

---

**A CONCEPTUAL STUDY ON OPPORTUNITIES AND CHALLENGES OF ONLINE  
FOOD SERVICES MARKET IN INDIA**

**Dr.G.SyamalaRao**

Associate Professor, Dept. Of Management Studies, GVP College for Degree and PG Courses (A),  
Visakhapatnam.

**Dr. K.V.Nagaraj**

Asst.Professor, Dept. Of Management Studies, GVP College for Degree and PG Courses (A), Visakhapatnam.

**Abstract**

In the modern-day scenario, the traditional business models are no more a profit-making entity of the organizations this is due to the drastic change in information technology and massive growth of internet usage by the common man in our economy. All these factors are forcing or making companies to adopt new business models in form of e-commerce to sustain and even to attract a greater number of consumers towards their products. E-commerce in our country is expected to grow from US \$2.9 billion in 2013 to a mammoth US \$100 billion by 2020, making it the fastest growing electronic market in the world. E-commerce is witnessing a spurt in online food market too and which is expected to reach \$2.7 billion by 2019 (According AIMS Report). This study aims to study the various opportunities and challenges that are available to the online food service providers and even to analyze the future of the online food market.

**Key Words:** Online Food Market, Customers, Economy.

**Introduction:**

In the modern-day scenario, the traditional business models are no more a profit-making entity of the organizations this is due to the drastic change in information technology and massive growth of internet usage by the common man in our economy. All these factors are forcing or making companies to adopt new business models in form of e-commerce to sustain and even to attract a greater number of consumers towards their products. According to a survey India is the youngest country in the world having maximum population between 18-40 years and this is the group which uses internet to a great extent and are exposed to various e-commerce models to satisfy their desired needs. These recent developments and rapid growth in e-commerce industry has attracted and boosted various new generation entrepreneurs towards e-commerce business particularly into online food services. Availability of online platforms and the recent trends in e-commerce has made everything readily available anywhere, anytime. Online food ordering is the process of ordering food from a local restaurant through a web page or mobile application. This will enable to attract young generation customers to search, compare price and conveniently access these services by signing up and create accounts with them to order food from their favorite restaurant. Online food ordering portals offer a wide variety of food choices, rating and reviews, and more efficient handling of order, this helps the customers to take decisions instantly.

In this context the current study aimed to understand the opportunities and challenges of online food service providers as this business in our country is in nascent stage. The study also aims to identify the future opportunities available in our country in this industry.

**Indian Online Food Market:**

Indian food industry is composed 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, particularly within the food processing industry.

The online food sector which has been written off not too long has started witnessing revival over the past one year in Indian Market. Major players like Swiggy and Zomato have raised large funding and cab-hailing firms Uber and Ola, are also attracted to started to expand their business in this sector with the expansion of swiggy.

Accounting to a report given by consultancy firm RedSeer Management food-technology sector is expected to reach at least \$2.5 billion by 2021 from its current size of about \$700 billion. The report gives the following statistics which can show how fast the Indian online food service marketing is extending in the recent past.

- Online food ordering market grew at 15 percent quarter on quarter from January to September 2017.
- Average Daily orders grew to 4,00,000 in the last quarter of 2017-18
- Delivery time dropped to 42 minutes in Q3 of FY-17 vs 47 minutes in Q4 of FY-16
- Revenue in Online food delivery segment amounts to US\$7.01 million in 2018.

- Revenue is expected to show an annual growth rate of (CAGR 2018-2023) of 10.5 percent resulting in a market volume of US\$11,569 million by 2023.

### LITERATURE OF REVIEW

In study conducted by **Canny (2014)** he has identified that the attributes such as food quality, service quality, and physical environment positively influenced customer satisfaction. He further stated that service quality was found as the most important factor in dining experience attributes that affecting customer satisfaction, and (3) customer satisfaction positively influences on behavioral intentions.

**Sethu (2016)** has revealed from his study that decision of ordering food online is largely influenced by the opinions of friends, family and review and ratings available on online forums. The study also has revealed that a good word of mouth and experience by existing customers and online forum discussions have a great influence on decision making of the customer on web-based food shopping.

**Nigel and Jim (1996)** in their study has identified that customers quickly switch to competitors in case of dissatisfaction which is contrary to offline dining and they suggested customer loyalty is very important to build a successful customer relationship in online food ordering market.

In a survey conducted by **Sathiyaraj, Santosh & Subramani (2015)** on influencing factors on customers to order food online have identified discount offers, variety of options on the menu available, free home delivery, app- user friendly, cash payment options and exclusive services are the crucial factors which have an impact on influencing customer decision process to order food online.

In a study conducted by **Lester, Forman & Loyd (2008)** has concluded that the characteristics of a person such as gender, age education lifestyle, and education etc., constitute an important factor affecting the purchase decision process while ordering through online.

### Objectives of the Study:

- 1) To study the opportunities of online food service available in the Indian Market
- 2) To analyze various challenges that act as barrier for online food service markets in our economy.
- 3) To evaluate the future market opportunities for online food market in Indian Context.

### Research Methodology:

The study focuses on extensive study of Secondary data collected from various books, National & international Journals, reports and publications from various websites which are focused on Online food services in India.

### Growth Drivers of Online Food Service in India:

As E-commerce is witnessing a spurt in online food market too and which is expected to reach \$2.7 billion by 2019 (According AIMS Report). This study explores various growth drivers for online food service providers in our country. The following are the various drivers which are showing encouraging signs for the online food service providers:

- 1) **Market Potentiality:** India being second large populated country and the youngest in the world is undoubtedly one of the biggest consumer markets in the world today. More than 50 percent of Indian population is under the between age of 25-35 years and this is the group where maximum demand comes for fast food. There is a huge potential for the online food services not only in tier-1 cities but even in tier-2 & 3 cities which attracts many new start-ups in the area of online food services.
- 2) **Increase in Disposable Income:** Many of the young Indians being productively employed in rewarding industries such as IT and retail have upped their living style and made their wallets fatter too, which results in a raise in their disposable income too. This leads to see a visible change in the social setting, which further fuels the advance of fast food products too. Thus a increase of disposable income of the younger generation is also a key driver for enhancing growth of food retailers in our economy.
- 3) **Change in Demographic Profile:** Compared to previous generations there has been an astounding increasing in working women. Female who are working spend most of their time at work, therefore at sometimes they hardly find time to cook by themselves. Thus, working women typically spend a large amount of their disposable income on buying take outs or eating out. This is again provides an opportunity for the food and beverages industry in our country.
- 4) **Changes in Lifestyle:** All the above factors like increase in disposable income changes in demographic profile of women has resulted in some changes in lifestyle of people particularly in urban areas. Not only that even the family size have become nuclear which is forcing them to reach restaurants for takeouts to save time for spending time with the family. Thus the changing lifestyles also provides an opportunity for online food service providers

### Obstacles or Barriers towards Growth of Online Food Service Providers:

1. **Lack of Knowledge:** Though maximum of the Indian consumers are using mobiles with internet facilities still majority of the percentage are unaware of the knowledge of various mobile applications which can serve their desire need this is the foremost obstacle towards online food market.
2. **Delivery Time:** In general the most concerned barrier of the online food service providers is the delivery time they take to deliver and to the area they live. If the food is not delivered on time the customer will not be satisfied with the service of the online food delivery channels which creates distress among the customers and may loose customer in the future period because of the bad experience he had with the service provider.
3. **Overspending:** Sometimes the customer might be forced to spend more than his allotted budget because of the offers and which affects his disposable income.

- 4. Adoption:** Our country is different cultural hub the challenge for the online food service providers is to adopt to various multi cuisine foods to the people and satisfy them with the quality of the food. Thus, adopting to various requirements of the customers is another barrier in the growth of online food service providers.

**Future of the Online Food Service Providers in India:**

This new format of online ordering and home delivery has gained a lot more customers. The orders started to grow after every quarter every year and importantly companies like Swiggy, and Zomato are entering into tier-2 cities of the country and still this model of business has to yet to semi-urban areas and rural areas. Thus, there is a massive growth opportunity for the online food retailers the only challenge is to adopt to various tastes and preferences of the consumers.

**Conclusion:**

The Changing urban lifestyle of the common Indian is favorable for the online food service providers. The ever-increasing population crowded cities are providing immediate opportunities for the companies involved in food delivery. Companies are keeping an eye on this huge potential market and waiting for the opportunity to enter into this market. Business who keep their value propositions and their brand active in consumer's minds, will take the biggest share of the Indian online food service industry.

**References:**

1. Canny.I. (2014). Measuring the mediating role of dining experiences attributes on Customer satisfaction and its impact on behavioral intentions of casual dining restaurant in Jakarta. *International Journal of Innovation, Management and Technology*, 5 (1), 25-29.
2. H.S.Sethu, Bhavya Saini (2016).Customer perception and satisfaction on ordering food via Internet, a Case of Foodzoned.com, in Manipal. *Seventh Asia-Pacific Conference on Global Business Economics*, pp.15-17
3. Lester, D., Forman. A., & Loyd, D., (2008). Internet shopping and buying behavior of college students, *Services Marketing Quarterly*, 27 (2), 123-128.
4. Nigel.H., & JIM, A, (2006). The evolution and future of national customer satisfaction index models. *Journal of Economic Psychology*, 22 (2),217-245.
5. Rashed Al Karim (2013). Customer Satisfaction in Online Shopping: A study into the reasons and motivations and inhibitions. *IOSR Journal of Business and Management*, 11(6),PP 13-20.
6. Sathiyaraj, S.Kumar,A.S& Subramani. A (2015). Consumer perception towards online grocery stores, Chennai, *Zenith International Journal of Multidisciplinary Research*, 5 (6),24-34.