

PROPOSED BUSINESS STRATEGY ON THE ONLINE DELIVERY SERVICE PLATFORM SHOPEEFOOD

By :

Rahajeng Widiana Purwaningrum¹⁾,
Mohammad Hamsal²⁾,Institut Teknologi Bandung, Indonesia.^{1, 2)}

E-Mail: rahajeng_purwaningrum@sbm-itb.ac.id, mohammad.hamsal@sbm-itb.ac.id

Article Info*Article History :**Received 16 July - 2022**Accepted 25 July - 2022**Available Online**31 July - 2022***Abstract**

Online food service delivery platform should be essential to improve the growth journey and create more benefits to culinary business owners. They have other challenges to provide the right solutions to various different segments, especially MSMEs (Micro, Small and Medium Enterprises). MSMEs have limitations in terms of digital literacy. In this study, the authors use the AFI framework (Analysis, Formulation, and Implementation) with a case study of determining ShopeeFood's business strategy through quantitative research by distributing questionnaires to respondents and finding difficulties and advantages for culinary business owners or merchants in registering and using online food service platforms. The results show that online food delivery system platform ShopeeFood has gained positive response in order to create benefits for merchants, especially MSME in helping their business growth but still need to improve especially for merchant journey. The strategy towards merchant journey especially MSME can be addressed by product improvement, marketing expansion and brand strengthening. The product improvement will deliver a better journey for merchants to register the platform and use the application.

*Keyword :*Online food delivery, AFI
framework, merchant journey,
business, strategy.**1. INTRODUCTION**

According to the World Economic Forum, currently Indonesia is going through unprecedented times. A new middle class is on the rise, and digital technology has brought increased opportunities to start a business. Currently there are over 62 million MSMEs (Micro, Small and Medium-sized Enterprises) in the country, which is one MSME for every five Indonesians. Of these, 98.75% (61.5 million) are micro-enterprises. Developing these small businesses into bigger ones will be an essential driver of the country's future development.

In Indonesia, MSMEs by definition from the Ministry of Investment/BKPM can be defined as enterprises whose personnel numbers fall below certain limits. MSMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their enterprises.

Based on Law Number 20 of 2008 concerning

Micro, Small and Medium Enterprises, the criteria for MSMEs can be differentiated based on the number of net assets (assets) and the number of annual sales (turnover per year), while according to the Central Statistics Agency (BPS), the number of employees is also become a variable in determining the criteria for MSMEs.

The conventional food-delivery business model in around 2010, customers who order food online through the merchant's website, now has been replaced by the concept of "aggregator" of business model because they are the third party of food delivery applications. Formerly food merchants or restaurateurs grew exclusively into online food delivery system, this line of business could only be reached by big food merchants as they had to prepare resources for their drivers, resources to maintain their website and operational call center and now in online food delivery system platforms, every food business owner regardless of how big they are, they can compete with each other to win over hungry

customers. Food business owners or called food merchants here as the real customer of online food delivery service platform, they can utilize the platform as much as possible. The more merchants invest in the platform, the online food

delivery platform will get more profit. Food merchants can do promotions through the applications and get feedback for their products. Small food merchants can compete with big enterprises at the same time.

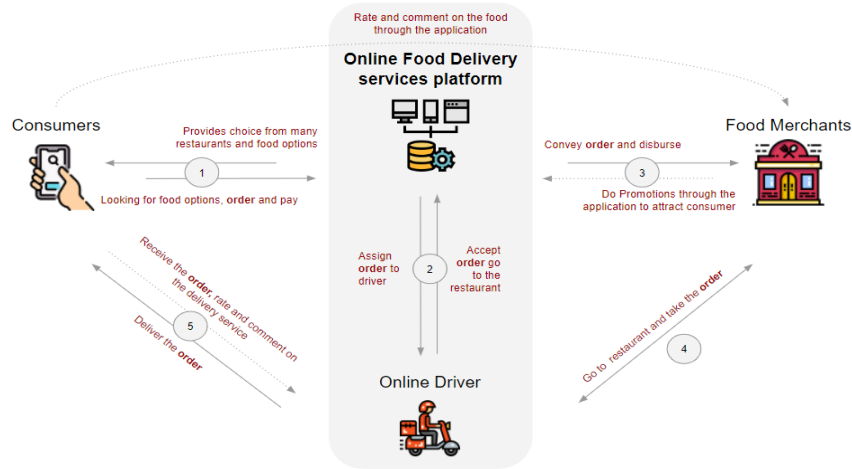


Figure 1. Online food delivery system business process current Food delivery process and MSMEs.

Economic growth and increasing broadband penetration are driving the global expansion of e-commerce. Consumers are increasingly using online services as their disposable income increases, electronic payments become more trustworthy and the range of suppliers and the size of delivery networks expand (Li, Charlene et al, 2020).

The development of this study is to take observations about the overall business process and conduct observations and assessments of the

2. METHODOLOGY

Author's using the AFI strategy framework as the conceptual framework. AFI Strategy Framework is defined as a model that links three independent strategic management tasks- analyze, formulate, and implement - that together, help managers plan and implement a strategy that can improve performance and result in competitive advantage (Rothaermel, 2019:19).

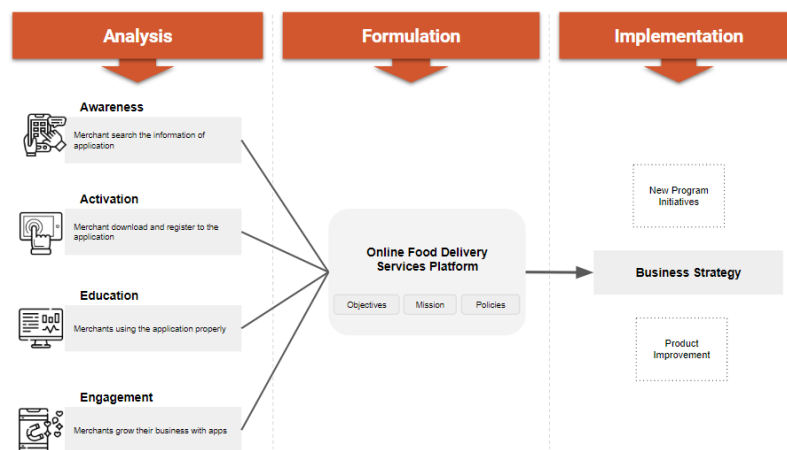


Figure 2. Conceptual framework by adapt AFI method for online food delivery

According to Rothaermel, A good strategy is more likely when strategic leaders apply the three step AFI strategy Framework: (1) Analyze the external and internal environments, (2) Formulate an appropriate business and corporate strategy, and (3) Implement the strategy that has been formulated through structure, culture. In adapting

these strategies, authors analyze the real customer of online food delivery, which is food merchants, about their habit of using the platform. Strategy of formulation was the current situation of online food delivery services platform to serve what customer needs. Implementation strategy as the business strategy including new program initiatives or

product improvement for online food delivery services platform.

In order to accomplish the conceptual framework which uses AFI, authors analyze Internal and external analysis and build through the use of secondary data to gather enough information to be used as an instrument for analysis. The research methodology using quantitative data by collecting respondents. For the external analysis, author uses several frameworks such as PESTEL, Porter Five Forces, Competitor Analysis; Meanwhile for the internal analysis, framework such as understanding current STP, current Marketing Mix 7P's, and VRIO framework are being applied. Once all the analysis being conducted, the next step is to formulate the

business strategy with SWOT Analysis, TOWS Matrix, to define the root cause of the problem and formulating new strategy through Diamond strategy.

3. RESULT AND DISCUSSION

EXTERNAL ANALYSIS

PESTEL ANALYSIS

In the external analysis the author will assess the current situation in the market with the means of online food delivery service performance and what are the issues that prevails from Macro using PESTEL Analysis, and Porter Five Forces. A firm's external environment consists of all factors that can affect its potential to gain and sustain a competitive advantage (Rothaermel, 2019:67).

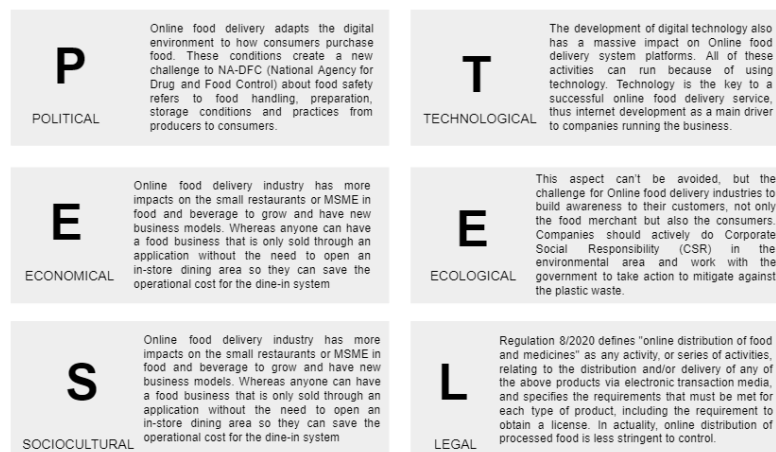


Figure 3. Summary of PESTEL model for online food delivery system

PORTER'S FIVE FORCES

Competition is more broadly defined beyond the firm's closest competitors to include other industry forces: buyers, suppliers, potential new entry of other firms and the threat of substitutes

(Rothaermel, 2021:82). The intensity of competition in this industry is very tight due to the big concern that most parameters have a high aspect. Those parameters should be considered in the design business strategy of the companies.

Table 1. Summary of Porter's five forces analysis

Threat of New Entrants	High	Great potential to grow
		Has no uniqueness of product
		Offering the same promo scheme
Bargaining Power of Buyers	High	Plays a role in pushing prices down
		Using other competitors at the same time
Bargaining Power of Suppliers	High	Play a role in the adoption of digitalization
		Can credibly threaten to forward integrate into the industry





Threat of Substitutes	Medium	Lack of resource if build their own delivery system platform
		Business template
Competitive Rivalry	High	Number and size of competitors
		Potential of industry growth
		Strategic commitment

COMPETITOR ANALYSIS

In this paper, author's do market research to analyze the existing online food delivery platforms in Indonesia which provide the similar service as third parties online food delivery platforms with

ShopeeFood. The critical aspect of competitor analysis will be unique selling point, core competencies, positioning in the market, value proposition. The consumer is the business owner's point of view.

Table 2. Competitor analysis of ShopeeFood

Critical Elements				
Value proposition	Strong technology innovation & digital security efforts	Digital education to their merchants	UI & UX friendly to their merchants	Offer better customer experience
Unique selling point	Free delivery cost to customer and flash sale campaign	Instant preparation system to merchant and customer loyalty discount	Various campaign tier to their merchant	Highly subsidized campaign to merchant as a new comer
Positioning in the market	Middle	Top	Top	Low
Core Competencies	Leveraging the Shopee application ecosystem that is leading the e-commerce market and has many users	Customer top of mind as pioneer online food delivery platform in Indonesia	A lot of driver numbers as a leading ride hailing company	As a leading online travel agent in Indonesia, Traveloka offers a better experience that can be learned from previous competitors

According to the findings of the preceding analysis, Shopee food has an opportunity on technology innovation as part of SEA group (biggest conglomerate in Singapore), Shopee food has experienced resources all around the world. Gofood and Grabfood are investing heavily in building loyalty programs to deepen customer or merchant engagement and retention. Meanwhile Traveloka eats is very young in the online food delivery services industry, learned a lot from their competitors, they offer better experience for their consumers both merchants and customers.

CUSTOMER ANALYSIS

In this customer analysis research, the author used a quantitative approach with a target 100

respondents as slovin calculation and got 215 of total respondents, representing 153 respondents as culinary business owners, and 62 not as culinary business owners. The Questionnaire design was addressed to the merchants who are using online food delivery services platforms, and using internet questionnaires.

According to Saunders et al., 2015 the design of a questionnaire is based on how it is delivered, returned or collected and the amount of contact of researchers with respondents. The Questionnaire design consists of an aspect of interaction and connection between identification, capacity, engagement and capability. These four elements are essentials to define the current situation of online food delivery services platforms.

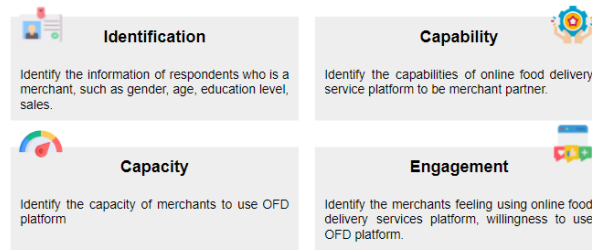


Figure 4. Attributes of Questionnaire

In this customer analysis research, the author used a quantitative approach with a target 100 respondents as slovin calculation and got 215 of total respondents, representing 153 respondents as culinary business owners, and 62 not as culinary business owners.

INTERNAL ANALYSIS

STP

ShopeeFood assessment to their own business using STP to define current marketing strategy before creating new strategies. Segmentation meaning by Hanlon, 2019 is to identify and profile distinct groups of consumers who differ in their needs and wants. Through segmentation, it is possible to identify niches with their specific needs, mature markets to find new customers and deliver a more focused and effective marketing message. The Market targeting of ShopeeFood is actually to help all restaurants, especially to serve online delivery orders, and become a partner for every culinary business owner.

Marketing Mix

According to Dave Chaffey (2016), the marketing mix – widely referred to as the 4Ps of Product, Price, Place and Promotion – was originally proposed by Jerome McCarthy (1960)

and is still used as an essential part of formulating and implementing marketing strategy by many practitioners. The popularity of the mix as a guide for the application of marketing techniques is driven by the apparent simplicity of the framework. However, in the 1980s the 4Ps was challenged for not referencing the importance of customer service. The result was that the mix was extended to 7Ps, which include three further elements (the service mix) that better reflect service delivery: People, Process and Physical evidence (Booms and Bitner, 1981). Marketing Mix for the digital era adds more aspects to every organization especially for technology companies.

VRIO

According to the below model from Rothaermel (2019), VRIO analysis will be broadly defined to include any assets as well as capabilities and competencies of a firm to formulate and implement their strategy. By using the VRIO framework, companies will be able to classify which category from their assets. Are they classified on the basis of competitive parity or temporary competitive advantage or as the sustainable competitive advantage.

Table 3. VRIO ShopeeFood as Online food delivery services

Organizational Resources & Capabilities	V	R	I	O	Impact	Notes
Resource with young talented generation	✓		✓	✓	Competitive Parity	As a growing company, and one of big startups in Indonesia, ShopeeFood is a resource with young, talented and initiative resources.
Expertise in Digitalization	✓		✓	✓	Competitive Parity	Digitalization is such an important thing to everyone in this era. Many startup companies compete each other to build system with optimize digitalization
Strong Branding	✓	✓		✓	Competitive	Brand acknowledgment of Shopee

Organizational Resources & Capabilities	V	R	I	O	Impact	Notes
					Parity	in the worldwide, and tech industry not only as a company who become good at commerce but also could boost the digitalization era.
Full support by company group	✓	✓	✓	✓	Temporary Competitive Advantage	As part of the SEA group, this aspect really has an impact as an advantage, because ShopeeFood should be learned as an independent.
Strong Partnership relation	✓	✓	✓	✓	Temporary Competitive Advantage	The relationship is an advantage to the shopeefood growth business, but if not maintained carefully, maybe it will be lost.
Integrated information of consumers	✓	✓	✓	✓	Sustainable Competitive Advantage	This will be an advantage because they have all integrated data with the shopee ecosystem.
Support by the government	✓	✓	✓	✓	Sustainable Competitive Advantage	Support from the government in such a matter because all regulation will be in line with company sustainability.

FORMULATION TOWS MATRIX

A TOWS analysis is an extension of the SWOT analysis framework that identifies those factors as mentioned on the figure 3.1 with the main purpose to reduce threats, take advantage of

opportunities, exploit strengths and remove weaknesses. Similar to the SWOT analysis, TOWS matrix also identifies the relationships between Strengths, Weaknesses, Opportunities, and Threats factors more comprehensively.

Table 4. Summary of TOWS Matrix formulation for ShopeeFood

	Strength (S) <ul style="list-style-type: none"> Brand recognition Global presence Manpower availability 	Weakness (W) <ul style="list-style-type: none"> Sustainability Product not differentiated enough Price competitiveness
Opportunities (O) <ul style="list-style-type: none"> New market Digital literacy Potential Market 	S-O Strategies <ul style="list-style-type: none"> SO.1 Strengthening brands to promote and embrace digitization to new potential markets. (S1, S2, O1, O2, O3) SO.2 Improve current value proposition to increase differentiation. (S3, O2, O3) 	W-O strategies <ul style="list-style-type: none"> WO.1 Conduct market research to gain more insight for potential markets and benchmarking with competitors. (W1, W3, O2, O3) WO.2 Develop a product improvement and create event

		for digital education (W1, W2, O2, O3)
Threats (T) <ul style="list-style-type: none"> • New entrants • Market saturation • Low penetration of technology in Indonesia 	S-T Strategies <ul style="list-style-type: none"> • ST.1 Define another differentiation as intangible factor and compete with other player (S1, S2, T1, T2) • ST.2 Work with government to improve the penetration of technology (S3, T2, T3) 	W-T strategies <ul style="list-style-type: none"> • WT.1 Define the positioning to stand out among the competitors (W1, W2, T2) • WT.2 Enhance digital promotion and direct merchant activation (W3, T2, T3)

STRATEGY

DIAMOND STRATEGY

The strategy diamond was created by Donal Hambrick and James Fredrickson in a paper "Are you sure you have a strategy?" This paper of Hambrick and Fredricson explains that whatever they are in the organization, they must have a strategy which integrates an overarching concept of how the business will achieve its objectives. A strategy consists of integrated but incomplete

choices for every important choice facing an executive. This strategy is suitable for the solution due to clear direction to encompass all five elements.

To define ShopeeFood's business aspirations which have been described in the previous section, the author will implement these diamond strategies by elaborating the five elements of diamond strategy (Arena, Vehicle, Differentiators, Staging and Economic Logic).

Table 5. Summary of Strategy Diamond model for ShopeeFood

Elements	Summary
Arenas	<ul style="list-style-type: none"> • All cities in Indonesia • Online Food Delivery services platform • Culinary business owners • Partner to every merchant segmentation
Vehicles	<ul style="list-style-type: none"> • Have the privilege to have a strong partnership: Part of SEA group. • Strong support & subsidized by the Singapore and Indonesia government. • Strong talents and organization capability.
Differentiators	<ul style="list-style-type: none"> • Competitive Price by using massive and interesting promo. • Speed to Market: Innovative solution, though released to market very soon.
Staging	<p>ShopeeFood keeps innovating through skillful resources to Continuous technology innovations, and understands what consumers need and want.</p> <p>Stage 1 : Initial Preparation Stage 2 : Product Improvements Stage 3 : Market Expansion and Brand strengthening</p>

Economic Logic	<p>ShopeeFood have sustainable partner sharing- proper profit not profit maximization and Large economies of scale because of reaching all merchant segments.</p> <ul style="list-style-type: none"> • Merchant service platform Fee • Merchant investment
----------------	--

4. CONCLUSION

After taking deep analysis of online food delivery system platforms using several frameworks, methodologies to the business issue exploration and then formulate the business strategy. Author can give conclusions to the conditions and issues of ShopeeFood by answering the research questions of what is the right strategy.

Online food delivery system platform ShopeeFood has gained positive response in order to create benefits for merchants, especially MSME in helping their business growth. But there is also negative sentiment towards ShopeeFood in terms of registration and using the application. Most respondents coming from the MSME merchant segment find difficulties when they do registration on the platform and using the application. ShopeeFood also still needs to make more efforts to compete with other existing competitors. ShopeeFood should have the uniqueness of their product by increasing their value proposition to win market share and become top of mind of their consumers, especially culinary business owners.

The biggest strategy towards merchant journey especially MSME can be addressed by product improvement, marketing expansion and brand strengthening. The product improvement will deliver a better journey for merchants to register the platform and use the application. Meanwhile, marketing expansion and brand strengthening can reach more market share of ShopeeFood. Management needs to commit to implement this strategy.

In addition, ShopeeFood management team also can collaborate with the Indonesian government to educate merchants towards digitalization. Even equal distribution of technology penetration can help ShopeeFood present the best solution for merchants, and merchant expectation to grow the business easily can be accomplished. ShopeeFood keeps trying to be a good partner for every business segment, especially MSME.

5. REFERENCE

Benhardy, K., Ronadi, M., (2020). First-party and third-party food delivery apps, which is better in Indonesia?. *Journal of Business Studies and Management Review (JBSMR)* Vol.3 No.2, pp. 35 - 36.

Charlene Li, Miranda M., and Phil B., (2020). *Review of Online Food Delivery Platforms and their Impacts on Sustainability*. MDPI, Vol.12, 5528.

Creswell, J.W., (2018) *Research design: Qualitative, Quantitative and Mixed Methods Approaches*. Sage, Los Angeles

Chaffey, D., and Chadwick F. E., (2019). *Digital Marketing (7th edition)*. Loughborough University

Hambrick, Donald C. and Fredrickson, James W., (2001). "Are you sure you have a strategy?". *Academy of Management Executive*, Vol. 15, No.4, pp. 48-59.

Hanlon A., (2019). *Digital Marketing Strategic Planning & Integration*. Sage, London

Hong L., Li Ya'nan and Wang S., (2016). *Improvement of Online Food Delivery Service Based on Consumer's Negative Comments*. *Canadian Social Science*, Vol.12, No. 5, 84-88.

Sheryl E. K., (2011). *Customer Perceptions of Electronic Food Ordering*. *Cornell Hospitality Report*, 11(10). 6-15.

Thamaraiselvan N., Jayadevan G. R., and Chandrasekar K. S., (2019). *Digital Food Delivery Apps Revolutionizing Food Products Marketing in India*, *International Journal of Recent Technology and Engineering*, Vol 8 Issue 2s6.

Varsha C., Priya J., Snehal K and Priyanka T., (2015). *Implementing Customizable Online Food Ordering System Using Web Based Application*. *International Journal of Innovative Science, Engineering & Technology*, Vol 2 Issue 4.

Asiapacific.ca publication, *The New Normal: Digitalization of MSMEs in Indonesia*, February 2021.

BCG, *MSME Digitalization – The Key to Inclusive Economic Growth in Indonesia*, September 2021.

Deloitte Consumer Insight, *Adapting to the new normal in Indonesia*, February 2021.

Martilla, J.A., and James J. C., (1977). *Importance - Performance Analysis*. *The Journal of Marketing*, 41(1), pp. 77-79.

Momentum Works, *Food Delivery Platforms in Southeast Asia (SEA)*, January 2021.

McKinsey Global Institute, *Ordering in: The rapid evolution of food delivery*, 2021.

- UNDP, Impact of COVID-19 Pandemic on MSMEs in Indonesia, 2020.
- The Jakarta Post, RI's \$3.7b food delivery market largest in region, January 2021.
- World Economic Forum, Indonesia's SMEs hold the key to growth. How can they scale up?, September 2021.
- Saunders M., Lewis P., and Thornhill A., (2015), *Research Methods for Business Students* (7th edition), London, UK: Pearson Education.
- Statista, Online Food Delivery, January – June 2022.
- Badan Pusat Statistik, Statistik Indonesia 2019, 2019.
- Rothaermel, F.T., (2021), *Strategic Management* (5th edition), New York, USA: McGraw-Hill Education.
- The National Agency of Drug and Food Control No 8 of 2020, The supervision of Drugs and Food Distributed Online, 2020
- Undang-Undang Republik Indonesia No 20 Tahun 2008, Usaha Mikro, Kecil, dan Menengah, Lembaga Negara Republik Indonesia, 2008
- The Conversation.com, Home-delivered food has a huge climate cost. So which cuisine is the worst culprit?, January 2021.
- Porter, M. E., (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*, Maxwell Macmillan International, Toronto, Canada.
- Verdict food service, Online Food Delivery: Technology Trends, 2021
- Vertex Ventures, Indonesia's Evolving F&B Industry: Amidst the pandemic, the F&B industry emerged as one of the most resilient sectors through digitalization, June 2022
- Wehrich, H., (1982). The TOWS matrix—A tool for situational analysis. Elsevier, Vol 15, Issue 2. pp 54-66.