Assessment Submission Form

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Assessment submission form modular

Competitive Strategy in Global Food Industry- MKT42070
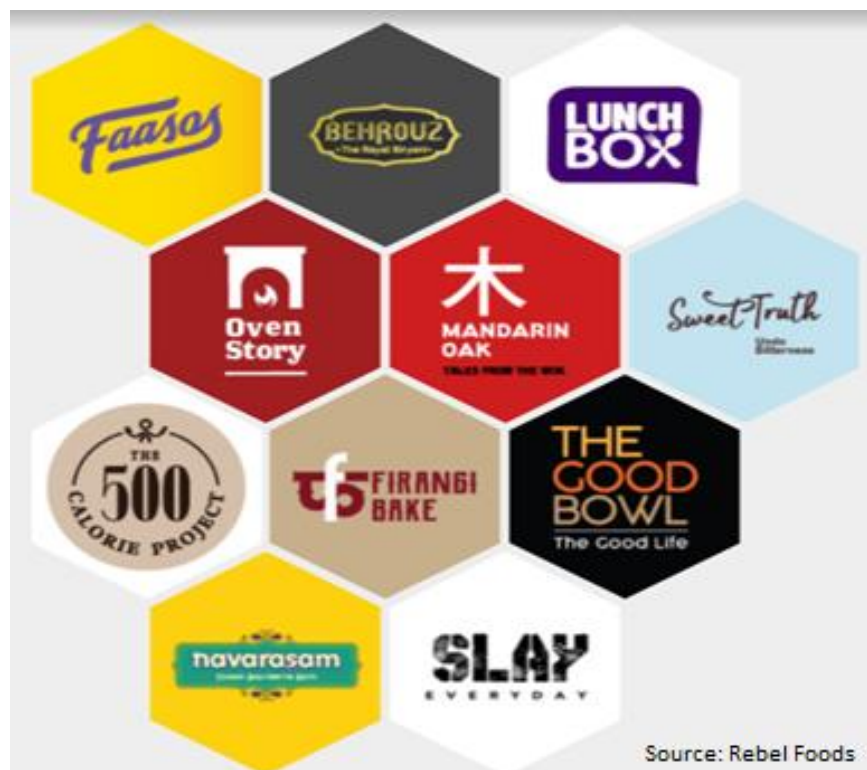Market Entry Strategy Project Report
Group-6

Rebel Foods

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M.SC. FOOD BUSINESS STRATEGY

Source: Rebel Foods

UCD MICHAEL SMURFIT GRADUATE BUSINESS SCHOOL

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1. Executive Summary

Rebel Foods is an online food service company based on a cloud-kitchen business model that operates different virtual food brands under a single kitchen, common management, and rides on the same network of supply chain and technology stack.

The company's service spans all crucial aspects of food business, such as ordering, distribution, and delivery, thus making it a sustainable and technologically well-integrated business model. It is a low-risk, low-investment, and high-profit business model that enables high-quality at low prices, thus creating a fierce competition for other food service providers in the market. The company has positioned itself as a substitute for home-made meals.

Having achieved remarkable success in the domestic market, Rebel Foods now aims for global expansion and to take its competitive business model, along with its innovative food offering to foreign destinations.

Ireland's economic landscape presents International food chains with tremendous opportunities to thrive in the food service market. This report presents a detailed market entry strategy for Rebel Foods to penetrate the Irish market and outlines strategic arguments based on trends in the Irish food service sector, potential markets, supply chain, consumer demographics, and consumer behavior.

The company will target to enter the Irish market with a customized menu focusing on local food preference and will base on the local supply chain.

Surveys show that Irish consumers strongly rely on food delivery services for their regular meals and are primarily driven by convenience. The LSR segment is found to be more prominent than the FSR segment, with an inclination towards platform-to-customer delivery service.

Based on the research on consumer demographics, the company must focus on students and young professionals, with a low-to-average income and target for locations in proximity to offices, student residential areas, and close to suppliers.

Rebel foods must develop an effective marketing strategy targeting low-middle income youth population and acquire customers through loyalty programs, social media campaigns, advertisements, gift vouchers, coupons, and other similar offerings. The supportive economic landscape of Ireland also presents the company with stiff competition, primarily arising from LSRs, FSRs, global fast-food chains, and indirect competition from well-established food aggregator companies.

Considering the resilience of Rebel Foods' business model and the opportunities presented by the Irish economy in the online food service sector, it is discernible that the business has a vast potential to grow in the Irish food service market.

2. Introduction

The rise of technology and mobile application-based services has led to a massive transformation in the way food-service industry operates, and consumers buy their food. The ever-increasing focus on better customer service and convenience prompted a huge demand for online food delivery services and gave rise to the concept of cloud kitchen.

There are global markets that have already shifted from traditional outlets to cloud kitchens and virtual marketplaces, thus bringing a revolution in the sector (Lapaas, 2019).

A cloud kitchen is a virtual restaurant, where consumers cannot physically visit, but place online orders, upon which the food gets delivered at home. The food is prepared and dispatched from a single dark kitchen, which can accommodate multiple virtual food brands (The Restaurant Times, n.d.). This is an economically clever model, as it shows brands as differently established, while they operate all in the same kitchen, thus reducing infrastructure and operational cost, and leverage profits (Lapaas, 2019).

It is a sustainable model in terms of global resource scarcity and can be a potential solution for future food demand increase, which is expected to rise by 50% by 2030 (Irish Examiner, 2016).

Rebel Foods, initially named as Faasos, was started by Jaydeep Barman and Kallol Banerjee in 2011 and is a successful implementation of cloud kitchen business model. The company started with a quick-service restaurant (QSR) and gradually pivoted to a cloud kitchen model. In the following years, they launched new brands for different cuisines (Fig. 1) based on the existing supply chain network and technology stack (The Economic Times, 2018).

Rebel Foods uses a cluster network of delivery centers that are independent units and do not need to be in a visible location, which saves on rental costs (Thakur, 2015). This is perhaps the most critical aspect of the model that enables consistently rapid growth as compared to a traditional restaurant (Fig.2) (Thakur, 2015).

The founders have positioned the brand as a consumer's personal kitchen, which can fulfill their daily dietary needs. The company targets the audience that usually depends on daily canteens or dabbawalas, and offers them standardized tastes, wide variety, and consistency at an affordable cost (Gupta, 2015). In order to address the variety crunch and improve scalability, Rebel Foods created a team of menu curators who work with the food team to cater and match the product offerings based on market insights and local cuisine to design market-fit recipes (Nair, 2015). Curation enables the brand to quickly replicate its model, establish a local supply chain in a new city, and bring the best of local food to its customers (Thakur, 2015).

Rebel Foods currently operates 2200 internet restaurants, 301 cloud kitchens across 35 cities in India, and in Dubai, and looks forward to global expansion (Rebel Foods, n.d.).

Ireland, being a small and open economy, emerges as an attractive investment destination to launch this innovative food tech business model (Export.gov, 2019). The revenue generated from the online food delivery sector in Ireland in the year 2020 amounts to US$245 million, and it is expected to grow annually by 8.8%, of which Restaurant-to-Consumer segment accounts

for a significant proportion of US$ 162m (figure. 3). Furthermore, the revenue is projected to reach US $344 million by the year 2024. The user penetration in the Restaurant-to-Consumer sector is at 20.6% in 2020, with 1.0 million users and is expected to reach 25.8% with 1.3 million users by the year 2024 (Fig. 4 and 5) (Statista, n.d.). It is evident from this data that the online food service sector performs exceptionally well in the Irish market (Export.gov, 2019).

3. Market entry strategy

3.1. Market trends

Steady growth in income, increased employment rate, and high demand for authentic global cuisines have led the foodservice industry in Ireland to boom, especially in cities like Dublin and Cork (IFSA, 2018). A survey by Euromonitor shows that in 2012 the expenditure on fast-food was €322 per person in Ireland, indicating a high amount of disposable income spent in the sector (Healy, 2014).

Irish Foodservice Market Insights Report (2019) estimated an expenditure of €8.55bn in 2019 in foodservice, surging by 4.5% from the previous year. Of this, 35% was spent on limited-service restaurants, while 12% spent on full-service restaurants (Fig. 6 and 7) (IFSA, 2019).

Full-Service restaurant (FSR), which are white table-cloth restaurants, valued at €994 million, whereas the Limited Service Restaurants (LSR), that include traditional QSR, fast-casual restaurants and food-on-the-go valued at €2.9 billion (Fig. 8) (IFSA, 2018).

The increasing trend for limited-service restaurants shows an area of opportunity for a restaurant-to-delivery business model, such as Rebel Foods.

LSR sector, which is quite established in the Irish market, operates through two different modes, that is, Platform-to-Consumer Delivery and Restaurants-to-Consumer delivery, of which the Irish market mainly operates through Platform-to-Consumer mode of Delivery. This indicates that the whole online food delivery sector is strongly focused on QSRs, fast-casual restaurants, and food-on-the-go restaurants (Statista, 2018).

The findings of the research suggest that restaurant-to-customer delivery mode is limited to a very small proportion of food service companies, like pizza chains.

Some initiatives have been started in terms of creating virtual brands by some companies, like Deliveroo; for example, Camile Thai launched its virtual brand called Slammin' Ramen in 2018 (Hamilton, 2019). However, the cloud-kitchen model remains mostly unexplored in Ireland. The Rebel Foods entering the Irish market will not only provide different food offerings but also bring a new concept of cloud-kitchen in the Irish market.

3.2. Target market demographics and consumer behavior

According to Irish Foodservice Market Insights (2018), young Irish consumers are more attracted to International food chains, as they tend to be less brand loyal and more

adventurous eaters. In contrast, older consumers are more focused on traditional foods and show a high degree of brand loyalty (IFSA, 2018). Besides, young consumers are more appealed towards tech-enabled services that offer food at any time of the day (IFSA, 2018).

Rebel Food's target consumers will be students, and young urban professionals who find cannot entirely depend on home-prepared meals. The company has categorized its target customer into two groups. Group 1 consists of consumers between 18-22 years and group 2 of 24 – 32 years (Gupta, 2015). The company caters to the two groups through different brands and offerings. For example, in India, Faasos is more prevalent among group 1 due to its affordability and creative offerings, whereas brand Behrouz is more common among group 2, which generally looks for more authentic flavors and can afford slightly higher prices.

Hence, our potential consumers would be Millennials, Generation Z, and Generation X. These generations also represent a significant proportion of online food consumers (Fig. 9) (Statista, n.d.).

The research on the Irish market also shows that 75% of online food consumers earn a low to medium income (Fig. 10) (Statista, n.d.). Rebel Foods marketing strategy is congruent with this income demographics, as the company targets to win the market share with cheaper meals by cutting on operational expenses, which enables the company to impart high quality at a better price. Rebel Food's virtual brands provide affordable meals, such as breakfast at a price point of Rs 100 and lunch between Rs 150 and Rs 200 (Gupta, 2015). This way, the company manages to give stiff competition in terms of price to FSRs and LSRs. This indicates the underlying strategy to target individuals with a low to medium income.

The target audience mostly comprises of generation Z, millennials, and generation Z, which are primarily students and young professionals, so our target location will be in close vicinity to universities, student residential areas, and offices. Generally, in such localities, the renting costs remain high. However, Rebel Food does not need a visible prime location on a city street, since it will be operating a dark kitchen so that the company can pick a location in a range of 4-5 km away from the City Centre. The company also needs to select a site based on the location of its primary suppliers and where it can find enough employees to run the business.

3.3. Supply & value chains

Traceability and upliftment of the local economy remain essential concerns for Irish consumers and reflect in their purchasing behavior. As per PWC Retail and Consumer Report (2018), almost 59% of Irish consumers believe that it is essential to keep their purchasing local to support local retailers, to ensure product quality and traceability. Consumers prefer brands that align with their values. To ensure high quality, traceability, local preference and maintain an integrated supply chain model, Rebel Food will require to establish a local supply chain for their supplies, such as dairy products, meat and agricultural products, processed food items and

food packaging companies, with an exception for few ingredients that do not grow in Ireland, such as Asian spices, which the company may choose to import. Rebel Foods should contact various suppliers that operate close to its cloud kitchen and may also request the suppliers to provide samples of their products before reaching a contract, to ensure the quality of ingredients. Since the company will have no outlets, there is no physical interaction with customers. Therefore, the only way through which the company can present and differentiate itself in the market will be through its quality and service.

3.4. Sales & marketing

Operating in a dark kitchen limits company's interaction with consumers, which is often a drawback of this business model. To overcome this, the company needs to implement an aggressive marketing strategy when entering a new market. Hence, marketing will account for a significant proportion of the initial capital investment.

In the initial phase, it will be beneficial for Rebel Foods to enter in partnership with a prominent aggregator in the market, such as Deliveroo. This strategy will benefit in two ways. First, when the company launches, it will not have its own delivery fleet in the foreign land, and it would be too expensive to build one. So, the aggregator company will act as a delivery partner. Second, the partnership will help the brand to reach the local market and gain popularity.

The company should try to keep their website optimized at all times, to fetch consumer data when they visit the website, so that later those visitors can be shown advertisements for products they checked (2bscene, n.d.). Furthermore, the brand should implement an intensive digital marketing and run promotions on social media platforms like Facebook, Instagram, and TikTok, based on consumer's demographics and profiles. The company should also hire popular social media influencers to attract generation Z and millennials.

The company must participate in social events, such as local food fairs and farmers' markets, and take the opportunity to interact with consumers, deliver cooking demos for some of their best recipes and offer free food samples. The company may also send free food samples to offices nearby. Besides, there are other strategies that the company is implementing, such as the loyalty program that helps to win customers. Rebel Foods offers a loyalty program called Faasos Elite to reward regular customers with benefits, such as, free complimentary desserts, 'Pay Later' option- in which the customer can pay within 15 days, birthday gift (add Rs.100/- credit in customer's account in the birthday week, to tempt them to later order food from them on birthday and cashback (Faasos, n.d.[1]). Faasos also uses the "BOLT" feature to refund customers for late delivery (Faasos, n.d.[2]). The popular brand Faasos enjoys an outstanding social media presence, and recognition with 309K likes on Facebook, whooping 69K followers on Twitter, and 242k followers on Instagram. Rebel Foods also accepts orders through Twitter (Gupta, 2015).

Rebel Foods should enter the Irish market with some of its popular brands like Faasos, Slay Overday, Firangi Bakery, Behrouz, and Sweet Tooth and try to create market-fit offerings. For example, the company may choose to launch a new virtual Thai Food brand, if it observes consumer's inclination towards Thai cuisine.

3.5. Competition

As Barman says, "Anybody who gets my share of consumers' wallet is a competition" (Barman, 2018). Barman emphasizes to position the brand to replaces the home-made food, rather than a luxury brand. Hence the company considers all food service providers their competitors, whether they are local QSRs, traditional restaurants, or a global food chain (Gupta, 2015).

Potential competitors can be broadly classified into two categories, that is, LSRs and FRSs. Some of the prominent competitors from these categories are listed in the table (Fig. 11).

Platform-to-aggregator companies, such as Deliveroo and Just Eat are potential indirect competitors, as they compete not in terms of food, but in terms of delivery service.

4. SWOT Analysis

STRENGTH	WEAKNESS
- Highly integrated and streamlined mode of operation. - Low operation cost and easy expansion model. - Rent to sale ratio dropped from 15% to 4% (Lapaas, 2019). - Strong offline supply chain. - Absolute control over the full operation and customer experience. - Minimal risks and minimal investment required. - Customized meals.	- No personal contact to build a customer relation. - Limited audience, primarily consisting of tech-savvy age group between 20-35 age.
OPPORTUNITIES	THREATS
- A symbiotic partnership with aggregator companies. - Rising customer shift from traditional dine-in or self-collection food service to digital platforms and home delivery. - Online food purchasing allows consumers to compare prices of different restaurants; this will be an area of advantage as Rebel Food's cloud kitchen model cuts down on production costs, thus offering cheaper food. - The limited presence of this business model	- Online delivery foods regarded as an unhealthy food choice. - Competition from established traditional restaurants and global fast-food chains.

5. Conclusion

The food service market trend in Ireland is steeply inclined towards local sourcing, authentic global flavors, personalized meals, menu varieties in terms of age, location and income demographics, and efficient, quick service (IFSA, 2019).

The market is strongly focused on LSRs and is convenience-driven as consumers look for brands that can deliver quality food at affordable prices at their doorsteps. The huge demand is the

impetus that drives the sector to contribute towards the economy on a large scale. Though the Irish food service sector has boomed in recent years, the market is yet to explore the potential of the cloud-kitchen concept and adopt a robust technological-driven approach. These factors present an opportunity for Rebel Foods' strategic model and its brands.

Rebel Foods will compete based on its minimum operational cost efficiency, zero location risk , and ability to create or eliminate new brands as per their performance. The company will plan to enter after extensive market research, in order to identify its potential audience based on the given consumer demographics, and a target location.

The company will partner with local suppliers for sourcing and with aggregators for its delivery service. The brand will conduct an intensive marketing campaign in the city through traditional modes and digital marketing, as that is the only way for a cloud kitchen to gain popularity.

Rebel Foods have a highly integrated restaurant-to-delivery, cloud-kitchen based model that enables the company to control all stages of the process from sourcing, cooking, aggregation, and delivery, thus striking a balance between scale and sustainability (Thakur, 2015).

Ireland's ease of doing business and the supportive, open economy present a positive outlook for brands, like Rebel Foods, that are sustainable, technologically well-integrated, and offer ethically sourced local ingredients. This study suggests that there is a vast scope for rebel Foods to successfully expand and thrive in the online food service sector in Ireland.

6. Appendix

Brands	Cuisine/Offerings
Faasos	Company's signature brand for rolls
Lunch Box	Tiffin service
Oven Story	Pizza brand
Mandarin Oak	Chinese cuisine
Firangi Bake	Italian cuisine
Sweet Truth	Bakery & desserts
Kettle & Eggs	Tea and Snacks brand
The 500 Calorie Project	Health foods category
Behrouz	Biryani Rice
Slay Overday	Coffee and similar offerings
Navarasam	South Indian cuisine
The Good Bowl	Rice and curry bowls

Figure 1. Rebel Food's brands and their offerings.
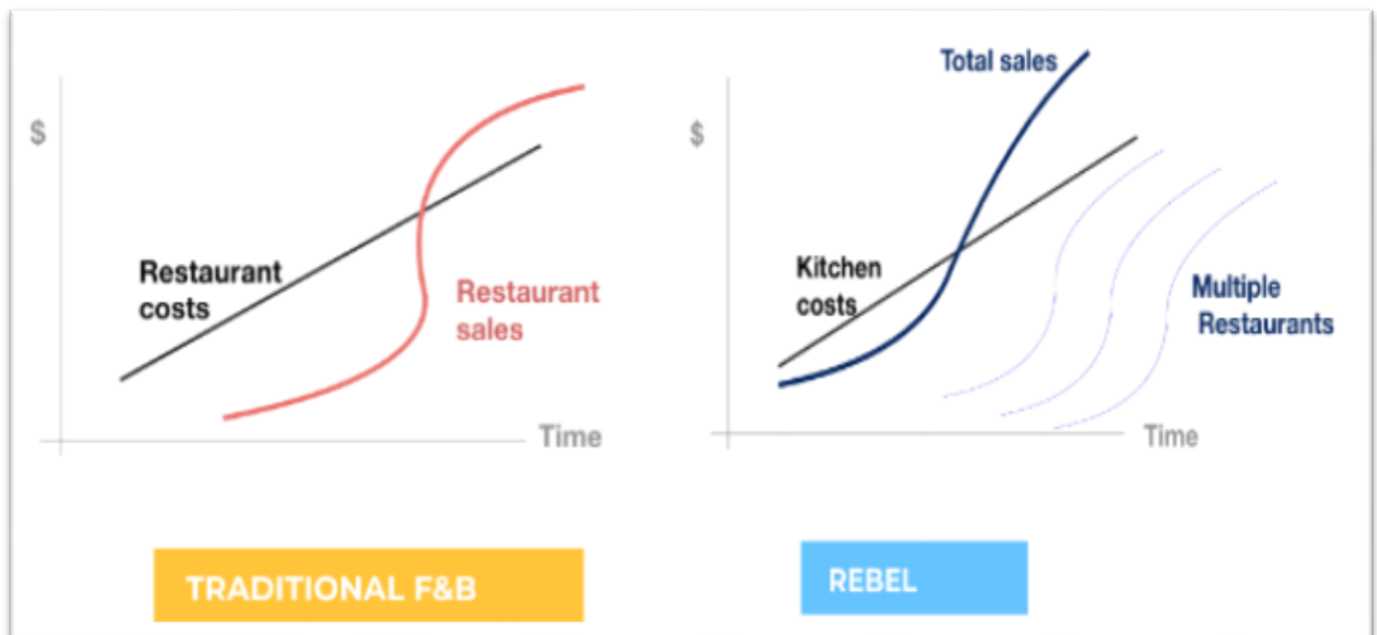
(Source: Barman, 2018)

Figure 2. Exponential Growth of a traditional restaurant vs. Rebel Foods restaurant.
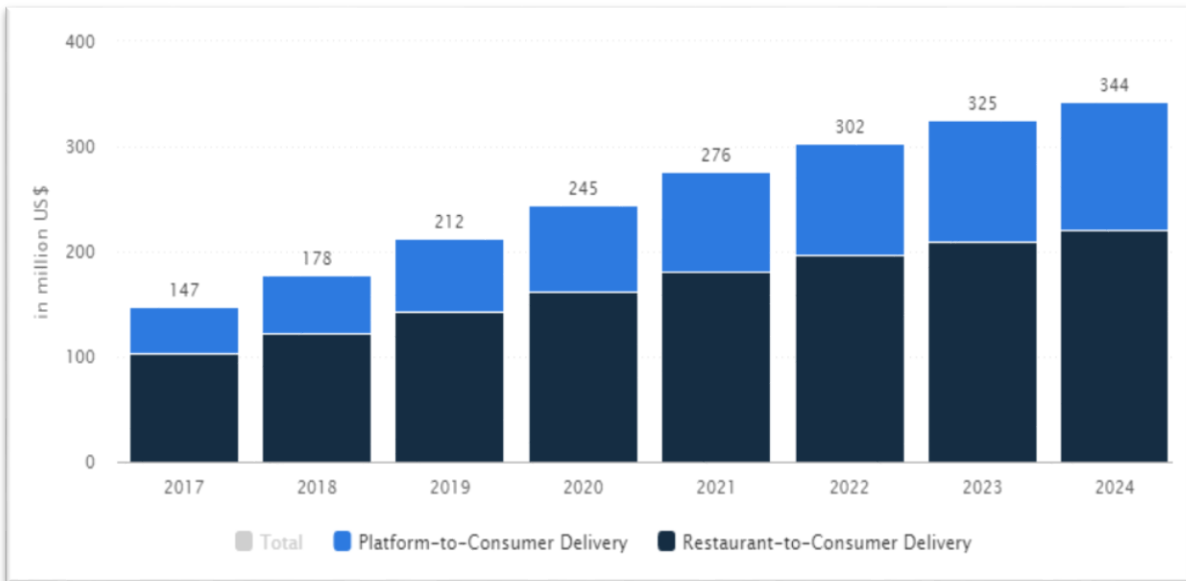
Figure 3. Revenue in the Online Food Delivery segment.
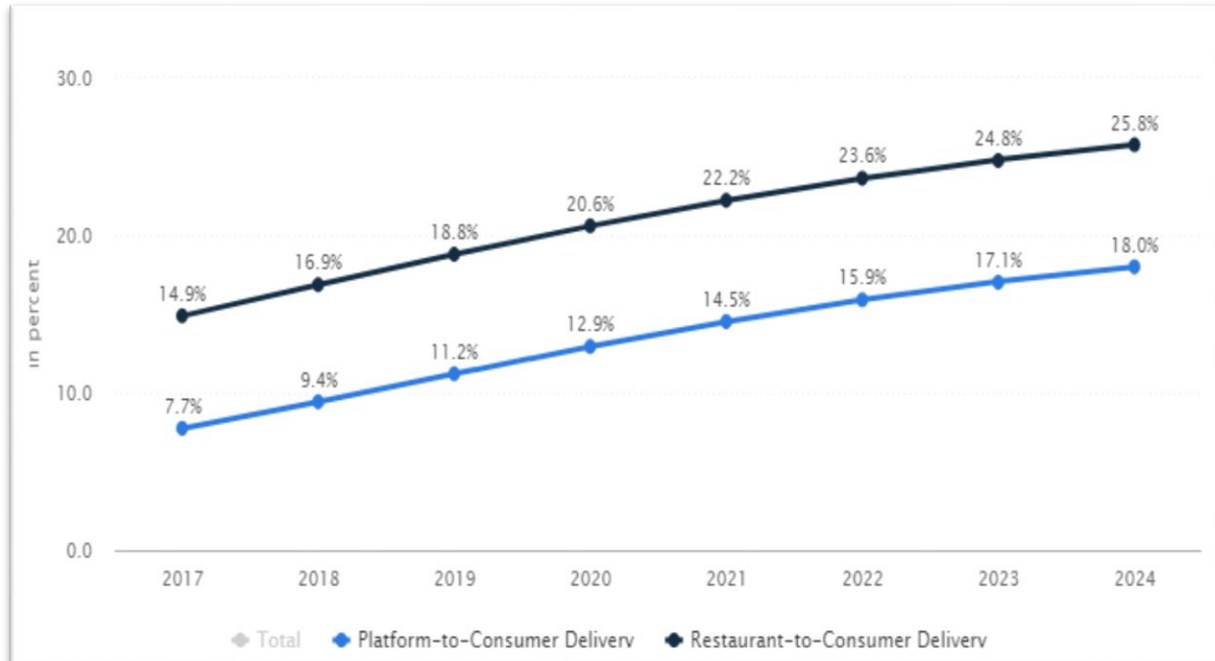
Figure 4. User penetration rate.
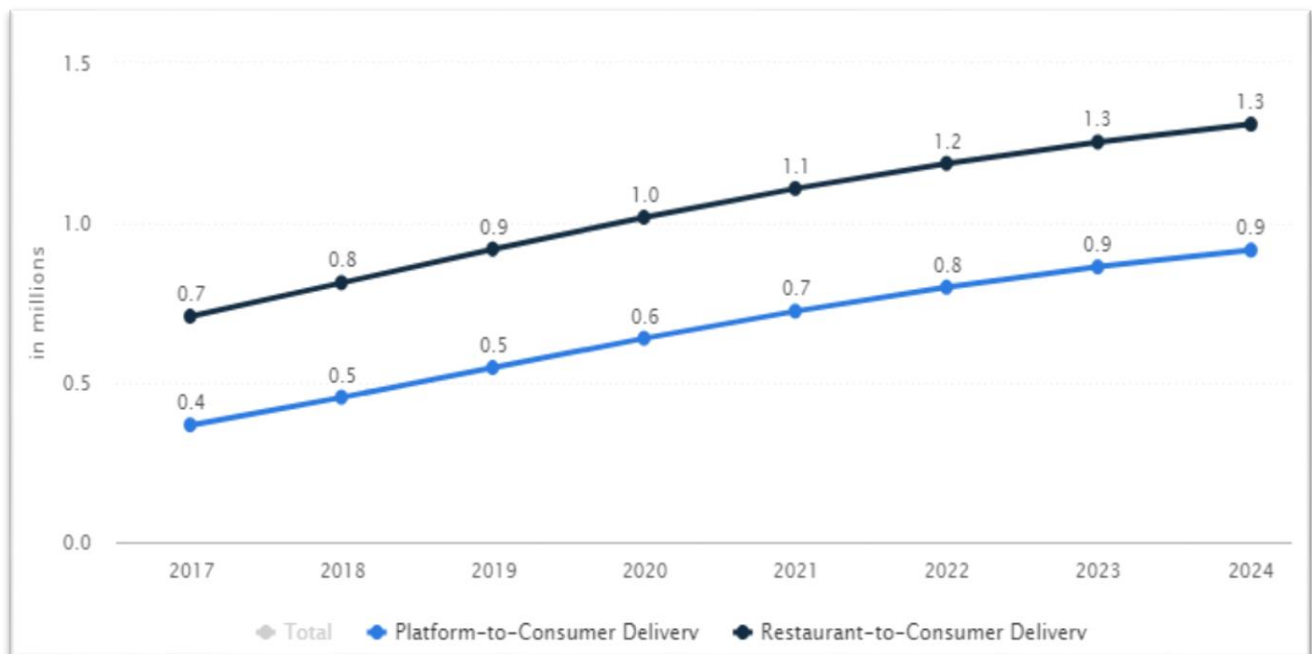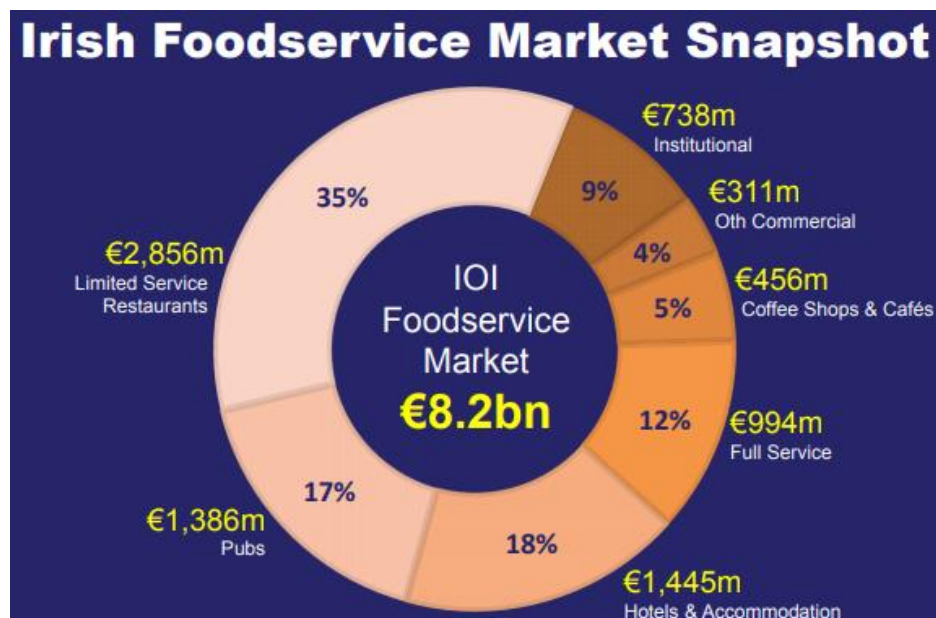
Figure 5. The number of Active Customers.

Figure. 6. Online food service sector market-share.

| 2018 Irish Foodservice Market	2018 Consumer Spending (€M)	2018 Operator Purchases (€M)	2017-8 CAGR (in €)	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	€ 2,856	€ 955	5.2%	8,905
Full Service Restaurants	€ 994	€ 328	5.3%	3,250

(Source: IFSA, 2018)

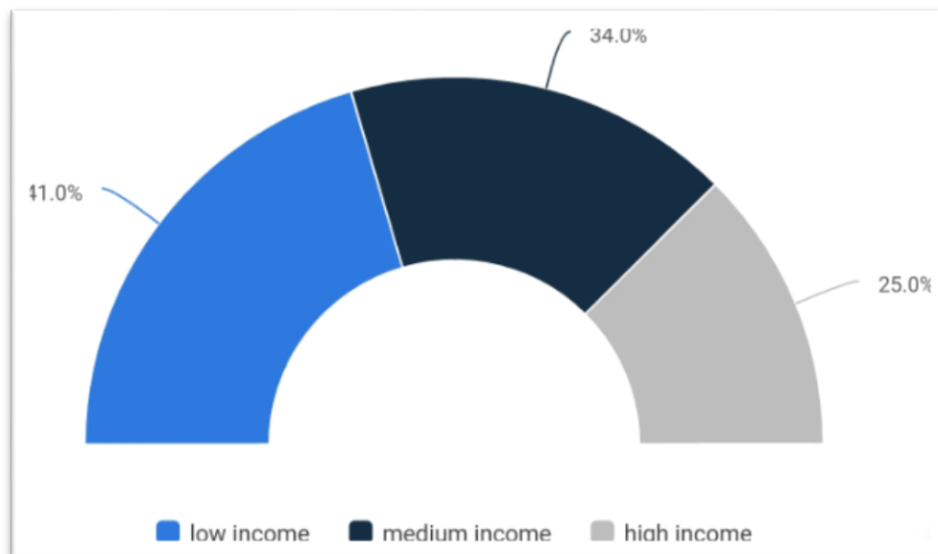**Figure 7. Consumer spending on Limited service restaurant and Full-Service Restaurant.**
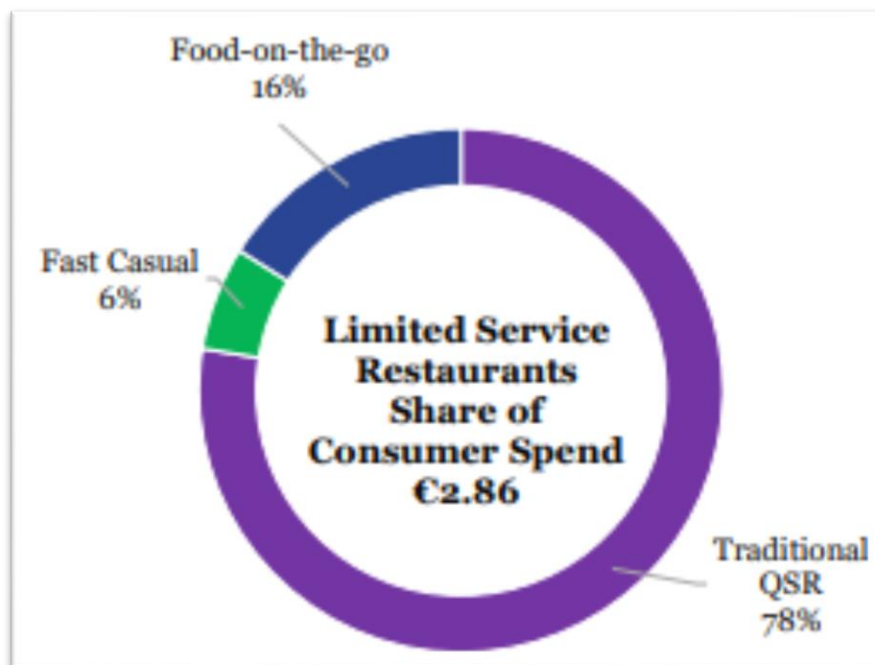
(Source: IFSA, 2018)

Figure 8. Market Share of Limited-Service Restaurants.
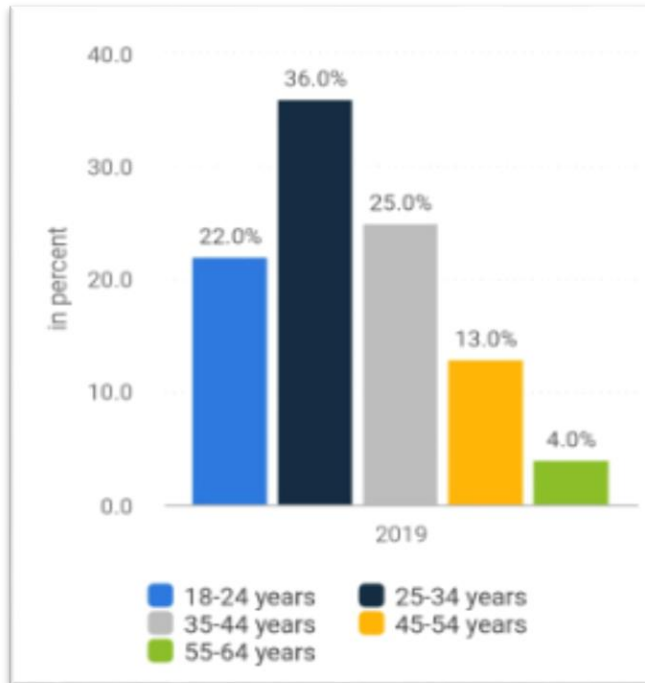
Figure 9. Age demographic.

Figure 10. Income demographic.

FULL SERVICE RESTAURANTS (FSR) & PUB GROUPS
Avoca
Brambles
Donnybrook Fair
Eddie Rocket's / Rockets Restaurants
Entertainment Enterprise Group
Gourmet Food Parlour
Happy Pear (The)
JD Wetherspoons
Le Pain Quotidien *NEW*
Sprout & Co.
Wagamama

QUICK SERVICE RESTAURANTS (QSR)
AIL Group
Camile Thai *NEW*
Domino's Pizza
Freshly Chopped
IPC Europe (Subway®)
McDonald's
Supermac's

(Source, IFSA, 2018)

Figure 11. Potential Competitors in LSR and FSR categories.

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