

THE INDIA FOOD REPORT

2024-25

Insights into the **Indian Foodservice Industry**

January 2024



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The foodservice industry includes businesses that are involved in the preparation and distribution of food and beverages for consumption. It includes establishments such as restaurants, cafes, food trucks, cloud kitchens, and more that offer services like dine-in, take-out, delivery, or a combination of these. The industry plays an important role in offering diverse dining options for consumers, ranging from at-home, casual as well as fine-dining experiences, and is influenced by variations in culinary trends, consumer behavior, as well as economic factors.

Thanks to globalization, the industry today is interconnected – with the worldwide expansion of key brands and cross-border movement of food concepts, creating a diverse culinary landscape that blends both local and international flavors.

While the COVID-19 pandemic spurred temporary closures, a global shift in consumer behavior was observed, leading to industrywide adaptations through digital solutions



and operational re-evaluation. Today, technology is an indispensable enabler for the industry, pivotal for online ordering, delivery services, kitchen automation, operational efficiency, and enhancing customer convenience and experience.

➤ **Importance and contribution of the foodservice industry to the national economy**

As of 2023, the contribution of the foodservice industry to India’s GDP is ~1.6%. The market has bounced back post the overall slowdown witnessed during the pandemic.

➤ Foodservice establishments are a major employer, offering a range of jobs to a

diverse workforce, including chefs, servers, kitchen staff, delivery personnel, and management roles. This contributes to lowering unemployment rates and boosting consumer spending.

➤ In addition to the direct economic output that the industry generates, it also stimulates economic activity in connected sectors like agriculture, food processing, and logistics.

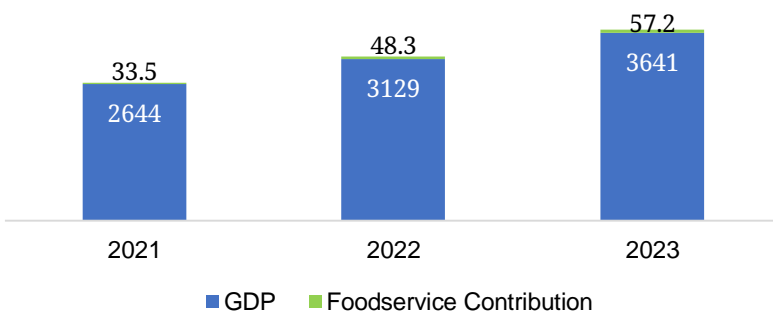
➤ Restaurants and similar businesses are crucial to the tourism and hospitality sectors, with the country’s vibrant culinary set-up acting as an attraction point for tourists, thereby contributing to the growth of the overall economy.

➤ **Overview of the Indian foodservice industry**

Evolution of the foodservice industry

The Indian foodservice industry has transitioned from local, family-run establishments to global collaborations employing diverse business strategies. This evolution can be broken

GDP contribution of foodservice industry (US\$ bn)



down into the following four stages:

Stage I: Prior to the liberalisation of the Indian economy in 1991, the industry mainly comprised of family operated businesses with limited geographic presence that offered regional cuisines and traditional dining experiences. Legacy casual dining restaurant (CDR) chains in India including Nirula’s, Sagar Ratna, Saravana Bhavan opened their first few outlets during this stage.

Stage II: The following decade saw an influx of leading international restaurant brands in India. These chains favoured the franchise model for their expansion in the country and prioritised acquiring the Indian consumers by developing an appropriate menu at a suitable price point to ensure continued revenue growth. Meanwhile, domestic CDR brands continued to expand their geographic presence across the country.

Stage III: During the early 2000s, international brands including McDonald’s, Pizza

Hut, and KFC multiplied their outlet network in the country, expanding to Tier I and II cities through their franchise partners. Additionally, they also continued to rejig their menu to perfectly fit the preferences of the Indian consumer. This stage also saw a fresh influx of homegrown CDR and quick service restaurant (QSR) brands including Barbeque Nation, Bikano Chat Café, and WOW! Momo in the country.














Stage IV: Post 2010, the industry witnessed a rapid emergence of new entrants, across different formats – QSR (Burger Singh, Wendy’s), CDR (SOCIAL), cafés (Chai Point, Starbucks, Third Wave Coffee), and bars (Drunken Monkey, The Beer Café). These players compete with existing market leaders with their disruptive business models, innovative product offering, and competitive pricing. Thanks to rapid digitalization of the Indian economy, this stage also marked the entry of food aggregator platforms (Zomato, Swiggy) and cloud kitchen restaurant companies (Rebel Foods, EatClub) in India.

➤ **Market structure**

The foodservice market in India can be broadly classified into two segments: organized and unorganized. These distinctions are based on the level of structure, formality, and standardization present within the establishments.

The organized foodservice segment in India comprises establishments that operate with a formalized and structured approach. These establishments often adhere to clear hierarchies, standardized operating procedures, and regulatory compliance. In contrast, the unorganized foodservice segment represents a more informal approach to culinary offerings, typically comprising small, independent businesses, family-run eateries, and local food stalls.

The organized segment can be further subdivided based on the scale of operation into chained and independent establishments. Additionally, organized establishments can be categorized based on the type of establishment, which include the following:

Type	Description	Representative Brands
Casual Dining Restaurant (CDR)	Comfortable and casual atmosphere, with affordable menu	 
Quick Service Restaurant (QSR)	Serve fast-food cuisines and have minimal table service	 
Dessert/Frozen Dessert/Ice Cream (D/FD/IC)	Parlours and shops serving desserts	 
Cloud Kitchen (CK)	Delivery-only restaurants	 
Café	Small restaurants that serve drinks and light meals	 
Fine Dining Restaurant (FDR)	Upscale setting and service, more expensive and unique menu options	
Pub/Bar/Club/Lounge (PBCL)	Serve food and alcoholic beverages	 

The Indian foodservice industry has transitioned from local, family-run establishments to global collaborations employing diverse business strategies.

➔ **Market size**

The Indian foodservice market was valued at US\$54.3 bn in 2020. In the face of unprecedented challenges including pandemic-induced lockdowns, dine-in restrictions, and consumer reluctance to eat out amid health and safety concerns, the market experienced a significant 38.2% contraction in 2021.

However, with the easing of restrictions and resumption of normalcy in consumer

behaviour, the market swiftly rebounded in 2022 and reached US\$57.2 bn in 2023. The foodservice market in India is on a trajectory to reach US\$78.8 bn by 2026, registering a projected CAGR of 11.3% during 2023-26.

In 2023, the unorganized segment held a majority share, constituting over 50% of the total foodservice market in India. However, the organized market is growing faster than the unorganized segment and is projected to grow at a 15% CAGR during 2023-26. As a result, it is expected that the organized segment will surpass the unorganized segment, securing the majority share in the Indian foodservice market by 2025-26.

➔ **Organized foodservice industry: Market size and segmentation**

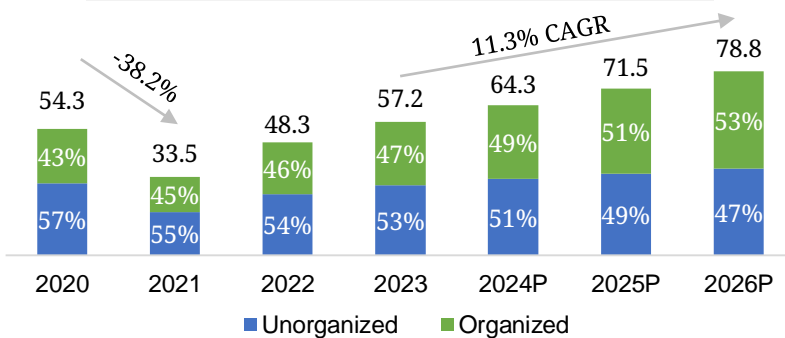
The organized foodservice market size was estimated at US\$27.1 bn in 2023. Chained establishments, that encompass both domestic and international setups with a nationwide presence of more than three outlets, accounted for about 22%. The chained category is expanding rapidly and is expected to grow at a CAGR of 12% between 2020-26, on the back of increased penetration and growth from non- metro cities.

QSR and CDR together constitute about 78% of the organized foodservice market. QSR also remains the fastest-growing category in the organized segment and is expected to have a robust growth of 18% during 2023-26 as the Indian population continues to embrace urbanization and modern lifestyles. The format has a substantial potential for growth as QSR penetration remains relatively low as compared to developed economies.

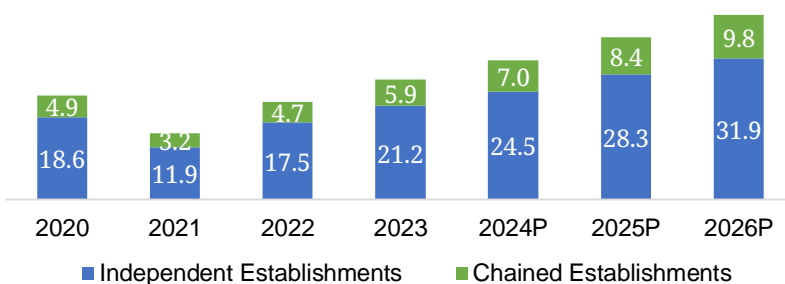
CDR is also expected to constitute a sizeable share of the organized foodservice market, with a majority of independent establishments operating under this format.

While the pandemic disrupted the traditional foodservice market, it accelerated the emerging CK format. Operating on an asset-light delivery-only model, the CK format is expected to grow at a 17% CAGR during 2023-26.

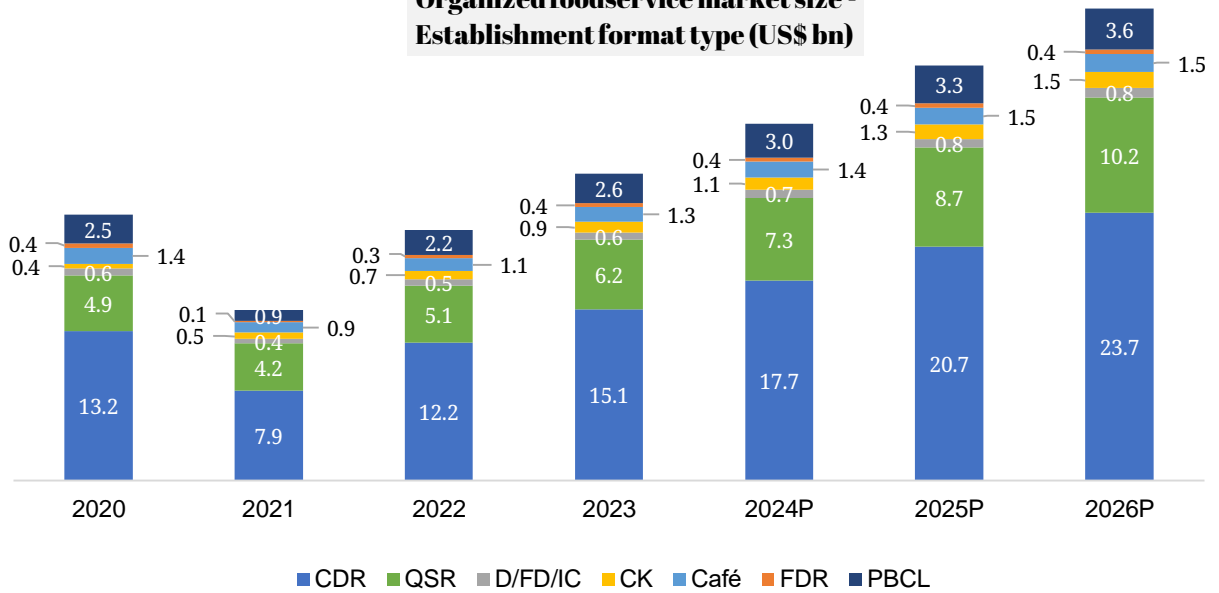
Market size - Indian foodservice industry (US\$ bn)



Organized foodservice market size - Chained and independent establishments (US\$ bn)



Organized foodservice market size - Establishment format type (US\$ bn)



➔ Competitive landscape and key players

The Indian foodservice market exhibits high fragmentation and competitiveness. This can be attributed to the substantial presence of numerous global and local brands. International brands such as Domino’s, Pizza Hut, KFC, McDonald’s, and Subway

have acquired a significant share in the market. These key players have employed strategies like product innovation, mergers and acquisitions, partnerships, and geographic expansion, to secure their respective prominent positions in the market. Independent restaurants pose formidable competition to major players

in terms of service offerings. Establishments, small and large, local as well as regional, are increasingly partnering with aggregator platforms like Zomato and Swiggy to expand their customer reach and significantly boost order volumes.

Leading companies in the Indian foodservice market

Name	Format	Brands Operated in India
Barbeque Nation Hospitality Ltd.	CDR	
Jubilant FoodWorks Ltd.	QSR	
Tata Starbucks Pvt. Ltd.	Café	
Eversub India Pvt. Ltd.	QSR	
Westlife Foodworld Ltd.*	QSR	
Coffee Day Enterprises Ltd.	Café	
Haldiram Snacks Pvt. Ltd.	CDR	
Restaurant Brands Asia Ltd.	QSR	
Devyani International Ltd. Sapphire Foods India Ltd.	QSR	
Graviss Foods Pvt. Ltd.	(D/FD/IC)	
Bikanervala Foods Pvt. Ltd.	CDR	

*Master franchisee for McDonald’s in West and South India.

➤ Growth drivers

➤ **Increased frequency of dining out:** With the rising disposable incomes and urbanisation, an increased willingness to spend on activities like dining out has been observed among the Indian consumers. Dining outside of homes without a specific occasion is becoming the new normal, with individuals particularly in the urban areas incorporating it into their leisure activities and shopping experiences.

in the workforce, higher disposable incomes but with a scarcity of time has increased the reliance on prepared food among consumers in India. All these factors have given rise to a culture of takeaways, on-the-go food services, and home delivery services. This shift is also driving innovations in foodservice distribution channels, with companies increasingly forming partnerships with online foodservice providers to broaden their reach.

and consequently for the overall foodservice establishments has increased due to easy access to the internet that millions of Indians today have via smartphones. Mobile wallets and one-tap payments have played the role of a catalyst in this process by further simplifying order placement.

➤ Market trends

Growth of different formats

➤ **Emergence of hybrid formats:** As customers are increasingly attracted to businesses offering convenience and a diverse range of choices, the distinct format based segmentation in the Indian foodservice market is becoming less defined with brands opting for multiple service models. For example, Pizza Hut which was traditionally categorized as a CDR is today expanding into the QSR space to enhance operational efficiency while maintaining a focus on quality and customer engagement. Innerchef has adopted a hybrid model of their Bombay Sandwich Company brand by launching cafés in Gurugram in addition to the existing cloud kitchens that are present across different cities in India.

➤ **Rise of a parallel delivery ecosystem:** As the consumer demand for food delivery services increased in India, food aggregators like Zomato and Swiggy gained a higher bargaining power, enabling them to charge greater commissions from foodservice businesses. In response, chained brands rapidly expanded their own



➤ **Growing demand for diverse food varieties and cuisines:** Unlike in the past when people preferred tried-and-tested options like North or South Indian cuisines, millennials today exhibit more adventurous eating habits, enthusiastically exploring new flavors. This trend has been motivating both domestic and international food establishments to expand their menus and reach.

➤ **Time-pressed schedules:** The fast-paced lifestyles of employed individuals, an increased number of women

➤ **Greater availability of retail spaces:** The success of a foodservice outlet heavily relies on real estate availability in high-footfall areas. With the changing consumer habits, dining options are today being made available in non-traditional locations such as offices and business parks, hospitals, airports, educational institutions, in addition to the traditional malls and shopping streets.

➤ **Rising smartphone and internet penetration:** The total addressable market for online food delivery services,

delivery apps, advocating for lower margins with aggregators. Going forward, global brands like Domino's, KFC, Pizza Hut, and McDonald's are expected to reduce reliance on aggregators, strengthening their own delivery channels.

➤ **Surge of cloud kitchens:**

With advantages like low initial investment requirement and operating costs, higher profit margins, and relatively easier geographic expansion, cloud kitchens have taken the foodservice industry by storm. Owing to their rising popularity, the format has attracted significant investment in the recent times, with Rebel Foods, the operating company behind brands including Faasos, Behrouz Biryani, and Oven Story becoming a unicorn after raising US\$175 mn in a round led by Qatar Investment Authority in 2021.

Demand and supply across foodservice segments

➤ **Emergence of healthy food QSRs:** In response to growing demand from health-

conscious individuals, businesses have broadened their product offerings to encompass nutrition-focused options in their menus. Delhi NCR-based Greenr Café features plant-based dishes in their menu, catering to the demand of vegan and vegetarian consumers. Brands like Salad Story and Pita-Pit have emerged to meet the needs of a population grappling with issues such as obesity and other lifestyle diseases. Capitalizing on the plant-based trend, Starbucks has introduced dairy-free oat-milk based beverages in its Indian outlets.

➤ **Innovation-led cooking:** In the foodservice market, innovation and new product development have led to experimentation with fusion cuisines globally. Chefs, aided by advanced technology, are creating exotic dishes to attract customers with discerning tastes. For example, Masala Library in Mumbai offers its customers an experience of molecular gastronomy through their menu.

➤ **Glocalised product development:** Successful international brands in India tend to adapt to local preferences, as seen in the case of Pizza Hut, with their introduction of 'Birizza' i.e., biryani pizza. Starbucks too has introduced unique offerings like Masala Chai, Filter Coffee, and street style sandwiches to cater to Indian tastes. Subway has gained loyalty with items like Chatpata Chana and Chicken Tandoori sandwiches, emphasizing local preferences.

➤ **Introduction of DIY meal kits:** The trend of #quarantinecooking, where individuals tried to replicate their favourite recipes during the lockdown, inspired restaurateurs to introduce a business concept of offering ready-to-cook and ready-to-eat packages of their signature dishes, sauces, and beverages. For instance, Delhi-NCR based Daryaganj began delivering DIY kits for their renowned dish, Dal Makhani. SOCIAL introduced DIY meal and cocktail kits, receiving positive responses. Although such kits were already prevalent in the USA and the UK before the pandemic, this trend gained traction in India during the COVID-19 lockdown.

➤ **New concepts in dining Theme-based restaurants:** A current trend in the restaurant industry involves a shift towards emphasizing the overall experience, not just food. Ambience, food presentation, and visually appealing meals are becoming pivotal factors in determining the success of



any foodservice establishment. SOCIAL is at the forefront of creating themed restaurants in India, with outlets designed around concepts like beach, garden, and basti/chawl themes. Chokhi Dhani in Jaipur provides a village-themed experience, immersing customers in Rajasthani culture, tradition, and food.

➤ **Pop-up restaurants:** A pop-up restaurant is a transient dining venue that emerges in diverse locations for a brief duration. It involves collaborations between renowned restaurants or chefs and a host establishment, presenting either an exclusive menu or a fusion of their signature dishes. Presently, these restaurants are embracing delivery models, featuring concise menus, and utilising local, seasonal ingredients.

➤ Regulatory environment

Food safety and quality regulations

In India, the Food Safety and Standards Authority of India (FSSAI) lays out practices related to the manufacturing, storage, distribution, sale, and import of food items to ensure their suitability for human consumption. During the COVID-19 pandemic, the body issued a guidance note for businesses involved in the food industry, specifying instructions to prevent the contamination of food and the consequential spread of COVID-19.

While businesses in the organized segment tend to comply with the laws enacted by the Food Safety and

Standards Act (FSSA), entrepreneurs in the unorganized sector and smaller outlets often fail to maintain the mandated hygiene and sanitary levels. There is hence a need for extensive knowledge dissemination across the chain - from business operators to manufacturers and sellers, so as to ensure the awareness and adherence to the existing safety regulations.



Licensing and permits

The FSSA has established requirements for licensing and registering of food establishments that are mandatory for all businesses in the foodservice industry in India to obtain. Some of them have been mentioned below:

➤ **Food safety license:** The FSSAI issues this license for food business owners in the country. Upon completion of the registration process, operators can either apply for a state license or a central license based on the annual revenue of their business.

➤ **Health/trade license:** Issued by the Municipal

Corporation, this license is an assurance that hygiene and safety norms are followed by the business.

➤ **Shop and establishment license:** To regulate the operations of businesses in terms of functioning hours, labour wages, safety, among others, this license is issued by the respective State Governments.

➤ **Environmental clearance license:** The State Pollution Control Board issues this license after categorising the food establishment into Red/Orange/ Green category based on the level of air and water pollution that that specific type and scale of business can generate.

➤ **Fire safety license (No Objection Certificate):** Since cooking of food can sometimes lead to fire hazards, this license is required to be obtained by businesses from the Chief Fire Officer of the state.

➤ **Music license:** Issued by the Phonographic

Performance Limited (PPL), this license is required to play music in commercial establishments.

➤ Challenges in the foodservice industry

➤ **Increasing popularity of Ready-to-Eat and Ready-to-Cook meals:** The ready meals market in India is expanding due to the convenience it offers in terms of time-saving and minimal preparation effort. Indian firms like MTR, Gits, Haldiram's, and Bikano are tapping into this potential, with products like packaged meals, frozen foods, and partially prepared ingredients which act as a substitute to the offerings of the traditional foodservice businesses.

➤ **Rising cost of raw material:** A key operational challenge faced by the foodservice industry is the escalating cost of goods. The persistent increase in food costs squeezes margins, compelling operators to raise menu prices, posing a retention challenge with value-conscious customers. Factors like seasonal shortages, economic slowdowns, and surging fuel prices contribute to spikes in prices of raw materials such as eggs, meat, fish, and vegetables. To address this, restaurants are minimizing food waste by offering smaller portions, revising menus to emphasize lower-cost items, and strategically introducing higher-margin options.

➤ **Supply chain inefficiencies:** An essential aspect of food lies in



maintaining consistent quality and adhering to specified standards. Foodservice businesses frequently encounter challenges in receiving products that meet agreed-upon specifications from suppliers. The main factors contributing to this issue include insufficient logistics, cold chain and warehousing infrastructure and poor technology adoption in the farm till fork journey of produce. These deficiencies lead to a decline in the quality of raw material and increased wastage. Consequently, it affects the quality of the food served, resulting in inconsistencies and dissatisfaction among consumers.

➤ Opportunities in the foodservice industry

➤ **Automation for seamless business operations:** Major players in the foodservice market are leveraging automation to enhance operational efficiency. From tasks like order processing, waitlist management, table reservation, to running loyalty programs, automation of monotonous tasks can help in improving business efficiency and service levels. Some examples of front-of-house automation tools include self ordering kiosks (installed in select KFC outlets in India) and QR code-based ordering. Backend automation tools include kitchen display systems that display orders based on priority and flag special

dietary requests of customers, the use of robotics for operations like dishwashing and cooking, and AI for automating the order-taking process (as introduced by McDonald's at its drive-thrus in Chicago).

➤ **Optimization of menu offerings:** At the heart of QSR and CDR outlets lies a focus on agility and lean operations. These establishments can optimize their economies of scale by crafting a concise menu – by eliminating the poor-performing menu items and developing new ones that utilise the available raw ingredients. This not only simplifies the training process for new staff but also minimizes wastage for

franchise operators thereby significantly cutting food costs.

➤ **Innovative marketing campaigns:** Having an effective marketing strategy is a critical success factor for businesses in the foodservice industry today. These initiatives not only create brand awareness but are also helpful in promoting newly launched products and special offers that have a direct impact on sales. Establishments today aim to create viral campaigns and catchy customer notifications and collaborate with leading influencers to stand out from their competitors and maintain customer loyalty, best seen in the case of aggregator platforms Zomato

and Swiggy.

➤ **Future outlook**

The integration of technology into India's foodservice industry is bringing about a revolution, transforming everything - from food ordering to bill payment. In this era, businesses that align with changing consumer preferences and technological trends, while prioritizing food safety and environmental sustainability, are positioned for enhanced efficiency, better customer experiences, and sustained growth. Marked by high competition and the emergence of diversified business models, the foodservice industry remains robust and will continue to thrive in the future.



About Wazir Advisors

Since its inception in 2009, Wazir Advisors has established itself as a dependable and forward-thinking consulting organization. We pride ourselves on being unconventional and entrepreneurial, going the extra mile to transform our client's vision into tangible achievements. Backed by extensive research, intellectual property, and implementation experience, we have become the trusted advisors to the industry.

Our primary objective is to work together with the clients and create innovative and transformative solutions. By transforming vision into reality, we empower our clients to deliver remarkable value in their respective markets and for the stakeholders.

Our Services

Strategy and Implementation

Our team offers comprehensive “concept” to “commissioning” solutions to cater to the needs of our clients. Our core focus lies in optimizing the use of available resources and creating a future-proof sustainable business. Whether it's a corporate strategy to enhance revenue and profitability, an expansion strategy to increase the footprint, or an operational strategy to reduce supply chain costs, we are focused on delivering it effectively and efficiently.

Go-To-Market Strategy | Market and Consumer Assessment | Location Evaluation & Selection | Online and Omni-Channel Retail

Business Transformation

At Wazir, our services encompass a range of strategic initiatives aimed at transforming the organization. Through a comprehensive assessment of strategy, processes, systems, and technology we identify areas for transformation and develop tailored strategies.

Defining Business Strategy | Cost Transformation | Revenue Enhancement | Preferred Supplier Program

Cross Border Alliances

Wazir aids companies in global expansion, providing expertise in market entry strategies, analysis, partner identification, and negotiation facilitation. Services encompass joint venture structure development, governance models, and ongoing support for cross-cultural dynamics, aiming to forge

collaborative partnerships that leverage strengths for mutual global growth.

Market Assessment | Partner Screening and Shortlisting | Market Feasibility | Partnership Structuring | Market Entry Models | Implementation Support

Transaction Advisory

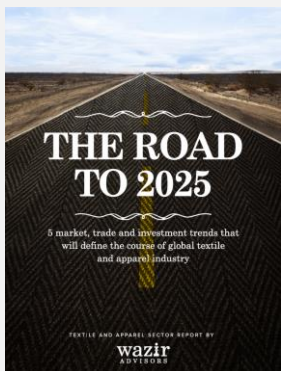
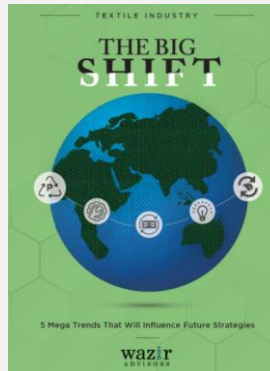
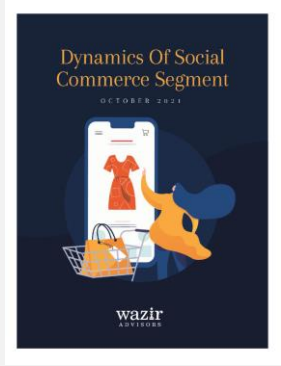
To achieve the ambitious goals of a developing business, supplementing organic growth with inorganic measures is crucial. If you are considering acquiring, raising private equity, divesting, or fundraising to obtain necessary financial resources as a tactic for your business, Wazir can be your trusted partner. We possess a blend of sector expertise and M&A proficiency that ensures your success. Our objective is to help your organization enhance shareholder value by executing an efficient process with a beneficial transaction framework.

Due Diligence | Financial Modelling | Target Identification | Deal Structuring | Capital Raising | Post Merger Integration

Our Clients



Our Knowledge Papers





For Business Enquiries Contact:


Pakhi Saxena


Retail CPG Practice Head

pakhi.saxena@wazir.in

+91 99716 66404

Wazir Advisors Pvt. Ltd. 3rd Floor, Building No. 115, Sector 44, Institutional Area,
Gurugram - 122 002, National Capital Region, India.

 wazir.in

 www.linkedin.com/company/wazir-advisors