

Chapter 15

Surviving COVID–19 Crisis by New Business Models: A Case Study of the Indian Restaurant Industry

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ABSTRACT

The foodservice sector is one of the three leading sectors in India, with a market size of 152 billion USD. There are over 500,000 organized and unorganized restaurants in India, and the sector has seen exceptional growth during the past decade. A high percentage of the young and working population is driving the India foodservice market, which is further fuelled by organized retail space that is encouraging the growth of local and international brands across different formats. This study explores how the crisis caused by the COVID-19 pandemic has led to adapting to the new business model by the food service sector in India.

INTRODUCTION

The information technology has transformed every sector, including the food services sector. Since the last few decades, the use of technology has increased significantly in the food services industry, leading to increased operational productivity and efficiency. The foodservice sector adopted EPOS (Electronic Point of Sales) a system used for recording information of goods sold by a retailer) in the form of ECR(Electronic Cash Register- an electronic device for calculating and recording sales transactions and printing receipt for the customer) in the 1970s. The ECR devices helped the restaurant industry in tracking customer transactions, speeding checkout time and generating the daily transaction reports. A revolutionary concept, EPOS provide the customer with a clean, error-free customer receipt including tax charged, what customers ordered and the total cost of the meal (“The History of POS”, 2020).

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Apart from the EPOS system, MIS (Management Information System) – an information system used for decision-making, coordination, control, analysis, and visualization of information in an organization was also introduced. The MIS system offered a solution to the complex systems of buying, storing, preparing and selling food by coordinating everything from scheduling staff to customer service.

The subsequent introduction of the back of the house management technology also (procurement, production etc.) in the 1990s brought greater efficiency in the industry. The food services sector witnessed large scale innovation in the 1990s in the form of the introduction of the review of restaurants by customers on different websites, especially on social media sites. Such reviews had a significant impact on restaurant businesses (EHL, 2020). The sector also invested in technologies aimed at enhancing productivity and profitability. However, the technology for food delivery was largely ignored as the concept was disapproved by most of the high-end restaurants. The opportunity of food delivery available in a huge Indian market however was utilized by the leading food aggregators of India like “Zomato” and “Swiggy”. The food aggregator business model is an e-commerce business model where a firm, known as an “Aggregator” collects (or aggregates) data on restaurants, pastry shops, coffee shops and other types of catering establishments display it on its website or application software from where the customers can order the food.

Back in 2008, founders of Zomato had a vision of enabling customers to have digital access to thousands of restaurant menus and enjoy the meals wherever they want. The Zomato website explains the vision of its founders beautifully *“Three passionate foodies, who hated waiting in lines, drove around Delhi to collect menus from restaurants, scan them and put them online. Their idea has now grown into the vision that drives our team of 5000+ people every day”* (“Our Journey”, 2020). The idea of providing digital access to menus and delivering food to customers in their comfort zone is saving the Indian restaurant industry from the devastation caused by COVID-19 pandemic.

In the backdrop of the impact of COVID-19 pandemic on Indian restaurant Industry, this case study explores the role of food aggregators like Zomato and Swiggy in helping the Indian restaurant industry to survive the crisis caused by Covid-19. The study further explores the role of cloud kitchens in the resurrection of the restaurant industry to mitigate the devastation caused by Covid 19 pandemic. The use of Artificial Intelligence and Machine learning by food aggregators are discussed to make readers understand the benefits such companies enjoy by the relentless pursuit of such technology.

BACKGROUND

The Indian restaurant industry is among the top three service sector (after retail and insurance). The sector is 20 times larger than the film industry, 4.7 times of hotels and 1.5 times of the pharmaceutical industry in India. The Indian restaurant offered jobs to 7.3 million people in 2018-19. India’s food service industry is innovative and provides an exciting opportunity to expand due to an average of 6.6 eating out frequency per month in the country (“NRAI”, 2020). Indian restaurants had a market value of about 152 billion U.S. dollars in 2014. The foodservice market in India is divided into two segments, the organized and unorganized segments. The significant chunk of businesses (86%) is unorganized, and in comparison, the organized restaurant businesses contribute to 14% only.

The unorganized segment deals mainly with the sale of ready to eat food through vendors, “Dhabas” (roadside eateries), food carts and street stalls(Jaganmohan, 2020). The organized restaurant segment, however, is growing at 16% annually and in the organized restaurant segment-the “quick-service restau-

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