

Foodpanda: Marketing Acumen without Due Diligence

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ABSTRACT

Internet and smart phone have brought radical changes in the consumer life. Right from clothes, books, electronic gadgets, and even food are being ordered online. It is estimated that food service market in India which was U. S. \$13 billion in 2013 is likely to grow to US\$78 billion by 2018. This figure shows a huge potential in the industry as there is huge gap between the demand and supply. Foodpanda is one of such companies that use mobile apps to cater to its customers' need of the cooked food. However they face number of challenges in terms of maintaining consistency, service quality and cost effectiveness to compete in such an open but yet lucrative market.

“Foodpanda’s competition is the offline market” Ralf Wenzel, Co-founder and CEO, Foodpanda

We’ve seen a steady growth in traffic since our launch last year. However, the focus has really always been on quality traffic & targeting potential customers, which we have been able to achieve very successfully. We are growing by 25-30% on month-on-month basis.

Amit Kohl, Co-founder
& Managing Director,
Foodpanda India

On September 30th 2015 Foodpanda was found to be cleaning its database of restaurants in India revoking registrations of nearly five hundred restaurants per month because some restaurants were found to put their own offline orders on the website of Foodpanda to which the company responded first by issuing warning and later if they continue ban them for future business. Under this mess the company still managed to grow from 200 employees in January 2015 to 2000 employees in September 2015 along with that since November 2014 the restaurants in their database has increased to 12000 adding 2000 additional restaurants per month.^[7]

I INCEPTION OF FOOD PANDA

Foodpanda was launched in the year 2012 with a concept of serving food lovers through online ordering process. Later on seeing the boom in the smart phone segment, it created mobile application to cater to the need of the customers. Foodpanda a Berlin based company is backed by Rocket Internet again a German based company. In mere three years’ time from its launch Foodpanda has been able to expand in nearly twenty three countries. The company operates in nearly five hundred cities across five continents; having tie ups with nearly thirty eight thousand restaurants and has a work force of above three thousand seven hundred employees as on year 2015^[1]. By 2013 end Foodpanda targeted to cover 5000 restaurants across 16 cities in India. Globally Foodpanda has launched a separate product for corporate clients

which allows employees to place group order and link the orders to their allowances as well as make payment via credit cards if order exceeds allowance limits^[1]. Foodpanda has managed to raise US \$ 310 million US dollars for its operations since its launch in 2012. In current round of funding they have raised USD 110 million from Goldman and Sachs. It has been on acquiring spree by acquiring its competitors in Asia.

II ABOUT INDIAN HOME FOOD SERVICE MARKET

As per the National Restaurant Association of India, the overall size of the food services market was \$13 billion in 2013 and this is likely to grow to \$78 billion by 2018. The home food delivery market is estimated to be around \$10 billion today^[4]. The food service market is poised to grow at a CAGR of 12% in coming years^[8].

III FOODPANDA -MODUS OPERANDI

Foodpanda acts as a middleman for those eateries who cannot deliver the orders to customers and in the process Foodpanda charges a commission from the merchants. Like other food delivery service customer places order online selecting restaurant and dishes and makes payment online. Foodpanda then pays the bills deducting the commission to the merchant. In this process merchant saves the delivery charges that adds to its profit and Foodpanda takes the advantage of locally famous eateries inability to deliver orders to nooks and corner of the cities.

IV MARKETING STRATEGY

Foodpanda being a service oriented company catering customers’ needs in food ordering and delivery from locally famous eateries initially had to face with perception issues. Nobody was clear about what the Foodpanda was all about, some thought it to the extent of food delivery service to zoos^[3]. To make the perception right a well

thought strategy was required therefore looking at the opportunity in the mobile penetration across the consumer all over the world Foodpanda decided to shift its application from to desk top to mobile. Loyalties on orders via mobile phones were high in comparison to usage of desktops.

According to Malaviya (VP, Business Development Global), “A person who has ordered on foodpanda is more likely to use the app again and order the same meal again within the next 14 days, as compared to someone to who didn’t use the app.”^[3]

Globally as far as down loading different mobile applications is concerned it is found that the people never download hundreds of apps rather keep only few of them and use them regularly. The challenge was now how to make customers feel the presence of Food panda under the current scenario. Simple solution to it was that borrow the ways to the customer’s screen by making the apps owner Foodpanda’s partner. Foodpanda began contacting telecom companies and chatting apps provider to increase their brand presence. They also did splash page marketing for their apps, used customer relationship management tools to manage SMS campaign and offers related information.

As per Malaviya, “For us, in fact, we don’t make money when a customer orders once or twice due to marketing costs. We only start to make money when the customer comes back for the fourth time onwards. So it’s crucial for us to not only acquire, but keep our customers engaged,”^[3]

The key to its success was that Foodpanda was able to consistently keep its customer engaged. Their strategies involved making Foodpanda recognized with food, family and entertainments and for that they focused on content rather than on reach. Use of user reviews and notifications to keep customers informed and constantly innovate to keep customers involved.

Rohit Chadda, co-founder and MD of Foodpanda: “Foodpanda is now taking the battle to the next level. Foodpanda's announcement to launch its own delivery services in India - in the current model, Foodpanda took orders and passed it on to restaurants who managed their own delivery. This will change with the company investing in its own logistics network. This will help Foodpanda widen the market by tapping into restaurants that can't deliver at the moment.”^[4]

Foodpanda measure its performance on three fundamental metrics: number of partner vendors, number of orders (and value/order), and repeat rate of our customers.^[6]

V FOOD PANDA IN INDIA

As on year 2013 Foodpanda had 25000-30000 unique visitors per day and 65% of the traffic coming from Delhi, Mumbai & Bangalore and rest 35% from Chandigarh, Hyderabad and Pune. Mobile app user contributed to 15%.

VI THE COMPETITOR: ZOMATO

On similar line Zomato was also formed but in 2008 by Deepinder Goyal and Pankaj Chaddah. Zomato as on May 2015 caters to twenty two countries and has four lakh pagevisitors in India and globally three million and had earned Rs 36 crores in FY14 as against Rs. 0.69crores of Foodpanda^[4]. Also Zomato has added an Uber button to its app that allows users to book cabs to the restaurants of their choice. Along with this they are planning to reduce their commission to 7.5-10 percent much lesser than what Foodpanda charges.^[4]

VII FOODPANDA’S FLIP SIDE

Having a good app and presence in multiple continents shows marketing acumen of the company but what about the information updates. There have been complaints about information not being updated in the app with respect to eateries that have shut down their operations. This resulted in giving free coupons to customers who placed orders for such eateries in exchange of service failure. At times even the free coupons provided were not working. It’s not just with the customers but even the eateries who had to face the service failure when it comes to payment as order were not registered online or transactions could not be found for the billing hence payment was refused.

As reported in one of the major online news channel LiveMint, “The man was not pleased. Not one bit. The owner of a large fast-food retail chain in Mumbai, he was chasing Foodpanda for payment; nearly Rs.1.5 lakh was due to him, but the company would have none of it. Because it couldn’t find the transactions in the system. So, it was stalling. On 16 May, the retail chain called off its arrangement with Foodpanda. In an angry email, the man put down the issues. Many had to do with orders. Foodpanda would take orders from customers, but not communicate them to the restaurant. Often, customers would directly call up the restaurant to check. Sometimes, the communication would come up to 30 minutes late, resulting in a late delivery (and unhappy customers). Foodpanda didn’t pass on information on cancelled orders. Foodpanda was just not prompt in responding to the issues raised”.^[5]

There has been also complains of fake orders, fake restaurants on platforms falling to deaf ear. Foodpanda does not have any order delivery tracking system to ensure delivery hence company cannot prove any order to be fake and has to acknowledge the fake bill resulting in losses.

bills, non-payments and fudge data on number of restaurants on platform things does not look stable for the company. The questions that company activities raises is that whether the marketing strategy is in sync with the operations, is there any ethical issues at the top management level in India, what is the response of the headquarters in such scenarios, is Foodpanda operations in India a bubble waiting to burst.

VIII ROAD AHEAD

The road seems to give Foodpanda a bumpy ride. With the allegation all-around of fake restaurants,

Exhibits

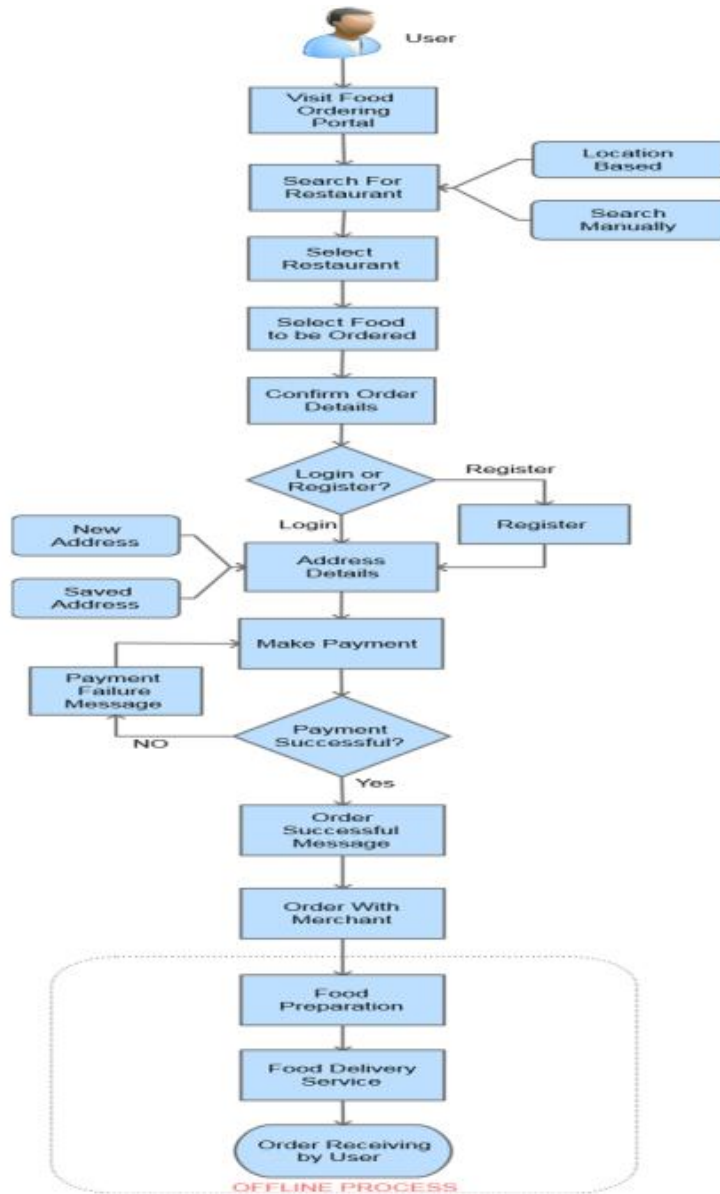


Exhibit1. Online Food Ordering Process^[2]

Ref: <http://www.fatbit.com/fab/build-advanced-food-ordering-delivery-website-with-best-features>

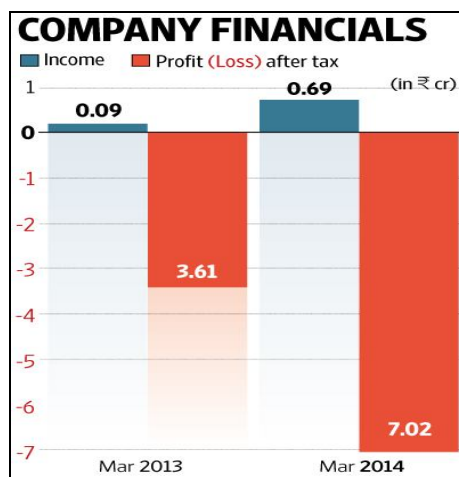


Exhibit2. Company Financials of Foodpanda

Ref:<http://www.livemint.com/Companies/rYKC6HjnShogjE62jO5lpK/The-trouble-with-Foodpanda.html>

Asia	Europe	Latin America	Middle East
India	Hungary	Mexico	UAE
Thailand	Romania	Brazil	Saudi Arabia
Indonesia	Bulgaria		Egypt
Pakistan	Georgia		
Singapore	Serbia		
Malaysia	Croatia		
Taiwan	Montenegro		
Bangladesh	Bosnia		
Kazakhstan	Herzegovina		
Hong Kong			
Philippines			
Brunei			
Russia			

Exhibit 3: Countries where Foodpanda is present

Ref: <https://www.foodpanda.com/about/>

IX TEACHING NOTES

(a) Pedagogical objectives

The case focuses how technology has penetrated consumer life. Right from clothes, books, electronic gadgets, and even food is being order online. The case explains how Foodpanda used technology in food service industry and challenges they face in terms of maintaining consistency, service quality and cost effectiveness to compete in such an open but yet lucrative market.

After discussing the case students will understand the concepts of:-

- (i) Impact of technology on consumer behavior
- (ii) Operational efficiency
- (iii) Managing customer relationship

(b) Teaching Approach and Strategy

- (i) This case is helpful for post graduate management students and can be used in subject of Marketing and operations. It can also be used in subjects where the topics of technology in business are taught.
- (ii) The case must be distributed in advance before the class and students are asked to do a thorough analysis.

- (iii) During discussing the case in the class students should explain their points about the various steps that Foodpanda can take to increase the traffic to its portal. What were the lacunas in the existing system and how changes can be brought into existing rules.

(c) **Analysis**

- (i) This case is very much suitable for written assignment.

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