INVESTMENT Apr, 19 2017

6 key trends on which investors evaluate restaurant biz

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You probably would draw a blank response from people if you ask them whether they would let go a lucrative deal offered to them; right from feasting at their favourite restaurants, catching up with friend over a cup of tea at a nearby cafe or booking a luxurious dinner date. “India is a vast market in terms of investment trends that has gone into the industry from 2006 till today forced by the industry trends,” says Sriranjan Seshadri, Director- Gaja Capital Partners. There are continuous innovation and growth in the industry in terms of new happenings and disruptive business opportunities. According to the industry experts there are few trends on which the investment and funding is happening in India.

Customers’ preference is changing: There is a sudden shift of customers’ preference. Customers’ who till date were dining at QSR is looking out for casual dining chain. Similarly, families who used to party at a fine dine restaurant are also heading to these casual dining chains. There is a sudden push in the eating out behaviour and spending pattern. In general people are willing to pay anywhere between 300-700 as classified in a casual dining chain where less than Rs 250 would suffice the need at a QSR and more than Rs 700 would be a fine dine bill value. “Customer is becoming highly demanding and their preferences are changing. I believe that is something which every one of us must be aware of before investing into a brand," adds Seshadri.

The comeback cuisine: Eating out no more a celebration driven activity. 14% people are eating out as a casual eating where they are looking for a home like eating options as they are eating on a regular basis. Driven by healthy and local grown produce they are looking for ethnic food options. "Local ethnic outlets are growing in an informal way and this is one area where private functions are happening with a fast growth," shares Pushkar Mishra, DGM- SIDBI Pune.

Merger is on the menu: One of the things that the industry is witnessing is the merger. The companies that are doing well are doing a CSR activity by picking up other brands and chains. In one sense it is easy to evaluate the asset that one is buying, the selling of the brands has numerous problems. The next two years will see mergers, consolidations and closures of business as entrepreneurs are not seeing too much profitability in the business. Entrepreneurs will find a partnership or alternative routes to get capitals. In late 2014, Om Pizza & Eats Pvt Ltd, the Indian franchisee of Papa John's International has merged with Fred Mouawad's pizza business of Global Franchise Architects operating under the Pizza Corner brand. Om Pizza & Eats Pvt Ltd is owned by Avan Projects Pvt Ltd, promoted by Atulya Mittal. "Sometime the brand which is being sold is actually linked to a flagship property that the seller has. Let's say you are selling a restaurant asset by you are not selling the entire brand that would associate with the restaurant then what you do is you license the brand for few years, allow them to pick up the menu, the design but the brand has to return to you. In such cases both buyer and seller has to be very protective in terms of their individual property. You also have to be clear on your publicity," points Ashish Alexander, Leader- Nishith Desai Associates.

International brand unfolding success in India: With lots of opportunities that Indian food and beverages is garnering, the country is becoming a host of international QSR and fast casual chains. From global giants like Burger King, Starbucks, Carl's Jr and Broaster Chicken doing good business in India it has given a new way to brands like Texas Chicken and Elevation Burger who are viewing India as new market to be present in. A lot of international brands and restaurants are coming to India and are having serious conversations with entrepreneurs who are working as a master franchisee for the brand.

Shift of venture capital movement: The venture capital business is going through a lot of shifts. In the last two three years a lot of venture capitalist have invested in the food technology or the restaurant space. Majorly there were two things happening- the large ticket venture capitalists, people who were able to invest about $60 MN. The other shift was venture capitalists now looking to move back to their traditional investing which are the core technology products and hence, food and food service at large doesn’t feature as an area of interest for them.

Driven by technology: Technology has given a new shape to the food and restaurant industry, thanks to the food-tech revolution in the country.The technology industry looks into key business problems of restaurants - the logistics of the delivery of the food- if India is one of the largest markets at ordering at home and certainly restaurant’s core business is making experience and therefore logistics is a variable cost that they would rather outsource and therefore logistics become an important part. “Your supply chain, kitchen, hygiene standards and the last which I focus on please start respecting the local laws,” adds Mishra.

No matter how innovative the concept is if you are not passionate about it and your model is not sustainable, you are not going to survive. And, for investor sustainable means is the key to invest in a brand.

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