

Food Ordering Mobile Applications – A new wave in Food Entrepreneurship

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I. INTRODUCTION

Online food ordering is a process that delivers food or take away, from home chefs, local restaurants and other food co-operatives through a mobile application or through a website. This style of food delivery is gaining popularity with more and more people especially the younger generation turning to mobile food ordering apps, thereby changing the way food is delivered and picked up. Customers prefer using the food ordering app over ordering food online. The customer can generate an order without having to explain it to another human being and have the food delivered at his doorstep.

The apps are geared to search for local restaurants and the cuisine types. Entire menu is displayed on the app and the customer has to choose from the menu with a click of a button. However the app needs to be downloaded by the customers on their cell phones and register themselves on the app by creating their profile which will have their address and payment information. The payment is normally cashless through a credit or debit card if paid online or in cash against delivery. The apps will differ from each other in terms of features offered and by refining the search, based on most ordered, pricing, order history, customer reviews, promotions etc.

The number of food delivery mobile app startups are growing at a fast pace and competing with the food delivery section of the restaurant market. The customers are being choosy, given the number of options that are available for them in this segment. Initially there was some reluctance amongst the investors to invest in any food related business but this view has changed over the period of time with the realization that there is a tremendous potential for this market sector. Some of the most popular mobile food delivery apps are Food Panda, Zomato, Swiggy, Tasty Khana, Just Eat, Uber Eats, Fresh Menu and Scootsy. Some restaurant chains have their own food delivery apps like Fasso's, Dominos, Pizza Hut, KFC and Box 8.

II. OBJECTIVES OF THE RESEARCH

1. To study the concept of Mobile food delivery applications

2. To analyze the benefits and challenges of the food delivery apps for restaurants
3. To analyze the benefits and challenges of the food delivery apps for the customers.

III. RESEARCH METHODOLOGY

1. Primary Research: This was done through getting questionnaires filled by random customers who eat out or order out and another questionnaire that was filled by the Restaurant Owners. Most of the questions were related to the benefits and challenges of the mobile food delivery apps from the customer and restaurant owners' perspective.
2. Secondary Research: This was through Literature Review about the concept of a Mobile food delivery app and the interest that this industry is garnering.

IV. LITERATURE REVIEW

Karan Kashyap has opined that using online food ordering services is gaining popularity in Tier 1 cities. The customers prefer eating in, as compared to going out to a restaurant when there are issues of traffic congestions. This segment has therefore seen a growth of almost 100% in the last couple of years.

Redseer, a research firm has claimed that the online food ordering and delivery segment grew almost 150% in 2016 in comparison to 2015, with an estimated Gross Volume (GMV) of \$300 million in 2016. The major chunk of the online food delivery business is from the top 5 cities in India, although this segment is active in almost 20 Indian cities. The players in this segment are consolidating their business by concentrating on increasing their operational efficiency and profitability rather than searching for newer markets in other cities. But with large number of players in the market like Swiggy, Food Panda, Zomato etc the customer is spoilt for choice. It has become very convenient for them to browse through the list of eateries and cuisines in different parts of the city and order by just clicking a button on the app.

Zamarud Ansari and Dr. Surbhi Jain, stated the success of online food delivery startups is mainly because there is a

steady growth in the ecommerce industry. Some of the challenges faced by the online food delivery businesses is delivering within the time frame and optimization of the resources as well as the technical skills of the employees. India has more than 400 food delivery apps with more than \$120 million funding from venture capital firms and other investors. Food industry is a repetitive business since a minimum 3 meals are consumed by each individual in a day increasing the frequency of food ordering. This makes the investors and entrepreneurs optimistic about the growth of this segment.

The food industry startups are also exploring various avenues and coming up with innovative businesses like creating a meal box with all the necessary fresh food ingredients to cook as per the recipe provided to make a meal that the customer chooses or a salad box with ingredients and dressing of the customer's choice. Such businesses also use the same technology used by the mobile food delivery apps and a similar delivery mechanism as a supply chain to ensure effectiveness.

Vishal Krishna talks about the origin of another innovative food business which gives a cooking experience to the customer while ensuring convenience in terms of time and material procurement. This business creates a meal box with all the fresh ingredients which are pre prepared to a degree thereby cutting on the cooking time to 30 minutes to make a favorite meal. The target market are individuals who love to cook but are unable to dedicate the requisite time to whip up the meal. Happy Cook meal boxes have all the ingredients required along with a narrative about the food that has been ordered. Technology is used for ordering and delivery of the boxes.

Quality in food plays a big part in the food business and lack of quality will adversely affect the business to an extent that it may have to close down if there are any lapses. Food is perishable in nature making business logistics all the more difficult. The back end operations need to be tightly controlled. This along with an erratic funding where the first round of operations will get good funding while the following rounds, where the businesses have to manage their own commercials, act as a hindrance for expansion. Besides to lure the customers, companies like Food Panda have spent between Rs.400/- to Rs.500/- per customer, for customer acquisition. The peculiarity of this business is that while initial orders are not very difficult, subsequent orders pose a challenge.

According to IBEF (Indian Brand Equity Foundation), food ordering is a fast growing business. It is also a sought after business by investors and investments in food ordering startups has seen an increase of 93% in 2015. The flip side is that competition is tough and it is difficult to survive in this competitive sphere. Businesses that are unable to sustain close down and others who are in the business struggle to beat

competitions, keep their costs low, and reduce their burn rate in order to break even and make profits.

Anshoo Sharma from Light speed Ventures opines that the potential market for food ordering business attracts investors. This is also a business has a repeat ordering behavior as also high margins. It is expected that the huge funding in this space will consolidate similar to the ecommerce space.

The food aggregators sign up restaurants to an online food and app platform, so the customers have a wide choice to pick from and the order is then picked and delivered to the restaurant. The delivery is often outsourced for a fee. This results in the companies digging into the profit margins and the restaurants need to balance their act because while their business increases, there is a price they have to pay. According to Mr. Galatithis would mean up to as much as 16% taken away from the profit inclusive of commissions, GST etc. The restaurants however have no option but to embrace these startups in order to survive in the market where the consumer trend is to buy food online.

V. DATA ANALYSIS AND DISCUSSIONS

The study shows that the online food delivery business model is highly scalable and capital efficient. This industry is growing in leaps and bounds because of the huge market. Everyone needs to not only eat but eat multiple times a day, ensuring repeat orders. Profit margins are high, ordering online is slowly becoming a way of life. Ordering online is cheaper than going to a restaurant.

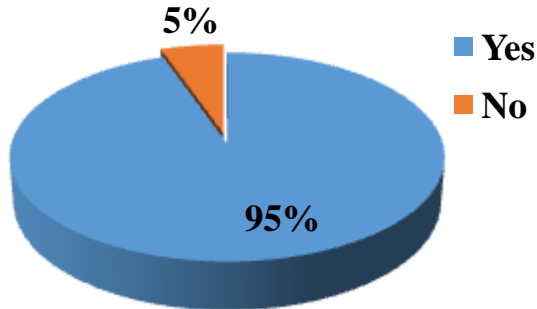
The benefits to the customers are:

1. Ordering online is fast and one is not put on hold to speak to the sales person to place an order.
2. It is easy to order online well in advance. There is no possibility of misinterpretation of orders since it is not verbal.
3. The customer has the menu in front of him to choose from.
4. The customers have the advantage of promotional deals and discounts offered.
5. Like any other ecommerce business, customers can accumulate loyalty reward points which can be redeemed by them for subsequent orders.

Separate questionnaires were given to the customers and the restaurant owners / Managers to find out the benefits and challenges that are faced by them while using the online food ordering services. The responses were tabulated and analyzed as follows:

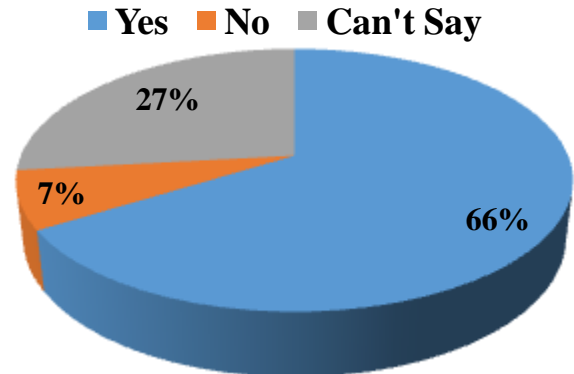
The responses of the customers were as follows:

Awareness about the food mobile applications for ordering food online



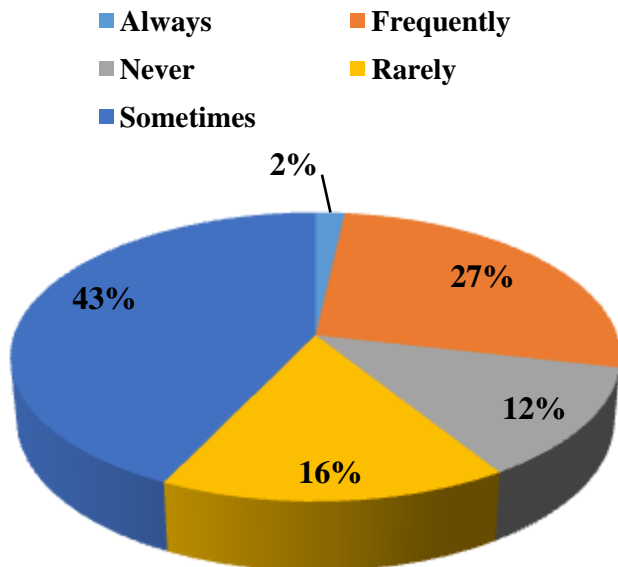
Of the total customer respondents, 95% of the customers were aware of the various mobile food delivery apps.

Belief that food apps will be the most preferred tool for food ordering in the future



66% of the respondents believed that the food ordering app will be the most preferred tool for food ordering in the future.

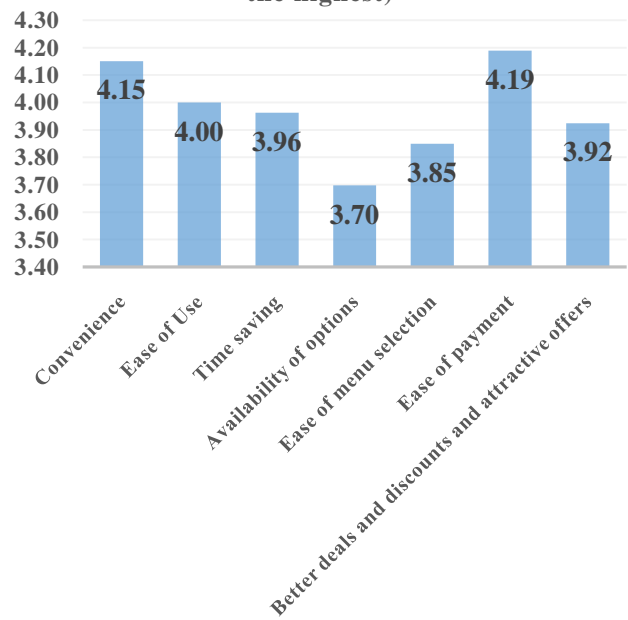
Frequency of using the food app for ordering food



12% of the customer respondents have never used the app, whereas majority of the respondents have used the app sometime or frequently, making it a popular tool used for ordering food.

The customer respondents rated the level of advantages of using the app on the following parameters:

Advantages of using a mobile food delivery app on a 5 point scale (5 being the highest)



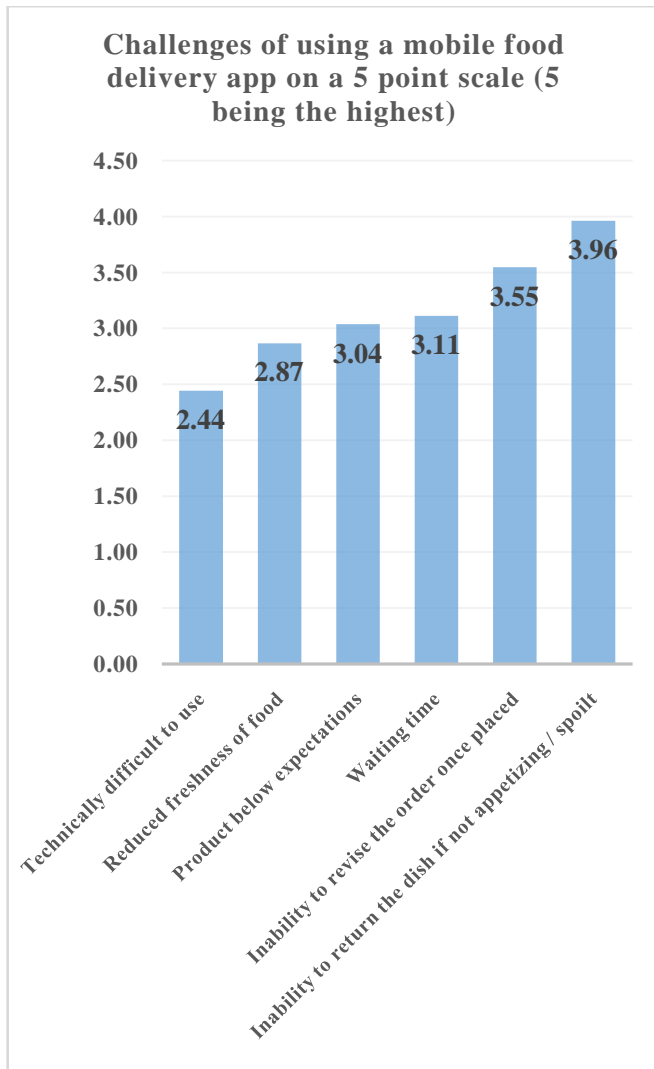
Observation:

- The average response for all the parameters is positive and much above the average of 2.5 on a scale of 5. The respondents clearly feel that using the

app is to their advantage for the parameters mentioned above.

2. Ease of payment is the biggest advantage.
3. Convenience and ease of use are the other big advantages.
4. 'Availability of options' was rated the least advantageous amongst all the benefits.

The customer respondents rated the level of challenges on the following parameters:



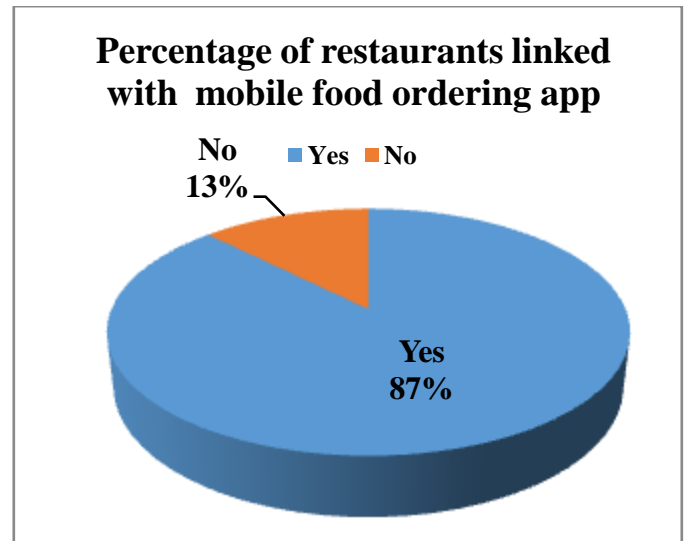
Observations:

1. One of the biggest challenge / disadvantage of using the app is the inability to return the dish if it is not up to the expectation / not appetizing / spoilt.
2. Also with the app, once the order is placed, it cannot be cancelled or revised. This is found challenging.
3. Use of technology was the least challenging amongst all the parameters.

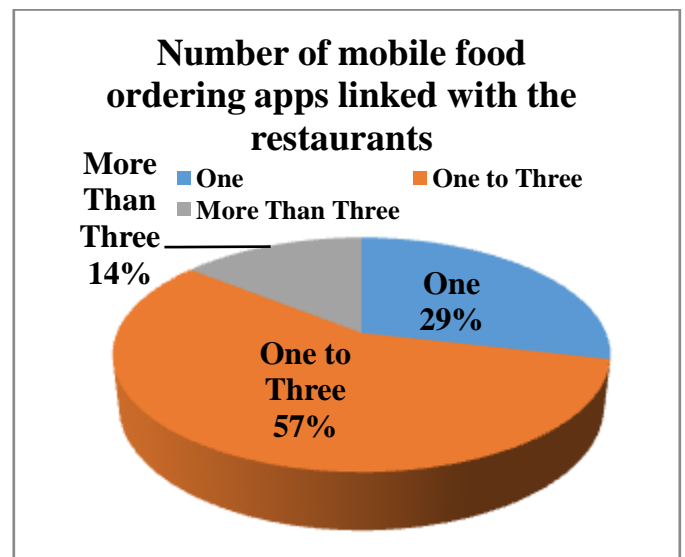
Advantages to the restaurant:

1. They can save on the service time and effectively deliver more orders.
2. Higher scope for increase in sales since they can cater to a larger market.
3. Customer tends to spend more when he orders online.
4. Ordering accuracy is improved. The customer chooses from the menu and ticks on the app eliminating a possible miscommunication.
5. Promotional deals, discounts and loyalty reward points will ensure that the customer comes back for a repeat order.

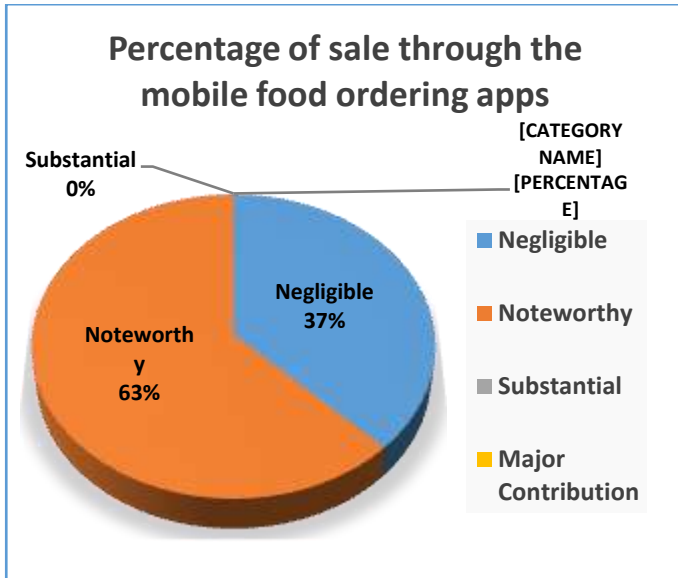
The responses of the restaurant owners/ Managers were as follows:



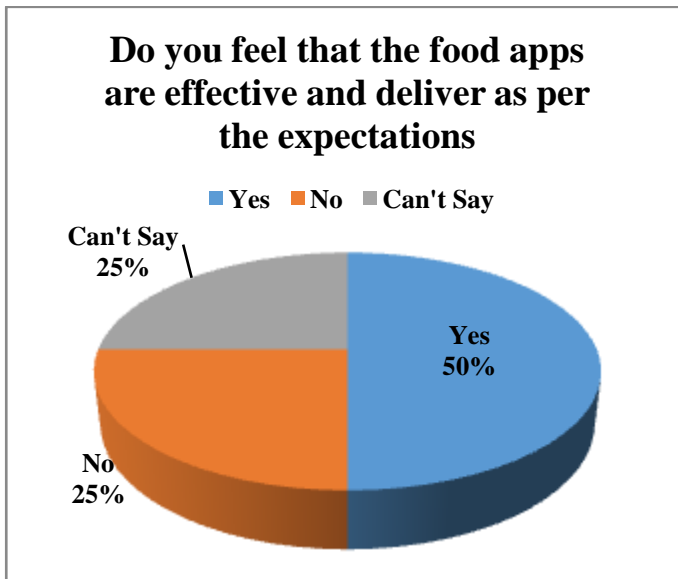
87% of the respondents said that they were linked with mobile food ordering apps.



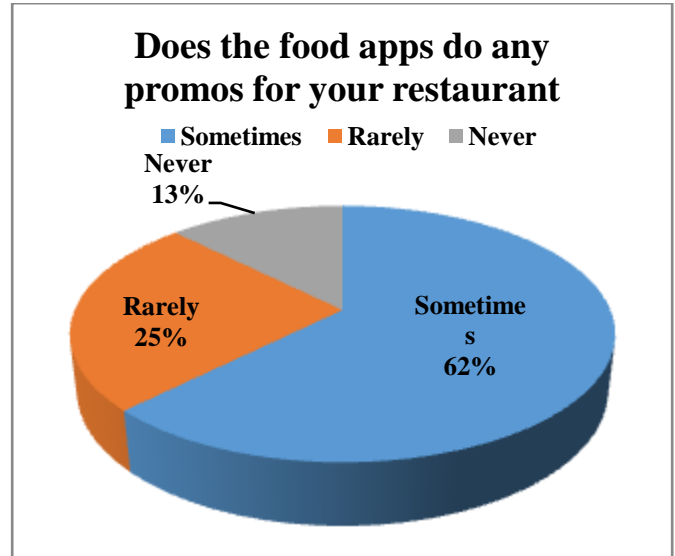
57% of the respondents who were linked with mobile food ordering apps said that there were linked to up to 3 apps for ordering food.



While 37% of the respondents felt that the volume of business through mobile food apps was negligible, 63% of the respondents felt that volume of sale through mobile food ordering apps was noteworthy.

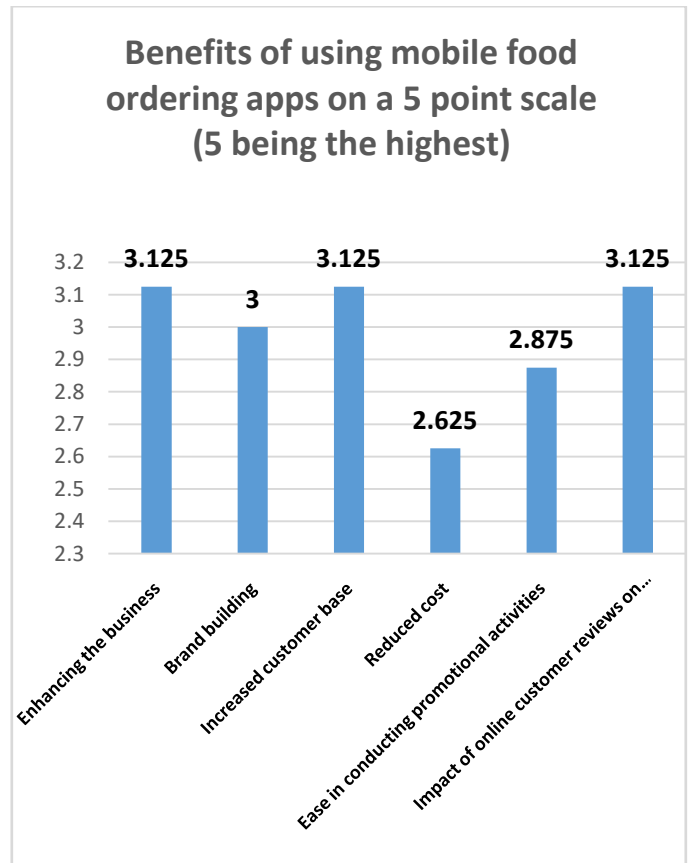


50% of the respondents felt that the food apps were effective in ensuring delivery as per the expectations while 25% were unable to analyze how effective the apps were in delivery as per the expectations. 25% of the respondents felt that the apps were not effective in delivery as per the expectations of the customers.

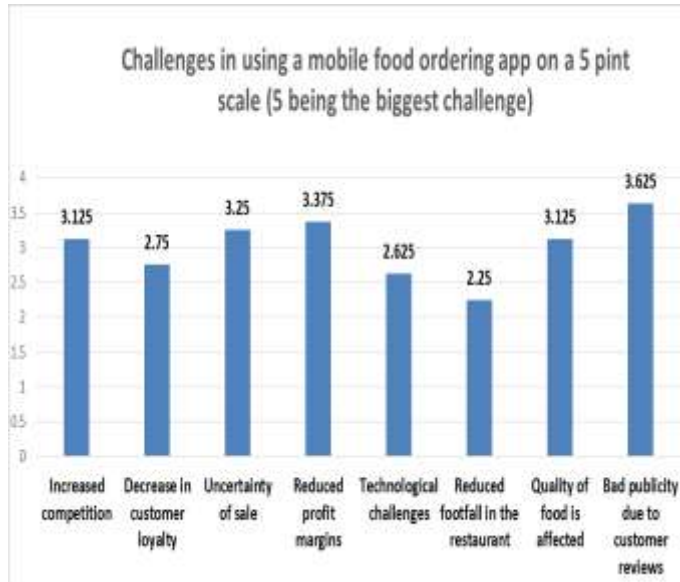


62% of the respondents said that food apps carry promos for their restaurant; 25% of the respondents felt they rarely promoted their restaurants and 13% respondents said that they never carried out promotions for their restaurants.

The respondents rated the benefits of food delivery apps as follows:



The biggest benefits identified by the by the respondents were enhancement in the business, increased customer base and impact of the customer reviews on the business (beneficial if it is positive but may impact adversely if it is negative.



The biggest challenge was bad publicity due to customer reviews. Reduced profit margins was another concern of the restaurant owners. The respondents felt that it was difficult to predict sales when customers order online.

VI. CONCLUSION

More than 50% of the food market is in the unorganized sector. However this market is growing in leaps and bounds due to growing urbanization, increasing disposable income, working women and rapid increase in the use of smart phones.

While new restaurants are coming up and technology being the need of the hour, India is dominating delivery market of the world. Investors realize that food is intrinsically has repeat business value and the business models are highly scalable and capital efficient. There has been a 150% growth in the online food delivery business in the last year. Most of the players attribute this growth to 3 factors: internet penetration, smartphone gaining the status of a necessity in life, and the restaurants being forced to explore delivery options to increase their business in the face of competition. The food delivery business also caters to the customer's expectations – wide choices of restaurants, ease of ordering, convenience of having the food delivered at home and reduced cost.

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