

Study of Restaurants and Cloud Kitchens with respect to the Role of Online Food Delivery apps in India - A Conceptual Review

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Abstract- The food industry in India has undergone a significant transformation in recent years with the rise of online food delivery apps. The emergence of cloud kitchens has further revolutionized the way food is delivered to customers in the region. This conceptual review aims to compare the operational dynamics and business models of traditional restaurants and cloud kitchens in India and their relationship with online food delivery apps.

The study will employ a qualitative research design, using a comprehensive review of the existing literature on the subject. The review will focus on peer-reviewed articles, books, and reports published in the last decade. The review will analyze the role of online food delivery apps in driving sales, customer acquisition, and customer retention for both types of businesses in India. It will also explore the challenges and opportunities associated with using online food delivery apps for restaurant and cloud kitchen owners in the region.

The study will contribute to the existing literature on the impact of technology on the food industry in India and help business owners in India make informed decisions about their operational strategies in the context of the online food delivery app landscape.

Keywords: Online Food delivery apps, Customer satisfaction, Technology in food delivery, Comparative study, Business models.

1. INTRODUCTION-

In recent years, the food delivery industry has witnessed a significant transformation with the emergence of cloud kitchens and restaurant food delivery systems. These innovative models have revolutionized the way we order and receive food, providing convenience, speed, and a wide variety of culinary options. Online food delivery has become an integral part of our modern lifestyle, transforming the way we enjoy our meals. With just a few clicks or taps on a digital platform, we can access an extensive array of cuisines and have them delivered right to our doorstep. This convenience has reshaped the food industry and the way we interact with restaurants and cloud kitchens.

Cloud kitchens, also known as ghost kitchens or virtual kitchens, are centralized cooking facilities that operate solely for the purpose of preparing food for delivery. Unlike traditional restaurants, cloud kitchens lack a dine-in option and focus exclusively on fulfilling online orders. They leverage technology, streamlined processes, and data analytics to optimize operations, reduce costs, and deliver food efficiently.

Restaurant food delivery systems have evolved hand in hand with cloud kitchens, facilitating seamless order placement, tracking, and delivery. Online platforms and mobile applications allow customers to browse menus, place orders, and make payments with ease. These systems provide real-time updates on order status and enable customers to track their delivery in real-time. Additionally, they often incorporate customer reviews and ratings, enhancing transparency and helping users make informed choices.

2. REVIEW OF LITERATURE-

The dabba system was popular concept in India, particularly among students and working professionals who live away from their families. It offers a convenient way to have home-cooked food delivered to their doorsteps. The process typically involves placing an order with a dabba service provider, who prepares and delivers the meals.

Traditionally, word of mouth, newspaper flyers, and posters near colleges, commercial areas, and office complexes were common ways to advertise and reach potential customers. Interested individuals would place their orders, specifying their food preferences and dietary requirements. The dabba service provider would then prepare the meals and deliver them to the customers' locations, often using a network of delivery personnel.

This system has been appreciated for its convenience, as it saves individuals the effort of cooking or relying solely on restaurants for their meals. It also allows them to enjoy home-cooked food, which is often preferred for its taste and nutritional value.

2.1 The rise of Cloud Kitchen-

Early Adoption and Pioneers: The early years of cloud kitchens in India saw the emergence of pioneers like Faasos (now Rebel Foods) in 2011. Faasos started as a quick-service restaurant chain but transitioned into a cloud kitchen model to focus on food delivery. They pioneered the concept of multiple virtual restaurant brands operating out of the same kitchen space.

Expansion of Cloud Kitchen Players: The growth of online food delivery platforms, such as Swiggy and Zomato, provided a significant boost to the cloud kitchen ecosystem in India. These platforms recognized the potential of cloud kitchens to meet the rising demand for food delivery and began partnering with cloud kitchen operators to expand their offerings.

Rise of Aggregators and Shared Spaces: Aggregator platforms like Swiggy Access and Zomato Infrastructure Services (ZIS) played a crucial role in promoting the concept of shared cloud kitchen spaces. They provided infrastructure and support to multiple cloud kitchen brands operating under one roof, enabling cost-sharing and efficient space utilization.

Investments and Funding: Cloud kitchens in India started gaining attention from investors and venture capitalists, leading to increased funding and investments in the sector. This influx of capital allowed cloud kitchen operators to expand their operations, invest in technology, and scale their businesses across multiple cities in India.

Entry of Established Players: As the cloud kitchen market matured, established restaurant chains and food brands began exploring the concept. They recognized the potential of cloud kitchens to reach a wider customer base and optimize their delivery-focused operations. This entry of established players added credibility to the cloud kitchen model and further accelerated its growth.

Technological Advancements: Technology played a vital role in the growth of cloud kitchens in India. The development of advanced order management systems, data analytics tools, and delivery logistics platforms enabled cloud kitchen operators to streamline their operations, enhance efficiency, and deliver a seamless customer experience.

COVID-19 Pandemic: The COVID-19 pandemic, which began in early 2020, significantly impacted the foodservice industry. Lockdowns and social distancing measures led to a surge in demand for food delivery services, further accelerating the growth of cloud kitchens. As dine-in options became limited, cloud kitchens became a lifeline for both consumers and restaurants.

2.1.1-Advantages of Cloud Kitchens:

Cost Efficiency: Cloud kitchens eliminate the need for investing in expensive real estate and maintaining a physical dining space, resulting in lower upfront costs and operational expenses. This cost efficiency allows cloud kitchen operators to offer competitive prices to customers while maintaining healthy profit margins.

Flexibility and Scalability: Cloud kitchens provide flexibility in terms of location and scalability. Operators can set up cloud kitchens in areas with lower rents or less crowded locations, and they can easily expand their operations by opening new kitchen spaces in different areas or cities, responding to increasing customer demand.

Menu Experimentation: Cloud kitchens offer the opportunity for menu experimentation and innovation. Without the limitations of a physical dining area, operators can easily introduce new dishes, test different cuisines, and adapt to changing consumer preferences. They can quickly analyze customer feedback and adjust their menus accordingly.

Operational Efficiency: Leveraging technology and data analytics, cloud kitchens can optimize their operations. They can streamline processes, track inventory effectively, manage order volumes efficiently, and improve overall efficiency. Data-driven insights help operators make informed decisions about menu optimization, pricing strategies, and expansion plans.

Delivery Focus: Cloud kitchens are specifically designed to cater to the growing demand for food delivery services. They prioritize delivery logistics, enabling faster and more efficient order fulfilment. With a dedicated focus on delivery, cloud kitchens can provide a seamless and convenient experience for customers.

2.1.2-Disadvantages of Cloud Kitchens:

Lack of Physical Presence: Cloud kitchens lack the physical presence and ambiance that traditional brick-and-mortar restaurants offer. For customers who enjoy dining out, the absence of a physical space for dining can be seen as a disadvantage.

Limited Customer Interaction: Since cloud kitchens primarily focus on delivery, there is limited direct interaction between customers and the kitchen staff. This can result in reduced opportunities for personalized service, building customer relationships, and receiving immediate feedback.

Quality Control Challenges: Maintaining consistent food quality and taste can be a challenge in cloud kitchens, especially when it comes to packaging and delivering food. Ensuring that the food arrives at the customer's doorstep in optimal condition and maintaining consistency across orders can be demanding.

Last-Mile Delivery: Cloud kitchens heavily rely on third-party delivery partners or in-house delivery teams to complete the last mile of the delivery process. Managing delivery logistics, ensuring timely and accurate deliveries, and maintaining a positive customer experience throughout the delivery journey can be complex and challenging.

Regulatory Compliance: Cloud kitchens need to comply with various regulations and licensing requirements related to food safety, hygiene, and permits. Navigating through these regulations and ensuring compliance can add complexity and administrative overhead to cloud kitchen operations.

2.2 Comparison of Operational Dynamics of Cloud Kitchen and Traditional Restaurant on food delivery-

Primary Focus: Cloud kitchens are designed and optimized for food delivery, with delivery being their core business model. They prioritize efficient packaging and timely delivery to ensure the food reaches customers in good condition. In contrast, traditional restaurants typically consider delivery as an additional service alongside their primary focus on dine-in customers.

Delivery Infrastructure: Cloud kitchens invest in delivery logistics and may either maintain their own dedicated delivery fleet or partner with third-party delivery aggregators. They leverage technology and software to manage orders, track deliveries, and optimize routes. Traditional restaurants may outsource delivery to third-party services or handle it in-house on a smaller scale.

Menu Optimization: Cloud kitchens often have a data-driven approach to menu optimization for delivery. They analyze customer preferences, delivery times, and packaging requirements to offer a streamlined menu that travels well. Traditional restaurants may not prioritize menu optimization specifically for delivery, as their menu is typically designed with in-person dining in mind.

Packaging Considerations: Cloud kitchens pay special attention to packaging to ensure that the food remains fresh and appealing during transportation. They use packaging materials and techniques that retain heat, prevent leakage, and maintain food quality. Traditional restaurants, on the other hand, may focus less on packaging optimization since their main focus is on providing an enjoyable dining experience on-site.

Marketing and Online Presence: Cloud kitchens heavily rely on online platforms, such as delivery apps and websites, to market their services and reach customers. They invest in online marketing strategies, customer reviews, and ratings to build their reputation in the digital space. Traditional restaurants may also have an online presence but often have a more diversified marketing approach that includes offline methods like signage, print ads, or local promotions.

Customer Interaction: Cloud kitchens interact with customers primarily through digital platforms and customer support channels. They emphasize clear communication, order tracking, and efficient resolution of customer queries or issues. Traditional restaurants have more direct face-to-face interactions with customers, providing personalized service and the opportunity for immediate feedback.

Scalability: Cloud kitchens have a higher potential for scalability in terms of food delivery. They can quickly expand their delivery zones or open new locations in different areas, catering to a broader customer base. Traditional restaurants may face limitations in terms of delivery reach based on their physical location and resources.

2.3 Role of online food delivery apps in driving sales, customer acquisition, and customer retention on cloud kitchen and traditional restaurant

2.3.1 Sales Generation:

Cloud Kitchens: Online food delivery apps are a vital sales channel for cloud kitchens. Since cloud kitchens primarily focus on food delivery, these platforms act as their primary source of revenue generation. Cloud kitchens heavily rely on online orders placed through these apps to drive sales and reach a wider customer base.

Traditional Restaurants: Online food delivery apps provide an additional revenue stream for traditional restaurants, supplementing their dine-in sales. While dine-in customers remain an essential part of their business, online orders through these apps contribute to incremental sales and help reach customers who prefer the convenience of delivery.

2.3.2 Customer Acquisition :

Cloud Kitchens: Online food delivery apps play a crucial role in customer acquisition for cloud kitchens. These apps provide visibility to a large customer base actively searching for food delivery options. Cloud kitchens can attract new customers who might not be familiar with their specific brand but are drawn to their offerings showcased on the app.

Traditional Restaurants: Online food delivery apps also help traditional restaurants acquire new customers, particularly those who prefer the convenience of delivery. These apps allow restaurants to tap into a larger customer pool beyond their immediate vicinity and reach individuals who may not have visited the restaurant for dine-in. It provides an opportunity for traditional restaurants to expand their customer base.

2.3.3 Customer Retention:

Cloud Kitchens: Online food delivery apps play a significant role in customer retention for cloud kitchens. These apps often have features such as saved preferences, order history, and loyalty programs that encourage customers to order repeatedly. Cloud kitchens can leverage these features to provide personalized experiences, offer discounts or rewards, and keep customers engaged and loyal.

Traditional Restaurants: Customer retention through online food delivery apps can be challenging for traditional restaurants, as the app's focus is on providing a wide range of dining options. However, restaurants can still enhance customer retention by providing quality food, timely delivery, and personalized experiences. Some apps also offer loyalty programs or discounts specific to certain restaurants, which can help encourage repeat orders.

2.4 Challenges and opportunities associated with using online food delivery apps for restaurant and cloud kitchen owners in India

Using online food delivery apps can present both challenges and opportunities for restaurant and cloud kitchen owners in India. Here are some key points to consider:

2.4.1 Challenges:

Commission Fees: Online food delivery apps typically charge a commission fee for each order, which can significantly impact profit margins for restaurant and cloud kitchen owners. Balancing the costs associated with these fees while ensuring profitability is a challenge.

Increased Competition: The presence of numerous restaurants and cloud kitchens on delivery apps creates intense competition. Standing out among the vast array of options and attracting customers can be challenging, particularly for new or lesser-known establishments.

Operational Complexity: Integrating online orders from multiple platforms into existing operations can be complex. Managing a high volume of orders, coordinating with delivery partners, and ensuring timely preparation and delivery can strain resources and require efficient operational processes.

Quality Control: Maintaining consistent food quality and ensuring that the delivered food meets the same standards as dine-in orders can be a challenge. The longer delivery times and handling during transit can potentially impact the overall customer experience.

2.4.2 Opportunities:

Increased Reach: Online food delivery apps provide a platform to reach a larger customer base beyond the immediate geographical area of the restaurant or cloud kitchen. This expanded reach can result in increased brand visibility and potential growth opportunities.

Convenience and Accessibility: Offering food delivery through online apps caters to the growing demand for convenience and accessibility. It allows customers to order from a wide range of options and enjoy their favorite meals in the comfort of their homes or offices.

Marketing and Promotions: Online food delivery apps often provide marketing tools and promotional opportunities to highlight featured dishes, discounts, or loyalty programs. Leveraging these tools can help attract new customers and encourage repeat orders.

Data and Analytics: Online platforms provide valuable customer data and analytics, including order preferences, customer feedback, and sales trends. Analyzing this data can help restaurant and cloud kitchen owners gain insights into customer behavior, refine their offerings, and make informed business decisions.

Customer Feedback and Reviews: Online food delivery apps allow customers to provide feedback and leave reviews, which can be valuable for reputation management and improving the overall customer experience. Positive reviews can help build credibility and attract new customers.

3. CONCLUSION

Online food delivery has revolutionized the way we enjoy meals, offering convenience, variety, and accessibility. It has become an essential part of our modern food culture, connecting us with an extensive range of culinary experiences while supporting the growth of restaurants and cloud kitchens. As technology continues to advance, online food delivery is expected to evolve further, shaping the future of the food industry and our dining habits. To succeed in using online food delivery apps, restaurant and cloud kitchen owners in India should carefully evaluate the associated costs, develop efficient operational processes, maintain quality control, and actively engage with customers to enhance their online presence and reputation. Adapting to the challenges and leveraging the opportunities presented by these apps can help drive growth and profitability in the competitive food delivery market.

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