

# A Study on The Business Model of a Proposed Online Food Delivery Platform

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**Abstract:** The online food delivery industry has grown rapidly across the world, mainly due to rising urbanization, better internet access, changing customer preferences, and the increasing need for convenience. This study aims to explore and develop an effective business model for a proposed online food delivery platform by understanding market needs, operational Strategies, revenue options, and ways to create value for users. The research is based on Secondary data collected from industry reports, journals, and trusted online sources, including platforms like Zomato and Swiggy. The insights gained from this study can help Entrepreneurs and developers who plan to launch similar platforms in emerging markets.

**Keywords:** Online food delivery, Business model, Digital platforms, E-commerce

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## 1. INTRODUCTION

The online food delivery industry has emerged as one of the fastest-growing components of the global digital economy, driven by rapid urbanization, increased internet accessibility, and a shift in consumer behavior toward convenience-oriented services (Statista, 2023). With the growth of digital platforms and e-commerce ecosystems, customers increasingly prefer ordering food through mobile applications and websites rather than traditional dine-in options. These online food delivery platforms act as intermediaries, connecting restaurants and consumers through real-time ordering, tracking, and delivery systems (Kaur & Singh, 2021).

As the market grows, competition has intensified, making an effective and sustainable business model crucial for success. A strong business model determines how a platform creates value, serves its customer segments, manages logistics, and generates revenue in a highly competitive environment (Osterwalder & Pigneur, 2010). Existing platforms such as

Zomato and Swiggy have demonstrated the importance of technological innovation, efficient delivery operations, and customer engagement strategies in maintaining market leadership (KPMG, 2022). However, new entrants face challenges such as high operational costs,

Customer acquisition expenses, delivery partner management, and differentiation from established competitors.

Given these dynamics, studying and designing a viable business model becomes essential for any proposed online food delivery platform, especially in emerging markets like India where user expectations, purchasing power, and digital adoption rates are continually evolving (EY India, 2021). This research aims to evaluate key components—including value propositions, customer segments, revenue mechanisms, and operational strategies—to propose a comprehensive business model. The study relies on secondary data from industry reports, journals, and leading digital platforms to provide insights that can guide entrepreneurs, developers, and stakeholders in establishing or improving online food delivery businesses.

## 2. LITERATURE REVIEW

The concept of business models has been widely discussed in management and digital platform literature. Osterwalder and Pigneur (2010) describe a business model as a framework that explains how an organization creates and captures value. In the context of digital platforms, multi-sided marketplace models are particularly relevant, as they enable interaction between multiple stakeholder groups.

Several studies have examined the growth and structure of online food delivery services. Kaur and Singh (2021)

analyzed consumer preferences and identified convenience, price transparency, and delivery speed as key drivers of adoption. Similarly, Statista (2023) reported that increasing smartphone usage and urban lifestyles have significantly contributed to market expansion.

Research by KPMG (2022) highlighted that successful food delivery platforms rely heavily on technology-driven logistics, data analytics, and efficient delivery partner management. Nosratabadi et al. (2020) emphasized the importance of business model innovation in food supply chains, suggesting that digital platforms can improve efficiency and customer satisfaction through better coordination.

However, existing literature also points to critical challenges. Zhang and Dong (2024) discussed the trade-off between revenue generation and stakeholder welfare, particularly regarding high commission rates charged to restaurants. Studies have also noted concerns related to delivery partner welfare, environmental sustainability, and regulatory compliance.

Despite extensive research on existing platforms, limited studies focus on proposing structured business models tailored to emerging markets. This research addresses this gap by synthesizing insights from prior studies to develop a comprehensive and practical business model for a proposed platform.

**Table 1. Comparative Summary of Literature on Online Food Delivery Platforms**

Author(s) & Year	Focus Area	Key Findings	Relevance to Present Study
Osterwalder & Pigneur (2010)	Business model theory	Introduced value creation and capture framework	Conceptual foundation
Kaur & Singh (2021)	Consumer behavior	Convenience and delivery speed drive adoption	Supports customer value proposition
KPMG (2022)	Industry analysis	Logistics efficiency critical for scalability	Informs operational strategy
Zhang & Dong (2024)	Revenue vs welfare	High commissions affect stakeholder welfare	Guides pricing strategy
Nosratabadi et al. (2020)	Supply chain innovation	Digital platforms improve coordination	platform-based model

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### 3. PROPOSED BUSINESS MODEL FRAMEWORK



Figure 1: Conceptual Framework

#### 3.1 Multi-Sided Marketplace Structure

The proposed platform follows a multi-sided marketplace structure connecting customers, restaurants, and delivery partners through a centralized digital system. Figure 1 illustrates the interaction and flow of orders, payments, and deliveries among stakeholders.

#### 3.2 Value Proposition

The value propositions for each stakeholder group are summarized in Table 1. Customers benefit from convenience and choice, restaurants gain expanded reach without logistics investment, and delivery partners receive flexible income opportunities. For customers, the platform offers convenience, variety, and real-time order tracking. Restaurants benefit from expanded market reach and reduced logistics responsibilities, while delivery partners gain flexible earning opportunities. The platform operator benefits from scalability and diversified revenue streams.

#### 3.3 Revenue Streams

As shown in Table 1, the platform adopts diversified revenue streams including restaurant commissions, delivery fees, service charges, advertising, and subscription plans. This approach reduces financial dependency on a single source. Revenue is generated through restaurant commissions, customer delivery fees, service charges, in-app advertising, and optional subscription plans. This diversified approach reduces dependency on a single income source and enhances financial stability.

#### 3.4 Key Activities and Resources

Core activities include vendor onboarding, order management, logistics coordination, payment processing, customer support,

and marketing. Key resources involve mobile applications, web platforms, cloud infrastructure, delivery networks, and data analytics systems.

## 4. CHALLENGES, RISKS & SUSTAINABILITY ISSUES

While the model has potential, there are several notable challenges:

### 4.1 High Commission Pressure on Restaurants

Many food-delivery aggregators levy commission fees in the 15–30% range on restaurants. Such high commissions may force restaurants to raise menu prices for online delivery orders which can lead to reduced competitiveness or lower margins for restaurants. Indeed, a report found that some restaurants generate approximately one-third of their revenues through delivery platforms but also noted that many charges higher prices online to recoup aggregator costs.

### 4.2 Thin Margins and Profitability Pressure

Delivery logistics including courier payments, order handling, packaging, and technology infrastructure contribute to high operating costs. Maintaining profitability while offering competitive delivery fees and commissions is difficult.

### 4.3 Intense Market Competition & Customer Churn

In many markets, only a few platforms dominate; new entrants must compete against established players who have large user bases and economies of scale. Research also indicates that customer loyalty is fragile: many customers switch platforms based on discounts or promotions.

### 4.4 Operational and Logistical Complexity

Coordinating orders across multiple restaurants, ensuring timely delivery, managing a fleet of couriers, and handling peak-demand periods are operationally challenging. Delays or errors can damage platform reputation.

### 4.5 Regulatory, Ethical, and Sustainability Concerns

Issues such as food safety, labor rights for delivery workers, waste management (packaging), and environmental impact (transport emissions) can pose risks. Platforms need to consider compliance with local regulations and socially responsible practices. With serifs, as close as possible in appearance to Times Roman in which these guidelines have been set. The goal is to have a 9-point text, as you see here. Please use sans-serif or non-proportional fonts only for special purposes, such as distinguishing source code text. If Times Roman is not available, try the font named Computer Modern

## 5. STRATEGIC RECOMMENDATIONS

Based on the analysis, the following recommendations can improve the sustainability and competitive advantage of the proposed platform:

### 5.1. Competitive but Sustainable Commission Model:

Adopt a moderate commission rate — perhaps at the lower end of the industry range — when onboarding early vendors, to build goodwill and vendor loyalty.

### 5.2. Diversify Revenue Streams

In addition to commissions and delivery fees, offer value-added services (e.g., premium vendor listings, in-app advertising, subscription-based customer loyalty plans) to stabilize recurring income.

### 5.3. Optimize Logistics & Delivery Efficiency

Use data-driven route optimization, delivery scheduling, and demand forecasting to minimize delivery costs and delays.

### 5.4. Focus on Underserved or Niche Markets

Instead of competing directly with large players in saturated urban zones, target underserved areas, smaller towns, or unique cuisines — where competition is lower and demand is rising.

### 5.5. Ensure Vendor & Delivery Partner Satisfaction

Provide transparent reporting, fair payouts, and timely remittances to build a trustworthy ecosystem.

### 5.6. Emphasize Quality, Customer Experience & Trust

Prioritize food quality, hygiene, reliable delivery, responsive customer support — all of which build long-term customer loyalty beyond temporary discounts.

## 6. CONCLUSION

The online food delivery industry presents substantial opportunity for new digital entrants especially platforms that can offer value to customers, restaurants, and delivery partners, while managing costs and competitive pressures. A multi-sided marketplace model, combining commission fees, delivery charges, and optional added services, offers a viable revenue framework. However, success depends on careful balancing of stakeholder interests, efficient logistics, and sustainable operations. High commission pressures, market competition, logistical complexity, and regulatory or ethical risks all challenge profitability and long-term viability. For a proposed platform to succeed, strategic differentiation through underserved markets, quality service, fair vendor relationships, and diversified revenue — is essential. With diligent planning and execution, such a platform can exploit growing demand and fill gaps left by existing players.

In sum, a business model built on fairness, efficiency, and value for all stakeholders holds promise — but only if the platform maintains discipline, transparency, and long-term focus.

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