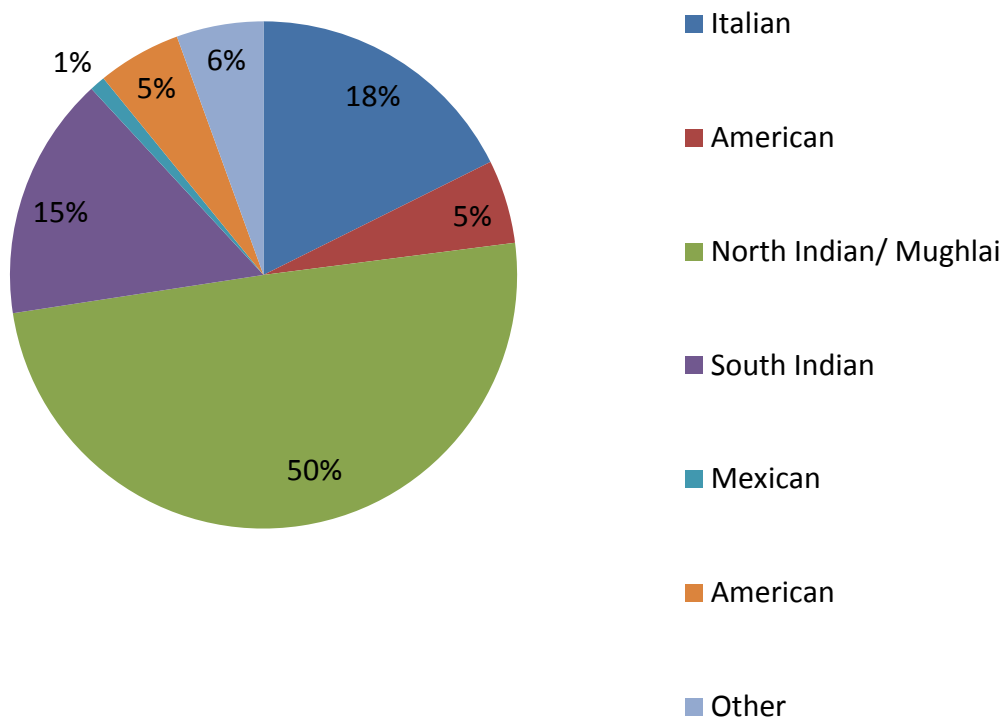


8. Which is the most important factor when eating with Colleagues?

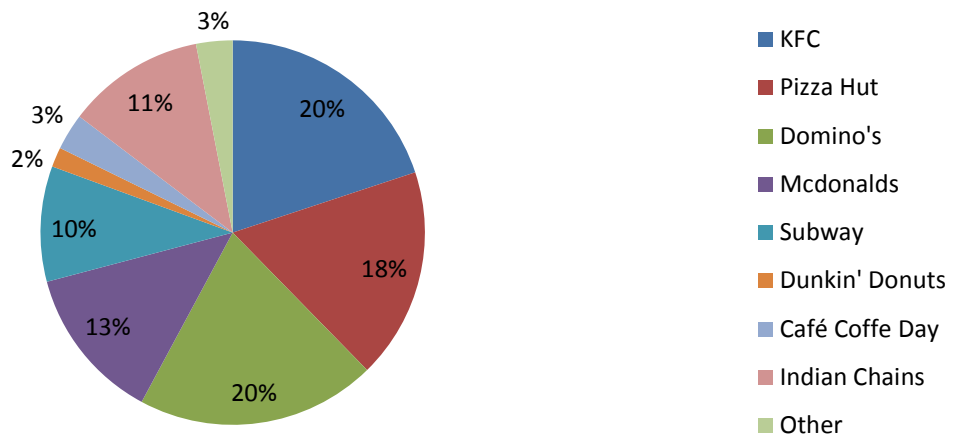


9. What cuisine do you usually like?

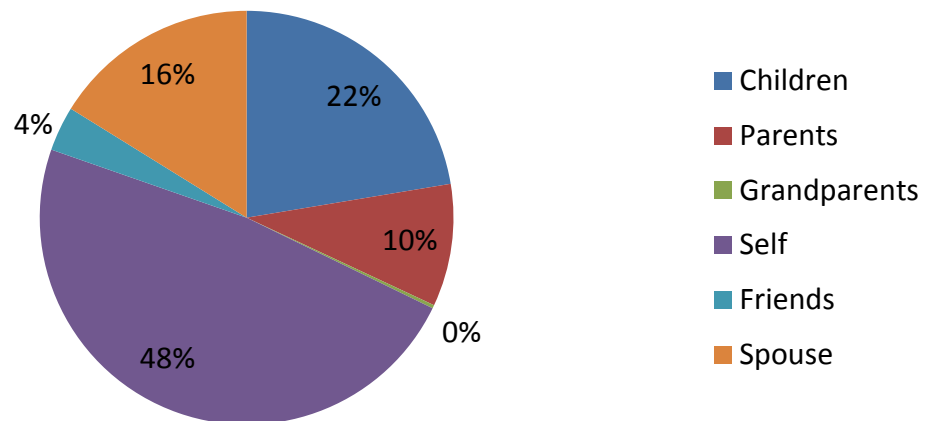
- When eating out or ordering in with **Family**



10. What is your favourite QSR joint?



11. When eating out/ ordering in with family who takes the decision?



### Major Findings

- The survey brought forward the fact that about 2/3<sup>rd</sup> the population liked eating out over ordering in.
- Penetrating further into the specifics, we inferred that women were less keen on dining out as compared to men.
- Majority of population did like eating out/ordering in at least 1-2 times a week with roughly half the population choosing to do the same.
- People spent more when dining out with friends and family over colleagues or self-indicating a need to reflect social status with their spending on food.
- Interestingly health emerged as a major concern factor when eating out. Besides this, Value for Money, convenience and exclusivity of offerings also mattered a lot.
- The most popular cuisines still remained the North Indian/Mughlai followed by Italian and American. These options were explored more when dining out with friends, whereas with family they stayed loyal to the traditional Indian Food. Eating with family also indicated major influencing power held by the children.
- KFC, Pizza Hut and Domino's shared the top spots with an approximate 20% of the population choosing them over other outlets indicating their strong presence in the urban market.



## VII. EXECUTIVE SUMMARY

### *Analysis of Findings:*

Based on our fieldwork and survey findings, we categorized the following points as important factors that drive the decision to eat out/ order in:

- Take-away and home delivery demand
- Social Media and the Rise of the Online Foodie
- The Elevated Importance of Health and Hygiene
- Revitalized Tradition in Modernity
- Priority and Preference to Localisation

#### ***1. Take Away and Home Delivery Demand***

The recent years have seen an elevation of demand for take away and home delivery services. Reasons are explained as urbanisation, growth of working women, younger population and higher disposable incomes combined with increased time constraints. Powerful market trends are Internet sites made-for-delivery and mobile apps.

The growth of demand for take-away despite slowdown in QSR dine-in suggests that consumer preferences are moving away from QSR dine-in. Tastes are changing, eating out at QSR outlets are no longer perceived as an occasion in India. Dine-in trends are finer dining, or café outlets, whilst QSR is demanded in a fast and convenient manner, preferably delivered to the doorstep.

QSR suppliers must evolve with its new perception and cater to the increased demands of home delivery in an innovative manner. We suggest the individual brands to apply the new consumer preferences such as refinement, health, hygiene and taste to win market shares and compete with established players.

#### ***2. Social Media and the Rise of the Online Foodie***

Social media outlets are no longer just a venue to connect with friends but are increasingly a mechanism for consumers to learn about food. The Web is populated with an abundance of blogs all talking about food in one form or another. Food is the main topic of conversation on Facebook and Twitter.

Indian consumers have developed a strong affinity for the online space, they like spending their time online and the statistics stand testimony to the fact.

As of June 2014, around 243 million users of the Internet are Indians. Sixty per cent of online consumers say they read social networking sites weekly and 32 per cent say they read social networking sites daily.

Advertising special offers or coupons via the web is becoming more popular. It is now commonplace to find coupons on Facebook that can be downloaded. Quite a lot of our fieldwork both in Delhi and Bombay helped us understand how consumers rely on discounts available on social media platforms.

The expansion and rise of food networking sites like Zomato stands testimony to the fact that Indians love eating and they love telling their friends what they eat.

Most urban consumers "Zomato" new places prior culinary visits. They use online reviews as a guide to visit outlets. The social media platforms definitely provide a win-win situation. They give feedback to the restaurant owners and help gain popularity because of mass word of mouth.

Our Zomato Research also helped us understand auxiliary factors like convenience exclusivity of offerings, lure in customers to eat out, besides the food and ambience offerings. Our research confirmed our perception power of social media and its influence on the food industry trends.

#### ***3. The Elevated Importance of Health and Hygiene***

The trend of eating out has been on the rise since the past decade and is projected to grow further with the growing time-poverty, higher disposable incomes, and changing lifestyles. At the same time, increasing awareness on the health and

food connection has forced consumers to look for healthier options, and a balanced diet plan. Since liberalisation, India has seen tremendous growth in the awareness of its consumers as far as health and hygiene are concerned.

Growth in education and lifestyle diseases are driving the increased health consciousness among consumers. Both large and small companies are responding with healthier products, supported by stronger government regulations.

India tops the Asia Pacific region in new foods and drinks launches that carry a "no additives/preservatives" claim. As food-related health problems persist and people become increasingly concerned with what they eat, companies big and small are working to find innovative ways to help them eat more healthfully, such as un-processed, minimal-ingredient snacks.

Many flags now point to the obvious change in consumer eating habits throughout India, which are dragging many of the leading restaurant and beverage businesses into the line of fire. Current menu offerings that do not factor in the health element are dropping off the lists of consumers faster than they are adding revenues for their makers.

However, the situation still isn't grim enough to spell disaster for the affected businesses. If anything, it represents an opportunity for those willing to adapt early and lead the market for the growing number of health conscious consumers in the future. The core logic is still the same: consumers' preference leads the market.

#### ***4. Revitalized Tradition in Modernity***

Foreign companies entering the Indian market must succeed in Indianisation to modernize the Indian consumption with their offerings. The modernisation followed by the last decades has however evoked an increased nationalism of preferences. Deemed to be world-leading economy with supreme development potential, India is finally getting its confidence back. This can be observed in the recent election. Although, westernisation is still very much a prevalent aspiration, the revoked pride of culture and heritage are transforming into consumer demands by all social groups. This is the one factor where they may identify with each other despite vast differences.

Getting indenisation right is key to unify the heterogeneous Indian consumer group. The strategy will attract demand from all groups. The lower segments will be engaged by the familiarity, whereas the middle-and higher will connect with the symbol of a superior nation, which themselves are building.

Furthermore, this strategy tackles the absence of brand loyalty with its appeal to nationalistic and solidary sentiments. Suppliers who exploit revitalization of tradition will thrive in capturing the demand cross all segments.

#### ***5. Priority and Preference to Localisation***

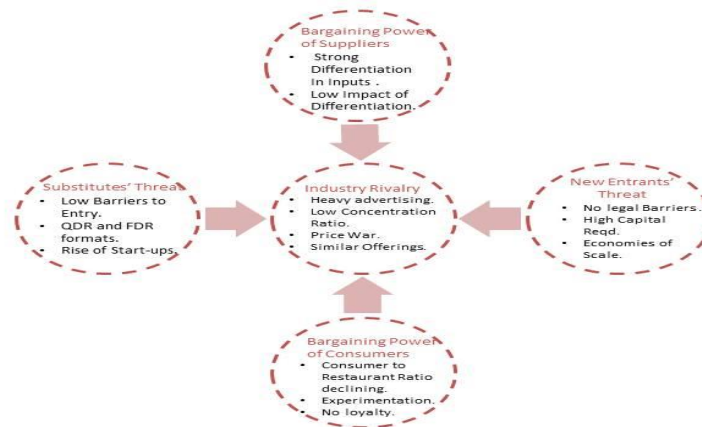
Local vendors are preferred. Despite major socio-cultural leaps of development, Indian people most appreciate local vendors over chains. Although many reasons were the superfast service, the possibility to customise your own food, and the sense of autonomy over the product contributed to an increased utility, the major factor was the symbol the local vendors play in the Indian history. Local vendors were there before any chains. Since the old days, before liberalisation, families went to local outlets, which serves traditional Indian food, and is a sweet remembrance. A position as a local vendor is usually inherited and involves years of training to reach the level of "craftsmanship".

Such values, memories and traditions are intact with the core of Indian culture, and it's a stable variable in the ever-changing India. Local vendors are safe and trustworthy. Although India is evolving, such stalls have been there before, and will remain, and this is a major appeal in the uncertainty of the future.

## **VIII. CONCLUSIONS**

### ***Industry Status Analysis:***

To Understand the QSR Industry better in Urban India better, we have also prepared a diagrammatic analysis using Porter's Five-Force Framework.



Following Factors are explained below:

1. Industry Rivalry: Here we refer to competition within the QSR Industry, ie. Between Pizza Hut, Domino's McDonald's etc. Heavy Advertising, continuous price-format wars signify high intensity of rivalry.
2. New Entrants' Threat: These include how its relatively easy for new players to enter the market because of less legal barriers, considering recent increase in FDI, there will be bigger players like Burger King ready to jump in.
3. Substitutes' Threat: This mainly entails threat from substitutes to the QSR format i.e. QDR and FDR format. High profits and fewer barriers to entry have lead for many professionals to start-up into this industry and take up a chunk of demand previously catered by QSR chains.
4. Bargaining Power of Supplier: The Food Processing Industry has reported increase of supplier units, but differentiation in inputs show low impact on consumer Choices
5. Bargaining Power of Consumer: 'Buyer is the king'. Indeed in the F & B industry the new Indian Consumer is the real king who is dynamic. Showing no signs of loyalty and high interest in experimentation there are certain drives that also motivate one to eat out.

### ***The New Indian Consumer***

The New Indian Consumer has modern aspirations. Since the nineties those have changed formats and we are moving towards demand for refinement, specialty and convenience. Consumers prefer to eat out in cafes or finer establishment motivated by the new-found importance of ambiance. Increasingly driven by education and social media, factors such as health and hygiene are important for consumers. In 2014 each consumers has a fluctuating pattern of decision-making. On one hand, they call for more experimentation in cuisines, yet, are still more than ever drawn to traditional local vendors and food stalls. The middle segment consumes both QSR offerings and higher end suppliers, without chain loyalty for either.

Given the economic growth and higher disposable incomes, Indian tastes are rapidly modernizing. It is indeed useful to look to the trends of the west as an indication of the near future. Compared to the world, India takes significantly lower time to adapt to new market trends. Although, still, in many aspects rendered as backwards, there are not many places matching India's rate of change. However, India is particular in the sense that modernity is driving an embracement of nationalism. The strengthened economic position of India has triggered revitalization of traditional values cross all social groups.

The **New Indian Consumer** is dynamic i.e. he is open to experimentation. He does respect money but isn't stingy. He is well informed and demanding likewise.

The Food and Beverage market in the country is now in possession of a well-informed consumer. Education points its inclination towards concerns like health and hygiene. There is connectivity with socially active brands that are considered like-minded.

There is experimentation of cuisines, but the most enjoyed cuisine is still the Indian cuisine varying with regions. This implies north Indian cities show a higher affinity for North Indian Food whereas cities down south like the southern method of food preparation.

All this again directs to the importance of localization of food. However, to achieve this compromise on consistency disturbs the consumers. Indian 'foodies' as one may call them do look for consistency in brand behavior as well.

## **IX. KEY RESULT AREAS**

### ***Take Away And Home Delivery***

Indian consumers are demanding more take-away and home-delivery services. There is much unprentated scope in this market, and successful operators should apply the new preferences and trends in an innovative manner when developing their home-delivery services.

### ***Social Media***

Social media is guiding the consumption. India is increasingly eating through social media platforms such as Zomato. Such spaces determine where consumers choose to eat. Indians are extremely active online, and social media marketing is very effective for this market.

### ***Importance of Nationalism***

India is on the dawn of an economic revolution. The emergence of Indian power after centuries with suppression has resulted in elevated nationalism. There is a profound confidence of being Indian in 2014. Consumers from all social groups are identifying with each other under the umbrella of nationalism. Operators have a golden chance to exploit this phenomenon when attempting a strategy to appeal cross-segments.

### ***More Experimentation Demanded***

Indian tastes call for more experimentation. Consumers experience little difference of outlets, and thus will not develop brand loyalty without more differentiation in the market.

### ***Need For Health & Hygiene***

India wants more health and hygiene. Higher education and increased lifestyles diseases has created awareness of importance of health. The demands and supplies of "healthy" products will continue to grow at a fast rate.

## **X. SUGGESTIONS**

### ***Developing take-away***

The need for more diversity in take-away was one of the strongest findings of this report. Although players such as Dominos are dominating the market, there is loads scope yet to be filled. A concrete suggestion would be for the operators to differentiate their services. Why not make their product-line offer unique alternatives so that others may not compete. Such unique alternatives may be developed with nationalism, health and hygiene in mind. Furthermore, refinement is the new middle class aspiration. Operators could make their services appear more exclusive, introduce more high-end ranges, be innovate in developing their delivery services, and not be afraid to incur the increased "prices" followed by launch of refinement. By economic theory, the rational consumer hypothesis suggests the consumer to demand less the higher the price. If one acknowledges the "sunk cost effect" (R. Thaler, 1979, 47), the demand could actually increase, violating the rationality by definition. According to the "sunk cost effect", paying for the right to use a service or good would make the consumer use the service more. The consumer has greater expectations the higher they pay, resulting in actually deriving more utility from more expensive consumption. So if a price increase occurs, a consumer might end up with more frequent consumption, increasing demand. QSR suppliers could exploit the demand for the feeling of refinement in India and win many customers. One thing is certain; to succeed in Indian QSR one must have expanded take-away/delivery services.

### ***Exploiting Tradition***

Labelled as nationalism, culture and tradition is strongest unifying bond amongst disparate social groups in India. Given QSR suppliers are aiming at capturing heterogeneous consumers, utilizing nationalism is a powerful tool to engage demand. From the behavioural economical principle, endowment theory, the goods the consumers already have are valued

higher than those not held in endowment. If one removes a good already endowed, it creates a loss, while adding another good, generates a gain. Consumers in India already feel ownership of the culture and tradition, and thus an advertiser; one could introduce products or campaigns that focus on these sentiments of endowment, exploiting nationalism. Such goods would appeal to the sentiments of endowment in the consumer increasing their utility, and thus demand for the same. Concrete suggestions are to launch traditional Indian products with slogans of nationalism in QSR, and/or advertisements. One could introduce a “Baiawala” pizza etc..

A further economic theory supporting the focus of nationalism is the aspect of safety. Appealing to the language of culture always trusted in the nation makes the offerings seem familiar to the consumer. They prefer certain outcomes to uncertain ones, even if taking the risk is very likely beneficial for the consumer. The consumer views multiple choices, as a decision-making cost. The cost can be removed by only having one certain (tradition) option. This is because, the consumer is afraid of the pain of future regret in taking the wrong choice.

### ***Health & Hygiene***

As been elaborated in this report, emerging demand-trends are focus on health and hygiene. We believe suppliers seriously catering to these needs will gain a competitive edge. Concrete suggestions to transform these trends in to higher sales would be to exploit the sentiments in the consumer. Behavioural economics’ “regret theory” (Loomes&Sugden 1982,819) argues that the pleasure an individual derive from a choice, is subject to both the benefits of the choice made, and the nature of the foregone choice. If under uncertainty an individual makes a choice which is ok, and finds out that it could have made an even better one, the pleasure the individual derives from the ok choice may be affected by the displeasure regret of having made the wrong choice, hence, utility decreases. If on the other hand, the consumer knows it has made the preferred choice, it can actually experience a sensation of rejoice, an added feeling of pleasure subject to the knowledge of having made the best decision. So although the consumer already achieved maximum utility, it gets added extra utility knowing he did. The supplier’s job is making the consumer know that he made the right choice. Thus, as no one would want to regret in retrospect of having eating un-hygienic food, operators could make ads/products explicitly stating their focus on hygiene. If other suppliers were absent in this, by the regret theory, the hygiene frank supplier would be preferred. A TV-commercial showing a street-vendors/ local competitor kitchen in an unhygienic state, whilst displaying its own in a superior, would induce demands. Slogans such as “We are clean..etc.”, could have tremendous affect as Indians are worried and asking about the state of the hygiene of their consumptions.

The concept of “framing” (Tversky&Kahneman, 1986) provides evidence that how the problem is presented to a consumer, may significantly influence their decision. Coupled with endowment theory, the consumer has greater pain in a loss, than the pleasure experienced in a gain. Thus, the consumer has established ownership of its health, hygiene. To risk that one would experience a substantially greater loss to lose health and hygiene than to gain taste. Thus, focusing on health would be effective in capturing demands.

### **Social Media**

Social media is the platform for attaining the right ‘feedback’ mechanism. It’s the new communications platform for brands. In India the median age is 26, hence chains need to capitalise on this chunk to enjoy higher market share.

The use of social media is part of this young population’s lifestyle as this has become the preferred mode of expressing views, seeking opinions, and sharing feedback. The youth immediately connects with brands that are seen to be “socially” active as well as interactive. Since the youth forms the bulk consumer for most foodservice operators today, social media has evolved as the medium of choice for connecting with their consumers.

Young People’s lifestyle revolves around their ‘online’ life. To engage consumers into interaction is the first step. Building loyalty is the final one.

It is a vital tool to get the right feedback. ‘Likes’, ‘Reviews’ ‘Wish lists’ etc. give better insights than feedback forms. The advantages of the medium are its cost effectiveness, its versatility and the mass instant reach.

Brands should incorporate downloadable check in discounts. This not only builds interaction but also ensures loyalty and retention in the long run. One could offer exclusive discounts to people who check in the outlet on social media and delivery. Upon payment discount to be revealed when customer shows on social media the check in. This is connector strategy that the consumer takes as a win-win and readily accepts and utilizes.