


Chapter 24

Social Media and Social Distance: Revisiting the Restaurant Business Model

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ABSTRACT

Social media and social distance (proxied by online food delivery), the latter compounded by the increased disruption introduced by COVID-19, are radically impacting the way restaurants do business. Such a claim, fairly apparent to the consumer, arguably remains underexplored in the business model literature and begs for supporting evidence. This research aims to bridge such a gap by conducting an empirical study on the effects of social media and social distance on restaurant performance, feeding a revised business model canvas. The findings, as per the outputs of hierarchical and stepwise regressions, suggest that both social media and social distance (online food delivery) have a significantly favorable influence on restaurant performance, shaping a digitally-boosted restaurant business model canvas.

INTRODUCTION

Online food delivery platforms are the ultimate case of social distance, as deliveries increasingly co-exist with –and eventually replace– sit-in dining across restaurants worldwide, all compounded by the COVID-19 pandemic. Social media has been a powerful enabler behind this phenomenon. Many restaurants are incorporating these technologies into their business model, yet largely as a ‘me-too’ response to rivals and the overall industry shift, without further reflection on their impact on performance and long-term competitiveness.

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Kim et al. (2016) and Morris et al. (2013), concur that restaurants have typically shown very limited innovation on their business model over time. Online reviews, minimum order price, restaurant ranking, overall rating, delivery fees, and an excellence certificate, proved to be significant variables that affect restaurant performance.

Online to offline services have gained remarkable popularity in recent years by leveraging the benefits of online convenience to the real offline world, particularly so in the restaurant business. Roh & Park (2019) argue that online food delivery platforms (OFDPs) have become extraordinarily popular largely as a result of the continuous progress in information and communication technologies, and the massive adoption of social media, casting the way people buy and consume. Troise et al. (2020) add that OFDPs have benefited from the exponential growth in population density in most urban locations. A noteworthy side-effect of this phenomenon, also addressed in the present chapter, is the emergence of virtual, 'ghost' restaurants, eliminating dine-in operations, i.e. removing table service and optimizing kitchen space, increasing efficiency by offering delivery-only services. Such a fundamental business model shift is likely to allow restaurants to compete in urban hot-spots where the rent per square meter is overrated.

Kim et al. (2015, 2016) argue that consumers largely rely on online sources to retrieve product and service information potentially feeding their purchases, weighing in prices and eventually building trust. Even if populating information in online channels may drive marginal revenues, Lee et al. (2019) warned against information overload, likely to result in confusion and customer dissatisfaction.

Zhang et al. (2019) point at the significant impact of logistics, online reviews, electronic word of mouth (e-WOM), and price over online purchase intentions. Consumers typically search for information, user opinions, and ratings before buying on OFDPs. Yet the core value proposition of such platforms remains getting the meal to the consumer's doorstep, so factors associated with delivery, such as delivery time and food reliability, are central to consumers' purchase intention.

When it comes to social media, Mexico goes past the basics. Data from Statista (2019) suggest that in 2021, more than half of the Mexican population would use social media, with more than 60 percent of users already keeping profiles on at least four social media platforms. The integration of payment solutions and online shopping into those platforms is crucial to monetizing social networks. Profiting from online channels has not necessarily been intuitive for restaurants, as their traditional business model is built on dine-in revenues.

Restaurants increasingly need to create content for platforms such as Instagram, Facebook or TripAdvisor, so as to reach out to users and increase visibility. Online reviews have become the most influential tool shaping final purchase decisions. According to Banerjee & Chua (2016), TripAdvisor evolved into the world's most popular online data source in the hospitality industry, with more than six million users visiting the social platform thirty times per month (ibid).

Platforms rising from the shared economy, such as the above-mentioned TripAdvisor and Instagram, along with UberEATS, Rappi, and Doordash, to name a few, have arguably changed how restaurants do business. They have disrupted the industry, so restaurants that want to remain competitive are likely to revise their business model. This empirical study aims to unveil the impact on and potential transformation of the Business Model Canvas (BMC) for restaurants.

Osterwalder and Pigneur (2010) introduced the BMC as a tool to drive business strategy and operations, on the back of nine building blocks that spell out how an organization creates, delivers and captures value. The nine building blocks are key activities, value proposition, key partnerships, customer segments, revenue streams, distribution channels, customer relationships, key resources, and cost structure.

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