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Carving Strategy for Indian Food Delivery Market

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ABSTRACT

Consumption market of 132¹ million Indian population attracts global & Indian companies to explore opportunities in food delivery business. The key to succeed in this domain is to E-define your business. Offering unique proposition can make your business distinct and attractable against the competition. Launching operations in relevant market chosen basis adoptable population masses can result in faster revenue growth. Advertising this business in non-conventional platforms like digital spaces on social media can attract working population which is contributing 67.27%² of Indian population. To make it profitable cloud kitchens³ can be effective options due to lower cost of operations.



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INTRODUCTION

This article gives insights about the evolving food delivery market & strategies to be successful as a food aggregator. This industry has witnessed a revolution in terms of growth & disruption in last 5 years. Gating away from quick service restaurants & their delivery model, players like Swiggy, Zomato, Uber Eats & Ola (Food Panda) has opened floodgates for all local Eateries to access consumers with doorstep delivery concept. Digital platform & app-based models of these companies flourished this perception within no time. Any preferred local dish can be easily ordered at home or workplace at any given point of time.

Uniqueness of the concept against the competition needs to be critically worked out. Having an uncommon proposition can become a competitive advantage for the brand. This uniqueness should be difficult to be copied by the competitors & providing a value proposition for the consumer. Either this advantage should be unique, or it should be operationally cost effective.

While establishment of operations, making choice of the cities is extremely critical. This selection should be a balance of potential clientage & infrastructure to support the procedures. To complement the growth in the further phases, the initial operations needs to be launched with caution. Ideal launch topographies including names of the cities in the different zones of India are discussed in this article.

This article also covers ways of advertisement or showcasing platforms for the food delivery Business. We have tried to explore importance of social media ads vs conventional TV or Newspaper commercials. These platforms are more group focused & caters specific requirements than just a general buzz.

This idea not only challenged the conventional delivery models but also defied sitting restaurant or café model. Having a sole delivery requirement, gave birth to concept of 'Cloud Kitchen'. This is becoming popular across the established brands for new area expansion & aggregators for their own private brands. Without a need of proximity of location & maintenance cost of a restaurant, cloud kitchen has become a cost-effective alternative. This article highlights the benefits of cloud kitchens over the conventional restaurants. This alternative can become a key of profitable growth of the food delivery business.

In the later part of the article, there is a specific highlight on regional collaborations & participation of the local events. Regional partnerships are critical to enhance emotional connect of your own brand. Regional established players can synergize the partnership with the aggregator by connecting to the core values of a city. It gives an opportunity to have a direct access since local brands are well established & connected emotionally with the local culture-based emotions. Having communication in regional language can make national brand closer, since, it connects them in their mother tongue. As an extension to this, participation & branding in regional festivals can create an emotional bridge between the consumers. Indian emotions are highly driven by regional festivals, which are significantly different in different zones. Food is vastly connected to the emotions & regionalities. This cultural emotional connect can enhance millage for the Food Delivery Brand in a longer run.

Components of Carving Strategy:

E – Define your business



When it comes to food delivery business in India, mobile application is undoubtedly a future⁴; Players like Swiggy, Zomato & Uber eats have already proved this fact. Having an option of website & user-friendly mobile application becomes a basic need to make your customer reach you. Distributing yourself to millions of handhelds is the foundation of success.

Swiggy in India rogers 60% of market share⁵ of food delivery market followed by Zomato⁵. Catchy name, relevant branding & huge base of collaborations with the food retailers have made them popular amongst all the age groups. Majority population in India lies in the young age², helped them spread across faster. More than a million deliveries⁵ a day makes it an

attractive business to be in. Domestic players, with aggressive push, faster decision making & flexible attitude, persisted pioneer in this segment over the multinational companies.⁵

Bannering popular brands on the application, with seasonal promos makes the deal attractive for customers. It not only highlights the promos, but also increase the engagement levels with them. This also may evolve to a level of giving customized offers for an individual on personal occasions like birthdays & anniversaries. This all is possible with the power of the data, collected at the time of Signing up. Ordering pattern of the clientele, can also help in designing more effective promos⁶. Regional food preferences, evolving choices & preferred price segments, can easily be located to carve 7 P strategies through the E-platforms.⁶

This E-business not only disrupted the food delivery market, however, it also created huge number of Jobs. Swiggy alone had more than 3 lac delivery associates⁷as part of this model & paid in proportion to the carriages done by them. This model offers a win-win to both including the aggregator & the delivery associate, since, incentives are based on the number of deliveries. On one hand, these executives get minimum wages as a salary & on the other hand, it gives liberty to the delivery associate to work flexibly to more amount as Incentives.

All these applications, having safer payment gateways⁸ makes it cashless & convenient. Prepaid payments accelerate the cash collections, making the profitability controllable. Re-defining discounting & money burning strategy on this huge topline, can stimulate the bottom line, promoting the viability of the Business.

Unique Proposition



Perhaps the most critical aspect of making more money as a food business is establishing a concept that is extraordinary. Not only will a strong concept encourage news coverage, it will also increase word of mouth about your business, which has a huge impact on your sales. If 1,000 customers talk about your brand, this can potentially generate 500,000 conversations. Therefore, making sure your customers are talking is a solid strategy to help you make more money.

What does it mean to have a “strong concept?”

Your Banner should have a unified design, a clever name, an established brand, and a unique offering.

Think KFC distinctive logos and branding, and a cohesive menu that reflects their brand. Domino’ scan be recognized with their unique dots design & color.

Relevant Market choice



Place to launch becomes a critical aspect, when it comes to choice of cities of initial operations. It is important, not only for operational effectiveness but also to set a strong foundation to create a solid base for the future business. Choosing right set of product & price segment for the selected cities sets the agenda right moving on to the next phases of expansions. As far as India is concerned, zone specific metropolitan cities represent, trend of the cluster based on preferences of food. Some evolved destinations give you advantage of a mix culture, due to the masses of IT companies. To launch the operations, Delhi NCR represents North India, Mumbai West & Bangalore in southern part of the country⁹.

Bangalore being evolved as an IT hub, becomes a preferred center for the majority startups. Having said that, Bangalore is crowded with many newcomers due to the available infrastructure & people with open mindset to accept new concepts. As far as E com & food delivery companies are concerned, Bangalore ranks amongst the top in the country. Companies like Amazon, Flipkart in E-Com & aggregators (so called) like Swiggy, Ola & Zomato are based out of Bangalore. This shifted the whole Paradigm of the top executives to be based in Delhi & Mumbai to cities like Bangalore. The trend is followed by cities like Hyderabad, Chennai, Pune & Jaipur. It is commonly observed that Tier 1, 2 & to some extent 3, on operational front compliments similar regional food eating trends. However, going beyond tier 3 it starts becoming typical & culture-based choices. Leading food delivery companies, who enjoyed faster response from tier 1 & 2 cities¹⁰, have witnessed slower pace of growth in smaller cities. Apart from catering the needs of the customers, managing it operations becomes challenging. Availability of the raw materials is not consistent. Standardization of the raw material brands becomes a matter of concern. These results in shortages & lesser fill rate, affecting the consistency of the favorite recipes.

If we consider the ratio of success, due to flexible policies, Indian players are winning over in the tier 3 cities. These players provide, operational flexibility & further customization based on the regional availability of the raw material. Cushioning of the local partnerships supports to sustain the model & private label is managed at a lower expectation & lower volume. Operations cost is build based on these parameters, hence, lesser space & lower manpower works for them well. Multinationals on the other hand, refrain choosing such markets, limiting their growth the tier 3 cities. Aggressive & flexible Strategic approach, here, ranks domestic players better than MNCs.

Digi Showcase:



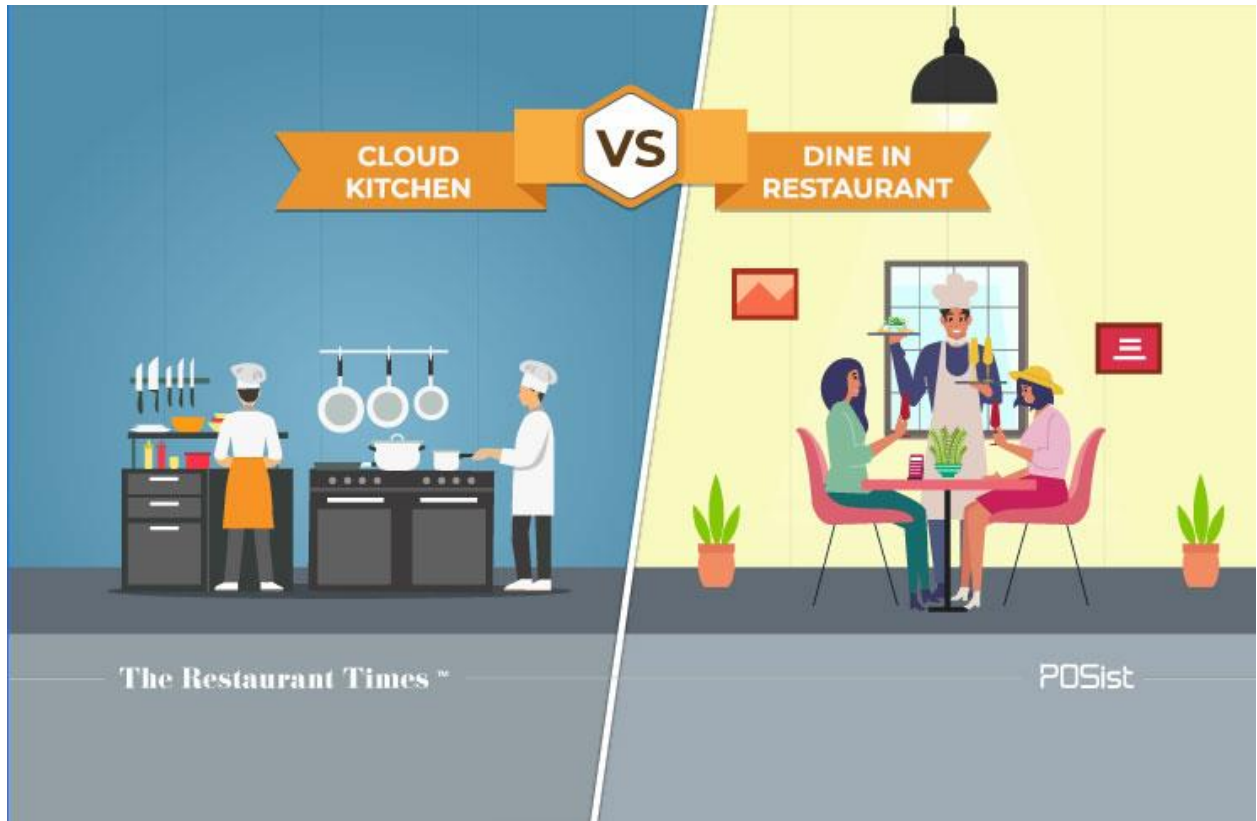
Advertisements on television, is slowly becoming a limited choice platform. The progress of trend is towards the handhelds from small screens¹¹. You'll be hard-pressed to find an industry where social media marketing isn't recommended. However, the fast-paced nature of the food delivery industry makes having an equally responsive, up-to-date social media presence of huge importance.

These commercials are specific group targeted & you have all the liberty to showcase your brand on the defined groups. These groups can be Gender, Age, profession & preference specific & clearly categorized¹², based on the actual data available on the social media. For a fast food company, making a choice of young age group, just started the job & having choice of Pizza or Burger can easily be selected in a specific region to have better results of the marketing spends. Whereas, a company like Curl Fit, can choose an age group of 35-45 years, working professionals, passionate about losing weight or exercise. These commercials are showcased only in the relevant group of people & reduces visibility to unwanted crowd, unlike a national TV channel. A player having strong regional presence, when advertise on the National TV channel, on one hand gains millage towards the brand, however, on the other hand, faces lot of irrelevant enquires, which cannot be catered. Wherein, for a new player, launching operations in specific regions it becomes a win-win situation to go for digital platform.

Digital platform has given a boon to many players, with typical category presence. For food delivery chain, it becomes critical to have presence across such media for better engagement

& Brand image. These advertisements are cost effective & result oriented & can create desired brand image in the targeted group of customers. As far as Social media is concerned, domestic organization & multinationals, both preferer to ensure vital presence.

Cloud Kitchens:



Having a fully functional restaurant has lot of expenses including prime location, fully equipped staff & a lot of maintenance cost. In the business of food delivery, cloud kitchen is a rising concept³. Cloud kitchen only caters to the food delivery orders & does not have a sitting space. Havin said that, there is no cost of premium space, cloud kitchen can be opened in a proximity of food consumers derived from the data. Though strategic, the location can be low cost with basic equipment for faster cooking to have shorter order turnaround time. This space should follow hygiene norms & clean surroundings following the Food safety guidelines. Unlike restaurant, this kitchen needs to have one Head chef & 4 to 5 helpers for preparation. This team works on a defined menu, can be prepared with the available equipment's & a very short preparation time. This needs to have raw material with convenience to cook e.g. Pastes of the basic components to avoid wastages & reduce preparation time. Menu is designed, based on the high demand & low time consumption pattern. This portfolio becomes lucrative for the customers, since, it is low cost & a faster

delivery option. Cost of operations of a cloud kitchen is even more than 50% lower than that of a restaurant.

This approach is not only adapted by the aggregators, as a profit-making tool, however, also part of strategies of branded restaurants expansions. Many famous brands are venturing in the cloud kitchens, where, their products have demand, however, they don't want to open an Eatery. Famous brands like 'Paradise Biryani' have already started these concepts & working on only takeaway counters. Aggregators like Swiggy are also partnering with such chains under the name of 'Swiggy Access', providing them a low-cost platform for the same.

Partnerships with Local Businesses to Create Synergies:



Building partnerships with local businesses to create synergies, is a great way to bring in extra money for your business. Having multiple cuisines enrolled, will give millage to the business & enhance output. Partnering with the leading restaurants in the city for delivery of the food¹³, can give a millage to the aggregator in their own brand building. Not only does this spread the word to local businesses about your brand, but also it gives you the opportunity to embed yourself into the culture of various nearby localities and take advantage of the profitable trend toward customer catering.

For a renowned local restaurant, tying up with a food delivery aggregator, becomes a win-win solution. This adds synergy, by helping the restaurant to spread their brand further by delivering favorite food dishes on the doorstep of the customer. With such tie ups, Swiggy & Zomato gained their brand names & restaurants expanded their business multifold. For a restaurant to expand, they need not have to utilize their own space & can operate as a cloud kitchen. This kitchen, need not have a prominent location, sitting space & serving staff,

hence, it becomes cost effective & synergistic solution for a restaurant to go along with the food aggregator.

Engage with Regionalities



India being a multicultural country, engagement at a regional level can drive the emotional connect. For a business related to food, it becomes immense useful to connect flavors emotionally. Festival brings in a bulge in the business due increased threshold of spending & can positively affect overall offtake & customer loyalty¹⁴. Regionality engagement can be driven with loyalty programs, by offering special benefits. These benefits could be some free of cost top ups (Like desserts) along with the regular order. Regularly ordered dish, if it comes along with such a special top up is always delightful. To enhance this excitement, regionally preferred dessert is given in such promos. Like ‘Sandesh’ is given as a freebee in Eastern Region & Gulab Jamun is sent along in Northern region of the country. Here again, Indian players are ahead than the multinational players, with the better understanding of the regionalities. Their advertisement campaigns are based on the regional festival themes & promote customer engagement.

These engagements can be extended by taking parts of the fairs in the festivals. This can be in the form of branding, putting stalls or being sponsors of the programs. Festivals are regional & brings in the connect to the culture, driven emotionally. Brand can gain a good millage, by connecting people in their own regional language. Leading market players of FMCG & F & B industry have successfully established this connect & enjoyed great Brand value & Market share with the regional promos. National players like HUL, Amul & Nestle are driving advertisement campaign in regional language.¹⁵

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