

Exploring the Segments, Growth Drivers and Future Trends of India's Food Service Industry

Prof. Shashi Kant Tripathi¹, Nupur Agrawal²

¹Professor, Department of Commerce, Vidyant Hindu P.G. College, University of Lucknow, Lucknow Uttar Pradesh, India

²Research Scholar, Department of Commerce, University of Lucknow, Lucknow Uttar Pradesh, India, Email Id. – nupuragrawal324@gmail.com

Corresponding Author: **Nupur Agrawal**

ABSTRACT

The food service industry is undergoing rapid transformation driven by technological advancement, shifting consumer preferences and evolving global trends. The industry has evolved from traditional family-run eateries to multinational quick-service restaurants and cloud kitchens, reflecting changing consumer lifestyles and preferences. Drawing on secondary data from authoritative sources such as the National Restaurant Association of India (NRAI), this paper examines the structure, segmentation, and growth trajectory of the sector. Findings indicate that the industry is projected to grow at a compound annual growth rate (CAGR) of 8.1% between 2024 and 2028, with the organised segment expanding faster than the unorganised. Key growth drivers include rising disposable incomes, increasing frequency of dining out, diverse culinary demands, time-pressed urban lifestyles, and widespread smartphone penetration. Emerging trends such as experiential dining, fusion cuisine, open kitchen formats, and health-oriented menus further underscore the industry's adaptability. The study concludes that innovation, sustainability, and technology integration will be central to the long-term competitiveness of India's food service industry.

Keywords: Food Service Industry, Industry Growth, Organised and Unorganised Sector, Food Service Trends

INTRODUCTION

India's dining sector reflects both cultural heritage and modern consumer habits, positioning it among the fastest-evolving industries. India's food service industry reflects the country's diversity and changing lifestyle. From small tea stalls on busy streets to elegant restaurants in five-star hotels, every outlet adds to India's dynamic dining culture. The sector serves millions daily, offering food for every taste, budget and mood. Dining out in India has evolved into a cultural experience, blending tradition with innovation and social connection. The food service industry encompasses businesses that are involved in preparation and distribution of food and beverages. It includes businesses that provide dine-in and take-out or mix of both services. Variations in culinary trends, consumer behavior, and economic variables all have an impact on the industry, which is crucial in providing consumers with a variety of dining alternatives, including at-home, casual, and fine-dining experiences. Globalization has linked India's food service sector with international trends, as global brands and cross-border culinary ideas enrich the mix of local and global flavours.

According to the "India Food Service Report 2024 published by National Restaurant Association of India (NRAI), the India food service sector is expected to grow at a compound annual growth rate (CAGR) of 8.1% between 2024 to 2028, rising from 5.69 lakh crore to 7.76 lakh crore and contributing 1.9% to Indian GDP."

The Indian foodservice industry has transformed from local, family-run establishments to worldwide collaborations adopting diverse business models. This evolution can be broken down into the following four stages:

STAGE 1 - Prior to the liberalisation of the Indian economy in 1991, the industry mainly comprised of family operated businesses with limited geographic presence that offered regional cuisines and traditional dining experiences. Legacy casual dining restaurant (CDR) chains in India including Nirula's, Sagar Ratna, Saravana Bhavan opened their first few outlets during this stage.

STAGE 2- The following decade saw an influx of leading international restaurant brands in India. These chains favoured the franchise model for their expansion in the country and prioritised acquiring the Indian consumers by developing an appropriate menu at a suitable price point to ensure continued revenue growth. Meanwhile, domestic casual dining restaurants (CDR) brands continued to expand their geographic presence across the country.

STAGE 3 - During the early 2000s, international brands including McDonald's, Pizza Hut, and KFC multiplied their outlet network in the country, expanding to Tier I and II cities through their franchise partners. Additionally, they also continued to rejig their menu to perfectly fit the preferences of the Indian consumer. This stage also saw a fresh influx of homegrown CDR and quick service restaurant (QSR) brands including Barbeque Nation, Bikano Chat Café, and WOW! Momo in the country.

STAGE 4 - Post 2010, the industry witnessed a rapid emergence of new entrants, across different formats QSR (Burger Singh, Wendy's), CDR (SOCIAL), cafés (Chai Point, Starbucks, Third Wave Coffee), and bars (Drunken Monkey, The Beer Café). These players compete with existing market leaders with their disruptive business models, innovative product offerings, and competitive pricing. Thanks to rapid digitalisation of the Indian economy, this stage also marked the entry of food aggregator platforms (Zomato, Swiggy) and cloud kitchen restaurant companies (Rebel Foods) in India.

The COVID-19 pandemic acted as a major turning point for the industry. While dine-in services were severely affected, businesses quickly adapted by shifting towards takeaway models, home delivery, and cloud kitchens. The crisis accelerated the adoption of contactless payments, digital menus, and app-based ordering systems, permanently reshaping consumer preferences toward hygiene, safety, and convenience. Currently, the industry is entering a new phase of structured and technology-driven growth. The organised segment is expanding faster than the unorganised sector, supported by rising disposable incomes, increasing frequency of dining out, smartphone penetration, and demand for diverse cuisines. Innovation, sustainability, and customer-centric strategies are becoming central to long-term competitiveness. Therefore, understanding the structure, growth drivers, and emerging trends of the Indian food service industry is essential. This study aims to examine the segmentation of the industry, analyse its key growth drivers, and explore the emerging trends shaping its future trajectory.

LITERATURE REVIEW

Michael Van Dress (1979) looked at how the food service industry grew in the US in the 1960s and 1970s. It found that people ate out more often, spending \$87.4 billion on meals outside the home in 1978, or one-third of total food spending. Researchers found that this increase was caused by rising incomes, more women entering the workforce, and changes in the lifestyles of both young and old individuals. The study highlighted rapid growth in fast-food chains, with franchising revenues more than doubling between 1972 and 1978, alongside a shift from single-unit outlets to multi-unit operations. Overall, it determined that people would maintain spending more on eating out. This would make the market more competitive and modify the demand for agricultural products by necessitating higher standards for marketing, packaging, and processing.

Sameer Koranne & Sachin Borgave (2016) found that QSRs, which are known for their rapid preparation, quick service, and counter-based transactions, have quickly become an important part of India's organized food service industry. It was found that the business is still mostly disorganized, but quick-service restaurants (QSRs) make up about half of the organized sector. Foreign fast-food restaurants, pizza chains, and cafés are the most important players. The study shows that the main reason for growth has been the fast growth of global brands like McDonald's, KFC, and Domino's. Annual rates are expected to be between 25 and 30 percent, and organized fast food is expected to grow at a compound annual growth rate (CAGR) of more than 25 percent by 2020. It also shows that quick-service restaurants (QSRs) are expanding into Tier II cities outside of metropolitan areas. This is a sign of urbanization, rising middle-class incomes, nuclear family patterns, youth spending, and mall culture. Research into how people act shows that eating out

is becoming more popular, especially among younger, brand-aware city dwellers who see QSRs as both quick dining options and social and cultural centres.

Rawal and Dani (2017) studied the next generation trends in the food and beverage service sector. The study highlighted that the hospitality and food service industry is rapidly growing and customer expectations are changing. Consumers now focus not only on food taste but also on service quality, presentation, healthy food options, and innovative dining experiences. The authors concluded that adopting new trends, improving service quality, and introducing innovative menu designs and technologies can help restaurants attract customers and increase profitability.

Saurabh Haldar (2019) studied how changing customer expectations is transforming hospitality services in India. It indicates that the quality of the cuisine, how it looks, and how the menu is set up are all important for making guests happy and making money. The report outlines important trends based on interviews with industry professionals. These trends include natural and minimally processed foods, local sourcing, sustainability, fusion and regional cuisines, handmade food businesses, mobile ordering, and visually appealing displays. The report also talks about new drinks including mocktails, improved water, and herbal infusions, as well as the use of technology like online booking, POS systems, and social media. In general, the publication says that the food and beverage industry is changing quickly and that businesses need to be creative, health-conscious, and tech-savvy to keep up with what customers want.

Rakesh Dane et al. (2019) this paper explores how new modernizations are changing food and beverage industry. It highlights that now success not only depends on the food quality but also requires creative serving style, ambience and unique experience. It then examines trends such as robotic service (e.g., Café X, Zume Pizza and India's robot restaurants), molecular gastronomy, and experiential formats like homestays, street food, and themed restaurants (underwater, sky-high, prison, ninja). Finding suggest that these new trends enhance efficiency and novelty, they also raise challenges such as high cost and reduced personalised service. Overall study suggests that restaurants must integrate innovation, ambience, and service quality to stay competitive and deliver memorable dining experiences.

Dr. Neha Shah & Dr. Anitha Sunil (2021) examined the impact of COVID-19 on India's food service sector. By May 2020, it was discovered that restaurants, particularly those with structured dine-in setups, had experienced a 40–50% decline in sales. This caused problems with the supply chain, employment losses, and store closures. Eating out picked up relatively slowly, but home delivery rose as individuals became more sensitive about their health and hygiene. Restaurants have problems with money, employees, and consumer trust, but they are still doing well by adopting innovative ways to do business, such cloud kitchens, digital platforms, and online ordering. The study demonstrates that COVID-19 did a lot of damage in the short term, but it also altered the industry for the better. For future expansion, technology, safety, and convenience will be very crucial.

Nagpal et al. (2021) studied the disruption and innovation trends in the Quick Service Restaurant (QSR) industry in India. The study highlighted that technological advancements, digital ordering systems, and online food delivery platforms are significantly transforming the food service sector. It also found that changing consumer lifestyles, urbanization, and increasing demand for convenience are major factors driving the growth of the QSR industry. The authors concluded that innovation and adoption of technology play a crucial role in improving operational efficiency and enhancing customer experience.

Soni Pandey (2023) this study examines the evolving dynamics of the food and beverage sector within the hospitality industry, indicating that customers are progressively seeking healthier, organic, and locally sourced food, as well as distinctive dining experiences. Technology is a big part of the process, with digital menus, online ordering, and AI-based customisation. However, there are still problems with data security. Another important issue is sustainability, which includes using eco-friendly methods and cutting down on food waste. The article also talks about how hard it is to keep quality consistent across global chains, how important it is to train staff, and how changes in the economy affect how much people spend. The text also talks about cultural adaptation and new economic strategies like cloud kitchens. Overall, it says that to be competitive in modern market that changes quickly, companies need to use technology, be environmentally friendly, be culturally aware, and hire qualified individuals.

OBJECTIVES

The major objectives of the research paper are as under

- To describe different segments of Indian food service industry.
- To analyse key growth drivers shaping the industry.
- To study emerging trends in the food service sector.

RESEARCH METHODOLOGY

This study is descriptive in nature and is based on secondary data. The data for the study has been collected from various secondary sources such as research journals, published articles, industry reports, and official publications. Important information has also been obtained from the India Food Service Report published by the National Restaurant Association of India (NRAI), along with other reliable online sources.

FINDINGS & ANALYSIS

As per NRAI, the food service industry is divided into two broad segments: organised and unorganised. The segmentation is presented in Figure 1.

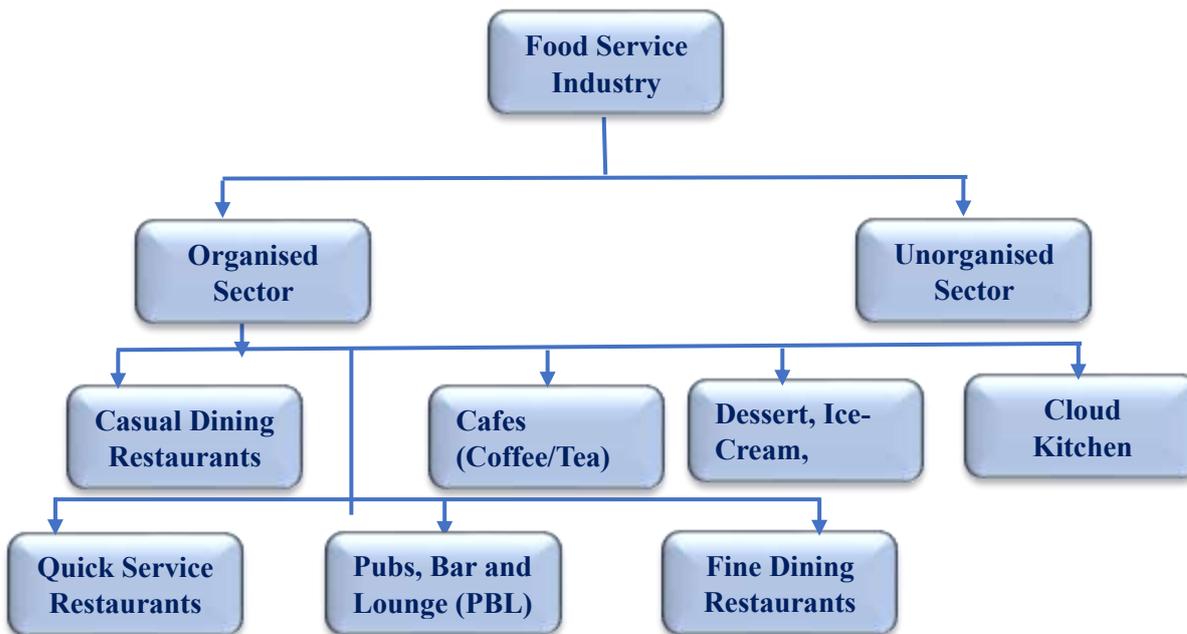


Figure 1: Segmentation of the Food Service Industry

Source: NRAI Report

Organised Segment -

The organised food service segment in India comprises establishments that operate with formalized and structured approach. These businesses typically follow clear hierarchies, standardized operating procedures compliance. Within this segment, several subsections can be identified –

- **Casual Dining:** Casual dining places offer wonderful meals at reasonable prices and provide a comfortable experience. They are great for families, friends, and business parties who want to eat in a relaxing setting. There are a lot of different types of food on the menus, from Indian and continental to fusion.

- **Quick Service Restaurants:** Quick Service Restaurants are designed for speed and convenience. They cater to people who prefer quick, affordable, and hygienic meals. The service is fast, often self-serve or takeaway-based. Popular QSR chains in India include McDonald's, Burger King, and Wow! Momo. The rise of delivery apps like Zomato and Swiggy has further boosted this segment, especially among working professionals and students.
- **Cafes:** Cafés have become an essential part of India's urban culture. They serve coffee, tea, sandwiches, and desserts in a casual and cozy environment. These outlets are ideal for work meetings, study sessions, or casual hangouts. Popular Indian cafés include café coffee day, Starbucks.
- **Pub, Bar and Lounge:** Pubs, bars, and lounges are social spaces where people unwind with drinks, snacks, and music. While pubs and bars focus on beverages—especially cocktails, craft beers, and spirits served with light food options, lounges offer a more sophisticated experience with premium cocktails, soft lighting, comfortable seating, and gourmet food, catering to those seeking an upscale atmosphere.
- **Dessert, Ice-Cream & Bakery:** Dessert outlets, bakeries, and ice-cream parlours cater to sweet indulgences, offering cakes, pastries, frozen treats, and light snacks alongside beverages.
- **Fine Dining Restaurants:** Fine dining restaurants represent the highest standard of culinary excellence. They are known for elegant interiors, professional service, and premium ingredients. These restaurants usually offer multi-course meals with detailed plating and international presentation. The staff are formally trained, and the atmosphere is refined.
- **Cloud Kitchen:** Cloud kitchens are delivery-only outlets that operate without a dine-in space. Orders are placed online through food delivery platforms. This model minimizes costs while allowing brands to expand quickly. Companies like Rebel Foods (Faasos) and Biryani by Kilo have revolutionized the Indian food delivery space. With growing digital adoption, cloud kitchens are expected to dominate the future of food service in India.

Unorganised Segment -

The unorganised segment in India represents the informal side of industry. It is largely composed of small independent business such as family-run eateries, roadside Dhaba's, local food stalls and hawkers. Despite their informal nature, they play vital role in providing affordable and accessible food options to a wide consumer base.

According to "NRAI the organised segment is valued at 2,49,649 crores in 2024 and projected to reach 4,10,591 crores by 2028 while the unorganised segment grows from 3,19,793 crore to 3,65,920 crore. This reflect organized segment of the food services industry is expected to grow at a CAGR of 13.2%, achieving a market share of 52.9% by 2028. Within the organized sector, casual dining restaurants are the fastest-growing, with a 48% market share, followed by quick-service restaurants (QSRs) at 27%."

Cultural recognition also has an impact on the food service business, in addition to these operational segments. The fact that Lucknow recognition as a UNESCO Creative City of Gastronomy in 2025 shows how culinary legacy and innovation can help the business by bringing in more tourists, making it more visible around the world, and helping restaurants thrive.

Key Growth Drivers

Food service industry is growing rapidly in India and its growth drivers are as follow -

- **Increasing frequency of dining out** - As disposable incomes rise and more people move to cities, Indian consumers are more inclined to spend money on eating out. Dining out is increasingly becoming part of everyday leisure and shopping activities, especially in urban areas. Eating out has shifted from an occasional treat to a routine

social and lifestyle activity, particularly among millennials and Gen Z, boosting demand for quick-service restaurants, cafés, casual dining, and food courts in malls and transit hubs. According to Money control analysis of GDP data, the share of household expenditure on restaurants and hotels rose to 2.3% in FY 2024, up from 2.1% in the previous year, underscoring the growing frequency of dining out without the need for a special occasion.”

➤ **Growing Demands for Diverse Food Varieties and Cuisines** - Growing tourism and business travel have significantly boosted demand for hotels and restaurants in India, with the country recording approximately 56 lakh Foreign Tourist Arrivals (FTAs) till August 2025, according to the Press Information Bureau, Ministry of Tourism. The rise in international visitors has led to the growth of the foodservice business, as hotels, resorts, and independent restaurants see more customers. Culinary tourism, which is when people travel to try real local food, has become a big draw. This has led restaurants to provide foods from different regions and immersive dining experiences. At the same time, the tastes of people in the country are changing. In the past, people liked to stick to safe choices like North or South Indian food. But today, millennials are more experimental eaters who love trying new flavours. This tendency has led both Indian and foreign restaurants to add more items to their menus and reach more customers. This has made India's food service business even more lively and diverse.

➤ **Time Pressed Schedules** - The fast-paced lifestyles of employed individuals, an increased number of women in the workforce, higher disposable incomes but with a scarcity of time has increased the reliance on prepared food among consumers in India. All these factors have given rise to a culture of takeaways, on-the go food services, and home delivery services. This shift is also driving innovations in foodservice distribution channels, with companies increasingly forming partnerships with online foodservice providers to broaden their reach.

➤ **Rising Smartphones and Internet Penetration** - The rising penetration of smartphones has significantly accelerated the digital transformation of India's foodservice market, enabling a seamless shift towards online food ordering and delivery. This digital growth is fuelled by the increasing availability of affordable smartphones and robust internet connectivity, which supports a broader consumer base adopting app-based food delivery platform. As per TRAI (Performance Indicators Report, January–March 2024) India had an extensive internet subscriber base of approximately 954.4 million, with 556.05 million in urban and 398.35 million in rural areas, contributing to a tele-density of 85.7%. This widespread digital access has empowered consumers across urban and rural regions to embrace the convenience of online food services, driving the rapid expansion of cloud kitchens and virtual brands optimized for delivery. Technology integration, including AI-driven personalization and digital payment solutions, further enhances the customer experience, reinforcing this trend and enabling foodservice operators to scale efficiently in an increasingly digital market landscape.

Emerging Trends in the Food Service Sector

The demand for food and beverage away from home continues to increase. Food and restaurants styles are also continuing to diversify to meet the demands of increasingly knowledgeable and value-conscious customers. As a result, the industry is entering a phase where innovation, adaptability, and customer-centric strategies will determine long-term success.

- **Rediscovering Local Tastes:** Restaurants are capitalizing on the growing demand for regional tastes by curating menus that emphasize local cuisines alongside global offerings. While food trends evolve, operators are anchoring their innovations in tradition through hyper-regional dishes that highlight micro flavors. Even multinational players are Indianising their menus and positioning themselves as family-friendly spaces to gain wider acceptance.
- **Technology Innovations in Dining:** Food service business is quickly using digital tools to make things easier and more efficient. Restaurants are getting rid of printed menus and replacing them with QR code-based menus, digital boards, and ordering systems that work with apps. These digital menus are better for cleanliness, reduce printing costs, and let businesses quickly change their menus and make personalized suggestions. Along with this, quick-service restaurants are getting self-service kiosks that let customers place orders, change their meals, and pay

with a credit card. These new ideas show how the industry is trying to modernize and how it is responding to changing customer needs for speed, control, and smooth experiences.

- **Experiential Dining:** Experiential dining is a trend where restaurants focus on creating memorable experiences along with food. Customers are drawn to places that offer unique themes, creative interiors, and storytelling elements that make dining feel special. Theme-based restaurants—such as Bollywood cafés, jungle-inspired spaces, or retro railway settings—are popular examples. They attract people not only for the food but also for the fun atmosphere and social media appeal. In India, this trend is growing in casual dining and café formats, showing how eating out is becoming both entertainment and leisure.
- **Fusion and Global Cuisine Popularity:** Restaurants are blending Indian spices and cooking styles with international cuisines such as Italian, Mexican, Korean, and Japanese to create innovative menus. This trend appeals to younger, urban customers who enjoy trying new tastes and sharing unique food experiences on social media. Global cuisine formats, from sushi bars to Mexican grills, are gaining popularity in metropolitan cities, showing how the Indian food service industry is balancing tradition with modern, international influences.
- **Open Kitchen Cooking:** Open kitchen formats are increasingly adopted in India's food service industry to highlight transparency and hygiene. By allowing customers to see how food is prepared, restaurants build trust and reassure diners about safety and quality standards. This approach also reflects a shift toward openness in operations, where visibility of cooking processes strengthens credibility and customer confidence. Open kitchens are especially valued in urban markets, where consumers expect higher standards of cleanliness and authenticity in dining experiences.
- **Increased Focus on Health and Wellness:** The industry is increasingly embedding health and wellness into its offerings. Restaurants are redesigning menus to include millet-based staples, organic produce, and plant-forward dishes that align with evolving consumer expectations. Many operators are also partnering with local farmers to ensure fresh sourcing and highlight traditional grains as part of India's wellness revival. This shift demonstrates how businesses are positioning themselves as responsible and future-ready, using health-oriented innovations to strengthen brand identity and build long-term customer trust.

CONCLUSION

The study finds that India's food service industry is expanding steadily, with the organized segment showing faster growth than the unorganized. Casual dining restaurants hold the largest share, followed by quick service restaurants, while cloud kitchens are emerging as a strong future format. The organized segment is projected to reach 52.9% of the market by 2028, highlighting its increasing dominance. Key drivers identified include rising disposable incomes, more frequent dining out, demand for diverse cuisines, busy urban lifestyles, and widespread smartphone use. Trends such as experiential dining, fusion cuisine, open kitchen formats, and health-focused menus further demonstrate how the industry is adapting to consumer expectations. Thus, the findings clearly show that India's food service industry is becoming more structured, diverse, and technology-driven, positioning it as an important contributor to both economic growth and evolving consumer culture.

REFERENCES:

- Van Dress, M. (1979). An overview of the food service industry. *Food Review/National Food Review*, 7(1), 12-13.
- Koranne, S., & Borgave, S. (2016). Study of trends in quick service restaurants. *Atithya: A Journal of Hospitality*, 2(2), 25-32.
- Rawal, Y. S., & Dani, R. (2017). Next generation trends in food and beverage service sector. *Journal Homepage: http://www.ijmra.us*, 7(11).

Haldar, S. Emerging Food and Beverage Trends. International Journal of Research and Analytical, 69.

Sunil, N. S. D. A. IMPACT OF COVID-19 ON THE FOOD SERVICES SECTOR1.

Nagpal, G., Dawar, K., Choudhury, S. R., & Singh, T. (2022). Disruption and innovation trends in the QSR industry: perspectives drawn from India. In Research anthology on business continuity and navigating times of crisis (pp. 1275-1299). IGI Global Scientific Publishing.

Pandey, S. (2023). The Dynamics of Food and Beverage Service: A Contemporary Analysis. International Journal for Multidimensional Research Perspectives, 1(23), 59-75.

Dani, R., & Rawal, Y. S. (2019). Impact of new innovations in food and beverage service industry. *Journal of Emerging Technologies and Innovative Research*, 6(3), 128-134.

[NRAI Report | PDF](#)

[Indian food services sector to grow by 8.1% from 2024 to 2028: Report | IBEF](#)

[NRAI - National Restaurant Association of India – The voice of the Indian restaurant industry](#)

[MC Analysis: As overall consumption slows, Indians' spend on eating out and transport hits a decade high](#)

[Press Release: Press Information Bureau](#)

[QPIR_04072024_0.pdf](#)

[India's internet surge: Catalyzing change in the telecom landscape](#)