

Challenge in the Restaurant Business

Prachi Hajare Wani*, Nandkishor Sarode**

Abstract

As an educationist and a customer, it amazes me to see the number of restaurants which are rapidly increasing in Pune. The growth of the food and beverage outlets is unbelievable in last 10 years. The restaurant industry has created numerous jobs in the market. It has introduced various cuisines to the Puneri customers, who have now moved on from Vada Pav to Burgers, Misal Pav to Barbecue food, Masala Dosa to a burger, and the list goes on. We see customers trying food from various parts of the globe, all thanks to the restaurants owners who are brining world on the customer's platter right in our city. Koregao Park, Balewadi High Street, fergusson Road, Kothrud, and Aundh are the areas which are buzzing with the High end retail outlets. Choices in the market are making the customer demanding and more aware about the availability of food and beverage. The market is absolutely customer friendly, as they enjoy the food, pay for the services and move on.

But what is happening behind the door, is running a restaurant an easy job? The article aims to understand various challenges faced by the entrepreneurs who are in restaurant business.

Keywords: Restaurants, Challenges

INTRODUCTION

Pune has witnessed incredible growth in last 10 years in the restaurant business. Today we are in the world where, relatively thousands of food and beverage outlets are opening around us offering numerous varieties of food and beverages. We are lucky to be in the era which offers us international food by domestic and international brands. The market has moved on from traditional Vaishali, Ropali, Irani cafes to McDonald's, KFC, Main land china, barbecue nation, and many others. This globalisation has given an opportunity for people to try various kinds of cuisine and explore newer dishes every day. Looking at the current market and a glamour attached to it, many

entrepreneurs think that having an outlet which serves good food will become big.

The city was not like this few years back. Image of Pune has changed from pensioner's paradise to a city of IT companies with people from all over India coming down for work. Few years back opening a restaurant and serving food was not considered as a cultured job, but today the market is changing and being a chef in a star hotel or running your own outlet is a trend which is not slowing down. Increase in food related television shows is one reason for it. We see younger generation opening and running a café or a fine restaurant or even a small canteen. With the change in the demographic segment pune has also seen growing hospitality industry from to one end to another. Zomato webpage has 183,542 restaurants from various parts of the city. Maximum numbers of outlets are listed in Kothrud. This astonishing number shows that opening a food and beverage outlets attracts the capitalist the big way. As an entrepreneur it is very important to know that it is not easy as it looks to survive in this business, as running a restaurant bring various challenges which are need to be faced on a regular bases.

Mr. Prasad Deshmukh who has worked with brands like Taj, Dominos, Box 8, Costa Coffee, and Burger King, is currently running his restaurant in Chinchwad, Pune. According to Mr. Deshmukh, the foremost challenge is of retaining good people to run the place. Attrition rate in the market is unsettling because of the demand in delivery personals which are required by e-commerce food delivery brands. This tends to increase the competition in the brands when it comes to offering a pay scale. Another major hindrance while running the operations is, change in the tax percentage which changes the menu price and increases the final price on the menu card. Mr. Shriram Admane who is in the restaurant business for 25 years highlights that being innovative all the time is need of an hour. According to him, if the restaurant is close for any reason, the chances of customers moving to another outlet who offers something new is high; loyalty has less importance in today's aggressive market.

* Assistant Professor, AISSMS College of Hotel Management & Catering Technology, Pune, Maharashtra, India.
Email: phajare@gmail.com

** Director, Abhinav Institute of Management & Research, Pune, Maharashtra, India.

The objective of this research is to find out what are the various reasons that the entrepreneurs facing while running a food and beverage outlet.

REVIEW OF LITERATURE

The report published by FICCI (Dec 2018), mentioned few of the key issues which are mentioned as growing food cost, increased competitions, shortage of high skilled staff, high real estate prices, inadequate cold chain faculties, shortage of warehouse facilities. The report also states few lessons that can be kept in mind while operating the business.

Adelaja et al (1999) stated the key issues which are faced by the restaurant owners in his research paper. The authors mentioned that the issues like regulations and licensing, labour cost. Marketing investment and state support are making it difficult to do business. Sanitation is treated like a local issue which ideally needs to be focused as a national issue. Non uniformity over the liquor licensing is also making owners dissatisfied towards the system.

Cathy A. Enz (2004) mentioned that challenges like low wages, poor service delivery, limited training and unstable workforce are becoming barriers in running an outlet. Running a business in a competitive business is a challenge with a problem like labour cost is mostly taken as a cost and not as an investment which leads to customer dissatisfaction which has an impact on the long term business.

Data Analysis and Interpretation

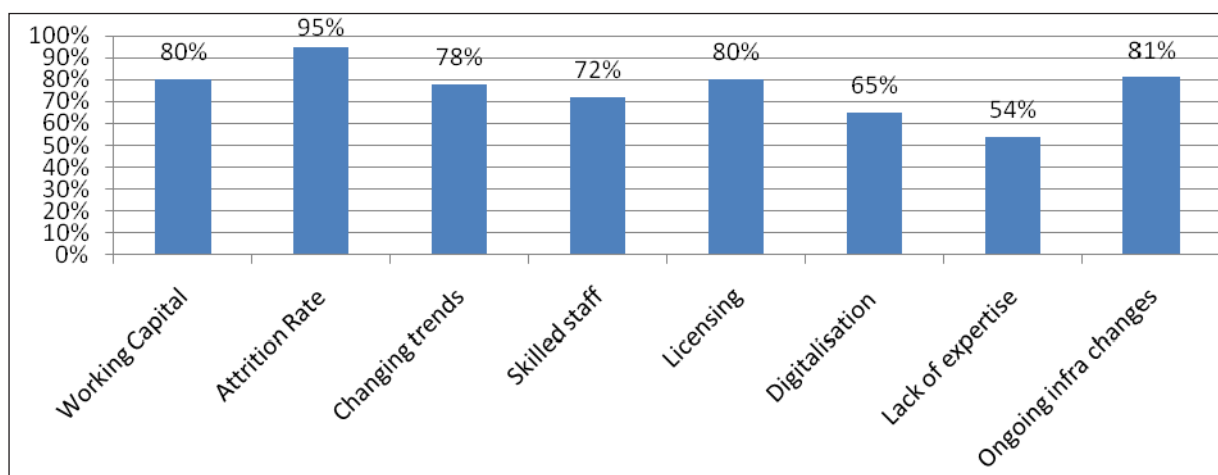


Fig. 1

Dilip Datwani (2019) stated that Indian market is a not an easy market to start a business's there are problems starting from constructing a site, to obtaining licenses to registration of a property. The entire process is very time consuming. Real estate process are hitting the sky too which leads to higher rent to be paid off. They come second after the raw material. This is one of the reasons why restaurant are shut in the very first year of starting the enterprise.

DATA COLLECTION

Primary Data

The data for this article was conducted by conducting personal interview and questionnaire which was answered by the restaurant owners through Google Doc.

The totals of 30 questionnaires were circulated amongst the owners and 27 were collected and then the analysis is done accordingly.

Secondary Data

The secondary data was collected through

1. National association of restaurants
2. Magazines
3. Various websites

- Working Capital crunch – 80% of the respondents feel that Opening a restaurant looks very encouraging with an initial fund, but for daily operations it is important to have a good cash flow all the time.
- Attrition rate and tough competition – the number of outlets in the market are giving plentiful choices to the employees to change their job for an insignificant dissatisfaction. 95% respondents think that labour turnover is the biggest challenge that the industry is facing. This scenario makes it very difficult for restaurant owners to keep the consistency in the service they are offering.
- A lack of expertise – a general impression out in the market is that opening and running an outlet, with strong investors for capital is easy. So with this intention, the number of restaurants are indeed increasing in leaps and bound. 54% owners think that it is required to have a guidance from someone who is a professional in this field
- Changing trends – 78% of respondents think changing trends in the kind of food served is giving wings to other core department of the restaurants to explore the variations. So Lot of research is happening in the beverages too which is encouraging, yet it is also making the market very aggressive in selling.
- Changes on infrastructure – ongoing change in the infrastructure has become a major challenge for restaurant owners to pull customer s in an area where changes in infra are taking place under various initiative by the government, Pune Metro and building flyovers being one of the few.
- Procurement of licenses – 80% of respondents think procurement of licenses to run the business is a barrier while running an outlet as it is time and money consuming process. The new licensing system which is introduced by Food Safety and Standards Authority of India, under food safety and standards act 2006 where the focus is on laying the standards from manufacturing the food to the service of the same. The act has indeed highlighted issues which needed desperate attention, but are the restaurants owners ready for it and can them adopt the change under the very act, is something to watch for in near future.
- Skilled Staff – As the attrition rate is high in the market, it becomes difficult for 72% of respondents to run a smooth operation.

- Digitalisation – Growing use of digitalisation is creating a problem in running a business for 65% of respondents as the various food apps are offering various attractive discounts which increases the competition and reduces the profit margin.

CONCLUSION AND RECOMMENDATIONS

- Working capital is a required to run the daily operations, to pay the vendors, also pay off the daily wages. Cash requirement allows having a smooth operation which in return helps to have a lesser stress while functioning. This can happen with a clever planning before a jump is taken in the market, so it is binding to have a good working capital back up to run the restaurants to focus on the customers rather than money arrangement and management.
- It is advisable to have a standard operation procedure for services so in spite of having labour turnover customers will enjoy the same services. Survival hence will become less difficult with the continues struggle to understand the customers need and retaining the employees.
- Changing trends in the kind of food served is giving wings to other core department of the restaurants to explore the variations. Lot of research is happening in the beverages too which is encouraging, yet it is also making the market very aggressive in selling., so it is important as an entrepreneur is unable to keep the tap on it and get required changes in the operation, then the chances of slowing down in sales is anticipated.
- Many entrepreneur face a problem of unskilled labour. Training them is an additional task for the owner to do, which certainly takes time and money. So an efficient training manager can defiantly keep the team together with effective training and motivational programmes.
- It is important and advisable to let the investor from another field know how hospitality industry works before any major investment happened which might lead balancing the expectations of inventors and the actual operations.

In spite all the above reasons hospitality industry has some charm which pulls investors to come in the market with new ideas. Not only we have hotel management graduates

entering the market but we have IITians trying their hand in the very market. We have a famous brand like BOX 8 to loot at which was started by 2 IIT graduates.

Dr. Sameer Diwanji who is been in the industry for 21 years and has a vast experience in hospitality operations, training and teaching states, that it is very important for people to be realist when they are thinking of opening a restaurant in the market. It is always advisable to start on a smaller scale which gives an insight about the operations and will help boost the confidence if the venture is successful. In bargain if the outlets do not do as expected the learning is a lot at a lesser cost. This article will help the budding entrepreneur to understand the problems in the operations and find a solution to keep the energy level up to tackle the listed issues with some anticipation in advance.

At the end May this industry grow the way it is with a little ease in the challenges that the industry is facing.

REFERENCES

- Datwani, D. (2019). Challenges in the Indian restaurant industry. Retrieved from <http://www.mydigitalfc.com/deep-dive/challenges-indian-restaurant-industry>
- FICCI Report. (Dec, 2018). The changing landscape of the retail food service industry.
- Adelaja, A. O., Nayga, R. M., Tank, K., & Schilling, B. J. (1999). Challenges facing the foodservice industry. *Journal of Restaurant Foodservice Marketing*, 3(3-4), 123-138.
- Enz, C. A. (2004). Issues of concern for restaurant owners and managers. *Cornell University School of Hotel Administration Quarterly*, 45(4), 315-332.
- <http://www.mydigitalfc.com/deep-dive/challenges-indian-restaurant-industry>