OUTSOURCING TO ONLINE FOOD DELIVERY SERVICES: PERSPECTIVE OF F&B BUSINESS OWNERS

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ABSTRACT

Purpose - There are two main purposes for this study. The first aims to provide a comprehensive review on the past literature review on outsourcing in the foodservice business sector by identifying the commonalities and filling in the gaps. The second purpose is to contribute to the limited research works that cover this field of study. Design/methodology/approach - This study adopted a qualitative research method with data collected through physical interviews with F &B business owners based on their knowledge, attitudes, perspectives, and needs on outsourcing to online food delivery services. Findings - In most research works, motivators, trends, risk, benefits, and relationships are discussed. The research on business owner's perspective in relation to outsourcing food delivery service is found to be scarce.

KEYWORDS: *Outsourcing; Food Delivery; Online Service Provider; Third-Party Delivery Service; Business Owner Perspective.*

INTRODUCTION

Technology has played a big role in revolutionising the food delivery service from phone-based to online ordering to satisfying consumers' ever-changing demands, making its way to the top. Technology has also contributed to the changes in consumer preference as their dependence on technology has moved them to do everything online including getting cooked meals delivered to their doorstep. Citizens across the nation are shifting towards online ordering and more ways to purchase with less effort and cost. Convenience is the biggest appeal to the consumers as the steps required to make an order is as simple as few clicks on mobile devices like smartphones, tablets, or laptops. In other words, modern and young consumers may be labeled as 'lazy' for depending on technology and convenience. Besides that, the time taken for the food to be delivered serves as a good reason for consumers when they do not have plans on where and what to eat. It is proven that the demand for online food delivery is the highest during lunch time and dinner time due to conveniences.

RESEARCH METHODOLOGY

Qualitative research method was used in this research as it provides a more complex textual description on how people experience in a given research topic. This method is also used to collect information and opinion of individuals on their personal and unique viewpoints on a topic. In

addition, this method is appropriate in examining restaurant business owners' perspectives on the practice of outsourcing delivery services to third-party vendor. With this method, more compelling and powerful data would be collected as compared to data that is gathered through quantitative research method.

The research data was collected through in-depth interviews, enabling researchers to have a higher level of personal interactions with the interviewees in their preferred language and terms. Above that, this method helps to collect data that is more accurate because the responses and answers are first-hand, solely based on individual personal experience and perspective. There were 12 respondents participated in this study. These respondents included business owners, restaurant managers, operators or supervisors who are knowledgeable about business operations along with having a clear vision towards the direction of their business.

The instruments used for data collection consist of a set of open-ended question, voice recorder and consent letter aim to get consent from the respondents as well as to inform them about the purpose of this research. The interview sessions were all started with a short introduction of this research followed by an ice-breaking session. The interviews were also recorded with the consent from the respondents for reference purpose. The thoughts and opinions were analysed and investigated through open-ended questions which focused primarily on the research questions. The interview guide did not function as a structured questionnaire but it consist the discussion topics to be covered in the interviews. In addition, the interviews were not limited to specific questions and would be redirected or guided by researchers in real time. The interview sessions that were carried in the restaurant lasted for about half an hour to an hour on average.

FINDINGS

Among the 12 respondents, there are seven respondents who are currently offering delivery services through third-party online platform. On the other hand, the remaining five respondents who do not outsource delivery service consist of two restaurants that have in-house delivery team and three do not provide any food delivery service at all. Respondents were asked to indicate several aspects of outsourcing decision, which includes the motivating factors of outsourcing to third-party online food delivery service providers, factors impacting the decision to not outsource delivery service to online food delivery service providers, the problems restaurants encounter with online delivery service and suggestion for improvement. Some respondents have provided more than one reason to the outsourcing decision.

Increase Revenue

Based on our findings, increase revenue is the top reason for the outsourcing decision. Almost all respondents indicated that they aim to increase revenue through outsourcing their food delivery services to third-party online food delivery service providers. As mentioned by the respondents, additional stream of revenue is vital for the business to sustain as the capacity for dining-in is limited and sales turnover is then constrained. Hence, outsourcing to third-party online delivery service providers offers restaurant a lucrative income stream by having a dedicated delivery service to give their food a wider reach despite having a limited number of seats in the restaurant. By doing so, the number of orders and source of revenues are no longer solely contributed by the dine-in business.

Increase Exposure and Wider Customer Reach

On the other hand, there are two reasons suggested by an equal amount of respondents, making both reasons the second most significant factor to outsource to third-party online food delivery service providers. These respondents indicated that outsourcing to third-party can help to increase their exposure as well as to achieve a wider customer reach. They mentioned that online food ordering and delivering platform is a great and quick way to get their brand name seen. There is a high possibility for restaurants to be seen by the online users that have access to the online delivery service platform when they explore for food ordering options. In addition, restaurants' establishments would be included on the third-party online delivery platforms ranging from website, social media, to printed materials, along with offering occasional discounts to customers when they are relevant to the marketing theme (on the expense of Food panda which does not affect restaurant's' revenues).Furthermore, respondents decided to collaborate with online food delivery service providers to achieve a wider customer reach. From the interviews, respondents said that they outsource food delivery service to expand their customer base to potential diners who do not live or work near the restaurant.

Convenience

We also find that convenience ranked as the third significant reason to the outsourcing decision. Many of the respondents see convenience as one of the benefits associated with outsourcing delivery services. According to respondents, it is more convenient to outsource food delivery services than to establish in-house delivery service because most of the responsibilities could be delegated to the third-party online delivery service providers. By outsourcing delivery service, restaurants are only required to get the food prepared for riders to pick up. On top of that, there is no need to create an online food ordering system or hiring additional employees for foo   d delivery services. It would increase the number of orders and extra revenue just by incurring commission fees for the delivery service.

Location

The fifth reason to outsource delivery service to online delivery service provider is related to the restaurant's location. Based on the interview, these respondents illustrated that they decided to collaborate with third-party food delivery platform because the restaurant are located in areas that are surrounded by commercial lots, colleges, entertainments, and food stalls. Hence, customers who visit the restaurant would encounter problem such as poor traffic conditions and limited availability of parking. As a result, these restaurants also face low demand for take-outs as customer would want to avoid these problems. Therefore, they outsource to online food delivery service providers so that customer who do not want to waste time on searching for parking slot, or to avoid traffic jam could enjoy food delivered to their doorstep.

Factor Related to Food

The most significant reason that restaurant operators do not want to outsource delivery service is type of food served. The factor related to food also can be a motivating factor of operators to have in-house delivery team. One of the Japanese cuisine restaurant operators explained that they decided to provide in-house delivery service because the food that they serve is made of raw ingredients which have to be served under certain degree of temperature and best consumed within 5-10 minutes. They decided to use in-house delivery because they only provide food delivery to areas located nearby the restaurant in order to maintain the freshness of the food. If they were to outsource delivery to the external parties, they would not have control over the food quality. In addition, risks such as delay in delivery and changes in room temperature (during the delivery process) might occur, which results a drop in the food quality.

Strategic Location

We also found out that restaurant that located in strategic location with high customer traffic are not interested to outsource delivery service. According to the respondents, it seems like there is no immediate need for delivery service as they are already successful through dine-in business. Additionally, the employees in the restaurant specifically kitchen found it difficult to keep with the piling up of orders that happen during peak hours. Hence, they would not consider to provides or outsource food delivery services at this point.

Customer's Affordability

Customer affordability to pay delivery fees is ranked as the third reason that contribute to the decision of do not outsource delivery to third party online delivery service providers, as suggested by respondents. As mentioned by these restaurants, they are serving food at low price which most of it costs less than RM10.

Cost and Little Control

The remaining two reasons stated by respondents were cost and little control. Some respondents proposed that they do not have sufficient resources for the business operation and they do not want to pay commission to third-party online food delivery service. Cost remains as a significant factor to restaurant that has already provides in-house delivery services as the perceived cost to provide in house delivery services are more cost effective than outsource it. One of the respondents illustrated that they have regular customers for food delivery as they provide a monthly subscription where they only need to deliver to these specific group of customers and charge them one-time delivery fee. In addition, delivering to the regular customers who have subscribed to the delivery services is one of the job scopes of their full-time workers. Whereas, if they outsource to third-party, online delivery service providers, they would be charged with commission per order. Hence, they do not see the need to approach third-party online food delivery service because they do not want to be charged with extra cost.

Implications for F&B Business Owners

The continuous and drastic changes in the restaurant business reflects the worthiness for further researches considering the booming potential in the foodservice industry where online delivery service is taking up a big part of the market share. This research paper would add value to the existing research data as there are not many researches or studies devoted to outsource of online delivery service from the business owner perspectives. Very few researches focused on the perspective of business owners on the outsource of delivery service to online third-party An important role for this research work is providing insights of the changes occurring in the trends, demands, preferences, and competition in the foodservice industry. This study suggested a more abstract idea on the motivating factors for business owners to outsource to third-party online food delivery service providers.

The findings assert that the increase of revenue, exposure, and convenience have the most significant impact on the decision made to outsource to third-party online food delivery service. It is also believed that online delivery service plays a big role on enhancing customer satisfaction and experience through various methods of payments, the availability of ratings and reviews, and minimal human interaction. The increase of "no cook foodies" is the result of changes in consumer trends and preferences where customers are more willing to spend more in exchange of better quality. The demand from consumers is beyond convenience although customers prioritise the perceived convenience with online food delivery service, they are not willing to sacrifice the food quality. Providing online food delivery service has also gradually becoming a tool for survival in the foodservice industry globally as more customers are leaning towards online food delivery service. As this research focuses on the business owners perspectives

toward outsource of food delivery service to third-party online service provider, the results cannot be generalised or used for other aspect in the foodservice industry. Furthermore, the use of unstructured interview methods may imply incomplete or inaccurate information reflected in this study. It would also be advisable for future researches to conduct a quantitative research for cross-validation check along with a qualitative research.

CONCLUSION

Technology has been creating new dining experience and it has a significant role in changing the ways customers choose to dine. There is a promising growing potential in the foodservice industry, opportunities are arising along with challenges resulted from the competitive business environment. It is essential for restaurant businesses to be constantly aware of the changes occurring in consumer trend and preference as there would be new consumerism surfacing resulted from the changes of generation. Restaurants would also be presented with new entrants and offerings, leading to higher expectations on the quality and benefits of the delivery service. They would be seeking for more perceived benefits associated with the online delivery service due to the emergence of new entrants. It is also a driving factor for businesses to keep searching for new ways in adapting to the changes in the foodservice industry. New entrants and competitors would find ways in fulfilling the demands or needs that may have been ignored. Besides that, online food delivery service is also deemed to be more appealing to smaller restaurant businesses that may not have the capacity to incorporate delivery service to their business functions. The findings in this study has suggested that the driving factor that has the most significant impact on restaurant business owner's' decision to outsource their delivery service is the increase of revenue. Besides that, food related factors are hindering them from outsourcing their delivery service to third-party online delivery services as it is deemed affect the freshness of the meals.