Our Reach

4+ Players

500 + Restaurants

3000 +

5 + Cities



Online Food Delivery

A RedSeer Perspective

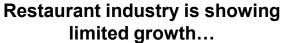
February 2017

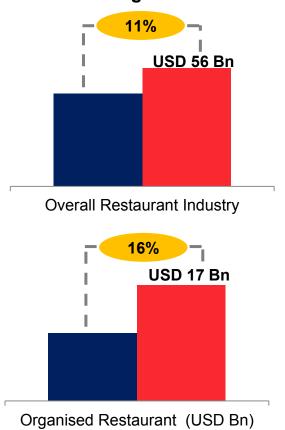
Delivery is outpacing the overall restaurant industry growth

Growth in India Restaurant Industry

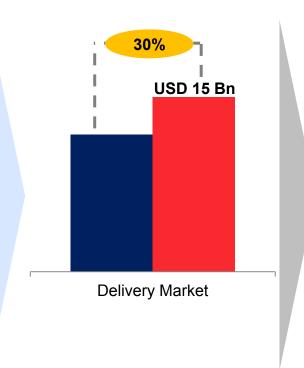
Key Insights







...While delivery market is booming



Key Insights

- Restaurant industry is estimated to be USD 56 Billion and the delivery industry is pegged at USD 15 Billion
- Casual Dining (44%) dominates the organised segment while QSR is one of the fastest growing segment
- Major factors driving the growth in delivery:
 - Changing consumer lifestyle
 - Young population
 - Increasing disposable income
 - Greater share of women in workforce

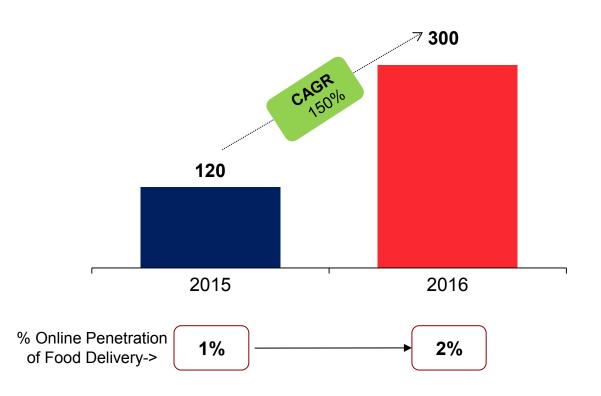
Within delivery, online medium is gaining traction and this market (GMV) stood at USD ~300mn last year

Online Market Size

Key Insights

Online Food Delivery Market Size

(Annual GMV in USD Mn)



Key Insights

- Online food delivery grew at a staggering pace of 150% to reach USD 300 Million in GMV terms in 2016
- Online food delivery players handled on an average 1,60,000 orders in a day with and average order value of USD 5
- Consumers accustomed to shopping online specially in major cities are preferring online delivery platforms owing to
 - Convenience of scanning menus, prices and peer reviews across the restaurant
 - · Transparency offered
 - Ease of payment through various modes

Source: RedSeer analysis RedSeer Consulting | 3

Herein, aggregators dominate the market with Internet Kitchens having limited presence

Online Market Size by model in GMV terms

Key Insights



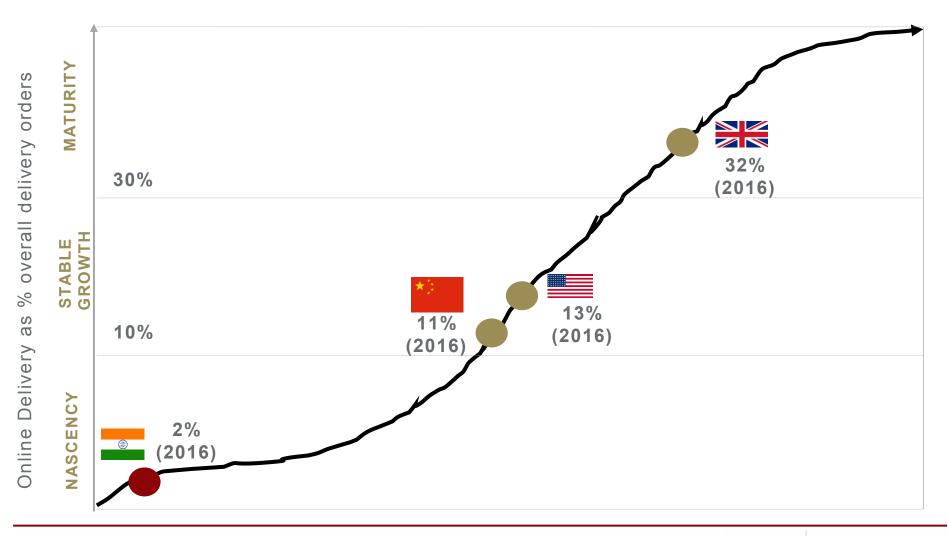
Market size by model **Business model comparison** (% of GMV) **Key Metrics Aggregator** Internet Kitchen Menu Wide range Focused **Food Quality** Non Standardised Standardised 30% **Average Order Value** \$\$\$\$\$ \$\$\$\$\$ 70% **Capital requirement** High Low **Expansion to new** Moderate Difficult geographies **Key players**

- Aggregators dominate the market with 70% market share, and have a reach in 20+ cities while internet kitchens with their niche offerings are limited to 4-5 major cities
- Major source of revenue for aggregators is the commission that they charge their partner restaurant (13%-23% of average order value) while Internet Kitchens have taken a full stack approach and 100% of the bill value goes to them

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



Top 5 cities in India contribute >85% of the overall order volume currently with Bangalore leading the way

Top 5 cities contribution

Key Insights

Top 5 cities for online food ordering...

...and trends in these cities

Bangalore	32%
Delhi NCR	20%
Mumbai	14%
Hyderabad	12%
Pune	10%
Others	12%

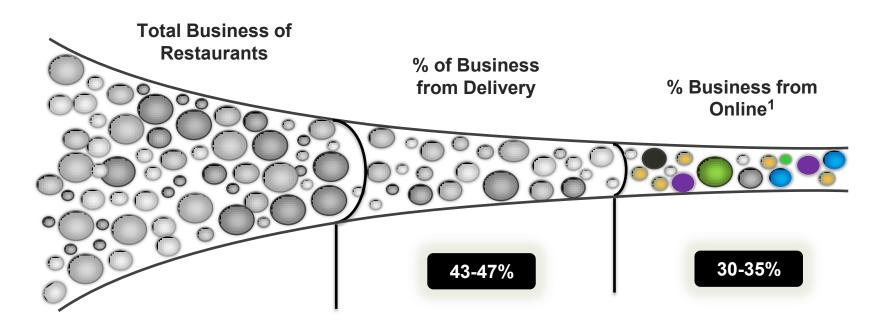
Parameter	% of outlets with delivery service	# of online orders per internet user (Monthly)	# of online delivery players
Bangalore	48%	0.22	50
Delhi NCR	61%	0.09	60
Mumbai	78%	0.06	38
Hyderabad	38%	0.09	24
Pune	58%	0.14	26

- Bangalore, Delhi NCR, Mumbai, Hyderabad and Pune contribute ~40% to the GMV of Indian e-tailing industry and these cities are the top contributors for other verticals too
- Large share of young working population with high disposable income and easy access to internet through web/mobile has accelerated the growth of online medium in these cities

Partner restaurants have a new business source in online platforms with contribution as high as ~35% to their overall business currently

Online business contribution for partner restaurants¹

Key Insights



- Delivery business is driving the growth for restaurants
- 61% of the organised restaurants in Delhi. Pune Bangalore, Hyderabad and Mumbai have delivery option
- For the partner restaurants, delivery orders are primarily driven by online orders
- On an average, bill value for delivery orders is 5% less than that for dine in orders
- >60% of the restaurants (associated with online platforms) have multiple partnership
- This additional stream has helped restaurants in improving utilisation of assets

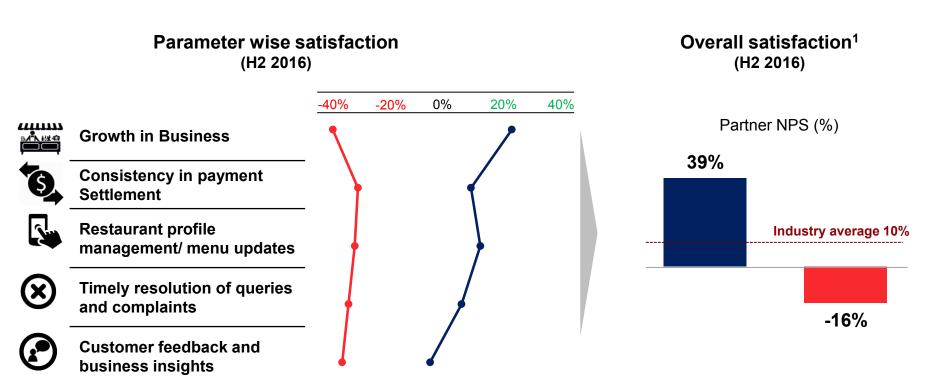
Note: 1. On the basis of 500+ restaurants surveys having partnership with online food delivery players

Partner satisfaction has a high variance with significant gap between leading and anchor player

Partner Satisfaction Trends

Key Insights





- Partner satisfaction has come down marginally in the second half of 2016
- Timely resolution of queries and complaints and Customer feedback and business insights have emerged as problem areas for partner restaurants

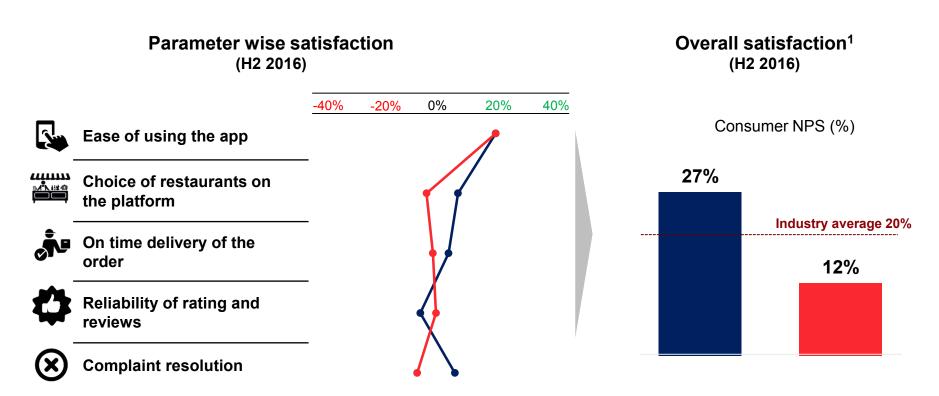
Note: 1. On the basis of 500+ partner restaurant surveys

Consumer satisfaction has a lower variance among leader and anchor players compared to partner satisfaction; is at par with other e-commerce verticals

Consumer Satisfaction Trends

Key Insights





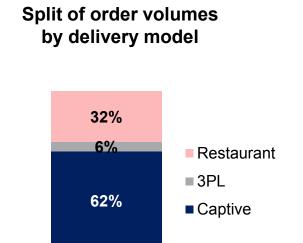
- Focus on increasing volume in the second half of 2016 has affected the consumer experience
- On time delivery of the order and Complaint resolution have emerged as problem areas for consumers

Note: 1. On the basis of 3000+ customer surveys

While the cost for captive delivery fleet is high compared to 3PL and restaurant delivery, it also enjoys higher customer satisfaction

Delivery Models

Key Insights









Customer parameter	Captive	3PL	Restaurant
Delivery time taken	Low	Moderate	High
Compliance (as per promised time)	High	Moderate	Low
Customer NPS	High	Moderate	Low

 Startups have taken varied approach to deliver the orders, with some relying on 3rd party hyperlocal logistics players or the restaurants delivery network, while few players are building captive fleet to service the orders

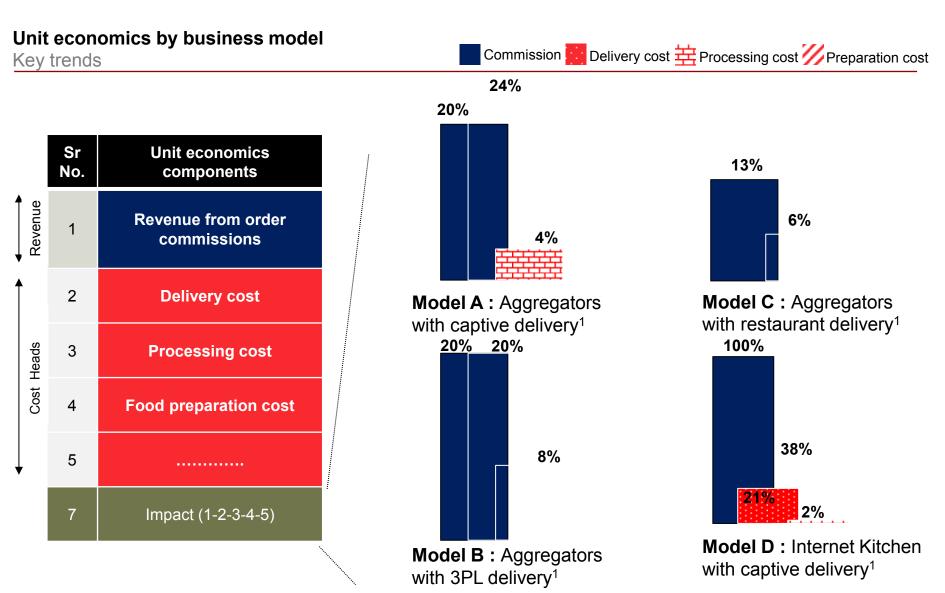
Delivery Model Share





Business parameter	Captive	3PL	Restaurant
Fleet flexibility for surge requirements	Moderate	High	Low
Delivery cost per order	High	Moderate	Low

High delivery cost raises concerns over the unit profitability of the industry



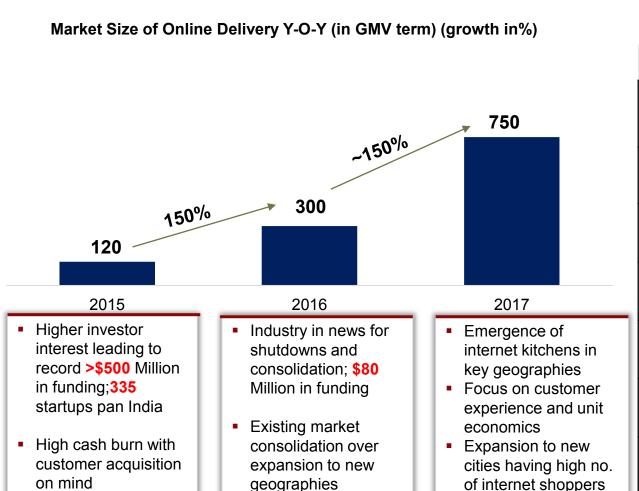
Note: 1. Average order value across the models is considered to be USD 5

Source: RedSeer analysis RedSeer Consulting | 11

Online food delivery is expected to grow by 150% to reach USD 750 million in 2017...

Market Size Forecast

Key Insights



Growth enablers

Parameters	Impact
Increasing penetration of online delivery in overall delivery	\$\$\$\$\$
Increasing frequency of ordering	\$\$\$\$\$
Expansion to new cities	\$\$\$\$\$
Increasing share of women in workforce	\$\$\$\$\$
Higher disposable income	\$\$\$\$\$
Young population	\$\$\$\$\$
Expansion of partner restaurant base	\$\$\$\$\$

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...with the coming year presenting a slew of new opportunities as well as challenges

Opportunities, Challenges and Innovation

Key Insights

Opportunities

- Customers are ditching call and preferring online food delivery
- Emergence of late night food delivery
- Health conscious customers and demand for healthy food
- Shift from cash to prepaid orders

Challenges

- High delivery cost coupled with low average order value
- Low stickiness of the customers to platform and high preference for offers and discounts
- Non-homogenous food preferences amongst the customers

Innovation

- Delivery of multiple orders by delivery boy in one go
- Aggregators looking to start own kitchens
- Sponsored products as side options on orders can open an additional revenue source
- Live order tracking for better customer experience

5 Big Things

High delivery cost coupled with low average order value

Multiple order fulfilment by single delivery boy in one go

Greater tech integration amongst stakeholders and offerings like live order tracking

Expansion to other geographies with high no. of internet users

UberEats to launch in India

RedSeer Consulting

Thank You!

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