



FAST FOOD **RAPID GROWTH**



International and domestic fast food majors are cooking up a delicious platter, offering a smörgåsbord of dishes for the Indian consumer. A report by **Annamma Oommen.**

INDIAN consumers are increasingly spending large sums, eating out with family and friends on weekends and holidays, churning up a huge appetite for the global quick service restaurant (QSR) and casual dining restaurant (CDR) business.

Young and old Indians can be seen devouring billions of dollars worth of fast food at shopping malls, multiplex complexes, metro stations, highway eateries and even in office blocks, as the 'eating out' culture spreads across urban India. Even Tier-2 and Tier-3 cities are witnessing this gastronomic revolution, much to the delight of QSR and CDR majors. According to a survey conducted by AT Kearney, a global management consultancy, the Indian QSR market is growing at a compound annual growth rate (CAGR) of 10 per cent and is expected to touch the US\$ 6.5 billion-mark in 2011.

The fast food, or QSR, format took off in India about 15 years ago with the arrival of multinational players such as McDonalds, KFC, Domino's Pizza and Pizza Hut. These players initially had a tough time understanding the Indian consumer, as their home-market models did not work well in India.

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.

Leading the charge is McDonalds. The brand has been growing from strength to strength on the back of its customer-friendly pricing (a chicken burger starting at Rs 20, which is less than 50 US cents) and an Indianised menu that includes the

'WE PLAN TO INCREASE OUR OUTLETS FROM 170 TO 210 THIS YEAR'

An interview with **Vikram Bakshi**, managing director, McDonald's India (north and east region), whose Connaught Plaza Restaurants Pvt Ltd is one of the two joint venture partners of the American fast food giant in India:

Can you elaborate on your expansion plans?

With growing consumption patterns we plan to increase from the current 170 to 210 outlets this current fiscal, with special focus Delhi and Kolkata, and some smaller cities. We follow the revenue-sharing model. What this means is that instead of paying a rental we share the revenue with the developer. This works fine for us as the tie-up ranges between 25 and 30 years, and it also covers us against fluctuating real estate prices. Nevertheless, we had to put on hold around 25 to 30 per cent of our expansion plans, because of rising real estate prices.

Has Indianising the menu helped in improving the margins?

It has contributed largely to our overall revenues and helped us maintain our lead among fast food chains. Incidentally, more than 70 per cent of the items served in India are not available in any of our stores worldwide. We are always innovating and depending on consumer feedback to offer different menus. These factors have helped us considerably in India.

How do you ensure quality standards?

We follow a very simple principle. While we try and maintain the same quality across all stores in the country, we also try and outsource all items from a single supply source so that quality and standards are maintained.

McAloo Tikki Burger. McDonald's today operates 170 outlets across 30 Indian cities.

The company plans to invest more than US\$ 32 million to open an additional 30 to 40 stores this year, and hiring 2,000 more employees. And over the next five years, it plans to invest US\$ 125 million to expand its store count by at least 180.

Vikram Bakshi, managing director, McDonald's India (north and east region), who also runs Connaught Plaza Restaurants Pvt Ltd, the franchisee for the region, says sales have grown by 25 to 28 per cent year-on-year. "We are seeing an increase of 14 to 18 per cent in footfalls across our stores system-wide and are hopeful of achieving record-breaking figures this fiscal," says Bakshi.

McDonald's invests, on an average, US\$ 650,000 on each restaurant. Bakshi

points out that while in Indian metros the brand is associated with convenience, in smaller cities, it is increasingly being seen as an 'aspirational' brand, where 'climbers' – those aspiring to move up the social ladder – would want to be seen.

Another US QSR major, Pizza Hut, which operates a chain of 123 outlets in India, plans to double this number over the next few years. According to Anup Jain, marketing director, Pizza Hut, it opened a dozen outlets in India in 2009 and plans a similar increase in 2010.

KFC, which along with Pizza Hut is owned by Yum! Restaurants, is also planning a major expansion. It currently operates 72 outlets, with more than a third having been opened in 2009. "We plan to open 45 more restaurants in 2010," says Unnat Varma, marketing director, KFC.

Considering the fact that India has a

large number of vegetarians – one in three Indians is a vegetarian – KFC (originally Kentucky Fried Chicken) repositioned itself as a fast-food chain serving tasty food, instead of focussing on chicken.

Domino's Pizza is also looking at a significant expansion of its outlets. Ajay Kaul, ceo, Jubilant Foodworks, the master franchisee for Domino's Pizza India, says it operates 280 stores, with almost 70 having been added in the current fiscal. Jubilant Foodworks plans an initial public offering (IPO) to raise funds for its ambitious expansion plans.

Kaul points out that Domino's has seen a 25 per cent growth in its takeaway business. It has also localised its strategy, setting up dine-in restaurants in many cities, something which Domino's has not done anywhere in the globe. "As we move into smaller cities to grow our business,



we realise that eating out is an integral part of family life," explains Kaul. "It would, therefore, not make sense if we positioned ourselves exclusively as a convenience, delivery brand." Consequently, new Domino's outlets in India are built to accommodate 25 to 30 people within the premises. But takeaways still account for 65 per cent of Domino's revenues.

The Jawad Business Group (JBG), Bahrain, has also entered the Indian QSR segment in a big way. It is the franchisee for Papa John's in India and the Middle East. Tapan Vaidya, general manager, restaurant division, JBG, says it plans to operate 100 outlets in four years. JBG has also tied up with US-based Brinker International and introduced its Chili brand in the country.

Vaidya says the group plans to invest US\$ 30 million in India over the next five

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Ajay Kaul,
ceo, Jubilant Foodworks

years, as it plans to expand its QSR and restaurant chain business.

Other American and international QSR brands are also eyeing the growing Indian market with interest. According to Aileen Crowe Nandi, principal commercial officer, US Consulate-General, Chennai, several American players including Church's Chicken, Round Table Pizza CKE Restaurants Inc and Tropical Sno are planning to set up a presence in India.

The US Commercial Services, part of the American embassy, which promotes and protects the country's business interests in India, has launched a programme, 'Focus Franchising,' to bring together American principals and franchisees in India. According to Nandi, the Indian franchise market recorded a growth of 30 to 35 per cent annually over the last five years.



Indian QSR players are also planning ambitious expansion plans. Café Coffee Day, a leading domestic player, plans to raise its store count from 600 to 950 in a few years. Its rivals in the business – including newcomers – such as Barista, Java Green, Starbucks and Quicky's also plan to scale up operations in India. Mumbai-based Jumbo King – which specialises in the local Maharashtrian delicacy, 'vada pav,' also plans a major expansion. Dheeraj Gupta, managing director, Jumbo King, says it expects a 15 to 20 per cent growth in the current fiscal. It also plans to double the number of outlets to 100 in the current fiscal and aims to have 300 stores in the next three years.

The QSR business is also attracting bigger players. Amit Burman, vice-chairman, Dabur India, launched a start-up, Lite Bite Foods (LBF), which is focussed on the food and beverage services retailing space. The company's formats include QSRs and CDR and it plans to set up stores

WHO'S ON THE MENU?

LEADING global fast food and QSR majors have set up a presence in India, or plan doing so in the near future. A list of some of the top players:

- McDonald's
- Pizza Hut
- KFC
- Domino's Pizza
- American Pizza
- Papa John's
- Subway
- The Eat Out Group
- Church's Chicken
- Round Table Pizza
- CKE Restaurants Inc
- Tropical Sno

at high-traffic locations, including shopping malls, office complexes, highways, metro stations, airports and hospitals. With an initial investment of nearly US\$ 45 million, LBF has tied up with international majors including Subway of the US and Europe's The Eat Out Group, which offers an alfresco, CDR concept with Mediterranean ambience and flair, and serves tapas, pastas, salads, soups, grills and dessert. LBF also offers Indian food such as 'roti-kababs' and 'rajma-chawal' through kiosks being run by its Street Foods of India. Burman says LBF will emerge as a major chain with 200 outlets – including 30 QSRs – in just three years.

With rising disposable incomes and a young workforce earning relatively high incomes, India offers excellent growth opportunities for the QSR and CDR business. And both international and domestic fast food majors are realising this and are rolling out major expansion plans. 🌱