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## Emerging face of E-tailing: Online food delivery

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### ABSTRACT

*The growth of the internet has created a significant impact on the lives of people for customers convenience is something which customers look forward to. With the internet there are new ways of satisfying them with relative technologies and for marketers, it is about selling the products throughout the year without geographical and temporal boundaries and to understand customer's perception on how they use online services such as food delivery and on understanding why they don't do so. The online food delivery business has seen a rapid growth, growing at 15% every quarter in 2017. The growth has resulted in the number of orders on a daily basis clocking an average of 400,000 during the September quarter. The Fast food Industry is expected to reach to US\$27.57 billion by 2020 which is set for an exponential growth as we can see the market is expected to grow at CAGR of 18% by 2020. This study attempts to take a look at the online food delivery ecosystem with a focus on its drivers and analyses the factors that are driving the growth of this business, especially in Bangalore City.*

**Keywords**— Start-ups, Food delivery, Internet, Technologies, Food industry, Convenience

### 1. INTRODUCTION

During the early '90s eating out was a prominent feature but over time and change in customers taste and preferences and consumption patterns, eating out had gained momentum. The changing pattern had ensured a constant growth in the hospitality industry has come a long way ahead.

The revolution in this sector began during the year 1996 where restaurants like Pizza Hut; Domino's followed by our Indian restaurants like Haldiram's showed constant growth.

As we know we are in the 21<sup>st</sup> century which is also known as the "e-generation" with everything being online. According to the research conducted by (NRAI) "The Foodservice Industry is expected to reach 77 billion by 2021".



With the advancement of the technology and the internet being one of the most powerful source Food delivery in India is changing rapidly from Phone based to online ordering through an application to satisfy the customers "ever-changing demands". It has seen a drastically shifting in the taste of customers where cooked meals delivered to their doorstep is a trend. The main cause of shifting can be "Convenience" with fewer efforts and cost with simple requirement of a smartphone and a bit of application knowledge. It is seen the best where customers do not know what to eat, where to eat.

#### 1.1 Demand drivers

**1.1.1. Encouraging demographics:** With a populace of over 1.2 billion, India is evidently one of the greatest customer showcases on the planet today. Besides, half of this populace fall younger than 25, and the rest before the age of 35 years; making India among the most youthful populace on the planet as well. A large portion of the fast food request originates from age bunch 18-40 years. In

addition, by 2025 the Indian white collar class statistic is likely to reach 550 million. Youthful India's hunger is one of the key drivers for interest in the food and beverage industry on the whole.

**1.1.2 Promising income and consumption levels:** With an expanding number of youthful Indians being beneficially utilized in worthwhile ventures, segments like IT administrations have increased the expectations for everyday comforts and made their wallets fatter as well. The World Bank reports an amazing 50% increment in per capita income since 2006 up to this point. Urban India sees an unmistakable change in the social setting, which further expedites the development of fast food eateries in India. Higher extra cash is additionally a key driver for different subcategories of nourishment items as well.

**1.1.3 Favourable lifestyle changes:** With double pay families, now urban India sees the two guardians make a living and thereby changing the manner in which individuals live radically; with changes in schedules, a way of life and nourishment propensities. The interest for fast access to food and one with moderate rates is on the ascent. Time crunches and an expanding need to invest quality time with 92% family units connecting for drive-thru food or takeouts to spare time and vitality that would somehow or another go into concocting a supper at home each day of the week.

**1.1.4 Rising number of working women:** Keeping in accordance with the above point, there has been a surprising increment in working ladies. Working ladies wind up burning through the greater part of their profitable hours driving and at work, along these lines there is less time to cook out and out dinners at home, without anyone else. Working ladies normally spend a lot of their extra cash on purchasing takeouts or eating out. This is again a key interest driver for the nourishment and refreshment industry in India.

## **1.2 Supply drivers**

**1.2.1 Expanding variety of cuisines:** With an ever-increasing number of eateries offering worldwide cooking styles, this has significantly affected the general food industry. Chicken biryani, burgers, spread chicken, pizza and Hakka noodles are clients' most favoured requests. North Indian admission tops, however, Chinese, Italian, South Indian and 'solid nourishment' are additionally well known. The more Indians living in urban territories will explore different avenues regarding new foods, the more will recurrence of feasting outgrow.

**1.2.2 Upgrading of retail formats:** With a large number of global food brands and eateries making themselves accessible at prominent shopping centres, these appear to be the perfect space to get more clients who go to shopping centres to shop. What's more, contrarily, more clients going to food courts and eateries at shopping centres, shop! It is a win-win circumstance for all stakeholders, to be sure.

**1.2.3 Rising of contract cultivation:** Contract farming is basically an official agreement that ensures farmers' buys from mammoth worldwide organizations if they concur and supply the favoured harvests to the organizations. For instance, McDonald's presently has more than 400 farmers developing potatoes for them in more than 2000 acres of farmland in the province of Gujarat.

**1.2.4 Emerging of logistics providers:** It's not simply valid for the rising web-based business industry where dispatches and delivery-handling companies are on the ascent. There are suppliers for the food business as well, for example, Radhakrishna Foodland who is a neighbourhood accomplice, giving their service to global giants in India, for example, McDonald's AND Pizza Hut.

**1.2.5 Growing of delivery-dedicated formats:** The seed capital required for a delivery format configuration is much lower contrasted with beginning up an eatery or even a drive-thru food joint. Ventures incorporate lease, planning insides, furniture, etc. Because of such money-saving advantages, more administrators are prepared to give their time, vitality and interests in the organizations committed to delivering food at the doorstep. There is an impressive lessening in the expenses of work, supplies and the greatest cost sparing perspective is the requirement for quality land. This is the most costly of all interests in eateries, and with a conveyance organize this expense is spared.

**1.2.6. Extension to delivery services in existing restaurants:** Eateries are presently attempting to expand their business yield by offering food delivery services. Along these lines, they all can legitimize existing settled expenses and furthermore keep their business practical. Home Delivery is an exceptionally indispensable fixing in this blend. It's no big surprise eateries of all shapes and sizes, all are competing to get a bit of this pie! Besides with this organization, a higher number of clients can be adjusted, contrasted with the sit-and-feast design where at pinnacle hours, clients will be remembered fondly.

**1.2.7 New trends in the delivery sector:** The job of cell phone applications and furthermore electronic arrangement of requesting food can't be undermined now. With more individuals utilizing PDAs, expanding education and access to the Internet, the fortunes waiting to be harvested from the matter of home delivery are only a tick away! Domino's Pizza professes to convey more than 50,000 pizzas in multi-day and 15,000 of those requests are made on the web. Fasso's is another well-known food chain that does out more than 60,000 requests in multi-day and all from their portable application as well. Since Dominoes and different players have tied up with the online food delivery webpage FoodPanda, these numbers are required to twofold in the coming years. E-Tailing, which is having a sound presence on the web, is exceptionally encouraging for all conveyance based 'quick service restaurants' (QSR) contrasted with the incomes created from the ordinary physical configuration.

## **2. SWOT ANALYSIS OF ONLINE FOOD INDUSTRY**

Table 1 gives the SWOT analysis of online food industry.

**Table 1: SWOT analysis of online food industry**

<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Customizable Menu offerings</li> <li>• Use of non-traditional channels</li> <li>• Convenience to the customers</li> <li>• Guarantee of minimum delivery time plus added services like COD and GPS</li> </ul>	<p style="text-align: center;"><b>WEAKNESS</b></p> <ul style="list-style-type: none"> <li>• Highly dependent on restaurants to deliver to execute a smooth delivery experience for the consumers</li> <li>• A small mistake could drive the customer not to order again</li> <li>• Taste and quality not in their hands.</li> <li>• Excess costs into marketing and discounting coupons which results in less amount of profits</li> </ul>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Growth could be exponential as there are thousands of restaurants</li> <li>• Use of multiple payment options could provide a plus advantage to the customers (Pay TM)</li> <li>• It provides growth opportunities for small-scale restaurants</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• An excessive amount of competition with investment worth hundreds of millions of dollars are dividing the market</li> <li>• Increase in the cost of fuel which results in increased operational cost</li> <li>• The target market reduces as in India most families wouldn't eat at home is to spend quality time together outside, rather than order at home</li> <li>• The food delivery service which is provided has a drawback that food goes cold after a certain time which reduces customer satisfaction.</li> </ul>

### 3. NEED FOR THE STUDY

Given the pace at which online food delivery apps are growing it's of critical importance to understand the factors that are driving the growth of this business. It will be also important to understand what customers look for when placing an order for food online. This study will help academicians conduct further research in this area and also help the industry to have an insight into the customer mindset that will help them in designing better strategies.

### 4. RESEARCH METHODOLOGY

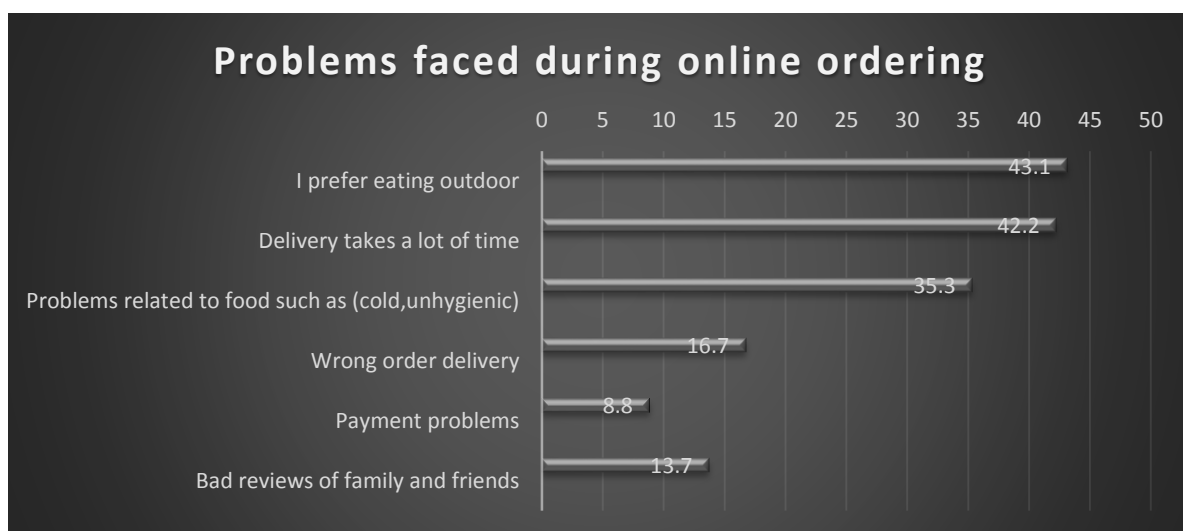
For the present research, the paper is based on Descriptive Research. The researchers have made use of both secondary data from published sources and also primary data through the use of a questionnaire circulated through Google forms. 100 randomly selected respondents were administered the questionnaire.

### 5. OBJECTIVES

- To understand the drivers of online food delivery (OFD) business.
- To have an insight into the SWOT of the food delivery business.
- To understand what are the various factors which affect the rapid growth of food delivery app in India.

### 6. ANALYSIS AND INTERPRETATION OF DATA

Among the 100 respondents approached 69 respondents to show a preference towards online food ordering. Among the other 31 respondents 15 reports to have never used an app for ordering food online.



**Fig. 1: Problems faced during online ordering**

The respondents who do not prefer ordering food online have highlighted certain factors that have contributed towards them not yet being convinced about the same. The basic behaviour of going out for food is still a major reason for most of these respondents. For many respondents, the trust factor with the quality of food delivered is still a concern and respondents believe that the time lag is a major concern. Even though India is making a major push online payment and problems with COD is still a concern among certain respondents.

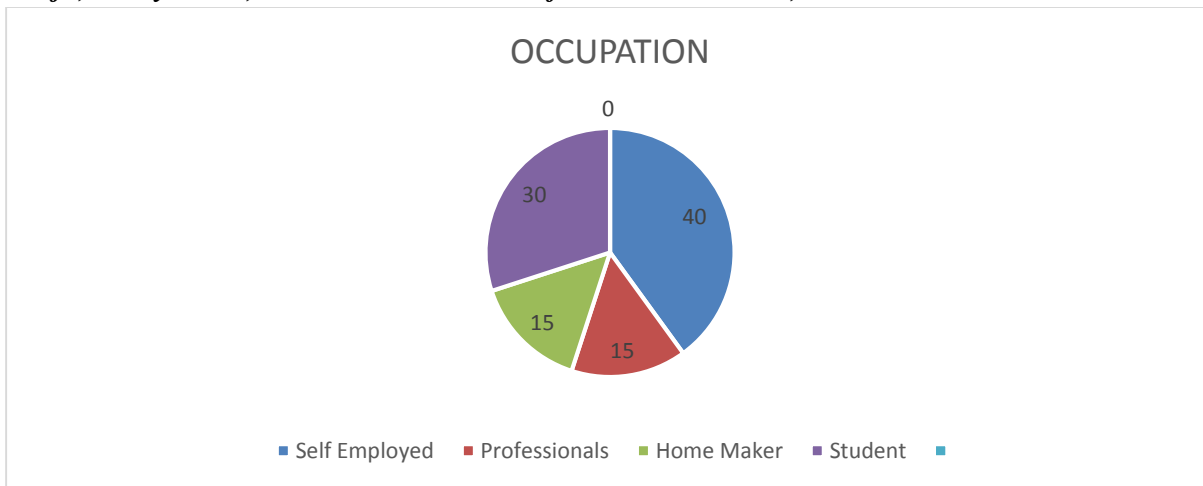


Fig. 2: Occupation

Among those preferring and using online food delivery (OFD) majority is self-employed and students. Shortage of cooking time and a busy lifestyle is a contributing factor. The rest of the sample is made up of professionals and homemakers.

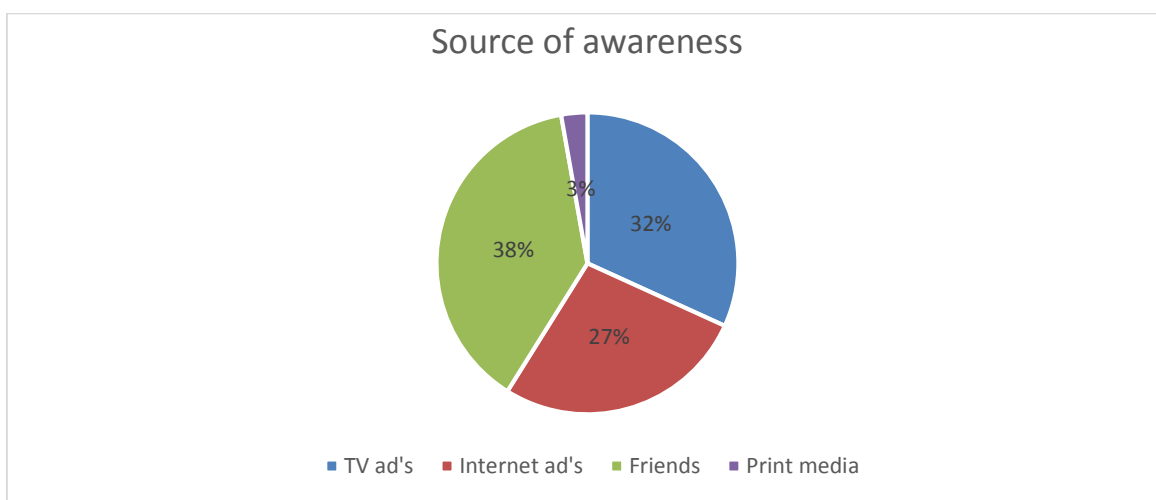


Fig. 3: Source of awareness

The Biggest source of awareness for online food delivery (OFD) is friends with 38.3%. The investment in TV advertising has also enhanced public awareness of OFD. Ads on social media have also contributed to the growing popularity among users.

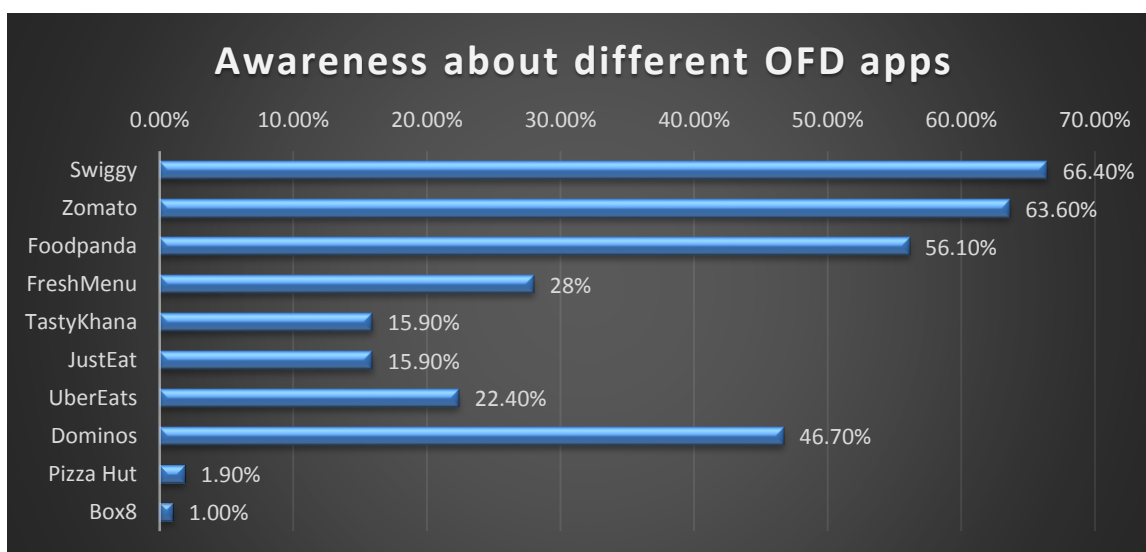


Fig. 4: Awareness about different OFD apps

When asked which online food delivery service are they aware of majority voted for Swiggy and it topped the list with 66.40% of awareness. 63.60% right after it is zomato. Foodpanda being 56.10%. Dominos being 46.70% and FreshMenu with 28% awareness. UberEats with 22.40%. TastyKhana and JustEat being equal awareness of 15.90%. Pizza Hut with 1.90%. Box8 is a new service with 1% awareness.

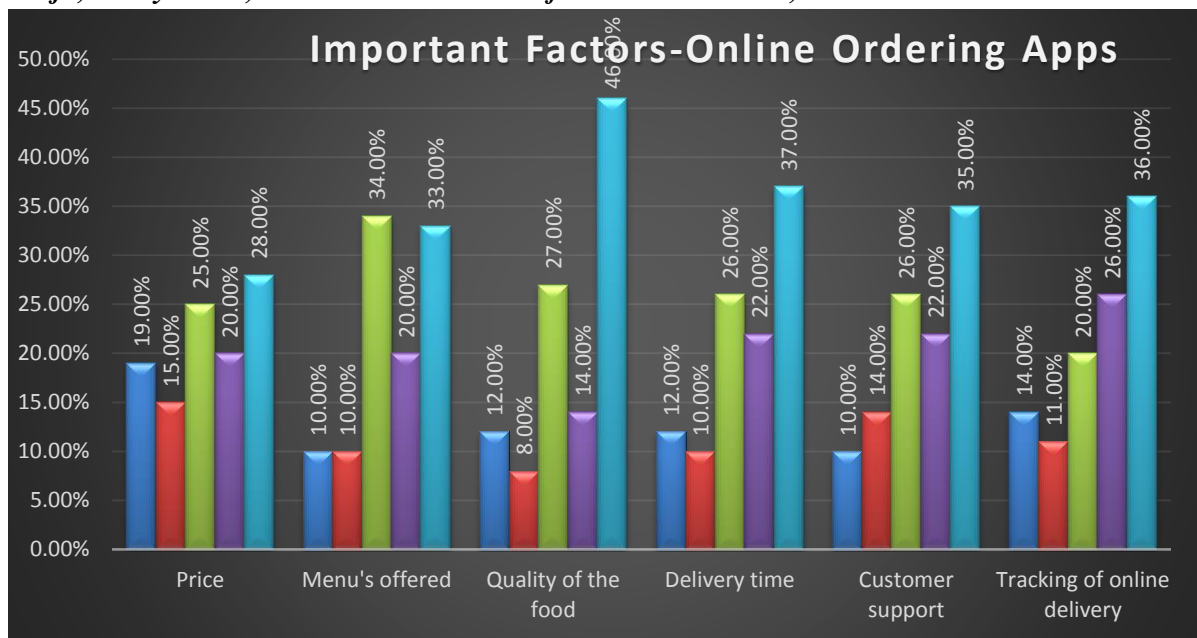


Fig. 5: Important factors-online ordering apps

The factors that make an app stand out in terms of reputation has to do both with what it offers in terms of menu and price and also about the features of the app itself. People prefer the ability to trace the status of their delivery and also customer support which solves their queries fast and easy. People also have a preference for sites that give offers and deliver quality and hygienic food.



Fig. 6: Reasons for online ordering

Lack of time and reluctance to go out are prime factors for using online delivery. Interestingly OFD is seen as a saviour in situations the respondent have encountered sudden gust arrivals. The offers also are a motivating factor for using the delivery systems.

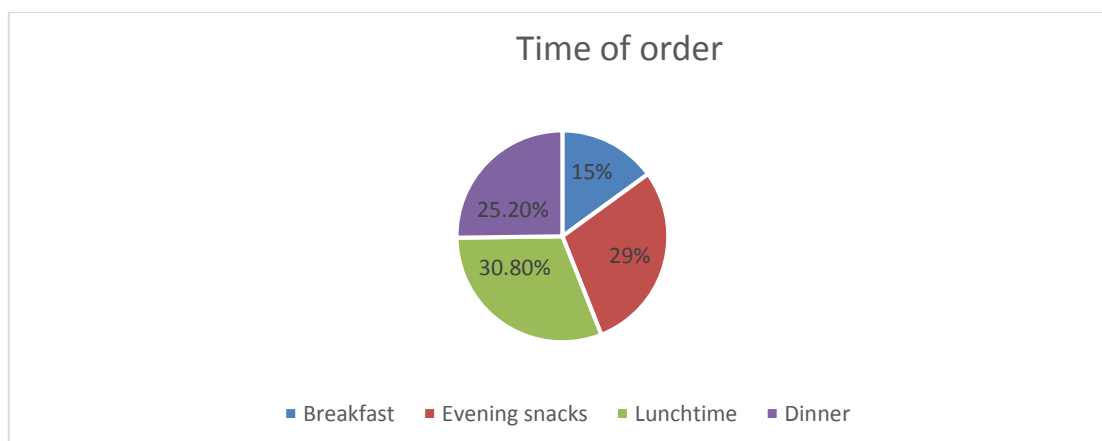


Fig. 7: Time of order

Majority of the respondents prefer having breakfast at home and have food that is present at home rather than ordering food from outside. It's mostly during lunch time that food is ordered at office or college. As the majority of respondents stated that they lack cooking time a lot of order is also placed during evening and dinner time.

## **7. CONCLUSION**

With changing demographics there is a lot of opportunity in India. Diversification of service will enable OFD service providers to experience continuous growth. The restaurant business has to keep an eye on this growing interest among Indian consumers and tweak their business models in order to accommodate this change among Indian consumers.

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