

AN ANALYTICAL STUDY OF THE IMPACT OF ONLINE FOOD DELIVERY SERVICES ON THE RESTAURANT BUSINESSES IN INDIA

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Abstract:

The restaurant industry in India has witnessed a major transformation over the past few years. The evolution of Online Food Delivery Services (OFDS) has changed the way how consumers order and enjoy their food, prompting restaurants to implement operational changes. Convenience being the key factor, platforms like Swiggy and Zomato enable customers to order food sitting at their homes or workplace, from a wide variety of food items listed on their apps or websites. This shift has created both opportunities and challenges for the restaurant business. OFD platforms have benefited the restaurant industry by boosting sales and expanding customer reach; however, high commission fees, intense competition, and overdependence also pose challenges for the business. This research paper aims to explore the various impacts OFDS has created on the restaurant businesses in India. The study's findings indicate that OFDS has affected restaurant operations and compelled restaurants to change their operational, marketing and customer retention strategies. The study concluded that restaurants must adopt hybrid business models by integrating online food delivery services with traditional practices to survive in the long run.

Key Words: Restaurants, OFDS, Food Industry, India.

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Introduction:

With the advancement of technology and digital platforms, the food service industry in India has undergone a major change. Traditionally, restaurants relied heavily on dine-in customers and had limited takeout options. Customers visit restaurants not only to enjoy delicious food but also to experience a vibrant atmosphere where they can connect with friends and family and celebrate special occasions. However, the emergence of online food delivery services has revolutionized the way food is ordered and delivered. Now, customers can easily order food from their home or workplace at their convenience and save valuable time. Online platforms allow customers to search for

restaurants, browse the menus, compare prices, place an order, read reviews and raise a complaint in case of dissatisfaction through their apps or websites.

Rapid urbanization, changing customer preferences, improvement in payment and logistical infrastructure, technological advancements, and supportive government initiatives have contributed to the rapid expansion of online food delivery services in India. At present, Swiggy and Zomato are leading players in the market, which offer ease and convenience to the customers. Features such as quick delivery, order tracking, promotional offers and discounts have further encouraged customers to use these services more often.

However, collaborating with online food delivery services have created several opportunities as well as challenges for the restaurant business. OFD platforms help restaurants in generating additional revenue, expand customer base beyond geographical boundaries and enhance visibility on their platforms. At the same time, over reliance on these platforms poses several challenges for the restaurant business. High commission fees and intense competition among the restaurants make it difficult for small businesses to operate.

Considering these developments, it is important to understand the overall impact of online food delivery services on the restaurant business in India. This study aims to analyze these impacts within the context of the Indian restaurant industry.

Concept of Online Food Delivery Services:

Online Food Delivery Services are digital platforms, either apps or websites, that act as intermediaries between restaurants, customers and delivery partners through a digital interface. These platforms facilitate the entire process of ordering food, payment, and delivery. Restaurants list out their food items and offers on portals. Customers browse menus and place orders online. Later, the delivery personnel deliver the food to the customers' location within the specified time frame. In India, the popularity of OFD platforms is increasing day by day. In recent years, initiatives such as integration of cloud kitchens, real-time order tracking, subscription programs, group ordering, combo meal packages and food on train services have improved the efficiency and customer experience of online food delivery services.

Review of Literature:

Pattanshetty and Murthy (2025) studied the impact of online food delivery platforms on sales revenue and performance of restaurants in Bangalore city. The findings revealed that OFD platforms enhanced customer reach, due to which the restaurants have

observed a 15-20% rise in their volume. Even though the OFD platform creates more business opportunities for restaurants, profit is sacrificed due to high commission charges and discount-driven competition. At the same time, restaurants face difficulties such as over-dependency, discount pressures, and weakened control over customer relationships. The study concludes that OFD platforms act as both enablers and disruptors, providing visibility and resilience while increasing operational dependency.

Arsiwala and Sarode (2023) in their study, concluded that restaurants have been increasingly collaborating with online food delivery services over the past few years. OFDS has become an essential part of the restaurant industry and has had a considerable impact on the revenue generated by restaurants. Simplified and efficient order processing and increased access to customers motivate the restaurant owners to associate with online food delivery services. However, factors such as high commission rates, lack of personal interaction and overpriced food items on delivery platforms negatively affect the restaurant business. Despite these drawbacks, many restaurant owners reported an increase in their revenue, emphasizing the importance of OFDS in the restaurant business.

Chandra (2023) identified the factors that contributed to the growth of online food delivery services and analyzed their positive and negative impacts on customer behaviour and the revenue of the restaurants. Convenience, greater reach for restaurants, contactless ordering, and ease of operation provided to customers by food delivery platforms result in frequent ordering of food through these platforms and increased revenue for restaurants. At the same time, business is negatively affected due to reduced footfall and socialization, intense competition, huge investment in digital infrastructure and poor food quality during delivery. Therefore, adopting sustainable methods to integrate online food delivery services that benefit both

customers and restaurants is a need of the hour.

Shaikh (2021) stated that a few online food delivery platforms have created a monopoly in the restaurant industry. The food delivery platforms, which once acted as supporting pillars for restaurants, have now become an integral part of this industry. Now, restaurants are hugely dependent on them not only for food delivery but also for dining bookings. Subsequently, these platforms started charging higher commissions to restaurants, which reduced profit margins and affected business sustainability. At times, delivery platforms generate more revenue than the restaurants themselves. Apart from this, marketing traps employed by the aggregator for better visibility on platforms have resulted in charging high fees and increases burden for restaurants. Therefore, appropriate policies should be framed so that all stakeholders will get considerable revenue and a share.

Das and Ghose (2019) have critically examined economic and operational difficulties faced by restaurants after the adoption of OFDS. The research concludes that OFDS has successfully implemented a marketing strategy by charging lower commission in the initial days, which was increased over time as per usage, which ultimately reduced restaurant margins. When food is ordered online, food quality suffers due to faulty packaging, spillage, stickiness, and freezing issues, which creates a negative experience for customers and damages the restaurant's reputation. Sometimes, a sudden surge in online ordering results in service delays for dine-in customers, which leads to dissatisfaction. Due to the wide variety of food products offered by numerous restaurants, it becomes difficult to retain customers even after offering hefty discounts. Sometimes, late delivery by delivery personnel also results in dissatisfaction, which further affects repeat patronage.

Athira & Devakumar emphasized the advantages of the adoption of online food delivery services for the

restaurant business. As the number of dine-in customers has reduced, the income earned by restaurants has decreased. With constraints such as limited seating capacity, stringent marketing place and lack of popularity, it becomes difficult for small restaurants to run the business. In such cases, OFDS acts as a survivor to boost its sales and revenue.

Research Gap:

Although several studies have been conducted to examine consumer behavior, assessing customer satisfaction with reference to online food delivery services, limited studies have been carried out to analyze the comprehensive impact of online food delivery services on the restaurant business in India. Therefore, it is necessary to conduct an analytical study to assess economic, operational, marketing, technological, and other impacts created by online food delivery services on restaurant businesses. This study attempts to fill this gap by providing a multi-dimensional analysis of the impact of online food delivery services on restaurant businesses in India.

Significance of the Study:

A comprehensive study about analyzing the impact of online food delivery services on the restaurant business will help restaurant owners, industry experts, and researchers to gain a better understanding of the opportunities and challenges associated with the restaurant business. The research focuses on the analysis of financial, operational, marketing, and other impacts created by online food delivery services on the restaurant business in India. By analyzing these effects, the research seeks to provide a holistic understanding of the impact of online food delivery services on the future of the Indian restaurant industry.

Objectives of the Study:

1. To analyze the impact of online food delivery services on the restaurant business in India.
2. To study how online food delivery services influenced restaurant sales, operations and

customer reach.

- To identify the opportunities and challenges faced by restaurants while using online delivery services.

Scope of Study:

The present study focuses on the impact of online food delivery services on restaurant businesses in India. It examines how these platforms influence restaurant operations, marketing activities and business performance. The study mainly relies on secondary data from research papers, reports, and online sources. The analysis is limited to the Indian food service industry and does not cover international markets. The scope of the study is restricted to food (meal) delivery operations only. The other segments, such as quick commerce, dining out, and B2B supplies, remain out of scope.

Research Methodology:

The study is based on secondary data analysis. The necessary information has been collected from research papers, articles, reports, websites, and other reliable sources. The study adopts a descriptive and analytical approach to understand the impact of online food delivery services on the restaurant business. The information obtained is analyzed, interpreted and synthesized to arrive at meaningful conclusions.

Analysis and Discussion:

The various impacts created by online food delivery services on the restaurant business in India are discussed as follows:

1. Economic Impact

Online food delivery services have created a significant economic impact on the restaurant business in India. These platforms have generated additional business opportunities for restaurants. By collaborating with these platforms, restaurants have expanded their customer base beyond their geographical boundaries. Restaurants can now receive orders from customers who might not otherwise visit in person due to distance or time

constraints. This increased accessibility led to higher sales volume and increased revenue generation for restaurants. At the same time, these platforms charge higher commissions ranging from 15% to 30%, which contracts restaurant margins. Furthermore, restaurants need to invest more in packaging, digital systems, and offer promotional discounts to remain competitive on these platforms. While online food delivery services have a positive impact on restaurant revenues, they also increase operational costs, which negatively affects profitability.

2. Operational Impact

The introduction of online food delivery services has brought considerable changes in the operations of the restaurants. Restaurants need to handle both dine-in and online orders simultaneously, creating an operational challenge for the management. Faster food preparation, efficient order management and better coordination with delivery personnel are essential to fulfill both orders without any delays. In addition, it is necessary to improve the quality of packaging to keep the food fresh and intact during delivery. Maintaining food quality during peak order times is another challenge that restaurant owners need to deal with. Improved efficiency, adoption of new systems and streamlining workflow shall ensure timely service and customer satisfaction.

3. Marketing Impact

Online food delivery platforms act as a marketing tool for restaurants. Listing of restaurants on popular platforms like Swiggy and Zomato increases visibility among potential customers. By providing discounts and offers and through sponsored listings, restaurants can promote their food items. Customer ratings and reviews play a crucial role in building restaurant goodwill. A restaurant with higher ratings and good reviews tends to generate more orders. As a result, restaurants are increasingly focusing on

improving food quality, service and customer satisfaction to generate positive reviews, which acts as a marketing tool.

4. Consumer Behaviour Impact

The concept of online food delivery services has entirely revolutionized food consumption patterns. Consumers now prefer ordering food online rather than visiting a restaurant, noticing the convenience. Listing of numerous restaurants and varied food options on food delivery platforms helps customers to take well informed decisions in a single place. As a result, customers started ordering food more frequently. Discounts and promotional offers encourage customers to order more. Improvements in digital payment infrastructure and real-time order tracking enhance customer experience in order processing. With these advancements, the dependence on dine-in services has come down, and the dependence on online food delivery platforms has gone up.

5. Competitive Impact

The emergence of online food delivery systems has intensified competition among restaurants.

Now customers can explore and compare different restaurants offering a similar type of cuisine on a single platform. This transparency forces restaurants to compete not only with food quality but also on pricing, delivery time and customer ratings. Small and newly established restaurants now compete directly with popular and well-established brands. Restaurants must continuously innovate their menu, improve service quality, and maintain attractive pricing to stand out in the competitive digital marketplace.

6. Technological Impact

The adoption of online food delivery services has accelerated the adoption and use of technology within the restaurant industry. Integration of point-of-sale systems, online order management software

and digital payment solutions help the restaurants in efficiently handling food orders. These technologies help restaurants to track orders, manage inventory, and monitor sales data more effectively. The customer's data shared by delivery platforms also helps restaurants to analyze customer preferences and ordering patterns. This information helps restaurants to design targeted marketing strategies and improve menu offerings. As technology becomes an integral part of restaurant operations, restaurants that use technology to their advantage are more likely to be successful and meet the expectations of their customers.

7. Strategic Impact

Online food delivery systems have influenced the strategic decisions of restaurant businesses. With the rise of OFDS, the concept of cloud kitchens has gained popularity, which are open only to serve online customers rather than dine-in. This has helped the restaurants to cut costs on rent, interiors and staff, allowing the restaurants to focus solely on the delivery operations. Many restaurants have now started preparing delivery-friendly food items that maintain quality during transportation. Additionally, restaurants have partnered with multiple delivery platforms to increase visibility and orders. As OFDS has reshaped the entire restaurant industry, restaurants need to focus more on digital marketing, platform management, and brand positioning.

Conclusion:

From the above discussion, it can be concluded that the online food delivery services have transformed the restaurant industry in India. These platforms have provided new opportunities for the restaurant sector, while creating new challenges for the management of the restaurant business. The restaurants benefit from increased customer reach, visibility and revenue. However, they also faced operational challenges due to high commission charges, intense competition, and

over-reliance. The study revealed that online food delivery services impact several aspects of restaurant businesses, including marketing, efficiency, and profitability. Therefore, restaurants must adopt balanced strategies that combine online delivery services with traditional dine-in operations to remain competitive in the evolving food service market.

Suggestions:

In the rapidly expanding food delivery market, to remain competitive, restaurants must adopt multiple strategies. Instead of relying heavily on food delivery platforms, restaurants can expand their sales channels, including the development of their own website. Excellent food quality, supported by good ambiance and atmosphere, will encourage customers to dine in more than order food online. Implementing effective pricing and promotional strategies can also help restaurants to sustain profitability while competing with online food delivery services.

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