

DOES ONLINE FOOD DISTRIBUTION THROUGH APPS IS MAKING INDIAN RESTAURANTS TO THINK DIFFERENT?

B.CHARAN

Research Scholar, School of Management Studies, Vels Institute of Science, Technology and Advanced Studies, (VISTAS), Chennai, Email: bandarucharan.c@gmail.com

Dr.G.MADHUMITA, MBA, SET, Ph.D.

Associate Professor & Research Guide, School of Management Studies, Vels Institute of Science, Technology and Advanced Studies, (VISTAS), Chennai. Email: madhu.sms@velsuniv.ac.in

ABSTRACT

Surbhi Mathur (2016) defines Indian fast food industry has perceived vital growth and changes over past few years, compelled by consumer expectations, changing market trends, demographics, increasing population, urbanization which is expected to shoot in future as well. This will shape the demand for accessibility of food and further lead to growth of fast food consumption from different views. Richie Edquid (2017) states there are numerous online business models for an innovative theme of startups. In this phase electronic means of food ordering and delivery business model has perceived enormous attention from consumers, business tycoons including venture capitalist. This online businesses act as a shared platform among consumers and restaurants. Though, it is directive to confirm that online food ordering and delivering business is popular, business models must have certain landscapes baked exact into the website. Business systems must take care of numerous methodological and marketing features to make the food ordering website unique. The whole concept after launching an electronic food ordering and delivery website is to connect the gap among consumers and restaurants. In addition the website must also charge high on the user meeting standard, creating whole procedure unified. It is a challenging platform compelled by innovative structures, which allows everyone to order online easily. Finding of this study helps to understand the model online food delivery in engaging with the restaurants in serving the customers as per their convenience

Key Words: Online food delivery, Restaurants, Consumers,

INTRODUCTION

Business of delivery

Thomas Schumacher (2016) describes restaurant foods to the house is experiencing fast change as new internet platforms race to catch the markets and consumers through America, Asia, Europe, and the Middle East. In spite of the fact that these new internet platforms are drawing in extensive venture and estimates in high officially, five are esteemed at more than \$1 billion, minimal genuine learning about market elements, development potential, or consumer behavior.

Present market structure

Research from McKinsey Report (2016) states around the world, the market for food delivery stands for 93 billion, or 10 % of the total online food delivery market and 4 percent of food sold over cafeterias and junk food chains. It has officially developed in many nations, with annually development rate assessed at 3.5 percent for the following five years.

The most common form of delivery is the traditional model, in which the consumer places an order with the local pizza parlor or Chinese restaurant (although many other kinds of restaurants, particularly in urban areas, now offer delivery) and waits for the restaurant to bring the food to the door. This traditional category has a 90 percent market share, and most of those orders almost three quarters are still placed by phone.

By a wide margin, the most well-known type of conveyance is the customary model, in which the shopper submits a request with the neighborhood pizza parlor or Chinese restaurant and trusts that the restaurant will bring the food to the entryway. This old style classification has 90% market of the overall industry, and more than 75% of the food orders are places through phones.

In different sectors the innovations in digital platforms is reshaping the market. Customers are familiar with shopping on the web through applications or sites, with most extreme comfort, transparency and progressively expect a similar experience when it comes to food ordering through online.

Two types of food delivery

Research from McKinsey Report (2016) says two sorts of online stages have ascended to fill that void. The main sort is the "aggregators," which developed approximately 15 years prior; the second is the "new conveyance" players, which showed up in 2013. Both enable shoppers to think about menus, output and post surveys, and requests orders from wide range of restaurants in a single click. The aggregators, who are a part of the old style delivery class, are essential to take orders from consumers and they forward to restaurants and they deliver themselves. Equally, the new delivery partners develop their own logistics network system and provide delivery to the consumers from the restaurants who don't have their own drivers to deliver the food.

Aggregators

Research from McKinsey Report (2016) describe aggregators developed on the orthodox model for online food delivery, offer access to various restaurants through single online platform. By signing in to the site or the application, consumers can rapidly look at prices, menu, and reviews from friends. The aggregators charge a fixed margin to the order, which is compensated by the restaurant, and the restaurant handles a fair delivery charges. There is no extra cost to the customer. With their advantage light model, aggregators post income before taxes, interest, expenses and deterioration (EBITDA) edges of 40 to 50 %. In spite of the fact that venture keeps on pouring in (Food panda and Delivery Hero, for instance, both pulled in \$100 million in new interest in 2015), the greater part in this subcategory has just happened. 4 players Grub Hub, Just Eat Foodpanda and Delivery Hero have accomplished worldwide scale. These four players in general spotlight on various areas. On a national dimension, there are few competitors that overwhelm, for the most part determined by their capacity to manufacture a vast client base. Union is progressed in many markets and will probably proceed. McKinsey research report shows only 26% of traditional delivery orders are made online today, however we anticipate that this share to increase quickly.

New delivery

Alexander Rajko (2016) states likewise the aggregators, new food delivery players enable customers to analyze offers and order food from a set of restaurants through one site or application. Significantly, the players in this class additionally give the logistics for the restaurants. This enables them to open new division of restaurants to door delivery, high-end restaurants that

conventionally did not deliver. The new food delivery players are repaid by the restaurant with a stable margin for the orders received, just as with a little level charge from the consumers. In spite of the greater expenses of keeping up delivery vehicles and drivers, the new delivery partners accomplish EBITDA margins for more than 30%. Players incorporate brands that work all inclusive, for example, Foodora and Deliveroo which are proceeding to catch new regions.. We trust the addressable market for new food delivery partners will achieve more than \$20 billion by 2025.

The innovative delivery chance

Carsten Hirschberg (2016) discussed the prospect for new food delivery system is to stretch food delivery to new group of restaurants and consumers. As opposed challenging with the aggregators, new delivery partners are growing in the general market. Though, it is conceivable, in future traditional delivery restaurants will move to new delivery system since they will think that it's more cost efficient; in this way, new food delivery system will interrupt the aggregators. The development in new food delivery system is driven on consumer demands. Initially it is substitution for dine in at the restaurant. With new delivery partners, customers can dine at home with a same quality of food they have in the restaurant. The next is demand as a substitution for food prepared and consumed at home.

OBJECTIVE

- To study the determinants of food delivery apps in delivering online food from Indian restaurants.

REVIEW OF LITERATURE

Carsten Hirschberg (2016) in his research states the rapid change in market for food delivery shows that online's distribution of the total food delivery market breaks 30% in 2016. We consider penetration will raise further as the market grow up, ultimately accomplishing 65% year.

According to Zulkarnain Kedah (2015) the benefit of ordering online and the causes for growing food delivery companies are Accessibility, major savings, general menu to manage, no hassles etc.

Shiyin Chan (2015) tells FoodPanda is primer to the new food awareness that's here to stay Foodpanda is a worldwide online food delivery market headquartered in Berlin, Germany. Funny fact is that they were also known as 'hello food' in other spaces of the world.

Bhavna Singh (2015) stated Foodpanda has started its operations in Indian market since May 2012. Foodpanda major travel in India was acquisition of TastyKhana, which sprung in the city of Pune in 2007. Composed with Justeat and TastyKhana, it is now existing in over 200 cities and associates with over 12,000 restaurants. She also spoke about Justeat, it was launched in Denmark in 2001 and was operated publicly on the LSE (London Stock Exchange). Their Indian trade was launched as Hungry Bangalore in 2006. In 2011 it was renamed as Justeat acquired a major share in the business trade. As of now the company associates with over 2,000 restaurants.

According to Deepinder Goyal, Zomato CEO and co-founder expressed to TechCrunch that he aims to touch 10,000 restaurants in India in a few months. "We have a business group of around 300 in India and 5,000-odd sponsors... these accomplices know the volume we convey to them so it is very simple for us to dispatch this new services."

According to a report issued by IBEF - Indian Brand Equity Foundation (2017) food industry is one of the big sector in India's retail sector, valued at \$490 billion in 2013. By 2020 the Retail food industry in Indian is expected to touch (\$894.98 billion) Rs 61 lakh core. The food processing industry in India interpret at 32% of the country's total retail food market, one of the leading businesses in India and ranked 5th in terms of export, consumption, manufacture, and anticipated growth. The online food delivery industry in India is emerging stage, but perceiving exponential progress. The structured food business in India is valued \$ 48 billion, of which food delivery is worth at \$15 billion. Investment in food startups, which mainly include food delivery and ordering apps, has improved by 93% to \$130.3 million, including 17 deals till 2015, September, beside only 5 deals in 2014.

Biswarup Gooptu (2015) in discussions with The Times of India stated Foodpanda has not found a consumer even with less price tag of \$10-15 million. The establishment laid off three hundred

people in 2015 December, about 15 percent of its employees. TinyOwl had dismissed 100 workforces in its Pune and Mumbai offices in September 2015. Companies like Swiggy, UberEats and Zomato entered into the market and exited the customers and restaurants by their innovative plans in delivering the food to the customers

Analysis of Strategic components that drive Online Food delivery facilities in India

(Source: Online food service in India: An Analysis)

Demand Carters

1 Millennial act as key carters

Nigel Travis, CEO of Dunkin' Brands (2016) states millennials are the important category for online food delivery facilities as they spend the maximum share of their funds on prepared food compared to other age group. Generation Y prefers to eat in fast serviced restaurants and place food delivery. Technomic's report cites that out of 5 cases 3 Millennials place food order online or visit restaurants for takeaway. With greater earning power, Millennials have higher necessities: easy ordering, prompt delivery, one step point of sale, and more. Millennial generation is much further demanding than previous age group.

Hopeful Income level and Consumption

Young Indians being effectively working in well-paid industries, sectors like IT services have raised the living standards. Urban India had seen noticeable change in social setting, which promotes the development of restaurants in India.

Lifestyle Changes

With double income families, present urban India sees the two guardians make a few bucks, along these lines changing the manner in which individuals live radically; with changes in schedules, way of life and food habits. Time crises and an expanding need to invest quality time with 92% family connecting for drive-thru food or take outs to spare time and energy that would some way go for cooking up food at home.

Growing Digits of Working Women

Keeping in accordance with the above point, there has been a surprising raise in working women. These women end up in spending their time at work and commuting, due to this they have very less time to cook food for themselves at homes. This is also a key demand driver in food and beverage industry in the country.

Supply Carters

Increasing Variety of Cuisines

Restaurants contribution to global cuisines, this has major impact on food industry. Hakka noodles, burgers, Wraps, Fresh fruit juices, Chicken biryani, and pizza and butter chicken are customers' most preferred orders. The more Indians living in urban zones are happy to explore different avenues regarding new foods, the more will frequency of dining out rise.

Advancement of Retail Formats

With a huge number of universal restaurants and food brands are making themselves accessible at popular malls, these appear to be the perfect space to get more consumers who go to shopping malls. Many customers visit to restaurants and food courts at malls, shop. It is a win-win situation for all parties.

Rising of Agreement Farming

Contract agriculture is basically a legal agreement that ensures to farmers to the global giant companies buys the supply that harvests in their farms to the organizations. For instance, McDonald's as of now has more than 400 agriculturists developing potatoes for them in more than 2000 sections of farmland in the territory of Gujarat.

Evolving of Logistics Suppliers

Radhakrishna CEO of Foodland, A local food delivery partner who provides food delivery services to McDonalds and Pizza Hut in India states the rising online business industry where couriers and delivery-handling companies and couriers are growing faster. There are logistic suppliers for the online food industry too.

Rising of Delivery - keen Formats

The early investment required for a delivery centered format is much lower associated to starting up a fast food joint or even restaurant or even. Funding's include furniture lease, structuring insides and so on. Because of cost benefits, more workers are ready to dedicate their energy, investment and time in supplying food at the doorstep. There is a substantial decrease in the expenses of work, supplies and the major cost saving phase is the need for eminence real estate. This is the most costly of all investments in setting up a restaurant. Therefore the food delivery model save all the cost incurred in setting up a physical restaurant.

Extension to Delivery Services in Existing Restaurants

Restaurants are currently attempting to amplify their business by providing online food delivery services. Along these they all can maximize fixed cost and keep the business stable. Home Delivery is precise element in this mix. It's no big surprise eateries of all shapes and sizes, all are competing to get a bit of this pie. Additionally with this configuration, a higher number of clients can be served, compared to dine in where consumers will be missed at peak hours. This delivery designs will keep customers loyal moving forward.

Conclusion

The changing urban way of life of the normal Indian is adequately enough to be positive for door delivery formats and food on the go at premium pricing. The consistently expanding population in metro urban communities and longer travel times are drivers for the advantageous, ready to eat and less expensive alternatives of having groceries and food delivered to your doorstep. Companies that are conscious of the massive potential for development may project straight in, but only the fittest will endure. Big business who retain their brand and value proposition in the minds of consumers, will take major share of the Indian online food service pie. My findings of the study indicates that restaurant operators should focus on giving their customer high level of perceived control and convenience, since they are associated with a higher intent to use online ordering with the new food delivery apps.

REFERENCE

- Bhavna Singh (2015),“Are food delivery trends hurting drive-through sales?,” <http://www.cstoredecisions.com/2016/07/21/food-delivery-trends-hurting-drive-sales/>
- Biswarup Gooptu (2015), “Foodpanda India lays off more than 300 of its employees,” [//economictimes.indiatimes.com/articleshow/50373999.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](http://economictimes.indiatimes.com/articleshow/50373999.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst).
- Zulkarnain Kedah (2015), “Key Success Factors of Online Food Ordering Services: An Empirical Study,” *Malaysian Management Review JULY-DECEMBER*
- Thomas Schumacher (2016) “The changing market for food delivery,” *McKinsey & Company Telecommunications*
- Alexander Rajko (2016), “Online food delivery platforms are expanding choice and convenience, allowing customers to order from a wide array of restaurants with a single tap of their mobile phone,” *McKinsey & Company Telecommunications*
- Carsten Hirschberg (2016) “The changing market for food delivery,” *McKinsey & Company Telecommunications*.
- Surbhi Mathur (2016) “Global perspective of fast food consumption: A systematic literature review,” *Indian journal of management studies. Vol 6, Issue -2*.
- Nigel Travis, CEO of Dunkin’ Brands (2016) “The Future is Caffeinated at Dunkin’. Here’s Why?” www.qsrjournal.com
- Richie Edquid (2017) “Why is online food ordering and delivery business model such a huge hit?” <https://www.business.com/articles/why-is-online-food-ordering-and-delivery-business/>
- Deepinder Goyal, Zomato CEO “Food Tech talk,” @ *Techcrunch*
- IBEF - Indian Brand Equity Foundation (2017), “The Indian food Industry,” www.ibef.org.
- “Online Food Service in India,” <http://theaims.ac.in/resources/online-food-service-in-india-an-analysis.html>