International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online) Volume 15, Issue 02, February 2026)

# Street Smart Profits: Analyzing the Success of Roadside Food Shops vs. Formal Food Chains – A Pilot Study

Lydia Jasper A[1], Joselin Gracia K[2]

[1]*Student, 3rd B.com, Accounting & Finance, Women's Christian College, India, [Affiliated to University of Madras]*
[2]*Assistant Professor, Department of Commerce, Accounting & Finance, Women's Christian College, India, [Affiliated to University of Madras]*

***Abstract--*** **The food service industry comprises both informal roadside food shops and organized formal food chains, each operating under distinct business models. This pilot study titled "Street Smart Profits: Analyzing the Success of Roadside Food Shops vs Formal Food Chains" aims to compare the profitability, customer preferences, operational flexibility, scalability, and sustainability of these two formats. The study examines key factors influencing profit margins, including cost structure, pricing strategies, and income-generating elements. It also analyses consumer behaviour with respect to price sensitivity, convenience, taste, hygiene, and brand trust. Using a structured questionnaire, primary data were collected from a limited sample to test the feasibility and reliability of the research instrument. The findings provide preliminary insights into how roadside food vendors often benefit from lower operational costs and greater flexibility, while formal food chains gain advantages through brand reputation, standardized quality, and scalability. The study further explores long-term economic sustainability and offers policy and business model suggestions to enhance profitability and growth in both sectors. This pilot research lays the foundation for a comprehensive full-scale study and contributes to a better understanding of the competitive dynamics between informal and organized food service enterprises.**

***Keywords-*** **Roadside food shops, Formal food chains, Profit margins, Customer behaviour, pricing strategy, Operational flexibility, Economic sustainability, Scalability, Food Service Industry, Business model comparison.**

## I. Introduction

The food service industry includes both informal roadside food shops and organized formal food chains, each operating with distinct business approaches. Roadside vendors usually function with low investment, flexible pricing, and personalized service, attracting customers through affordability and local taste. In contrast, formal food chains rely on standardized processes, brand reputation, structures management, and hygiene standards to build customer trust and ensure consistency.

As customer preferences evolve, factors such as price, convenience, taste, and trust play a crucial role in influencing purchasing decisions. While roadside food shops benefit from lower operating cocts and adaptability, formal food chains often gain advantages through scalability and strong brand presence.

This pilot study aims to compare the profitability, customer behaviour, flexibility, and sustainability of both models. The research seeks to understand the strengths and challenges of each format and provide insights for improved business strategies in the food service sector.

## II. Objectives

1. To examine the profit margins for both models and determine the main elements that contributes to increased income.
2. To study customer behaviour and preferences including factors like price sensitivity, convenience, taste and trust in both models.
3. To compare street and structured vendors on flexibility: pricing, menu, location and personal service.
4. To assess the scalability and economic sustainability.
5. To provide business model suggestions based on the research outcomes.

## III. Methedology

### *A. Research Design*

This study adopts a descriptive and comparative research design. The pilot study approach is used to examine and compare roadside food shops and formal food chains on terms of profitability, customer behaviour, operational flexibility, and sustainability.

### *B. Data Collection*

Both Primary and secondary data sources are used:

*Primary Data:* Collection through a structured questionnaire administered to customers.

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online) Volume 15, Issue 02, February 2026)

*Secondary Data:* Collected from articles, journals, industry reports, and relevant publications related to the food service industry.

*C. Sample Size And Sampling Method*

For the pilot study, a sample of 25 respondents is collected. A convenience sampling method is used, where respondents are chosen based on accessibility and willingness to participate.

*D. Research Instrument*

A structured questionnaire with close-ended questions (multiple choice and likert scale) is used to measure factors such as:

- Profit appreciation
- Price sensitivity
- Taste preference
- Trust and hygiene perception
- Flexibility and service quality
- Scalability and sustainability

*E. Tools for analysis*

The collected data are analyzed usingstatistical tools such as:

- Mean, F-statistics and P-level using Anova (to test differences between age groups)

*F. Scope of the study*

The study focuses on comparing two food service models based on customer perception and selected business factors. As a pilot study, the findings are preliminary and will be used in a research design for a larger-scale investigation.

## IV. DISCUSSION

Regardless of the investment scale in the industry, food sector has become one of the most successful business models for entrepreneurs to achieve their long-term financial goals. Even though the formal and traditional food chains are still the top preferred ones by the customer, yet, the profit margins tell us a different story regarding the outcome of both the business models of the industry. Roadside food shops are small-scale, independently owned food business that typically operates with minimal infrastructure and low capital investment. These vendors may function from carts, temporary stalls, or small kiosks. Their business model is largely based on:

- ❖ Low operating and overhead costs
- ❖ Flexible pricing strategies
- ❖ Limited nut popular menu items
- ❖ Direct and personalized customer interaction
- ❖ Cash based or digital transactions

Formal food chains are structured business entities that operate under a registered brand name and follow standardized procedures. Examples include A2b, Ganga sweets, Nityamirdham etc. these establishments focus on brand trust, hygiene standards, consistency, and scalability. However, they generally incur higher operational costs and may have less pricing flexibility compared to roadside vendors.

## V. RESEARCH FINDINGS

*A. Profitability Perception*

The survey results indicate that roadside food shops are perceived to maintain competitive profit margins primarily due to lower operating costs such as rent, labour, and infrastructure expenses. However, formal food chains are viewed as generating stable and consistent profits through higher sales volume, branding, and standardized pricing strategies.

*B. Customer Behaviour and Preferences*

Price sensitivity emerged as a major factor influencing customer choice. A significant portion of respondents preferred roadside food shops for their affordability and convenience. At the same time, many customers showed stronger trust in formal food chains regarding hygiene, food safety, and consistency of quality.

Taste was identified as a common deciding factor for both models, indicating that product quality plays a central role regardless of business format.

*C. Operational Flexibility*

Roadside vendors were found to have greater flexibility in pricing, menu modification, and personalized service. This adaptability allows them to respond quickly to customer procedures, limiting flexibility but ensuring uniformity.

*D. Scalability and Sustainability*

Formal food chains demonstrated stronger potential for long-term expansion and scalability management systems, marketing strategies, and financial resources. Roadside vendors, while profitable at a small scale, may face challenges in expansion due to regulatory constraints and limited capital access.

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online) Volume 15, Issue 02, February 2026)

*E. Overall Comparative Insight*

The study reveals that both models possess distinct competitive strengths:

- Roadside food shops excel in cost efficiency, flexibility, and affordability.
- Formal food chains excel in brand trust, standardization, and scalability.

The pilot findings suggest that consumer choice is influenced by a balance between price, trust, convenience, and overall experience. These insights provide a foundation for conducting a larger-scale study and formulating business and policy recommendations to support sustainable growth in both sectors.

## VI. SUGGESTIONS

*A. For Roadside Food Shops*

*(1) Improve Hygiene and Safety Standards*

Maintaining better cleanliness, safe food handling practices, and visible hygiene measures can increase customer trust and attract a wider customer base.

*(2) Adopt Basic Digital Tools*

Accepting digital payments (UPI), using social media for promotion, and partnering with delivery platforms can enhance reach and convenience.

*(3) Standardized Popular Menu Items*

Maintaining consistent taste and portion size can help build customer loyalty and repeat purchases.

*(4) Access to Microfinance and Government Support*

Vendors should utilize small business loans and government schemes to improve infrastructure and stability.

*(5) Basic Business Training*

Training on cost management, pricing, and customer service can help vendors maximize profit margins and ensure long-term sustainability.

*B. For Formal Food Chains*

*(1) Introduce Flexible Pricing Strategies*

Offering budget-friendly options or localized pricing can help attract price-sensitive customers.

*(2) Incorporate Local Taste Preferences*

Adding region-specific menu items can improve customer satisfaction and market acceptance.

*(3) Enhance Personalized Customer Engagement*

Improving customer interaction and feedback systems can create stronger brand loyalty.

*C. Policy Level Suggestions*

*(1) Supportive Regulatory Framework*

Government should create balanced policies that support informal vendors while ensuring food safety standards.

*(2) Skill Development and Awareness Programs*

Conducting training programs on hygiene, digital adoption, and financial management can strengthen the informal food sector.

## VII. STATISTICAL FINDINGS

A one way ANOVA test was conducted by grouping the age of various responders into two: (1) Below 25 & (2) Above 25. The results of the test came out to be as follows:

| Question / Metric | Mean (Below 25) |
|---|---|
| Q1: Price role in choice | 3.91 |
| Q2: Convenience of roadside shops | 4.09 |
| Q3: Trust in formal chains (Hygiene) | 3.82 |
| Q4: Taste as most important factor | 4.09 |
| Q5: Personalised service in roadside | 3.82 |
| Q6: Long-term growth of formal chains | 3.64 |
| Q7: Importance of Govt support | 3.73 |

| Question / Metric | Mean (Above 25) |
|---|---|
| Q1: Price role in choice | 3.64 |
| Q2: Convenience of roadside shops | 3.43 |
| Q3: Trust in formal chains (Hygiene) | 3.86 |
| Q4: Taste as most important factor | 3.36 |
| Q5: Personalised service in roadside | 3.57 |
| Q6: Long-term growth of formal chains | 3.64 |
| Q7: Importance of Govt support | 3.57 |

| Question / Metric | F-Statistic |
|---|---|
| Q1: Price role in choice | 0.828 |
| Q2: Convenience of roadside shops | 3.389 |
| Q3: Trust in formal chains (Hygiene) | 0.011 |
| Q4: Taste as most important factor | 4.209 |
| Q5: Personalised service in roadside | 0.506 |
| Q6: Long-term growth of formal chains | 0 |
| Q7: Importance of Govt support | 0.159 |

| Question / Metric | P-Value |
|---|---|
| Q1: Price role in choice | 0.372 |
| Q2: Convenience of roadside shops | 0.079 |
| Q3: Trust in formal chains (Hygiene) | 0.917 |
| Q4: Taste as most important factor | 0.052 |
| Q5: Personalised service in roadside | 0.484 |
| Q6: Long-term growth of formal chains | 0.984 |
| Q7: Importance of Govt support | 0.694 |

| Question / Metric | Significance |
|---|---|
| Q1: Price role in choice | Not Significant |
| Q2: Convenience of roadside shops | Not Significant |
| Q3: Trust in formal chains (Hygiene) | Not Significant |
| Q4: Taste as most important factor | Marginal |
| Q5: Personalised service in roadside | Not Significant |
| Q6: Long-term growth of formal chains | Not Significant |
| Q7: Importance of Govt support | Not Significant |

Number of responders under the age of 25 = 11.
Number of responders above the age of 25 = 14.

From the outcomes obtained, there is no statistically significant difference in the opinions of the two age groups for any of the tested criteria. Both groups largely share similar views on hygiene trust, growth potential, and the role of price.

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online) Volume 15, Issue 02, February 2026)

The factor of taste is very close to being statistically significant. The below 25 group tends to value taste more highly that the above 25 group.

Younger respondents showed a higher preference for roadside shops due to convenience compared to older respondents, though this was not significant at the 0.05 level.

Both age groups have almost identical levels of trust in the hygiene and safety of formal food chains.

## VIII. Conclusion

In conclusion the pilot study suggests that age does not drastically change how people perceive the trade-offs between roadside vendors and formal food chains, although younger consumers might place a slightly higher premium on taste and convenience.

It is also visible from the study that high investments does not always give high profit margins, but it is the basic factors such as hygiene, taste, preference and convenience of the customers that shape the ultimate outcome of the food industry's business as a whole.

## REFERENCES

[1] Wara, P.A., &Binata, N (2021). Consumers' Perspective for the Betterment of Street Food and Women Food Vendors in Kolkata. International Journal of Nutrition and Food Sciences.

[2] Bui,T., &Hossain, M.(2025). Research on the Factors Influencing Customers' Spending on Street Food for its availability.

[3] Gupta,V., &Jana,A. (2015). Consumer Trust in Street Food: Factors of Hygiene and Safety.

[4] BusinessDojo (2024)

[5] Street Food Restaurant: Profitability Guide (2026).

[6] Adhikari, R. (2011): The Role of Street Vending in the Informal Economy.

[7] FSSAI (2024). Food Safety Training and Certification Programme (FoSTac) & Clean Street Food Hub Initiative.

[8] National Policy on Urban Street Vendors (2009)

[9] Aaker,D.A.(1991): Managing Brand Equity. Free Press.

[10] Dutta,K., et al.(2014). Service Quality in Fast Food Restaurants: An Empirical Study in India.