Online Food Ordering - Serving Food Conveniently

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Abstract

We are living in the world where time and effort are two biggest factors in life; the same applies for food also. Now-a-days people are getting inclined to foods from the restaurants rather than homemade foods in order to save time and effort. Online food ordering service suits with the lifestyle of busy working individuals. This is the reason they are getting widely popular among people in the buzy cities of India like Mumbai, Delhi, Bangalore and Hyderabad. Many restaurants are making online ordering available, thus making it possible for the people to get the food of their choice quickly and easily. By ordering through leading online food ordering websites, you can have a great dining experience and also save a lot of money by availing offers provided by them. This case study discusses about the online food ordering industry in India, five prominent players in the industry and the business models used by them.

Keywords: Food industry, Online ordering, Justeat, Foodpanda, Tastykhana, Yummybay, Deliverychef, Rocket internet, Delivery Hero, Hungryzone

Food Industry in India

India is known for home-cooked meals and prides itself on being a society in which food traditions stand strong. Yet restaurants such as Domino's Pizza, McDonald's and Pizza Hut have not only made an entry into the market but have flourished. The Indian food industry has seen strong development over the past few years. The fast food chains are expanding into India's smaller cities and the demand for premium brands across major cities has resulted in strong growth in past few years. After China, India is the second largest producer of food in the world, and has the potential of becoming the largest producer in the years to come (Corporate Catalyst India, 2012). According to IreenaVittal, principal, McKinsey & Co., the food retail sector in India is likely to rise to $150 billion in 2025 from $70 billion in 2008. One of the most promising sub-sectors is fast food, thus creating a large number of fast-growing food markets.

Online Food Ordering Industry in India

The organised food industry is estimated to grow at 25% to INR 28,000 Cr by 2015. The delivery segment is growing even faster at 30-40% every year. Add to that, India's favorable demographics (65% of our population is below 35 years if age), increasing online shoppers (20 million online shoppers, 50% of whom are below 25 years of age) and a potential 22 million (number of facebook users in the age group 18-22) increase in workforce over the next 5 years and you have the recipe for a huge business (Sareen, 2013). However, the share of online orders is very low. As the real estate cost is increasing, restaurants are also focusing more on

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deliveries and takeaways in order to grow their business. The arrival of international brands has also encouraged the growth in home deliveries and takeaway of food. All these factors indicate well for a one stop platform for food ordering.

Online food ordering is becoming a new trend these days. Many studies are showing that there is a demographic change in the food ordering pattern of the people. The fast food chains like Mc Donald's, Pizza hut, Dominos, KFC etc. came into existence and revolutionized the fast food market, that lead to many new ways of food ordering. Online food ordering has now-a-days become very popular as it has many advantages. Today people are very much open to new things, and are enjoying the new services and benefits provided by the restaurants. The developing nations like India and China are also showing good responses to those services. Websites like Foodpanda and Justeat is doing a nice job in providing online food ordering solutions in domestic as well as in international markets.

Creating New Business Opportunity

In India, Hungrybangalore was the first portal to launch on 26th July, 2006. Ritesh Kumar Dwivedy, alumni of IIT Kharagpur while working in an IT firm used to order food from restaurants, but faced a lot of problems due to lack of information available on web. He also found it difficult to communicate his choices with the restaurant as the order takers are usually too busy to listen. He and his colleague Priyanka found this was a problem with most of the people of their profile. They did a small market research to validate their assumption before starting Hungrybangalore. They didn't want to be just an information portal and wanted to enable the users to place online orders, providing reviews for the restaurants etc.(Kumar, 2009)

Leading Online Food Ordering Portals in India

Online food ordering industry has seen a number of players entering the market. While some like Foodpanda, JustEat, TastyKhana, etc. are national players, there are many other local ventures that are focused on single markets. We will look at five popular online food delivery portals that are helping India enjoy tastier food at home.

(a) Foodpanda

Foodpanda is an on-line food delivery service that operates in more than 27 countries. It was brought to India by the entrepreneur duo Amit Kohli and Rohit Chadda. Foodpanda has been incubated by Berlin based Rocket Internet. It was launched on May 2012 in New Delhi. Foodpanda is one of the online food ordering service platforms that has seen an exponential growth in past few months in India and globally. Recently, Foodpanda raised USD 20 million from a group of investors that includes Rocket Internet, Phenomen Ventures, a Russia based venture capital firm and Investment AB Kinnevik, a Sweden based Investment Company.

Foodpanda is serving customers in 12 cities in India with a network of 2000+ partners including some of the popular brands like: Pizza Hut, Chicago Pizza, Subway, Nirula's, Eatsome, Baskin Robbins, Kabab Xpress, Faaso's amongst many others. Foodpanda is planning to increase its operations to 33 countries within a year. AmitKohli, Co-founder & Managing Director, Foodpanda India said that "India is a market with huge potential where the scope for growth is immense. However, with internet penetration of only 8%, it is only logical to target the more cosmopolitan Tier I cities which have a sizable working population with mature internet users".

Foodpanda is concentrating mainly on quality traffic and targeting potential customers, whom they have been able to reach very successfully. They are growing by 25-30% on month-on-month basis. Currently Foodpanda is getting around 25000-30000 unique visitors a day. In this, 65% of the traffic comes from Delhi, Mumbai & Bangalore and rest 35% from Chandigarh, Hyderabad and Pune. The marketing strategy of Foodpanda is to target the potential customers when they are online in front of their computer screens. Hence the focus has majorly been on digital marketing channels. Foodpanda launched its mobile app in January, 2013 and it has already witnessed more than 250,000 app downloads which is a clear indicator of the need for innovation in the space. As of May, mobile orders contribute 15% to the total orders. (Sareen, 2013)

Exhibit 1: Home page of Foodpanda

(Source: www.foodpanda.in)

(b)   JustEat

Just Eat is an online food ordering and delivery service, headquartered in London. It is operating in 13 countries around the globe: Argentina, Belgium, Brasil, Canada, Denmark, France, India, Ireland, Italy, Netherlands, Norway, Spain, Switzerland and UK. The platform allows customers to search for their favorite food chains and place orders online, and choose from delivery or pickup options. As of August 2013, Just Eat has roped in 34,000 restaurants worldwide. JustEat.in was originally started as Hungry Zone in 2006 at Bangalore by Ritesh Kumar Dwivedy. In 2011, London based online ordering service Justeat acquired 60% stake in Hungry Zone and the company was rebranded as JustEat India.HungryZone was launched as Hungry Bangalore, but later expanded operations to Delhi, Mumbai and Pune. Justeat is having a team of around 100 people with the main team (including tech support and marketing) present in Bangalore and sales teams are present in Mumbai and Delhi.

The company allows consumers to book tables and order food using their website, mobile app or phone and has partnerships with over 2000 restaurants in 4 cities - Bangalore, Delhi NCR, Mumbai and Pune. It also has partnerships with chains like Pizza Hut, Pizza Corner, Mast Kalandar among others due to which JustEat is also present in cities like Chennai, Kolkata, Kochi and Hyderabad. The company claims that it has processed about 12 lakh orders from 3 lakh unique customers till now, with majority of home

delivery orders coming from Bangalore. They have over 3 lakh registered customers. The average commission on each booking or order would be around 12%. (Brindaalakshmi. K., 2013). The latest addition to the international Just Eat campaign is the "Don't Cook, Just Eat" tagline which has revamped the brand's global positioning. The company handles the back-end processes of online and digital marketing and order processing on behalf of the restaurants.

Exhibit 2: Home page of JustEat

(Source: www.justeat.in)

(c)   TastyKhana

Shachin Bhardwaj and Sheldon D'Souza decided to venture into India's vast food industry in 2007 when Bhardwaj noticed the need for more Web-available information on the city's restaurant sector. So they started an online food order portal TastyKhana providing services in Pune. Both founders grew up in Pune and graduated from the Maharashtra Institute of Technology, Pune University, and both had totally different careers before taking this path - Shachin was working as a quality control specialist in SynygyInc and Sheldon was a software developer at an embedded system company called Codito.

The company started as an online food-ordering website that offered menus of restaurants so that customers could easily order from the menu. TastyKhana's services expanded to include food delivery anywhere in Pune, table reservations and party venues for those who wish to hold private events. TastyKhana was initially founded with

personal savings from the founders, angel investors, and with the help of friends. A big change happened in October, 2008 when the business model of TastyKhana was changed. They incorporated a food delivery service with delivery managed by TastyKhana. This was done by acquiring a small delivery service provider called Food on Wheels. This acquisition considerably changed the model of business and helped them to ramp up revenues by ten times of their initial numbers. The acquisition of Food on Wheels was the milestone in the two-year-old company's change from online listing service to an end-to-end service provider.

The word of mouth and referrals by the restaurants have been the primary ways in which TastyKhana has found its customers. The restaurants themselves provided such calls since they can outsource the delivery service to TastyKhana. Whenever a customer calls the restaurant, the lead is automatically forwarded to the company. TastyKhana addresses the needs of small restaurant owners who are unable to manage their own delivery service. The outsourcing of delivery services makes excellent business sense, and it helped Tastykhana to generate additional revenues. According to both founders, the outsourcing of delivery is what has contributed to the company's current position. (Valdez, 2010)

The Revenue sources for tastykhana are Commissions from restaurant, charged services to end users, Advertisement income and Registration/Retention Fee for the restaurants. Berlin-based food delivery company Delivery Hero is investing $5 million in TastyKhana, as part of a wider partnership between the two companies, and a preamble to its entry into the country. Delivery Hero earlier participated in the company's seed round in 2012. TastyKhana is operating mainly in four cities across the country covering more than 3,000 restaurants. TastyKhana saw a 400 percent growth in orders since the beginning of 2012. This is one of the reasons that have prompted Delivery Hero to make an investment in the firm. TastyKhana offers apps for Android, iOS and BlackBerry in addition to its online service. Berlin based Delivery Hero is currently operating in 14 countries. It looks like DeliveryHero

is going to enter into Indian market similar to its rival JustEat, which entered into Indian market by acquiring a 60 percent stake in HungryZone. (Russell, 2013).

Exhibit 3: Home page of TastyKhana

(Source: www.tastykhana.in)

(d) Deliverychef

AnkitaTandon and AditiKapur, both 26, were roommates in London in 2007 for a year. Because of their busy working life, they had very little time for daily necessities like cooking and they found ordering food as a quick-fix solution. The next year, Aditi quit her job at Morgan Stanley and returned to India for pursuing MBA. While Aditi was in India, Ankita was still with Deutsche Bank in London. During a casual chat they concluded that e-commerce in India is going to play a transformational role in people's lives. By 2009, online booking of tickets had picked up pace, showing an indication that customers are willing to make online financial transactions if they were provided with detailed information. This trend extended to online food ordering but there was no single platform giving information about all the restaurants. The companies that are offering home delivery, floated menus online that were not updated and the busy telephone lines did not help customers either.

Aditi and Ankita carried out a market research in 2010 and opened the site for a closed group of people to comprehend user experience and incorporated suggestions before going live in the

mid of 2011. Restaurants must fulfill three basic requirements before they can be listed on Deliverychef portal. First, they need to have a mechanism such that Deliverychef can electronically transmit order details directly to the restaurant. Second, the restaurants should hold a valid bank account for transactions and Legal formalities must be in place. Lastly, restaurants must have their own delivery arrangements. Deliverychef will receive 10 to 15 percent of total order value as commission.

Deliverchef also feeds the corporate world, as they tied up with many organisations. The Companies offer employee codes and allocate budgets per employee to Deliverychef. A win-win for both employer and employeees as it benefits the former by doing away with verification and accounting of food reimbursements, while the latter saves from the hassle of claiming food bills. Deliverychef verifies all restaurants by conducting a hygiene test around parameters like quality of food, cleanliness etc. The feedback from customers is also taken into consideration. Mishandling of food and Untimely deliveries can delist a defaulter restaurant from the website. Deliverychef has partnerships with over 500 restaurants including Faaso's, Copper Chimney, Mad over Donuts, McDonald's, apart from smaller ones like Smokin' Joe's, Salsa Wraps, among others. Deliverychef started its operations in Pune and has since expanded to Navi Mumbai, Mumbai and Thane (moneycontrol, 2013).

Exhibit 4: Home page of Deliverychef

(Source: www.deliverychef.in)

(e) Yummybay

Yummybay is an online food ordering portal which is owned by Kochi based Amicitia Food Mart Pvt Ltd. Yummybay tied up with over 4000 restaurants across 8 major cities in India: Bangalore, Chennai, Delhi, Mumbai, Pune, Kochi, Calicut and Trivandrum. Yummybay was launched on October, 2010 by husband-wife couple KettyCherian and Vineetha under Kochi-based incubator Startup Village. They started as a free service for both restaurants and users and it became an immediate hit. As the demand increased, they added a revenue model and started charging restaurants a nominal commission per order. In addition to ordering food online, users can also view restaurant details, menu, photographs, offers, ratings and reviews.

Before setting up Yummybay, KettyCherian founded a web services company named Aadhocc Software Technologies Pvt Ltd. Cherian holds an MBA from De Montfort University, UK while Vineetha holds a B.Tech in Information Technology from IGNOU. The company started with a beta launch in Kochi and expanded to other cities in Kerala within two years. Yummybay now provide services to customers in Bangalore, Chennai, Mumbai, Delhi and Pune along with Kochi, Trivandrum and Calicut in Kerala.

Yummybay also expanded its footprint into Qatar and is looking to start operations in UAE, Singapore and Malaysia by the end of 2013. Yummybay follows a franchisee model in Qatar and has captured 400 clients there. It is going to follow the same model in other foreign markets. In foreign markets, revenue is shared based on a mutually agreed commission and while the overseas partner handles the operations and digital marketing, the User Interface and technology support are handled by Yummybay. It is promoting transfer of cakes sent as gifts to Qatar from India.

Yummybay allows the customers to search by location, restaurant and cuisine type. Users can either opt for cash on delivery or pay online. Yummybay will receive 10 percent of total order value as commission from restaurants. It also generates revenue from advertisements and sponsored listings on their website. Yummybay is

now looking for funding and is already in talks with a couple of investors.This could be critical for the startup to make a mark against competitors with more financial muscle. Foodpanda is a part of the digital ventures stable of Berlin based Rocket Internet while JustEat is an international firm which also operates in India and TastyKhana is getting investments from German based Delivery Hero. According to KettyCherian, Yummybay is betting on carving a space with user friendly interface and other tech capabilities such as better and smoother search on the site. (Abudheen, 2013)

Exhibit 5: Home page of Yummybay

(Source: www.yummybay.com)

Company	Alexa Rank		Founded	Headquarters	Areas Served	Mobile App
	Local	*Global*				
FoodPanda	787	11398	2012	Delhi	Delhi NCR, Mumbai Hyderabad, Panchkula / Chandigarh / Mohali, Bangalore, Pune, Jaipur	Yes
JustEat	2301	26088	2006	Bangalore	Bangalore, Delhi NCR Mumbai	Yes
TastyKhana	2659	38944	2007	Pune	Pune, Mumbai, Bangalore, Delhi NCR	Yes
DeliveryChef	10402	94491	2011	Mumbai	Mumbai, Pune	No
Yummybay	32113	226505	2010	Kochi	Kerala, Bangalore, Chennai, Mumbai, Delhi, Pune	No

Exhibit 6: Major Players in Indian Online Food Ordering Industry

Business Model Used by the Portals

The business model followed by majority of the online food ordering portals has the following features:
- Restaurants will be listed on portal and their menu will be uploaded on the website. These companies generally works on a commission model - i.e. the restaurant pays them 5% to 20% of the order value for all the orders generated through the portal.
- Customers can choose from the various restaurants listed on the website. They cansearch by location, restaurant and cuisine type and place an order

online. Customers can pay cash online or opt for cash on delivery.
- Upon receiving the order, the company representative calls the restaurant and places the order.
- The restaurant then fulfills the order, like they would do for a normal delivery order. They deliver the food and collect the cash.
- At the end of the month, the company sends an invoice to the restaurant listing all the orders placed by them with the commission that needs to be paid and collect the money/check from the restaurant. (Narayanan, 2011)

Conclusion

Online food ordering has now days become very popular in India as it has many of the advantages of its own. Today people are very much open to new things, and are enjoying the new services provided by the restaurants. Food is a big necessity of life and the greatest advantage of online ordering is it is time saving. Online order placing and food delivery service suits with the lifestyle of busy working individuals and fast paced life of today. This is the reason they are getting widely popular among people in the prime cities of India like Mumbai, Delhi, Bangalore and Hyderabad. Many restaurants are getting available for online ordering, thus making it possible for the people to get the food of their choice quickly and easily. The online ordering portals are also coming up with new innovation technologies in order to enhance customer experience.

Case Questions:

1) What is the scope of online food ordering industry in India? Comment about the foreign players entering in the Indian market?
2) What kind of marketing strategies you think should be implemented for this type of industry?
3) Do you think the introduction of mobile applications for food ordering will enhance the customer experience? Critically comment.
4) Do you agree that innovation is one of the key drivers for becoming success in this space? Why or why not.

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