



A Study on the Financial Impact of Food Delivery Apps on Restaurant Businesses with Special Reference to the South Bangalore Region

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ABSTRACT

This study investigates the financial ramifications of food delivery apps on restaurant enterprises, focusing on the South Bangalore region. With the proliferation of digital platforms facilitating food delivery, the traditional restaurant business model faces unprecedented challenges and opportunities. Through a comprehensive analysis of economic data, consumer behavior patterns, and industry trends, this research aims to illuminate the complex interplay between food delivery apps and restaurant profitability. The study assesses various factors influencing the financial performance of restaurants, including commission fees, order volume, customer retention, and market competition. Additionally, it explores the role of technology adoption and operational strategies in mitigating or exacerbating the impact of food delivery apps on restaurant revenue streams. By employing both qualitative and quantitative methodologies, this research seeks to provide actionable insights for restaurant owners, policymakers, and industry stakeholders navigating the evolving landscape of food service economics in the digital age. Ultimately, the findings aim to contribute to a deeper understanding of the challenges and opportunities posed by food delivery apps, informing strategic decision-making and fostering sustainable growth in the restaurant sector.

KEYWORDS – Financial impact, Online food delivery, Restaurant sector

1. INTRODUCTION

The advent of food delivery apps has revolutionized the restaurant industry, reshaping the way consumers interact with dining establishments. In the bustling urban landscape of South Bangalore, these platforms have become integral to the food ecosystem, presenting both opportunities and challenges for restaurant businesses. This study delves into the financial impact of food delivery apps on restaurants in South Bangalore, exploring the intricate interplay between these technological platforms, restaurant economics, and consumer behavior.

As the demand for convenience and variety in dining experiences continues to surge, food delivery apps have emerged as key facilitators of the evolving restaurant landscape. In South Bangalore, a vibrant confluence of culinary diversity and rapid urbanization, the influence of these apps is particularly profound. Understanding the financial implications of this paradigm shift is essential for both restaurant owners and industry stakeholders seeking to adapt and thrive in this dynamic environment.

This study aims to unravel the multifaceted impact of food delivery apps on restaurant businesses in South Bangalore, shedding light on the revenue dynamics, operational challenges, and customer engagement patterns that characterize this symbiotic relationship. By capturing the perspectives of restaurant owners and app users, the research endeavors to provide nuanced insights into the evolving financial dynamics of the restaurant industry, offering practical implications for strategic decision-making and sustainable business practices.

NEED OF THE TOPIC

1. Understand the impact of food delivery apps on Restaurants.
2. Analyze how the use of food delivery apps affects the revenue streams of restaurants.
3. Explore the competitive landscape as food delivery apps introduce new competition for restaurants.
4. Identify the financial challenges and opportunities that arise from partnering with food delivery apps.
5. Provide valuable data for restaurant owners to make informed decisions regarding involvement with food delivery apps.

THEORETICAL IMPLICATION OF THE TOPIC

The study on the financial impact of food delivery apps on restaurant businesses in South Bangalore holds theoretical implications for understanding consumer behavior, platform economics, revenue management, strategic management, urban economics, and relationship marketing. It contributes to advancing theoretical frameworks in these domains, offering insights into consumer technology adoption, intermediary effects, revenue management strategies, business model innovation, urban localized impact, and customer engagement in the context of evolving business ecosystems and digital disruptions.

RECENT TRENDS RELATED TO THE TOPIC

1. **Market Saturation:** The food delivery app market in South Bangalore has experienced rapid expansion, leading to increased competition among platforms. This saturation has implications for restaurant profitability and pricing strategies as they navigate the crowded landscape of delivery options.
2. **Technological Integration:** Restaurants are increasingly integrating technology into their operations to optimize delivery processes and enhance customer experience. This includes the adoption of in-house delivery systems, kitchen display systems, and order management platforms to streamline operations and meet the demands of food delivery services.
3. **Data-Driven Insights:** Food delivery apps are providing restaurants with valuable data insights regarding customer preferences, order patterns, and peak delivery times. Restaurants are leveraging this data to tailor their menus, optimize inventory management, and strategically plan staffing and resource allocation.
4. **Commission Pressures:** There is a growing trend of controversy and negotiation surrounding the commission fees charged by food delivery apps. As restaurants seek to maintain profitability, many are advocating for fairer commission structures or exploring alternative delivery models to mitigate the impact of high commission rates.
5. **Sustainability Initiatives:** With an increasing focus on sustainability and environmental impact, both food delivery apps and restaurants are exploring eco-friendly packaging solutions and logistical efficiencies to reduce the carbon footprint associated with food delivery operations.
6. **Direct-to-Consumer Initiatives:** Some restaurants are implementing direct-to-consumer delivery initiatives, bypassing third-party apps to retain greater control over the customer experience and reduce reliance on external platforms, albeit at the cost of sacrificing the reach provided by established food delivery apps.

2. LITERATURE REVIEWS

1. “Impact of Online Food Delivery on Customers”

Churchil Moondra, Hemant Kumar Mangwani, Kapil Deshpande, Avinash Singh Bundela and Kavita Namdev (2020)

International Research Journal of Engineering and Technology (IRJET) (Vol. 17, Issue 4)

The study focuses on the increasing convenience of ordering food online, eliminating the challenges of pronouncing complex dishes, and providing access to diverse menus and recipes. It emphasizes the growing popularity of the online food business, offering various options such as restaurant recommendations, recipe sharing, and convenient online ordering. The research aims to evaluate the effectiveness of the technologically advanced online food delivery system, highlighting its transformative impact on restaurant culture and the enhanced comfort it offers globally.

2. “Study on the Effect of Consumer Experience on Food Delivery Apps”

Nina Farisha, Norhayati Mat Yusoff Mohd Yusof, Irina Mohd Akhir, Universiti Teknologi, and Suriati Osman (2024)

An Overview on Business, Management and Economics Research (Vol. 7)

The research delves into the determinants influencing consumers' adoption of food delivery apps in Malaysia, focusing on Grab Food. Through an extended flow theory model, consumer experiences in online food purchasing were investigated among postgraduate students using a dichotomous scale. Utilizing Partial Least Squares analysis, the study revealed that consumer web and digital experiences significantly influence buying intentions. It emphasized that functionality is more critical than psychology or content factors in consumer decisions. Notably, digital experience has a greater impact on purchasing behavior with increased app usage. This pioneering research underscores the pivotal role of consumer experience in shaping food delivery app adoption.

3. “Consumers' satisfaction towards online food delivery app Swiggy: The study special reference with south Chennai”

Ashok Kumar Katta and Sankar Singh Kishan Singh (2023)

International Journal of Health Sciences (Vol. 6, Issue S3)

The research investigates the impact of online food ordering, particularly Swiggy, on customer habits and satisfaction. It focuses on respondents aged 21-35 in Chennai. Swiggy emerged as the most popular app among participants. Data was collected through a primary survey using SPSS v20 with a sample size of 150, highlighting shifts in food consumption behaviour.

4. “A Study on Determining The Factors Impacting Consumer Perception Regarding Online Food Delivery Apps in Guwahati”

Saroj Kumar Koiri, Subhadeep Mukherjee and Smriti Dutta³ (2019)

GIS Business (Vol. 14, Issue 6)

The fast-food industry in India is rapidly expanding, aligning with local food preferences. Online food ordering apps cater to evolving consumer needs. This study explores factors influencing consumer perceptions of these apps. It reveals that online platforms streamline food ordering compared to traditional paper methods, enhancing convenience for both restaurants and customers.

5. “Impact on bullwhip effect in food industry due to food delivery apps”

Reena Jain, Mona Verma, and Chandra K. Jaggi (2020)

Operational Research Society of India (Vol 58)

This paper explores their impact on the bullwhip effect, an amplification of demand in the supply chain. Despite causing price variations and poor forecasts initially, the study demonstrates that the application of IT, through qualitative and quantitative analysis, ultimately reduces the bullwhip effect in the long run by improving information sharing.

6. “Key Determinants of Continuance Usage Intention: An Empirical Study of Mobile Food Delivery Apps among Malaysians”

Emily H. T. Yapp and Saraniya Kataraiyan (2022)

MDPI (Vol. 82, Issue 15)

The study examined post-pandemic mobile food app usage in Malaysia, integrating convenience and time-saving factors into the Unified Theory of Acceptance and Use of Technology (UTAUT2) framework. Smart PLS and partial least squares modeling were used to analyze data, aiming to identify the drivers behind the continued use of food delivery apps by Malaysians.

7. “Making Data-Driven Decisions for Investing in Restaurant Business: A Case Study Based on Zomato Dataset”

Rachna Shah (2023)

Categorical Data Analysis Commons, and the Data Science Commons (Vol. 15)

This Research outlines the global impact of online food delivery systems, focusing on India's rapidly growing market. It emphasizes the importance of data-driven investment decisions and outlines the project's objectives, which include understanding demographic influences, location impacts, cuisine preferences, and the correlation between cuisine and restaurant ratings using Zomato's dataset for Bengaluru.

8. “Platform-Mediated Food Delivery Work: A Review for CSCW”

Kalle Kusk and Midas Nouwens (2022)

Association of Computing Machinery (Vol. 6, Issue CSCW2)

Research review reveals common traits among food delivery workers, often young, male, and immigrants. Their practices involve algorithmic management, flexible schedules, and pay-per-delivery. Despite similarities, local environments significantly impact their work, highlighting the need for nuanced consideration.

9. “A customer satisfaction centric food delivery system based on blockchain and smart contracts”

A. A. Talha Talukder, Md. Anisul Islam Mahmud, Arbiya Sultana, Tahmid Hasan Pranto, AKM Bahalul Haque & Rashedur M. Rahman (2022)

Journal of Information and Telecommunication (Vol. 6, Issue 4)

The research addresses concerns in food delivery systems by proposing a blockchain and smart contract-based solution to improve security, mitigate deep discounting's impact, and enforce policy compliance. Deployed and tested on the Ethereum test network, the simulation demonstrates successful implementation, highlighting controlled payments and policy adherence for restaurants, delivery persons, and consumers.

10. “Review on Customer Perception Towards Online Food Delivery Services”

Dsouza Prima Frederick, Ganesh Bhat.S (2021)

IJCRT (Volume 9, Issue 7)

This study reviews consumer perception of online food delivery services, exploring various dimensions in this emerging industry. Examining literature from 1994 to 2021, the research identifies key drivers and emphasizes the need for in-depth analysis of factors influencing consumer perception.

Recognizing online food ordering's growth, the study highlights its potential impact on people, businesses, and the economy, emphasizing the importance of understanding consumer perceptions for maximizing the industry's potential.

3. COMPANY PROFILE

INDUSTRY PROFILE

The restaurant industry in South Bangalore is a thriving and diverse sector that reflects the rich cultural tapestry of the region. South Bangalore has witnessed remarkable growth in its culinary landscape, marked by a surge in the number of restaurants offering a wide array of gastronomic experiences. The local food industry has evolved to cater to the diverse preferences of its urban population, encompassing traditional South Indian fare, international cuisines, and innovative culinary creations.

The rapid urbanization and increased disposable income in South Bangalore have contributed to the expansion of the restaurant sector. Notably, the region has embraced technological advancements, with a significant portion of restaurants adopting digital solutions for various aspects of their operations. The integration of food delivery apps into the local dining scene has become a prominent trend, offering consumers a convenient way to access a variety of culinary delights from the comfort of their homes.

In this dynamic landscape, the competitive environment among restaurants is intense, with establishments striving to differentiate themselves and capture market share. The introduction of global and local food delivery app platforms has added a new dimension to the industry, influencing consumer behavior and reshaping how restaurants manage their services. The study on the financial impact of food delivery apps on restaurant businesses in South Bangalore aims to delve into this evolving ecosystem, providing insights into how these technological and consumer-driven changes affect the financial health and strategies of local restaurants. The research will contribute valuable knowledge to stakeholders navigating the intersection of traditional dining, technology, and consumer preferences in this vibrant region.

COMPANY PROFILE

Company's Name – Business Plus India

Founder – Mr. Tushar S

Incorporation Year – 2019

Business Plus India is a Venture Capital company - we raise funds for our projects and onboard investors who are interested in returns. We have Coworking spaces, Restaurants, Takeaways, and cloud kitchens.



Services Offered

1. Franchise Management - Franchise management involves overseeing and supporting franchisees, ensuring they adhere to the established brand standards, and operational, and business practices.
2. Partnership Models - Partnership models involve collaboration between two or more entities to achieve mutual goals. This can manifest in various forms such as strategic alliances, joint ventures, or co-branding initiatives.
3. FOCO model Businesses - The FOCO (Franchisee-Owned Company-Operated) model refers to a setup where the franchisee owns the outlet or location, but the company retains operational control. This means that the company manages the day-to-day operations, ensuring consistency and adherence to brand standards, while the franchisee is responsible for the initial investment and local management.

4. RESEARCH DESIGN

STATEMENT OF THE PROBLEM

The present research work is conducted to analyze the impact of online food delivery apps on the operations of the restaurant business. The study is conducted from the restaurant's point of view, how the online food delivery system helps in the growth of businesses thereby creating a huge economic impact by providing various employment opportunities with new development ideas and the influence of the online delivery apps in promoting the growth in these sectors with special reference to the Bangalore South Region.

RESEARCH GAP

The research gap for the study on “the financial impact of food delivery apps on restaurant businesses in the south Bangalore region” could include the absence of comprehensive research specifically focusing on how the use of food delivery apps affects the financial dynamics of restaurants in this particular geographic area.

Moreover, it could also consider the lack of localized data and analysis about the operational challenges, and profitability implications experienced by restaurants due to the integration of food delivery apps, within the unique market and consumer behavior of south Bangalore.

HYPOTHESIS OF THE STUDY

Null Hypothesis (H0):

- There is no significant financial impact of food delivery apps on restaurant businesses in the south Bangalore region.

Alternative Hypothesis (H1):

- There is a significant financial impact of food delivery apps on restaurant businesses in the south Bangalore region.

OBJECTIVES OF THE STUDY

- To analyze the financial impact of online food delivery systems in the restaurant business in the south Bangalore region.
- Evaluate the financial performance of restaurants before and after the widespread adoption of food delivery apps in the south Bangalore region.
- Scrutinize the challenges faced by the restaurant sector in connection with third-party food delivery apps
- Evaluate the contribution of the online food delivery system to the financial development of the restaurant businesses. **SCOPE OF THE STUDY**

The study aims to collect the responses from Restaurant owners/managers and food delivery app users residing in the south of Bengaluru. This study benefits a considerable number of restaurants, online delivery operators, and delivery people to know the impact that they created on the growth of the economy. The study would help to bring insight into the minds of restaurant operators as to how to conduct effective management of the restaurant business using online platforms.

RESEARCH METHODOLOGY AND DATA COLLECTION

a) Data Collection Method

i. Population

Restaurant Owners/Managers and Food delivery app users residing in the South Bangalore Region

ii. Sample design

Sample Size – 150

Sampling Units – Individual Restaurants and App users

Sampling Method – Simple Random Sampling

iii. Method of data collection

Primary data is collected through a questionnaire.

Secondary data is collected from sources like articles, newspapers, and websites.

- b) Tools for data collection - Structured Questionnaires
- c) Data analysis techniques - Analysis of data through Statistical Tools
- d) Statistical tools for analysis – Interpretation of data by using statistical tools such as Bar Graphs, Pie charts, etc.

LIMITATIONS OF THE STUDY

- The study's findings may be limited by the size and diversity of the sample population, potentially restricting the generalizability of the results to the broader restaurant industry.
- Time constraints may limit the depth of analysis.
- Language barriers or cultural differences within the sample population may affect the interpretation of responses
- Only the South Bengaluru region was taken into consideration.

FINDINGS

1. Food delivery apps led to a significant increase in revenue for restaurants in South Bangalore.
2. Restaurants utilizing delivery apps experienced a boost in customer reach and order frequency.
3. Increased operational costs were noted due to commission fees imposed by food delivery platforms.
4. Consumer trends showed a preference for convenience, user reviews, and variety, driving the demand for food delivery services.
5. Restaurants adapting to online platforms saw enhanced brand visibility and customer engagement.

RECOMMENDATIONS

1. Negotiate commission rates and establish solid partnerships with food delivery apps.
2. Tailor menus for delivery to enhance customer experience and streamline operations.
3. Implement loyalty programs and incentives to foster repeat business.
4. Allocate resources to digital marketing and brand-building activities.
5. Streamline kitchen and delivery operations to mitigate increased costs.

CONCLUSIONS

The study concluded that food delivery apps have profoundly influenced restaurant businesses in South Bangalore, leading to increased revenue and customer reach while also presenting challenges such as heightened operational costs. Strategic partnerships, menu optimization, customer retention initiatives, marketing investments, and operational efficiency enhancements are crucial for restaurants to thrive in this evolving landscape influenced by food delivery apps. Overall, the study emphasizes the need for a balanced approach that harnesses the benefits while effectively managing the challenges associated with food delivery apps in the restaurant industry.

APPENDIX

QUESTIONNAIRE

FOR RESTAURANT OWNERS/MANAGERS

1. Has the introduction of food delivery apps affected your overall revenue?
 - a) Increased b) Stayed the same c) Decreased d) Not Sure
2. How has the gross profit margin changed since partnering with food delivery apps?
 - a) Increased b) Stayed the same c) Decreased d) Not Sure
3. Have you adjusted your marketing budget to allocate more resources to online promotion through food delivery apps?
 - a)Yes b)No

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4. Have you made any adjustments to your menu and pricing due to the increasing use of food delivery apps?
a) Yes b) No c) Not Applicable
 5. How satisfied are you with the commission fees charged by food delivery apps?
a) Very satisfied b) Satisfied c) Neutral d) Dissatisfied d) Very dissatisfied
 6. Have you experienced changes in operational workflow due to the integration of food delivery apps?
a) Yes b) No
 7. How has the number of orders from dine-in customers changed since partnering with food delivery apps?
a) Increased b) Stayed the same c) Decreased d) Not Sure
 8. Have you encountered any challenges in maintaining food quality during delivery?
a) Yes (mention) b) No
 9. Do you consider food delivery apps as an essential sales channel for your restaurant's future success?
a) Very essential b) Moderately essential c) Slightly essential d) Not essential
 10. How do you assess customer satisfaction and feedback received through food delivery apps compared to dine-in customers?
a) Higher b) Same c) Lower d) Not Sure