SURVEY REPORT

Spending Pattern and Consumption Trend for Food Items in Pakistan

Introduction

The research on "Spending Pattern and Consumption Trend for Food Items in Pakistan" is an effort to know the spending pattern and consumption trend of members in particular and others in general for food items. Over the period, due to various socio-cultural change, it has been observed that there is a paradigm shift in the way eating habits prevailed a decade before. The globalization where opened the doors of opportunities for businesses, it also brought a change in consumers preference for food items.

The increasing trend of nuclear or immediate family i.e., spouse and children rather than extended i.e., along with parents, brothers and sisters also made an impact on consumption pattern for food items. Even at home, the use of ovens and microwaves brought a significant change in the way traditionally food items were cooked. There is an inclination towards prompt and ready-to-cook items specially in the metropolitan cities which has direct impact of individual's spending and preference for local and foreign made brands.

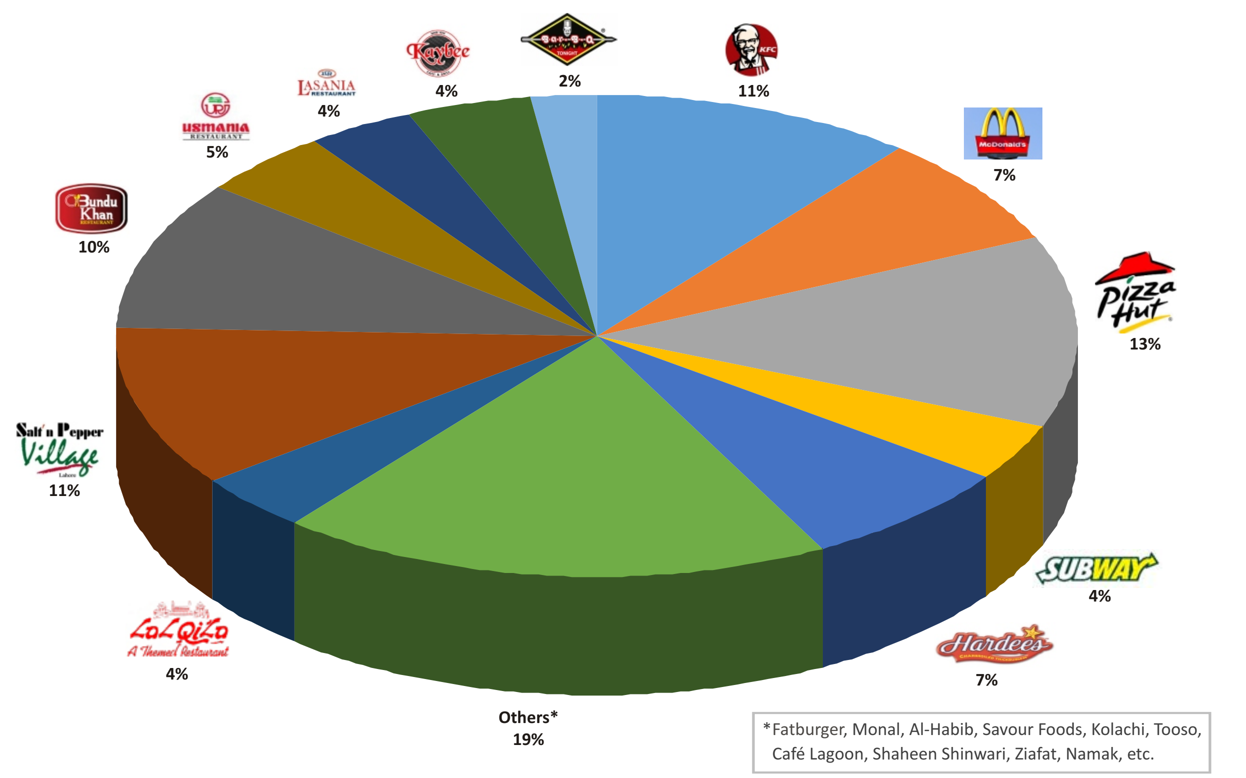
The awareness about the health and lifestyle also made an impact on consumption of food items. The survey reflects a general trend of eating out. The report will be useful for the hotels, restaurants and food chains to know the preferences of educated class of society who are also backed by purchasing power. The report will help entrepreneurs and companies in the food sector especially those dealing with end consumers to understand the consumer behavior and to align their businesses according to their preferences.

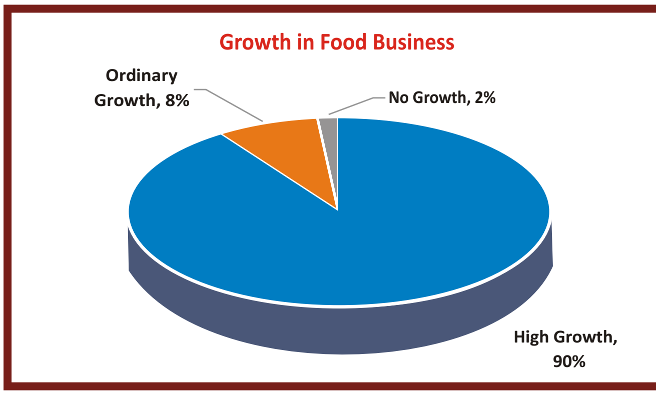
The entire survey comprised of 28 questions which can be classified into four categories i.e., (i) Food Industry; (ii) Eating Out Habits; (iii) Food Outlets / Restaurants Preferences; and (iv) Edible Groceries Preferences.

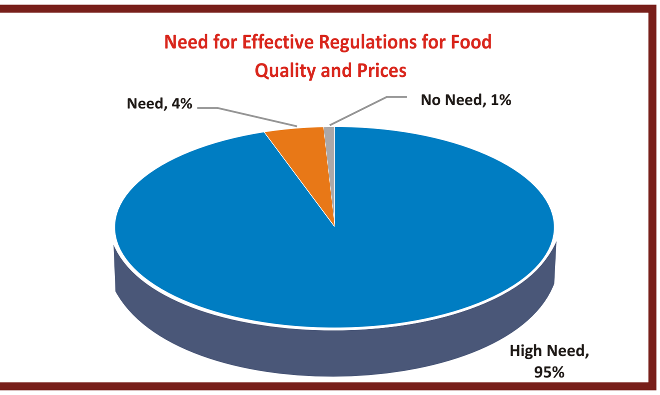
Methodology

The Institute has adopted qualitative research technique for the survey. The purpose of seeking opinion is to understand the general preferences of respondents with special references to questions asked. It involved a process of either developing a general opinion or confirming an already existing perception. As per classification of research design, the survey falls into category of 'observational'

Preferred Local and International Fast Food Restaurants







research. The survey questionnaire was sent to all the members of the Institute through email and also posted on website with downloading facility as well as provision was given for online feedback. The same was intimated to all members through SMS. The results of this survey are compiled by the Research & Publications Department and presented in the form of research report.

Survey Statistics

In total, there were 118 responses whereas as a whole four responses were redundant and declared invalid to consider. The response from Karachi was the highest which accounted 35% of total responses followed by Lahore 31%, Islamabad 17% and other cities 18%. In total 67% respondents fall between ages from 25 to 45 years whereas 21% respondents were in the age bracket of 15 to 25 years, 9% between 45 to 55 years and 4% above 55 years. The majority of respondents i.e., 65% hold top management position whereas 4% classified themselves in middle management level and 13% put themselves at entry level.

Survey Outcomes

In total, there were 28 questions which were divided into following four major categories:

- Food Industry
- Eating Out Habits
- Food Outlets / Restaurants Preferences
- Edible Groceries Preferences

Food Industry

In this category, efforts were made to know the perception about growth of food business in Pakistan. With regard to industry, two questions were related to prices of food items in which research aimed at identifying prices of food items with respect to profitability of food businesses and regulation from the government. The questions related to food industry were as follows:

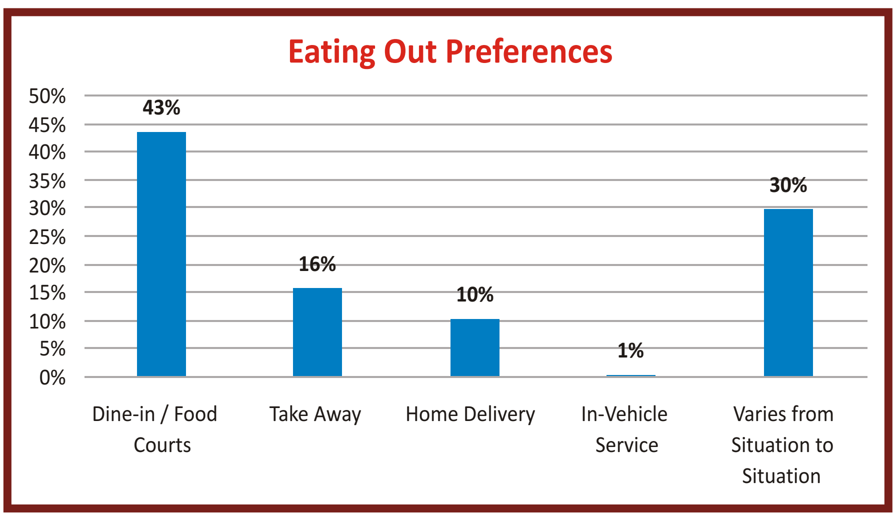
- The food business is growing in Pakistan?
- The prices of essential commodities should be effectively monitored by the government?
- Food companies in Pakistan are charging high profits?
- There is a need for effective regulations to ensure quality and competitive prices of food items in Pakistan?

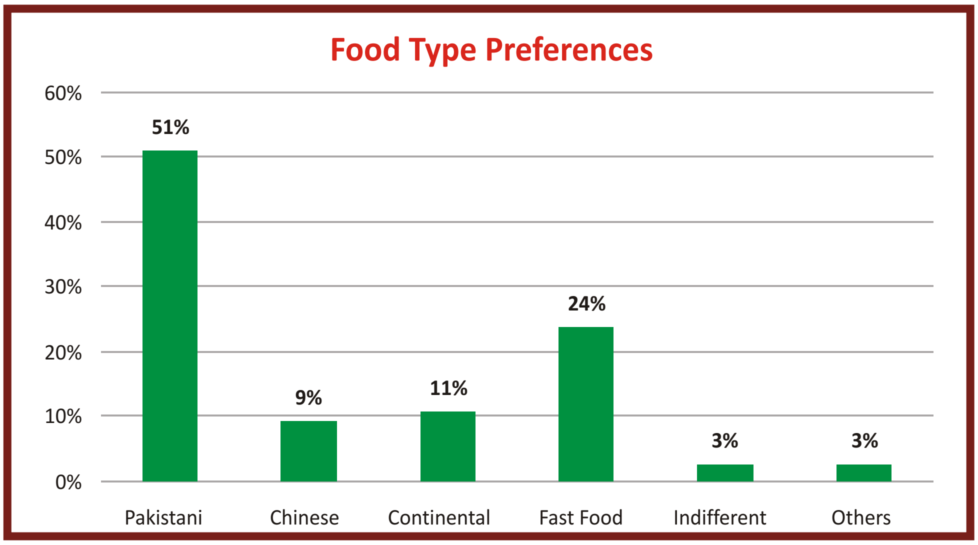
In the context of food industry, the survey reveals that 90% respondents are of the view that food industry is growing. The 76% of responses have a collective view that government shall monitor prices of essential / daily use commodities / food items. With regard to profitability of food businesses, 80% of respondents say that there is high profit margin in the food sector whereas 16% somehow agree that food businesses are charging exorbitantly high prices. It is largely felt that effective regulations is missing to ensure quality and competitive prices and in this connection 95% of respondents are of the view that there is a proper need of regulations / rules.

Eating Out Habits

In this category, survey was focused to identify kind of food service and dine-in options people prefer once they decide for other than home cooking. This was followed by reasons for eating out, types of food and items preferred in desserts. The research also identified which are the core and value-added reasons for selecting any food outlet / restaurant. The research also identified frequency of eating out, inclination for trying new outlets / restaurant and average expenditure per month on eating out. There were following questions asked in this category:

- What kind of food services do you prefer?
- Reasons for eating out.
- In Dine-in, which restaurant / outlet do you prefer?





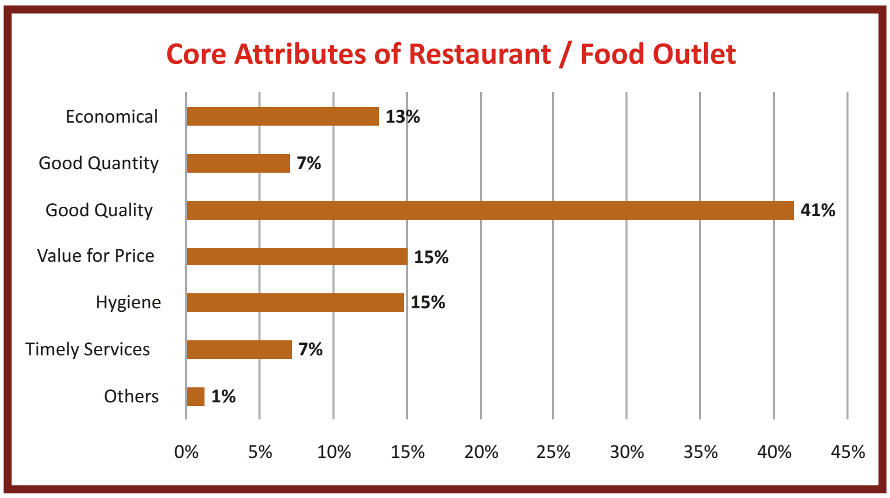
- What kind of food types do you prefer most?
- What do you prefer in desserts?
- Where do you like to have desserts?
- How well your preferred food outlet brand satisfy your need?
- What else apart from food do you see in any food outlet?
- How often do you try to go to new outlets?
- How frequently you visit hotels, restaurants, fast food chains, etc for eating out?
- How much at an average do you spend per month for eating out?

The eating out habits got exciting outcomes. The respondents i.e., 43% preferred to have dine-in at restaurants / food courts as compared to take-away, home delivery and in-service vehicles whereas 30% says that it varies from situation to situation. In the reasons for eating out, collectively 55% respondents would like to eat out due to three reasons i.e., family outing, children exposure and inviting friends / families whereas 8% feedback says that eating out is due to either official purpose or during shopping. While knowing the preference for dine-in, the survey reveals that 32% people would like to have it in an air-conditioned environment including Mall's food courts whereas 22% collectively preferred open air and food streets.

The trend of traditional food is still taking edge with 51% responses showed their preference for Pakistani food whereas share for fast food is 24%, Chinese 9% and Continental 11%. In the desserts after a meal, the preference for ice cream came on top with 48% responses whereas cooked sweets, tea and chocolate collectively shared 19%. The 29% of respondents would like to have desserts from special outlets whereas 24% would like to have it at the same place where they take their meals.

In terms of core attributes of food, 41% rated for good quality as the major reason for selecting an outlet. The hygiene and value for price collectively got 30% (15% each) as the second reason before opting any food outlet / restaurant. With respect to value-added benefits, 60% opted for environment / surroundings and 22% gave weightage to comfortable sitting as other reasons for deciding any outlet and restaurant. In reply to how often do you try new outlets, 36% are of the view that they are fond of trying new outlets and taste whereas 61% says that they seldom try new outlets.

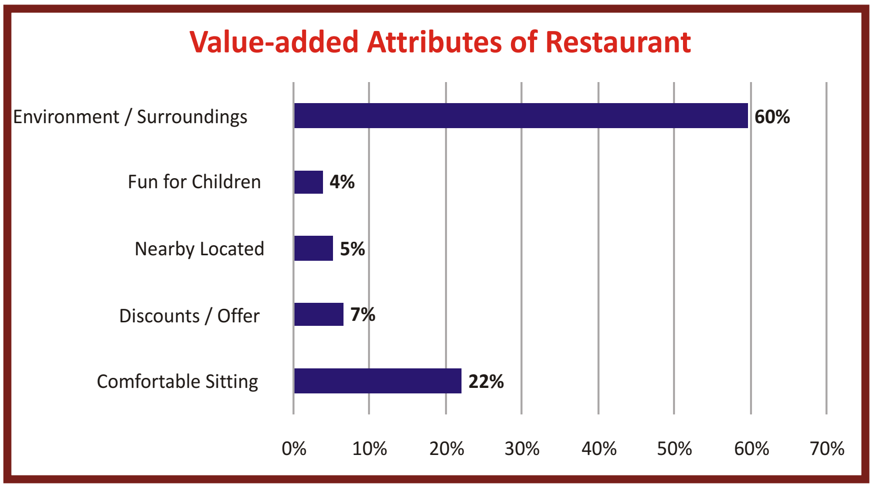
The survey reveals that 45% respondents go for eating out once a month whereas 37% used to have at least one visit in a week. The 56% of respondents spent within Rs.5,000/- per month for eating out whereas 29% spent between Rs.5,000/- to Rs.10,000/- per month and 12% spent between Rs.10,000/- to Rs.15,000/- per month.



Food Outlets / Restaurants Preferences

In this section, respondents preference about the outlets were observed. It included the preference for international fast food chain, local restaurants and preferred outlet for desserts. The feedback also provided perception about most advertising brands. The respondents were also asked to provide their preference for outlets taking most care of hygiene and 'halal' conditions. The research also identified the reasons for popularity of international food chains. There were following question asked in this category:

- Which is your most preferred international fast food chain?
- Which is your most preferred local eating out place?
- Name any special outlet that you prefer for desserts.
- Name food outlet brand you see most on advertisements.
- Which of the food outlets are taking highest care of hygiene?



- Write one key reason for increasing popularity of international
- All International Food Chains are complying to 'Halal' condition.

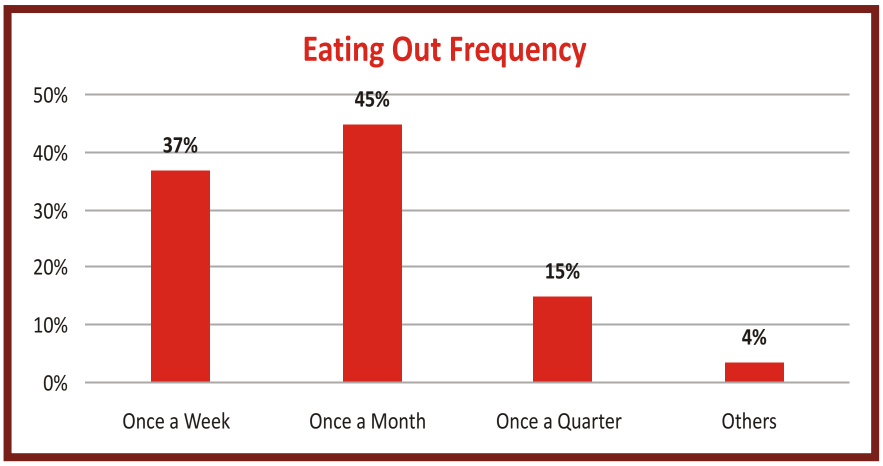
In the context of food brands, Pizza Hut, KFC, McDonald's and Hardees received 25%, 22%, 15% and 14% acceptability in the international fast food chains. In the local restaurants, Village Salt n Pepper got highest response with 21% preference whereas barbecue (BBQ) specialist, Bundu Khan comes to second number with 20% share followed by Usmania, Lal Qila, Kaybees, Lasania and BBQ Tonight.

In the preference of outlets for desserts, respondents specify 43 names, however, Chaman Ice cream, Gelato Affair, Gourmet and Rehmat-e-Shireen were the leading outlet brands. In response to which brands are mostly advertised, KFC and McDonald's are rated as first and second with 33% and 29% share respectively.

With respect to outlets taking most care of hygiene, McDonald's with 29% responses stood on top followed by KFC with 16% and Pizza Hut and Hardees both with 8% responses in their favour for complying hygienic condition. In response to the popularity of international fast food chains, the respondents specified 25 reasons whereas advertisement / branding, environment & ambiance, globalization, hygiene, increasing eating out trend, quality and status symbol are rated as top seven reasons for increasing acceptability of fast food chains in Pakistan. In response to respondents' satisfaction for complying 'Halal' meat requirement by international fast food chains, 25% are of the view that they fully comply with the requirement whereas 39% have the perception that they somehow comply to the requirement.

Edible Groceries Preferences

The survey in this section was aimed to identify the preference of respondents for purchasing vegetables, fruits, meat and dairy items. The research also tried to identify the inclination of purchasing local and foreign brands whereas in the end attempt was made to ascertain that how much has been expenses are made on food items. The questions in this category were as follows:

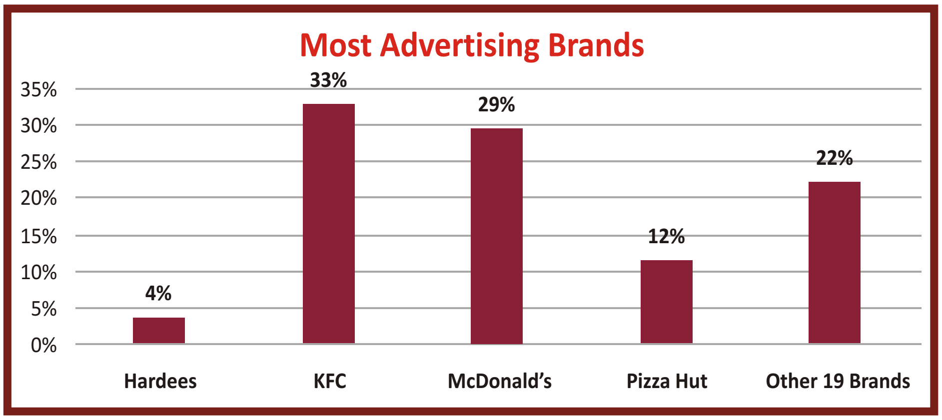


- Which you will prefer in daily food and consumer items?
- Your preference for purchasing vegetables.
- Your preference for purchasing fruits.
- Your preference for purchasing meats.
- Your preference for dairy items i.e. milk, yogurt etc.
- What approx. % monthly budget of total expenditures spent on food items?

The last portion of survey was focused on edible grocery items. The survey reveals that 55% prefer a mix of local and international brands

Sr.	Preferred International Fast Food Outlets	Percent
1	KFC	22%
2	McDonald's	15%
3	Pizza Hut	25%
4	Subway	8%
5	Hardees	14%
6	Others	16%
	Total	100%

Sr.	Preferred Local Restaurants	Percent
1	Lal Qila	8%
2	Village Salt n Pepper	21%
3	Bundu Khan, Khi	20%
4	Usmania	9%
5	Lasania	7%
6	Kaybees	8%
7	BBQ Tonight, Khi	4%
8	Others	22%
	Total	100%



for food items. While purchasing vegetables, fruits and meats, 47% and 39% opted for nearby shops whereas 25% and 27% respondents have the preference for weekly bazaars in case of vegetables and fruits respectively.

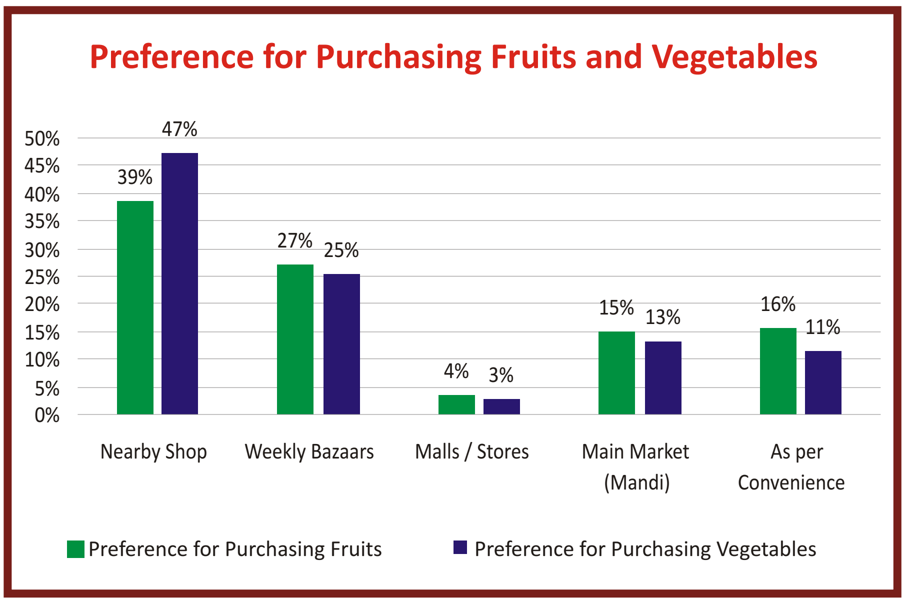
The 55% of respondents preferred to have open market fresh meat as compared to 21% and 8% like branded and frozen meats respectively. With regard to dairy items such as milk and yoghurt, 52% preferred for open unbranded milk whereas 32% respondents have the preference for tetra pack. In response to monthly expenses for food items, 50% respondents spent upto 30% whereas 27% spent between 30% to 40% and monthly spending for 9% respondents exceeding 40% of their total income.

Conclusion

The results of the survey reflects that food business is growing in the country and this industry keeps a high potential for investment. The general change in eating habits urge the investors to invest in quality food business. The survey outcomes negate the perception that foreign investors are not inclined for investment in Pakistan. Based on the feedback, it is for sure that international food chains are not only have the potential in the Pakistani market but changing consumption of food pattern has long term prospects for these foreign food business investors.

While having strong potential in food business, there are certain parameters that set criteria for success. The high concerns for quality, hygiene, economy and value for price make it necessary for food business operators to take special care in these areas. In order to ensure customer satisfaction, the food businesses also need to invest on some value added factors such as environment / surroundings, comfortable sitting, discount / offers, fun for children and outlets nearby location. The food businesses keep a high profitability margin however, consumer behavior and spending is very much depending on advertisement, branding and ambiance of outlets. The survey outcomes reflect that people mostly go out for dine-in where they expect a good family outing. The food business operators shall have the setup that suits a Pakistani family environment culture. If core and value-added factors will improve, it is expected that monthly spending on eating out would also increase which is currently less than Rs.5000/- for majority, according to a survey.

The survey reveals that for edible groceries people have preference for both local and foreign branded food items. Despite most of the responses are from metropolitan cities, still people prefer nearby shop and weekly Bazaars for purchasing vegetables and fruits whereas the preference for meats and dairy items goes to open unbranded. Keeping other circumstances constant, the survey outcomes show that monthly expenses for food items is upto 40% for most of respondents.



The survey reveals that there is high need for government intervention to ensure food quality, hygienic conditions and effective prices. It is recommended that a proper mechanism be devised taking all stakeholders on board to improve prevailing situation.

In a nutshell, the survey overall reflects high potential of food businesses in Pakistan, nevertheless, food perishability in nature keeps certain conditions due to which it become necessary for business operators to adopt quality and hygiene benchmarks. The soft image for food business also plays important role from branding point of view which food businesses shall take care. It is highly demanded that the government shall establish its writ through a proper regulations to ensure healthy and quality food to masses.

The survey is conducted by ICMA Pakistan in the supervision of Mr. Mohammad Iqbal Ghori, FCMA, Chairman Research & Publications Committee facilitated by Mr. Muhammad Kamran Jamil, Director Research & Publications and Mr. Shahid Anwar, Joint Director, Research & Publications and assisted by Mr. Shabbir Ahmed Baqai, Research Associate.

Disclaimer: *This report is based on the personal observations and perception of members and other professionals and does not necessarily reflect the views of the Institute and therefore should not be taken as such.*