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The future of the online food delivery service in Thailand(lin & earn)

This paper tries to answer about how competitive are the current players of online food delivery service. The food delivery business in 2019 grew 14% year-on-year. In Thailand, There are four main current players in this industry which were foodpanda, Lineman, Grabfood, and Get food. Thus, this industry is an oligopoly that is dominated by a few firms. The food delivery industry describes characteristics of two-sided markets that happen when two or more groups of agents interact via intermediaries platforms. All of these different groups want to share benefits together.

Moreover, Structure-conduct-performance (SCP) approach is used as an approach illustrating the overall mechanism in the food delivery industry in Thailand and clarified the market analysis of food delivery businesses. Besides, the author conducted an interview to gather the primary data directly from the driver and restaurant owner and also collects secondary data from reliable sources such as research, articles, and news relating to this industry.

The preliminary result indicated that the structure of the food delivery industry is characterized by an oligopoly market using the S-C-P method. This industry is a two-sided market, so they will receive profit from 2 sides, which are commission fees charged from drivers and restaurants. The barrier to entry is quite high since this platform business requires high capital at the beginning and require some law and regulation. Grabfood is the leading firm in this industry with over 50% market share due to the number of downloads on play store. Promotion and penetration pricing is the main competitive strategies that they use in order to gain more market share. The Delivery platform company can connect its network to help increase the effect. The direct network effect is to increase the number of users so as to attract the restaurant to become their partners. For the indirect network effect, the company will have the bargaining power to increase the percent, which will be charged from the restaurant as each application uses the number of users as a tool to guarantee the revenue. However, the firms have to use some funds to subsidize, and this is the reason why these platforms have not created profit yet.

The questions in this paper are quite interesting, and the methods used are appropriate and well persuasive. So the reason I chose to comment on this article is that it is about food delivery, which I'm currently interested in. By knowing the information for the differences price levels of the product in different applications, this article will be beneficial to people who used this delivery platform and also helps to understand why prices are different in each firm. Moreover, I am the one who downloads all the applications to compare the prices of each application. In addition, this article should add business perspectives, such as switching costs are important because customers can easily switch to other brands. Consumers are able to compare prices more conveniently via technology and certain promotions, which have a limited amount per day.

This paper used the market structure as the economic theory to analyze pricing behavior refers to firms' actions for the price setting competitive. The results are quite reliable and clear from the supply side perspective since the author clearly describes the market structure of the food delivery industry and also the strategies. In my opinion, in the highly competitive food delivery industry, the author may take the case of application. Now, as an example of a player leaving this industry due to high competition and huge losses.