



To what extent do external factors influence the rise in popularity of food delivery platforms like Zomato and Swiggy in India and what are the implications of this for the various stakeholders?

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Abstract

With food holding great cultural importance in India, the food industry is one which is incredibly vital to the country. The key players in this industry have changed over the years; beginning with just street food vendors and gradually expanding to restaurants and more recently food delivery platforms. This research paper particularly analyses the varying factors that have caused a rise in the popularity of online food delivery platforms like Zomato and Swiggy in India, using the PEST framework. The paper then progresses to evaluate the implications of this growth for the customers and other industry players such as restaurants and street food vendors.

Introduction

Nowadays food can be delivered from anywhere to everywhere. Want to eat a fish curry from Kerala whilst sitting at home in New Delhi? No problem, a few simple taps from your phone are all it takes. About to miss your train and hungry at the same time? Not an issue, food can now be delivered to your train.

Food is an integral part of Indian culture and a source of national pride and identity for the people. Indian cuisine is very diverse and rich, reflecting the country's cultural diversity and pluralistic spirit (Pal, 2023). As part of the food industry in India, one of the oldest and most culturally significant set-ups

enabling access to food is the street food vendors making the streets of India lively and colourful. With time, an array of restaurants started to open across India, offering a new level of quality and variety than ever before. More recently, however, it is the rise of food delivery platforms that have stolen the spotlight in the Indian food industry.

The Indian online food delivery market reached 28.4 billion dollars in 2022 and reportedly exhibited a growth rate (GACR) of almost 30 percent from 2022-2023 (IMARC, 2023). Witnessing the potential of this market, over the past few years, many online food delivery platforms have tried to enter and inevitably failed to gain recognition in such a competitive atmosphere due to the presence of the two dominant players i.e. Zomato and Swiggy - who together control more than 90 percent of the market share, as per media reports (Lamba, Mohan and Gupta, 2023).

Food delivery platforms are mainly present in urban areas with Delhi, Mumbai, and Bangalore being the top three cities with the biggest markets. However, they are now starting to expand to smaller cities (IMARC, 2023). In line with this, the food delivery market in India is not expected to stop growing anytime soon - for instance, experts are expecting it to reach a whopping 118.2 billion dollars in 2028 (IMARC, 2023). So, what are the main reasons for this? Well, an array of external factors including India's growing population, increasing internet usage and rising disposable incomes has helped and will continue to help the food delivery platforms in India immensely (IMARC, 2023). Furthermore, as time progresses, there is an increasing acceptance of online food delivery platforms due to their ability to provide vastly varied, convenient and hassle-free delivery whilst simultaneously offering attractive prices and deals (Katoch and Sidhu, 2021).

This growth, however, is one that has significant impacts on the various stakeholders of the Indian food industry including customers, restaurants and street food vendors. Many consumers, for instance, have expressed their dissatisfaction and concerns over food quality, hygiene and packing of the food delivered through these platforms (Joshi, 2019). Furthermore, whilst many restaurants benefit by reaching a larger market, there has been a great debate regarding the large commissions that must be paid to the platforms.

In line with all the above, this research paper aims to answer the question **“To what extent do external factors influence the rise in popularity of food delivery platforms like Zomato and Swiggy in India and what are the implications of this for the various stakeholders?”**

An overview of the Indian food industry

The presence of street food in India dates back to ancient times. One of the first mentions of street food in India was in the texts of Ramayana and Mahabharata. Street food vendors were known for selling foods such as roasted grains and nuts, different types of bread, etc. to various travellers and locals (Patel, 2023). Over many years, street food started to get more diverse and many new foods were introduced by the likes of the Mughals and British among others. For example, the Mughals were known for their rich and meaty diet, they introduced several new spices as well as cooking methods. Kebabs were one of many street foods to emerge from the Mughal period. During the rule of The British, Indian street food kept evolving and changing - new ingredients such as flour were introduced which were then used to make things like naan, paratha, and vada pav (Kumar, 2023). Eventually, due to the diverse culture of India, different types of street foods started to become available in different regions of India. For instance, street food in the northern region tends to have dishes with richer and creamier gravies including some iconic dishes like Chole bhature and various types of Chaat. On the other hand, in the southern parts of India, one can expect to find simpler and more vegetarian options such as idli and dosa. Street food in the West mainly consists of spicy foods such as pav bhaji and vada pav, while in the East one can expect to find dishes like Jhal Muri, Churmur, etc. which are more savoury and sweet in nature (Das, 2023).

Beyond street food, even restaurants in India have great significance in the country's food industry. Whilst the research does not point to any concrete evidence of when and how the trend of eating out at restaurants came about in India, there are some concrete patterns and trends analyzed which may explain it. More specifically, it is observed that the rise of restaurants in India was triggered by the historical movements of people under conditions of colonization, industrialisation, urbanization and migration. At the very start, when restaurants started to appear across the country, there was a clear distinction in the reason the food was consumed at these establishments; in the case of the rich and elite, it was to fulfil a social status whilst for the poor, it was a necessity (Bhatia, 2022). This may explain how the very foundations of restaurants in India have enabled there to be such a wide variety even today - restaurants are offering a range of dining experiences, from upscale and luxurious restaurants with high-end prices to more budget-friendly restaurants.

More relevant, however, has been the boom in the popularity of food delivery platforms like Swiggy and Zomato in India over the last few years. Both of them combined control most of the market in the country. However, there are some key differences between what the two platforms have been able to achieve and what they offer. For instance, recent studies suggest that their market value is in the ratio of 55:45 favouring Zomato. This study was done in 2023 reporting a total GMV of 3.2 Billion (Sen,

2023). With regard to their reach, Swiggy and Zomato both deliver in the major cities of India. However, Swiggy has a wider reach and delivers in more than 200 cities while Zomato only delivers in over a hundred. That being said, in 2022 Zomato was reported to have 32 million monthly users while Swiggy only had 20 million (INDmoney, 2023). In terms of the pricing models adopted by the platforms, Swiggy and Zomato both have similar models in which they include delivery fees, commissions, etc. however the price of Swiggy is a bit lower (The PM Playbook, 2023). Furthermore, as of 2022, Swiggy has only been able to partner with 3,90,000 restaurants which is less than half of Zomato (INDmoney, 2023). Moving onto the unique offerings, Zomato has recently launched a feature known as *Zomato Legends* whereby individuals can order food to their homes from a wide list of restaurants spanning the country. For instance, this enables an individual sitting in New Delhi to be able to enjoy the fish thali of Goa, the butter chicken of Kashmir, the pav bhaji of Rajasthan, and the duck meat curry of Assam, in the comfort of their own house. On the other hand, Swiggy has introduced *Instamart*. This allows consumers to order everyday groceries on the app as well as order food from restaurants. They deliver groceries within 15-30 minutes which in turn attracts more customers to the app.

The rise of food delivery platforms in India

The above sections of the paper make it evident that food delivery platforms are growing and gaining a great level of prominence in India. However, it is yet to be explored what the factors driving this trend are. This section of the research paper aims to do the aforementioned within the context of the PEST framework.

Political factors

The Digital India campaign was introduced by the Indian government in 2015. Through this campaign, the government was trying to make governmental services available to its citizens digitally by improving the online infrastructure and increasing internet connectivity and usage (Nayanshi 2022). Due to campaigns like these and many others, internet usage in India spiked from 20% in 2014 to more than 50% by 2021 (HSBC, 2023) and an increasing number of online payment platforms started to become available to the population. The government's continued policy development enabling growth in the number of people using the internet and online payment platforms has undoubtedly played a key role in enabling the growth and useability of food delivery platforms in the Indian market.

Economic factors

The middle class has been growing in India at an increasing rate. There has been an increase of 6.3 percent in the middle class from 1995-2021. With a growing middle class, there comes an increasing level of disposable income (Research and Markets, 2023). This is a crucial factor which has led to the rise of food delivery platforms in India. With more disposable income people can afford to order food

rather than relying primarily on eating at home. Moreover, people who have higher incomes generally like to explore new foods of different cultures which also helps food delivery platforms expand and be more diverse. For instance, as mentioned previously, Zomato has recently introduced Zomato Intercity Legends which allows its users to order food from different cities and states. Families with disposable incomes are happy to pay the extra charge to have their food delivered to them in another city or state.

Social factors

India has witnessed great levels of urbanization. The urban landscape is defined by relatively busy lifestyles leaving individuals with less time to devote to cooking meals at home. Furthermore, within the context of a patriarchal society such as India, it has primarily been the role of the woman to stay home and look after the family which includes cooking meals. However, in recent years there has been an impressive growth in the number of women joining the workforce in the country. The busy lifestyles and decreasing pressures on women to play the role of a homemaker are prime reasons for increasing reliance on food delivery platforms given their characteristics of being convenient and time-saving. Moreover, living in an urban area also implies being on the go almost constantly. Usually, people would only consume food at their homes or restaurants but now food can easily be delivered to workplaces, amidst other spaces, making it even more convenient to order food from these platforms. In an interesting turn of events, a few years ago Dominos started delivering their pizzas on trains enabling people to order their pizza whilst on the train to then be met by a delivery rider ready with their meal at the next train station! Finally, many people are now becoming more aware of their health and adopting practices such as veganism or even keto-friendly diets. With online food delivery platforms capitalizing on these opportunities, there are increased chances of continued growth.

Technological factors

Many technological features have been developed and integrated into food delivery platforms allowing them to provide consumers with an all-rounded experience. For instance, after placing an order, users can track the progress of their order via a GPS tracker - this gives people a greater level of satisfaction as they feel they are more in control and in the know-how regarding the order they have placed. Moreover, such platforms also provide easy resolution tactics - for instance, consumers are able to chat directly with their delivery drivers for a more convenient food drop-off experience or even resolve their queries via the help of 24/7 chatbots (computer programs which help stimulate human conversation between itself and the customer which help resolve any problems that a customer might face) (Shweta, 2023). Moreover, social media has had a massive impact on the rise of food delivery platforms in India. Zomato especially has very creative marketing wherein their tweets go viral almost every other week whether it be about chai or memes on foods (Dash, 2019). Food delivery platforms also let customers

rate a restaurant and leave reviews about it which helps other customers decide whether they should order from that restaurant or not.

Stakeholder analysis - the implications of the growing popularity of food delivery platforms in

India

Over the years ordering food online has become very convenient. Now people don't have to go through the grueling process of standing in queues but can instead have their food delivery driver pick up their order from the restaurant and have it delivered to them instead. As mentioned above, people who lead a busy lifestyle may find online food delivery platforms very convenient as it allows them to order from their favourite restaurants anytime and from anywhere. Food delivery platforms such as Swiggy and Zomato also offer coupons and offers to attract more customers. Domino's offers a gig where every time you place an online order of more than INR350 you get 100 points and once you've collected 600 points you can redeem a free pizza (Domino's India, 2022). Regardless of the conveniences of these platforms, over the years there have been many instances where the food ordered on Zomato or Swiggy has failed to reach the end consumer. Whilst there have been different reasons for this, one that has surfaced is that of the delivery drivers consuming the food whilst claiming to be en route to the delivery location. In 2018, for instance, a cunning food delivery man was recorded taking a few bites from the food that he was supposed to deliver. He opened the package and started sampling a few bites from various containers on the side of the road. After he was done, he took out tape from his bag and sealed the containers to make them look fresh and unopened (Ibbetson, 2018). Other than this, there have also been instances of delivery riders badmouthing the customers (Chakravarti 2023). Such behaviour can be harmful to the customers and decrease the level of trust one may have in such platforms.

With regard to the implications of the growing popularity of food platforms for restaurants, it may be observed that they have driven up sales for restaurants. It is because of platforms like SZomoato and Swiggy that restaurants have a wider reach than before with customers now ordering food from restaurants that were previously unknown to them. The aforementioned implies more exposure to a wider audience which in turn implies more revenue generation. It has been reported that around 41 percent of restaurants' revenue is generated by online food orders (Shah, 2023). Furthermore, due to the online applications, restaurants are also able to obtain more customer data (Bharta 2023) such as who their regular customers are, what their most ordered items are, what age group of customers generally order from their restaurant, etc. - this data can be incredibly helpful in determining pricing and promotional strategies. A final advantage that food delivery platforms present for restaurants is the decrease in abandoned orders (Tardelli 2023). Previously, there have been many instances wherein people have placed orders by calling in directly to the restaurant and then never showing up. With food

delivery platforms, however, that is not the case as the delivery man will be assigned to collect the food and will inevitably do so. This does not only suggest a decrease in lost revenue for the restaurants but has further implications for food wastage - a growing societal, economic and environmental problem which needs to be contained. Regardless of the significant benefits that food delivery platforms have provided to restaurants, these platforms also create certain challenges and drawbacks for the restaurant industry. One of them is the commission rates these platforms are charging restaurants. Apps such as Zomato are charging restaurants between 15-25 percent commission on each order (Chaturvedi, 2023). This leaves restaurants with minimal profits as a quarter of the money they make on online orders is being taken by online food delivery platforms. There is also the danger of the customer's experience being negative wherein if the delivery man takes too long and the food gets cold, the customer might get irritated and refrain from ordering food from the same restaurant again.

When it comes to street food vendors, many of them have been able to create a presence for themselves on food delivery platforms. So, in a way, it could be observed that online food delivery platforms played a big role in keeping street food vendors alive, particularly through the pandemic. Street food vendors are now able to reach more people and can cheaply advertise their products by putting pictures of their food on online food delivery platforms. On the other hand, online food delivery platforms have also harmed street food. The whole experience of consuming street food has changed. Earlier it would have been consumed fresh on the side of a road but now it comes packaged in plastic. Moreover, street food vendors are daily wage earners which means that they rely on the income they made the previous day, however, apps such as Swiggy give the revenue to restaurants weekly instead of daily (Singh, 2020). Even with the commission charged by the platforms - which can go up to 25 percent - street food vendors find it incredibly difficult to make profits and stay open. Lastly and most importantly, not all street food vendors might be well equipped with technology, making them unable to access such platforms which results in a loss for them. Even when they can become available on the app, there is a hierarchy which may exist whereby small street food vendors get dominated on online food delivery platforms by bigger street food vendors, in the instance of the food delivery platform recommending the latter.

Conclusion

Food is a deeply embedded component of Indian culture and one that has a rich history. In India, there have traditionally been street food vendors and over time, a vast array of restaurants have also marked their position in the country. However, it is the introduction of online food delivery platforms such as Zomato and Swiggy and their unparalleled growth which is of great interest. In light of the same, this

paper aimed to analyse the players in the Indian food industry and conduct a further evaluation to understand the factors that have influenced the growth of online food delivery platforms in the country.

As discussed in this paper, one of the first mentions of street food dates back to the Ramayana and Mahabharata periods. As time progressed, the diversity in the foods made available by these vendors increased and more particularly started to adapt to and reflect the different flavour palettes of those in the North, South, East and West of the country. It was the historical movements of people under conditions of colonization, industrialisation, urbanization and migration that led to an influx of restaurants starting to open in the Indian market. Today, restaurants in the country are diverse and range from budget restaurants to luxury restaurants. In the food industry of the country, however, food delivery platforms such as Zomato and Swiggy have gained increased prominence in recent years. The value of this market is remarkable having reached a valuation of 28.4 billion dollars in 2022. The PEST analysis of this paper makes the key drivers of this growth evident. On a political front, there have been many policies and initiatives created in favour of the growing prominence of digital infrastructure in India and this has led to more people having access to internet networks and forms of digital payment - both enabling the use of food delivery platforms. With regard to the economic factors, India has witnessed a growth in the middle class and this is linked with a higher level of disposable income - increasing the ability of customers around the country to make use of such platforms. Socially, the lives of people have become a lot busier with increasing rates of urbanization and further, there has also been an increase in the number of women entering the workforce - the aforementioned creates an increased demand for more convenient and hassle-free food options, once again, driving the use of food delivery platforms. Finally, technologically speaking, food delivery platforms are able to provide customers with an all-rounded experience wherein they can track their orders, review and rate their orders, have constant access to customer service experts etc. - this also helps in making the food delivery platforms a popular choice amidst the people of the country. So, external factors have influenced the rise of food delivery platforms like Zomato and Swiggy in India to a great extent.

All the above being considered, there are implications of the growing growth of food delivery platforms for the various stakeholders in the food industry of the country. With regard to the customers, they benefit from a convenient experience but there have also been instances of unethical behaviour being displayed by the food delivery agents which can lessen the trust individuals may have in such platforms. For restaurants, food delivery platforms have provided a fantastic opportunity for increased exposure and a widening customer base but at the cost of high rates of commissions. Finally, the street food vendors who have been able to make a presence on food delivery platforms have benefitted especially through the pandemic, however, there are still many who struggle in the face of the digital divide and the inability to make a presence of such platforms signifies a large amount of lost revenue and could have implications for future survival.

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