SWOT ANALYSIS OF ONLINE FOOD INDUSTRY IN INDIA

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ABSTRACT

According to National Restaurant Association of India (NRAI), 'the restaurant industry is expected to contribute about 2.1 percent to the total GDP of India by 2021. With emergence of technology the online food ordering & delivery marketplace has been a promising business idea from the start. However the sector hasn't received the attention it deserves from aspiring entrepreneurs. As a result, many parts of it still remain unexplored. If we compare travel industry for instance, where the online penetration is 40%, for food delivery industry, it sits only at 5%. So there is huge potential to be tapped. This research paper is a secondary data based conceptual study. This conceptual paper presents the swot analysis of online food ordering & delivery business, to make aspiring entrepreneurs aware of the potential in.

Keywords: Online restaurant, Fast food, food delivery, online food stores, online food, food ordering online, web ordering
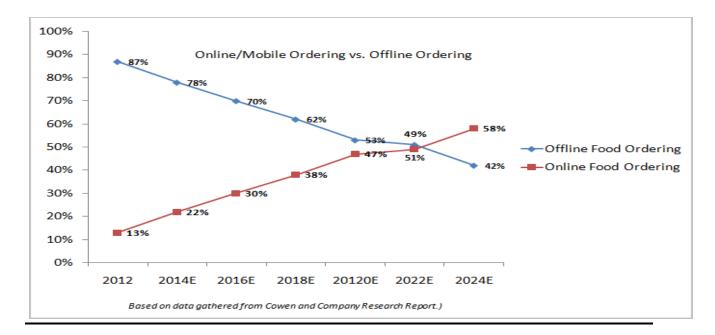
INTRODUCTION

Earlier, in India eating out had not been a prominent feature but over the years, due to changing consumption pattern, eating out has gained momentum. This changing pattern has

ensured constant growth for the Indian Food Services market. India's Food Services market has come a long way from early 1980's when the number of organized brands were countable and the market otherwise was dominated by un-organized players. The revolution in this sector began in 1996 with the opening up of restaurants by McDonald's, Pizza Hut, Domino's followed by Subway, Haldiram's, Moti Mahal and Barbeque Nation etc. Over the past one year, there has been an exponential growth in the number of food startups. The market size of food in India is expected to reach Rs. 42 lakh crore by 2020(reports BCG). Presently, the Indian food market is around Rs. 23 trillion. The Indian online food delivery industry experienced many roadblocks in its growth story in 2016 with multiple players scaling down their operations or shutting shop. This was also visible in low investor sentiment wherein the industry saw a total funding of less than USD 80 million in 2016 against USD 500 million same period year before(RedSeer report).Despite this, the industry grew at 150 per cent year-on-year last year with an estimated GMV of USD 300 million in 2016.

For restaurants, the online platforms have helped increase their reach as, customers have also started to opt for multiple choices offered by online platforms in place of ordering food by calling individual restaurants. The share of online food delivery for partner restaurants (restaurants associated with online delivery platforms) covered in study done by RedSeer has reached 30-35 per cent of their total business and these numbers seem to be growing rapidly day by day.

Based on data gathered from Cowen and Company Research Report.)

REVIEW OF LITRATURE

(Morley and Parker, 2010) It is acknowledged by secondary data authors that online retailing in its various forms, including retailing of food and grocery products is considered to be a component of e-commerce. E-Commerce can be defined as "conducting business transactions – generally financial transactions – via communications technology"

(Laudon and Traver, 2009) inform that internet boom in general, and e-commerce in particular that has started towards the end of the last century had transformed the various aspects of lives of people significantly in a global scale.

(Hall, 2008) mentions a survey conducted in 2008, which revealed that sixty-five percent of food companies were engaged in selling specialty food via internet.

(Gustafsson, 2006) Authors offer different viewpoints about the nature of that affect but agree on the idea that "with the introduction of e-commerce, we have come to expect 24-hour delivery of products from across the world, and home delivery of groceries from the local Tesco at a time of our choosing".

(Kornum & Bjerre, 2005) warn that "one of the main problems of e-commerce in the grocery sector is that only very few firms have been able to make a profit. Thus it is important to identify the main cost drivers of the business and address the question of how to balance the needs expressed by consumers and the resources used by a firm as a consequence of these generated needs".

(Graham, 2004) It has been stated that "an interesting aspect of the massive growth of food e-commerce has been the emergence of a wide of business models through which retailers attempt to organize the delivery of services". Specifically, there are three ways in which the delivery of food and grocery products has been arranged by companies. First, there are companies like Tesco who arrange the delivery of products to online customers from the closest offline branches of the store. Second, some other companies prefer to arrange the delivery from specially designed

warehouses. Third, others have chosen to outsource the delivery function of their business to third parties

(May, 2000, Kozami, 2002, Ashley, 2004, and others) dismiss the idea that purchasing food and grocery products through internet is an entirely new thing. They justify their stand by stating that "we should be suspicious of claims that internet provisioning is something entirely new. There are obvious continuities with existing telephone and television shopping, even if the service has become widespread and notionally democratized".

OBJECTIVES OF THE STUDY

1) To understand the scope of online food industry.
2) To identify the challenges encountered in opting for online food.
3) To identify the reasons for opting online food.

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.

KEY DRIVERS OF THE GROWTH ONLINE FOOD ORDERING IN INDIA

1) Large share of the young population
2) Increasing disposable income
3) Changing consumer life style- Online food ordering is easy way in today's busy life with hectic schedule.
4) Increasing working women population in urban
5) Technology growth- Anytime-anywhere accessibility.
6) Convenient than home cooking and for eating out.

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7) It is easier for customers to visit a single marketplace website (or install the app) instead of visiting websites (or installing apps) of every restaurant chain in the area. To get some perspective, imagine downloading apps of different online retailers on your phone instead of just one single Amazon app.

8) With a marketplace, customers have more options & it becomes easier to explore all the restaurants & cuisines available in the area

CHALLENGES FACED BY CONSUMER IN ONLINE FOOD ORDERING IN INDIA

The major challenges encountered by Indian consumer in ordering food online: A recent survey, 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

Reason	Percentage
Expensive	37%
Prefer to order for take-out	23%
Delivery ordering service not available	18%
Delivery time is too long	17%
Not convenient	17%
Choices of cuisine are limited	14%
Poor food condition (temperature, appearance)	7%
Poor food quality	6%
Poor customer service	5%

Source: AlphaWise

CONCLUSION:

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition.

The reach of the internet is increasing wildly, even outside the cities. The impact of the market as a whole on the entire ecosystem – right from real estate to agriculture, kitchen equipment to supply chain and employment is significant. However, certain challenges such as availability of quality manpower, high attrition rate, high real estate cost, fragmented supply chain, over-licensing etc. act as headwind for growth of the industry. High percentage of young and working population which is well travelled have double incomes and is experimental along with being tech savvy, is eating out more than their predecessors, driving the growth of the Food Services market. The number of working millennial, who are willing to spend for convenience, is also on the rise. It is evident everywhere that the food ordering & delivery sector has a huge scope for online penetration. The market is almost demanding the emergence of more startups like FoodPanda & Grubhub all across the globe. Aspiring entrepreneurs must capitalize on the current dynamics to give people what they want; and also commence a thriving startup in the process.

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