EXPANSION OF THE FOOD DELIVERY INDUSTRY

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ABSTRACT

Food delivery businesses are revolutionising the food industry by connecting customers with restaurants through online platforms, allowing them to browse menus, place orders, and have meals delivered to their homes. The global food delivery market is projected to grow at a 10.97% CAGR throughout the forecast period, reaching USD 315.1832 billion by 2028. The growth of the food delivery industry has been driven by the COVID-19 pandemic, as well as changes in consumers' purchasing behaviour and decision-making processes for off-delivery (OFD) services. This paper reviews India’s nascent online food delivery sector, focusing on its current state, revealing that only 9% of the population is currently using it.

Keywords: Food Delivery Business, Growth, Covid-19, Food Delivery App, Restaurants, Technology, Zomato, Swiggy.

I. INTRODUCTION

Food delivery businesses connect customers with an array of restaurants through online platforms, allowing them to browse menus, place orders, and have meals delivered to their preferred locations. Customers may now simply buy meals online and have them delivered to their homes in the quickest possible period of time. Online meal ordering is becoming increasingly popular among consumers due to its convenience and simplicity. The food delivery ecosystem is growing rapidly, and it surprises society to realise how much it’s achieved in such a short time. Within a blink of an eye, the entire world has been pushed indoors and is forced to adapt to the online platform. The food industry has gone through a significant revolution in the recent past. Food delivery apps have taken control of how people view and communicate with restaurants, building an entirely novel method of communication between consumers and companies.

Over the last five years, online food delivery systems have risen by more than 20%, with a possible 40% share of total restaurant sales within three years. This transformation has prompted corporations to seek out new possibilities and make suitable market investments. The sector is growing at a pace of 3.7%, with online meal delivery accounting for 42% of the market. This expansion is attributed to technology, social media, and the digital revolution. Online meal delivery systems have evolved into not simply new outlets for restaurants, but also enterprises that generate jobs and promote start-ups.

Body

The global mobile user base has grown to 5.1 billion in 2020, with food delivery services generating billions of dollars. In 2023, China reached US$ 74.2 billion in the food delivery market. The market is projected to reach US$ 184.1 billion by 2032, exhibiting a growth rate (CAGR) of 10.6% during 2023-2032. China currently represents the world’s biggest online food delivery market.

The increase in popularity is being driven mostly by growing internet access and the proliferation of phones, as well as advancements in technology. Customers can effortlessly browse menus, make orders, and track deliveries in real time via mobile apps and web platforms provided by food delivery companies. Furthermore, the rise of cloud kitchens has had an enormous effect. Cloud kitchens offer inexpensive initial costs and help reduce running costs such as employment fees, service staff, furnishings, electricity, and insurance, making them an appealing investment choice. In response to shifting market trends, several restaurants have switched to cloud-based kitchens. Brand, real estate, efficiency, and consumer preferences are all factors that drive the growth of the meal delivery industry, with millennials and Generation Z preferring the convenience of prepared meals. Some other factors that have fueled the global meal delivery industry’s expansion, such as changes in consumer habits and preferences, have increased demand for convenience. Customers who have hectic schedules and a need for more free time prefer the ease and simplicity of having food delivered to their house over preparing meals themselves or eating out. In addition, the COVID-19 epidemic has expedited the growth of...
the food delivery industry. Lockdowns, social distancing measures, and restrictions on dining-in restaurants have caused consumers to rely heavily on food delivery as a safer alternative. The unanticipated surge in demand has fueled the expansion and innovation of the food delivery sector.

Online food delivery gained popularity during the Covid-19 pandemic due to novel features like 'contactless delivery', which reassured consumers of the limited risk of virus exposure. The COVID-19 pandemic has also influenced consumer behaviour in restaurants, as they prioritise safety and hygiene. The COVID-19 pandemic has had a substantial influence on consumers’ purchasing behaviour and decision-making processes for off-delivery (OFD) services. Perceived health dangers may have prompted more consumers to use OFD services to avoid personal interaction with restaurant personnel and other patrons. The COVID-19 epidemic had a significant influence on the catering business since safety restrictions prohibited direct contact and social separation. However, it has boosted the demand for online food delivery services, with an average 71% growth in clients utilising food delivery apps between February and March 2020. The significant popularity in both developed and emerging countries can be attributed to their ability to facilitate convenient and swift food delivery and provide restaurants with more opportunities to increase revenue without increasing seating capacities. Changes in consumer lifestyles, such as busy work schedules, have increased the acceptance of FDAs. Urban consumers, particularly young consumers, are particularly relevant for food delivery due to their extensive use of technological platforms.

India’s food delivery sector is still in its infancy, with only 9% of the population now adopting online meal ordering, the industry is projected to grow rapidly. Urbanisation, internet connectivity, and growing spending patterns are all expected to drive this rise. According to a recent brokerage research, India’s food delivery business might develop at a CAGR of 19% between FY23 and FY25, owing to a rise of transacting consumers and order rate.

India’s food supply market has already hit $4 billion, with online food delivery platforms such as Zomato and Swiggy seeing an enormous increase in user populations. Swiggy, a Bengaluru-based company, has grown rapidly over the previous two years, from 2 billion in October 2017 to 40 billion in January 2019. The business has experienced a significant growth in interactions, restaurant count, and food-delivery personnel. To stay up with the industry’s rapid growth, Swiggy has already invested in technology such as artificial intelligence (AI) to improve the consumer experience. Swiggy uses artificial intelligence (AI) to differentiate between vegetarian and non-vegetarian items, broadening its geographical reach and allowing for accurate searches using popular terms. The firm also provides a customised UI based on unique customer requirements. Swiggy employs AI in a moment-series-based market, leveraging a prediction model, to assist partners in planning for future demands and ensuring high-quality service. This technology enables Swiggy to keep promises swiftly and effectively, resulting in high-quality customer service.

Growth of Indian food delivery

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<thead>
<tr>
<th>Year</th>
<th>Value in billion INR</th>
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<tbody>
<tr>
<td>FY 2017</td>
<td>5</td>
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<tr>
<td>FY 2018</td>
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<td>FY 2019</td>
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<td>FY 2022</td>
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- Zomato
- Swiggy
Zomato, India's top meal delivery distributor, runs Hyper Pure, a B2B platform for restaurant supplies, and Blinkit, a quick-commerce marketplace for domestic items. The firm expects to achieve a 25%+ sales CAGR from FY23 to FY25, with profitability in Q2 2024 and breakeven in FY25. The trust originates from an increase in contribution margins and the company's ability to capitalise on increased operating leverage.

II. CONCLUSION

In conclusion, the food delivery sector has grown dramatically, becoming a worldwide hub worth more than $150 billion. This exponential increase, which has nearly doubled since 2017, can be attributable to an array of causes. Technological enhancements such as ubiquitous smartphone use and high-speed internet, have transformed how customers engage with food delivery services, making ordering simple and smooth. The COVID-19 pandemic intensified this trend, with safety concerns increasing the use of contactless delivery and online ordering. While India's food delivery market is still in its early stages, factors such as growing urbanisation, improved internet access, and altered purchasing habits are expected to drive its expansion. Companies like Swiggy and Zomato anticipate robust sales growth and profitability, driven by technological innovation and enhanced customer service. The global mobile user base continues to grow, with food delivery businesses making billions of dollars, particularly in places such as China. The development of food clone applications has further streamlined delivery services, meeting the growing need for convenient eating options. Overall, the food delivery industry appears to have a bright future, with technology, social media, and the digital revolution guiding it toward long-term development and innovation.

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III. REFERENCES


