

A CRITICAL UNDERSTANDING OF MULTI DELIVERY CHANNEL FOR CUSTOMER RELATIONSHIP IN RESTAURANT BUSINESS

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Abstract

The global coronavirus pandemic has made the market landscape turn upside down in all the sectors. Currently, buying behaviour is predicted to keep on after the pandemic. Recently, there is an increased trend in online purchasing, where 40% more customers continue with online purchasing even post pandemic. The changes have also occurred in the food delivery service. Post pandemic, over 42% of customers' continue to order through food delivery apps. The digitization has transformed the restaurant and food industry. These businesses are now relying on multi-channel strategies such as online ordering, takeout, delivery, and curb side pickup to increase revenues. The paper focuses on transformation of customers from visiting to the restaurants to online purchasing or ordering foods. A study is envisaged and the results has been suggested to understand application and benefits. Attempt also has been made to overcome limitation.

Keywords: Online purchasing, digital transformation, multi channels.

Introduction

The Indian restaurant industry is worth Rs. 75,000 crores and is growing at an annual rate of 7%. The technology revolution, particularly the internet and smartphones has transformed consumer and business behaviour even in the restaurant business. Quick Commerce through various social media technologies has optimized and enhanced users' shopping experience, and encouraged them to purchase their favourite food through social platforms. With the pandemic behind us, there is a boom in social media usage and quick commerce entities. Restaurants have been required to adapt rapidly and incorporate digital marketing techniques, to reach consumers and effectively compete on a global and interconnected landscape where most restaurants have taken an online form either on their own or with the help of food aggregators. With the increase of targeted advertising, it has also been crucial for businesses to use digital channels to promote or market products and services to targeted consumers and businesses.

The decision-making process of consumers consists of the following stages:

- (a) Realising the need or want of something or purchase intention,
- (b) Search for product information,
- (c) Evaluate of alternative products

- (d) Choosing a product and
- (e) Post purchase evaluation.

During the early stages of decision making, consumers search for information about possible alternatives and their relevant attributes. Note, that the importance of attributes can vary depending on the consumer's requirement for purchasing the product. Taking in account the scenario during Covid-19 pandemic, where people were not able to move out during the lockdown, dine-ins were restricted & only food deliveries were allowed. Though the companies like Swiggy & Zomato were operational since 2015, the food delivery business was US\$4.3 Billion (Platform to Consumer Delivery was at US\$ 1.01 Billion vs Restaurant to Consumer Delivery was US\$ 2.32 Billion). This saviour and an opportunistic business model called Hyper Local Multi channel started growing at a higher pace fulfilling the needs and requirements of the consumer. This forced the food delivery companies to even cover far off territories which were more than 12-15 kms due to customer choices of having food from their favourite restaurants.

People realised that food delivery was taking away the hassle of moving out of the house or office. This model has been useful even for the people staying away from their families (within India or abroad) to order food and get it delivered to their loved ones almost immediately. Quick Commerce refers to trade which is area specific (region). These companies use the procedures and methods precisely optimized for each area, up to pin code level.

A survey of one of the leading food delivery chains in India, shows that the after the pandemic, the frequency of weekly online purchase of food has increased from twelve percentages before pandemic to thirty-one percentage post pandemic. One important factor to this was, in the pandemic, government had restricted the dine-in restaurants and had allowed only the food delivery. This behaviour even continued post pandemic as people preferred online gateways for their food deliveries instead of visiting restaurants. This is where Quick Commerce play started becoming popular. With the "contact less" becoming a new normal for payment, Quick Commerce experience became the new way where numerous consumers are accepting this idea.

Literature review:

Dr. Mitali Gupta [1] has addressed that customers comfort is the primary good thing about home delivery channels, also they are helpful for the expansion of eating place in food provide trade, as by the utilization of digital food ordering system a eating place owner are ready to attract the users attention by permitting them see the whole food menu in conjunction with dish name, image, specialty, and price. Integration of a web food ordering system isn't simple and cheap for a restaurant owner. With constant deluge of experts in urban areas and fast urbanization of Indian scene, the food delivery and eatery portion is currently flourishing at a rankling pace. Also, technology playing a major role with an expanding number of smart mobile phones, food delivery applications have now turned into a major hit with well-informed people crosswise over India. There are a few food delivery applications in India that one can download

on smart phones to arrange food in a hurry and from the solace of homes and offices. The changing urban way of life of the normal Indian is sufficiently emotional to be ideal for the food-on-the-go and fast delivery models to develop at higher rates. The regularly expanding populace swarmed metro urban Multi-utilities and longer travel times are drivers for the helpful, prepared to eat and less expensive alternatives of having food and foodstuffs conveyed at your doorstep. Organizations who keep their offer and their image dynamic in purchaser's brains, will take the greatest offer of the Indian online food benefit pie.

Prof. Ajim Shaikh [2] – mentions that the restaurants/ food serving organizations have been taking extreme efforts in order to build a good relation with customers. Restaurants business traditionally was truly dependent on the customer relations and the attachment during food service to the customers. Good customer relations have been integral part of the restaurant business other than good food and the menu. There were many customers who had dedicated favourite outlets, and their choices were been fulfilled by the restaurants even if out of their scope. This type of services offered by the restaurants was tool to attract new customers as well as to retain old customers. The online food delivery system though has given more exposure for the restaurants in the business area, but with this exposure there is increase in the competition as the business territory for many outlets is overlapped in the penetrated area of the restaurants. Also these apps work and prioritise majorly based on discounts as unique selling point and this discount factor is diverting regular customers to other restaurants; also making the customers feel cheated that the restaurants to which they were regularly opting were costly. When online food delivery system started penetrating the market it was taken very positively by the food service industry. Especially due to the convenience factor for the customers who were looking for regular delivery. These were people who were busy with their schedule, bachelors, differently abled, senior citizens who lived isolated from families. Slowly the online food delivery started showing real colours to the restaurants and consumers after they penetrated the market conducting strong survey of the market. Business works for the profit. Online delivery platforms when launched were totally dependent on the food service outlets which were well established and were well known in the city. The delivery partners approached these outlets to tie up for the online delivery. The restaurants too were blessed with the online food delivery concept, considering boom in the business and the revenue. This was the trap for restaurants as well as for the customers. Online partners now have penetrated the market and few of them have created oligopoly in the market. Most of the food delivery apps/partners charge as much as 30% of total food bill, this is done by narrowing restaurant's profit & adding premium to customer's pocket, to increase their profit. In this case customer is getting very negligible benefit at the same time restaurant is working on very narrow profit. In absence of the regulatory authority, this is slowly crushing the small & medium restaurants.

Pnina Feldman, Andrew E. Frazelle, and Robert Swinney [3] Restaurant delivery platforms collect customer orders via the internet, transmit them to restaurants, and deliver the orders to customers. They provide value to restaurants by expanding their markets, but critics claim they destroy restaurant profits by taking a percentage of revenues and generating congestion that

negatively impacts dine-in customers. These tensions are considered using a model of a restaurant as a congested service system. It is mentioned that the predominant industry contract, in which the platform takes a percentage cut of each delivery order (a “commission”), fails to coordinate the system because the platform does not internalize its effect on dine-in revenues; this leads to prices that are too low, reducing the restaurant’s margins and leaving money on the table for both firms. Two commonly proposed remedies to this problem (commission caps and allowing the restaurant to set a price floor on the platform) can increase restaurant revenue but do not solve the coordination issue. They have proposed an alternative, practical coordinating contract that is a variation of the current industry standard: for each delivery order, the platform pays the restaurant a percentage revenue share and a fixed fee.

This paper also considers the best structure relationships between food delivery platforms and the restaurants with whom they partner. The results show that the most common contractual relationship between platforms and restaurants has inherent flaws. Simple revenue sharing does not appropriately charge the platform for the negative externality it generates on the dine-in channel, and as a result, cannot coordinate the system and can reduce the profitability of restaurants, many of whom already experience very thin margins.

Neither commission caps nor delivery channel price floors can remedy this shortcoming. This supports the popular view (Houck, 2017; Dunn, 2018; Meyersohn, 2018) that delivery platforms may not benefit restaurants, and partnering with a third-party delivery service can lead to a vicious cycle in which service quality and profitability deteriorate despite the increase in volume. On the other hand, a generalized revenue sharing contract can coordinate the system using a simple and practically implementable contract form involving shared delivery order revenue and a fixed fee per order paid by the platform to the restaurant, in addition to protecting restaurant revenues and flexibly allocating delivery revenue. Given the relative novelty of this business model and the rapidity with which it is evolving, there are many aspects of the relationship between platforms and restaurants that warrant further study could incorporate other factors that may influence the profitability of a delivery platform or the restaurants that partner with it, such as competition between restaurants or platforms, or the capacity decisions of restaurants (e.g., should a restaurant add more shared kitchen capacity or should it invest in dedicated delivery kitchen capacity, a so-called “ghost kitchen” model as suggested by Hawley in 2020). More broadly, as delivery platforms continue to grow in popularity, it will become increasingly important for them to effectively manage relationships with restaurants in order to avoid conflict that threatens the viability of their business model.

Research Gaps:

In India, there is no research been carried out in favour of customers’ w.r.t their satisfaction about stand-alone restaurants having multiple delivering channels. Experts from their papers had reiterated the importance & benefits to customers provided by the food delivery aggregators. Also, all the previous researches remains silent about the impact of exorbitant charges being charged to the customer in form of delivery charges, packaging charges and inflated menu cards displayed on food delivery aggregators’ APP, impacting the customer

experience.

Research Problem:

With food delivery aggregators becoming popular, it is hard for the restaurants to have control over the customer relationship with their real consumers. Few of the factors being, less control on the customer experience when there are delays in delivery due to food delivery aggregator availability, no control on upselling/ cross selling and even for the customer taking suggestions from the restaurants for new dishes to try where in personalisation is heavily missing. There are fewer opportunities to turn a bad experience around because the customer enters feedback directly on the aggregator APP. While working with the food delivery service, there will be more points of contact between the order being prepared and the food ending up in the hands of the customer, which could leave more room for errors. Also, the commissions charged by these aggregators are to the tune of 33% which cuts in the margins of the restaurant owners.

Objectives of the Study:

As the title of the proposal suggests, the main aim of the research is to understand the factors impacting customer relationship in restaurants towards the home delivery in restaurant business.

The broader objectives are as follows:

1. To study various factors affecting the consumer satisfaction in multi-channel food delivery from restaurants
2. To identify the reason for customer ordering from food delivery aggregators

Hypothesis

H₀ – Food delivery channel used by customer has no impact on the customer satisfaction.

H₁ – Food delivery channel used by customer has significant impact on the customer satisfaction.

Research Design:

Type of Research: Exploratory research has been used to study the various factors and preferences of customer relationship management for Customers, Restaurants & Food Delivery Aggregators which included surveys and fact finding enquiries of different kinds.

Methods of Data Collection: Primary data was collected at two different levels i.e. customer ordering directly through Restaurants & ordering through Food Delivery Aggregators.

Primary data was collected via survey through personal interviews: Answers were sought to a set of pre-conceived questions through personal interviews. The data was collected in a structured way.

2. Through questionnaires: questionnaires were designed on parameters concerning need, types, choice, benefits and dis-advantages of food delivery aggregators as perceived by customers. A pilot survey was required to prepare and test the effectiveness of the questionnaire in order to

get the correct data.

Sample selection and design:

1. Samples were taken with probability samples, based on stratified random sampling.
2. The study covers stand-alone restaurants in the city of Pune and Pimpri-Chinchwad.
3. The population was stratified into non overlapping subpopulations or strata and sample items will be selected from each stratum.
4. The items selected from each stratum was based on simple random sampling. Sampling was done as below:

Sample design of customers: For this study different categories were taken into consideration as below

- Age bracket of the customer
- Gender of the customer
- Occupation of the customer

This involved samples for customers' orders online and directly through restaurants.

Secondary data: This was gathered from a variety of sources, including periodicals, journals, thesis, articles, newspapers, books, and websites.

Sample Size: (<https://www.calculator.net/>)

Data	Population Size	Confidence Level	Margin Error	Population Proportion	Sample Size
Customers	Unknown	95%	5%	50%	385

Pilot Study:

A pilot study for testing the questionnaire was conducted to help minimize the weaknesses of the questionnaire if any.

Questionnaire – Design and implementation: The questionnaire design was done with the aid of statistical techniques and taking into account the measurement needs for testing of the hypothesis and the objectives of the study. The questionnaire was administered to the sample population and sample size as mentioned above.

Data Analysis: Data collected was analysed with the statistical techniques. Modern analytical tests were used for interpretation of data.

Conclusion:

Post organisation of all the above information and analysis, the perceptions in the behavioural attributes towards food delivery were determined. The development on the digital world and most importantly the pandemic has opened the wide range of food delivery channels for the consumers. This study focused on the challenges faced by restaurants due to food delivery aggregators on customer relationship management where the model involved integration of online, offline & telecommunication systems to create methods and algorithms, optimizing the channels and plan for better customer experience.

There are various studies done on online food delivery services individually. But this vigorous study helped understand the changes that have taken place in the consumer psychology & society vis-à-vis new attributes of customer relationship management for restaurant & food delivery industry.

This research study helped in:

1. Identifying customer perception towards “Platform to Consumer Delivery”.
2. Identifying customer preferences towards online vs offline ordering.
3. Identifying the ordering perceptions based on city, gender, age group, occupation.

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