LIMETRAY

Online Food Delivery

INDUSTRY REPORT

A report on the online food delivery industry, emerging trends, expert opinions and ideas for restaurants.

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and more..

Today, the way people eat looks quite different than it did just 10 years ago. Rather than travelling in traffic themselves, people want food to reach the comfort of their homes. And further, they prefer to place the order with a few taps on their phone rather than long calls.

In this report, we're excited to present itnsights on how the **restaurant industry is adapting to these changes**. The goal here is to throw light on emerging trends and surface important ideas for restaurant owners to consider.

Report methodology

To compile this report we surveyed LimeTray's restaurant clients in two of the fastest growing online food delivery markets – India (80% respondents) and UAE (20% respondents). Talked to various industry experts including consultants and restaurant owners. We further sat down with our data team to evaluate and present these insights. We look forward to hearing your thoughts on this report.

The Rise of **Delivery**

Online food delivery is a part of a larger shift in the industry that all restaurants are adapting to. For restaurants with low foot-fall, it has emerged to be **a new way to get customers and retain them.**

When done right, online food delivery helps restaurants tap new market segments and revenue streams while also cultivating customer loyalty. Online ordering is also on top of the consumer preference list and we further dive down on why.

The demand for online food delivery is real

Millennials are influencing changing consumer preferences and everything is available in one tap on our phone - all this is ultimately paving the way for a speedy and convenient model of food delivery. Various researches, numbers and data support this

—— Revenue in the online food delivery segment amounted to **$7,120 million** in 2017. *(Statista)*

—— The online food delivery market in India and UAE is **growing at a steady 17% quarter-on-quarter** in terms of daily food orders as compared to 7.5% in the US and 10.7% worldwide *(RedSeer Management)*

—— It is further expected to show an **annual growth rate of 11.8%**, resulting in a market volume of **$11,137 million by 2022.** *(Statista)*

—— This market's largest segment is Restaurant-to-Consumer Delivery with a volume of **$6629 million in 2018**. *(Statista)*

> *The food delivery segment is growing exponentially. We see a major part of our business coming in from delivery. As preferences become more driven by convenience, we all have to ensure better engagement and service for our customers.*

RAHUL KRISHNAN

Marketing Manager, Burger King

What's driving this shift?

Changing lifestyles dominate the way we eat

The move from brick-and-mortar to online is already massive. People shop everything online. Now they want to get food online too. Is your restaurant there to satiate their appetite?

Convenience is the key

Customers today crave convenience. Whether it's in scanning menus, seeing prices and peer reviews to even eating the food, they want it all at their homes while binging on TV shows.

Platforms influence choices

Platforms like Zomato, Swiggy, UberEats and Talabat are sticky. They provide an easy experience, heavy discounts and a vast choice for the consumers, making them frequent purchasers.

Payments have gone digital

Consumers have been the fastest adopters of the online modes of payments. Especially when it comes to the younger generation - wallets and net banking are preferred a lot more and online food ordering seamlessly integrates with them.

All these factors add to the success of online food delivery, making it deliver great results for restaurant business goals and also creating new trends on the way.

A Spotlight on the
Latest Delivery Trends

Whether it's people adapting to global cuisines or working towards a healthier lifestyle. The past year has been full of latest trends for the food delivery industry. We're unpacking a few of them here for you.

It's still about the classics

The most ordered items from restaurants still include the classics like - **Butter Chicken, Biryani and Burgers.** Though customers are slowly trying out newer varieties in them and restaurants are constantly innovating with fusion in these menu items.

There's another noticeable shift towards healthier food which we talk about further.

Midnight hunger on the rise

Late night delivery is no longer a dream, with platforms like Swiggy and Zomato and even restaurants doing their own deliveries during these late hours - it's a top trend that consumers are enjoying. In fact, it was noted that late night delivery is **growing 25% faster** than the overall online food delivery trend especially in the metropolitan cities.

After all, long office hours and late-night party sessions call for a lot of food on the plate, right?

> *In big cities, people are now more aware of the food they eat. If you're opening a healthy food brand use words like nutritional, wholesome and well-balanced to appeal more to customers.*

KULA NAIDU

Food Consultant, Secret Ingredient

People want to eat right

Many restaurants are embracing healthy food trends as consumers seek healthier lifestyles. The number of salad bars and healthy food outlets have also increased dramatically in the past 5 years.

From mentioning calorie counts with the meals to even offering special keto and other diet friendly menus - new ways of offering 'healthy' are being observed. This gives restaurants a chance to evolve their menus, brand and messaging to build something meaningful for their customers.

Understanding the
Top Challenges

The restaurant industry has adapted to a variety of changes in the past few years - from newer cooking technologies to getting orders through different third-parties. These changes have come with their own set of opportunities and challenges.

We surveyed restaurants about the top challenges they face while implementing a food delivery model every day.

34%

23%

18%

15%

10%
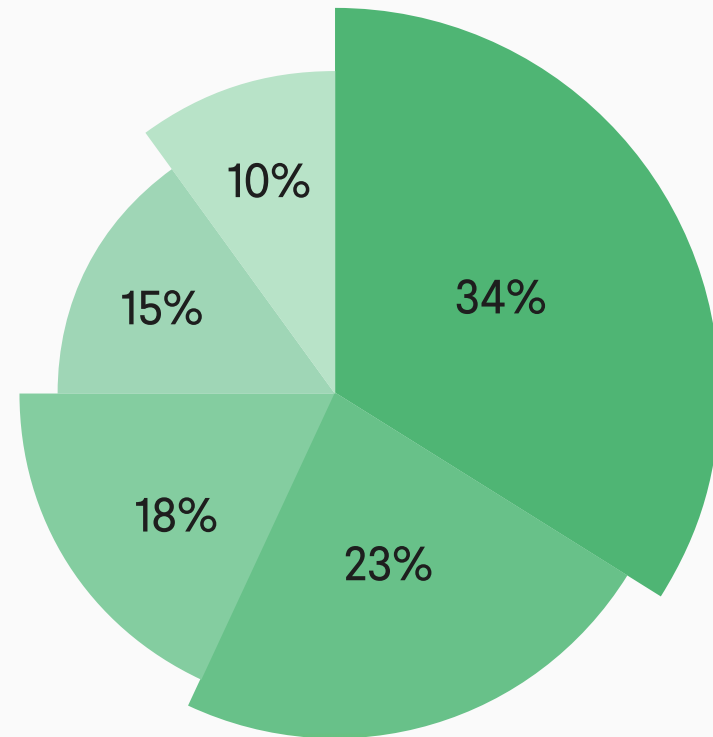
- Reaching customers directly
- Managing food costs
- Ensuring customer engagement
- Managing resources like packaging, delivery boys
- Dealing with competition

While the top concerns included reaching customers directly, managing food costs and ensuring customer engagement, restaurants are also looking hard at managing various resources and dealing with vast competition.

Restaurants can now get more orders from different sources, but they're constantly **loosing direct touchpoints with customers** that are important for **engagement and building long-term relations.** This also leads to them being lost in a pool of options along with their competition. Aggregating platforms are a happy place for the customers because of the convenience of choosing from different options – but a **challenge for restaurants to keep standing out.**

Gone are the days when restaurants could keep functioning with poor **inventory and resource management.** Today they require the right visibility of all that's happening in their outlets. The opportunity of delivery comes with another major challenge of **managing the delivery boys.**

This usually comes at high costs and also require a lot of attention from the operations side. These challenges add up to another big task of managing food costs while serving your customers in the best possible manner.

Our survey responses clearly indicate a strong need for solutions both existing and potential. The following sections of this report would cover these and a lot more topics to help you ace the online food delivery process at your restaurant.

Technology at the Forefront

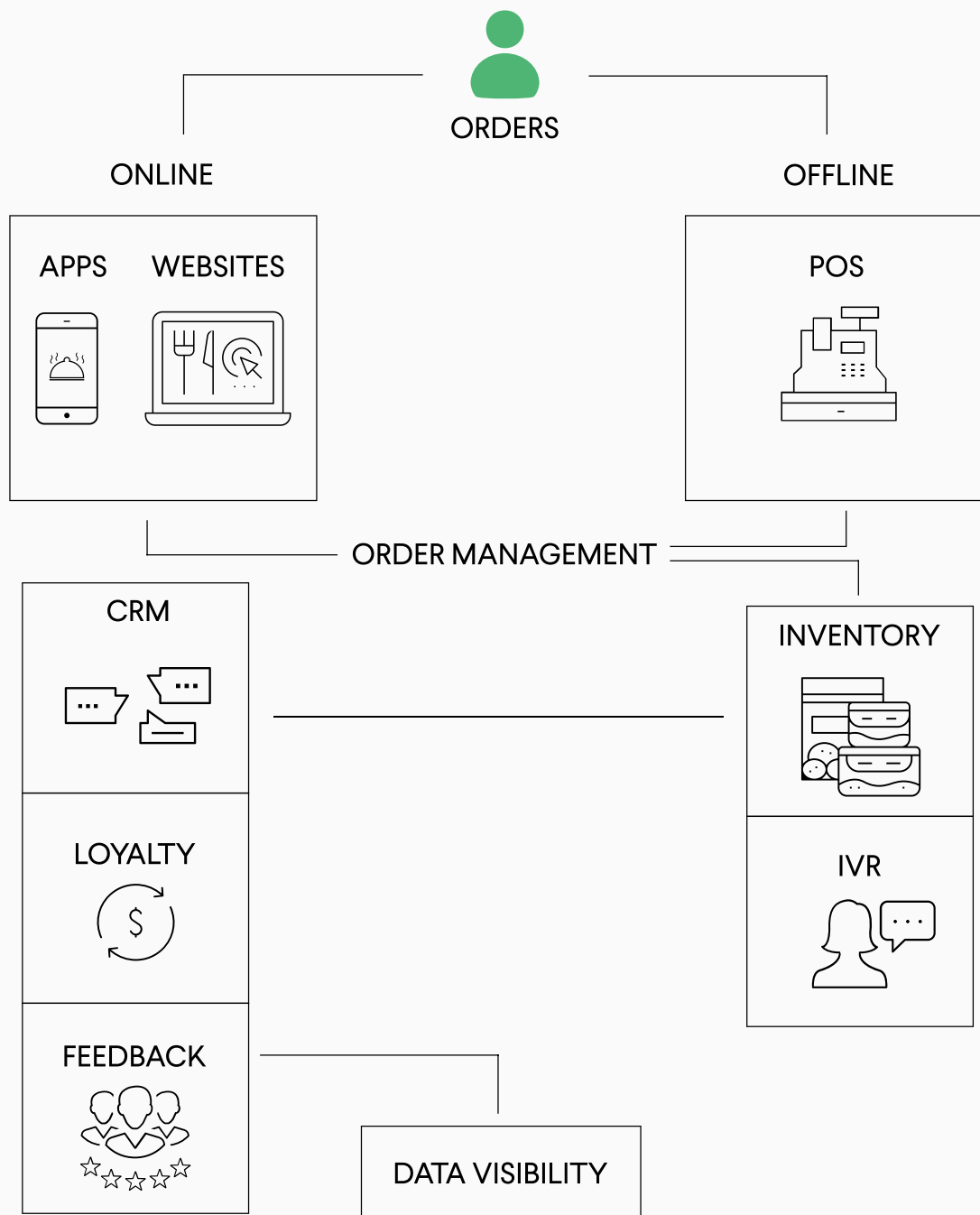We all have to agree – technology has reshaped the restaurant industry.

From a simple step like sending digital receipts to bigger initiatives like implementing loyalty programs, there are solutions to help restaurants automate everything. This way they can focus on their core function - cooking great food & providing great service.
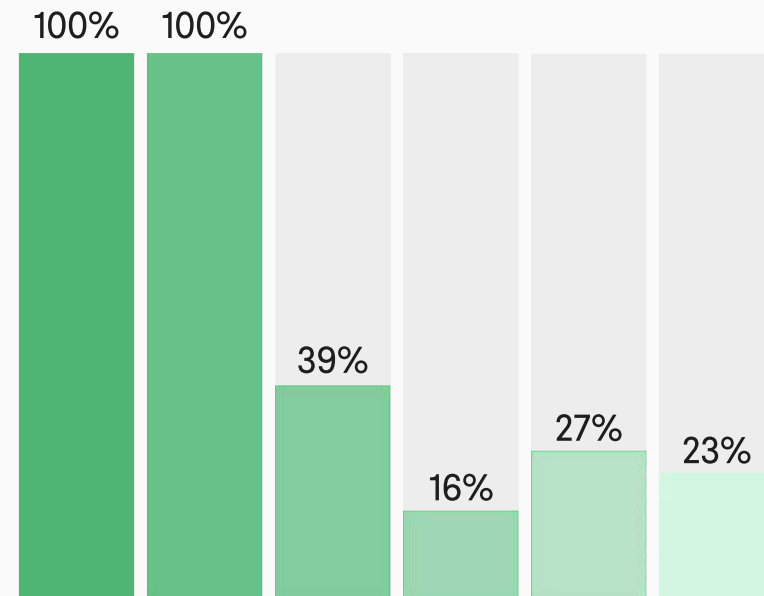
Processes restaurants use technology for

- 100% Order taking
- 100% Order processing
- 39% Customer engagement
- 16% Kitchen management
- 27% Data Analytics
- 23% All of them

Yes, all of these processes can be powered with technology. Infact, **88%** restaurants say that technology has improved the efficiency of their delivery business.

ORDERS

ONLINE

APPS WEBSITES

OFFLINE

POS

ORDER MANAGEMENT

CRM

LOYALTY

FEEDBACK

INVENTORY

IVR

DATA VISIBILITY

Technology has helped us keep pace with the changing consumer behaviour. Creating a creative and rewarding experience for our customers has been easier with solutions like our own ordering portal and data intel collected at various touchpoints.

RAHUL KRISHNAN

Marketing Manager, Burger King

Being where your customers are

Whether you have a fine-dining restaurant or a takeout joint – consumers require you to take every part of your restaurant business online. It's how you meet them where they hang out.

According to a report by Google, searches for branded restaurant apps that enable features like ordering food, discounts and tracking orders have grown 120% year on year. There's a 14.5% year on year growth in the number of new people who order food online.

Simplifying operations

A POS is a restaurant's central unit. From main features like conducting sale transactions to activities like customer engagement – a robust restaurant POS system can support everything.

When it comes to getting orders from multiple platforms, having an order management system that seamlessly integrates with your POS can reduce the order-processing time significantly. And did we not mention saving tons of time & money by using an inventory management system rather than 100 excel sheets? Restaurants say that it helps them manage food costs better.
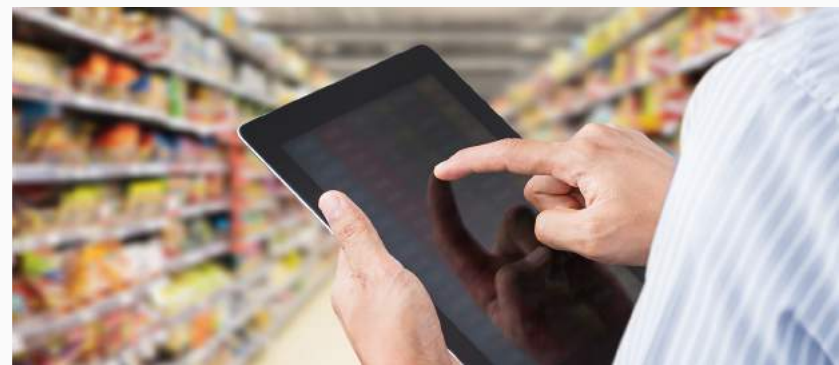
Building lasting relationships

When doing delivery, you have no direct communication with your customers. It is very important to build a relationship with them using the right **CRM, loyalty and feedback tools.** These customers can potentially be your tribe of brand ambassadors and you want to keep them happy and coming back for more. In fact, when it comes to millennial customers, **56%** of them say they're more likely to order from a restaurant that has some loyalty points to offer and redeem.

Data leads the way

Menu changes, promotions, personalization, and even new restaurant ideas can be influenced by data. Restaurants that look at data regularly have a higher probability of making better decisions and saving money than the restaurants which always rely on instinct.

According to a report by Oracle, growing number of restaurants are using big data to track inventory, better staff their businesses, determine profit margins and achieve greater customer insights.

See how we use
data at LimeTray →

Evaluating the impact of Delivery Platforms

Food delivery aggregators which initially started by allowing consumers to compare menus, scan and place orders from a variety of restaurants have moved to providing their own logistic networks and supporting last mile connectivity for delivery.

The leading players in this segment include Swiggy and Zomato. There's also UberEats, the food delivery business of cab major Uber Inc., which was already operational in several countries and has entered the segment in India.

Uber's rival in India Ola, which had shut its food delivery business Ola Cafe in 2016, re-entered the space by acquiring FoodPanda's India operations. While Talabat is another popular platform for delivery in the UAE.

> "The growth of delivery platforms has been massive. No one plans dinners anymore, they can order quickly and more delivery-only kitchens are also coming up. These platforms have made life easier"

KULA NAIDU
Food Consultant, Secret Ingredient

According to the Economic Times, UberEats clocks about **3.5-4 million orders** per month and FoodPanda clocks **1-1.5 million** monthly orders. Zomato recently announced to have clocked 21 million orders per month while ET's report suggests Swiggy to have **20 million** orders monthly.

These numbers show tremendous growth for the platforms in the past years, but we asked restaurant owners what they think the impact of these aggregators has been on the industry
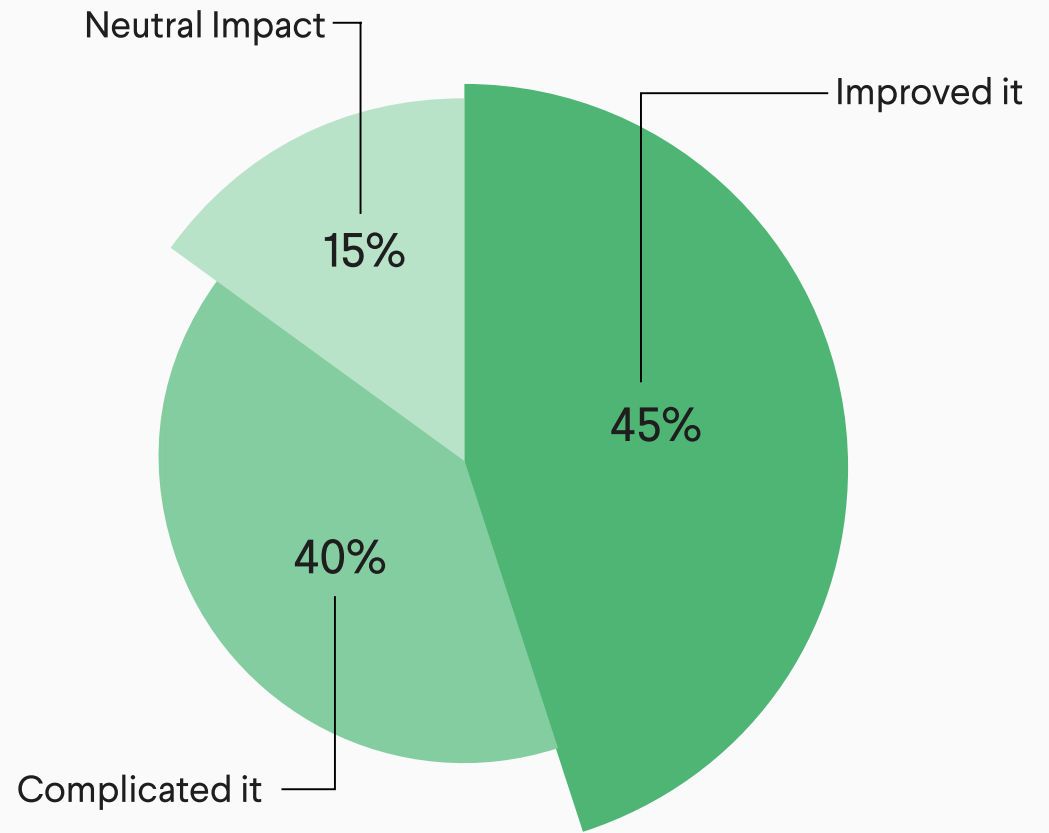
Aggregators' impact on the industry according to restaurant owners

Just like the poll, the industry is divided upon the impact of these aggregators. While they've made **restaurants reach newer markets and consumers,** the **increasing amount of commissions** are proving to be a major cause of concern. Another important issue is the **loss of personal connection with the customer** for the restaurants which is an important factor when it comes to retaining them.

But what comes next? As consumer behaviour and restaurant trends change these aggregators are adopting newer initiatives. According to the Economic Times, Swiggy has launched Swiggy Access, a programme which allows its restaurant partners to set up **kitchen spaces** in neighbourhoods where they don't currently operate. Zomato is also working on a similar model for its partner restaurants. While on the consumer end, these aggregators are coming up with various **subscription services** like Zomato Treats which gets you a free dessert with every order placed and Swiggy Super which lets customers get free delivery for their orders.

Clearly, these players have a large reach and trust when it comes to modern consumers. What we'll look out for further is how they improve this experience for their partner restaurants.

How to excel at
Engagement
and Retention

As seen at the starting of the report, engaging customers is one of the top three challenges that restaurant owners face.

But we shouldn't ignore that communication is the foundation of any great relationship and loyal, repeat customers generate, on average, 10x more revenue than new customers.

Customer engagement involves having a strong online presence and social media is undoubtedly your best friend when it comes to increasing your restaurant's brand awareness and building brand trust.

To know what restaurants think, we asked them to rate the attention they pay on their online presence on a scale

Rating	Percentage
1	2%
2	11%
3	16%
4	26%
5	45%
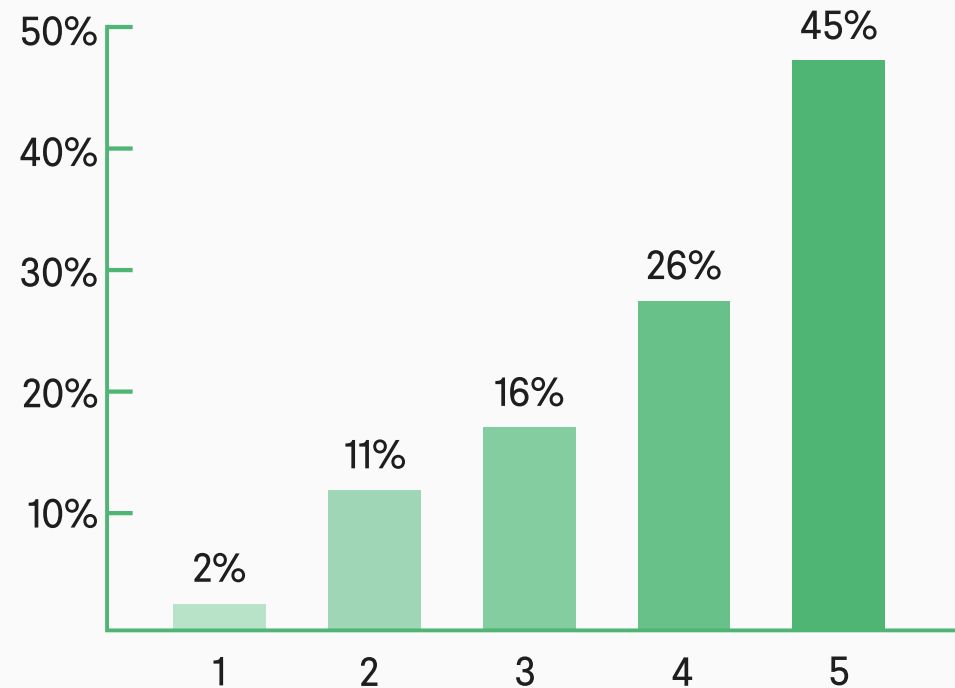
But online presence is just the beginning, they're more efforts that you need to maintain **meaningful customer relations.**

Nowadays, it's imperative to send [campaigns for customer retention and brand recall](#) for your restaurant.

We asked restaurants to share when and how often they communicate with their customers:
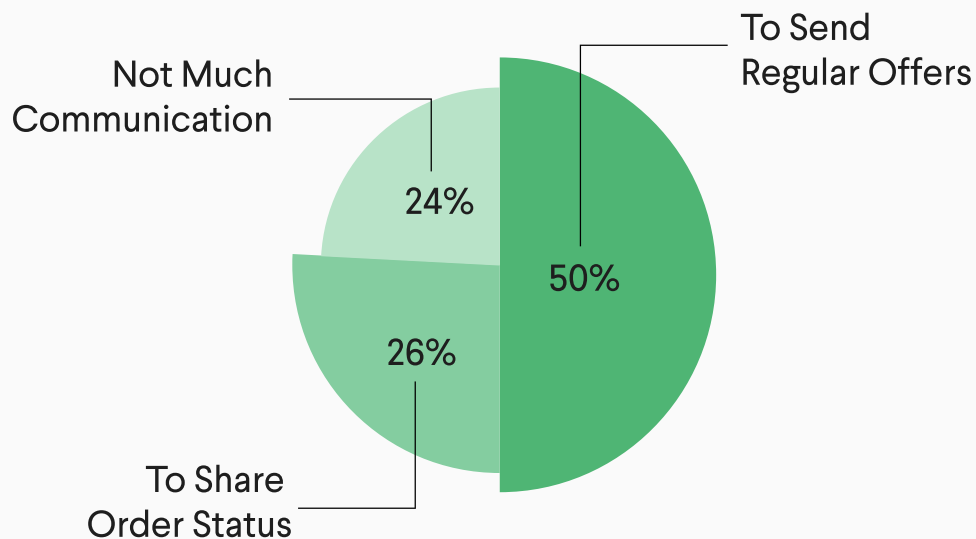
Timely and targeted messages help in engaging and retaining customers. While the industry has started to acknowledge this trend, there are still a lot of restaurants that have to adapt to it. Whether it's communicating order status, asking for feedback or sending regular offers, campaigns that foster customer relationships are important for getting loyal customers for your restaurant.

Not Much Communication — 24%

To Send Regular Offers — 50%

To Share Order Status — 26%

> *Regular and personalized engagement with powerful content is the key to drive more orders through direct delivery channels*

PIYUSH JAIN

Co-Founder, LimeTray

How can you start? Always send campaigns that are personal, showcase your brand's voice, get to the point immediately and have a clear call to action. This gets simple when you relate your campaigns with the every-day highlights and happenings that your customers care about.

For example - Is it #WorldPizzaDay? You've got to have and communicate a special pizza offer.

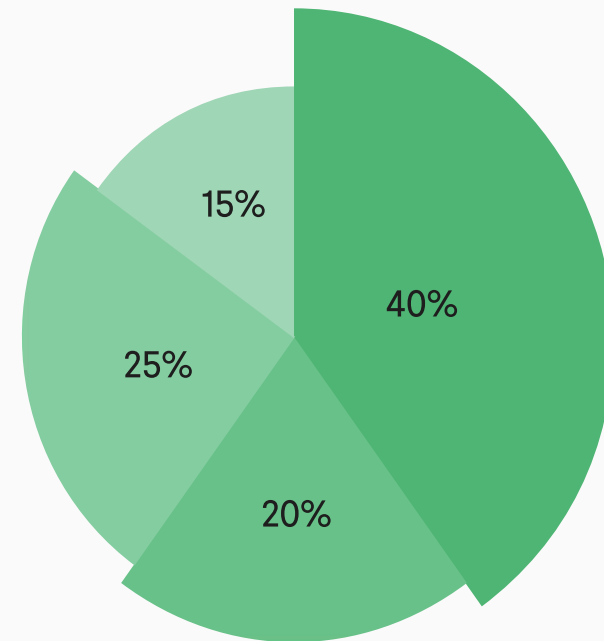This makes the campaign catchy enough for your customers to notice, and can get you some piping hot orders.

What's in demand: Cloud Kitchens

To understand the exact reasons behind it, we asked restaurants why they prefer a cloud-kitchen

Cloud Kitchen - has got everyone's interest. It's not a surprise that people prefer the comfort of eating food at home rather than venturing into long hours in traffic. Combine this with the advent of technology, and you realise how **cloud kitchens are a major game changer in the restaurant industry.**

Our data shows that:

67% of restaurant would prefer opening a cloud-kitchen over a dine-in as their next outlet.

40%

15%

25%

20%

■ Less Expensive on Rentals

■ No need of client-facing-staff

■ Low overhead costs

■ More scope of expansion

This explains that the costs of maintaining a full-fledged restaurant are sky high. To add to it, are the real estate prices for these locations. Kitchen-only units come as a far more viable option for saving on rentals. When we talk about human resource, it's an important but an expensive part of your restaurant business. Cloud-kitchens give the viability to keep costs at a minimum because you don't require any customer interactions with the staff and focus can be on the operations.

Cloud-kitchens are a crowd pleaser too because of the quick delivery and turn-around time. This also offers restaurants a faster growth and expansion plan.

Cloud-kitchens enable the convenience, choice, and reliability of online food-ordering while also reducing some of the painstaking, costly processes of restaurants. They're a clear winner in the latest restaurant industry trends and would emerge to be a leading restaurant model in the coming years.
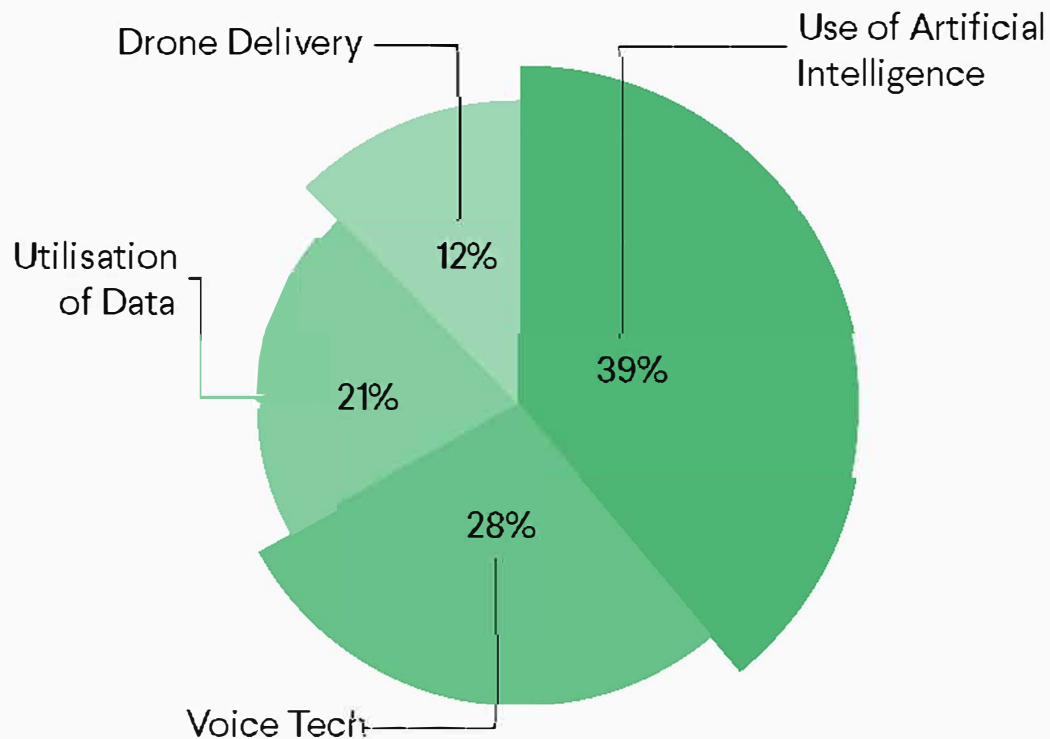
While I would want retail outlets, the major reason we prefer cloud kitchens is to avoid the challenge of high rent and deposit. They have become an industry norm because of their affordability

SHOURRYA SACHDEVA
Founder, Crepe Fe

What to look out for:
Trends that can go big

What will shape the restaurant industry in 2019 and beyond? While we'll go deeper into this topic in the coming months, here's what restaurants themselves think could be the next big thing in the industry:

Drone Delivery

Use of Artificial Intelligence

Utilisation of Data

12%

39%

21%

28%

Voice Tech

"Like all industries, restaurants will also move to being more data driven than they are today. Combine this with the trend of people being more comfortable interacting with screens and it will lead to a complete new kind of system for restaurant operations – centred around machine learning & automation.

AKHILESH BALI
Co-Founder, LimeTray

Use of Artificial Intelligence

Artificial Intelligence is another trend that the restaurant industry is catching up with. From marketing to operations and even taking orders, AI solutions will be a key area of experimentation for restaurants. In fact, KFC in some countries has started using AI to create virtual training rooms for their cooks.

Voice Tech

Amazon's Alexa, Google Home, Apple HomePod and many other voice assistants are increasingly becoming a part of our homes. They provide an added layer of comfort when it comes to doing errands and now even ordering your favourite food. It'll be exciting to see how delivery apps and even brands themselves leverage this trend.

Utilisation of Data

Data helps in understanding both your business and your customers. Restaurants are increasingly paying attention to their data to make better decisions – from where to open a new outlet to what menu items to introduce next. Data further will be used to market to your customers in a better manner, project sales better, improve operational efficiency – the use cases are endless. Are you tracking the right data points yet?

Delivery using Drones

This one is already a reality, though it's still to be tested at scale. Brands like Dominos have already tested delivering food through drones at a few US locations. There are even dedicated companies to test this technology and deploy at scale.
Though delivery through drones can significantly reduce the delivery time, it's scalability is something that would be interesting to see.

See how LimeTray can help your restaurant business grow

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