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The influence of differential pricing offered by food delivery apps with reference to Bangalore

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Abstract
The paper is an empirical study on the influence of differential pricing offered by food delivery apps on purchase decision of customers with reference to Bangalore." A brief description about the key factors of the project has been discussed i.e., the factors that affect the purchase decision making of customers of food delivery applications and the customer awareness of differential pricing. The design of the study is described in detail along with the plan of analysis and the different statistical tools are mentioned which have been used to test the hypothesis. The analysis of data has been done to explain the various objectives and to satisfy the hypothesis considered for the study. The various factors were assessed that affect the buying intentions of customers Chi square test was employed to find the results. From the analysis it was clear that there is a significant association between differential pricing and purchasing decision.

Keywords: Differential pricing, customer awareness, purchase decision

Introduction

Online food ordering is the process of food delivery or takeout from a local restaurant or food cooperative through a web page or app. Much like ordering consumer goods online, many of these services allow customers to keep accounts with them in order to make frequent ordering convenient. A customer will search for a favourite restaurant, usually filtered via type of cuisine and choose from available items, and choose delivery or pick-up. Payment can be amongst others either by credit card, PayPal or cash, with the restaurant returning a percentage to the online food company.

By far, the most common form of delivery is the traditional model, in which the consumer places an order with the local pizza parlor or Chinese restaurant (although many other kinds of restaurants, particularly in urban areas, now offer delivery) and waits for the restaurant to bring the food to the door. This traditional category has a 90 percent market share, and most of those orders—almost three-quarters—are still placed by phone.

However, as in so many other sectors, the rise of digital technology is reshaping the market. Consumers accustomed to shopping online through apps or websites, with maximum convenience and transparency, increasingly expect the same experience when it comes to ordering dinner. The market is already getting crowded, with logistics apps promising in-city deliveries of food and other products, bridging apps that connect users with local takeout joints and premium apps that bring users food from high-end outlets that don't usually deliver

Review of literature

Cho, Meehee Bonn, Mark A.Li, Jun (Justin) 2018-. The growth in mobile communications is a significant reason attributed to the O2O commerce explosion in China. Mobile applications have seized this opportunity adapting it to restaurants and food delivery services, recognized as an alternative strategy to increase sales revenue and for consumers to conveniently receive products and services.

This study was designed to specifically explore five salient quality attributes representing convenience, design, trustworthiness, price, and various food choices associated with food delivery apps in consideration of their impacts upon user-perceived value, attitudes and intention to continuously use. Results determined that user trustworthiness was the most important quality attribute of the food delivery app business. Additionally, this study found that single-person households placed most importance upon quality attributes for 'various food choices,' 'price' and 'trustworthiness.' Comparatively, multi-person households placed most importance upon 'design,' 'convenience,' and 'trustworthiness.' Managerial implications, limitations and recommendations for future research are provided. We also get to know about the Five salient quality attributes of food delivery apps that were identified. Quelch and Klein (1996) found that the Internet will cause price wars due to easy search and comparison across different prices.

Therefore, the consumers will choose to buy the cheaper priced product when comparing against two sellers. Michalak and Jones (2003) have also found out that Internet retailers will use discount strategies to increase sales. The study by Audrain-Pontevia *et al*. (2013) was able to confirm that online purchases provides transaction value to its users, as they are able to buy products after comparing it to other offers. Price saving orientation has been found to have an indirect relationship with attitude through the mediation of post-usage usefulness, confirming H7, H8. Therefore, the results have shown similarity with past research where consumers will be concerned with prices and discounts that they can acquire through purchasing online and in this case, specifically in attitude towards OFD services. Vincent Cheow Sern Yeo See-Kwong Goh Sajad Rezaei Prior research has mostly examined consumer attitudes toward online services/retailing in general and a few researchers have addressed consumer experiences with

online food delivery (OFD) services.

The purpose of this study is to examine the structural relationship between convenience motivation, post-usage usefulness, hedonic motivation, price saving orientation, time saving orientation, prior online purchase experience, consumer attitude and behavioural intention towards OFD services. The study proposes an integrative theoretical research model based on the Contingency Framework and Extended Model of IT Continuance. 224 valid questionnaires were collected to empirically test the research model using the partial least square path modelling approach. The results imply that the proposed hypotheses were supported, except for the relationship between prior online purchase experience and post-usage usefulness. Practical implications and limitations are discussed.

According to Spykerman, Malaysia has an Internet penetration rate of 67%. Although the number of users is lower than China, the percentage is higher, which shows that Malaysians in general are more assertive in e-commerce. In China alone, there are over 420 million Internet users, of which 87.88 million users are online shoppers (CNNIC, 2010). According to Euromonitor (2015), the 100% home delivery market in Malaysia has a value of RM253 million in 2014, and is expected to continue growth at 11% per annum. This is especially evident in the fast food segment that provides delivery to homes.

One of the major players, Kentucky Fried Chicken (KFC) started delivery services in Malaysia in 2012 to further enhance their service quality. However, smaller food retailers are also strident to provide these delivery services with the help of food delivery intermediaries. As for online food ordering, Kimes (2011) found that 44% of adults in the US have ordered food online and 23% of large food chains provide delivery services. There are two types of retailers that provide food delivery services. The first are retailers themselves. This category is largely comprised of fast food chains such as Pizza Hut, McDonalds, Domino's Pizza, Kentucky Fried Chicken and so on. The second category is comprised of multiple restaurant intermediaries that provide delivery services for a large range of restaurants. Examples include Food Panda, Room Service, GrubHub, Eat24hours.com, Just-eat.com, Delivery.com and more. Austin Rong-DaLiang, Food producers are experiencing a fast-growing need to use the Internet to enhance competitive advantage.

Past researchers have urged the need to understand market segmentation mechanisms as applied to different consumer behaviour models to better understand the online buying behaviour of consumers. This study integrates the Theory of Planned Behaviour and food-related lifestyle to explore consumer's characteristics of online specialty food buying behaviour, and the differences in the online buying process among consumers with different FRL. 569 undergraduate students who purchased specialty food online were surveyed. Findings indicated that consumers have positive attitudes toward purchasing specialty food online; more are inclined to heed the suggestions of others, perceive higher levels of control when using a website, and experienced a higher intention to purchase online. The study then classified consumers into 'traditionalists' or 'adventurous and health-conscious' groups based on their FRL via a two-step cluster analysis. These two groups of consumers had significant differences in terms of (a) attitudes toward online specialty food buying, (b) subjective norms, (c) perceived control, (d) behavioural intention, (e) demographics and (f) online specialty food-buying behaviour. This investigation explored whether there is a correlation between consumer FRL and online specialty food-buying behaviour. Findings reveal relevant ways for managers to enhance their website marketing strategies. Anuj Pal Kapoor & MadhuVij, Online food-delivery aggregators (OFA's) are expanding choice and convenience, allowing customers to order from a wide array of restaurants with a single tap on their smart phones.

The business of delivering restaurant meals to the home is undergoing rapid change as new online platforms race to capture markets and customers across most of the metropolitan cities in India.

The paper aims to investigate online food aggregators by proposing and empirically testing mobile app attribute-conversion model, to examine how mobile app attributes of online food aggregators influence the purchase decision of a consumer and subsequently lead to conversion. A mix method design was adopted for the study and a pilot study comprising of (n=350) respondents was carried out. The study focuses on four key attributes – visual, navigational, information and collaboration design and identifies the most important mobile app attributes while choosing a particular online food aggregator in India. Drawing on the results of a survey carried out in Cagliari (Italy), the paper provides an analysis of the characteristics of food deliveries in urban areas aimed at understanding the needs and expectations of receivers of last mile deliveries of fresh products. In fact, exploring the needs of potential users - who are directly responsible for the success of the scheme - and the characteristics of logistics flows they generate/attract in the city centre is a necessary prerequisite for implementing city logistics measures.

The study considers independent retailers within the hotel, restaurants and catering (Ho.Re.Ca.) sector. Based on the delivery characteristics, a classification of commercial activities related to the food chain is provided. The analysis has been developed by means of Multiple Correspondence Analysis (MCA) and Cluster analysis. The suitability of city logistics measures to the last food mile is also discussed. Bendegul Okumusa, Faizan Alib, Anil Bilgihanc, Ahmet Bulent Ozturka This paper examines the adoption of smartphone diet apps by restaurant customers and, more specifically, the psychological factors that influence their intention to use such apps when ordering food at restaurants. Data was collected from 395 individuals and analysed using partial least squares structural equation modelling. Results showed that customers' intention to use smartphone diet apps is predicted by expected performance of the application, anticipated effort of usage, social influence, and degree of user innovativeness.

Following the Unified Theory of Acceptance and Use of Technology (UTAUT), this study proposes five determinants of mobile diet apps' usage intentions: performance expectancy, effort expectancy, social influence, facilitating conditions, and personal innovativeness. Based on the study results, theoretical and practical implications are provided for scholars, health professionals, restaurant operators, and smartphone application developers. This study proposes an integrative theoretical research model based on the Contingency Framework and Extended Model of IT Continuance.

The Contingency Framework shows support that e-

satisfaction has an impact on e-loyalty. It was also discovered through empirical analysis that the relationship is moderated by inertia, convenience motivation, purchase size, perceived value and trust. The foundation of this theory is based on the fact that organizations need to retain their customers to ensure profitability and that loyal customers are worth much more to businesses.

A person's online experience includes his involvement, cognitive process, flow and schema. According to a consumer may learn by experience through the interactions with the online environment. There are two types of online purchase experiences. The first is direct product experience, in which the user has directly interacted with the product itself. Second is the indirect online experience, meaning that the user has only interacted with the advertisements of the product. Post-adoption occurs when a user experiences direct interaction with the product while a pre-purchase adoption occurs when a user has mediated interactions with the products through advertisements. The online buying experience can also lead to loyalty to online stores, especially if they are satisfied by the assortment composition present in the online stores Research by also revealed that prior experience helps to improve customer purchase intention regardless of high or low avoidance uncertainty. Most importantly, past purchase experience reduces anxiety about the ambiguity of websites, making interaction with the websites more solid.

Customers are attracted to technology that can provide them convenience through saving time and effort. Thus, the website must be user friendly and be able to process the customer's request as quickly as possible. In return, this will enable customers to complete a transaction quickly, which is both beneficial to the customer and marketers. Having certain discounts or promotions may also attract price-sensitive consumers, as they are likely to choose the channel with provides them the best value for money. To date, there has been little research done on OFD services. This research has strictly focused on finding factors affecting attitude towards online food retailing. There may have been a similar research conducted in other countries regarding OFD. However, the factors that were analysed and context were different, contributing to the knowledge base for further research.

Statement of the problem

In the fast growing and rapid changing digital environment, it is necessary for the food and beverages industry to understand the consumer preference of food and beverage industry. Even more important is to understand the factors that influence the purchase decisions. With the advent of digitization, people from different demographics joined the world with the help of Internet, targeting the consumer became easier while competition in the market place drastically increased. The Indian Food Industry is on an all-time high with the advancement of technology, the dinner table experiences have become more initiated by the online-delivery mode. Changing times also tend to change customer's perceptions about their eating habits and ordering habits as well. The study focuses on the factors like varying price, responsiveness, delivery time of food offered by each app, customer awareness about differential pricing and its influence on customer's purchase decision.

Objectives of the study

1. To study the customer awareness on differential pricing offered by leading food delivery apps.
2. To determine the influence of food delivery apps on purchase decision making.

Research Methodology

Descriptive research is used to describe the characteristics of a population or phenomenon being studied. The source of this study is gathered from primary and secondary data. Secondary data has been collected from different sources to get some insights into the actual research problem before it was supported by primary data.

The latter part of the research has concentrated on the preparation of questionnaire based on information collected from the secondary sources. Primary data collection was done through the administration of a questionnaire to the target group. Convenient sampling has been used to select the respondents as students and the working professionals in Bangalore who have exposure to online food delivery applications.

Limitations of the study

1. Data taken is restricted to last 10 years.
2. Covers only top 5 companies that are offering online food delivery services.
3. The research is only limited to Bangalore. Hence the results cannot be generalized to other cities.
4. Unable to cover a large population due to shortage of time and so the sample size has been restricted to only 100.

Data Analysis

Hypotheses

Hypothesis 1

H0 -Differential pricing does not influence the purchase decision

H1 -Differential pricing influences the purchase decision.

Hypothesis 2

H0 – Customers are not aware about the differential pricing

H1 -Customers are aware of the differential pricing

Statistical Tool: Chi-Square

Data Analysis: SPSS

Descriptive Statistics

H0: Customers are not aware about differential pricing

H1: Customers are aware about differential pricing

Table 1

Use of food delivery application			
	Observed N	**Expected N**	**Residual**
daily	20	25.0	-5.0
weekly	47	25.0	22.0
Bi-weekly	22	25.0	-3.0
every 2 or 3 days	11	25.0	-14.0
Total	100		

Table 2

Differential pricing			
	Observed N	Expected N	Residual
yes	48	33.3	14.7
no	20	33.3	-13.3
did not notice	32	33.3	-1.3
Total	100		

Table 3

Test Statistics		
	use of food delivery application	**differential pricing**
Chi-Square	28.560[a]	11.840[b]
df	3	2
Asymp. Sig.	.000	.003

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3.

Interpretation

From the hypothesis testing on customer awareness about differential pricing the p value is 0.003, which is less than 0.05.

H0: Differential pricing does not influence the purchase decision

H1: Differential pricing influences the purchasing decision

Table 4

Different pricing from same restaurant			
	Observed N	**Expected N**	**Residual**
yes	79	33.3	45.7
no	15	33.3	-18.3
did not notice	6	33.3	-27.3
Total	100		

Table 5

Differential pricing affecting respondents			
	Observed N	Expected N	Residual
Yes	77	50.0	27.0
No	23	50.0	-27.0
Total	100		
Test Statistics			
	different pricing from same restaurant	differential pricing affecting respondents	
Chi-Square	95.060[a]	29.160[b]	
Df	2	1	
Asymp. Sig.	.000	.000	

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.

Interpretation

From the hypothesis testing on customer awareness about differential pricing the p value is 0.000, which is less than 0.05.

Conclusion

This research study explores to identify whether there exists any significant relationship between differential pricing and purchase decision of consumers. It also helps us to conclude and draw inferences about the customer awareness of the differential pricing offered by the apps.

The study helps to conclude that majority of respondents fall under the age group of below 20 and are more prone to order online when there are more discount coupons.

It is also evident that the consumers purchase decision is mostly effected by the price offered by the apps.

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