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RESEARCH ARTICLE

MARKET SHARE AND COMPETITIVE STRATEGIES IN ONLINE FOOD DELIVERY SERVICES: INDONESIA AND SOUTHEAST ASIA CASE STUDY

Hilda*

Tanjungpura University, Pontianak, Indonesia
Email: hilda.judiarto@ee.untan.ac.id

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ABSTRACT

This research aims to analyze market share and competitive strategies in online food delivery services in Indonesia and Southeast Asia. Consumer behavior theory is used as a conceptual framework to understand consumer preferences and decisions in the context of online food delivery services. The research method used is a quantitative descriptive approach using data from reports presented by Katadata.co.id based on information from Momentum Works. This data was analyzed descriptively using statistical methods to describe the characteristics of consumer behavior in online food delivery services in Southeast Asia. The findings of this research show market dominance by several major players, such as GrabFood and GoFood in Indonesia and GrabFood in Thailand, which has the potential to hinder healthy competition and long-term innovation in the online food delivery service industry. The pressure to achieve sustainable profitability also drives companies to rely on subsidies, which can become unsustainable if not maintained over the long term. In addition, uneven market growth throughout the Southeast Asia region shows an imbalance in market growth in the region. This research concludes that it is important to strike a balance between market growth, healthy competition, and sustainable profitability to ensure an online food delivery service ecosystem that is sustainable and beneficial for both consumers and companies.

KEYWORDS

Online food delivery services, Market share, Competitive strategy, Southeast Asia

1. INTRODUCTION

Online food delivery services have become one of the fastest-growing industries in Southeast Asia, especially in Indonesia. In this context, it is important to understand the market dynamics and competitive strategies used by companies providing these services. In this study, we will outline the market share and competitive strategies in online food delivery services, focusing on the case study of Indonesia and Southeast Asia in general.

The background of the online food delivery industry reflects changes in lifestyle and the needs of modern consumers who are increasingly busy and want convenience in ordering food. The growth in internet penetration and smartphone usage has enabled this service to expand rapidly throughout the Southeast Asia region. However, this rapid growth is also accompanied by challenges and increasingly fierce competition between various industry players.

Through this research, we will explore various important aspects of the online food delivery industry, including market dominance by several major players, market growth dynamics in various countries in Southeast Asia, as well as the challenges and opportunities faced by companies in achieving high profitability. sustainable.

The online food delivery service industry in Southeast Asia, especially in Indonesia, faces several challenges that affect the sustainability and progress of this sector. One of the main problems is market domination by several large players such as GrabFood and GoFood in Indonesia and GrabFood in Thailand, which has the potential to hinder healthy competition and long-term innovation in this industry. Reliance on subsidies is also a serious problem, as pressure to achieve sustainable profitability drives companies to rely on food delivery subsidies, which can create sustainability uncertainties if not managed well. In addition, the uneven market growth in various countries in Southeast Asia shows an imbalance that needs to be considered in efforts to expand food delivery services.

High profitability pressures are also another challenge, with companies tending to adopt strategies that are not always profitable for consumers, such as controlling subsidies and aggressive pricing strategies. As a result, this can affect service quality and overall consumer satisfaction. The final challenge is in terms of innovation, where companies often face difficulties in achieving sustainable profitability while still innovating effectively to meet evolving market demands. Therefore, stakeholders in the online food delivery industry need to take strategic steps to overcome these challenges and ensure sustainable and beneficial growth for all parties concerned.

This research has several benefits that can provide valuable contributions to stakeholders in the online food delivery service industry in Southeast Asia. First of all, this research will provide a deeper understanding of market dynamics and competitive strategies used by companies in this industry. With this understanding, stakeholders can make better decisions in planning business strategies, investments, and product development.

Second, this research can help identify the main problems faced by the online food delivery industry, such as market dominance, dependence on subsidies, and challenges in innovation. Thus, this research can serve as a basis for formulating effective solutions to overcome these challenges and ensure sustainable growth in this industry.

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Additionally, this research can also provide valuable insights for governments and regulatory agencies to design policies that support the healthy and sustainable growth of the online food delivery industry. By understanding the market dynamics and challenges faced by this industry, the government can take appropriate steps to create a regulatory environment that is conducive and supports innovation and healthy competition.

Overall, this research has the potential to make a significant contribution to advancing the online food delivery service industry in Southeast Asia by providing a better understanding, identifying challenges, and formulating effective solutions to ensure sustainable growth and benefit all parties concerned.

2. Theoretical Basis and Prior Research

Consumer behavior theory is a conceptual framework used to understand how individuals make consumption decisions (Kalman, 1968; Scitovsky, 1973; Sheth, 1980). It includes an analysis of how preferences, income, prices, time preferences, and other factors influence a person's consumption choices. Consumer behavior theory helps explain how individuals and households allocate their limited resources among the various goods and services available to satisfy their needs and wants.

In the context of consumer behavior theory, some of the key concepts include utility, preferences, indifference curves, price elasticity of demand, and purchasing behavior theory. Utility refers to the satisfaction or benefit obtained from consuming a good or service, while preference refers to the priority given by consumers to various combinations of goods and services. Indifference curves are used to describe combinations of goods and services that provide the same level of utility to consumers. Price elasticity of demand measures the sensitivity of demand to price changes while purchasing behavior theory examines the psychological and situational factors that influence individual purchasing decisions.

The consumer behavior theory proposed by Kalman, Scitovsky, and Sheth provides an important foundation for understanding market share dynamics and competitive strategies in online food delivery services in Indonesia and Southeast Asia. Concepts such as utility, preference, and price elasticity of demand help explain how consumers make purchasing decisions in the context of such services. Market domination by large companies such as GrabFood and GoFood reflects consumer preferences driven by factors such as convenience, price, and service quality. The competitive strategies of these firms, such as subsidy control and product innovation, can also be understood through the lens of consumer behavior theory, in which they seek to maximize consumer utility and optimize responses to changes in prices and market preferences. Thus, the integration of consumer behavior theory with market share analysis and competitive strategy can provide a deeper understanding of how companies interact with the market and their consumers in the online food delivery service industry.

By using consumer behavior theory, economists and marketers can develop more effective strategies for understanding and predicting consumer behavior, as well as for designing products, prices, and promotions that better meet consumer needs and preferences.

In this literature review section, five articles will be briefly reviewed on the topic being researched. The first review will be initiated by a study aimed at identifying service quality expectations related to online food ordering and delivery services (OFODSs) since the emergence of the Covid-19 pandemic (Bonfanti et al., 2023). Through a qualitative approach, four focus groups were conducted among Italian users of OFODSs to reveal dimensions of expectations, including the diversity of content covering technical, social, economic, legal, and technological aspects. The findings of this study reveal three dimensions of hope, namely baseline, accuracy, and attainability, each of which consists of categories that can be arranged along a continuum. To meet customer expectations, strategies such as customer assurance, flexibility, continuous improvement, customer education, adaptation to customer needs, and exception monitoring are recommended. The practical implications of this research are to guide restaurants and catering businesses to invest their resources in activities that can improve the quality of OFODS services in line with customer expectations, as well as to propose a new framework for managing customer expectations to improve OFODS quality.

The second review article attempts to examine strategies to encourage restaurant guests to order vegetarian dishes to play a key role in creating a more environmentally sustainable tourism sector (Fechner et al., 2023). However, for many consumers, consuming meat dishes is an important aspect of the pleasure-oriented restaurant dining experience. Identifying new approaches that support restaurants in selling more vegetarian dishes is necessary. Based on hedonic psychology and affective prediction theory, this study tested two interventions aimed at driving orders for specific vegetarian dishes in a scenario-based survey experiment with 742 consumers. The results demonstrate the potential of affective prediction as a promising psychological mechanism. Displaying an appetizing image of a vegetarian dish on a menu increases stated orders for that dish because the image directs consumers' attention to the dish and triggers them to imagine eating it. Consumers who imagined eating the dish felt stronger satisfaction at the thought of eating it. Adding an invitation to imagine eating the dish to the image did nothing to enhance the effect. This study explains the psychological mechanisms of how an image of an appetizing vegetarian dish can change food choices and provides restaurants with a cost-effective way to direct orders toward more environmentally sustainable dishes.

The third review article is a study dedicated to computerized commerce (m-commerce) and research that examines key factors in determining loyalty to online food ordering services (OFD) in Indonesia, Taiwan, and New Zealand, because these countries facing varying levels of pandemic severity Studies (Rombach, Kartikasari, Dean, Suhartanto, & Chen, 2023). Data analysis using Partial Least Square Structural Equation Modeling (PLS-SEM) shows that food and online service quality, satisfaction, perceived value, and trust are significant predictors of loyalty in all countries. Food quality drives consumer loyalty, satisfaction, and perceived value in Indonesia and Taiwan, but online service quality is the key determinant in New Zealand. These differences can be attributed to the market situation of OFD services in the three countries before COVID-19, cultural factors, the severity of the pandemic, and consumer access to other distribution channels. Best practice recommendations for marketing managers related to OFD are presented.

The fourth review article is a study that aims to determine the main factors that predict users' intention to continue using mobile-based food ordering applications during the COVID-19 pandemic (Munday and Humbani, 2024). The moderating role of user experience is also explored. Data was obtained from 411 users of mobile-based food ordering applications in South Africa, using purposive sampling techniques. A modified combined theoretical lens of technology acceptance and use (UTAUT2) and task technology suitability (TTF) was used for this study. The results show that users' continuance intentions are influenced by performance expectations and habits and that hedonic motivation and TTF are not significant predictors. Performance expectancy mediates between TTF and sustainability intention, and user experience moderates the relationship between predictors (TTF, hedonic motivation, habits) and sustainability intention. Restaurant owners can use the findings from this study to design successful strategies that mix technological features and mental perception to build a stronger client base during the crisis and business opportunities in the future.

The fifth review article is research that focuses on digitalization which has become an inseparable part of all service sectors, including the food industry. Today's restaurant industry faces increasing competition and the need to adapt to changing consumer preferences regarding competitive prices, convenience, and reliable food delivery (Teo et al., 2024). In this study, we explore the factors that shape sustainable purchase intentions of local food via online food delivery (OFD) services. Two hundred valid responses were obtained from Malaysian customers who had experience ordering local food via OFD services. Data analysis via SmartPLS revealed that perceived ease of use was the only insignificant predictor, while health aspects, food quality, service quality, and price value significantly influenced customers' purchase intentions. Notably, price value emerged as the strongest dominant determinant of purchase intention. Gender moderates the effects of perceived ease of use and service quality on continuance intention. This framework provides a stronger explanation for women, with service quality being their main focus, while men prioritize price value. These findings provide valuable insight for local restaurants and OFD service providers seeking to remain competitive in the post-pandemic era.

3. Research Methods

This research aims to analyze consumer behavior in online food delivery services in Southeast Asia using a quantitative descriptive approach. The data used comes from a report presented by Katadata.co.id based on information from Momentum Works regarding online food delivery services. The data collection method is carried out through analysis of the report, which includes information about transaction value, market share, market growth, and other relevant factors. The collected data will be analyzed descriptively using statistical methods to describe the characteristics of consumer behavior in online food delivery services in

Southeast Asia.

4. Discussion

In 2023, Indonesia holds control over the online food delivery service market in the Southeast Asia region (Annur, 2024). Based on the Momentum Works report, the gross transaction value of this service in Indonesia reached US$4.6 billion or around IDR 72.12 trillion in the previous year. This accounted for around 26.9% of the total GMV of food delivery services in Southeast Asia which reached US$17.1 billion in the same year. This dominance is supported by GrabFood as the market leader with a market share of 50%, followed by GoFood with 38%, and ShopeeFood with 5% in Indonesia. Meanwhile, Thailand is in second place with a gross transaction value of US$3.7 billion, where GrabFood also dominates the market with a market share of 47%. In other countries in Southeast Asia, such as Singapore, the Philippines, Malaysia, and Vietnam, gross transaction value also increased, with a growth of 5% on an annual basis. However, Momentum Works noted that growth was mainly driven by the smallest markets, such as Vietnam which experienced an increase of US$300 million or 27% year-on-year (yoy), followed by Malaysia which rose US$200 million or 9% yoy. Nonetheless, pressure to achieve sustainable profitability continues to drive incumbent players in the industry to rein in food delivery subsidies and adopt different strategies to compete. In its report, Momentum Works also highlights the challenges the company faces in achieving sustainable profitability. This creates a need for industry players to adapt their business strategies, including subsidy management and innovation in market competition.

4.1 Author's Opinion

The author's opinion in this news is that Indonesia's dominance in the online food delivery service market in Southeast Asia is a proud achievement and shows the progress of the country's digital economy. They highlighted Indonesia's significant contribution to the total Gross Merchant Value (GMV) of food delivery services in the region, which reached almost 27%.

The author also emphasizes GrabFood's superiority as a market leader in Indonesia with a significant market share, as well as similar dominance in Thailand. However, the author underlines that market growth is not only limited to Indonesia but also occurs in other countries such as Singapore, the Philippines, Malaysia, and Vietnam.

However, the authors note that market growth, especially in small countries such as Vietnam and Malaysia, shows great potential for the expansion of online food delivery services in Southeast Asia. They also recognize the challenges in achieving sustainable profitability in the industry and emphasize the need for business strategy adaptation by companies to remain competitive in an increasingly tough market. Thus, the author optimistically highlights the opportunities for industry players to continue to innovate and develop while overcoming existing challenges.

4.2 Problems and Solutions

From this report, several problems that can be identified include:

- Potential Market Dominance Hindering Competition: The dominance of GrabFood with a market share of 50% in Indonesia and 47% in Thailand, and GoFood with a market share of 38%, indicates that the market may not be open enough for healthy competition. This can result in a lack of innovation and choice for consumers.
- Dependence on Subsidies: Pressure to achieve sustainable profitability drives companies to control food delivery subsidies. This could raise sustainability issues if the subsidy cannot be maintained in the long term.
- Uneven Market Growth: Although gross transaction value increased in some countries such as Vietnam and Malaysia, the growth was primarily driven by relatively small markets. This shows an imbalance in market growth across the region.
- Profitability Pressure: Constant pressure to achieve sustainable profitability drives companies to adopt strategies that may not always be profitable for consumers, such as subsidy controls and aggressive pricing strategies.
- Challenges in Innovation: While there is a need for innovation in the face of intense market competition, the challenge of achieving sustainable profitability may hinder a company's ability to innovate effectively.

By identifying these issues, stakeholders in the online food delivery industry can take appropriate steps to overcome the challenges faced and ensure continued growth in the industry.

So, the essence of the problem revealed in the report is market domination by several major players, such as GrabFood and GoFood in Indonesia and GrabFood in Thailand, which has the potential to hinder healthy competition and long-term innovation in the online food delivery service industry. The pressure to achieve sustainable profitability also drives companies to rely on subsidies, which can become unsustainable if not maintained over the long term. Additionally, uneven market growth across the region, with higher growth occurring in relatively small markets such as Vietnam and Malaysia, indicates an imbalance in market growth in Southeast Asia. This is influenced by ongoing pressure to achieve sustainable profitability, which drives companies to adopt strategies that may not always be profitable for consumers, such as controlling subsidies and aggressive pricing strategies. Therefore, it is important to strike a balance between market growth, healthy competition, and sustainable profitability to ensure an online food delivery service ecosystem that is sustainable and beneficial for both consumers and companies.

The following solutions can be proposed to overcome the problems identified:

- Encouraging Healthy Competition: Governments and market regulatory agencies can introduce policies to encourage healthy competition, such as providing incentives for new players or tightening regulations against monopolistic practices.
- Diversification of Income Sources: Companies can look for alternative sources of income that do not depend solely on subsidies, such as additional services or product diversification.
- Market Development: Focus on more equitable market development across the Southeast Asia region, by identifying growth opportunities in countries that have not yet been fully exploited.
- Sustainable Pricing Strategy: Companies can adopt more sustainable pricing strategies, such as offering added value to customers rather than competing solely on price.
- Investment in R&D: Companies need to increase investment in research and development (R&D) to promote innovation in services, such as developing technology to improve operational efficiency or better customer experience.

So, the best solution to overcome the problems revealed in the report is through a series of strategic steps. First, the government must actively participate in implementing regulations that promote healthy competition in the online food delivery service market. These steps include limiting monopolies, facilitating the presence of new players, and enforcing transparency in business practices. Second, companies should strive to diversify their business models by offering additional services or expanding into vertical or horizontal markets. This can help reduce dependence on subsidies and create more diversified sources of income. Third, investment in innovation is key, where companies need to allocate more resources to research and development. These investments will produce better products and services, increase operational efficiency, and create long-term competitive advantages. Fourth, it is important to focus on equitable market development throughout the Southeast Asia region, paying attention to countries that have growth potential that has not yet been fully exploited. This can be achieved through investment in digital infrastructure, consumer education, and adapting to local preferences. Lastly, price transparency and fairness should be a priority for companies, ensuring fair and transparent pricing policies for consumers. By implementing these solutions, it is hoped that we can create an online food delivery service ecosystem that is more sustainable and beneficial for all related parties, including consumers, companies, and the government.

By implementing these solutions, it is hoped that we can create a healthier and more sustainable ecosystem for the online food delivery service industry in Southeast Asia, which is beneficial for all parties concerned.

4.3 Theory of Consumer Behavior

In dealing with the problems revealed in the report, solutions can be provided through the Theory of Consumer Behavior perspective. The following are solutions that can be proposed:

- Encouraging Healthy Competition: Healthy competition is an important element in ensuring innovation and choice for consumers. The government can use antitrust policies to encourage more competitors in the market. This is in line with the concept of consumer preference, where consumers tend to prefer having many choices.

- Diversification of Products and Services: Companies can leverage the concept of utility in expanding their portfolio of products and services. By offering a variety of choices, including perhaps more affordable or exclusive options, companies can attract more consumers and reduce dependence on subsidies.
- Equitable Market Development: The concept of indifference curves teaches that consumers want combinations of goods and services that provide the same level of utility. Therefore, companies can develop markets in countries that have growth potential that has not been fully exploited to achieve equilibrium in market growth throughout the region.
- Sustainable Pricing Strategy: Companies can adopt more sustainable pricing strategies, taking into account the sensitivity of demand to price changes. This could mean setting prices that are fair and transparent for consumers, so they remain competitive without having to rely on excessive subsidies.
- Investment in Innovation: Investment in innovation is key to creating better products and services. Companies can use research and development to create more efficient solutions and better meet consumer needs while maintaining sustainable profitability.

By applying these solutions through the lens of the Theory of Consumer Behavior, it is hoped that we can create a healthier and more sustainable ecosystem for the online food delivery service industry in Southeast Asia, which is beneficial for all parties concerned.

5. Recommendation

The following are recommendations for overcoming the problems revealed in the report for users, service provider companies, and the government as regulator:

5.1 For Users:

- Understanding of Consumer Rights: Users need to have a strong understanding of their consumer rights, including the right to fair service and transparent pricing. This will help them make better decisions when using online food delivery services.
- Use of Diverse Apps: Users can try various online food delivery apps available in the market to promote healthy competition and put pressure on service providers to continuously improve their quality and services.

5.2 For Service Provider Companies:

- Continuous Innovation: Companies need to continuously innovate to meet customer needs and preferences. This may include developing new features, improving the user experience, or diversifying services to create sustainable added value for customers.
- Price and Policy Transparency: Companies must ensure that their pricing and subsidy policies are transparent and fair to customers. This will help build customer trust and reduce uncertainty.

5.3 For the Government as Regulator:

- Appropriate Implementation of Regulations: The government needs to implement regulations that promote fair competition and protect consumer rights. This can include limiting monopolistic practices, monitoring prices, and policies that encourage transparency. Consumer Empowerment: Governments can empower consumers by providing clear information about their rights, as well as providing channels to report unethical or unlawful practices by service providers.

By implementing these recommendations, it is hoped that an online food delivery service ecosystem can be created that is healthier, fairer, and more sustainable for all relevant parties.

6. Conclusion

From this research, it can be concluded that online food delivery services have become an integral part of the lifestyle of modern consumers in Southeast Asia, especially in Indonesia. Market domination by major players such as GrabFood and GoFood indicates high adoption rates and huge growth potential in this industry. Nonetheless, challenges such as dependence on subsidies, profitability pressures, and uneven market growth are affecting the industrial ecosystem. Effective competitive strategies, such as encouraging healthy competition, diversifying revenue sources, investing in innovation, equitable market development, and fair pricing policies, can help overcome these challenges. In conclusion, by adopting these strategic steps, the online food delivery service industry in Southeast Asia has the potential to develop sustainably and provide benefits for all stakeholders involved.

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