



# Food Industry of India Facing Unique and Universal Challenges and Opportunities Underlying Revived Customer Experience

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## Abstract

The dynamic and constantly changing micro and macro environment of market is continuously accompanying ongoing uncertain challenges and opportunities to the business world. Performing business activities in highly volatile market has become actually ambiguous and complex. Food retail industry is no more isolated from the challenges and opportunities of present state of interaction. A number of global trends like economic growth, climate change, poverty, natural disaster, conflicts and critical parts of food systems are influencing food security, and the overall sustainability of food and agricultural systems. On the other side the Indian market is all inclusive of infinite global opportunities which are yet to be availed like ever-evolving consumer demands, rapid urbanization, favourable demographics, increased disposable income, more women in workspace and changing lifestyles and food habits. With the increasing percentage of world's population which is expected to grow almost 10 billion by 2050. The challenges and potential in agriculture needs to be handled carefully. The present research work is conceptual in nature and attempts to understand the challenges and opportunities in food processing industry.

The world's population is expected to grow almost 10 billion by 2050, boosting agricultural demand – in a scenario of modest economic growth – by some 50 percent compared to 2013. The increasing population is a great threat and are likely to bring serious challenges to the agriculture industry. India an agriculture country is the second largest in population and is on the verge of food risk if the population doesn't come in control. Although at present Indian food industry is emerging as a high growth and high profit sector due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food retail market is expected to reach Rs 61 lakh crore (US\$ 915 billion) by 2020. The Food Processing industry in India is undergoing a significant transformation. With a turnover of \$110 billion, it accounts for 35 per cent of the Indian food market, and has been growing at a better rate of 14 per cent in the last few years. Though low levels of processing and market share in the global arena suggest an untapped opportunity to capitalise on India's enormous raw material base and propel exports, they also indicate critical challenges to be trounced to sustain continual growth of the industry. Thus through secondary data, the present study is based on ascertaining the challenges of Indian food market and the novel experience of customers in present scenario.

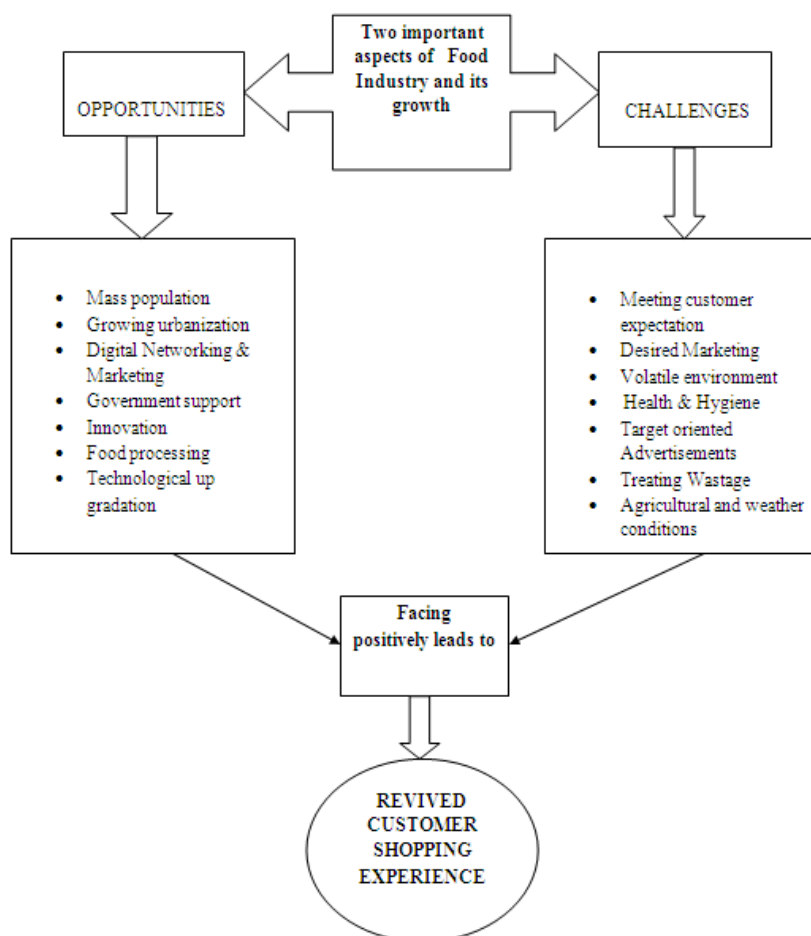
**Keywords:** food, retail, processing, agriculture, customer, challenges

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## I. Introduction:

The Indian food and retail industry was valued at USD 258 billion in the year 2015 and is expected to grow to USD 482 billion by 2020. It has witnessed a dramatic growth in the past few years and is one of the sectors which is unlikely to see any drop in growth rates in the near future.



Besides these, inherent anomalies such as mounting cost of finance, lack of skilled and trained manpower, inadequate quality control and packaging units and high taxes and duties, thwart development of FPI.

The two important aspects of food processing industry trigger its approach towards designing and adopting various latest tools and techniques to boost its performance. The unique challenges and opportunities in any business define the art to overcome the situation. The perfect blend of these two aspects may result in business success. The food industry is no more confined to agriculture and its production rather the sector is completely uplifted its sectoral arms. The sector is a well defined industry consisting of various sub sectors and thus become a huge potential industry. The food processing, preservation industry, baking, confectionery, milk industry, fish processing, brewing, milling, meat processing etc are crucial part of food industry. The food industry in India is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food retail market is expected to reach Rs 61 lakh crore (US\$ 915 billion) by 2020. The Food Processing industry in India is undergoing a significant transformation. With a turnover of \$110 billion, it accounts for 35 per cent of the Indian food market, and has been growing at a better rate of 14 per cent in the last few years. Though low levels of processing and market share in the global arena suggest an untapped opportunity to capitalise on India's enormous raw material base and propel exports, they also indicate critical challenges to be trounced to sustain continual growth of the industry. Despite conferring numerous incentives for establishing new processing units, proportionate results have not been achieved. This can be credited to the absence of vital peripheral infrastructural linkages and legislation for contract and corporate farming, inadequate implementation of the APMC Act and cumbersome procedures to avail grants. Also, unlike for small scale industries, fewer schemes have been designed to promote scale by incentivising large scale investors. The need of the hour is to adopt an integrated approach to address the above mentioned tailbacks with a clear-cut focus on improving the quality and value of the output, reducing the cost of raw material for the processors, while improving the farmers' income levels.

The challenges and opportunities in the sector energise it to adjust in the changing environment and upgrade it on the customer expectations. The satisfactory customer expectation leads to revived customer experience which benefits the in the growth and development of the organization.

***Purpose of the research:***

The research intends to identify the current challenges and opportunities in food processing industry and how these two aspects are contributing in reviving the customer expectations and experience of shopping.

## **II. Literature Review:**

***Opportunities in food industry:***

***Mass population***

The growing population has always been a matter of concern for business advocates. Food is an essential part of life which is today decorated and presented in different forms and features in the market. Many companies consider increasing population as an opportunity more than a challenge. But when it comes to cater and provide services to mass population and providing quality and satisfactory services at that time it is considered more as a challenge than an opportunity. Changing times and scenario have brought numerous changed consumption habits as a result various changes has been introduced in food production system, due to which the evolution of today's food processing industry took place. The market is very demanding and it needs continuous developments for maintaining long lasting relationships with the customer. According to Keynes, the growth of population will cause a strong demand for goods that will make it possible to establish a good market as well as increase the demand for capital. Optimists like Arthur Lewis (1954) and Jorgenson (1961) have declared that population growth will speed up economic development. Increasing population is an opportunity for the marketers as it can be used as a base towards pitching huge market for different category of products. Every business needs correct segment to build its customer base, hence huge population helps in selecting and distributing right segment for the product category. It is necessary for marketers to understand how to utilize and categorize the population in a profitable manner.

***Growing urbanization:***

Breeze (1969) described urbanization as a process of becoming urban, moving to cities, changing from agriculture to other pursuits common to cities and corresponding changing of behaviour pattern. Hauser and Duncan regard urbanization as a change in the pattern of population distribution. It involves an increase in the relative size of the urban population, a growth in number and size of urban settlement or places and an increasing concentration of population in such places. Mitchell (1956) regards urbanization as the process of becoming urban, the movement of people or processes to urban areas, increase of urban areas, population or processes. Along with the rapid increase in population, there are evidences of increasing urbanization. India is a huge country and has majority of its presence in the rural areas. Past few decades the data shows an escalation of urban population. The data shows that for past some years the rural population is continuously moving towards the urban towns and cities, so rapid urbanization can be considered as an opportunity for marketers. With this urbanization the consumption habits of people are also fluctuating because of shortage of time, demonstration effect of market, lifestyle changes, friends and family influence.

***Digital Networking & Marketing***

Digitalization is now well integrated in current business system due to its inevitable presence in everyday's life. The immense availability of techno-savvy products has helped the easy internet access. The gadgets like smart phones, smart watches, laptops, tablets are part of everyday life and aid to every hand. Day-by-day online shoppers are joining the race in consumer market. By 2020 the online shoppers will be more than 2 billion around the world (Kristen Herhold 2018). Digitalization has introduced a revolution in the business world. The information technology and communication is a virtual platform to display the business capabilities more efficiently. This method has helped in leveraging the business performances. Digitalization is used to elaborate the business performance, revenue and create virtual business culture rapidly. The technique is an extraordinarily fast business communication which can be reached to the target customer in less time. This networking is fruitful due to increased digital customer awareness. The customer of 21<sup>st</sup> century is digitally empowered. Many business models are using various digital platforms for sustaining their presence in virtual world. These models consist of displaying advertisements, informational videos, and promotional applications with the help of various social media, search engines, websites, email marketing. Food industry is also widely available on digital world and is benefitted a lot from digitalization. The digitized platform is an opportunity for food industry to spread product awareness to the target market.

### ***Government support***

Food industry is primarily an important and growth some industry for India. The industry is highly potential to introduce technologically advanced food products, methods and techniques which can be the solution for various food related issues. Food preservation and processing is one of the recent developments in the field. It is anticipated that by 2024 the Indian Food Sector is likely to bait US\$ 33 Billion investments and generate employment for up to 8 million people. Government has realized the true potential and has introduced several new steps and measures in food industry for supporting the dynamic industry. Over the last two decades, public-private partnerships (PPPs) for public health have gained great attention and recognition among the global public health community as a strategy to potentially overcome barriers that otherwise neither sector could respond to on its own (Widdus, 2005; Reich, Hershey, Hardy, Childress & Bernheim, 2003). Public-private partnerships in public health are defined as at least one representative from government and one from the private-for-profit sector working together to achieve a shared public health objective based on some degree of shared decision-making. These partnerships also differ in their purpose and activities, both of which fall into five broad categories: public education and information, product reformulation, research, access to healthy foods, and platform for discussion (Hawkes, 2008; Hawkes & Buse, 2011).

### ***Innovation***

Research and development provides with the opportunity to innovate and grow the business and its scope. Food industry earlier was slow and mainly focused on reducing cost factor and the changing customer needs was paid less attention ((Bigliar-di & Galati, 2013; Lienhardt, 2004). But last few decades have introduced various innovations towards the safety and importance of high quality food, as well as towards health, well-being and consumer satisfaction (Aguilera, 2006). Also the food sector has undergone various environmental like social, economic and technological changes which have a relevant influence on the entire food processing chain, from agricultural production, through the processing and distribution of food, to final consumers. Furthermore, the sector is characterized by a more competitive environment that have encouraged considerable changes in the food demand and in the supply chain organization and have lead innovation to be an inevitable activity essential for the success of the companies (Costa & Jongen, 2006). For a better future in the food industry, a way of making sustainable innovation based on the increase of new nanotechnologies and the development of biotechnologies should be proposed (Bigliardi; Ferraro; Filippelli; Galati, 2020). Food industries nowadays are using technologies such as robotics, sensors, artificial intelligence, and blockchain to create transparency of the food products right from the farm to fork. Old age techniques will not work in today's date as they cannot cater to higher levels of transparency, product quality, and storage conditions. Instead, marketers opt for the latest technological innovations (Chavan; Rajguru; Ojha 2021).

### ***Food processing***

Demand for processed food items is set to increase in India in the coming years providing opportunities for greater value addition, lower wastages and alternative employment opportunities. Analysis of corporate data shows that food processing firms have been profitable, but the value addition component needs to increase significantly (RBI Bulletin Mar 2020). Food processing preserves its relevance in food industry because it is always challenging to feed and cater the food needs in country like India. The increased demands of packaged and frozen food during natural pandemics have displayed its effect on the food industry. The technological innovation plays an important role in changing the consumer perception and expectations towards product. Advancements in the food sector also help to create a digitally traceable and safer food system. Indian food industries are now accepting these novel strategies and technologies to keep up with the competitive world (Chavan; Rajguru; Ojha 2021).

### ***Technological up gradation***

Technological innovation in the food sector has a quantum effect on the assembly and distribution of food. So as to sustain in this competitive world it is important to adopt and adapt to the newer technologies available. The use of technology also changes the consumer's perception of the product. Advancements in the food sector also help to create a digitally traceable and safer food system. Food technology is a link between the industrial world and the agricultural sector. As the demand for processed and packaged food is escalating the need for adaptation of newer technologies is important. Many technologies, types of equipment, and ideas are now available worldwide due to globalization. This gives scope for the evolution of newer technologies for food processing. Due to this; food production, processing, preservation, packaging, storage, and distribution are subjected to undergo metamorphosis in recent years. Other advance technologies used in food industry like Robotics, Sensor technology, Artificial Intelligence (AI), Block chain Technology, Eco-friendly packaging techniques, Nanotechnology, and Biotechnology, etc. enhances the standards of food processing modern food preservation techniques like High-Pressure Processing (HPP), frozen foods Technology, Vacuum, and Freeze

Drying, Electrical Impedance Spectroscopy (EIS), Cold Plasma, and Pulsed Electric Field (Chavan S., Rajguru S., Ojha S. 2021)

### ***Challenges of Food Industry***

#### ***Meeting customer expectation***

In the early 1980s, Oliver defined the expectation-disconfirmation paradigm, stating that “expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior” (Oliver, 1981). In contrast, the gap-based service-quality model developed by Parasuraman et al. (1988) defines expectations in terms of what customers feel they should be offered. The former has been restated as “predictive expectations” and the latter as “desired expectations” (Yi, 1990). To meet customer needs is the biggest challenge in present scenario. Customer expectations are pretrial beliefs about a product or service (Olson & Dover, 1979). The term “customer expectations” has received increasing treatment among researchers in the service sector. Customer expectations have been explored in various research contexts, but have been most thoroughly investigated in the customer satisfaction and dissatisfaction, and service quality research studies (Zeithaml et al., 1993). Customer expectations play the key role in customers’ evaluation of service quality (Zeithaml et al., 1993; Gronroos, 1982; Lehtinen and Lehtinen, 1982; Parasuraman, Zeithaml, and Berry, 1985, 1988; and Brown and Swartz, 1989).

#### ***Desired Marketing***

Marketing is a vast field to interact with the customer. This is why it is a huge challenge for the marketers to decide a lucrative marketing strategy for promoting the business. Food industry is a receptive industry. Marketers have to deal carefully in deciding the appropriate marketing strategy for food industry. Food marketing is an important tool to build and maintain markets through the creation of ties of confidence and loyalty between the producers/sellers and the consumers. Food marketing is dependent on several different dimensions, especially those related to the particularities of the sectors associated with food goods and services; in this way, the marketing plans are no easy task (Martinho, V. J. P. D. 2020). Food companies need to take into consideration when going into new territories all the business functions, products and marketing elements such as product design, name, positioning, packaging, theme, price, advertising materials, distribution, promotions, and customer service needed, to penetrate the desired new markets and determine the ideal strategy and way of implementation to follow, without forgetting at the same time the necessary brand identity, product focus, consistent product launches or new products, and the all-time needed word of mouth and perception among consumers (Castillo, J. 2013). In addition to this, it is also fundamental to evaluate the transferability of the competitive advantages a company has among its actual territories, as well as the economic freedom in similar conditions, and based on this, adapt the marketing strategy as needed to minimize risk and attain success in the short and long term (Quelch & Hoff, 1986; Viswanathan & Dickson, 2007).

Digitization has opened doors for various customer interactive marketing methods which may help in boosting marketing campaign in organization. Social media marketing, marketing through videos, SEO, e-mail marketing helps in deciding appropriate marketing strategy for food industry.

#### ***Volatile environment***

The ever changing market emerges as a challenge in the food industry. The continuous changing eating habits of today’s customers and compels them to change their dietary pattern which in turn needs diverse marketing tactics to approach customers. From traditional Brick and Mortar system to organized retailing has completely changed the purchasing habits of people. The different environments like social, economic, political, technological impact the behaviour of the market and customer psychology. The Business Environment (BE) has high dynamism, information uncertainty and unpredictability of events and results of their activities, which requires a revision of traditional approaches to the formation of competitive strategies and management in the global economic space which shape and influence the functioning of businesses. Hence, identification of the Business Environment is a complex and important issue (Sardak S.E., Movchanenko I.V. 2018). The marketers have to keep a close watch for the changing market scenario and modify its marketing tactics in order to keep a proper synergy.

#### ***Health & Hygiene***

Following health and hygiene forms the basis of food industry success. It is the biggest challenge for this industry. In most emerging countries, poor hygiene and food handling practices were among the most alarming problems faced by the food control authority (Selamat and Hassan, 2003). From street to packaged food the foremost factor considered in food industry is health and hygiene.

### **Target oriented Advertisements**

The scope of food industry is expanded to a considerable extent. From agriculture to processing industry the food and its form are available in different variety. Western influence and globalization have instigated the changed form of food. The continuous change occurring in food industry have simultaneously proliferated great challenges in the industry. Advertising is one way of promoting business. The rapid changes in the business environment create a chaos in advertising industry and induce to update fast changes in the advertising world also. The emergence of various companies and their novel product categories boosted the advertising industry. With the development of many food categories due to technological innovation like fast food, Ready-to-eat (RTE), Ready-to-cook (RTC) food, preserved food, confectionery items, soft drinks etc the advertising industry have to update their promotion campaigns at regular intervals.

### **Treating Wastage**

Food industry greatest challenge is to deal with the waste management. It is one of the important fields of food industry. The treatment of waste has to done in many ways. Firstly the agricultural waste occurred due to weather conditions, crop failure, farmers dissatisfaction about their crop prices and many other reasons is a challenge for food industry. A proper system of processing food and its preservation in order to avoid its wastage. Secondly treating the plastic and packaging waste is another challenge to be met by the food industry.

### **Agricultural and weather conditions**

India is an agriculture based country. The Food industry is directly dependent on agriculture. Various factors influence the agriculture and its ultimate impact on the food industry. Climate is one such factor among various other factors. High volatility in climate conditions leads to face many challenges by this industry. A government and private mediators control on the demand and supply is another factor. The demand and supply variation leads to flexibility in price determination of food items. The adverse effect on environment is also an important criterion deciding the future of the food industry. The state of weather conditions determines the good crop production or poor production and the supply of raw material to the food industries. Thus agriculture and climate conditions are important challenges for the food industry, which can be met by maintaining proper inventory and food management principles.

### **Customer revived experience**

However the opportunities and challenges provide more chances to business for improving their performances. These opportunities and challenges opens new path of work performances and pressure handling for entrepreneurs. The business performances are customer centric today and taking advantages of these opportunities and challenges may revive the market experiences of customers. Customer and customer behavior continuously keeps on updating the customer shopping experiences. The market conditions are very volatile and customers always seek for comfort ability and new life easy making products and services.

## **III. Conclusion:**

The revolutionary changes in food industry have completely revived the customer's food experience. The global market, its opportunities, changing consumer demands, rapid urbanization, favourable demographics, increased disposable income, more women in workspace and changing lifestyles and food habits have brought a huge transformation in customers shopping experience. The transformation is vital on each and every aspect, from the food supply outlets to readily available food items and products. The change can be observed everywhere and so the customer experience. Due to this change the customers are happy and confused both. The happiness can be taken care by improving the existing services while the confusion part can be handled by the marketing department to clarify and satisfy the chaos.

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