Quick Service Restaurants Move to Globalize: An Analysis of the Indian Culture and the Penetration of the QSR Market

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ABSTRACT

This research aimed to investigate the culture of Indian food and the impact of the increasing propagation of quick service restaurants in India. A literature review was carried out to assimilate information to better understand how the onslaught of the quick service industry is affecting the people of India and their cultural belief systems. According to Nation’s Restaurant News (Thorn, 2011) India is a very attractive market with well over 300 million middle-class individuals and an increasing average disposable income. Less than 25 years ago, India had its first move toward opening its doors to international business. In 2012, the Indian parliament passed legislation to allow foreign direct investment (FDI) in multi-brand retail (Nolen, 2012).

Food is an extension of the culture and a part of the belief system. Indian culture and beliefs vary across its 28 states and influence how food is consumed or not consumed (Mukhopadhyay & Sarkar, 2009). Although India may be an attractive market and the government has been liberalizing investment restrictions since 1991, there are still hurdles to consider. Most foreign companies do not understand the complexity of the Indian market and only referred to statistics to make their decisions. India is diverse and without understanding that every few hundred kilometers the tastes change, quick service food restaurants will face more challenges (Thorn, 2011). Results support the penetration of quick service restaurants into Indian markets demands thorough research to ensure cultural differences are respected and considered.

KEYWORDS. Culture, food, fast food, quick service, global markets
Quick Service or Fast Food refers to food that is prepared in a short amount of time. The concept of fast food came from North America in the 1920’s with the birth of the first standardized, quick service hamburger restaurant, White Castle (Nusair & Parsa, 2006). Fast food for North American consumers is an everyday part of life and it is not uncommon to see quick service restaurants on every street corner (Schlosser, 2000).

With the increasing competition in the Quick Service sector of the restaurant industry, global expansion is the rising trend to attain widespread presence as well as improved profitability. The global market of fast food is expected to reach $617.6 billion in 2019 (http://www.businesswire.com) and India’s fast food market is expected to grow to $4.6 billion by 2020 (Technopak as cited by Rueters, 2015). The fast food industry in India owes its heightened expansion to several factors; a younger workforce, exposure to global culture, women in the workforce and the nuclear family (Mukherjee, 2014).

The liberation of the Indian economy in 1991 has opened the doors for many multinational retail chains. Some of those quick service restaurant chains that took advantage of this opportunity were McDonald’s, Domino’s, KFC and Pizza Hut, all contributing to the 1.3 billion-dollar U.S. restaurant industry. The majority of these companies concentrated in the metro markets and customized their menus to suit the Indian palate (Mukherjee, 2014). The fast food movement has gained acceptance spreading across the area into tier two and tier three cities (Bhushan, 2010). India's economy, according to the World Economic Outlook Update (2015) can expect consistent growth of 7.5 percent through 2016, compared with the less than 3 percent growth in the United States for 2015 and projections of 3 percent for 2016. The economic growth factor is apparent however, the impact to the centuries old Indian culture is a major concern.

Specific foods in the Indian culture are considered to have certain restorative benefits or healing powers contributing to many culture-based beliefs on food intake, both negative and
positive (Mukhopadhyay & Sarkar, 2009). What is culture? According to Adler, as cited by Kumar and Sethi (2005):

Culture is to a human collectivity what personality is to an individual. Culture has a profound impact on the ethos of society. It influences the way in which it engages with the outside world as well as the way in which it deals with its own internal problems. Culture sets the parameters for what are considered acceptable as well as unacceptable forms of behavior in society. It affects the way in which people think and resolve conflicts in their everyday life. Our ways of thinking, feeling, and behaving, as human beings are neither fully random nor hap-hazard but are profoundly influenced by cultural heritage. (see pg. 55)

India has a long history of beliefs, customs, and traditions that have been passed down for centuries, immersed in spirituality and religion focusing on the intuitive ethical decision-making and the rule of man (Berger & Herstein, 2014). In India, there are approximately five separate religions that are practiced to include Hindu, Muslim, Christian, Jain, Sikh and Buddhism with each having its own distinct ideology (Country Intelligence Report, 2014). The most prominent religion practiced in India is Hinduism with approximately 80.5% of the population participating. Hinduism is over 5000 years old and practices the art of Ayurvedic healing, holistic healing (Chandramohan, 2013). Additionally, societal divisions called “castes” are part of Hindu tradition. These castes are hierarchical the lower caste termed the Scheduled Caste, the Backward Caste, and the Forward Caste (Mahadevan, R. & Saurdi, S. 2013).

In Hinduism, there is a tradition of believing that certain foods have healing, spiritual power. Hindus believe that all living things contain a part of the spirit and all life is sacred. Avoiding meat is thought to play a part in inner self-improvement and physical well-being. There are even some vegetables that are avoided. One example is the use of Onion, Garlic, Shallots or Leeks is forbidden to many Hindu sects as this vegetable is said to inhibit transcendence by clouding one's mind with passion (Clove Garden, 2007). The food is divided into two categories of cool and hot foods. The cool and hot food concept is generally accepted almost in all regions of India. While some believe these acknowledgements are simply myths, there are quite a few, even the educated that believe in the hot
and cool food effects. Hot food is related to events including fever, illness, pregnancy, aggression, passion, marriage, sexual energy, and youth. Eating foods that are known to have hot effects can cause or result in any of those events related above. Meat, fish, eggs, onions, and garlic are examples of hot foods. In order to reduce the efforts of hot food on the body, cool food is consumed. Cool food represents the cooling of the mind and body. Cool food is meant for those who are ill, aggressive, angry, pregnant, elderly, widowed, dying, or participating in asceticism. Vegetables, rice, and yogurt are examples of cool foods. Age and gender are the two most influential reasons for when and why these food restrictions are applied (Lamb, 2000).

Some of the native Indian people were accepting of those multinational corporations who had entered their market while others were not as accepting. The consumer response to foreign brands in terms of attitude and behaviour hinges on the perception of product quality, brand reputation and word of mouth (Ergin & Akbay, 2010).

Controversy occurred when these corporations introduced their brands to Indians however, despite the discourse the multinational companies were prospering (Dalrymple, 1998). The Indian quick service chain is the fastest growing restaurant segment in the Asia Pacific region with annual growth of about 20%, according to a report released earlier this month by the National Restaurant Association of India (Bhushan, 2010). The middle class was expanding, so was the average of disposable income. This in turn indicated positive economic development in India (Nowak, 2013). According to Nowak, fast food’s spread is a byproduct of prosperity. When the number of quick service restaurants increase rapidly in any given geographic area, it is an indicator of the country becoming both self-reliant and resourceful. In 1994, McDonald’s approached a man named Amit Jatia to help expand the brand to India (Kannan, 2014). He was the ideal candidate to help grow the brand because he was vegetarian. Having a vegetarian take charge and help localize the brand for Indians was an advantage. He helped customize the menu and ended up bringing Indian Street food to the restaurants. This helped increase sales and bring in more traffic (Kannan, 2014). In 2003, Jatia conducted some research and found that consumers only ate out 3 times a month out of a 100 meals. By 2014, he conducted the same study again and found that consumers now ate 9 to 10 meals out a
month of 100 meals. Approximately 40% of the people eating out were young adults (Cnbc, 2014). The McDonald’s in India is quite unique in the fact that not many children can be seen around the locations. The restaurant mostly attracts young adults rather than families. The numbers may not seem incredibly high, but for India, the growth was tremendous. As society was changing, so were people’s disposable incomes.

Despite all the negativity surrounding the expansion of fast food in India, there was an upside. With the number of fast food establishments increasing each year, it gave a clear indication of the rising prosperity of the country. The growing numbers reflect the expansion of the middle class. In 2013, there was a 150% increase in the average household spending (Nowak, 2013). A growing middle class meant increasing disposable incomes. A higher disposable income reflected growing consumption rates. This in turn represents positive economic development. However, sales of fast food restaurants is in no way comparable to the sales of the same brand stores in other countries in Asia, such as China. Yum brand restaurant sales in India have been declining 4% since 2013 because consumers are simply not spending as much as their counterparts in China and Japan (Bhushan, 2014). Yum Brands is attributing this difference to consumer’s preference for eating at home versus going out to eat.

The older generation especially believed that eating at home is a safer, more hygienic, and a preferred way for eating. Eating at home also allows family members to spend time together, as most Indian homes tend to include extended family members. However, there is data that claims times are changing. The extended family is now shrinking and the younger generations are preferring to eat out compared to preparing food at home (Chakrabarty & Joshi, 2013). Lifestyles are becoming more stressed and work is starting to take more control of people's lives. Consumers prefer fast food due to its taste, freshness, hygiene, and westernized image (Tabassum, 2012). The increased number of people eating out shows that either people do not have time to prepare food at home anymore or are choosing to eat out because of changing food habits (Nowak, 2013). However, there is still room for growth. The Indian fast-food market is only one tenth the size of China’s according to Ajay Kaul, CEO of Jubliant Foodworks, a company that grants franchises in India for Dominos Pizza and Dunkin
Donuts. Unlike China, which saw a decline in fast food sales in 2014, India is expected to grow largely due to the changing consumer preferences and the largest youth population in the world (Gauba, 2015).

The younger generation is more independent and they are looking for new concepts of food and social environment (Agrawal, 2009). This generation is less traditional and more accepting of the Westernized world and their brands. Research indicates the preferences of consumers in India are starting to change with the largest indicator being the youth letting go of their traditional roots.

Many of the Fast Food companies entering India have realized the need to create a more social environment in their restaurants which in return will attract greater numbers. One company that has already taken steps to raise a positive image is McDonald’s. McDonald's has worked toward launching social programs to connect with the local customer. For example in Agra, it organised an anti-plastic bag campaign that involved McDonald's representatives working along students in cleaning up the city (Bhushan, 2010).

Conclusion

In researching the breadth of cultural and religious distinctions in India, the quick service food industry must grasp the complexity of how food plays into those sects. International Corporate entities must additionally consider partnering with local business professionals to bridge any cultural gaps keeping in mind the psychological and historical meaning of food in the Indian society. Some companies have made accommodations. For example, prior to Burger King entering India, they developed six new vegetarian sandwiches for the Indian consumers (Satran, 2015). Ingredients used in cooking represent different qualities and symbols, moods, textures, history, and culture. In order to be successful, international quick service restaurant companies must do their research. India is diverse and whether the interest is a major city or a second tier city, the target market will vary.

REFERENCES


