

## Setting Up a Foreign Cuisine Restaurant in India

The recent phenomenon of greater urban agglomeration, smaller families, and rising wages for both men and women, combined with advertising aimed at children and diverse menu offerings, has resulted in a shift towards eating-out. This traditionally eschewed custom is now commonplace even outside of the metros and Tier I cities, thanks also to the television and print media, which have lined up columns and cookery shows as ambassadors of culinary tastes and preferences.

Thus, India now has a number of multinational players in the restaurant business, giving Indians everywhere a chance to sample authentic offerings from Mexico and the Mediterranean, from France and Thailand. There is also a curiosity and willingness among urban Indians, propelling them to lap up these new and exotic offerings, even if only as an experiment. These customers are no longer befuddled by such menu oddities as black bean sauce and can tell an artichoke from asparagus.

### Potential and Opportunity

It is therefore undeniable that there is a very real opportunity for new restaurateurs catering to customers' foreign cuisine preferences. A good choice of location is virtually certain to bestow success upon a newly-launched outlet. This can be firmly ascertained through a detailed feasibility study to eliminate any element of uncertainty. However, there are a few fundamentals that need elaborate consideration and can often be a make-or-break element. There is the obvious and most crucial financial aspect, with investment decisions requiring an in-depth understanding of all possible operating expenses and anticipated revenues. A restaurant's expenses are correlated with a number of factors which are also linked with the cuisine and menu offered, among others. Revenues are also connected with some of the same aspects.

### Investment

While the exact capital outlay does depend on the type of restaurant chosen, the initial investment required may be about INR 4 to 5 crores (USD 0.7 to 0.9 million). This can be broken down as shown in

#### **Exhibit 1.**

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Investment head	Amount (INR lakhs)
Interiors	150- 200
Kitchen Equipments	40- 70
Manpower	60-80
Rentals (if not owned premises)	100-150
Other expenses (Marketing, IT support, etc)	40 – 50

\*largely dependent on cuisine and location

Well-researched restaurants and dining concepts can anticipate a 15% - 18% return on investment (RoI) over a period of 3-4 years.

## **Expenses**

Given the high prevailing rate of inflation, care must be taken in ensuring that expenses do not balloon out of control. Restaurateurs need to keep in mind that it is not always possible to pass on inflationary price hikes to the customer by raising menu prices. Any such action must be carefully considered and all possible effects thoroughly studied prior to making a decision.

## **Revenues**

Revenue forecasting is also a vital task prior to opening a new outlet. Since revenues are directly proportional to number of visitors to the restaurant, one possible estimate of revenues can be Average per customer, or APC, per day. The APC, as the term suggests, is simply the ratio of total revenues to total guest count. Such revenue estimates should take into account the performance of existing competition in that neighborhood.

## **Choice of Specialty**

The restaurant's organizational vision decides whether it specializes in one cuisine, e.g. Mediterranean or Mexican, or offers a mélange of world cuisines. This choice also affects other aspects of the restaurant such as décor and staffing. Running a specialty restaurant requires choosing the menu carefully: the beverages, for example, need to compliment the food selections. Also, such outlets tend to attract a more affluent clientele who are capable of paying more, but also expect a corresponding level of service, ambience and food quality.

To provide such a high-quality experience, the restaurant needs to hire specialist chefs as well as knowledgeable staff members who can communicate appropriately with well-heeled customers. This high level of investment, along with the possibility of a lower turnover, automatically pushes up costs, requiring the restaurant to charge higher prices for the food.

## **Menu Selection**

Apart from fixing the restaurant's overall cuisine selection, the choice of menu items also needs attention and should ideally comprise both familiar and novel items. For a particular cuisine, some of the popular dishes can be offered alongside less-famous regional fare. While balance and nutritive value are crucial, there should also be emphasis on texture, flavor, aroma, appearance and accompaniments (e.g. salads, sides, drinks).

Again, given that the menu creates the first impression about the restaurant's offerings and price, care should be taken to ensure that the menu reflects the style and theme of the restaurant. This will help in establishing a basic connection with the customer, which can then be enhanced through the actual food and beverage offerings, the ambience and service. It is also critical to remember that the selected menu can affect other such other basic choices as location; it may not be feasible to have a Sushi bar in a standalone setting instead of a busy town center.

The menu choices are also crucial to equipping the restaurant in the kitchen as well as in the exterior area. A menu with offerings from diverse cuisines means that the chefs will need the necessary culinary tools to prepare the dishes ordered by different consumers. Even for a specialty restaurant offering only a single cuisine, the menu differentiation might require specialized preparation which in turn can only be assured by use of the right equipment.

Furthermore, depending on the elaborateness of the menu, the restaurant might need to employ a certain number of staff members, with different skills, so as to provide the customer with the desired experience. The restaurant might need to train or hone the skills of appointed staff in accordance with both customer preferences as well as menu style. As a result of these factors – equipment and staffing – an indirect consequence of menu selection is on the expenses incurred by the restaurant towards infrastructure and employee training.

Since food is never a standalone item, the menu needs to include an appropriate beverage selection which is both complementary to the cuisine and also matches the customers' predilection. Restaurateurs need to be aware that the customer may not be well-informed about how a certain beverage accentuates a certain food preparation and thus need to be well-stocked to avoid having to refuse a customer's choice.

### **Location**

Choosing the right location for a restaurant is of course a challenge in itself, but is further complicated by its dependence on the choice of cuisine and menu and target clientele. Picking the most ideal site for a restaurant may not be possible for financial reasons as well. But it is well-understood that a restaurant must be located in a highly visible and accessible location, which already has high footfall. Selecting a site also requires an analysis of the population density, customer profiles, the drawing power of other restaurants in the area, and necessary average sale per square foot or per seat.

To sum, the restaurant business in India offers much scope for growth, and has the potential to be a great source of entertainment and enjoyment to the customers, while bringing in revenues for the owners. Already, international brands like Hokkasan are trying to make their presence felt in this space. Such attempts are only bound to accelerate in the coming days.

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