




Online Food Delivery maintains momentum in Q1'17

- A comprehensive performance review of the online food delivery market
- Assessed through a regularly tracked set of performance indicators
- Published quarterly

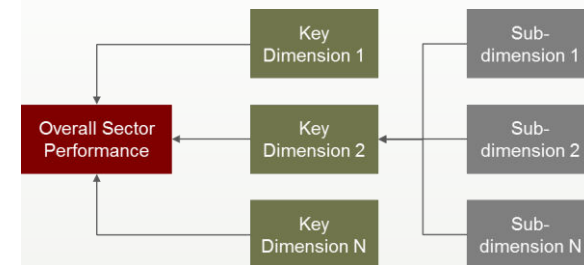
Q1 CY 2017 Edition

Published in May 2017

What is in this report?

1. We have done a comprehensive assessment of Indian online food delivery sector performance across *six key dimensions*
2. Each *key dimension* is rated on whether the sector performed *above expectations* (Bullish ) , *broadly as per expectation* (Neutral ) or *significantly worse than expectations* (Bearish ) on that dimension
3. Each *key dimension* is further built up from multiple *sub-dimensions*, which are also rated for the sector using the above criteria
4. Relevant weightages are allocated to each *sub-dimension* to build up the *key dimension* rating, and each *key dimension* is also given an appropriate weight to arrive at *overall sector performance rating*

Sector Assessment Approach

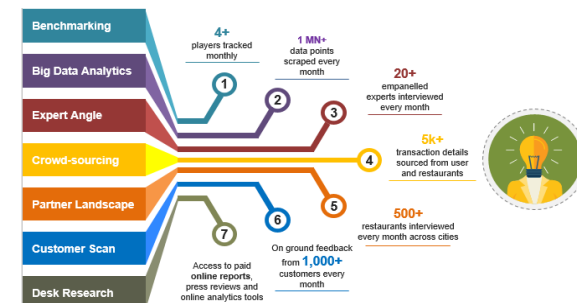


Research Methodology

RedSeer's Integrated Research Approach™ incorporating the following:

1. Tracks 5,000+ monthly online transactions
2. Primary Interviews with 500+ restaurants in 4+ cities every quarter
3. Primary Interviews with 1,000+ customers every quarter

Integrated Research Approach™



The Six Key Dimensions for Assessing the Performance of the Sector

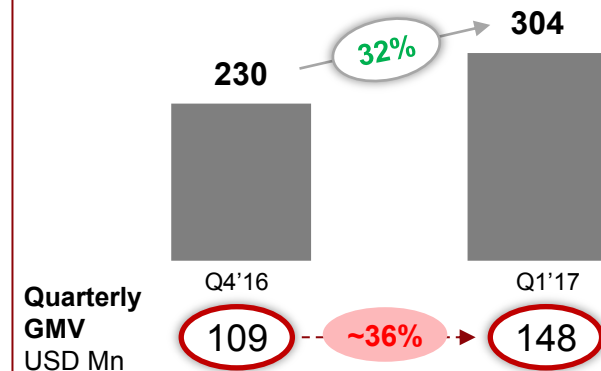
SN	Key Dimension	Sub-Dimensions
1	Sales Performance	1. Q-o-Q Order Volume Performance
2	Customer Adoption	1. Y-o-Y growth in average order value 2. No. of prominent cities (>10,000 orders) 3. No. of orders per user 4. Repeat vs New customers split
3	Unit Economics	1. Commission (as % AOV) 2. Delivery Cost (as % AOV) 3. Customer acquisition cost
4	Delivery Excellence	1. Overall Delivery Time 2. Compliance to Promise Time 3. Order Fulfilment rate
5	Customer Satisfaction	1. Satisfaction with purchase experience (as NPS score) 2. Satisfaction with post purchase experience (as NPS score) 3. Overall Customer NPS
6	Seller Satisfaction	1. Satisfaction with Business experience (as NPS score) 2. Satisfaction with Order experience (as NPS score) 3. Overall Seller NPS
	Overall Performance	

Indian Online Food Delivery Market: Growth continues in Q1 2017

India's online food delivery market saw a rapid growth in the order volume coupled with higher seller satisfaction while reduction in delivery cost improved the overall unit economics of the sector

- The Q1'2017 saw an increase in the total orders by 32% from 230,000 to 304,000 while AOV increased marginally
- Customer adoption saw a growth with rise of new users on the platform leading to reduction in the repeat use and orders per customer
- Reduction in delivery incentives played a key role in improving the unit economics of the sector
- Higher share of Own/3PL delivery helped in marginal improvement of compliance and delivery time
- Although the overall customer satisfaction has remained same at 20%, satisfaction with on time delivery has improved
- Partner satisfaction has improved by 900 bps in Q1'2017 buoyed by the growth in business but timely resolution of queries and complaints still remains a concern

Total Daily Orders in '000



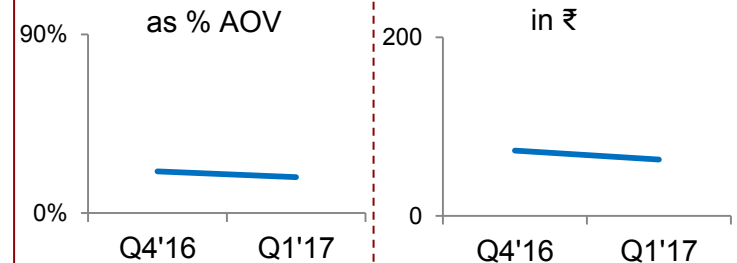
Quarterly
GMV
USD Mn

109

~36%

148

Delivery Cost










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C **Appendix – List of Paid Reports**

Online Food Delivery Sector Assessment Scorecard- Q1'2017

SN	Key Dimension	Q1 CY17 Sector Performance	Assessment Rationale
1	Sales Performance		Order volume saw an increase of 32% in Q1'2017
2	Customer Adoption		Chennai is the new addition to the list of prominent cities i.e. cities with >10,000 daily orders Repeat use saw a drop in Q1'2017 because of rapid rise in new customers on the platform
3	Unit Economics		Delivery cost reduced by 15% lead by lower incentives for the delivery boys
4	Delivery Excellence		Delivery compliance and order fulfilment rate witnessed marginal improvement Delivery time improved for the lagging players and the industry average stands at 44 minutes
5	Customer Satisfaction		Customer NPS improved marginally by 100 bps in Q1'2017 Customer Satisfaction improved for app experience and on time delivery
6	Partner Satisfaction		Partner Satisfaction improved by 900 bps from Q4'2016 to Q1'2017 Timely resolution of queries and complaints still remains a concern area
7	Overall Performance		Overall, Q1'17 was a quarter of growth for the sector, coupled with an overall improvement in the unit economics

Industry maintained the momentum and the order volume grew by 30-35% in Q1'17...

Indian Online Food Delivery Industry Order Count (Daily Order Volume, in '000)



Quarterly
GMV
USD Mn

Q4 CY'16

109

~36%

Q1 CY'17

148

- Q4'16 started with ~10% m-o-m growth
- Existing market consolidation over expansion in new geographies
- Emergence of internet kitchens in key geographies

- The growth trend continues in Q1'17
- Players focused on high penetration in key cities where they lag behind their competitors
- Higher order volumes and reduced incentives in Q1 lead to lower delivery cost and improved unit economics

...driven by increased penetration in the existing cities...

Sub-Dimension

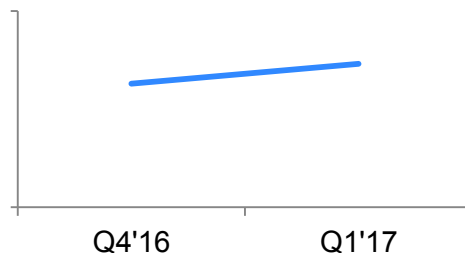
Time Trend

Sub-Dimension Rating – CY17

Key Takeaways

1

Average Order
Value

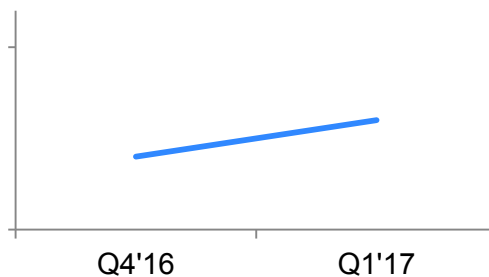


Average order Value saw a steady growth

- Average order values has seen a marginal increase in Q1'17

2

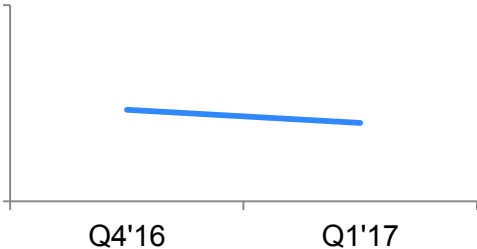

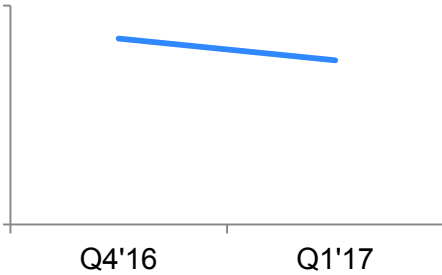

Prominent Cities



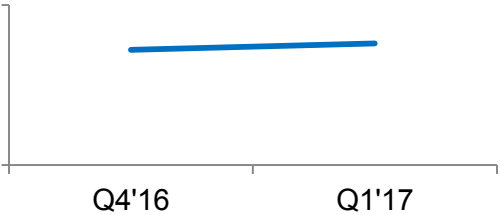

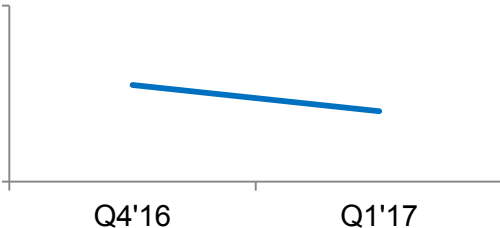

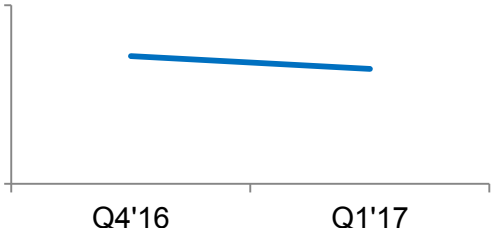

No. of prominent cities saw an increase

- No. of cities with daily order volume >10,000 increased by 1; with Chennai being the new addition
- Food Delivery players are looking to increase their penetration in the existing cities over expansion to new geographies

...and inflow of new customers, highlighted by reduction in no. of orders per customer and repeat usage

Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
<div data-bbox="40 365 85 401">3</div> <div data-bbox="104 518 369 586">No. of orders per customer</div>	 <p>A line graph with a blue line showing a slight downward trend from Q4'16 to Q1'17. The x-axis is labeled with Q4'16 and Q1'17.</p>		<p>No. of orders per customer saw a decline in Q1'17</p> <ul style="list-style-type: none"> No. of orders per customer declined by 15% in Q1'17 primarily because of addition of new customers And Q4 had a lot festivities
<div data-bbox="40 879 85 915">4</div> <div data-bbox="123 1043 349 1112">Repeat vs New customer</div>	 <p>A line graph with a blue line showing a slight downward trend from Q4'16 to Q1'17. The x-axis is labeled with Q4'16 and Q1'17.</p>		<p>Repeat rate declined due to inflow of customers</p> <ul style="list-style-type: none"> With players looking to increase their penetration and onboarding new customers to their platform There is a surge in new users because of Jio and overall higher adoption of internet Repeat rate declined by about 10-15% since Q4'16

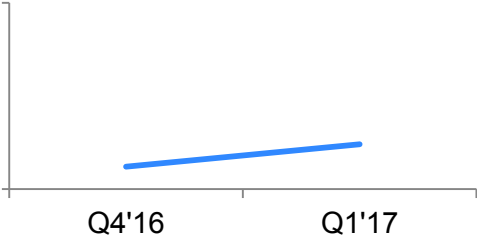

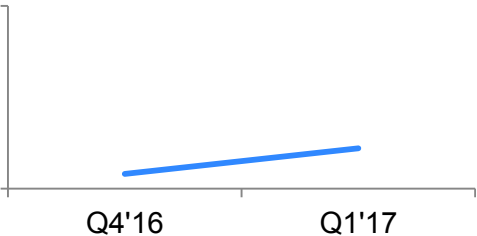

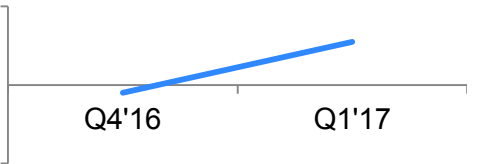

Additionally, unit economics of the sector improved due to reduction in incentives and marginal increase in commission rates...

Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
1 Commission (as a % of AOV)			Industry has increased the commission rates marginally in the last quarter <ul style="list-style-type: none"> Focus on improving unit economics leading to increase in commission rates
2 Delivery Cost			Delivery cost improved because of lower incentives <ul style="list-style-type: none"> Reduction due to lower incentives and higher order volumes
3 Customer Acquisition Cost			Limited reduction in customer acquisition cost <ul style="list-style-type: none"> Higher internet usage and positive impact of Jio Increasing preference of ordering via app

...with the volume growth and the reduced incentives not impacting the key operational metrics much

Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
<div>1</div> <div>Overall Delivery Time</div>	<p>Q4'16 Q1'17</p>		<p>Lagging players have improved their delivery time</p> <ul style="list-style-type: none"> Higher share of Own/3PL fulfilment lead to an improved of delivery time with 44 minutes in Q1'17
<div>2</div> <div>Compliance to Promise Time</div>	<p>Q4'16 Q1'17</p>		<p>Compliance has improved marginally</p> <ul style="list-style-type: none"> Duration of delay in orders has improved significantly Lead by higher share of fulfilment through 3PL and own fleet
<div>3</div> <div>Order Fulfilment Rate (% of Total Orders)</div>	<p>Q4'16 Q1'17</p>		<p>Order Fulfilment rate improved marginally</p> <ul style="list-style-type: none"> Because of reduction in order fulfillment through restaurants' fleet Improved integration with partner restaurants

Customer satisfaction improved on the app experience and usage...

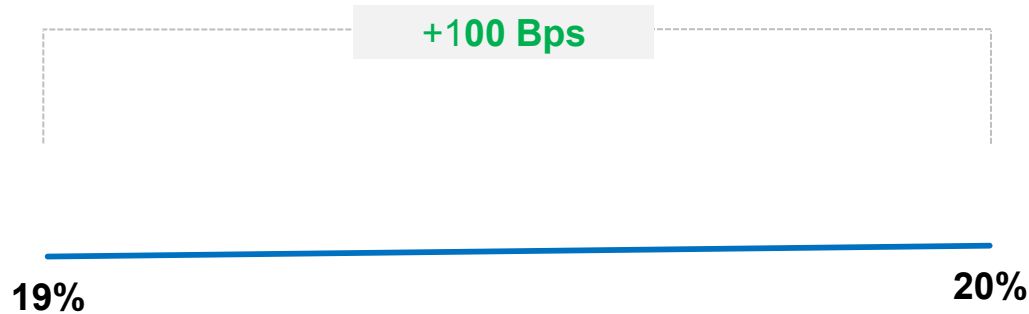
Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
1 Ease of using the app			Satisfaction with ease of using the app improved due to <ul style="list-style-type: none"> ▪ Changes in the interface ▪ Higher familiarity with the platforms
2 Choice of restaurants on the platform			Growth in satisfaction with the choice of restaurants in Q1'17 <ul style="list-style-type: none"> ▪ Major players are looking to onboard more restaurants on their platform. ▪ Growth is also visible due to lower base in the previous quarter
3 Reliability of ratings and reviews			Satisfaction with ratings and reviews improved <ul style="list-style-type: none"> ▪ As users continue to order through these platforms the reliability of ratings and reviews continue to improve

...while it dipped marginally due to reduction in offers and discounts in the quarter...

Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
<div>4</div> <div>On Time Delivery of the orders</div>			<p>Satisfaction with on time delivery of the order witnessed a jump</p> <ul style="list-style-type: none"> Increasing share of delivery through own fleet and 3PLs Improved tech integration
<div>5</div> <div>Complaint Resolution</div>			<p>Satisfaction with complaint resolution has improved</p> <ul style="list-style-type: none"> Industry focus on higher customer satisfaction through seamless experience
<div>6</div> <div>Offers and Discounts</div>			<p>Satisfaction with Offers and Discount declined in Q1'17</p> <ul style="list-style-type: none"> With focus on improving the unit economics, offers and discounts have reduced on these platforms

...leading to customer NPS improving marginally

Customer Overall Satisfaction with Online Food Delivery (Overall NPS Score)



Q4'16

Q4-2016: Growth in customer satisfaction

- Lead by offers and discounts the customer satisfaction improved
- Satisfaction with key pre and post purchase experience parameters was comparatively lower

Q1'17

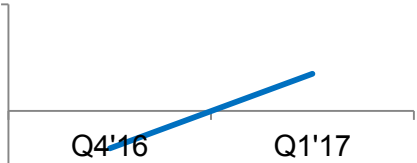
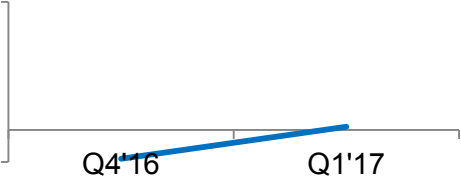
Q1-2017: Marginal improvement in satisfaction

- Reduction of offers and discounts on the platforms
- Improved operational performance lead to a rise in satisfaction on app experience and on time delivery
- Customer satisfaction improved by 100 Bps

Partner satisfaction improved on payment settlements and growth in business...

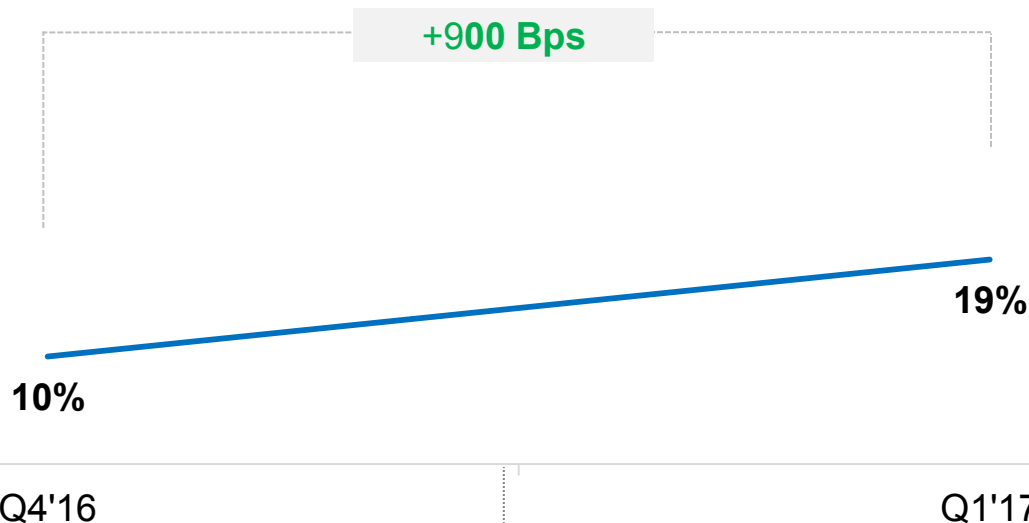
Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
<div>1</div> <div>Growth in Business</div>			<p>Satisfaction with growth in business has improved</p> <ul style="list-style-type: none"> ▪ Lead by sustained growth in the order volume ▪ Emergence of delivery source as additional revenue source
<div>2</div> <div>Consistency in Payment settlements</div>			<p>Consistency in Payment settlement has grown in Q1'17</p> <ul style="list-style-type: none"> ▪ Better Tech integration ▪ Improvement in payment cycles
<div>3</div> <div>Customer Feedback/ Business Insights</div>			<p>Partner satisfaction with customer feedback and business insights saw a jump in Q1'17</p> <ul style="list-style-type: none"> ▪ Higher order volumes ▪ Increasing familiarity with the platforms

...while timely resolution of queries and complaints still remains a key concern area

Sub-Dimension	Time Trend	Sub-Dimension Rating – CY17	Key Takeaways
<div>4</div> <div>Restaurant Profile management/ Menu updates</div>			<p>Improved integration helped in the increase in the satisfaction</p> <ul style="list-style-type: none"> While some issues still remain in this regard improved integration lead to a higher satisfaction
<div>5</div> <div>Timely resolution of Queries and Complaints</div>			<p>Timely resolution of queries and complaints remains a concern issue</p> <ul style="list-style-type: none"> The ratings improved in this quarter Timely resolution still remains a concern area for the partner restaurants
<div>6</div> <div>Experience with Delivery boys</div>			<p>Experience with the delivery boys has remained the same</p> <ul style="list-style-type: none"> Overall experience did not change much as the industry kept maintaining its' standards from Q4'16

Overall partner satisfaction witnessed a jump of 900 bps driven by business growth prospect

Partner Overall Satisfaction with Online Food Delivery (Overall NPS Score)



Q4-2016: Low Partner Satisfaction

- Lack of proper integration impacting satisfaction on key parameters
- High variation on satisfaction level between individual players

Q1-2017: Jump of 900 bps in satisfaction

- Buoyed by growth in business
- Better tech integration leading to improvement in satisfaction on key parameters
- Timely resolution of queries remains a concern area

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A Industry Review

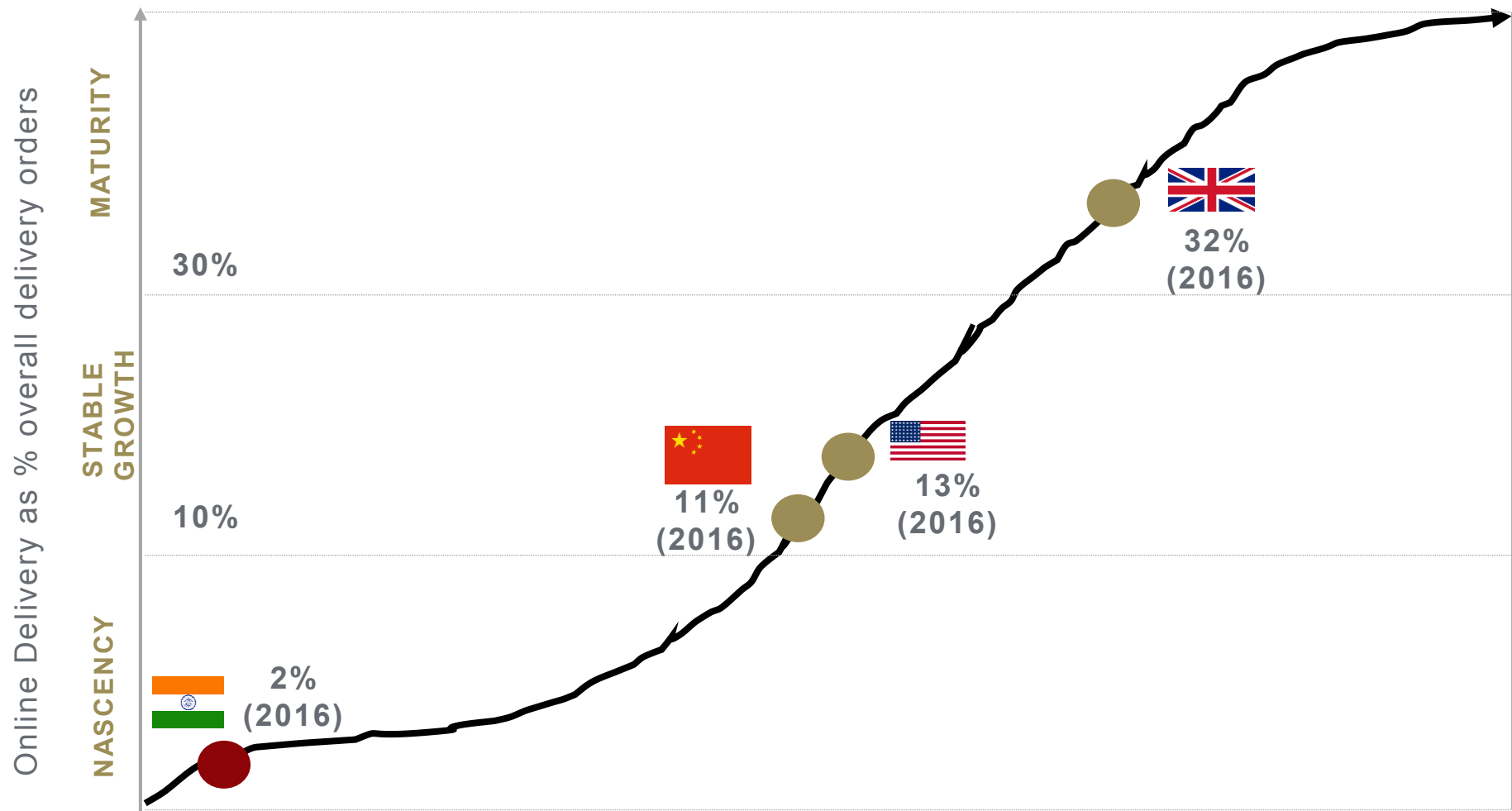
B Our View of 2020 Scenario

C Appendix – List of Paid Reports

India is still a nascent market as compared to mature markets like UK where online delivery commands much higher share of delivery orders...

Global Penetration Level

Key Insights



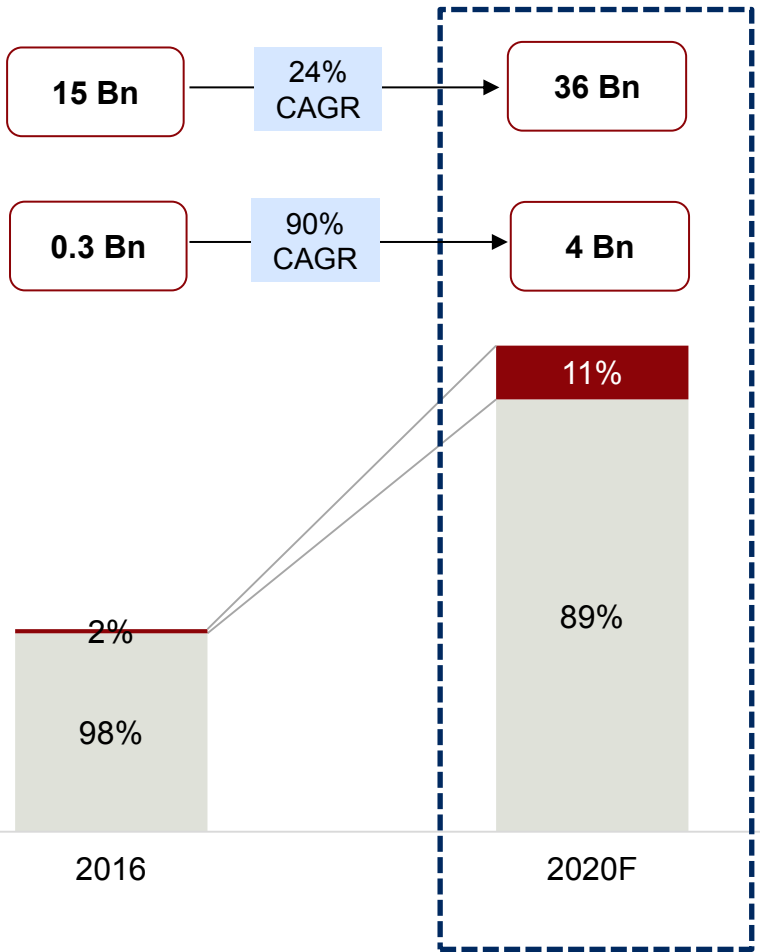
...and is expected to grow at 90% CAGR to reach a penetration of 11%, valuing it at USD 4 Bn market in 2020

Future Trends - India

Key Insights

■ Online ■ Offline

Overall Food Delivery Market in India ->



Growth enablers

Parameters	Impact
Increasing penetration of online delivery in overall delivery	\$\$\$
Customer maturity	\$\$\$
Expansion to new cities	\$\$
Emergence of new players	\$\$\$
Higher disposable income	\$\$\$
Young population	\$\$\$

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List of Paid Reports on Online Food Delivery Market – Q1 CY17

All paid reports include data for Swiggy, Zomato, FoodPanda & FreshMenu for the quarter of Q1 CY17¹

<u>List of Paid Reports</u>	<u>Report Description (Price available on request)</u>
<div>1</div> <div>Comprehensive Performance Assessment</div>	The report comprises of a comprehensive assessment of the key players Indian Online Food Delivery Sector in Q1 CY17. The performance of the key players have been judged using six key dimensions and the areas where each of the players performed well vs where they struggled have been identified.
<div>2</div> <div>Business Metrics Assessment</div>	The report comprises of the performance of the players in terms of Avg. orders per day, avg. delivery time, AOV etc. in Q1 CY17. The quarterly trends of change in the no. of orders across the key cities have been identified. And key reasons for the same have been stated along with what the future holds for the players.
<div>3</div> <div>Customer Perspective</div>	The report comprises of the customer adoption and satisfaction with the players in Q1 CY17. On the adoption side it covers the change in food ordering habits and AOVs . On the satisfaction side it covers the ordering preference and satisfaction on key parameters and the key reasons for the same.
<div>4</div> <div>Partner Hotel Perspective</div>	The report comprises of the partner hotels behaviour and satisfaction in Q1 CY17 towards the key players. It broadly covers the partnership duration amount of business and satisfaction on key parameters. And key reasons for the same have been stated along with what the future holds for the players.

1. Reports with historical data since Jan 2016 available on request

Our Consumer Internet Sector Coverage – we cover 20+ sectors across the Internet industry

- A E-tailing**
 - 1. Horizontals
 - 2. Verticals (Fashion, Furniture, etc.)
 - 3. E-Logistics
- B Online Mobility**
 - 1. Online Cabs
 - 2. Bike Taxi
 - 3. Inter City Buses
- C Classifieds**
 - 1. Horizontals
 - 2. Verticals (Real Estate, Jobs etc.)
- D Hyperlocal**
 - 1. Groceries
 - 2. Services
- E Fintech**
 - 1. Mobile Wallets
 - 2. Alternative Lending



- F Travel**

Online Hotel Aggregators and OTAs
- G Food Tech**

Food Delivery
- H Health**
 - 1. Booking Service
 - 2. Online Medicine/Treatment Home Delivery
- I Education**
 - 1. Online Testing
 - 2. Online Tutoring
- J Entertainment**

Media and Video Aggregation

**RedSeer is the leader
in the internet
advisory space**

90%

*Indian GMV as
clientele*

>USD 5 Bn

*Investments
Diligence Completed*

400+

*Engagements in
internet space*

50+

*Leading global funds
as clientele*

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