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FOOD & BEVERAGE SERVICE INDUSTRY: CURRENT TRENDS, CHALLENGES AND FUTURE PROSPECTS

Food & Beverage Service Industry: Current Trends, Challenges and Future Prospects

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Abstract – This paper examines the current trends, challenges in the Food & Beverage (F&B) Service Industry with special focus on the future prospects of the industry. The changing in customer attitudes through educational knowledge has led to the increased in healthier eating including the restaurant food and others foodservice operation. Dining in a restaurant for them is not only to satisfy the hunger but for them such eating experience is to gain knowledge about the local cuisine and of the destinations culture. The use of internet enabled mobile devices such as cell phones, palm pilots, blackberries and Personal Digital Assistants (PDAs) has steadily increased and helps the restaurant customers to use the services online. Manpower shortage is finding to be the most difficult challenge by the food service industry. Further it is revealed that organizations may face serious obstacles when outsourcing the activities if adequate attention is not paid to the remaining employees. As the food service industry in India grows, more and more international chains will come in India and attempt to establish franchise networks. The industry will come up with the new trends which help in guest satisfaction. The food service industry is expected to be the largest beneficiary of the expanding F&B industry.

Keywords: Food service, Hospitality, Restaurant, e-services.

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INTRODUCTION

India is one of the largest countries in the world, with a growing population of 1.2 billion people. India is known for its diverse traditional heritage, which also includes its famous hospitality. This derived from ancient texts, which stated "Athithi Devo Bhava", which means "The guest is God" (George, 2008). The word hospitality is imitative from the Latin word "Hospitalitias" as it is the welcoming and entertainment of guests or strangers with goodwill and freedom (Bhatnagar, 2006). The hospitality sector covers a wide range of sub sectors out of that food service sector is known as non-accommodation hospitality services which consists of restaurants, bars, fast food outlets, pubs, cafeterias and canteens (Page & Connell, 2006). The food service sector occupied a pivotal place in the Indian service industry and has witnessed a tremendous growth during the recent decade. The food service industry has been linked with lodging from the time when people started travelling and their simple needs of food & beverages are overcome by this industry (Singaravelavan, 2011). Catering to more than 1.2 billion people, the foodservice industry in India is large and growing rapidly.

REVIEW OF LITERATURE

Whyte (1948) revealed from his study of human relationships in the small and large catering establishment that more attention was paid to the full service restaurants however there are more complex problems is there to analyze. Koo et. al., (1999); stated that for the restaurant customers the food attributes plays the pivotal role and when we talk about past studies of restaurant selection, these attributes tend to account for very large percentages in the variance. Further Solomon et. al. (1985), revealed that personal interaction and the recognition is important in fine dining restaurant industry where the service component of the total offering is a major element of the product.

Atmosphere is one of the attribute in examining the fine dining restaurants. According to Turley & Milliman, 2000; Mehrabian & Russell, 1974; Bitner, 1992; atmosphere is referred to "shelf-space studies, environmental psychology and servicescapes". Atmosphere is come across through the senses and is described in sensory terms. Sound, accent, touch and view are the main sensory channels of the atmosphere (Kotler, 1974). According to Kotler, the term 'atmospherics' to mean the intentional control and structuring of the environmental cues to produce specific emotional effects in the buyer that enhance his purchase probability. However the effect of this attribute and décor elements is recognized by the positive feedback of consumers and this attribute has its appearance in the marketing literature (Bitner, 1992). Rust & Tuck, 2006; profound that in today's time the restaurants should focus on their existing customers to retain them and attract the new customers to increase sales because according to the fundamental concepts customers are the individual that gives the business its success and

growth. Further Batislam et. al., 2007 & Schoefer, 2008 stated that the main motive of any food establishment is the satisfaction of the customers and the business target market which leads to the better profits.

Warde & Martens, 2000 pointed out that dining out is not just too satisfying hunger but beyond that it come to be a popular form of entertainment. People expect satisfaction and derive pleasure from dining out. Dining decisions are based on the several criteria such as dining environment, quality, value and variety. Campbell-Smith (1967) is the first person to come up with the marketing insight into restaurants. He stated the key elements in restaurants that could influence commercially provided meals as food, atmosphere and service. Further Meiselam (2000), revealed that there is a difference between dining out and eating out and stated that those people who eat out are just looking for to satisfy their hunger and who dine out are looking for a whole meal experience.

TRENDS IN THE FOOD SERVICE INDUSTRY

Local cuisine is in demand

Hjalager (2003) stated that the tourist looks for the food and beverage combination and better dining experience that raise learning. Dining in a restaurant for them is not only to satisfy the hunger but for them such eating experience is to gain knowledge about the local cuisine and of the destinations culture. As a tourism product local food is offered in many ways during their holiday such as; in direct purchases from farms and in the restaurants, which allow for local products in their menus. Local cuisine is a demand by the customers, however organizers know it would be remiss of them not to dish out local flavor's to enrich delegates experience of being in a foreign city. According to Hyderabad International Convention Centre (HICC), Hyderabad's cuisine is in high demand, with Hyderabadi biryani being the most popular, closely followed by kebabs. Further in Bali, "as travelers to Bali usually look for everything related to the local culture.

E-services in the Restaurant

Dirona & Ebbin, 2006; stated that restaurant usuage is increasing day by day and it affects the use of online services as well. The use of internet enabled mobile devices such as cell phones, palm pilots, blackberries and Personal Digital Assistants (PDAs) has steadily increased and helps the restaurant customers to use the services online. When we talk about restaurant or food service outlets, consumers can find different restaurant e-services such as online menus, online ordering for take-out, maps and directions, table reservations, etc. The impact of wireless applications is already enormous and rapidly growing. A wide coverage of mobile networks and the growth of Internet-enabled mobile phones and PDAs make the cost-effective proposition for restaurants.

Transformation of cuisine

In today's time eating out is a regular form of entertainment, maninly in the metros, Tier I cities where there are greater number of nuclear families and working women and urbanization. Restaurants now a days focusing on menus which attract the customers, as is the dissemination of culinary concepts and preferences through print and television media. From the customer point of view, a greater willingness to experiment with novelties, exposure to international cuisines, and a fast-paced lifestyle have contributed to changing cuisine preferences. Customers choose the Blending of cuisines, e.g. Italian with Thai is another trend in the restaurant industry. This type of trend is increasing for customers to choose cuisines that reflect their lifestyle. International food chains are coming in the arena which also changes the industry trends by providing such flavors as quick Chinese, raw and rustic Italian, fine French, convenient American, etc. which were once specialty and fine-dining dishes. Further, while a niche segment may be created around specific international cuisines, customization may be needed to ensure that they suit the Indian palate.

Use of eOrder N Pay

A new trend identified in the Food Service Industry is the use of eOrderNPay, a cloud based menu ordering and payment solution developed by B-Secure Technologies and Swiff helps in ordering and paying for food at eateries as simpler and more convenient with the integration of new technology into the ordering process. Customers help themselves by browsing the e-menu and select the choice they wish to order all from the tablet. Further customers can do the payment transactions as well and the eReceipt will be sent to the customers email account directly. This system helps in cut out the waiting time for diners by providing e-menus and payment process and leads to the customer satisfaction.

CHALLENGES FACED BY THE INDUSTRY

Labor Shortages

Manpower shortage is finding to be the most difficult challenge by the food service industry. The F&B industry requires employees who are mentally and physical fit with specific skills such as fluency in English and basic knowledge of the F&B sector. The current system of training in hotel management is not producing enough graduates and getting English speaking staff with basic service skills is proving to be a challenge. The industry also faces high levels of attrition of 40-50%. The F&B industry has facing the labor problem because of hiring non hospitality graduates which results the bad customer experience. The problem of attracting and retaining qualified workers, once an issue only in an isolated number of markets, is increasingly becoming a

global challenge. Demography, wage levels, failure to adequately address worker satisfaction and a reputation for long hours and low pay are all cited as contributing factors. Creative hospitality professionals have begun to develop innovative strategies for capturing and keeping high quality workers.

License Requirement

This is the challenge faced by the entrepreneurs to set up shop in India and faced by many firms that are looking to set up operations in the country. There are various licenses required, at the very least, 10 to 12 different basic licenses required and the number can go up to 50 depending on the state one is dealing with. Simply a restaurant required a health/trade license, eating house license, liquor license, environmental clearance, clearance from fire department, lift license, playing of music in restaurants license, signage license and nomination. Further the variability in the license fees are a significant burden on the entrepreneur.

High Demand Leads to Rise in Real Estate Prices

In today's time there is a demand of good infrastructure which meets the requirement of the entrepreneur however this is the challenge faced by the Indian food service industry that of the high rental infrastructure. There is a shortage of quality real estate in India and due to the high demand outlets often find themselves paying global rentals at Indian prices. Real estate rentals have increased 3 to 4 times in the past 4 years, contributing a significant percentage to the total costs incurred during operations.

Employee Outsourcing

This is the one of the challenge faced by the food service industry where the operation is leased out to another operator. Now a day's most of the hotels are engaged in contracting out their activities such as F&B operation, housekeeping, cafeteria, etc. However, there are wide differences between the policies which hotel groups adopt towards distancing. According to Guerrier and Lockwood, 1989 the approach has been to contract out peripheral rather than core activities. These distancing strategies that involve contracting out operations shift the burden of risk and uncertainty elsewhere. KPMG International Research found that many problems can occur when organizations introduce outsourcing processes. The research found that 52 percent of the respondents said outsourcing providers are lacking in knowledge, 47 percent of respondents said outsourcing providers are non-responsive, and 35 percent of respondents said outsourcing providers have low performance standards. That's it is not necessary that every organization get success by outsourcing the F&B activities. Kessler et. al., (1999) stated that there may

not be an issue if outsourcing F&B activities are through the proper process such as payroll. Further he revealed that organizations may face serious obstacles when outsourcing the activities if adequate attention is not paid to the remaining employees.

Bad Supply of Infrastructure

As discussed above the demand of good infrastructure is increasing day to day and one of the challenges faced by the industry is the poor infrastructure. Irregular supply of electricity is a major challenge faced by the F&B sector in India. As a result outlets have to contend with high costs of backup power, primarily through diesel-based generators. Access to purified water is also an issue and significant costs need to be incurred for securing the same. In terms of transportation logistics, India lags significantly behind other global markets: It takes three times as long to transport goods in India as it does in the USA. Cold storage facilities are also less developed, as are refrigerated transportation services.

FUTURE PROSPECTS

Various researches have done an in-depth analysis of the present and future prospects of the Indian food and beverage service industry. In the last few years have seen substantial increase in the number of food outlets are opening in most of the cities. From the review it is revealed that the growth of multinational restaurant chains and the birth of home grown brands like café coffee day, Barista, Sagar Ratna, etc. has taken place. As the food service industry in India grows, more and more international chains will come in India and attempt to establish franchise networks. The industry will come up with the new trends which help in guest satisfaction. An enterprise would need to arrive at the right size of the opportunity. The food service industry offers very good job opportunities globally at all levels. Millions of people work for the food service industry directly and indirectly in India. Every food service establishment, whatever the size may be, right form a conventional tea shop to an exclusive fine dining restaurant, transport catering, welfare catering, theme park, guest house and so on, depend on trained manpower. Everyone involved in the handling of raw, processed, and cooked food and beverages directly or indirectly will be working for the food service industry. Further, the industry is expected to continue growing, mainly driven by developing countries and their large populations and rising per capita income. The food service industry is expected to be the largest beneficiary of the expanding F&B industry.

CONCLUSION & LIMITATIONS

The study is meant to understand the current scenario and future prospects of the Food &

Beverage Industry. The above scenario highlights several important points which warrant discussion. The changing in customer attitudes through educational knowledge has led to the increased in healthier eating including the restaurant food and others foodservice operation. This study helps clients to analyze the factors and examine the opportunities critical to the success of food and beverages industry in India. Researches further revealed that there is a large scope of growth in the untapped tier-II and tier-III cities, owing to which, major food service chains have already started applying various marketing strategies in popularizing their brands in these cities. Furthermore, they are aiming to provide affordable and customized products to suit the needs of people that would ultimately provide necessary boost to the Indian food service industry. Further it can be concluded that, the Indian food and beverage industry has observed strong growth over the past few years. Economic liberalization and rising income of middle class population had a positive impact on consumer spending and consumption in both rural and urban areas. Indian consumer now spends a significant proportion of disposable income on food and other essential commodities. Further several limitations of this study are found. Apart from conceptualization more empirical research need in this emerging area. Further research should include a larger geographic area so that it could be useful as ways to track new trends are accepted over time.

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