

A STUDY ON IMPROVING THE BUSINESS PROCESS OF QUICKSERVICE RESTAURANTS (QSR) USING VALUE CHAIN MODEL

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ABSTRACT

The paper tries to understand the business process of Quick Service Restaurants and find strategies to improve them. The QSR is a booming business in India due to increased customer demand for fast food. There are various external and internal factors affecting the business of the QSRs. This paper finds the possible areas of improvement in the QSR business process using Porters Value chain model. This can help improve the functioning of the QSRs in different process areas and then lead to more value creation for the customers.

Keywords: Value Chain Model, QSR, Green Logistics, Shared Transportation.

INTRODUCTION

Supply chain as we know is the entire process of moving the raw materials from the point of production to the consumer. The supply chain involves the raw materials source, the inventory, the manufacturing centres, the distribution centres, the retailers, the logistics, the information network and the people involved in the process. The article tries to find the Green methods that are used in some of the supply chain concern areas. The article tries to make use of the Porters Value chain model and then incorporate the Green concepts into it.

The Value chain model developed by Michael Porter tries to explain the various aspects involved in a supply chain. This research article tries to merge the Value chain model with the Green concepts in Supply chain management of Quick Service restaurant.

The basic concept of the Green supply chain is to bring it the environmental factor into the traditional supply chain. (Chin & Tat, 2014).The green concept has to be used across all the aspects of the supply chain. The green supply chain will help reduce the cost of production, the cost of distribution, the storage costs and reduces the emission of carbon dioxide. (Ashkan & Ahmad, 2015).There are also other benefits the company gets by initiating green policies. The customers will also be happy with the green initiatives a company takes. (Murray, 2017).This is because the people are also becoming more aware of global warming and they know that this will affect them.

In the production process the green initiatives will ensure that the right amount of products is made with the minimum resources. The production process should also not produce materials that are harmful to the environment. The products manufactures should also be environmentally friendly. In the case of transportation, the system should be designed in such a way that the fuel consumption in minimum. The logistics has an important part in this. Then

the packaging material used in the supply chain should also be of recyclable type and also biodegradable. After this the reverse logistics comes into picture. Here also we have to think about green initiatives. The returning materials if damaged should not pose any threat to the environment. There has to be options for reusing and recycling the materials that enter the reverse supply chain.(James, 2013)

The Value chain model was developed by Michael Porter to help companies identify certain areas in the supply chain where improvements can be made. The value chain can be used by the companies to set up competitive advantage. (Antoniou, Levitt , & Schreihans, 2009).This is part of the strategy development of the companies. The main advantage of the value chain is that we can understand what the main internal activities are in affirm. Then we can find which are the areas we can improve to add more value to the organization. By ensuring we improve process we are actually improving the overall performance of the organization. (Jurevicius, 2013) .This will help the organization set up a competitive advantage in each area when compared to its competitor.

The value chain also has the concept of linkages. These are factor that connect the value chain of one organization with the value chain of another firm working along with it. It could be a supplier to this company.

The article mainly mentions the business of the quick service restaurants. The quick service restaurants are the food outlets where the customers are provided food very fast. There is no table waiting and the time taken to prepare food is minimum. This is also called as the fast food restaurants. The main QSR's in India are McDonalds, Subway, Burger King, KFC, Pizza Hut and Domino's Pizza. There is also number of local company in this sector (plusaccounting, 2015) .The local QSR in India include GoliVadapav, SagarRatna etc. Most of these function in the franchisee model. The QSR with most outlets in India is Dominos. Then comes subway and KFC. Mc Donald's in in fourth position with 376 outlets. (statista, 2016). The time is perfect for the growth and development of the QSRs in India. There are many reasons like the increase in disposable income and the fast paced work life in India. The restaurant market was valued at 20,400 crore in 2016 and is expected to grow to 51,000 crore by 2021 according to industry body National Restaurant Association of India (NRAI) (Economic Times, 2017).

In the fast food segment there are number of challenges the companies have. The competition is also very high in this sector. Also the international companies have to make a lot of changes in their business and food services when they enter India. The consumers are also demanding more and more variety from the QSRs. This makes the process more difficult. But this variety of food is required to survive in the business. (Goutam Das, 2015)

There are also a number of problems that the QSRs have in their business. The external factors like food price inflation, dependence on monsoon for agriculture has an effect on the business. The demonetisation also had a negative effect on the business and this led to decrease in sales. In India this market is extremely fragmented. There are a number of local companies competing with the bigger international companies. This leads to less standardization in the system and also varied variety of food provided. This makes the

customer demand more variety at all the outlets. The companies provide the same type of food at varied prices. This leads to less customer loyalty in the sector (Nusra, 2013).

Then there are the internal factors like supply chain, logistics, warehousing etc. that affect the business. The man power training is very important. Due to the high attrition rate in this sector, this is one of the main issue the company has. The poorly trained employee's cause a lot of inefficiencies in the system If the company is a well-known brand then more focus has to be given in this area.

The supply chain is one of the most important factors for the success of a QSR. The better the supply chain the more value the company can make in its business. But the supply chain of the QSRs in India is extremely fragmented. There are also a lot of intermediaries. This leads to lot of wastage in the system. (Nusra, Issues And Challenges By Restaurant Industry, 2013)

The changing customer requirements are one of the biggest challenges the QSR have. Because of the huge variety available and also the different pricing for the same food the customer loyalty is minimum in this sector. The QSRs thus have to not only provide all the variety of food but also give at low price and good quality. This is a big challenge for the companies. (Screemo, 2017)

If we consider the internal process in the QSRs we can analyse each and try to find out the problem areas. The internal process as mentioned in the value chain includes the inbound logistics, the process in the restaurant, the outbound logistics, the sales and marketing activity, the after sales service, the training of the employees, the purchasing of materials, the infrastructure etc. The company has to consider each of these areas and then find what the issues in them are. Some of the issues may be inherent to a particular company but some could be common across the companies in this sector.

The food provided is the main concern area at present. The consumers are demanding higher quality and healthy food at lower prices. The QSRs will have to find a way to provide this and make profits. This is a tough process. The companies will have to find the perfect combination of the food they serve and the service process should also be good. The logistics as we know is a major concern area in QSR. The business depends a lot on the efficiency of the logistics process. Meeting the supplier with the process and the demand in the market is a challenge. The inefficiencies in the logistics will make the process kore slow. The bigger companies can find more success here as they have more resources but the smaller ones face more difficulty in making the logistics more efficient. This is because cost is involved in the process. (Duncan, 2016)

Then there is one more challenge in the form of the online food companies. The QSR will increasingly face challenges from the companies that provide the door to door food delivery services. This challenge is bound to increase. The QSR will have to adapt to the situation by having a good online delivery service. This is the outbound logistics area. Along with this again the demand for healthy food will increase. The companies are thus having a tough time trying to differentiate the market (Riney, 2016).

The logistics issues also include one more important aspect. Unlike the other logistics in business the Cold Chain logistics in very important in QSR business. This because the food

has to be kept fresh in transportation. The damage to the food materials has to be minimum to ensure the good quality food is provided to customer. The costs involved in the cold logistics are also higher. This is an area where the efficiency of the process has to be considerably increased. The third party logistics companies are finding a lot of opportunity because of the increasing QSR business. In this business also there is challenge from the unorganised smaller players who can do the logistics at a lesser price. (Mandavia, 2014)

The next main concern area is the process in the QSR itself. This involves the cooking and heating of the food and also the service process. The time taken for the cooking and serving has to be minimum. The customers will not be happy with excess Time taken and also if the QSR is not neat. The main factor that comes into consideration here is the availability of the raw materials for cooking and the employees. The employees training is main factor leading top success of the QSR business. The taring has to be done properly to ensure the best customer experience. However, the issue is that the attrition rate is very high. Even if the employee is provided good training he can leave the QSR anytime. The inefficiency creeps in at this point. The new employee has to be trained fast to maintain the standards. (Business, 2015)

The technology is another main factor that links all the process in the QSR business. The systems that automate the process are required in every aspect of the QSR business process. The issue is the amount of money that has to invested to set up a good automated system. This can be an ERP system by which the entire supply chain can be made more efficient. The QSRs will have to think when it plans to install a new technology. There are always certain risks in using new technology. The QSR are using certain systems that are not properly interlinked. There is a mismatch in the software systems. This leads to improper transfer of data. All the concerned process are not getting the same type of data. (Hardy, 2014)The QSR have to ensure that they have invested in the right technology. This in very important to be successful in the digital environment.

The next concern area in the QSR business is the Marketing and sales. This is important due to the increasing competition in the sector. The issue is that the cost of advertising in the main media is very costly. The smaller companies are not able to do this on a large scale. In certain cases, the limited service offers and the promotional activities have led to losses for the QSR. They are sometimes not able to meet the customer expectations in the food and service after promotions (Aderson, Jon, 2017).

After this we also have another related concern area. This is the after sales service. In the QSR business this can be any complaints received from the customers regarding the food and also the returns in the business. The damaged incoming food is also part of this. This can be called as the reverse supply chain in the QSR business process. The customer and quality of the company are two factors that are affected by how the QSR manages the after sales service. One of the elements that is to be done by the QSR is check if they can maintain the data for tracing the food materials to the place from where they were transported. (Aderson, 2017). This will bring in more systematic process and the overall food quality can be improved. This can also help reduce the customer issues in the QSR business.

Thus from the data we can understand that the main concern areas in the QSR business are the external and the internal factors. The article tries to find the solutions to the internal factors and then try to reduce their effects on the business. The internal factors include the inbound logistics, the process within the QSR, the outbound logistics, the marketing and sales process, the customer service process etc. When all the process are not done in-house we will have to makes sure that the communication with the third parties have to me on time and perfect. Any issues in this communication process will affect the efficiency of the supply chain.

The value chain model by Michael Porter can be used to improve the process in the QSR. The value chain tool shows all the concern areas the QSR has. The value chain model is as shown in the diagram.

Porters Value Chain Model



The value chain consists of the primary activities like inbound logistics, the operations, the outbound logistics, the marketing and sales and the after sales service. These are the main activities in the firm that are required for the business process. The secondary activities are firm infrastructure, human resource management, technology development and procurement. These are required for more efficient business process and support the primary activities.

The QSR have to find out the improvements in each of the sections in the value chain to improve their current process and take it to a higher efficiency.

In the primary activity the main part is the logistics. This includes the inbound and the outbound logistics. This starts from the sourcing point. There are a lot of software platforms that try to integrate the vendors and the company. The QSRs have to start using these platforms so that they can have better control over the sourcing process. These software can also help in setting up optimal order quantities. There will be no over ordering than required. (Avant, 2017). The QSRs can also make use of the barcodes and RFID to ensure the sourcing is perfect. This eliminates the counting process. The technology not only benefits sourcing but also the entire

Inbound logistics and the food quality. There is a lot of data in the supply chain process. The QSRs have to leverage and make use of this data for improving their business. The proper software use will ensure that all the data is collected to the data base. They can then be analysed for making proper decisions regarding the supply chain. (Aderson, Jon, 2017)

The value in the logistics can be improved by using the concept of shared logistics. In this process the QSRs can share their logistics systems. There are many benefits like less cost, less usage of fuel, using the vehicles to full capacity and less pollution. This leads to profits for the company and also sustainability. (Digital Transformation, 2015) The profits can be shared with the customers thereby increasing the value. The data that is collected using the software is very important to ensure a smooth transport sharing process. The logistics can improve the capacity utilization by the sharing process. This would have a lot of positive impacts on the environment and the organization. This can be considered as Green logistics (L M Staff, 2016).

Then the area where value can be enhanced is in the Operations in the QSR. The digital data on the products can be used for process like counting and sorting the food products. Then we need to consider the quality of food preparation and the service process. There are a number of software apps that help in employee scheduling and management. Also these data can be used to analyse the employee performance. Based on this more specific training programs can be provided. To improve the food preparation process there are modern automated systems that can do the process repetitively without variation. These will be required to maintain standard food taste and also quality. If the QSR want to increase the service quality, they have to invest in automated food preparation systems (Avant, Mary, 2017).

The next area that can be improved is the marketing process of the QSR. The important process is to find the target audience. The sales data from the database can be analysed using data analysis tools to find this. By having a trained workforce there is always an opportunity to upsell the food products at the QSR. The employees have to be aware of both the products and the customer preferences. There is one more point that can be considered. This is related to sustainability. The customers are becoming more and more aware about the impact of pollution on the climate. So the QSR can have certain Green strategies in their business. This can include using recyclable boxes, recyclable covers etc. These initiatives can be then marketed thugh the media. All these can help improve the value of the QSR. The sustainability approach can lead to increase in sales as customers are demanding more sustainability in business of QSRs.

If the processes are made more efficient and perfect the scope of any customer complaint is less. The customer retention is one area the QSRs all want. They want the customer to return and purchase more. One method to ensure this is started loyalty programs. This can be simple discounts to repeat customers to bigger loyalty programs. The success of this depends on the availability of the customer data (Dylan Chadwick, 2018).

Then comes one more important aspect that is vital for the success of the QSR. It is the Quality in all areas mentioned. It is the lack of Quality that affects the logistics, the

infrastructure, the employee performance, the operations and the after sales service. The QSRs have to put in Quality systems in place to ensure proper performance in all areas. This can be done by Quality control check and timely audits. These audits will make sure that the QSRs keep improving their quality aspects. The audits also help find any quality issues in the outlets and help resolve before the customers are affected. The sales data and the employee performance data will help in this process (Restaurant Times, 2017).

CONCLUSION

These steps mentioned will help the QSRs improve their overall performance in each of the areas mentioned in the value chain model. By using the value chain model the QSR can find which the activities are if improved gives more value. By this they can improve the margin of profit they make. If there is more profit, then this can be shared with the customers or the prices can be reduced. The reduction of prices will be the competitive advantage the QSR gains over its competitors. Thus we can say that by using the Value chain model we can identify the specific factors which will increase the overall value of the QSR.

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