Demystifying
the
ONLINE FOOD CONSUMER:
An $8 Billion Opportunity

Discovering Drivers of Consumer Choices
in the Indian Food Tech Landscape

January 2020

BCG | BOSTON CONSULTING GROUP

Google

EXECUTIVE SUMMARY

Internet growth story in India is at a fascinating stage. Apart from the expected growth in internet users, higher online purchases provide a fillip to growth of internet led businesses in India. Online spending is expected to rise rapidly at 25% CAGR to $130+ Bn in 2025. Amidst this background, the fact that 70% of the funding to unicorn start ups in the last three years has been towards internet led businesses does not come as a surprise.

Online food ordering space is one of the paragons in the internet led business space. Funding in the food tech space has grown by 35x in the last five years. Macro trends such as rising internet penetration, increasing ordering frequency, favorable consumer disposition, expanding reach in smaller tiers and expanding network of restaurants on Food Tech platforms pan India, continue to drive momentum in the industry. As a consequence, reach of food tech aggregators has grown six times from 2017 to 2019. At the same time, we see consumers spend more than double the time to explore and order online, from 32 minutes per month in 2017 to 72 minutes per month in 2019. Riding on the wave of higher consumption in a growing market and maturing dynamics on the supply side, we expect the industry to grow from $4 Bn to $8 Bn in next three years, a massive 25% growth rate.

We see Online food ordering space consumers being governed by evolving demands and barriers with respect to food tech aggregators. Our research indicated that Peer or Network advocacy is a primary trigger behind consumers joining food tech platforms, followed by marketing and discounts. An average Indian consumer thrives on variety. Alternatives to explore multiple cuisines is the most important trigger for continued usage, though omnipresent discounts and convenience closely follow.

We see multiple barriers for non users, like lack of trust in role of Food apps, high delivery charges, food quality concerns and lack of customization.

At the same time, we see that consumers are deeply engaged and have high expectations from Food Tech players. There is an opportunity to bolster the growth factor with five key value propositions - Deep personalization, Focused marketing, Increased quality assurance, constant value for money and advanced convenience features

We see some interesting trends shaping the global food tech space. Evolution of multiple business models enables differentiated offerings and services to consumers. Diversification is a common theme across global players, making inroads into non perishable delivery (Grocery, Medicine), Cloud Kitchen, Ride sharing, Payment Gateway, OTT Streaming and Hospitality. We see players leverage their current network of categories, services and consumer to enter adjacent spaces. Established global operators have invested in advanced deep personalization, data analytics, and targeted marketing initiatives. The objective is to increase user adoption, alleviate associated barriers and forge deeper relationships with supply networks.

Indian players can adapt to their context, lessons from the global online food ordering space. Translating consumer insights into key wins for Indian Food Tech players:

- To drive adoption amongst non users, focus on catalyzing peer advocacy through both monetary and community engagement initiatives

- In parallel, these players can focus on breaking barriers such as lack of trust in the role of food apps and delivery charge by directing their efforts to relevant marketing communication strategies

- The potential for Food tech players to increase usage frequency is immense. This encompasses addressing consumer expectations of customization, quality assurance, environmental friendly packaging, ordering flexibility and value for money etc. (promotions, discounts and offers)

Road ahead to continue winning in the Food Tech space:
As deep personalization becomes imperative for consumers, Food Tech players would need to explore further the potential of advanced digital analytics and machine learning to provide personalized subscriptions, rewards, marketing channels and innovative recommendations

- Food Tech players can also explore data analytics to build operations such as network optimization and roadmap for entering new verticals

- There is a huge potential for Food Tech players to diversify into several new offerings by leveraging customer base, delivery and service expertise

- Finally, strong supplier engagement and partnerships backed by big data can provide increased loyalty with restaurants, higher customer satisfaction, increased negotiation power and higher quality assurance

We hope this report sheds light on the large size of the prize to be captured in the online ordering food space, emerging consumer trends and key initiatives, for players to continue on the path of being digitally nimble in the space.
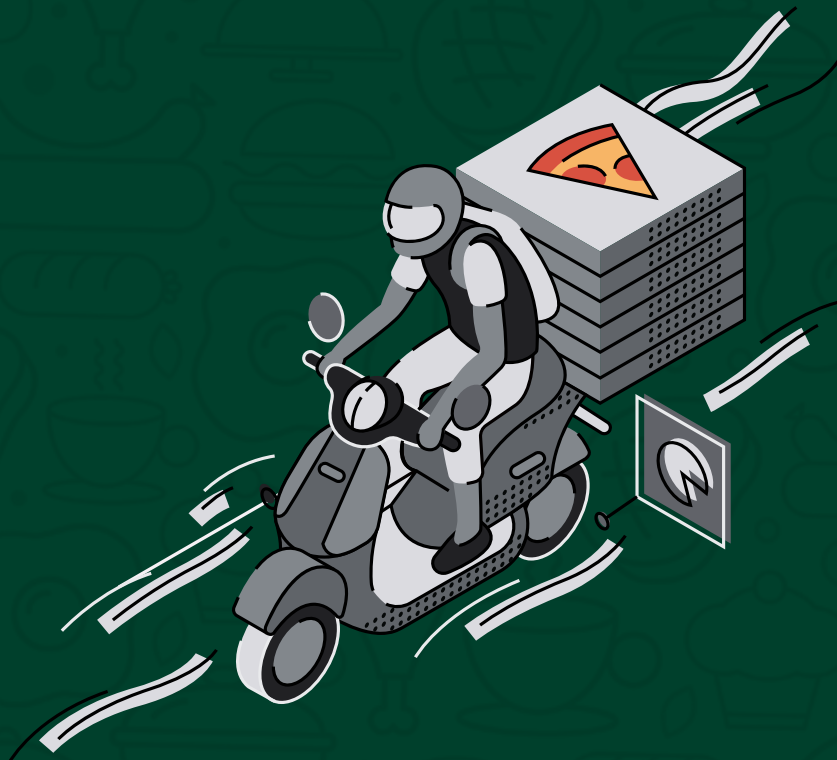
About BCG

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

About Google

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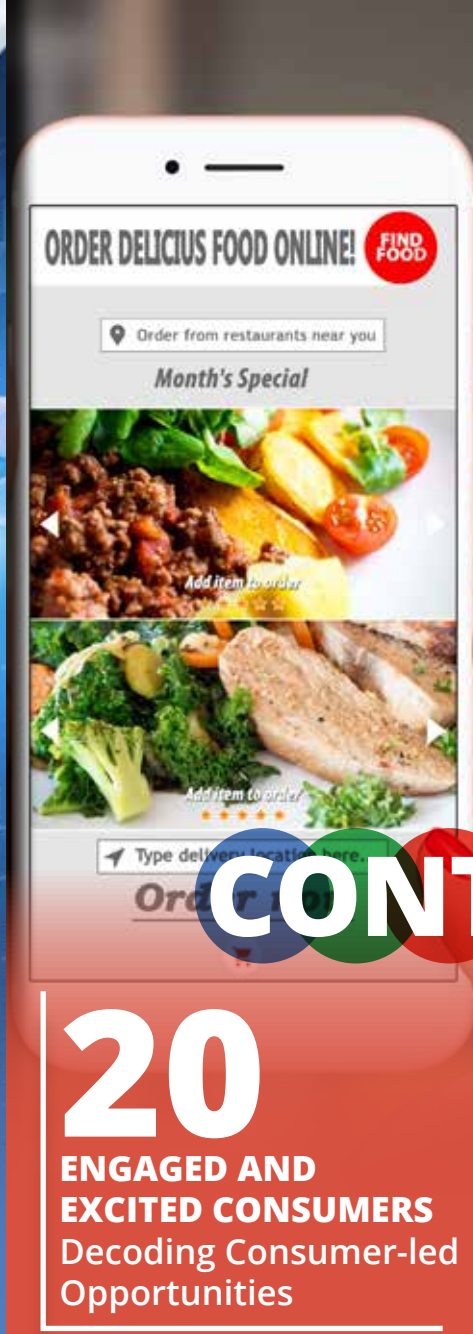
DYNAMIC MARKET LANDSCAPE
Market Potential and Drivers

India's digital age is marked by growing Internet Penetration and Digital Democratization ...

Multiple positive macro growth drivers

Rising disposable income
Gross National Disposable Income grown at ~10% each year from 2017 to 2019[1]

Growing digital infrastructure
Data prices one of the lowest in the world at ~20 cents /GB[2] with large adoption and elasticity

Multiple regulatory initiatives
Government initiatives such as Bharat Broadband network to increase digital access to people

Increasing smartphone penetration
Smartphone penetration expected to increase from 300 Mn in 2017 to 800+ Mn by 2022[3]

[1]. MOSPI Government data; [2]. Telecom Regulatory Authority of India- Yearly Performance Indicator 2018; [3]. IBEF Indian Consumer Market

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... With growth seen in internet penetration across the demography

Internet Subscribers (Million)

Urban

220 — 2015
314 — 2017
440 — 2019

Rural

112 — 2015
132 — 2017
248 — 2019
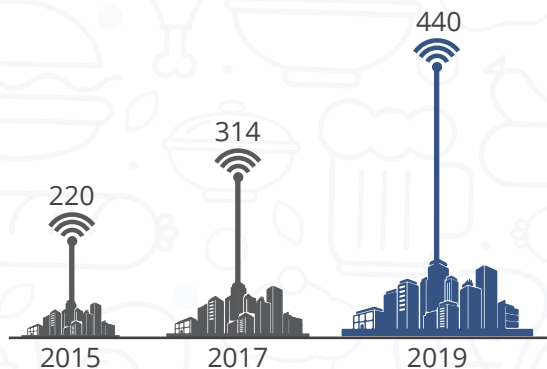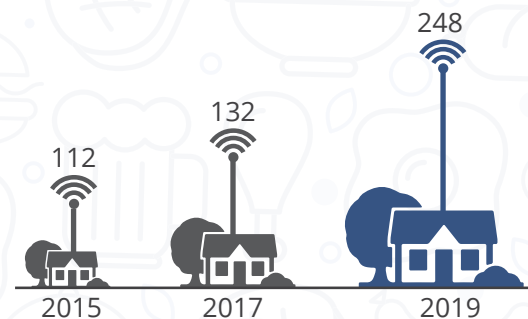
Penetration levels

Male

37% — 2013
79% — 2017
2.1x

Female

14% — 2013
55% — 2017
3.9x
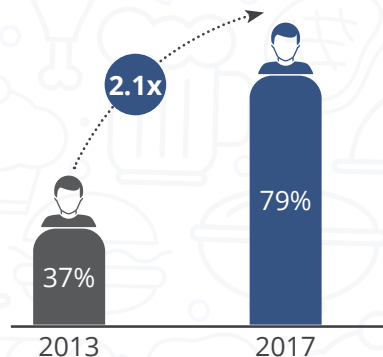
Source: Telecom Regulatory Authority of India; BCG CCI

India's online buyer base expected to show sound growth ...

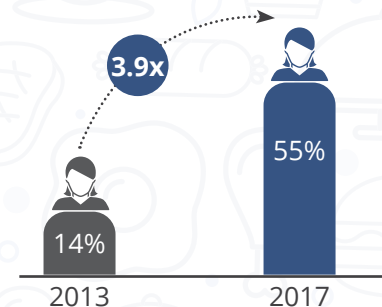*Key macro-economic enablers driving India's digital purchase behavior*

Online availability of most categories

There is now an online market for most products & services from purchasing rice to real estate

Ease of transaction & CoD

Multiple payment options (COD, credit card, UPI) along with low cost EMIs, cashback offers and easy returns

Digital Age of internet users

Increased smartphone penetration supported by improved telecom infrastructure and reduced data prices

Expanding delivery networks

E-commerce players expanded delivery networks for large appliances by 80% from 10,660 to 19,200 pin codes in just one year

Faster/better fulfilment

E-commerce players have invested in supply chain & last mile logistics for same day delivery

Source: BCG CCI digital influence study, 2017

... Online spending is growing at ~25% CAGR

Strong growth in both online buyer base and online spending

Online buyer base
Number (Million)

800+ Mn — 2025

700+ Mn — 2020

300+ Mn — 2015

Internet users

300+ Mn — 2025

200+ Mn — 2020

80+ Mn — 2015

Online shoppers

Online spending
USD Billion

130+ USD Bn — 2025

25%

40+ USD Bn — 2020

Internet led businesses have drawn attractive valuations and funding; Consumer led ecommerce has led the pack

70%+ of funding received in the last 3 years by Internet led business

Current unicorns in India
Funding received by the sector
in last 3 years 2017 to 2019 (USD Bn)

● - Represents 1 company
● - Internet led business

E-commerce

Food Tech & Online Grocery

Fintech

Logistics

Mobile Ad-Tech

IT Healthcare

Accessories

Energy

Ed-Tech

Gaming

Hospitality

IT Software

Telecommunication

Mobility

Sector valuation (USD Bn)
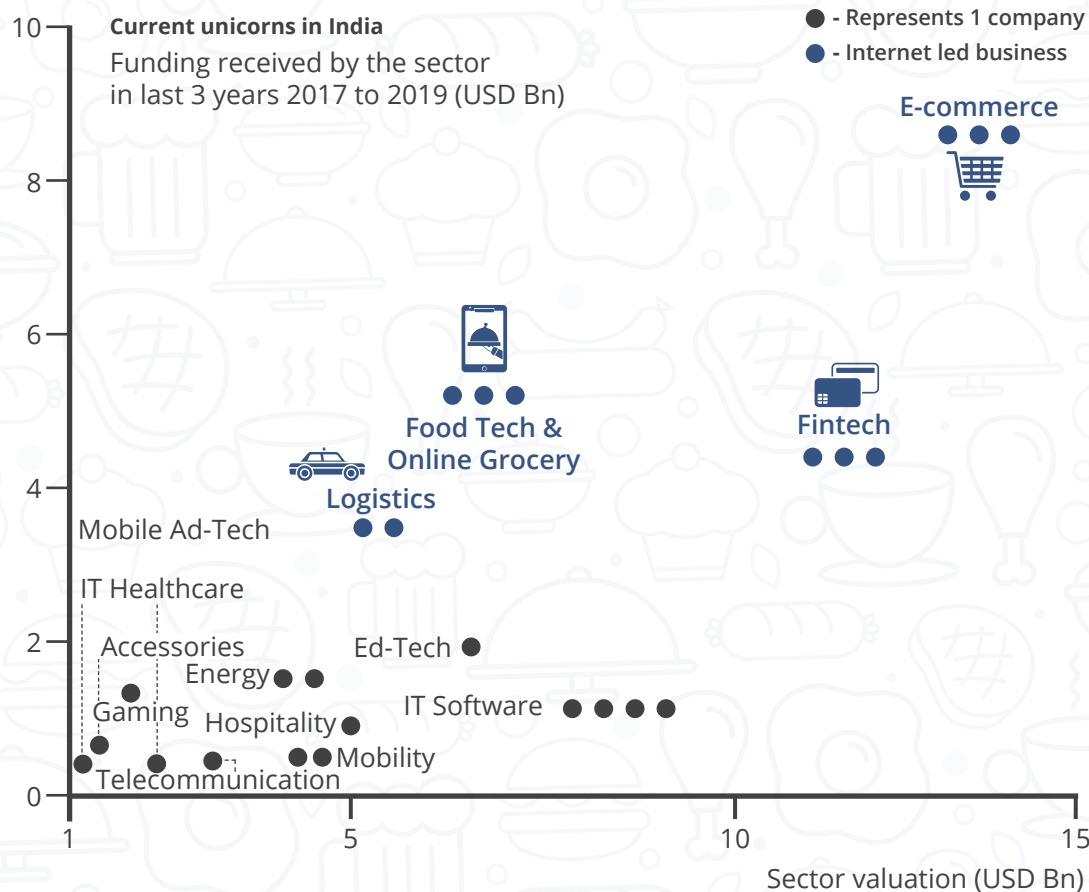
% of total funding in last 3 years

SECTORS

E-Commerce — 34%

Food Tech & Online Grocery — 14%

Logistics — 13%

Fintech — 10%

Food Tech funding has exploded in recent years; Food delivery is the largest segment ...

Annual Funding YOY (USD Mn)

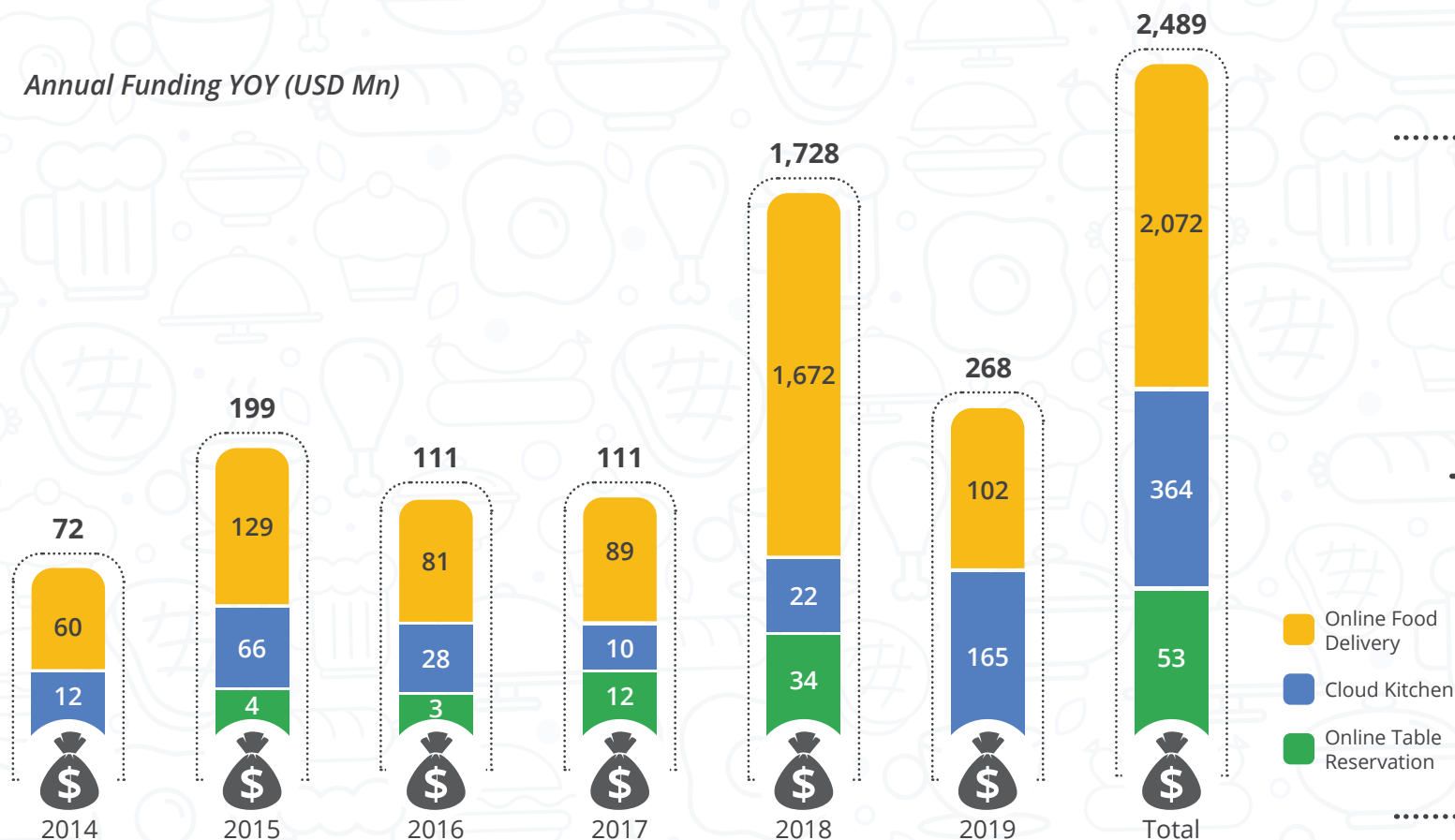**2014** — 72: Online Food Delivery 60, Cloud Kitchen 12
2015 — 199: Online Food Delivery 129, Cloud Kitchen 66, Online Table Reservation 4
2016 — 111: Online Food Delivery 81, Cloud Kitchen 28, Online Table Reservation 3
2017 — 111: Online Food Delivery 89, Cloud Kitchen 10, Online Table Reservation 12
2018 — 1,728: Online Food Delivery 1,672, Cloud Kitchen 22, Online Table Reservation 34
2019 — 268: Online Food Delivery 102, Cloud Kitchen 165
Total — 2,489: Online Food Delivery 2,072, Cloud Kitchen 364, Online Table Reservation 53

Legend:
- Online Food Delivery
- Cloud Kitchen
- Online Table Reservation

Source: All Funding Information sourced from Tracxn, does not include funding that is announced but not received in the 2019 calendar year.
Top Food Service Start ups include: Zomato, Faasos, Uber Eats, Swiggy, Foodpanda, Freshmenu, Innerchef, Box8, Mkdabbawala, EazyDiner, Magic Pin & Loofre

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... while segments like cloud kitchens are emerging

Food delivery continues to be the largest segment

Food delivery apps account for **~83%** of the total funding in food tech space

Cloud Kitchen is the new emerging vertical

Increased trust in the quality & freshness of food vs 'Delivery Only' Food apps

Flexibility to keep experimenting with the menu

Higher operational efficiency vs QSR due to pooling of resources

Ability to create multiple private brands at a lower marketing cost & higher operating leverage per brand

Source: All Funding Information sourced from Tracxn, does not include funding that is announced but not received in the 2019 calendar year.
Top Food Service Start ups include: Zomato, Faasos, Uber Eats, Swiggy, Foodpanda, Freshmenu, Innerchef, Box8, Mkdabbawala, EazyDiner, Magic Pin & Loofre

Large opportunity for growth in the Indian Food Tech industry

Online Food Service as % of Food Service spend[1]

Indonesia	India	Singapore	UK	US	China
2.0%	4.0%	4.3%	9.4%	9.5%	13.0%
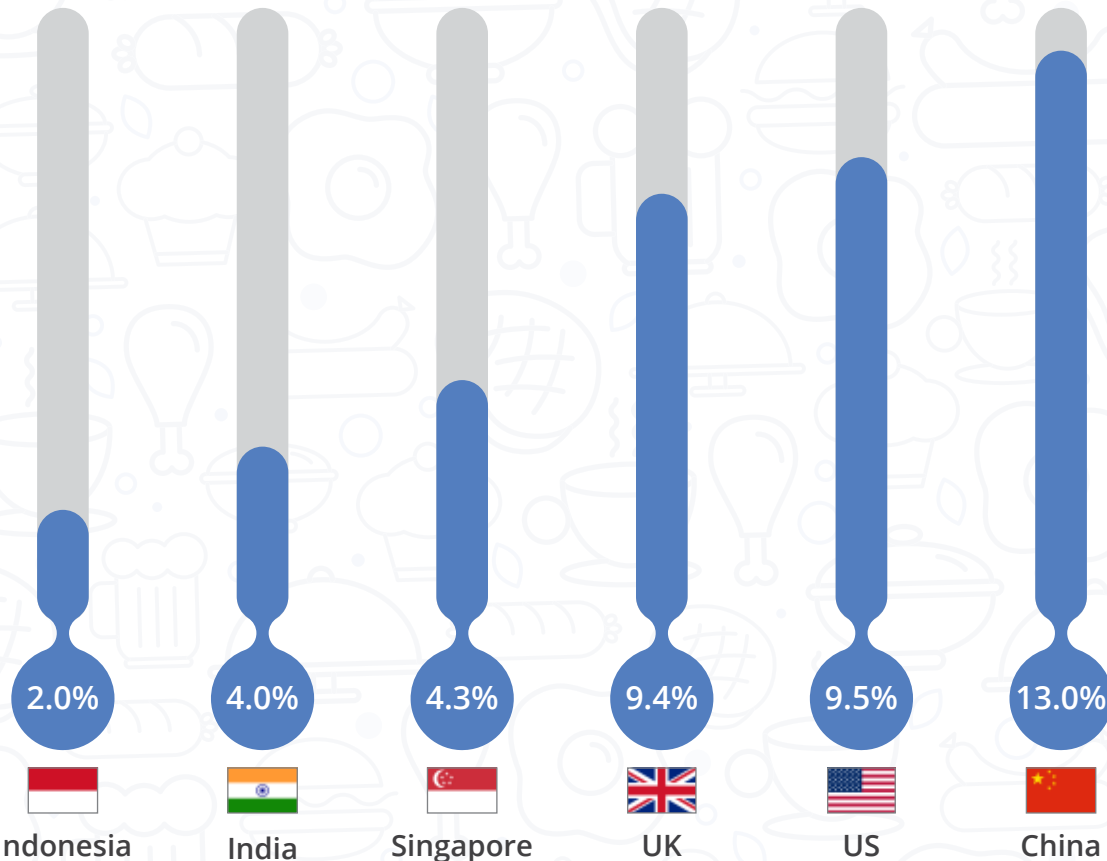
[1.] Food service industry defines those businesses, institutions, and companies responsible for any meal prepared outside the home.
Source: Euromonitor; BCG analysis.

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Within e-commerce, Food tech aggregators are nascent but one of the fastest growing platforms

Reach of food tech apps has grown 6 times from 2017 to 2019[1]

Fintech
- Q1'17
- Q1'18
- Q1'19
- **3%**

Ride sharing
- Q1'17
- Q1'18
- Q1'19
- **5%**

Shopping
- Q1'17
- Q1'18
- Q1'19
- **5%**

Food tech
- Q1'17
- Q1'18
- Q1'19
- **152%**

Travel & hospitality
- Q1'17
- Q1'18
- Q1'19
- **9%**
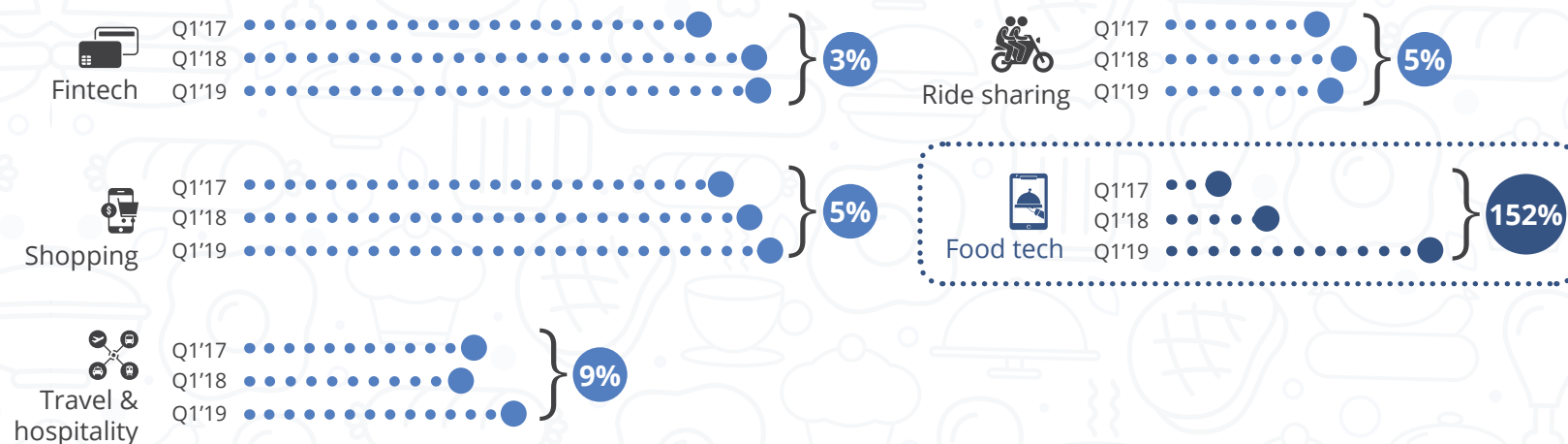
Not just reach, even engagement has doubled for food tech apps

Time spent (minutes per month)

Food tech
- 32 — Q1'17
- 44 — Q1'18
- 72 — Q1'19

Shopping
- Q1'17 — 109
- Q1'18 — 156
- Q1'19 — 121
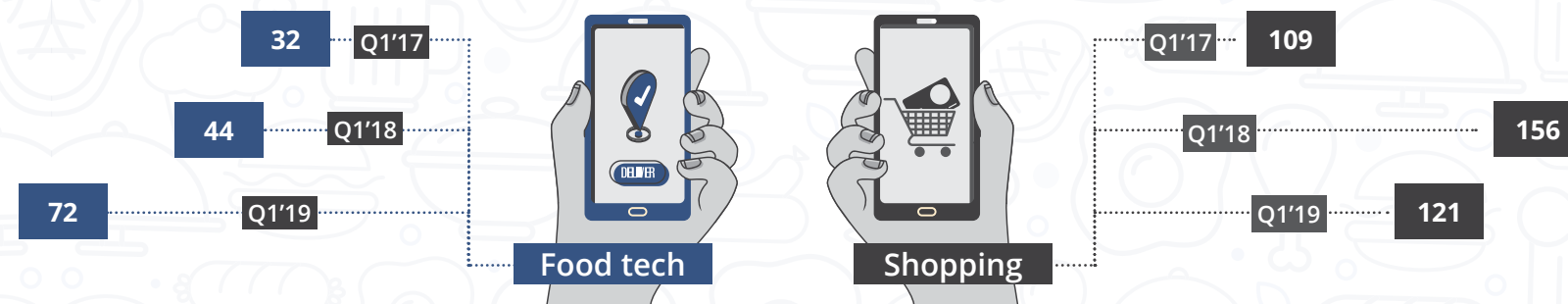
[1] Reach here is defined as the number of people in the interviewed panel that have accessed the app at least once in the month (N=15,000)
Source: Nielsen Smartphone Panel ODM

We expect the industry to grow to $7.5-$8Bn at 25-30% CAGR over the next three years, will require wider adoption & continued usage
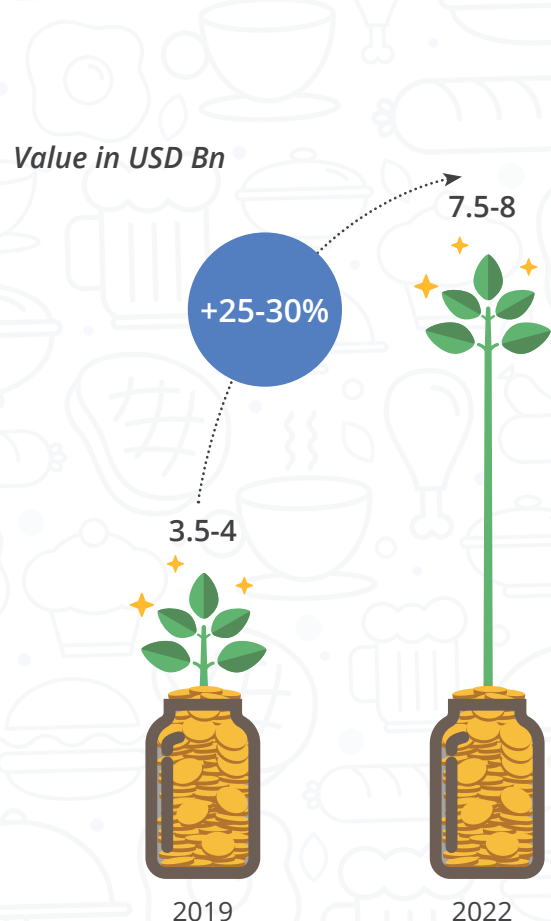
Value in USD Bn

+25-30%

7.5-8

3.5-4

2019   2022

Key growth drivers shaping the food tech space

Increase in internet and online buyer base

- Internet penetration across rural & urban areas is growing at a CAGR of +20%
- Indian online buyers base is expected to grow exponentially at a CAGR of +12%

Higher order frequency though offset by lower average order value

- Ordering frequency is expected to grow by 18-20% even as average order values may soften by 5-10%
- More users are moving from occasion based ordering to habitual ordering on a regular basis

Expanding reach within India

- Large food tech players are now present in 500+ cities in India and aggressively expanding operations in all present cities
- Improving network of restaurants across India has augmented growth of Food tech in new areas

02

ENGAGED AND EXCITED CONSUMERS
Decoding Consumer-led Opportunities

We want to understand consumer needs in online food ordering - *Drivers for adoptions, barriers and expectations across a wide base of existing and potential customers*

Key objectives of the research

What drives first time usage of food tech platforms?

What drives continued usage across users?

What are the barriers to using food tech platforms for offline users?

What are the additional opportunities to engage deeper with consumers?
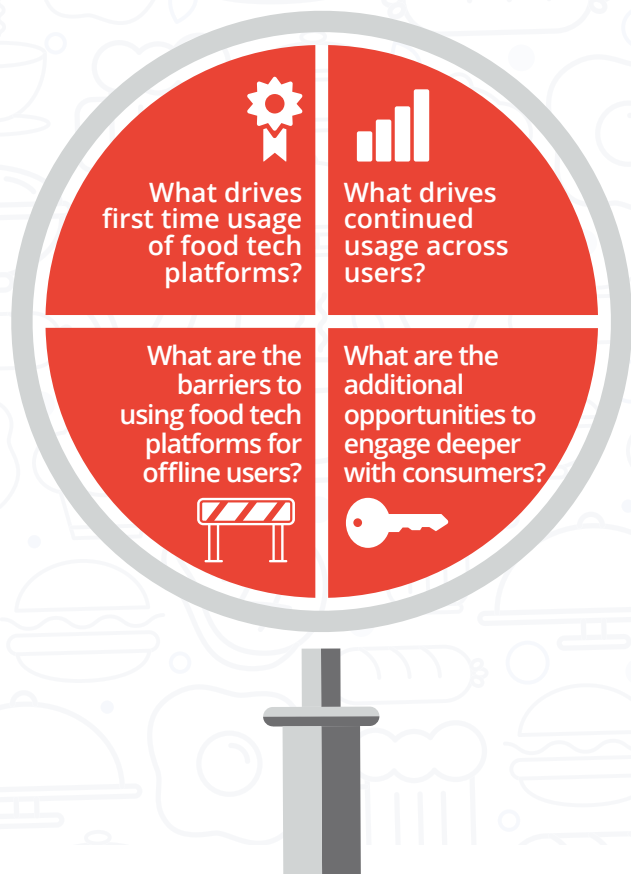
We reached out to ~1500 respondents across 12 cities in India

Delhi

Lucknow

Patna

Bikaner

Vadodara

Surat

Mumbai

Kolkata

Cuttack

Vishakhapatanam

Vijayawada

Chennai

Qual research   Quant research
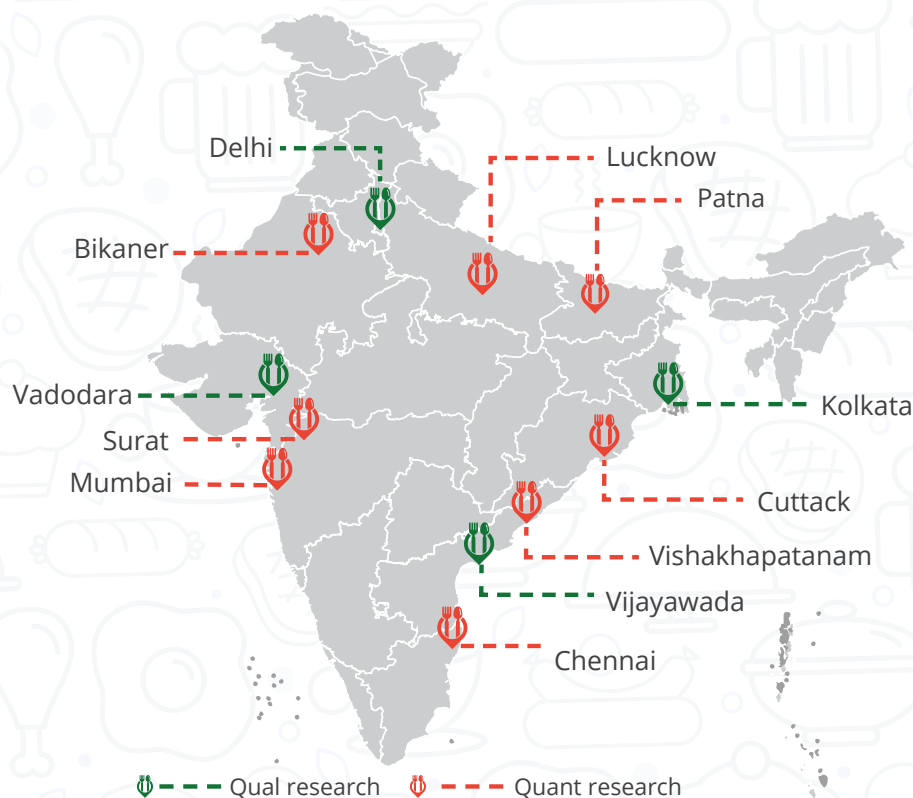
Consumers come onto Food Tech platforms as a result of various drivers
Most claim that peer or network advocacy as the primary trigger for first time usage

Highest ranked trigger across all demographics (town classes, income, age, gender, online vs offline)

Peer/ Network advocacy

Marketing

Discounts

Convenience

Novelty

52%

19%

13%

12%

4%
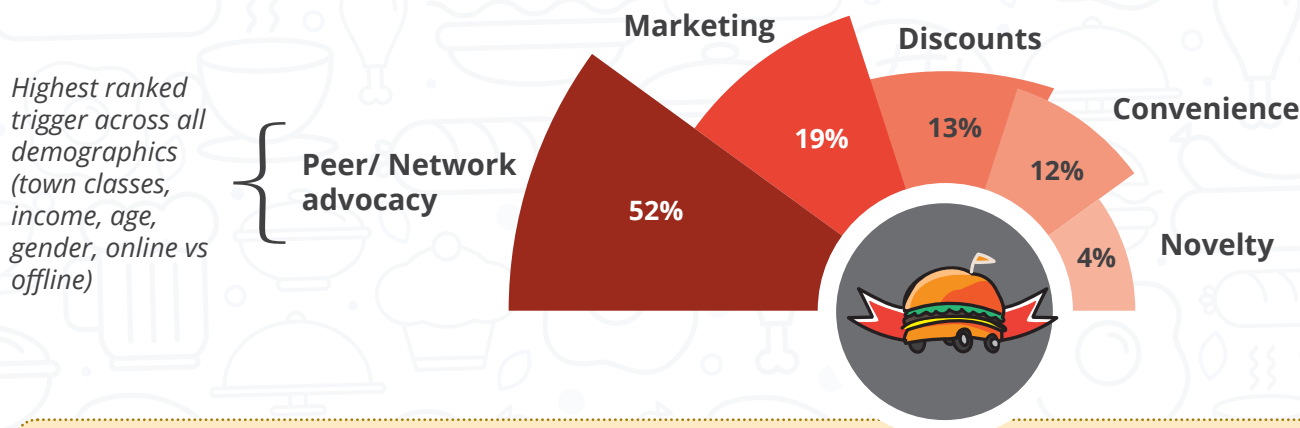
Metro	**Tier 1**	**Tier 2**	**Affluent**	**Aspirer**	**Struggler** (Includes Next Billion)
Advocacy (45%)	**Advocacy (49%)**	**Advocacy (81%)**	**Advocacy (47%)**	**Advocacy (66%)**	**Advocacy (45%)**
Marketing (26%)	Marketing (16%)	Discounts (08%)	Marketing (30%)	Convenience (11%)	Marketing (21%)
Discounts (15%)	Convenience (15%)	Convenience (06%)	Discounts (11%)	Marketing (11%)	Discounts (17%)

- Along with Peer or Network advocacy
- **Marketing** emerges as a strong driver amongst Affluent groups and in Metro cities
- **Convenience & Discounts** are other factors featuring in the top three drivers of adoption

Source: Nielsen commissioned study by Google, weighting/analysis by BCG (N=551); N for each sample, Metro=289, Tier 1=167, Tier 2=97, Affluent=119, Aspirer=180, Struggler=253, Affluent: >80,000 income INR/month, Aspirer: >40,000 to 80,000 income INR/month, Struggler: <40,000 income INR/month
Question asked: What were the reasons that motivated you to order food online for the first time?
% calculated on the basis of number of respondents that chose the option as their top rank (Rank 1)

Variety of cuisines is the strongest driver for continued usage, but value for money important in metro cities & for lower income groups

- **Variety and Discounts** key drivers in metro **cities** & for **strugglers**
- Smaller towns put greater emphasis on **Convenience** & **Variety** over **Discounts**
- Platforms need to solve for **more supply & better delivery** in smaller towns
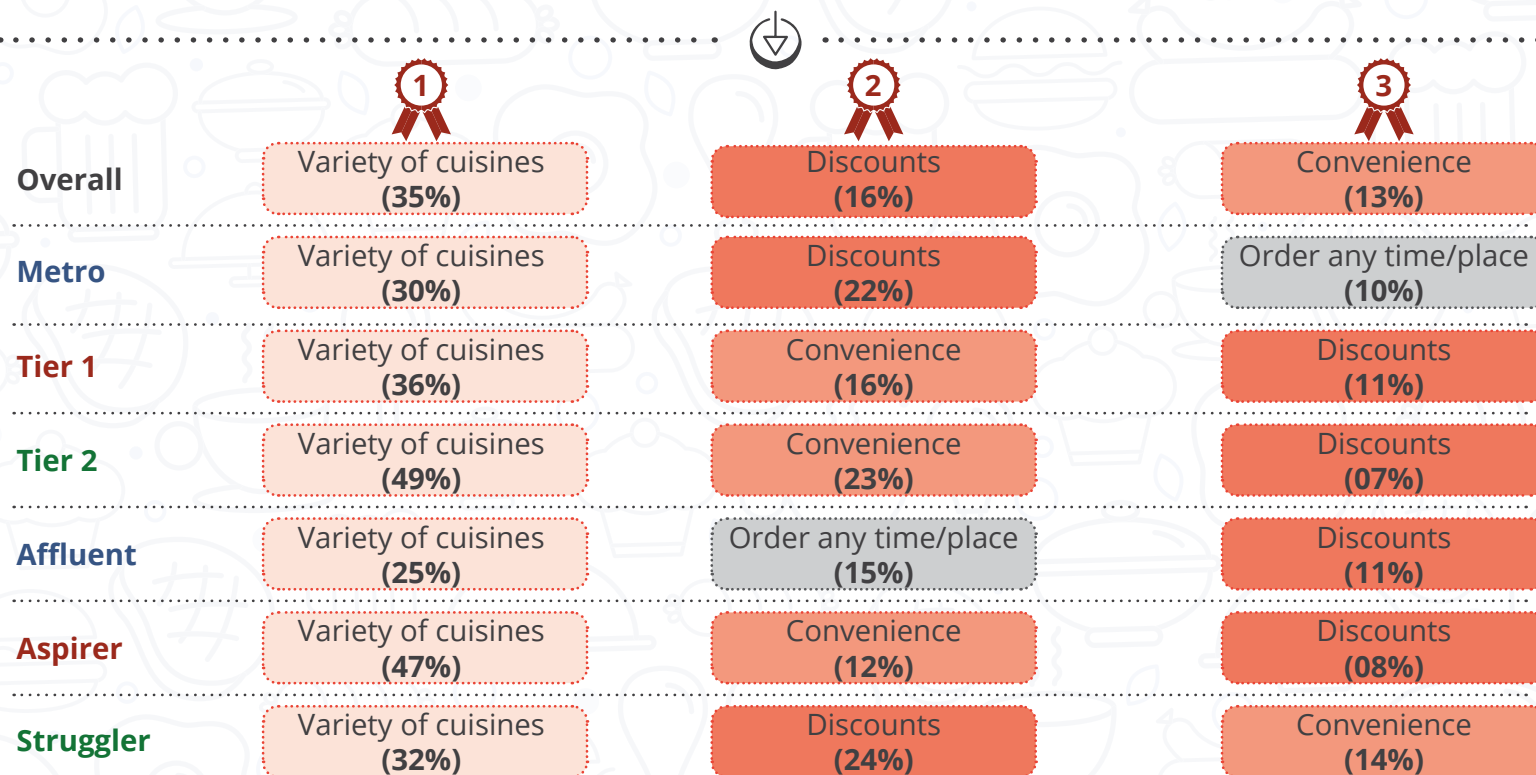
	①	②	③
Overall	Variety of cuisines (35%)	Discounts (16%)	Convenience (13%)
Metro	Variety of cuisines (30%)	Discounts (22%)	Order any time/place (10%)
Tier 1	Variety of cuisines (36%)	Convenience (16%)	Discounts (11%)
Tier 2	Variety of cuisines (49%)	Convenience (23%)	Discounts (07%)
Affluent	Variety of cuisines (25%)	Order any time/place (15%)	Discounts (11%)
Aspirer	Variety of cuisines (47%)	Convenience (12%)	Discounts (08%)
Struggler	Variety of cuisines (32%)	Discounts (24%)	Convenience (14%)

Source: Nielsen commissioned study by Google, weighting/analysis by BCG (N=551); N for each sample, Metro=289, Tier 1=166, Tier 2=97, Affluent=119, Aspirer=180, Struggler=252; Question asked: What were the reasons that motivated you prefer ordering food online?
% calculated on the basis of number of respondents that chose the option as their top rank (Rank 1)

Independent of city tier & usage, users express similar reasons for continued usage

Online Usage

High Online

29% Variety of cuisines

17% Good discounts/ cashbacks

13% Flexibility to order any time/place

Medium Online

41% Variety of cuisines

17% Good discounts/ cashbacks

13% Convenience

Low Online

31% Variety of cuisines

16% Good discounts/ cashbacks

16% Convenience

High Online Users

Metro	Tier 1
Variety of cuisines (20%)	Variety of cuisines (48%)
Discounts (20%)	Delivery at home (10%)
Flexibility (16%)	Convenience (09%)

Medium + Low Online Users (Average)

Metro	Tier 1
Variety of cuisines (36%)	Variety of cuisines (30%)
Discounts (26%)	Convenience (21%)
Convenience (07%)	Discounts (14%)

Source: Nielsen commissioned study by Google, weighting/analysis by BCG (N=551; N for each sample, High=177, Medium=229, Low=125
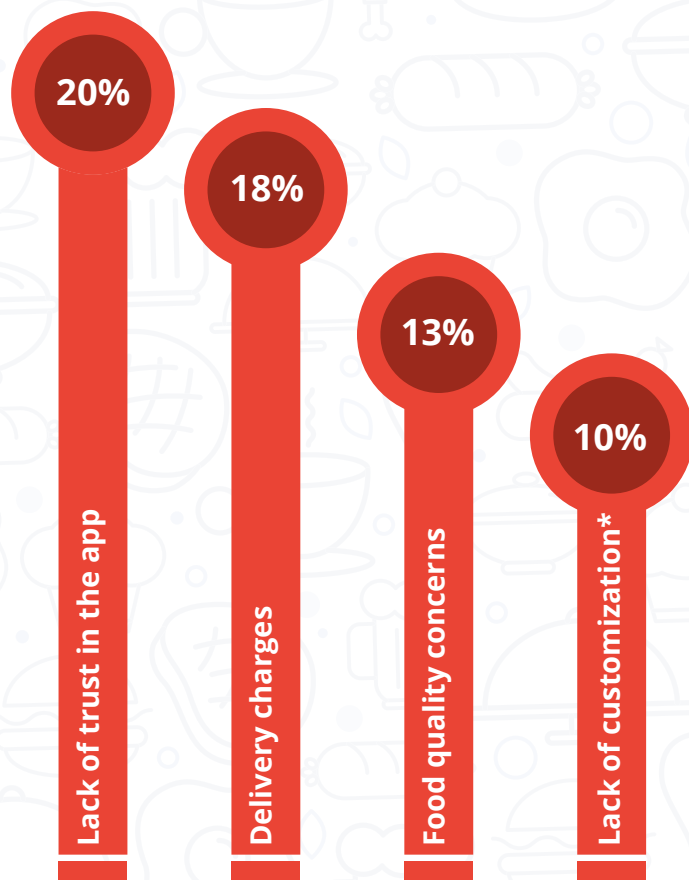Question asked: What were the reasons that motivated you prefer ordering food online?
% calculated on the basis of number of respondents that chose the option as their top rank (Rank 1)
High online user uses food tech app >5 times a month, medium online uses food tech app 2-4 times a month and low online user uses food tech app 1 or less times a month

Similarly, most Indian consumers largely experience a common set of barriers to usage

Barriers to usage

20% — Lack of trust in the app

18% — Delivery charges

13% — Food quality concerns

10% — Lack of customization*

01 "These food apps are not involved in the preparation of food so how can I **trust** them?"
– *Delhi, Gen Z*

02 "The **Delivery charges** for top Food tech players are quite high…Why should I pay delivery charges for a restaurant that is very close to me"
– *Lucknow, Gen Z*

03 "Recently I ordered for Dal and roti from a nearby restaurant they sent the hot Dal in a plastic packet, I had to throw away the dal as post opening the packet, the dal had a **strange smell** to it"
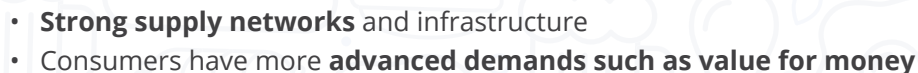– *Surat, Millennial*

04 "My father is a high BP patient so while ordering I wish I could **specify someplace** regarding the salt levels to be kept low but currently there is no option to do that"
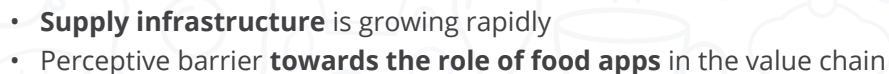– *Kolkata, Millennial*

Source: Nielsen commissioned study by Google, weighting/analysis by BCG (N=290); Question asked: What are the reasons you don't prefer ordering online?
% calculated on the basis of number of respondents that chose the option as their top rank (Rank 1)
*There is little to no opportunity to customize orders when placing orders online.
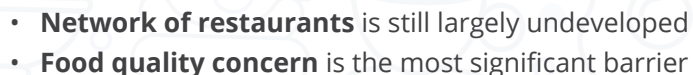
Barriers to usage are a function of the market's maturity

Metros

Delivery charges **27%**
Lack of trust in app **18%**
Lack of customization **15%**

- **Strong supply networks** and infrastructure
- Consumers have more **advanced demands such as value for money**

Tier 1

Lack of trust in apps **29%**
Delivery charges **18%**
Food quality concerns **10%**
Lack of dining experience **10%**

- **Supply infrastructure** is growing rapidly
- Perceptive barrier **towards the role of food apps** in the value chain

Tier 2

Food quality concerns **19%**
Lack of trust in apps **12%**
Lack of personal connect **11%**

- **Network of restaurants** is still largely undeveloped
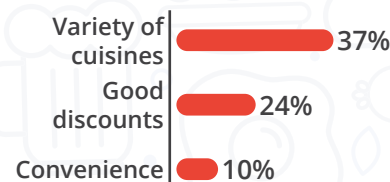- **Food quality concern** is the most significant barrier

Consumer archetypes from different demographics show more similarities and some nuanced contrasts in category adoptions

- Trigger for continued usage similar across archetypes
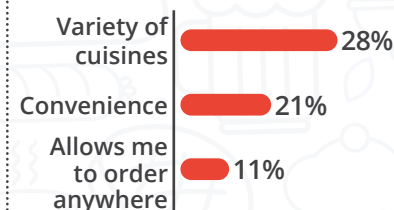- **Variety of cuisines, discounts** and **convenience/ flexibility** are top triggers for continued usage
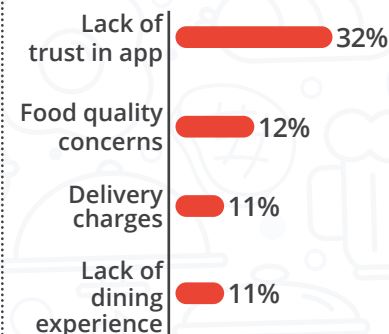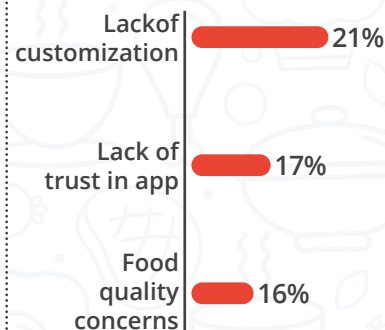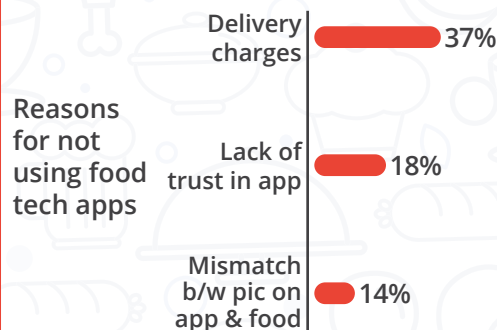
Archetype	Male, Metro	Female, Metro	Male, Tier 1
Reasons for using food tech apps	Variety of cuisines 28%; Good discounts 21%; Allows me to order anywhere 11%	Variety of cuisines 37%; Good discounts 24%; Convenience 10%	Variety of cuisines 28%; Convenience 21%; Allows me to order anywhere 11%

- Barriers vary across the archetypes
- **Delivery charges** is a top barrier for **males** in **metro cities**
- Whereas **lack of customization** is the **top barrier** for **females** in **metro cities** compared with **lack of trust in apps** for **males** in **tier 1 cities**

	Male, Metro	Female, Metro	Male, Tier 1
Reasons for not using food tech apps	Delivery charges 37%; Lack of trust in app 18%; Mismatch b/w pic on app & food 14%	Lack of customization 21%; Lack of trust in app 17%; Food quality concerns 16%	Lack of trust in app 32%; Food quality concerns 12%; Delivery charges 11%; Lack of dining experience 11%

Demystifying the Online Food Consumer: An $8 Billion Opportunity

In essence, online food consumers follow a similar journey of maturity — digital age a much better predictor of behavior than classical socio - demographic segments

EARLY

GROWTH

MATURE

- *Multiple restaurant-single delivery*
- *Personalization*
- *Quality assurance*

- *Variety of cuisines*
- *Convenience*
- *Discounts*

- *Advocacy*
- *Marketing*
- *Discounts*

Mature Stage:
- Steady frequency as consumers order as per their own need or situation
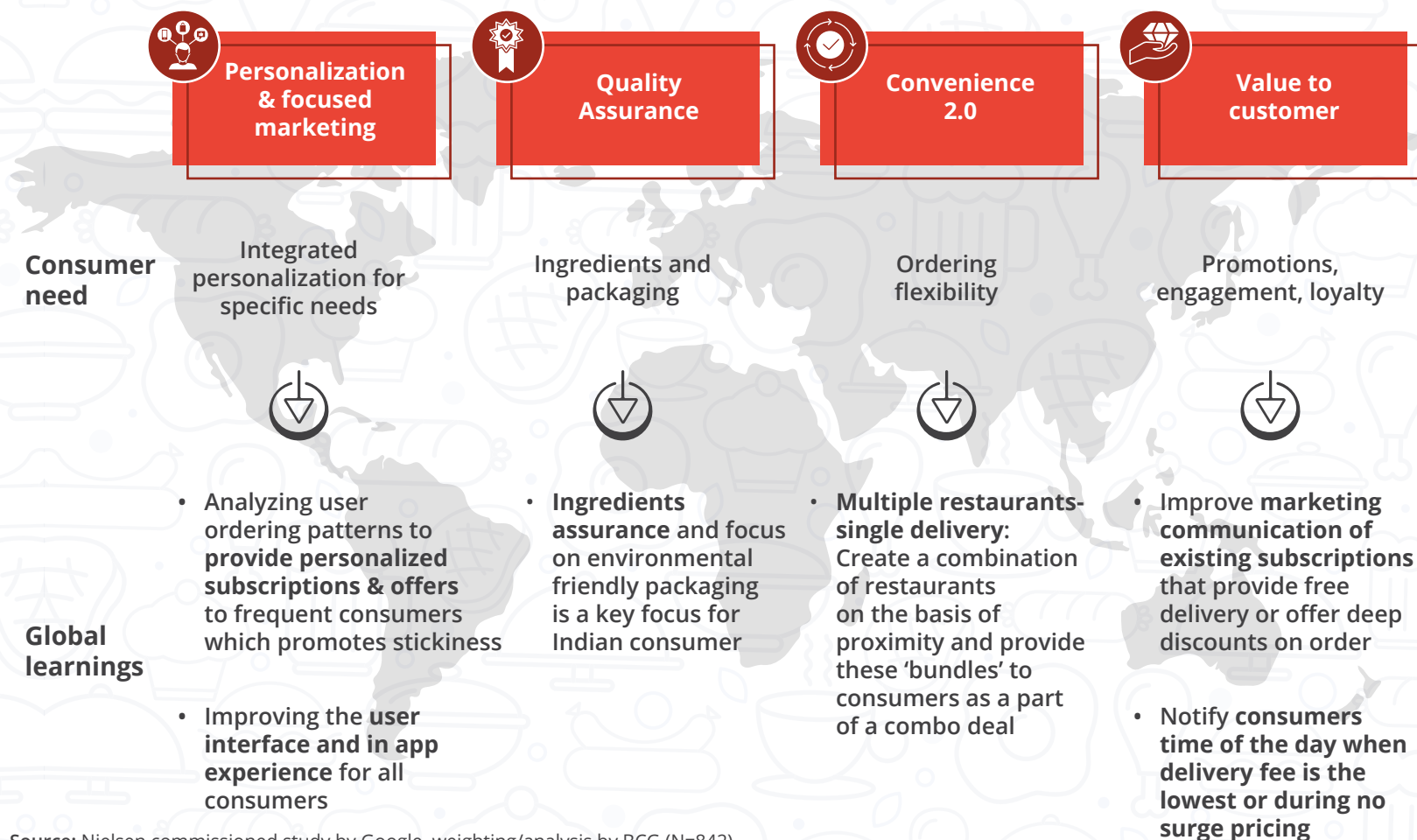- High online users wish list: Single delivery from multiple restaurants, option of personalizing orders and quality assurance

Growth Stage:
- Exponential ramp up as food ordering becomes a habitual tendency
- Continued usage triggers: Variety of cuisines, good discounts or cash backs and convenience

Early Stage:
- Tend to order only during specific occasions
- First time triggers: Peer network advocacy, discounts for first time users and advertising

Consumers are highly engaged in this category, express many desires and expectations

Consumer desires and expectations		**Emerging implication**
Advantage for frequent users such as customized offers , improved app experience, special subscriptions		**Personalization**
Awareness, Discovery and Engagement		**Focused marketing**
Ingredients assurance, Environment friendly packaging		**Quality assurance**
Multiple restaurant- single delivery, Flexibility to **update orders**		**Convenience 2.0**
Promotions, Discounts, **Minimum delivery charges**		**Evergreen value to consumer**

Global food tech players are clearly showing some path breaking steps to "win with the consumer" in an evolving market

	Personalization & focused marketing	**Quality Assurance**	**Convenience 2.0**	**Value to customer**
Consumer need	Integrated personalization for specific needs	Ingredients and packaging	Ordering flexibility	Promotions, engagement, loyalty
Global learnings	• Analyzing user ordering patterns to **provide personalized subscriptions & offers** to frequent consumers which promotes stickiness • Improving the **user interface and in app experience** for all consumers	• **Ingredients assurance** and focus on environmental friendly packaging is a key focus for Indian consumer	• **Multiple restaurants-single delivery**: Create a combination of restaurants on the basis of proximity and provide these 'bundles' to consumers as a part of a combo deal	• Improve **marketing communication of existing subscriptions** that provide free delivery or offer deep discounts on order • Notify **consumers time of the day when delivery fee is the lowest or during no surge pricing**

Source: Nielsen commissioned study by Google, weighting/analysis by BCG (N=842)

Multiple consumer trends that will continue driving food tech in the future

Experimenting with cuisines

There has been a major shift in the eating habits of consumers and they are now willing to explore and try different cuisines. Several consumers now order single serves from Food Tech apps to go with their home cooked food

Convenience

With the option of food now being delivered at the touch of a button from the comfort of their home and at any time of the day, convenience is king for most people

Focusing on health

As ordering food is becoming an increasingly habitual tendency, there is now a greater demand for healthy, home cooked meals leading to emergence of new business models like cloud kitchen and meal subscription

Working women

Rising number of women entering the workforce is a key attribute contributing to the growth of online food ordering in metro cities

Increasing digital behavior

As the number of people who are online increases every day, there is large headroom to increase reach, engagement and usage frequency for Food Tech apps

03
GLOBAL SUCCESSFUL INSPIRATION
Learnings from Successful Operators

Globally, the online ordering ecosystem provides differentiated offerings & services to consumers through innovative business models

Consumer need	Business model	Countries with significant presence
" Anytime, any place food delivery "	Food Delivery Platforms	China · Singapore · India · US
" Delivery = Restaurant "	Cloud Kitchen	US · China · India · Singapore
" I have a special meal requirement "	Meal Kit Subscription	US · UK
" I want to discover/ book restaurant "	Restaurant Discovery & Online Reservation	US · China · UK · India

Source: Industry expert interviews, BCG analysis

Global food tech players are diversifying from core food delivery services; India is taking initial steps in this direction

Three vectors of diversification

Adjacent Categories
Grocery, Medicine, Fresh Meat

Diversifying into similar product verticals

Leverage Services
Ride sharing, Hyperlocal delivery, Cloud Kitchen

Using service and delivery expertise to expand into new services

Leverage customer base
OTT streaming, Payment, Movie tickets, Hospitality, Mobility

Using large consumer base to diversify into unrelated but newer lines of business

Source: Industry expert interviews, BCG analysis

US based top food tech player focuses on personalization and data analytics to create customized solutions for suppliers as well as consumers

Current Operations

Average orders:
~450,000 orders / day

Market cap:
~$5 Bn

Expansion through acquisition:
Their portfolio consists of numerous brands;

Operations:
125,000 takeout restaurants in **2,400+** cities in US and London

Using data analytics to provide 'quicks wins' to restaurant partners

Dishes ordered together

Peak time of orders of each segment — **Data analytics** — **Top restaurants**

Reviews + Social Media

- Uses big data from daily orders, individual order histories, & reviews, to offer 'quick wins' to restaurants

- E.g. if users order fish frequently with pad thai, recommendation to provide a combo deal

Convenience 2.0: Streamlining corporate ordering

- Launched an innovative corporate service that allows for scheduled group orders, with separate payments

- The orders can be integrated with corporate accounts thus creating a more seamless experience for the workers

Personalization using targeted marketing capture niche segments

- To capture college audiences, the player leverages social media such on important occasions during the year

- During key times in the year, like college finals and graduations they provide information on promotions and discounts

- As a result, there is an increase of >5% in the usage growth amongst college students

Source: Industry expert interviews

Demystifying the Online Food Consumer: An $8 Billion Opportunity

Top Chinese player uses advanced machine learning and new technology to improve operations and consumer satisfaction

Data Analytics and Machine Learning to improve operations

- Leveraging with cloud computing technology has helped understand eating habits & consumer trends
- Use of machine learning to plan delivery routes and station drivers closest to restaurants with high demand

Convenience 2.0: Integration with Voice Ordering System for ordering

- Leverages smart speakers where consumers order, select food and pay, all verbally in <30 seconds

Diversifying into adjacent verticals

- Diversifying into food verticals like providing fresh produce, meat, seafood, grocery & medicine, becoming a one stop solution for consumers

Expanding realms of delivery by investing in drone technology

- Received approval for China's first batch of air routes for real-time delivery drones in Shanghai
- This reduced labor costs and delivery time from 30 minutes to 20 minutes

Source: Industry expert interviews

South East Asia's largest food delivery player emphasizes on identifying gaps between supply offerings and consumer demands, high QA and personalization

Current Operations

Average orders:
~350,000 orders per day

Operations:
Six countries in Asia and plans to expand to Australia

Key Business lines:

- Online food delivery
- Ride sharing
- E-scooters
- Payment gateway
- Videostreaming
- Hotel bookings, etc.

Convenience 2.0: Solving for "multiple restaurants, single delivery" consumer wish-list

- Pre-estimates demand and order food
- Consolidates from multiple hawkers & heats in food warmers
- Consumer order and consolidated menu
- Delivery riders pick up from food warmers & deliver

Strong checks on quality assurance

- Flying squad of kitchen inspectors that check the quality of high traction restaurants
- Blacklists restaurants post 3 strikes of consumer complaints
- Creates incentives like free commission and sponsored listings for restaurants that show improved quality practices

High emphasis on personalization

- Divides users into segments. e.g. college going students, etc.
- Provides personalized offers & subscriptions to each based on popular choices, order times, etc. (for e.g. specialized bubble tea subscription)

Demystifying the Online Food Consumer: An $8 Billion Opportunity

04

ENOUGH ACTION ON THE ANVIL

Action Agenda for Industry Players

SUMMARY

Consumer themes and implications for players

Supplier partnership and engagement

New offerings, business model design and investigations

Data analytics and digital excellence to win with consumer

Demystifying the Online Food Consumer: An $8 Billion Opportunity

Summary: India's food tech market is nascent but with significant potential to grow in the future, propelled by both demand and supply side factors

Demand Side Factors

India is at a stage of rapid digital advancement with online buyer base growing by 12%

Food tech is one of the fastest growing e-commerce segments or internet led businesses both in terms of reach & engagement

Consumer demand is propelled by a rising need for convenience, multiple options on platforms, strong network effect and changing consumer habits

Food Tech companies are providing discounts and value added features to drive consumer satisfaction/loyalty

With a reach in more than 500 cities, Food Tech players continue to expand their restaurant networks in these cities to provide a larger variety to consumers

Supply Side factors

Funding in the Food tech space has grown by 35x in the last five years. Delivery models are the king pins but cloud kitchen is growing rapidly

Despite these developments, India's food tech penetration lags behind its global counterparts, and there exists a significant potential to grow further

Food Tech market size (USD Bn)

7.5-8

+25-30%

3.5-4

2019

2022
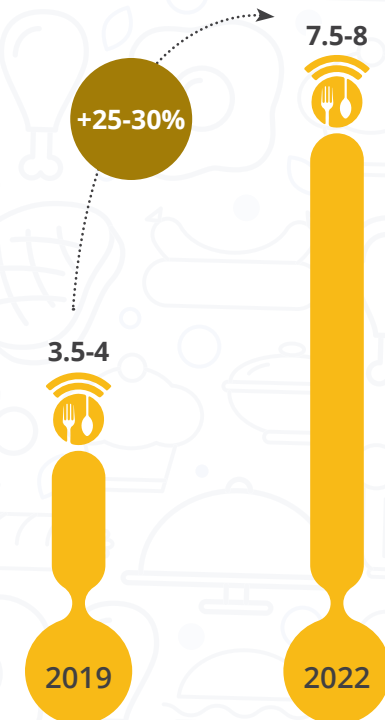
Decoding the key drivers that determine consumer adoption and usage frequency of food tech aggregators

Peer/Network advocacy Marketing (Internet ads & tv) Discounts & Offers

1 Individuals try a food tech platform for the first time

3 Are dissatisfied with the platform & stop using it

Variety of cuisines Convenience Discounts

OR

Lack of trust Delivery charges Quality concerns

Find the platform proposition valuable and continue to use it

Going forward, both existing users and non-users have a wish list to enhance their user experience on the platform

2

4

No or minimum delivery fee Multiple restaurants, single delivery Environmental friendly packaging

Translating consumer insights into key wins for food tech aggregator

Key takeaways

Peer or Network advocacy is the single most important driver of first time usage across all demographics

Consumers continue to demand value for money from Food Tech players both in terms of discounts and low delivery charges

Lack of trust in apps due to absence of their role in food preparation is another significant barrier to usage of food tech aggregators

Multiple restaurants, single delivery is one of the most valued prospects by both users & non-users for enhanced user experience

Environmental friendly and functional packaging which is gradually becoming important

How to win

Create and execute scale advocacy programs through both monetary measures (referral codes) and social marketing/ influencers and evangelist

Leverage marketing communication around subscriptions, loyalty based promotions that highlight the value for money for consumer

Extend partner credibility and process to make the consumer aware about the role food tech apps play in the overall value chain ; Technology application for "always monitored" fulfilment

Create a consolidated menu by combining restaurants which are in close proximity (e.g. Food halls in malls). Alternatively, pre-order food from multiple restaurants using data analytics & consolidate

Leverage learnings from various successful initiatives of multiple global food tech players to either reduce packaging, re-use it or replace it with eco-friendly substitutes

Potential for Food Tech players to use Data Analytics: Provide deep personalization to consumers and build operations

Use of Machine Learning and data analytics

01 **Achieve CRM excellence by analyzing large consumer data dynamically**

Build operations **02**

Customer DNA

- Demographics of customer
- Frequency of ordering
- Preferred cuisines or restaurants
- Ordering times
- Average order value
- Ratings and reviews

Value to the customer

- Personalized subscriptions
- Specialized rewards (discounts, promos)
- Preferred marketing channels used
- Addition of new features
- Personalized recommendations of restaurants to try
- Customized UI/UX journey

Network optimization

Using machine learning to plan delivery routes and stationing drivers closest to restaurants with high demand

Prioritization of new offerings

Large data collected can be analyzed to identify new verticals which have highest co-relations with food delivery

Demystifying the Online Food Consumer: An $8 Billion Opportunity

Learning from global examples, Food Tech players can diversify into relevant new offerings by leveraging customer base, delivery and service expertise

Adjacent categories

- Grocery
- Medicine
- Fresh Meat

Leverage services

- Ride sharing
- Hyperlocal delivery
- Cloud Kitchen

Leverage customer base

- OTT streaming
- Payment
- Movie tickets
- Hospitality
- Mobility
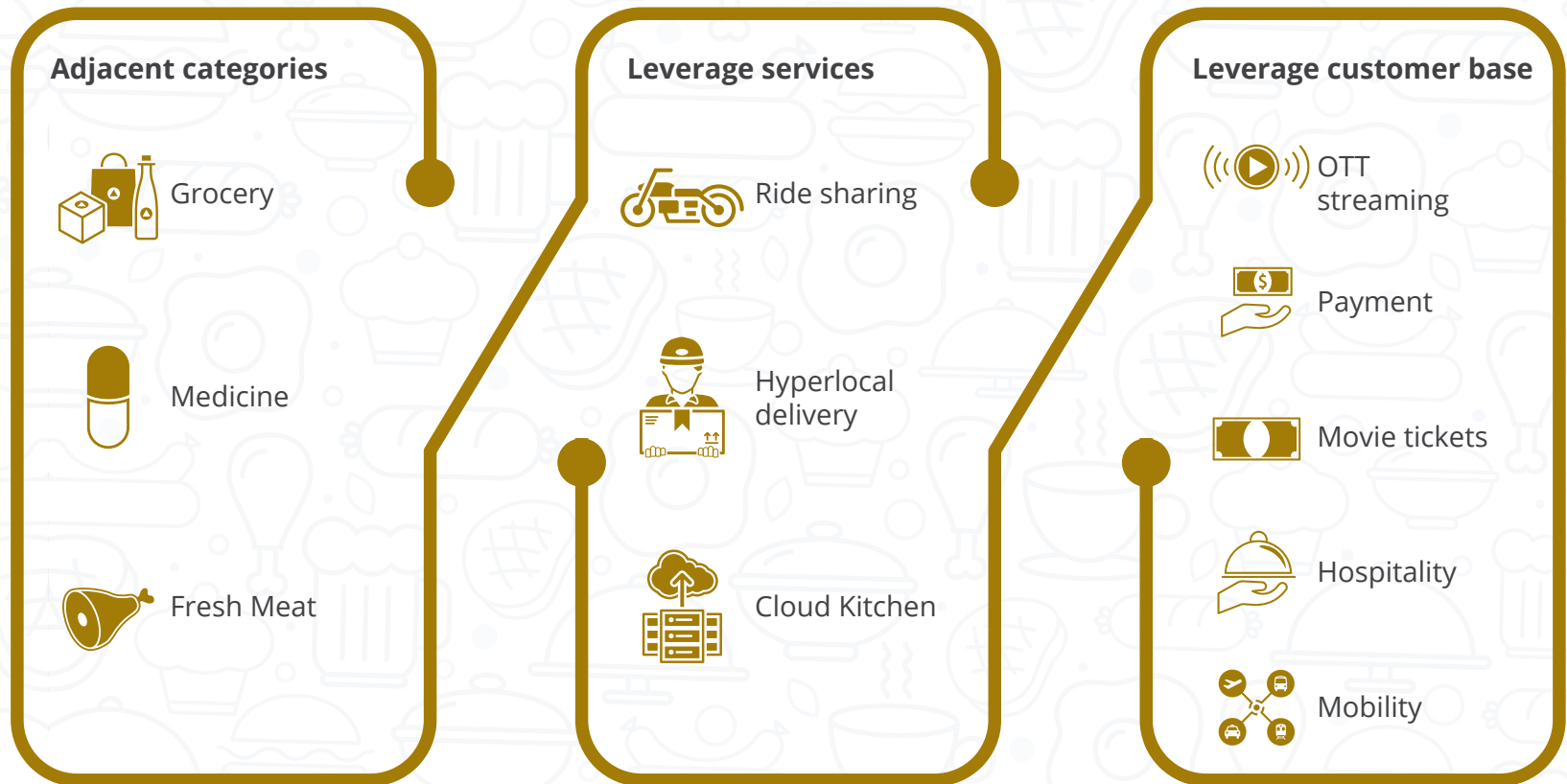
Strong supplier engagement can help win with restaurants and maintaining high quality assurance

Providing customized solutions to restaurants using data analytics

Data analyzed

- Dishes ordered together frequently
- Reviews & customer feedback
- Peak time of ordering
- Most used promotions & deals

Possible recommendations to restaurants using data

- Create combos of both meals & deals
- Redefine menu of restaurants
- Optimize timings of promotions provided to consumer

Benefits to food tech players

Increase loyalty with restaurants and gain competitive edge over rival platforms

Increase customer satisfaction with personalized offerings

Gain negotiating power with restaurants and potential for future data monetization

Alleviate perceptive barrier of limited role of food tech apps through marketing initiatives

Improved quality assurance mechanisms

Recommendations

Use a dedicated squad of kitchen inspectors to physically track the quality of high traction restaurants

Create a rewards system (monetary or non monetary) to incentivize restaurants in maintaining high quality operations

Implement a feedback mechanism to dynamically flag any quality issues to restaurants

Work with restaurants to create improved food packaging solutions

NOTE TO THE READER

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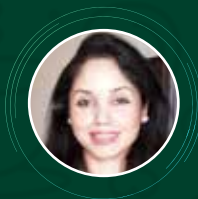
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