

# The future of the online food delivery service in Thailand



# 1. Research Questions



# Research Questions

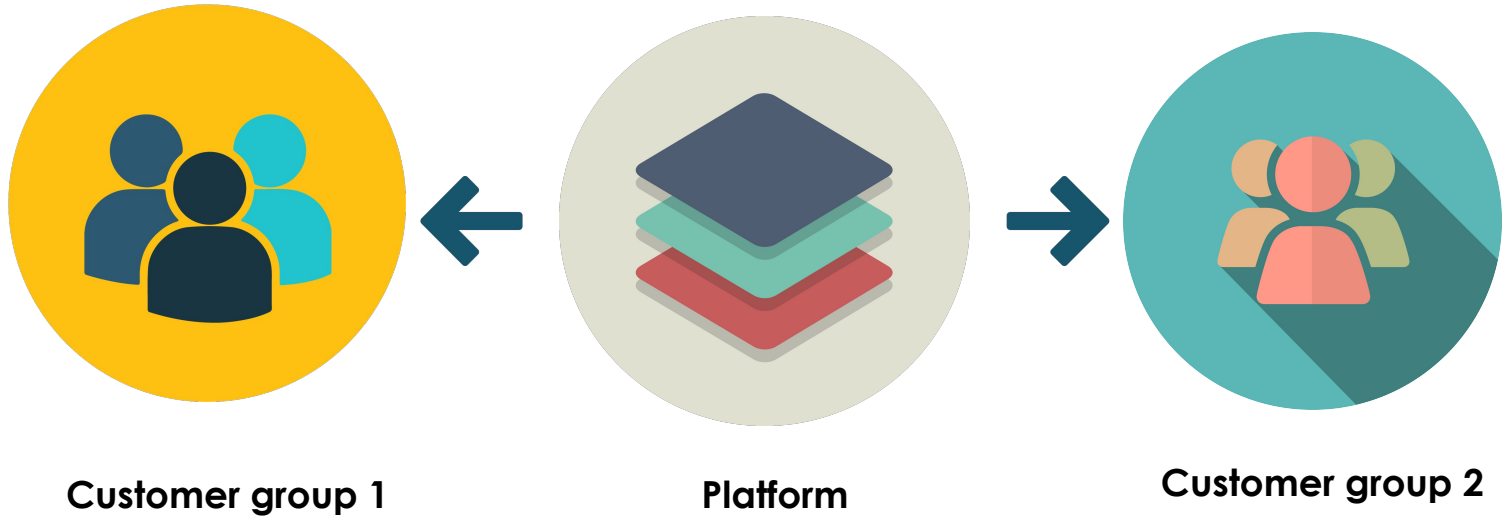
1. What is the market structure of the online food delivery service in Thailand? Who are the players?
2. What is the nature of the business? How does it make profit?
3. How competitive are the current players?
4. How likely is it for this industry to stay highly competitive?



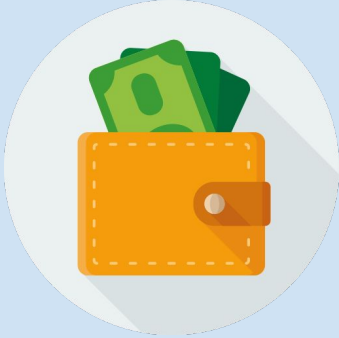
## 2. Industry Background



# Two-sided market



# Global



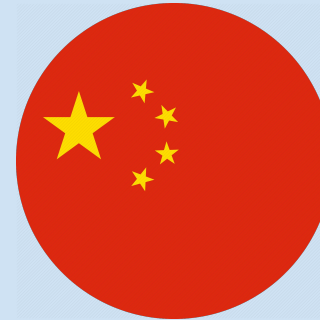
Revenue in the Online Food Delivery is estimated at US\$122,739m in 2020.



North America is already host to over 10 online food delivery companies with Grubhub, the largest player

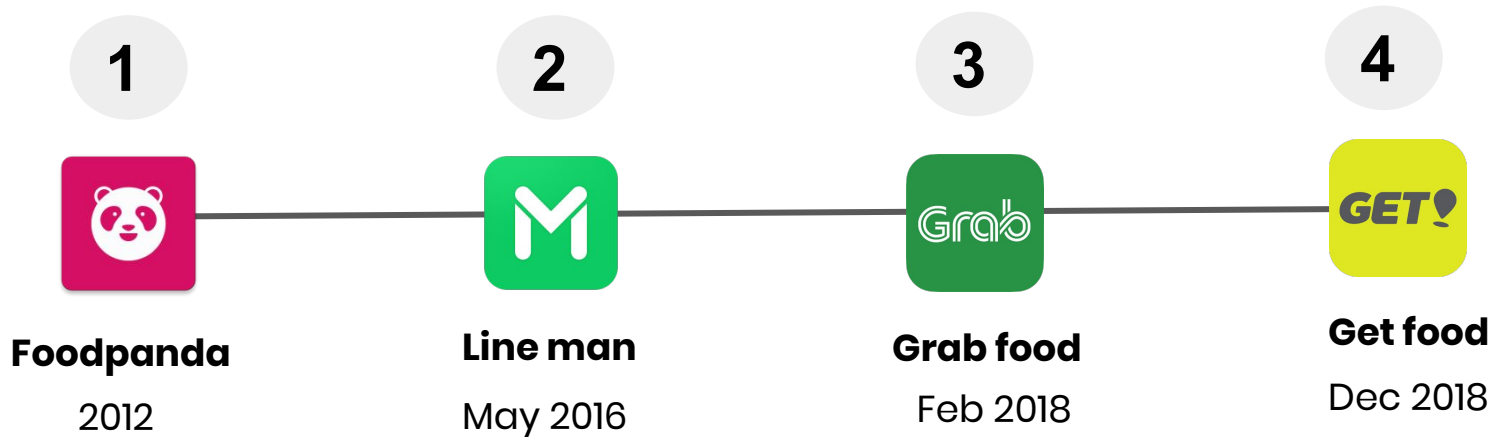


Europe has over 10 providers, with Dutch company "Just Eat" having a presence in eight countries in the region.



Asia accounts for a massive 55% share of the global online food delivery market and China was capture the highest revenues in 2018

# Timeline of Food Delivery Industry in Thailand



# Thailand



Estimated amount of food delivery industry at 33-35 billion baht.



14% growth year-on-year in 2019



The change in consumer behaviour and the number of smartphone users tend to drive the growth of food delivery industry



All these 4 platforms still loss.

# 3. Methodology



# Methodology

Primary data



In-depth interviews

— Drivers

— Restaurants

Secondary data



News

Website

Articles

Related  
Research

## **4.Result**



# 4.1 Structure



# Structure

## Industry's Concentration

*Number of loading user of each application on Android phone.*



Note: Grabfood, Line Man and GET include other services in the application

**Few large firms dominate market**

## Barrier to Entry

High Capital requirements

High set-up costs

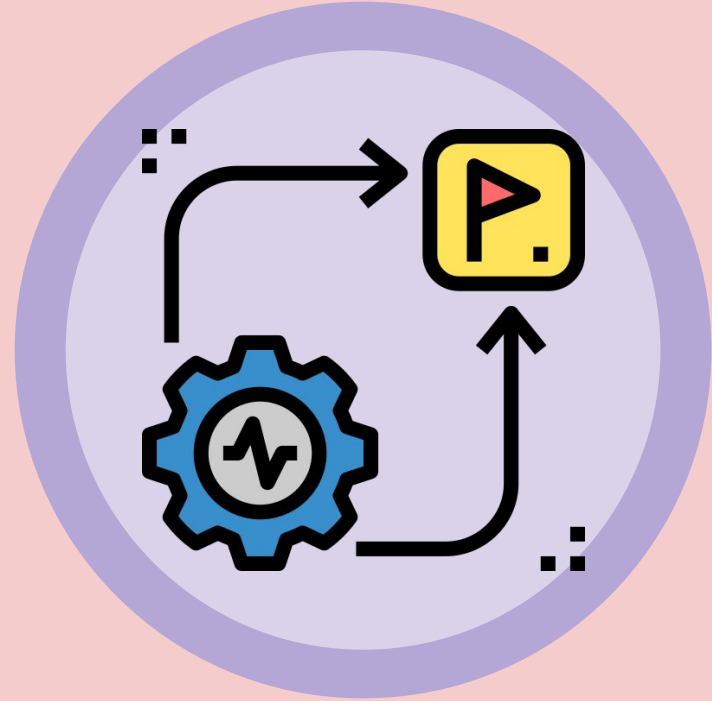
Some Law & Regulation

**Barrier to Entry is HIGH**

**Market Structure >> Oligopoly**

# 4.2 Conduct

- General Information
- Competitive Strategies
  - Pricing Strategies
    - Penetration Pricing
    - Price Discrimination
    - Promotion
  - Non-pricing Strategies
    - Advertising
    - Quality



# **General Information**





**Ippudo Ramen**  
Menu: Zero Special  
Price: 220 baht at  
restaurant



#### Foodpanda

Food price: 225 baht  
Total fee: **225** baht

**Restaurant** gets **146.25** baht

**Platform** gets **25.65** baht

**Driver** gets **53.35** baht



#### Lineman

Food price: 225 baht  
Total fee: **294** baht

**Restaurant** gets **225** baht

**Platform** gets **12.15** baht

**Driver** gets **57.25** baht



#### Grabfood

Food price: 225 baht  
Total fee: **235** baht

**Restaurant** gets **157.5** baht

**Platform** gets **37.5** baht

**Driver** gets **40** baht



#### Get food

Food price: 225 baht  
Total fee: **235** baht

**Restaurant** gets **157.5** baht

**Platform** gets **45.2** baht

**Driver** gets **32.3** baht

# Competitive Strategies



# Pricing Strategies



# Penetration pricing

40 baht  
within 4  
kilometers



**Foodpanda**

2012

10,000,000 downloaded

55 baht and pay an  
additional 7.2-9 baht  
per kilometer



**Line man**

May 2016

1,000,000 downloaded

**Free delivery  
and offer many  
special promotion**



**Grab food**

Feb 2018

100,000,000 downloaded

**Free delivery and  
offer many special  
promotion**



**Get**

Dec 2018

1,000,000 downloaded

# Network Effect

**Table 1: Direct Network Effect**

| Application | Number of downloaded applications | Delivery Price (Partner restaurant)                                                                                                 | Delivery Price (Non-Partner restaurant)                                                                                             |
|-------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Grabfood    | 100,000,000                       | <ul style="list-style-type: none"> <li>0-5 km. &gt; 10 Baht</li> <li>More than 5 km. &gt;10 + 10 (for surplus kilometer)</li> </ul> | No non-partner option                                                                                                               |
| Foodpanda   | 10,000,000                        | <ul style="list-style-type: none"> <li>Free delivery for nearby restaurants</li> <li>40 Baht (fixed price)</li> </ul>               | No non-partner option                                                                                                               |
| Get         | 1,000,000                         | <ul style="list-style-type: none"> <li>0-2 km. &gt; 10 Baht</li> <li>More than 3 km. &gt;10 + 10 (for surplus kilometer)</li> </ul> | Starts at 30 baht                                                                                                                   |
| Line Man    | 1,000,000                         | 10                                                                                                                                  | <ul style="list-style-type: none"> <li>55 Baht+ 7.2 Baht per km. (Official restaurant)</li> <li>55 Baht + 9 Baht per km.</li> </ul> |

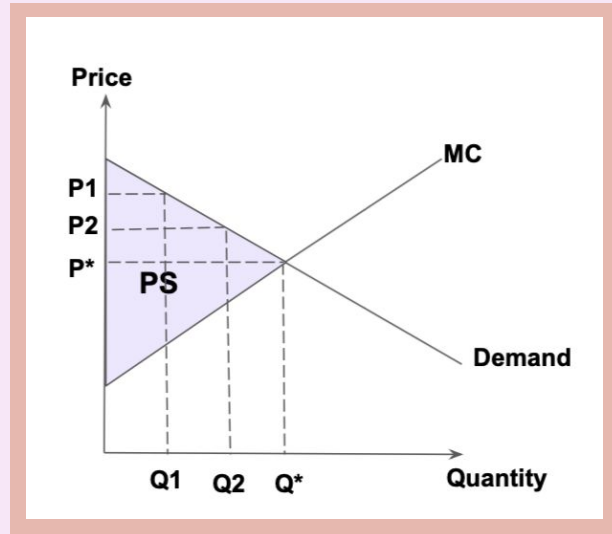
The lower the price charged in the delivery fee does not always relevant to the number of users. Instead, users have more choices to choose.

**Table 2: Indirect Network Effect**

| Application | Number of downloaded application | % charged the restaurant |             | Number of partners (Approximately) |
|-------------|----------------------------------|--------------------------|-------------|------------------------------------|
|             |                                  | Partner                  | Non-partner |                                    |
| Grabfood    | 100,000,000                      | 30%                      | -           | 20,000                             |
| Foodpanda   | 10,000,000                       | 35%                      | -           | 35,000                             |
| Get         | 1,000,000                        | 30%                      | Free        | 20,000                             |
| Line Man    | 1,000,000                        | 30%                      | Free        | 100,000                            |

The number of users does not correspond to the percent the company charges the restaurant. Hence, the competitiveness in this sector is high because the given information shows the exact same price charged to the restaurant in which if the theory of network effect is applied, Grab, Food Panda, Get and Line Man should issue the percent charged to the restaurant from high to low respectively and the number of partners be in the same pattern as percent charged as well.

# First Degree Price Discrimination on Restaurant Side



Foodpanda



Lineman



Grabfood



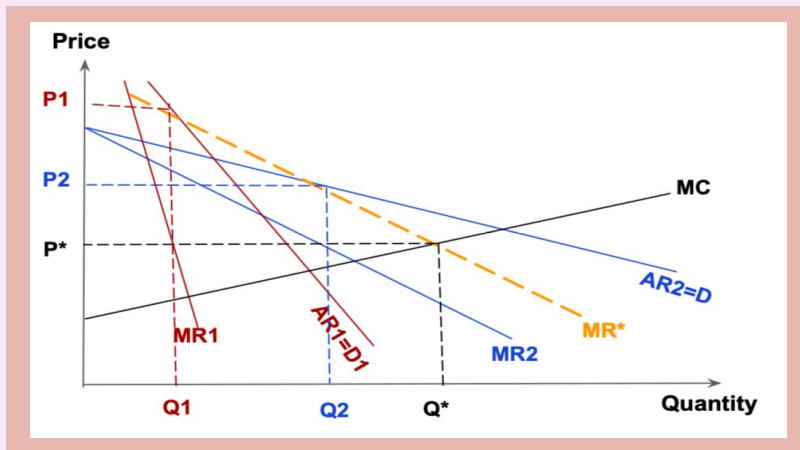
**Restaurant A**  
**25% commision fee**



**Restaurant B**  
**30% commision fee**

There are evidences showing that Foodpanda, Lineman and Grabfood are doing 1st Degree PD on restaurants by charging different prices from different restaurants in each platform.

# Third Degree Price Discrimination on Consumer Side



Consumer 1



Consumer 2

There is Third degree price discrimination in the consumer side. We can divide customers into 2 types which are low and high type. Low type customers are more sensitive with price than high type customer. Low type customer tend to pay lower price as they will buy only when they can collect coupon or receive discount while high type customer does not care much about collecting coupon

# Promotion

| Platform  | Main strategies & Initiative programs                                                                                                                                                                                                                                                                                                                                                            | Promotions that platforms follow others                                                                                                                                                                                                                                                                       |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Foodpanda | <ul style="list-style-type: none"> <li>• <b>Main strategies</b> : free delivery services<br/>: food price discount</li> <li>• <b>Initiated</b> : stepwise promotion (Q2/2018)</li> </ul>                                                                                                                                                                                                         | <b>Follow Lineman</b> <ul style="list-style-type: none"> <li>• event promotion in Q2/19</li> <li>• coupon for new user in Q3/19</li> </ul>                                                                                                                                                                    |
| Lineman   | <ul style="list-style-type: none"> <li>• <b>Main strategy</b> : promotion program on delivery fee</li> <li>• <b>Initiated</b> : event promotion (Q1/18)<br/>: discount coupon on delivery fee (Q1/18)<br/>: higher discount coupon on delivery fee for new users (Q1/18)<br/>: co-promotion with other companies (Q1/18)<br/>: online payment channel through own application (Q2/18)</li> </ul> | <b>Follow Grabfood</b> <ul style="list-style-type: none"> <li>• event promotion (Q2/19)</li> </ul>                                                                                                                                                                                                            |
| Grab food | <ul style="list-style-type: none"> <li>• <b>Main strategy</b>: food price discount</li> <li>• <b>Initiated</b>: Provided free delivery promotion in all restaurants when launching Grabfood (Q2/18)<br/>: weekly and weekend promotion (Q2/18)<br/>: discount promotion on food by categories (Jan 19)</li> </ul>                                                                                | <b>Follow Lineman</b> <ul style="list-style-type: none"> <li>• event promotion (Q4/18)</li> <li>• coupon to discount on food price (Q3/18)</li> <li>• online payment through own application-Grabpay (Q2/19)</li> </ul>                                                                                       |
| Get food  | <ul style="list-style-type: none"> <li>• <b>Main strategies</b> : food price discount plus free delivery services</li> </ul>                                                                                                                                                                                                                                                                     | <b>Follow Lineman</b> <ul style="list-style-type: none"> <li>• coupon on delivery fee (Q3/19)</li> </ul> <b>Follow Grabfood</b> <ul style="list-style-type: none"> <li>• free delivery program in all restaurants when launching Get food</li> <li>• discount promotion on food by categories (Feb</li> </ul> |

# Non-pricing Strategies



# Advertising

แฟนๆ BNK48 รับฟรี!  
บัตร BNK48 The Campus  
เมื่อใช้ Grab สูงสุดติดอันดับของเรา!

BNK48 Fans amped up!  
Here's BNK48 The Campus Tickets for free!  
Get it if you can be our top users!



The image shows a group of BNK48 members in green uniforms and white skirts, posing on a pink and white striped stage. They are holding various Grab-branded items, including a Grab Food bag, a Grab app icon, a GrabBike icon, and a GrabBike Plus icon. The background is a green and white geometric pattern.

อยากกิน  
อะไร  
สั่ง **GET!** เลย

แจกโค้ด  
ส่งฟรี!  
ใส่โค้ด  
**GETWELCOME**  
(สูงสุด 20 บ. 3 ครั้ง)



The image shows a man in a yellow Grab delivery uniform, wearing glasses and holding a smartphone with the GET! app. He is standing next to a table of food, including a bowl of noodles and a plate of rice. The background is a bright yellow and orange gradient.

foodpanda



The image shows a foodpanda delivery rider on a motorcycle, wearing a pink helmet and a pink foodpanda shirt. He is holding a smartphone. In the background, there is a man in a blue U.S. AIR FORCE shirt and a blue hat, walking on a sidewalk.

[LINE MAN] ความท้าทายครั้งใหญ่ที่ #LINEMAN ต้องก้าวข้าม

ล้างคร痕หน่อยครับ



The image shows a man in a green LINE MAN uniform, smiling and holding a smartphone. He is standing in front of a blurred background of a street scene.

# Service Quality

| Platform                                      | Food panda<br>                         | Line Man<br> | Grabfood<br>                                          | GET<br> |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Service quality dimensions                    |                                                                                                                         |                                                                                                 |                                                                                                                                          |                                                                                            |
| <b>1. Driver rating (give star to driver)</b> | Yes                                                                                                                     | Yes                                                                                             | Yes                                                                                                                                      | Yes                                                                                        |
| <b>2. Estimated delivery time</b>             | Yes                                                                                                                     | Yes                                                                                             | Yes                                                                                                                                      | Yes                                                                                        |
| <b>3. Rating star of each restaurant</b>      | Yes                                                                                                                     | Yes                                                                                             | Yes                                                                                                                                      | No                                                                                         |
| <b>4. Variety of food choice</b>              | More than 35,000 restaurants                                                                                            | More than 100,000 restaurants                                                                   | More than 20,000 restaurants                                                                                                             | More than 20,000 restaurants                                                               |
| <b>5. Payment Channel</b>                     | <ul style="list-style-type: none"> <li>• Cash</li> <li>• Credit card</li> <li>• Debit card</li> <li>• Paypal</li> </ul> | <ul style="list-style-type: none"> <li>• Cash</li> <li>• Rabbit line pay</li> </ul>             | <ul style="list-style-type: none"> <li>• Cash</li> <li>• Credit card</li> <li>• Debit card</li> <li>• GrabPay wallet by KBank</li> </ul> | <ul style="list-style-type: none"> <li>• Cash</li> </ul>                                   |
| <b>6. Service time</b>                        | 24 hours                                                                                                                | 24 hours                                                                                        | 24 hours                                                                                                                                 | 24 hours                                                                                   |
| <b>7. Centralized Kitchen</b>                 | Krua by Foodpanda                                                                                                       | No                                                                                              | Grab kitchen                                                                                                                             | No                                                                                         |

# 4.3 Performance



# Performance

## Foodpanda



- 10,000,000 downloaded for android users.
- Provide list of more than 35,000 restaurants.
- Achieved 1 millions orders in the first 3 months of 2019.

## Lineman



- 1,000,000 downloaded for android users.
- Provide list of more than 100,000 restaurants.

## Grabfood



- 100,000,000 downloaded for android users.
- Provide list of more than 20,000 restaurants.
- Achieved over 4 million orders in the first 4 months of 2019.

## Get food



- 1,000,000 downloaded for android users.
- Provide list of more than 20,000 restaurants.
- Achieved 10 million orders in Oct 2019.

# **5. Preliminary Result**



# Preliminary Result



## Oligopoly

- Foodpanda
- Lineman
- Grabfood
- GET



- Charge Commission fee from driver
- Charge Commission fee from restaurant
- Competitive strategies



## Highly competitive



# Thank you

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