

Business Model Innovation Through Digital Entrepreneurship: A Case of Online Food Delivery Start-Up in India

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ABSTRACT

Aggregator business network models are quickly becoming critical enablers of digital transformation across various industries and are increasingly active in service start-ups such as online food delivery. With their innovative use of digital technologies, several unconventional start-ups in the online food ordering space are upending the market. However, the industry faces fierce competition from rivals and rising consumer demand for unique experiences. Using an exploratory case study methodology, the current study investigates the case of “Zomato,” an Indian restaurant aggregator and food delivery start-up. The study aims to demonstrate how Zomato, a digital start-up, has gained a competitive advantage by changing its business model. An investigation into the Indian-based online food ordering company Zomato’s business model innovation has been reported. This study shows how Zomato has differentiated itself from its competitors in the Indian food market by focusing on the nine business model canvas components. This improves our understanding of business model innovation’s theoretical foundations and forerunners as a source of competitive advantage.

KEYWORDS

Business Model Innovation, Digital Entrepreneurship, India, Zomato

INTRODUCTION

The introduction and quick development of digital technologies and the data they generate are changing how different industries compete (Broekhuizen et al., 2021). The business network aggregator models are quickly taking over as the main forces behind digital transformation in all industries. One of the developing yet fastest-growing markets, the food-tech sector is now driven by a substantial number of digital entrepreneurial activities. Food-Tech is thus developing as an ecosystem of agri-food start-ups and entrepreneurs innovating in business models, marketing, distribution, and other areas. Consequently, the Food-tech sector is developing as a potential aggregator market (Raman, 2018).

Meanwhile, Food-tech has evolved from mere food processing and food manufacturing technology to include online food processing, ordering, and delivery. The sixth-largest food industry in the world, India, has experienced unheard-of size and revenue growth over the past five years (IBEF Report, 2020).

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With the development of technology and smartphones, the consumer lifestyle has significantly changed (Ghose & Han, 2014). The online food delivery (OFD) industry is no exception. According to IMARC Report, the 2020 Indian OFD market will witness double-digit growth during the forecast period (2020-2025). In the past, the Indian OFD market reached a US\$ 3.6 billion value in 2019 (IBEF Report, 2020). The OFD market in India is therefore anticipated to grow at compound annual growth rates of 30.55% (based on revenue) and 10.19% (based on the number of users) between 2020 and 2024 to produce INR 1,334.99 Bn in revenue and create a user base of 300.57 Mn by that year (Research & Market Report, 2020).

Tong et al. (2020) defined the OFD platform as the platform that establishes connections between customers and merchants as well as between drivers and customers, creating what is known as a dyadic two-sided market structure. Restaurant-to-consumer delivery and platform-to-consumer delivery are the two subcategories of OFD services. The former involves online delivery services that send orders from partner restaurants. Platforms offer services like restaurant hygiene, monitoring, real-time order tracking, and payment but do not prepare the food. (Pigatto et al., 2017). Platforms accurately direct the delivery agents using their built-in cutting-edge route optimisation and order planning algorithms to guarantee on-time deliveries. The media uses additional checks and balances, such as customer reviews for restaurants and drivers (Shroff et al., 2022).

Platform-to-customer service providers like Swiggy FreshMenu, Faasos and Zomato are significant players in the Indian OFD market. Some businesses, like Box8, Domino's and KFC, use a restaurant-to-customer delivery model. On the other hand, there have been some collateral damages due to heightened competition and unstable growth policies. Due to significant losses, businesses like Eat Fresh and TinyOwl were forced to close. Even Food Panda, a sizable online food delivery marketplace with 13 countries that were repeatedly acquired by Delivery Hero and then by OLA, is having trouble competing in the industry. Zomato, an Indian provider of food delivery services, paid \$350 million in an all-stock deal to acquire Uber Eats' Indian operations in January 2020. The combined company of Zomato and Uber Eat India is anticipated to command a market share of between 50 and 55 per cent in terms of quantity and price of orders. Start-ups offering online food delivery have entirely changed how Indians eat. This innovative industry has changed how we view food, from delivery drivers equipped with smartphones to an app that uses routing algorithms.

With the exceptional adoption of these technologies, numerous unconventional start-ups in the online food ordering domain are disrupting the industry. One such unorthodox and inspiring start-up in the online food ordering industry, Zomato, is booming due to its cutting-edge business model. The company, founded solely to connect customers with restaurants online, has grown to become the largest online and mobile restaurant discovery service in the nation in just eight years. This study aims to analyse Zomato's experience as a digital entrepreneur, discover how it recognises business opportunities, conceptualises those opportunities into a business model, and show how the innovation in the business model has helped the company gain a competitive edge in the expanding Indian market.

The paper is organised as follows. The second section conducts a review of the literature on digital entrepreneurship, business models, innovation, and digital business models. The methodology is explained in the third section. The case being discussed is presented in the fourth section. The fifth section discusses the case study's findings. The sixth section concludes with implications for both theory and practise.

LITERATURE REVIEW

Digital Entrepreneurship

Understanding entrepreneurship is vital to established firms, practitioners, and entrepreneurship scholars. Entrepreneurship can take place in a variety of settings, including start-up businesses, well-established corporations, nonprofit organisations, and government agencies. It involves spotting

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