

The indian fast food industry



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Fast food is one of the world's fastest growing food types. India's fast food industry is growing by 40% a year and is expected to generate a billion dollars every year. The multinational segment of Indian fast food industry is up to Rs. 6 billion, a figure expected to zoom to go Rs. 70 billion by 2005. By 2005, the value of Indian dairy products is expected to be Rs. 100000 million. In last 6 years, foreign investment in this sector stood at Rs. 3600 million which is about one-fourth of total investment made in this sector. Because of the availability of raw material for fast food, Global chains are flooding into the country.

MARKET SIZE & MAJOR PLAYERS

- a). Domino's pizza is present in around 100 locations.
- b) Dominated by McDonalds having as many as 75 outlets
- c) Subways have established around 40 outlets
- d) Pizza hut is also catching up and it has planned to establish 125 outlets at the end of 2005.
- e) Nirulas is established at Delhi and Noida only. However, it claims to cater 50, 000 guests every day.

Major players in fast food are: Mc Donald, KFC, Pizza, hut, Dominos pizza, Coffee day

The main reason behind the success of the multinational chains is their expertise in product development, sourcing practices, quality standards, service levels and standardized operating procedures in their restaurants, a

strength that they have developed over years of experience around the world.

The estimates of trade sources and sector studies indicate a market share of about 30% of potato. The main potato based products are French fries wedges, cutlets, chips etc. dehydrated potato products like flakes, granules and powder are also used in larger quantities in preparation of many products as the substitute of fresh potatoes.

Netherlands Canada, and USA are the major players contributing more than 90% of the global trade. During the past 10 years the quantity and value of frozen fry exports have consistently increased. The major French fries and frozen food importing countries are East Asia countries, where the number of quick service restaurant has expanded significantly in the year 2008-2009, East Asian countries accounted for over 80% of fry exports. Japan accounted highest imports of fry shipment followed by china, followed by china, Hong Kong, Mexico and Taiwan and Republic of Korea.

Major usage of potato

Bars/ pubs

Significant quantities are used in bar and pubs with the drinks. This is also growing at appreciable rate of 15%. With relaxation in the licensing policy for bare and pubs in most of the states and increasing consumption of beer, the sale in this segment would increase at a fast rate.

Flight Caterers / Luxury Trains Caterers, both flight and railways, are the another segment among the user of French fries, growing at the rate of 10%.

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Retail sales

Frozen French Fries are also sold in retail outlets, like frozen vegetables and meat products from the refrigerated outlets. The present share of this is 5%. With changing retail formats, shopping malls and super markets becoming popular giving better visibility to such products then by increasing sale. Presently, the 90% need of domestic market is catered by imported frozen fries and remaining is manufactured in country by the companies like Tarai, Al Kabeer, Safal etc. In the year 1999, the imports were approximately 400 tons, which has grown to an estimated level of over 3000 tons in the year 2002. This shows a rapid upward trend in the consumption of French-Fries in India, which is getting boost with the expansion of fast food chains.

In the country, the institutional sales of fries accounts for more than 90% of the market, as French fries is an important product on the menu of quick service outlets. 85% of French fries sold are consumed within the premises, while 15% are sold in packed form. The trend, however, is changing towards packed products for consumption at home. The prices for bulk consumers are much lower than the retail prices, due to lower packaging and distribution costs for bulk sales. The retail prices of imported fries are about 25-50% higher than the domestic product.

Although some of the units like Al Kabeer, Tarai, Safal etc. and some regional players are also there manufacturing fries in the country but most of them are not as per the acceptable international standards, as the units are using indigenous technology and there is a clear difference in the product from the imported one. There is a gap between technology used and available. One

unit establishment in Coimbatore, named Golden fries has also been set up with imported plant but has not come in production yet due to unavailability of quality raw material.

Apart from imported Frozen French fries which are generally used by the top and fast food chains, there is substantial and growing market for fresh French fries which are made in the eating joints from fresh potatoes. The usage of this product is because of high price of imported frozen French fries and non-availability particularly in small towns where distribution network does not exist. Further, some of their users do not have regular pattern of sale and are hesitant to keep stocks. According to a quick estimate the consumption of this type of French fries is 12, 000 MT. This market can easily be tapped by domestic producers with appropriate pricing and distribution network. Fresh French Fries are also made in middle income group households quite frequently although it is difficult to estimate the size of this market. A part of this market can also be captured by appropriate marketing strategies in view of increasing trend of using ready to cook food products. Potato wedges is the spicy variants of French fries, introduced only 4 year back in the country. Present market of wedges in the country is about 500 MT. In India the major consumer of wedges is McDonalds, having market of 400 MT /Annum, Pizza Hut has recently added this in its menu. Other fast food chains have also introduced this product as substantial growth is expected in this segment. Presently, Vista Foods, dedicated supplier to McCain, is the only manufacturer of Wedges in the country. Wedges, being spicy in taste, offer great potential in terms of consumer acceptance as they

are according to the Indian palate. The growth rate of this product in the country is about 25% per annum.

For the consumers to choose from similar wide range of snacks already available in the Indian market like Pakoras, Samosas containing potato as main ingredient. Wedges could be low cost substitute of imported French fries in the country, as it costs lower than fries. Its low prices can also help in penetration in middle and lower income groups and in smaller towns too. French fries and wedges are the marketing oriented products, require more concentrated marketing and promotional efforts, whereas most of the units manufacturing in the country are multi-product units where efforts distributed over whole product range. Therefore, any exclusive units, with integrated operation could capture this highly growing domestic market easily.

Gulf countries can be an attractive market destination for India as the imports of frozen vegetables are very high, in which frozen French fries / wedges have a significant share.

Presently, USA and European countries fulfill their market need. Assure quality of products can make India competitive for these markets due to the lower freight charges. Countries like

Sri Lanka, Bangladesh & Nepal could have good market for India as they consume French fries in significant quantities. French fries / wedges are growing at the rate of 25% in the country and it is likely to increase in coming years. The reason of this fast rate of growth is:

Fast growth of international fast food chain (25-30%) not only in metro but in other large towns' growth of Indian / regional chains like Nirula's in Delhi, Dairy dan in Gujarat etc.

Growing preference for Western snacks due to changing life style. French fries / wedges

are likely to cut into Indian snacks like Samosa, Tikki, Pakoras etc.

Change in retail formats super market; shopping malls etc also stimulate the retail sales, as products are attractively displayed in visible-coolers/ deep freezers.

Demographic changes like, increasing income, small family, more working women etc. results into more eating out and purchase of ready to cook products.

French fries are also a complement item to many food products in restaurants, Bars and Pubs; this trend is growing and will contribute to its overall demand in near future.

Present & Proposed value chain

Right now the farmers are selling potato at the rate of Rs 6 per kg the processing plant like Mc Cain after adding value to it sells at Rs 120 per kg while the players like Mc Donald's sells fries at Rs 450 per kg.

Our proposed plan is to procure potatoes from farmers at the rate of Rs 8 per kg while we will be selling it to players like Mc Donald's at the rate of Rs 60 per kg.

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