

# **Chapter 1:**

## **Introduction**

## Introduction:

The term 'fast food' was originally coined in 1972 by Michael Jacobson, Director of the Centre for Science in the Public Interest and it is generally characterised by abundance of calories, deficit in nutrients and relatively less time required for preparation (Jain et al, 2017).

The food services sector contributes over 2.1% to the GDP of India and it has grown by 7.7% from 2013 to 2016 and it is expected to grow at a CAGR of 10% by 2021. By 2021, the industry is projected to employ 8.5-9 million people directly and 9.5-10 million people indirectly (NRAI Report, 2016).

Fast food enterprises adopt the policy of advertising to attract consumers which increases the total share of consumer base for all the firms rather than merely shifting the consumers from one brand to another (Richards, T. and Padilla, L., 2009). Moreover, nutritionists have shown that fast food consumption is likely to be habitual in nature (Del Parigi et al, 2003). Thus, the number of stakeholders will increase in the future, thereby making an analysis of this industry even more vital.

## History:

The fast food industry is one of the fastest emerging sectors in the food industry. The concept of fast food goes back to the 19<sup>th</sup> century in the US when, due to industrialisation, there was hardly any time for people to lose on time-intensive eating and so small eateries started to appear in front of factories for a quick snack (Warsi and Nisa, 2005). However, due to cultural reasons, the fast food culture came to India only after Independence (Prabhavathi et al, 2014). It was limited to local food made outside of home. But after the liberalisation of the economy in 1991, coupled with changing consumer behaviour and changing demographic scenario, the multinational companies like McDonald's, Pizza Hut, KFC and the like saw huge potential in the Indian market and started to operate here.

### Classification:

The organised food service industry can be divided into six formats: quick service restaurants, casual dining restaurants, fine dining restaurants, cafes, frozen desserts and pubs, bars, clubs and lounges (NRAI Report, 2016). This study will take into consideration the first three as these provide food of all kinds and not limited to specialised food like beverages or desserts.

Another classification was given in the study by Jain et al. (2017) according to which fast food can be divided into four types: fast food (food that takes very little time to prepare), junk food (energy dense food with low nutrient value), instant food (food that is really to be eaten after dissolving in water) and street food (food prepared by hawkers in the street).

### Demand Factors:

One of the primary objectives of this research is to analyse the relative importance of the factors that determine the demand for fast food in Guwahati. This would help the prospective entrepreneurs who want to tap the potential by targeting the correct consumers. The drivers of changing consumption pattern have been identified to be improvement in economic condition, exposure to international media, degree of urbanisation, female workforce, youth population and education levels (Louis R. and Zaware N., 2017). Moreover, the factors that pull consumers are affordable pricing, convenience, craving for international food (NRAI Report, 2016), easy availability of fast food stores, socialising and ambience (Priyadarshini, 2016). Moreover, macroeconomic factors that affect the industry are increase in per capita income of the people, general growth of the economy, increase in the population, growth in the number of women in the work force and diversification of the menu giving an abundance of choices for the consumers (Warsi and Nisa, 2005). In addition to these, Priyadarshini, S (2014) has mentioned that the emergence of nuclear families and ready-to-eat lifestyle of the people also affect the demand of the fast food industry.

### Major Players in the Industry:

The history of fast food cannot be studied without the study of McDonald's fast food chain, as it globally as well as in India, gets the lion's share in terms of consumer preference (Priyadarshini, 2014; Priyadarshini 2016). Also in the study undertaken by Warsi and Nisa in 2005, it was seen that McDonald's dominated the market with as many as 75 outlets. They found Domino's, Nerulas and Pizza Hut to be the other major players. In the NRAI Report of 2016, it was mentioned that among the Indian enterprises, Haldiram's and Bikanerwala have occupied the top positions.

### Challenges Faced by the Industry:

Food price inflation, high real estate and labour cost, the presence of many medium and small-sized unorganised firms competing with the large firms and the high attrition rate are some of the major challenges faced by the industry (NRAI Report, 2016). Other challenges for the industry include the social and cultural barriers that the indigenous people have against global food, the legislations imposing use of costly environmental friendly products and the increasing concern for 'healthy' food among consumers that the fast food industry often lack (Warsi and Nisa, 2005).

### Use of Technology:

If convenience is a primary driving force for the soaring demand for fast food, the recent introduction of e-commerce in this arena is bound to have complementary effect. However, the online penetration in the food industry has been around only 5 per cent (Rashmi, 2018) in India.

### Conclusion:

Thus, though there is huge literature available on the fast food industry worldwide (especially in the US and Canada), much work is yet to be done in India. Moreover, the pan-Indian studies do not give us the correct picture of the potential of this sector in the various local contexts.

Apart from this, Guwahati is the Gateway to Northeast India and it has seen dramatic changes in all spheres ranging from economic to social to cultural to demographic. All these changes have nevertheless made the city a centre of importance and attraction and this has led to the rise in potential for the hospitality sector, especially the fast food joints and restaurants. A study of this sub-sector is going to give a better understanding so that prospective entrepreneurs can tap this potential in an effective manner.