

Revolution and Growth of Food Service Industry – The impact of Food-Tech Start ups

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Abstract

The dawn of the millennium may not have foreseen the change in the way most businesses operate, as we see today. An internet user base of nearly 40% of India's population and the extensive involvement of Information Technology in the retail sector has resulted in a fundamental shift in the behaviour and practices of both, consumers and sellers. This led to an accelerated growth across various industries, making room for more development, by offering convenience and variety to the consumer, as is the case with the Food Service Industry in India. The Indian food service industry is one of the fastest evolving industries, owing to changing demographics, increase in disposable income, urbanization and effective operating models. The involvement of new Internet-based intermediaries has played a major role in organizing the previously unorganized industry. The advancement in technology and emerging retail formats have given rise to novel business ideas and platforms catering to the dynamic needs of the modern consumer, empowering them by giving them the freedom to make informed decisions, and at the same time, giving a wider outreach to the sellers. The undertaken research aims at studying the quantified effect of digitization on the growth of businesses, as reported by the merchants in the organized food service industry in Chandigarh. The study was conducted based on responses collected from the managers of restaurants and cafés that have been using Zomato as an additional platform for conducting business for over a year.

Keywords: Digitization; Food-tech startups; Food service industry; Zomato.

1. Introduction

Food Industry in India

The trends in food service industry have undergone a drastic change in India, especially over the past decade. There has been a shift in

eating preferences of consumers towards fast food brands, fine dining, and delicacies from all over the globe. Demand for authentic cuisines, may it be Chinese, Italian, Caribbean or Thai,

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has found a market for themselves in the hearts of the modern food enthusiasts. With globalization, there has been a significant exchange across the borders of countries, bringing about a trend in cross cultural behaviours and practices, and the same can be observed in the streets of our own towns and cities. Concepts like coffee shops and cafés, live music to accompany meals, food chain models, and so on, have become the shaping elements of the food service sector, and yesterday's cliché has become today's reality – the proportion of lifestyle-conscious population in India is increasing quite rapidly. With loads of choices around for everything you name, it becomes very convenient for a consumer to 'opt out' of something if they find a better alternative. While there is nothing to say about places which serve bad food, the ones doing justice to the cuisine often mess-up the game in the customer service department.

Internet, Zomato

In the light of the changing expectations and demands of the consumers, their increasing need to be aware and informed, changing preferences and anticipating tactics to attract their attention have given rise to novel business ideas. The race against the competitors has pushed businesses to put forth dynamic ways to win over the customers' interest. One such effort in this industry is made by what we refer to as start-ups that think out of the conventional business formats. Food-tech applications are these days gaining popularity because of their nature of integrating information and while helping make decisions, like a 'food guide', taking into consideration the fellow users' ratings or reviews over their smartphone apps. Such applications get advertisers, which is the simplest way in which an aggregator makes

money.

Chandigarh

This study has been conducted in Chandigarh. Its population, according to the Census of India, 2011 was 1.05 million, growing at a rate of 17.1% over the past decade, making the population stand at an approximate of 1.16 million. According to the same survey, the average literacy rate is 86.7%, growing at a steady rate, as is the urban population, working class and the youth.

2. Literature Review

This study and the understanding we have about the foot-tech start-up is what it is because of the Zomato blog by its founder, Deepinder Goyal, at blog.zomato.com keeping the readers posted about the business. As we progressed and learnt more about the concept and the model, we came across articles that highlight the need and importance of instruments like Ratings and Reviews and the effect they can have on the consumption of the potential buyers. Compared to the offline environment, there is larger, more versatile information that acts like a real time Word of Mouth, or what has been referred to as e-WOM, that can be easily found by way of communities.

Hennig-Thurau and Walsh studied the customer motives for reading online word of mouth and the resulting effects. Their study found that the most important motivations for reading reviews were: diminution of risk, lowering of search time, understanding the various methods for how to consume a product, reduction or curtailment of purchase regret, compensation from an imaginary community, searching for new products, and increasing social status.

Chevalier and Mayzlin also studied the effects of e-WOM on actual sales by examining online book reviews posted on Amazon and Barnes and Noble. The results illustrate that more positive e-WOM is posted on online book stores than offline, with Amazon having far more positive e-WOM in both quantity and quality than Barnes and Noble. Overall, this study demonstrated that high levels of e-WOM increases book sales.

3. Objectives of the study

The internet has undisputedly become an indispensable part of the lives of people across the world. Businesses, irrespective of the size, location, or nature, had to adapt with the change brought about by the advent of the new technology. Here, we discuss the case of the Food service sector and attempt to examine how Internet-based intermediaries have established themselves an essential part of this industry, making this industry rather fascinating, for consumers as well as the sellers.

This study has been carried out with two main objectives:

- to identify the factors that food service sector merchants perceive as important for increase in the revenue earned from online aggregators, and
- to understand the determinants considered by customers that may influence their decision making while using these online aggregators.

4. Research methodology

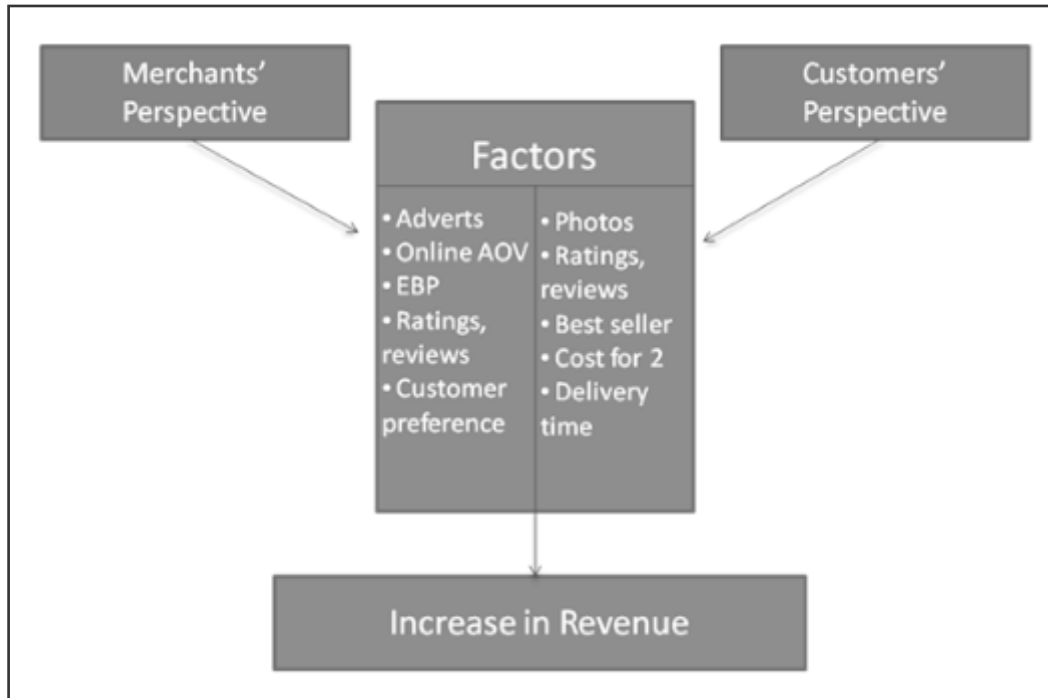
For this study, Primary as well as Secondary data was collected. The data about the businesses was collected from respective merchants/managers of various eateries, while data about consumers, their choices and behaviour was collected from Zomato.

This research was carried out across Chandigarh, by studying eateries that were using Zomato as a portal for conducting business, and other activities like advertising, running promotional offers, building relationships with customers, etc. For this purpose, we used multi-stage sampling. The area for sampling, as stated above was Chandigarh. Restaurants and cafés that were present on Zomato for one year or more were chosen for the study. Further, the restaurants to be studied were picked by conducting a pilot study amongst 50 students of Panjab University. This helped arrive at 60 food outlets, out of which 42 successfully responded to the questions put forth.

The managers were informed about the study and were asked a series of questions, both, empirical, as well as perception based. Their responses were then observed and used for analysis and drawn conclusions upon. For this purpose, SPSS 16.0 was used.

For understanding the consumer perspective, Zomato's application was used. Information and values listed online were compiled. Photos, ratings and reviews, best seller items, Cost-for-Two, and the delivery time. This has been done in an attempt to test an association between the stated factors and revenue earned by the respective outlets.

Conceptual Framework



Research Questions

This research examined the following research questions and hypotheses:

- To what extent does the online ratings of a restaurant affect its online business.
- The degree to which the “Cost For Two” factor affects its online business.

5. Findings and Data Analysis

Descriptive Statistics:

Most of the merchants that were earning higher revenue from Zomato (more than 30% of their overall revenue) think that the customers are shifting online rather than eating at the restaurants.

Revenue * Customer Shift Cross tabulation

		Customer_Shift			
		No	Yes	maybe	Total
Revenue	low<10	6	0	2	8
	medium (mid 11 - 20)	5	9	1	15
	high (21 - 30)	0	11	2	13
	31 and above =very high	0	5	1	6
	Total	11	25	6	42

66.7 percent of the merchant respondents think that the customers visit their restaurant page on Zomato before actually visiting the restaurant.

Zomato_before_visit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	2	4.8	4.8	4.8
	Yes	28	66.7	66.7	71.4
	Maybe	12	28.6	28.6	100.0
	Total	42	100.0	100.0	

Out of the 42 merchant respondents, 28 think that the ratings they have on their online pages affect the business they get through the platforms.

Ratings_affect_business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	6	14.3	14.3	14.3
	Yes	28	66.7	66.7	81.0
	Maybe	8	19.0	19.0	100.0
	Total	42	100.0	100.0	

It was observed that the merchants getting high revenue from Zomato think that the Ratings on their Zomato page affect their

businesses, and the merchants getting low revenues from Zomato don't think that Ratings have any significant effect on the businesses.

Revenue * Ratings_affect_business Crosstabulation

		Ratings_affect_business			
		No	Yes	maybe	Total
Revenue	low<10	6	4	0	10
	medium (mid 11 - 20)	0	14	1	15
	high (21 - 30)	2	7	4	13
	31 and above =very high	0	3	1	4
	Total	8	28	6	42

Pearson's Correlation

Bivariate correlation was run to determine the relationship between Overall Ratings of a restaurant on its Zomato page and the

Percentage Contribution of Zomato in Total Revenue. There was a strong, positive correlation between the two, which was statistically significant ($r = .774$, $n = 42$, $p = .000$).

Correlations

		Overall_ratings	Percentage Contribution_of_Zomato_in_revenue
Overall_ratings	Pearson Correlation	1	.774**
	Sig. (2-tailed)		.000
	N	42	42
Percentage_Contribution_of_Zomato_in_revenue	Pearson Correlation	.774**	1
	Sig. (2-tailed)	.000	
	N	42	42

** Correlation is significant at the 0.01 level (2-tailed)

Correlations

		Percentage Contribution_of_Zomato_in_revenue	CFT
Percentage_Contribution_of_Zomato_in_revenue	Pearson Correlation	1	.512**
	Sig. (2-tailed)		.001
	N	42	42
CFT	Pearson Correlation	.512**	1
	Sig. (2-tailed)	.001	
	N	42	42

** Correlation is significant at the 0.01 level (2-tailed)

Bivariate correlation was run to determine the relationship between the Cost For Two (CFT) and the Percentage Contribution of Zomato in Total Revenue. There was a negative correlation reported between them, which was statistically significant

($r = -.512$, $n = 42$, $p = .001$).

6. Conclusion

The mean of the Percentage contribution of Zomato to overall revenue in the sample

chosen was found out to be 20.59%, and the mean AOV was found out to be Rs.559, and the average returns on the money spent on advertising online on Zomato was around 8.54%.

There is a statistically significant relationship between the Online Revenue of a restaurant and its online ratings. And, there is also a statistically significant relationship between the Cost For Two that is displayed on the Zomato page and the Online revenue of a restaurant.

7. Suggestions

Upon interaction with the merchants of various outlets, and inquiry about personal grievances brought out some additional suggestions for better operations and services by Zomato. It was observed that there was a lack of confidence in some merchants regarding the working of Zomato. Paid reviews and complex algorithms weaken their faith. Some discontinued activities like "Blogger meets", which were considered constructive for businesses, demanded revival by merchants.

8. Limitations

1. Due to time and budget constraints, the scale of this study was confined to a small sample size, and may not be representative of diverse populations.
2. Respondents who did not have access to accurate information may have furnished data.
3. Paid ratings and reviews reduce the reliability of the secondary data collected from the website.

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