

**Quote by Arun Moral, Managing Director, Primus Partners**

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## **Cooking up a storm: Rapido's foray will disrupt the food delivery market, say industry experts**



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### **Article Content:**

#### **Synopsis**

**Top sources in the know told ET Digital that Rapido's foray will be in July via a model where commission costs could be lower or even as a subscription-based platform.**

The National Restaurant Association of India (NRAI) emphasised the importance of alternative aggregator platforms for food delivery in creating a level playing field on Wednesday, asserting that this could foster a more supportive ecosystem for all stakeholders.

Internal discussions within the industry indicate that ride-hailing platform Rapido is being billed as a strong "third alternative" to challenge the duopoly of food delivery giants Zomato and Swiggy. Top sources in the know told *ET Digital* that Rapido aims to foray into the food delivery market by July, either in Delhi-NCR or Bengaluru. "There is a lot of movement going on with Rapido. It is working on a model where commission costs will be low. It could even be a subscription model," the source said.

#### **What's cooking?**

According to industry experts, this development could signal change for the sector, noting that Rapido has a genuine opportunity to emerge as a third entrant. "The advantage that it (Rapido) will get to the whole ecosystem will be lower and more democratic permissions—and that could be a game changer. It is a free market in India, and as a result, if a new player comes, that can cause a disruption," Zorawar Kalra, the Founder and MD of Massive Restaurants, which runs chains like Farzi Café and Masala Library, told *ET Digital* on the sidelines of the NRAI Food Delivery Summit in the capital.

Kalra also noted that having more entrants in this market is always good due to the industry's dynamic nature. In response to the government-supported network, Open Network for Digital

Commerce (ONDC), currently being in 'pause' mode, Kalra stated that discussions are ongoing. "It's definitely not eliminated from the scene," he said. "There are certain challenges on both sides, vis-à-vis the ecosystem. But I think they are all surmountable challenges and not insurmountable in scope. As a result, there is this dialogue via the ongoing summit, and at this point in time, it is probably not going to yield any immediate resolution," he added.

In January, NRAI had explored the possibility of onboarding member restaurants onto the ONDC platform to counter the dominance of Zomato and Swiggy. However, these plans have now come to a standstill due to the top-level reshuffle at ONDC. "At the moment, we want to align with the new leadership at ONDC. We will only proceed further once we have the structures in place. Till then, we will keep it on hold, but we are scheduled to have a meeting with them in May. It will give us more clarity on the future of our working relationship with them," NRAI President Sagar Daryani stated.

In April, ONDC MD and CEO Thampy Koshy resigned, citing personal reasons. His exit had been preceded by the departure of ONDC's Chief Business Officer, Shireesh Joshi, who quit after 3.5 years at the organisation.

### **The 20-minute game**

Food delivery revolves around timing. Consumers want quicker delivery. While retail democratisation is a great idea, it comes down to a 20-minute play in the food sector, said Ashish Tulsian, Co-founder & CEO of restaurant management platform Restroworks. "So, if everyone—order buyer, order receiver, restaurants and logistics players—is disjointed then it is difficult to understand who is owning the responsibility towards the customers. The platform hasn't picked up only since owning responsibility in that network is not very well-defined and it has not got good customer feedback. Unless someone owns it, it won't work," he stated.

He added that while aggregators Zomato and Swiggy are very important from a customer perspective, the duopoly is not helping restaurants on the business front. "It has changed the entire margin profile of restaurants. Up until 7-8 years back, restaurants used to be at 70-75% gross margins and 20-25% net business. Today it is down to 5% because 20-25% goes towards commission, logistics, and packaging costs that have come up. So, there will be alternatives that come up just organically in the market," he said.

Regarding the buzz about Rapido making a foray into food delivery, Tulsian said that "this is inevitable" in the times ahead. "A very important ingredient in becoming a successful third platform is logistics, so whoever owns logistics has a great shot at it. Whether they will succeed or not is another story, but this factor contributes towards them being a significant contender," he explained.

Some in the industry propose a model resembling a service-based platform that manages the end-to-end delivery process. Amit Bagga, Co-founder & CEO of Daryaganj Restaurant, emphasised that the need of the hour is to find someone who is very strong in logistics and can give proper visibility as far as last-mile logistics is concerned. "The customer will not suffer in such a scenario if a reliable player takes it up. There could be two parts to it. One is creating the demand, and the other is logistics. If it is a logistics platform, it could be a service-based approach to the restaurant, where we can pay for every order chosen as a logistics service," he said.

Bagga noted that the maximum orders come between 8 and 10 pm, with a noticeable surge during that time frame. "So, if I am aiming to do 10-15 orders at one point of time, I will not have that many riders. So, the logistics player can ensure that the orders generated get

delivered, obviously at a price. And it could be that in those three hours, people could be charging a higher price compared to what they charge normally. But then it makes sense, as we just need the extra people for those hours and not the entire day. This cannot be done by us, so a strong logistics player who takes up the end-to-end management in a seamless manner to the guest will stand out," he explained.

### **Fair marketplace**

Independent experts reason that alternate food aggregators can serve as a catalyst for change in the prevailing duopoly of the food distribution market. "They can act as a control checkpoint for platform providers from dominating the market with respect to high commission and limited bargaining power for restaurant owners," Arun Moral, MD of Primus Partners India, said.

He added that a level playing field can be ensured by promoting hyperlocal and niche discoverability, which will support smaller or regional F&B brands. "Alternatives can act as pseudo regulators and marketing-correcting agents and ensure equilibrium across restaurant owners, industry associations, consumers, and regulators. This shift could lead to a more democratised food delivery space, giving power back to restaurants and consumers while maintaining a fair marketplace," Moral said.