

Thoughts

Reflexion and Analysis for the Indian Market

August 2019

The food industry transformed by technology



Foreword

Food is a large – and growing – industry. Sometimes, food is simple; straight from the farm to our plates. But more often, what we eat has been crafted by a range of people – grown by farmers, processed by manufacturers, sold to grocers, and finally cooked by restaurants.

As a result of changing technology, a consumer preference, globalisation and demographics, the industry is evolving. The food ecosystem is becoming more complex and more interdependent. This is driven by consumers, whose spending on food, and food decisions, are shifting.

We know that the way people produce, procure and consume food has changed significantly over the last few decades. However, eating habits will continue to evolve due to technological advances, changing consumer preferences, and our growing population.

These trends are complex, multi-layered, and interact with each other in different ways.

Technology disrupts the food system

Technology is rapidly being integrated into every part of the food industry. But accelerating adoption of existing technologies, as well as a suite of new technologies emerging creates both opportunities and challenges for food businesses. Data analytics and digital platforms offer businesses the opportunity to understand customer preferences in a way that was not previously possible.

Simultaneously, mobile apps and health trackers are making people more aware of the food they consume, and shaping preferences. Consumers are increasingly asking businesses to put their ‘cards on the table’, and to provide open information about the nutrition and provenance of food.

Controlled systems are facilitating local food production, while significantly increasing productivity and lowering costs.

Next wave technologies such as the Internet of Things and block chain are transforming supply systems, enabling both efficiency and transparency.

Finally, the rise of the platform is creating opportunities for food providers. Online food ordering and delivery platforms are providing new ways for businesses to connect with consumers. It is increasingly possible for even the smallest businesses to find new customers, allowing ‘a thousand flowers’ to bloom. In food, this opens the door in

particular for home kitchens, where the ability to operate delivery-only restaurants makes it possible to make a start, without the need for significant capital.

Consumption transformation and shift of preferences

More and more, consumers are paying attention to the impact of their food choices. Greater knowledge sharing, enabled by technology, is providing consumers with the tools to seek out information about the food they consume. Across food, groceries, clothes and more, consumers are actively seeking ethically-conscious and sustainable products, and choosing brands that support social issues that resonate with their beliefs.

Beyond what we eat, hectic schedules are changing how, where and when time-poor consumers eat. Demand for convenience is growing, with over 50% of consumers eating out-of-home at least once a week. It's even affecting home cooking, with home delivery of ready to eat meals and meal boxes becoming increasingly common.

Simultaneously, for some households, eating at home is becoming more important. Preparing and eating meals at home is being seen as a way to safeguard family time, and to bring people together. The rise in mindfulness about food, combined with the popularity of blockbuster cooking shows, is creating more and more home-grown master chefs, who cook for leisure. These consumers are driving demand for high quality and niche ingredients.

The rise of the experience economy means successful restaurants must increasingly deliver a dining experience that offers more than just taste. Consumers chase the latest food craze, religiously keeping up to date with what's 'hot' in food.

New opportunities with changing consumption habits

Convenience is king - It is not just how much consumers spend that has changed. Increasingly time-poor consumers have more options than ever before, and we are witnessing a shift in the composition of food spending. A greater share of food budgets is going towards food that is prepared outside the home.

Convenience is not just about saving time on cooking. It's also about getting the food you want, when and where you want it. Technology-enabled delivery – for groceries, prepared meals, and ready to eat meals – has increased dramatically over the last decade. Rapid urbanisation and low labour costs in India are especially well suited to home delivery. And consumers are taking full advantage.

- Prepared meals

As consumers become more time poor, prepared meals offer busy households a convenient way to source their meals. Usually only requiring reheating for consumption, this delivery category is particularly popular among young professionals. Industry revenue has also grown in the past five years – driven by a growing preference for personalised meals and increasing economies of scale from larger production volumes.

- Ready to eat meals

The delivery of restaurant meals to the home has risen drastically in recent years. One-third of consumers are now using a restaurant or meal delivery service, and 7% of consumers get delivery once a week. This is driven by the expansion of online-delivery platforms that provide consumers with greater choice and convenience at dinner time.

Indian consumers' tastes and preferences are evolving. Technology and globalisation mean we have more options than ever and nowhere are this easier to see than in food. the food ecosystem is changing to adapt to these trends. With this change come new opportunities. For example, technology enables more food producers to sell directly to consumers, and restaurants can reach new customers through food delivery platforms. However, it is still an interrelated ecosystem with different players reliant on others for long term growth and success.

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