

Food Service Industry in Delhi/NCR

The National Capital Region, or NCR, of Delhi (Delhi/NCR) comprises multiple cities that are at different stages of development. While Delhi is most evolved within this entity, Gurgaon and NOIDA have also gained traction and emerged as high potential destinations for commercial, housing and retail development in the past few years. Faridabad and Ghaziabad continue to remain smaller cousins as they still have a long way to go towards becoming true satellite towns of Delhi. Not surprisingly, the buzz in the F&B sector revolves around Delhi, Gurgaon, and NOIDA proportionate to their popularity and potential.

Rising consumerism in Delhi/NCR has given a fillip to various sectors, one of them being Food Service or F&B as it is commonly called. Demand and supply drivers have been operating in tandem and given more options to consumers who in turn are willing to spend on more lifestyle related products & services. Due to the growth of commercial activities, people have migrated to Delhi/NCR from different regions of India and even from outside India. The region has therefore emerged as a melting pot of different communities and nationalities. This has been a boon for the F&B sector as many more opportunities have opened up for both established brands and first time entrepreneurs looking to either expand or enter the market.

Growing number of restaurants

In the past few years, new brands have set foot in this city, and existing ones have expanded to increase their penetration within this region and capitalize on the growing eating-out trend. Some of the new entrants in Delhi/NCR over the past couple of years include such well-known names and unique concepts as Dunkin Donuts, Quiznos, Blue Frog, Chili's, [V] Spot Café & Bar, Chicago's Pizza, Cocoberry, Red Mango, Häagen Dazs, Wagh Bakri Tea Lounge, etc. A less-noticed trend is the rise of Delhi/NCR-based F&B chains such as Café Delhi Heights, Mamagoto, etc. that offer quality food and are located on high streets and in shopping malls.

New F&B formats and locations emerging

The rise in number of restaurants corresponds with the emergence of multiple formats within Delhi/NCR. Brands operating in the Casual Dining, QSR, and Café space are attempting to reach out to consumers through different formats beyond dine-in, including kiosks, drive-throughs, premium cafés etc. To address the need for such variety in formats, such new locations as office complexes, educational campuses, highways, fuel stations, airports, and metro stations have also become lucrative. Consequently, brands are being innovative in capturing the consumer market of Delhi/NCR through scalable formats at accessible locations. This also is also significant given that the local population is constantly migrating to Delhi/NCR.

Multiple food service segments

Delhi/NCR provides opportunities across various F&B segments such as fine dining, casual dining, lounge, bar/pub, fast food, cafés, etc. Consumers are open to splurging on new places in looking for a 'good time'. As a result, not only are QSRs and Cafés doing well, premium dining venues are also attracting consumers looking for a premium dining experience. Five-star hotels are also seeing an expanding consumer base with their restaurants, lounges, and coffee shops becoming popular meeting places.

F&B Segment	% Share of Restaurants (by presence)*
Bar/ Pub/ Lounge	1-2%
Café and Tea chains	25-30%
Full Service restaurants	30-35%
Ice cream/ Yoghurt Parlors	5-10%
QSR	26-32%

** Estimates as of March 2012 from organized restaurant brands*

Within these segments, there is further segmentation emerging in terms of cuisine due to the rise in expatriate population and the local population's greater exposure to international cuisines through foreign travels. As a result, it is now possible to find authentic Korean, Japanese or Mediterranean restaurants in Delhi/NCR, where the clientele includes both expatriates and local Indian consumers.

Test market for new brands

Delhi/NCR truly lives up to its name in terms of being a metro. This is evident from the number of brands that choose to enter India or the F&B sector with Delhi/NCR as the test market. It provides ready infrastructure in terms of real estate, operations, suppliers, logistics etc. It also is home to a consuming class that is diverse in terms of age, income, attitude, aspiration, taste, and preference. Therefore, brands are able to test their concepts among a variety of consumer segments through their presence in this single region.

However, as with everything else, so with these promising traits and growth prospects. One needs to be aware of the challenges of a market like Delhi/NCR. These primarily include cost of land and availability of skilled professionals, especially in the cities of Delhi and Gurgaon, which are two of the most developed in the region.

High rentals

Cost of real estate is very high and often one of the major expenses for brands operating in Delhi and Gurgaon. There are multiple brands fighting for the same retail space thereby pushing up demand and consequently rental costs. To counter this, many brands have started exploring different lease models such as revenue sharing. There is a growing need for lease models that are mutually beneficial. However, there is not enough standardization on that account except in some shopping malls where the food courts have started following centralized systems through prepaid cards.

High manpower costs

The cost of manpower is high due to a low supply of skilled and experienced personnel and also because many employees migrate to Delhi and Gurgaon from neighboring, smaller cities for better job opportunities. As a result, their cost of living goes up; consequently, the salaries demanded by them also are high. High attrition is as much a problem with the F&B sector as with other retail segments. The expense incurred by the brands in training their staff is therefore a sunk cost when those employees change jobs.

Other Cities

The other cities (NOIDA, Ghaziabad, and Faridabad) pose a different set of challenges. Foremost of these is the unavailability of sufficient quality retail space across high streets, shopping malls etc. Most of the shopping markets are local ones with a prominence of unorganized brands. Moreover, the residents of these cities tend to travel to Delhi and Gurgaon for shopping and leisure activities and prefer eating out at restaurants located in these cities.

Conclusion

As the satellite towns of Delhi/NCR start catching up in a few years, the region will transform into an even bigger opportunity for F&B brands. Those currently located in Delhi and Gurgaon will be able to expand faster into these neighboring cities which will provide them greater penetration. The operating costs for brands in this region will also be balanced between the two highly developed and expensive cities (Delhi and Gurgaon) and the other, relatively more affordable ones (NOIDA, Ghaziabad, and Faridabad).

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