



AN ANALYTICAL STUDY OF ONLINE FOOD DELIVERY SERVICES IN INDIA: GROWTH AND FUTURE OUTLOOK

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Abstract

Over the past decade, Online Food Delivery Services (OFDS) have grown significantly in India, playing an instrumental role in the expansion of the restaurant industry. The evolution of OFDS has created a digital ecosystem that fundamentally changed restaurant dynamics, customer habits, and created employment opportunities for gig workers. OFDS helps restaurants to reach out to more customers by facilitating online ordering and digital payments supported by strong logistical networks. This paper attempts to study the evolution of OFDS, key industry players, growth factors, and challenges that will shape the outlook with the help of secondary data. The findings of the study indicated that high smartphone penetration, affordable pricing strategies, rising disposable incomes, a growing population of working professionals, and the introduction of diverse business models like cloud kitchen, quick commerce have positively impacted restaurants industry, enabling it to generate more revenue than earlier. In conclusion, the study highlights that the long-term sustainability of India's OFD sector will rely on balanced regulatory frameworks, responsible platform governance, and collaborative strategies that align growth with economic and social welfare.

Key Words: Restaurants, OFDS, Growth, Future Outlook

Introduction

In recent years, the Indian food service industry has experienced a remarkable change. The industry has evolved from street vendors, small eateries, localized restaurants to quick service restaurants, organized dining chains, and ghost kitchens. Rapid urbanization, rising disposable income, and changing consumer preferences have played a major role in this transition. The

last decade has observed the emergence of an alternative service model known as ‘Online Food Delivery Systems (OFDS)’. Owing to factors such as smartphone penetration, affordable internet charges, secured digital payments, innovation, and technological advancements, online food delivery services have shown tremendous growth over the period. Looking ahead, the future of OFDS in India remains optimistic with increased penetration into Tier II, Tier III cities; however, it depends upon the platform’s ability to attain sustained profit, reduced cost, and maintain healthy relationships with various stakeholders.

Evolution of OFDS

In India, Online Food Delivery platforms have evolved significantly over the period. Technological advancements and logistical improvements have been instrumental in this evolution. Between 2008 and 2014, food aggregators such as Zomato (established in 2008) and Foodpanda (which entered India in 2012) were the main players in the industry. Initially, these platforms primarily listed eateries, displayed menus, and facilitated online ordering with minimal logistical involvement. During this time, ordering was restricted to desktop or web-based applications.

In the second phase from 2015 to 2019, the market expanded quickly with the entry of major players like Swiggy (founded in 2014) and Zomato (initiated large-scale delivery operations in 2015). This expansion is fueled by widespread adoption of smartphones, development of Android or iOS-based apps, enhancement in 4G connectivity, falling data prices, and multiple payment options. Throughout this period, these platforms developed robust delivery infrastructure, partnered with thousands of restaurants, and introduced technology for demand forecasting, app-based feedback, and digital payments, which facilitated standardized service experiences across outlets.

In 2020, after the COVID-19 outbreak, the restaurants were compelled to embrace OFDS for their survival. This period dramatically increased delivery demand as restaurants rapidly adopted OFDS to survive. OFD volumes surged to great heights due to safety concerns, hygiene awareness, contactless service, real-time order tracking, tamper-proof packaging, temperature-retentive food containers, delivery reliability, and assurance of safety. In the post-pandemic period, business growth accelerated due to innovations such as the integration of cloud kitchens and quick commerce, delivery subscriptions, AI routing, and technology-measurable satisfaction frameworks, embedding OFDS as an essential digital consumption infrastructure in India.

Review of Literature

Nikita and Nimbrain (2022) in their study identified convenience, changing lifestyle, interactive offers, simplified payment methods, diverse food options, and customer relationship management as key factors that motivate customers to embrace online food delivery services. Business innovations such as food on train, drone delivery, and contactless delivery are appealing to consumers and enhancing their experience. Taking all these factors into consideration, the researcher concluded that the online food delivery sector is poised for significant growth in India in the forthcoming years.

Swathi et al. (2024) highlighted that customers' habits are drastically shifting from traditional dining experiences to online food ordering due to the availability of varied food options and doorstep delivery. The findings indicated that consumers are prioritizing convenience and efficiency, which leads to an increased reliance on food delivery services. They further concluded that maintaining the online reputation of a business is extremely important, as customer decisions are greatly influenced by social media influence and online reviews. The research acknowledged that to thrive and expand, issues related to food quality, delays in delivery, and data security should be addressed by delivery platforms.

Devi (2024) analyzed trends, growth patterns and challenges linked to online food delivery services in her research. The findings indicated that food delivery services have grown immensely, mainly due to changing consumer lifestyles, high internet penetration and ease of operation.

However, to gain trust and loyalty, operational challenges regarding delivery cost, delay in service, packaging, and technical difficulties must be resolved. Although the industry presents a promising growth outlook, it is essential to focus on operational efficiency, cost-effectiveness, and service reliability to ensure long-term sustainability. Through effective strategic planning, technological improvements, and customer-centric initiatives, online food delivery platforms can enhance their market presence and provide greater value to a larger audience.

Nambiar (2025) concluded that the online food delivery business has great growth potential fueled by growing consumer dependence due to convenience and ongoing technological advancements. The study revealed that customers are inclined to platforms that offer promotional deals and seamless transactions. Further, the study underlines the importance of AI in service execution and enhancing customer satisfaction. It also emphasizes the need for the adoption of ecofriendly practices to gain customer confidence and ensure the sustainability of industry.

Madhuritha (2025) acknowledged that online food delivery applications have created a lasting impact on food lovers. Due to convenience and easy access, coupled with technological developments and growing demand, the online food delivery sector is set to thrive in the coming years. Additionally, the research emphasizes the need for innovation and personalization to sustain and provide superior services to consumers.

Significance of Study

1. The study provides a comprehensive understanding of the evolution, growth drivers, and challenges of online food delivery services in India.
2. The findings help industry stakeholders develop effective strategies for improving efficiency, customer satisfaction, and long-term sustainability.
3. The study assists policymakers in framing supportive regulations that balance digital growth, labour welfare, and consumer protection.

Objectives of the Study

1. To examine the market structure and growth trajectory of online food delivery services in India.
2. To study the factors contributing to growth and challenges faced by online food delivery services in India.

Scope of Study

The scope of the study is restricted to food delivery operations only. The other segments, such as quick commerce, dining out, and B2B supplies, remain out of scope. The study period spans from 2019 to 2025, covering pre-pandemic, pandemic, and post-pandemic periods, facilitating comparative analysis across various stages of OFDS evolution. The study was conducted considering only major players in the market, i.e., Swiggy and Zomato.

Research Methodology

The study adopts a descriptive and analytical research design exclusively based on secondary data. Data was collected through a comprehensive analysis of online and offline literature consisting of research papers, articles, company annual reports, government reports, industry association reports and other reliable sources. The methodology involves trend analysis, comparative interpretation and synthesis of findings across multiple secondary sources.

Major Players in the Online Food Delivery Market

I. Swiggy

Swiggy was established in 2014 in Bengaluru by Sriharsha Majety, Nandan Reddy, and Rahul Jaimini to address issues related to last-mile food delivery. While early aggregators opted marketplace model, Swiggy adopted a full-stack delivery model with its own fleet of delivery personnel. From 2015- 2019, Swiggy expanded its business across 500 + cities. In 2020, the company introduced Swiggy Instamart for quick commerce and Swiggy Genie for hyperlocal services. Over the period, Swiggy expanded its business with innovations like the introduction of a membership program (Swiggy One), integration of cloud kitchens, dark stores, and dineout facilities. In recent years, Swiggy has rolled out various initiatives. As of 2025, Swiggy surpassed 120 million transacted users on its platform.

II. Zomato

Zomato was established in 2008 in Delhi by Deepinder Goyal and Pankaj Chaddah. Initially, the platform focused on onboarding restaurants, digitizing menus, and facilitating reviews to help users make well-informed decisions. In 2015, a significant strategic shift took place when Zomato ventured into the food delivery market. Over the period, the company expanded its business aggressively. In 2021, Zomato became a publicly listed company. In 2022, they acquired the quick commerce business platform Blinkit. Zomato enhanced its business model by introducing a customer loyalty program called Zomato Gold/Pro, along with the integration of cloud kitchens and a B2B supply framework. In March 2025, Zomato's parent company changed its name to Eternal Ltd.

Key Growth Drivers

1. Rapid Smartphone & Internet Penetration

The widespread use of smartphones and easy access to the internet are two of the key elements behind the popularity of online meal delivery. Affordable smartphone prices and the expansion of internet facilities with cheaper data tariffs pave the way for widespread adoption of online food delivery in urban and semi-urban areas.

2. Change in Consumer Lifestyle

In urban India, people have hectic work schedules, nuclear families, and dual-income households, resulting in very little time available for food preparation. Over the period, what started as an occasional habit of ordering food became a frequent occurrence. Gradually, people opted to order food online rather than going out for convenience. India's

Gen Z population shows a good interest in app-based services and experimentation with

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food choices. In 2020, with the outbreak of Covid -19, when a nationwide lockdown was imposed and movement was restricted, the demand for OFDS led to habit formation.

3. Digital Payment Infrastructure

The rapid evolution in digital payment infrastructure enables smooth and secure transactions. Many platforms now integrate UPI, digital wallets and one-tap payment option alongside debit and credit card payments and net banking to cater numerous consumers with varied preferences. Their strong encryption standards and fraud detection systems foster trust and promote increased use of online food ordering.

4. Technological Advancements

Now a days, many food delivery platforms are utilizing data analytics, machine learning and artificial intelligence to manage their business operations. Data analytics helps in understanding food preferences and ordering habits. These insights are used to optimize restaurant menus, improve pricing strategies and design targeted promotional offers.

5. Aggressive Marketing and Promotional Offers

In order to boost customer acquisition and increase usage, OFD platforms invest heavily in marketing and promotional offerings. These platforms provide first-order discounts, free delivery, festive discounts, cashback and subscription-based loyalty programmes. All these offers are highly advantageous to customers, prompting them to order food online over dining out. While these promotions create extra demand, they also reduce profit margins and raise concerns about sustainability.

6. Strategic Expansion and Collaboration

In order to meet growing demand, many OFD platforms integrated cloud kitchens, popularly known as ‘Ghost Kitchens’, which are delivery-only kitchens without dine-in service. Of late, many delivery platforms have either launched or acquired quick commerce services that deliver groceries and other essentials in a time frame of 10 to 20 minutes. Over the years, OFD platforms have evolved, leading to a higher number of restaurant partnerships that facilitate geographic expansion. Significant investments in logistics have enabled these businesses to scale rapidly.

7. Government Support and Initiatives

The government's efforts to promote a digital economy and online payments have paved the way for online services such as food delivery. The evolution of the Unified Payment Interface has significantly transformed the landscape. Enhanced security measures to

safeguard against financial fraud, improved physical infrastructure, and a supportive regulatory framework reduce barriers to entry for businesses and foster innovation.

Indian Scenario

The online food delivery business in India has a strong prospect considering rapid urbanization, evolving technology and changing consumer preferences. The improvements in digital payment infrastructure, integration of cloud kitchens and use of artificial intelligence continue to strengthen efficiency and customer reach. The Tier II and Tier III market is not fully explored; with correct logistics and regulatory support, these areas are anticipated to drive increased demand going forward. So, the industry is expected to sustain in the long run with opportunities for growth and expansion. The online food delivery market in India was valued at USD 45.15 billion in 2024, which is expected to reach USD 320.31 billion by 2033 with a CAGR of 23.10% (IMARC Group, 2025). According to Grand View Research (2025), the Indian online food delivery market generated a revenue of USD 26,199.1 million in 2024 and is expected to reach USD 59,552.1 million by 2030 with a CAGR of 14.2%.

Graph No. 1: Current and Expected Online Food Delivery Market in India



(Source: Regenerated Image from RedSeer Strategy Consultants Report, 2025)

From the above graph, it is evident that online food delivery market in organized sector rose from \$3.1 billion in 2019 to \$ 9.1 billion in 2024 at a CAGR of 24% and expected to reach around \$23 to \$30 billion with expected CAGR of 17 to 22%. According to RedSeer Strategy Consultants (2025), this growth is due to innovation and enhanced services like scheduled delivery, large order fleet, cancelled order at discounted prices etc.

Graph No. 2 : Gross Order Value (GOV) Analysis of Major Players in the market i.e. Swiggy and Zomato



(Source: Compiled from Annual Reports of Swiggy and Zomato)

From the above graph, it is clear that both Swiggy and Zomato have expanded rapidly between the financial year 2021-22 to 2024-25. Swiggy's gross order value (GOV) rose from 184.8 billion in 2021-22 to 287.8 billion in 2024-25, reflecting an approximate increase of 56%. For the same period, Zomato surpassed Swiggy with a GOV of 213 billion in 2021-22 to 386.5 billion in 2024-25, with an overall increase of 81% indicating its dominant market position. Overall, both businesses are rapidly expanding with rising consumer adoption and increasing order volumes, suggesting a promising future for both players.

Graph No. 3 Number of orders handled by major players in the market i.e. Swiggy and Zomato



(Source: Compiled from Annual Reports of Swiggy and Zomato)

Based on the above graph, it can be concluded that orders handled by Zomato were higher than Swiggy between financial years 2021-22 to 2024-25. Orders handled by Zomato were 535.2 million in 2021-22, rose to 853 million in 2024-25, reflecting a growth of 59%. For the

same timeframe, orders delivered by Swiggy were 454.1 million in 2021-22 and 628.9 million in 2024-25, representing a growth of 38%. Both players demonstrated consistent year-on-year growth in the number of orders, highlighting their efforts in acquiring new customers and encouraging repeat purchases.

Challenges

In addition to exponential growth, the OFD platform faces challenges, which are listed below:

1. The operational costs of OFD platforms are significantly high due to remuneration to delivery personnel, technological upgradation, promotional offers, and discounts, which place a substantial burden on costs and reduce margins.
2. Food is prepared by a partner restaurant; delivery platforms have limited control over food quality, quantity, taste, packing, and hygiene standards. At the same time, when food is ordered online, it must travel long distances, which affects freshness, aroma, and flavour. All these aspects affect customer satisfaction, resulting in fewer repeat purchases, ultimately affecting potential revenue.
3. OFD platforms experience a high attrition rate among gig workers due to income instability, long working hours, safety concerns, and lack of social security benefits.
4. The effectiveness of the OFD platform relies on the performance of its application or website. Technical glitches, payment failures, data breaches, and system downtime negatively impact customer satisfaction.
5. The OFD platform also faces logistical challenges arising from traffic congestion, delays in deliveries, and sudden surges in orders, which affect reliability.
6. Customer retention is one of the major challenges due to a highly competitive market and offers & discounts provided by competitors.
7. The growth in metro cities has been constrained by intense competition and limited demand. At the same time, lower order density, infrastructural challenges, and limited restaurants hinder the scalable growth in Tier II and Tier III cities.
8. OFD platforms must comply with various regulations, including food safety regulations, labour laws, taxation policies, and data policies, which increases operational complexity.

Conclusion

From the above discussion, it can be concluded that online food delivery ecosystem in India is positioned at the intersection of rapid technological adoption and evolving service economies. Though OFD platforms have great potential to grow, long-term success will depend on effective handling of operational, economic and social challenges. However, to achieve

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sustainability in the long run, it is essential to understand unit economics, ensure fair and safe conditions for gig workers and foster relationships with partner restaurants. Therefore, a framework should be developed to protect workers, designing commission structures and promoting environmental best practices.

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