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INDIA FOODSERVICE DELIVERY REPORT 2021 SUMMARY



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The purpose of this report:

This report explores the three key elements of the food service delivery value chain: aggregators, cloud kitchen operators and restaurants that also deliver.

The report is intended to achieve two clear objectives:

- to define and measure the food service delivery market and the various segments within it.
- to highlight the trends and drivers and to use them to provide a framework for thinking about the future of the market.

The report also draws comparisons with select international markets to provide a wider global context to the potential evolution of the food service delivery market in India.

How we define the delivery market

Delivery is defined as the process by which a customer orders food or beverage by phone, app or online, and receives the delivered order in person. Our definition of foodservice delivery does not include takeaways, meal kit delivery services, and ingredient delivery.

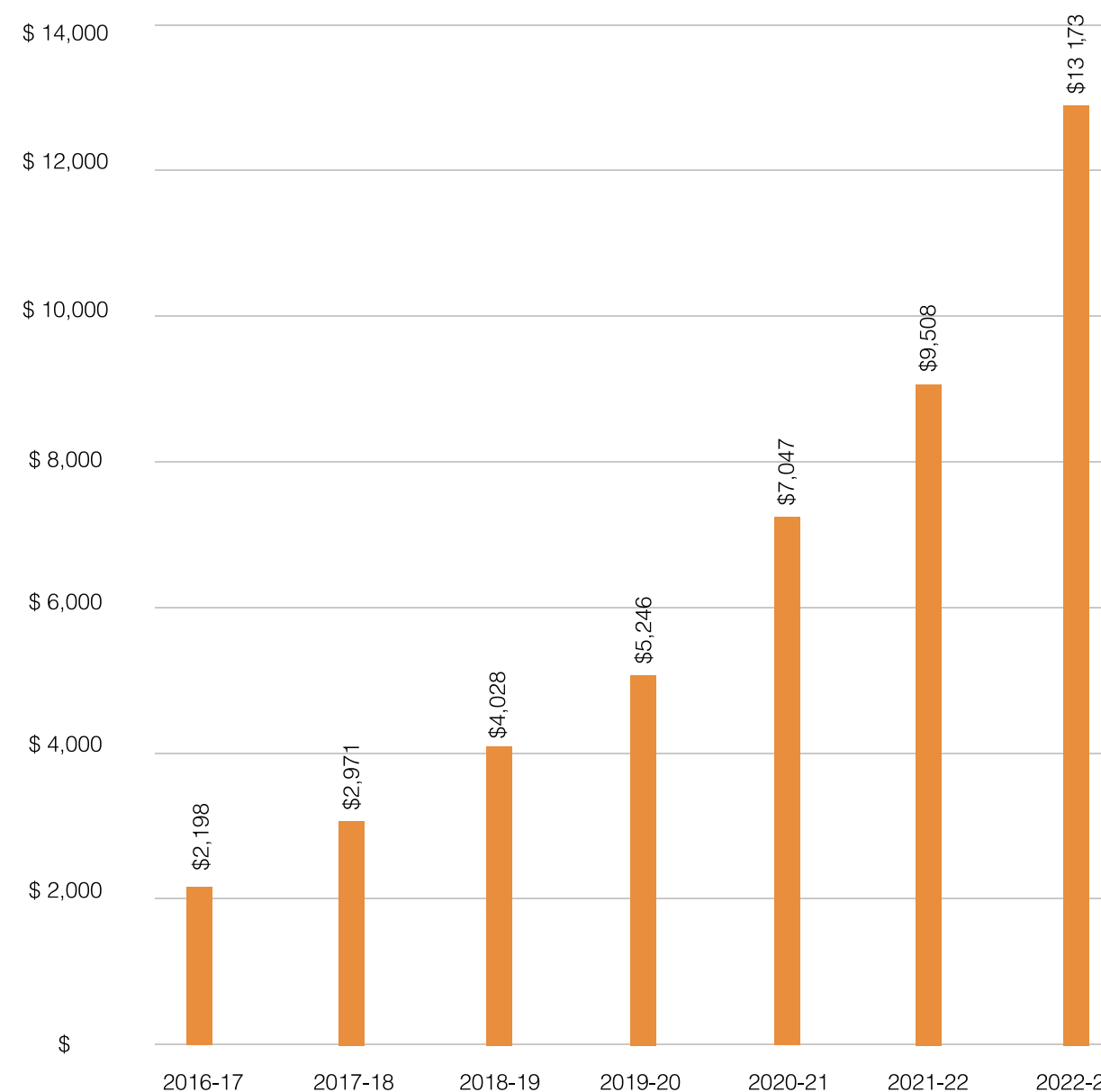
The Indian Foodservice Delivery Market

The Indian foodservice delivery market was worth INR 37,440 crore (US\$ 5.2 billion) in GMV in 2019-20. It grew at 33% CAGR over the previous 3 years.

We forecast that food service delivery will reach INR 93,600 Crore (US\$ 13 billion) by 2022-23.



Delivery market size (US\$ million)



Source: Tasanaya research and analysis

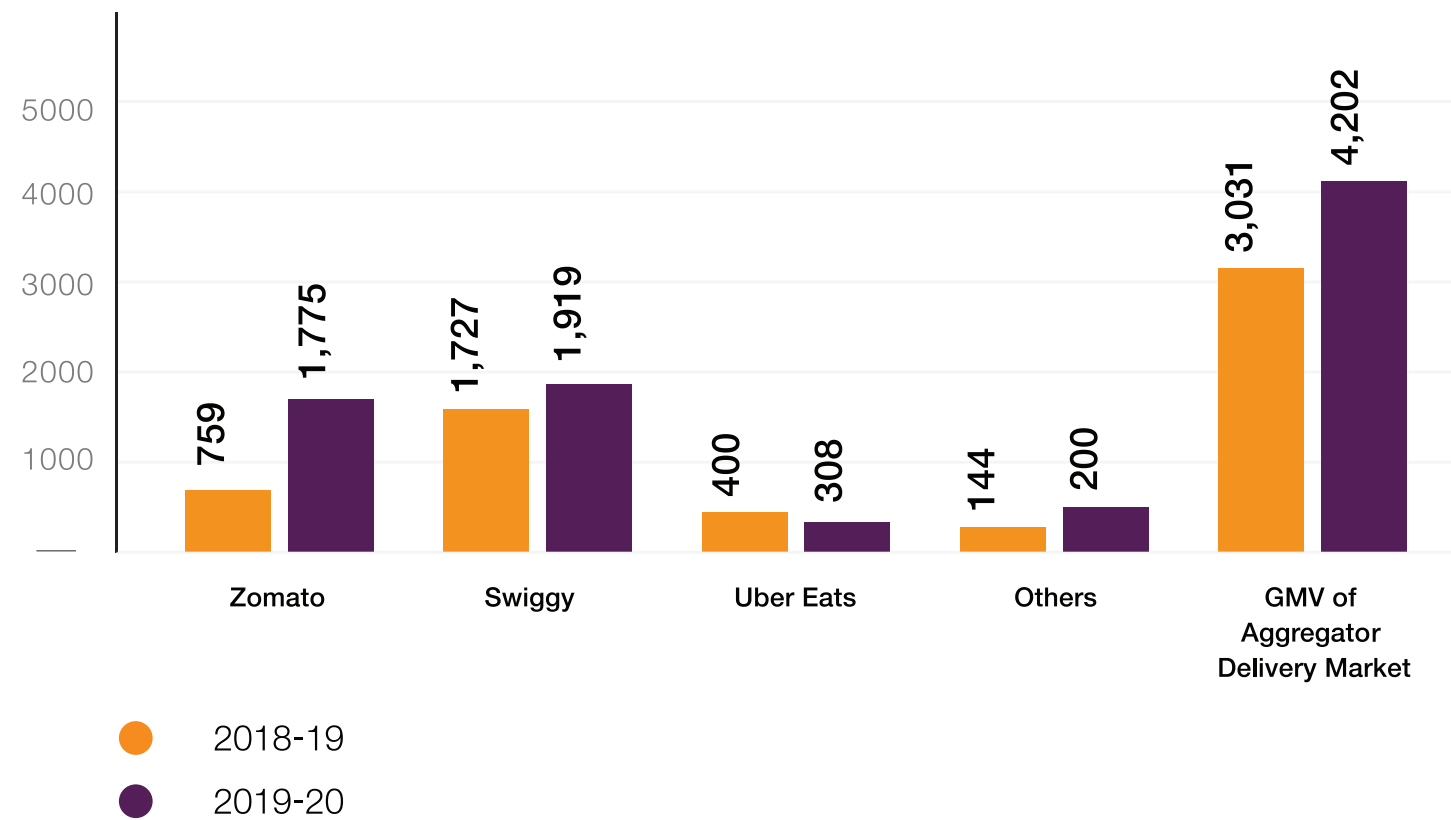
Market dynamics and segments

In the last five years or so, the foodservice delivery market in India has seen unprecedented change; new entrants powered by sophisticated technology have radically changed the market dynamics and innovative models, exemplified by cloud kitchens, have been created successfully.

Today, the foodservice delivery market has a variety of players and business models, some that compete and others that are more symbiotic. The key categories are: aggregators, cloud kitchens, hyperlocal services (food service delivery and more) and restaurant partners (QSR, CDR, desserts and ice-cream, café). We shed light upon each of these segments, talking about delivery trends, our estimation of their growth in next 5 years as well as the way forward.

In the early days of foodservice delivery, aggregators in India were marked by many launches, acquisitions, consolidation and business closures. Today, two major players remain: Swiggy and Zomato who between them own 85% of the delivery market (based on GMV).

GMV delivery market for delivery aggregators (US\$ million)



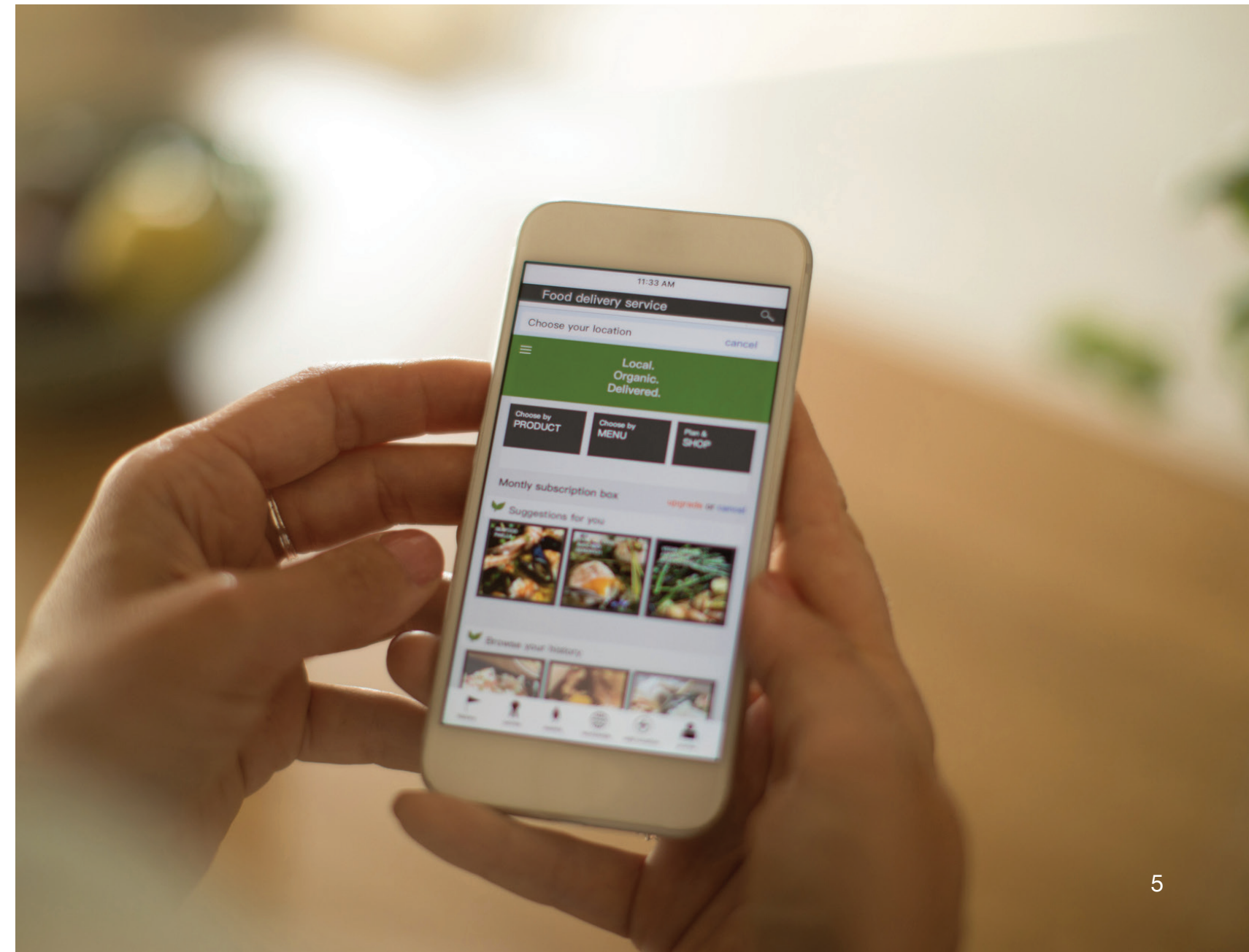
Source: Tasanaya research and analysis

Who owns the customer?

The battle for consumer loyalty between the aggregator deliverers and restaurant operators is fierce. Issues such as deep discounting, contracts and commissions, brand experience and customer perceptions have led to confrontation between the two parties. Aggregators are able to mask customer data which means that the operators cede the knowledge of, and their relationship with, their customers.

In the absence of data sharing, it is not possible for the operator to understand its delivery customers, market to them, measure loyalty etc. On the other hand, it means that the aggregator deliverer owns valuable information about customer habits and preference which can be used to improve customer experience.

There are numerous ways in which restaurant brands can minimise risks of losing control to aggregators. For example, restaurant chains have invested in self-managed delivery programmes for direct connection with customers to provide greater control over quality, branding and other marketing imperatives. Examples of brands taking action include Impresario Hospitality, Fat Lulu Pizza and Cold Love Ice Cream. Domino's, McDonald's and Pizza Hut are also developing algorithms on their apps to increase their visibility to customers in order to reduce customer acquisition costs and to foster sustainable business models. This does not mean they will eliminate their presence on aggregator platforms rather the two systems will coexist.



How covid is changing the industry

The rapid spread of covid has made Indian consumers sceptical about ordering food online (compared with other national markets where restaurant delivery increased substantially during covid). The overall result of covid has led to a 70% drop in overall revenues from March 2020 to the end of 2020 with the better brands recovering to 50-60% of pre covid sales towards the end of the period.

Most restaurants in India (and indeed the world) work on 10%-15% EBITDA margins but with limited free cash flows. One of the largest in the service sector, the restaurant industry contributes approximately 3% to the GDP of India and is the service sector's single largest employer with more than 7.3 million people on its payroll.

We address how the industry is adapting to covid-19 throwing light upon the current state of the market and the way forward, various sanitation and hygiene protocols implemented by players, food innovation like DIY kits, increase in alternative trade areas, etc.



Future growth of the market

The Indian foodservice delivery market has a 15% share of the total INR 4,62,013 crore Indian organised foodservice market. This share is similar to the share in the UK and somewhat higher than that in the USA. In common with these countries, there is considerable potential for growth as restaurant delivery starts to eat into the retail market's share of wallet.

Year 2019	US (\$) (Billion)	INR (Crore)
Foodservices market size	66	4,62,000
Organised foodservices market size	24	1,68,000
Foodservice delivery market size	3.6	25,200
Foodservice delivery as % of Foodservices market	5.50%	
Foodservice delivery as % of organised foodservices market	15%	

Factors that will influence the growth of foodservice delivery in India

- **Economic factors** such as GDP growth, increase in disposable incomes, increased internet and smartphone penetration.
- **Consumer behavioural changes** such as reduced time available for preparing meals at home to fast-paced urban lives, young working people replacing home cooked food to delivery subscription meals (home-style food).
- **Regulatory policy changes** such as increased delivery costs due to stringent labour laws; and increased minimum wages. This could lead to an increase in selling prices.
- **Market forces** such as the emergence of new aggregator- deliverer players (such as Amazon and Pace); potentially reduced levels of investment in existing aggregators.

Research authors

Samir Kuckreja is the founder & CEO of Tasanaya Hospitality, a boutique consulting company that advises restaurants, food tech and FMCG companies. He was the president and trustee of the National Restaurant Association of India from 2009 to 2019. The NRAI Indian Food Service Reports of 2013, 2016 and 2019 were led by him. He has worked with Yum Restaurants expanding Pizza Hut and KFC in the Indian subcontinent and partnered with an international private equity fund while CEO of Nirula's. Samir is a graduate of the Cornell University Hotel School, USA.

Jasper Reid is the founder of IMM, a UK investment, advisory and management firm specialising in F&B. He is also a director of Wendy's and Jamie's Oliver restaurants in India. Jasper is a regular writer and commentator on F&B strategies and is published in the Wall Street Journal, the Economic Times, Business India and MCA (the leading UK restaurant trade journal).

Research partner and international domain expert

The report has been published in partnership with Peter Backman, a globally renowned food services professional. Peter is an expert on the structure and dynamics of food services and its supply chain in the UK and across the world. He advises key decision makers including investors, operators and suppliers.

Our approach to sizing the market

We adopted a research methodology which is robust and credible. It is based on an approach pioneered by Peter Backman. It involves a dual, top-down and bottom-up approach, to derive reliable figures for the size of the market. These figures were cross-referenced with other sources and checked with the leading industry players (both operators and aggregators) whose inputs have been based on their own data, knowledge and experience.

Where appropriate, this report also references other reliable third-party sources. These include information from industry bodies (such as India Food Services Report 2019 published by the National Restaurant Association of India), restaurant and aggregator brand websites, self-managed business blogs, business data, information from statutory declarations and annual reports.