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

GOH SEE-KWONG

Taylor's Business School, Taylor's University, Malaysia

Tel: +60122085756;

Email: **seekwong.goh@taylors.edu.my**

NG SOO-RYUE

Taylor's Business School, Taylor's University, Malaysia

WONG SHIUN-YI

Taylor's Business School, Taylor's University, Malaysia

CHONG LILY

Taylor's Business School, Taylor's University, Malaysia

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. The findings in this research work suggest that there are three main driven factors to the business owners' behavioral intention to outsource food delivery service to third-party online food delivery service provider. These factors are listed as increase of revenue, wider customer reach and expand customer base. The findings propose that business owners should consider and pay close attention to the changes in the consumer preference as it still remains dynamic, if they want to remain competitive in the foodservice industry. On top of that, this research work also provides insights and recommendations to third-party online food delivery service providers. This is one of the few research works that study the determining factors for restaurant businesses to outsource to online food delivery service providers.

Practical implications: 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. In order to reduce cost and maximize profit, many restaurants are asserting effort in outsourcing to online food delivery service providers. It may be difficult for business restaurant owners to explore the opportunities or challenges associated with the outsourcing to online food delivery service in the existing studies and literature. This study identifies the areas that are less explored in the literature, in the views of restaurant business owners.

Originality/value: This study is a first attempt to organize the outsourcing literature with the view of restaurant business owners using non-statistical and in-depth analysis in exploring the contents of the studies in a new approach.

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 [1].

From the business perspective, owners would grab opportunities that are viewed as a new source of revenue generation. Consumer preference is the main motivating factor for business owners to engage with online delivery services as to further satisfy customer demands and needs [2]. Online food delivery is especially recommended in countries that are still developing as the technology and consumer preference are still changing [3]. According to researches, 50.8% of people order food delivery service because they prefer not to cook, as it allows customers to have meals delivered straight to their home or office in less than an hour [4]. Business owners also believe that it helps the business to remain competitive in the market provided that it is compatible with their business model [5]. While it is often associated with the increase of costs added work for kitchen, and the decline of service quality, a comprehensive review on its feasibility is strongly encouraged [6]. Besides that, the opportunity for growth along with the potential obstacles is to be taken into consideration before making any business decision [2]. It could be more difficult for small business to integrate it to their business model as there are additional areas to manage. Delivery transportations may be the biggest concern that stops them from hopping onto the bandwagon of food delivery service.

There is a rise in small businesses that are outsourcing some of their business functions such as food delivery service which previously was a strategy adopted only by medium to large companies [7]. It was stemmed from the increase attention and discovery on the value of outsourcing food delivery service by a growing number of business owners and managers [7]. It is also recognised to have the ability to generate and deliver value to both consumers and business owners. However, it could also be a drawback for businesses as the outsourcing process can be complex while the potential economic returns might also not be significant enough to outweigh the effort and time required. There are a substantially insignificant number of researches that are available for online food delivery service and its implications. Accordingly, this paper aims to explore the insights from perspectives of business owners and the factors influencing their decision to or not to engage with online food delivery service providers in Malaysia. In a holistic manner, this research also aims to draw feedbacks from restaurant owners who are currently engaged with online delivery service. More specifically, the research questions for this paper are:
RQ1 Why do restaurant owners engaged in online delivery service?
RQ2 What are the obstacles in implementing online delivery service?

LITERATURE REVIEW

The food marketing and distribution methods in the restaurant business are on an

on-going shift from traditional purchase method to online food delivery system where many alternative systems are offered by business owners such as online shopping, phone-based ordering, home delivery, pick-up, and drive-through services in the food businesses [8]. Human habits and preferences have been evolving throughout the years, as they are heavily influenced by the technologies and information across the world [9]. The internet has also been continuously impacting the business and economic where virtual organisations and e-commerce are now widely available ranging from apparels, books, and even food could be purchased online. There is an increase usage and incorporation of internet in almost all the business sectors in the world where it could be a medium for the conduct of a business, being an alternative from the classical business approaches [9]. All these innovations are made for the consumers to enjoy the benefits that come with it namely convenience and time saving. Internet is extremely advantageous for the food business as it has made online food ordering service available for the food industry where it provides advantages to both the business owners and their customers [9].

Innovations in the restaurant business are also resulted in the increase of online food ordering as it is continuously growing in the internet businesses [10]. Business owners adopt different approaches in providing online ordering service to their customers with the intention to ease the ordering process that the customers encounter. Restaurants are also creating their own websites, mobile apps, and, or text messages for customers to place orders. There are mobile apps like Zomato that offers data of different restaurants where customers could place order with, saving their time and effort. It was also stated that the ease and convenience are deemed to be valuable for customers as online food ordering eliminates the frustrations from bad traffic or weather [10]. Online food ordering system is a comprehensive self-service system where it allows the customers control over their pace of ordering, limiting the amount of personal interactions they encounter [4]. Customers are presented with different ordering methods with diverse technologies that are close to their daily lives. It has also been suggested that higher level of control would lead to higher customer satisfaction as they would also be more willing in recommending the others if the experience was pleasant [4].

There are many perceived benefits related to online food ordering but there are also drawbacks that business owners should be aware off. As mentioned, there is limited personal interactions in online food ordering, which might not be desirable for customers that seek for personal contact in the process of food ordering [4]. There also might be obstacles for people who are not familiar with the technology or for those who have technology anxiety. These obstacles would have a direct impact on the satisfaction and adoption of the online food ordering system as customers may be reluctant to place orders on the internet. People who value interactions with employees would also be reluctant to use the self-serving online food ordering service. Business owners should focus on the issues identified as the system would be used without the presence of physical assistance from the employees [4]. It is also common for restaurants to work with professionals to make sure that the platform is available and performing well consistently to maintain to enhance the reliability of the ordering system.

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 [11]. 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. The result is shown in Table 1 and Table 2.

Table 1: Motivating Factors of Outsourcing Food Delivery Service to Third-Party Online Service Provider.

Rank	Particulars
1	Increase revenue
2	Increase exposure
2	Wider customer reach
3	Convenience
4	Location

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. They capitalise on the third-party

online food delivery services to reach customers in different geographical location. By doing so, customers who do not want to travel or do not have the means of transportation could enjoy their food through online ordering from the third-party service providers.

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 food 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 (Table 2).

Table 2: Factors affecting the decision to not outsource online delivery service.

Rank	Reason of not outsourcing
1	Factor related to food
2	Strategic location
3	Customer affordability
4	Cost
5	Little control

Based on the findings, the top five reasons that affect the decision to not outsource food delivery service to online delivery service providers include factor related to

food (ingredient), strategic location, customer affordability, cost, and little control.

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.

On the other hand, some of the restaurants do not outsource delivery services because their food is not suitable for delivery (for example, grilled chicken is only suitable for dine-in). These respondents said that if their food were to be delivered, the food will no longer remain crispy, juicy or crunchy. However, one of the respondents is planning to provide delivery services through third-party online ordering and delivery platform. They would like to make some adjustments in their food menu to provide more options that could be included in the delivery menu as their current menu are not suitable for delivery.

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. Therefore, if they were to outsource online delivery services, most of their food would cost same as the delivery fees charged by the third-party delivery services. They further added that it would not seem appealing or logical to their customers to be charged, for example, RM5 for delivery fee when the food only costs RM5.

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. Other than that, respondents also suggested that they do not have confidence with the service provided by third party online delivery service as they would have little control over the delivery process, food quality, delivery time, as well as customer satisfaction. One of the respondents also mentioned that there is no way to know what is going to happen or what type of experience their customer is going to encounter. Additionally, there are also negative comments and complaints associated with some of the food delivery platforms such as late deliveries, poor food quality, or bad customer service, which all has direct impact on their confidence towards the service quality of the third-party delivery platform.

OVERALL PROBLEM ENCOUNTERED AND SUGGESTION BY RESTAURANT OPERATORS

To explore business operators' perspectives on the performance of third-party delivery service, they were asked to share their experience on the services provided and their expectation on the third-party service providers. In addition, they were encouraged to provide suggestion for future improvement. Majority of the restaurants who have been using third-party online platform for food delivery services expressed their high satisfaction towards the service provided by third-party delivery service. 'No, we don't have any issues with Foodpanda. Foodpanda is good, they are really great', as said by one of the satisfied restaurant owners.

On the other hand, there were few restaurants who encountered minor problems in relations to the service provided by third-party online food delivery service. According to them, late delivery is a frequent problem they face. However, there are different opinions from business operators towards late delivery. Some restaurants said that late delivery was not part of their responsibility when asked for their opinions. From their perspectives, they are only responsible to get food ready for delivery; any other issues or complaints related to the delivery process should be attributed to the third-party online food delivery service provider. On the other hand, some restaurants said that late deliveries are usually caused by poor traffic condition which is common in

Kuala Lumpur and Selangor. They would have to face the similar problem if they were to use in-house delivery team. It is an external factor that is neither under the restaurant's nor the third-party delivery service provider's control. Hence, they will not blame the partner delivery service regarding these issues. Meanwhile, some restaurants suggested that late delivery is caused by the lack of manpower. It is reflected when a rider is responsible to handle few delivery orders, in other words, they are given too many orders to handle at once. Respondents explained that some riders have to pick up orders from few restaurant that are located in different areas, which they believe would increase the time taken to deliver all the orders to different customers who are also located in different areas.

The second problem that some of the restaurant operators experienced was machine breakdown. One of the restaurants who are currently engaged with Foodpanda said that they would receive an order slip from Foodpanda's GPRS box once customers have placed their order. Hence, when the machine has technical errors, orders would not be able to reach the restaurants, which would lead to delivery failure as the food is not prepared for takeout. When asked to provide suggestion for improvements, business operators proposed that Foodpanda should update their system frequently and make sure that technicians will be sent to the restaurant to fix the machine.

Other than that, one of the restaurants suggested that it is better to outsource delivery service to third-party as compared to creating an in-house delivery team because it is convenient and more cost effective. As described by a restaurant operator, having an internal delivery team is more costly because they would have to hire riders. It would not be cost effective when the returns are not greater than the investment made to set up an in-house delivery system, especially when there are minimal orders coming from their customers and the delivery teams would have minimal tasks to complete. On the other hand, they are required to pay commission as per order when they outsource to third-party online food delivery service. Hence, they would not incur any cost if there are no orders placed by the customers if they were to outsource their delivery service to third-party online food delivery service provider. In addition, the third-party online delivery service has great exposure as well as a large pool of customer, outsourcing to the third-party platform would get their restaurant's name featured on the website, which increases the possibility that their name being seen by large number of users even if their restaurant is of smaller scale.

DISCUSSION AND CONCLUSION

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.

Implications for Online Food Delivery Service Providers

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.

REFERENCES

1. Euromonitor (2016) 100% home delivery/takeaway in Malaysia.
   http://www.euromonitor.com/100-home-delivery-takeaway-in-malaysia/report

2. Harbor Communications (2016) Are food delivery trends hurting drive-through sales?
   http://www.cstoredecisions.com/2016/07/21/food-delivery-trends-hurting-drive-sales/

3. Leung A (2016) This year-old Malaysian food delivery startup is doing thousands of deliveries monthly. Techin Asia.

4. Kimes S (2011) The current state of online food ordering in the US restaurant industry. Cornell Hospitality Report 11: 6-18.

5. The NPD Group (2016) Delivery-a growth opportunity on the horizon. NPD.
   https://www.npd.com/wps/portal/npd/us/news/latest-reports/2016/delivery-a-growth-opportunity-on-the-horizon/

6. Kimes SE (2011) Customer perceptions of electronic food ordering. Cornell Hospitality Report 11: 6-15.
   http://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1069&context=chrpubs

7. Sonfield MC (2014) Outsourcing strategies for small businesses: issues, theoretical bases, and guidelines. Small Business Institute Journal 10: 35-43.

8. Hossain F, Adelaja AO (2000) Consumers' interest in alternative food delivery systems: results from a consumer survey in New Jersey. Journal of Food Distribution Research, pp: 50-67.
   http://ageconsearch.umn.edu/bitstream/27754/1/31020049.pdf

9. Çavuşoğlu M (2012) Electronic commerce and Turkish patterns of online food delivery system. Int Tourism Biennial 3: 46-61.
   http://www.journalagent.com/iuyd/pdfs/IUYD_3_1_45_62.pdf

10. Ha DN (2013) Demand creation of online services for B2B and consumer market -food delivery in Vietnam.

https://dspace.cc.tut.fi/dpub/bitstream/handle/123456789/21360/Doan.pdf?sequence=3

11. Creswell JW (2012) Educational research: Planning, conducting, and evaluating quantitative and qualitative research, 4/e. Pearson Education.