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Contribution of Online Food Delivery System on the Growth of Restaurant Industry in India

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Introduction

As people are constantly looking for ease and convenience in today's fast moving world, food industry has also remained untouched with the changes in the social, economical and demographical factors of the country. Today getting quality food at your doorstep within 30 minutes using an app is nothing less than a luxury that a person can receive after a hectic day at work. Increase in disposable income, increasing work pressure, nuclear family system, easy access to internet, and increased smart phones etc are some of the influencing factors that are growing the online food delivery market in India. Online food delivery system are giving several benefits to the society as it provides fresh food at the doorstep of the customer, giving various payment options, cash back offers and nobody can resist the attractive discounts popping on their mobile app. The present Indian market is captured with popular players such as foodpanda, swiggy, zomato and faasos etc. India is witnessing the tremendous growth of restaurant industry after the advent of technological development in restaurant industry.

Online Food Delivery Market Review

Online ordering of food in India is still in its early stages despite gaining popularity recently. With the increasing cut throat competition and large market, the online food delivery service providers are introducing lot of innovative method, more discount offers to increase the customer satisfaction and retention. Foodpanda, Swiggy, Faasos, Tinyowl and Zomato are currently among the top-rated food ordering apps.

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Online Food Delivery Market Definition

- Online food ordering is a process of ordering food from a local restaurant or food cooperative/franchise through the restaurant website or via app.
- Generally, a people look for their favorite restaurant, usually filtered via type of cuisine, select from available items, and selects delivery or pick-up.
- Delivered items include drinks, food, and desserts etc.
- Payment can take place either by credit card or cash, with the restaurant returning a percentage to the online food company.

Objectives of the Study

- To get an insight of the scope of online food industry.
- To identify the factors encouraging the demand of online food delivery services in India.
- To identify the challenges faced online food delivery market.

Research Methodology

The paper is a conceptual and descriptive in nature. This study is based on secondary data collected from different books, articles published in different journals, Reports, research papers and websites.

Growth of Online Food Delivery Services in India

The online delivery platform is gaining so much attention and growth today. People who miss out the morning breakfast at home order in and people who desire an office party order in too. Convenience, comfort and fast delivery are the gifts of online delivery system. This has obviously making huge impact on the brick and mortar formats of the dining restaurants. Large number of customers prefers to have restaurant style food in their home or workplace but the impact is not that bigger as it appears to be. The fast food business in India is only two decade old and remains largely unorganized. As compared to the growth of organized sector big investment are required in ongoing restaurant business that may not have a delivery focused format of their own.
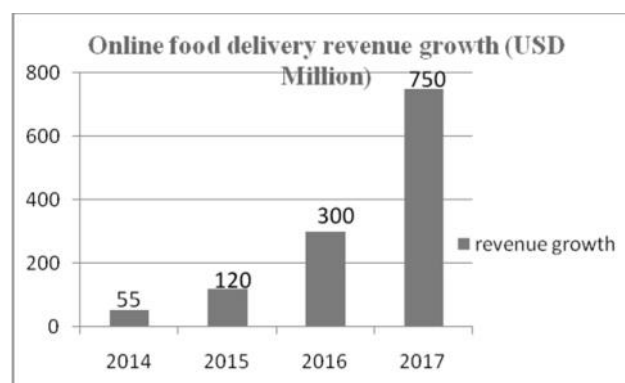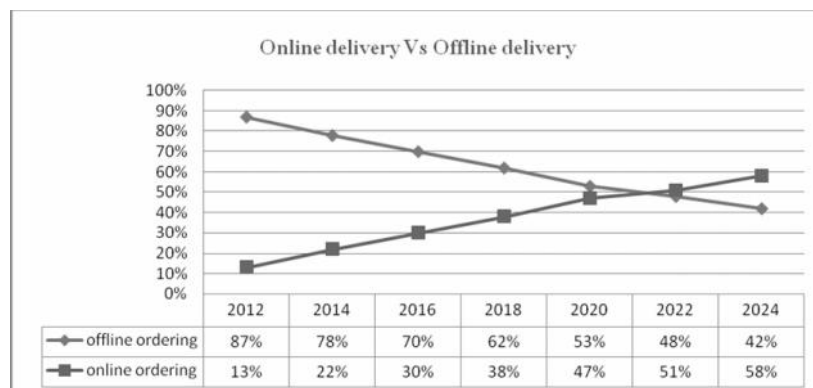

Source: Televisory's Research

This online food delivery data includes only those restaurants which enable customers to order food online through their websites. The data suggests that the revenue growth of restaurants is showing more than the double increment every year.
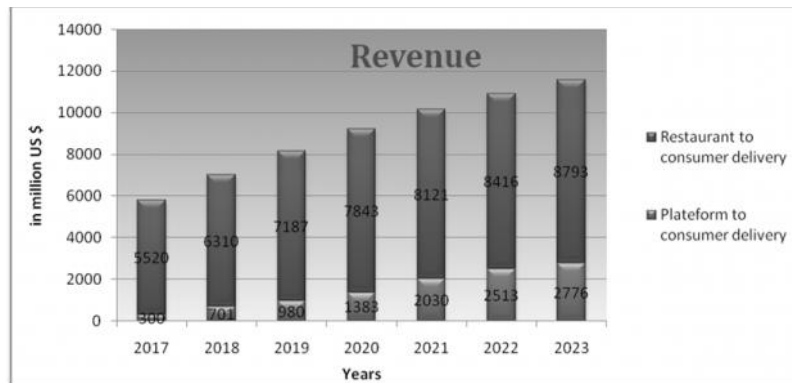
Source: Statista, October 2018

The Indian online food delivery industry experienced many challenges and hindrance in its growth story still 2016 with so many players scaling down their business. This can be clear with low investor sentiment wherein the industry saw a total funding of less than USD 80 million in 2016 against USD 500 million same period years before (RedSeer report).Even after this, the industry grew at 150 per cent year-on-year last year with an estimated GMV of USD 300 million in 2016.

	2012	2014	2016	2018	2020	2022	2024
offline ordering	87%	78%	70%	62%	53%	48%	42%
online ordering	13%	22%	30%	38%	47%	51%	58%

Source: Cowen and company research report

Factors Responsible for the Growth Online Food Delivery Services in India

Demand Factors

- **Empowering Demographics**

With a population of over 1.2billion, India is irrefutably one of the greatest consumer markets in world presently. In addition, half of this consumers fall younger than 25, and the rest before the age of 35 years; making India among the most youthful population on the world as well. A large portion of the fast food demand

originates from age gather 18-40 years. Additionally, continuously 2025 the Indian white collar class statistic is relied upon to reach 550 million. Young India's hunger is one of the key drivers for demand in the food industry in India

- **Increasing Income and Consumption**

    The expanding number of youthful Indians being profitably utilized in rewarding businesses, like IT sector and banking industry has raised their living standards and has increased their disposable income. The World Bank reports a stunning 50% increment in per capita pay since 2006 up to this point. Urban India sees a noticeable change in the social setting, which further fills the development of fast food restaurants in India. Higher discretionary income is additionally a key driver for increasing the consumption level of India.

- **Positive Lifestyle Changes**

    Increased income at home, dual income of both the partners, hectic schedule at workplace has changed the lifestyle and food habits of Indian consumers. The demand of fresh food at a affordable price is increasing. Less time and desire to spend quality time with loved ones are creating a need for food delivered at the doorsteps of the people. The working class these days prefers to order food online to save their time and efforts that would go into cooking up a meal at home.

- **Rising Number of Working Women**

    There has been a drastic increase in working women in India. Rising population, urbanization and increasing traffic on roads are some of the factors which have compelled the working women to spend most of their productive hours commuting and at work, therefore there is very less time to cook full meals at home, all by themselves. Working women typically spending a large amount of their disposable income on eating out and getting food delivered at home. This is again a key demand-driver for the online food delivery services in India.

Supply Factors

- **Low Investment**

    The amount of capital required for online food delivery system is very much lesser compared to starting up a restaurants. Huge cost is involved while setting up a restaurant like rent, designing interior, furniture and so on. Due to this cost most service provider are willing to invest their time and efforts in the format dedicated to delivering food at the doorstep. There is significant decrease in the cost of labor and the cost incurred on ambience and quality real state.

- **Emerging Logistics Provider**

    There is increasing number of logistics providers for the food Industry too, such as who are providing their logistics services to the big giants in India such McDonalds and Pizza Hut.

- **New Trend in the Delivery Sector**

The role of increasing number of smart phones and website based system cannot be avoided. Increasing access to internet, increase in literacy rate has made online food services a fortunate business. Dominos Pizza claims to deliver over 50,000 pizzas in a day and 15,000 orders are made online. Many big organized players like Pizza hut, Dominos are tied up with online food services site and a mobile app. Food panda for example has doubled their earning from 2015 to 2017.

Challenges of Online Food Ordering in India

The major challenges faced by Indian consumer in ordering food online: A recent study was conducted on Indian Consumer over a period of one year has revealed the major issues which was taken over a period of 6 months, revealed some of the major roadblocks in the way of mass adoption of online food ordering & delivery services.
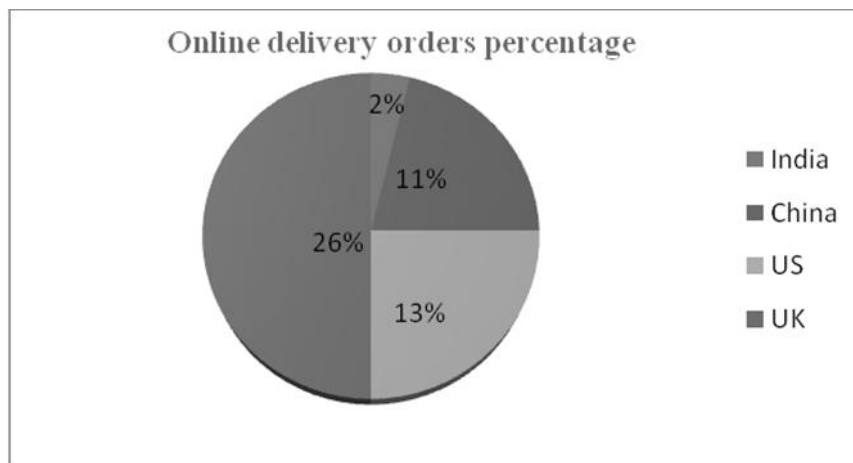
Reasons for Not Ordering Food for Delivery

Source: Alpha wise

Conclusion and Suggestion

The Indian food industry is blessed with huge growth constantly improving its share in the world food business every year. In India the food Industry is emerging as a high growth sector due to changing lifestyle and working condition. The reach of internet has improved drastically. Percentage of young working population with doubled income is improving day by day. Tech savvy generation is eating out more than their predecessors making the great contribution in the growth of online fast food industry. However certain drawbacks such as unavailability of quality manpower, low investment, fragmented supply chain is still a major hindrance in the growth of online food delivery market in India.

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