Report On

Foodpanda's capitalization of the market during the pandemic

By

Apurba Mustafa
16304092

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

Bachelors of Business Administration
BRAC University
September 2020

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing a degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material that has been accepted or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all the main sources of help.

Student's Full Name & Signature:

Apurba Mustafa
16304092

Supervisor's Full Name & Signature:

Saif Hossain
Assistant Professor, BRAC Business School
BRAC University

Letter of Transmittal

Saif Hossain

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report “Foodpanda's capitalization of the market during the pandemic”

Dear Sir,

It is my pleasure to submit my report on “Foodpanda's capitalization of the market during the pandemic” as partial fulfillment of the Bachelor of Business Administration degree.

I have worked as an intern in the sales operation department for three months. At that time I have gathered great practical skills in the e-commerce sector which I tried to reflect on this report to my best ability.

I would like to thank you for your guidelines and support without which, writing the report wouldn’t have been possible. Please feel free to contact me regarding any issues you may face with the report.

Sincerely yours,

____

Apurba Mustafa

16304092

BRAC Business School

BRAC University

September 27th, 2020

Non-Disclosure Agreement

This agreement is made and entered into by and between Foodpanda and Apurba Mustafa student at BRAC University …………………………………….

Acknowledgment

The internship opportunity created a great learning experience and insight into the e-commerce sector of Bangladesh at one of the leading companies. Rotational on-the-job and flexibility allowed me to understand all the dimensions of work that Foodpanda carries out. The work environment was supportive and colleagues were very helpful and understanding which helped me grow in the three months.

Firstly, this internship would not have been possible without the guidance of my internship supervisor, Saif Hossain, who led me through the whole process with valuable advice and help.

Secondly, I would like to convey my deepest gratitude to my manager, Farzana Rahman, and my team leader, Md. Fazla Rabby, for taking out time from their busy work schedule to provide information for my report. They also helped me learn along with the internship and made sure I had the best possible outcome from this job. They helped me feel welcome and showed a level of respect that truly creates motivation to learn.

Finally, I would like to thank all the faculties and mentors that over the years who have guided me through all academic and career-specific problems without hesitation and shaped the person I am today.

Executive Summary

Foodpanda was first founded in Berlin, Germany. Since then they expanded their operations to 14 countries. They came to Bangladesh in 2013 via Ambareen Reza and Zubair Siddiky. Initially, they only delivered food, however, they have now expanded their operations to grocery and pharmacy.

Foodpanda’s foothold on the market is very strong because there isn’t much competition and they had a first-mover advantage. They are however quickly losing their market share through innovations of Pathao and corrective steps are yet to be taken to push back on their rivals. Their financial position may be poor but the other sectors of their business are in a respectable situation to create fierce competition. SWOT analysis reveals that their weakness and threats are very minimal or poor which means they have the ability to work towards the betterment of their company through long-term planning.

The company’s decision to diversify to grocery and pharma was a risk-averse move that allowed them to capture the three most important industries during the economic slowdown. The pandemic created a situation where Bangladesh had the ideal conditions for Foodpanda to thrive. Therefore it was not an accurate future analysis or crisis fund analysis that helped them grow at a difficult period but a unique situation that helped their cause.

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List of Acronyms

KPI	Key Performance Indicators
PR	Public Relations
SR	Sales Representative
SF	Salesforce
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
OTC	Over The Counter

Glossary

Leads	Vendor requests that come in a raw, unstructured form that require quality checking and further processing before transferring
Inbound leads	Vendors who themselves apply to come on board with Foodpanda and register through a website form
Offline Leads	Sales representatives collect information by the process of going door to door

Chapter 1

Overview of the Internship

1.1 Student Information

Name: Apurba Mustafa

Identification: 16304092

Program: Bachelors of Business Administration

Major: Finance

1.2 Internship Information

1.2.1 Employment Details

Working period: July 2020-September 2020

Company name: Foodpanda

Department: Sales Operations- Lead Generation

Address: Navana Pristine Pavilion, 8th Floor, Plot-128, Block-CEN, Gulshan Ave, Dhaka 1212

1.2.2 Supervisor Information

Name: Farzana Rahman

Position: Sales Operations Manager

1.2.3 Job Description

Responsibilities:

- Creating accounts for onboarding vendors and transferring them to sales representatives.

- Calling and gathering information from vendors. Making sure they are aligned with rules and regulations and provide the help needed to continue working with Foodpanda.
- Confirming the vendor's coordinates to check if they are within the delivery zones
- Quality checking leads provided by freelancers, ensuring lead quality and creating leads into accounts

1.3 Internship Outcomes

1.3.1 Contribution to the Company

The sales operation department was newly formed in response to the quick growth of Foodpanda over the last six months. The department is a work-in-progress as it only consisted of five members before they took in interns. Due to the infancy of the department, the full-time employees had disproportionate amounts of work. As an intern, I worked closely with the inbound leads where previously the incoming accounts heavily outweighed the work completed each day. Also during periods of an overflow of incoming accounts in another sector, I would be shifted towards it to help make it manageable. My role was rotational and flexible, therefore I worked in all the possible roles in the department.

1.3.2 Benefits of the Internship

Foodpanda offered a great learning experience on how an international e-commerce company is operated. As previously mentioned working in a rotation allowed me to learn all dimensions of work within my department during my internship. Moreover, Foodpanda is one of the three companies, in Bangladesh, that uses Salesforce to handle daily activities which is a renowned application over the world. The company helped improve professional communication skills as over the course of three months I had handled over a thousand vendors.

1.3.3 Problems Faced During the Internship

As the internship term started at the peak of the lockdown for COVID-19, everything had to be done virtually. This meant that the initial training was done over a video call which poses problems. The efficiency of training and communication was hampered as the trainer and trainee both were experiencing video training for the first time. Since the full length of the internship was from home a good internet connection was required to complete daily work which was not always available and that either slowed work or made it difficult to carry out.

1.3.4 Recommendations

The company should provide more formal training and hand out resource materials for further information which will allow interns to learn work in greater depths helping them to perform better.

Chapter 2

Overview, Operations, and a Strategic Audit

2.1 Introduction

2.1.1 Objectives

The general objective of the report is to fulfill the requirement of the BUS400 course where an internship report must be provided at the end of the term of the internship. The specific objective of this report is to understand the operations and market strategies that help them succeed in the industry.

2.1.2 Methodology

The methods used to gather information was of two types:

Primary sources:

- Observations during the internship tenure
- Interview with supervisor and manager

- Discussion with Foodpanda employees
- Reports provided by the company

Secondary sources:

- Articles
- Research papers on e-commerce during COVID-19
- Newspaper
- Reports on Foodpanda available online

2.1.2 Scope

The research is focused on finding out the employee management, opportunity recognition, market capitalization, industry competition management, and dig further into corporate practices that it employs to smoothly run the business. They will not include, however, Foodpanda's operations in other countries, aspects of the business which do not directly contribute to the success of the Foodpanda during the pandemic.

2.1.3 Limitations

Foodpanda's information is scattered over many countries and each employee has different access to the information. Therefore a lot of confidential information could not be shared or was not accessible. Due to the lockdown and work from home structure for the full length of the internship, it was hard to get a hold of personnel who would be helpful in providing useful information towards the research. Surveys and questionnaires were difficult to use for the same reason. Though my supervisor tried his level best to provide help, he was constrained by time.

2.1.4 Significance

The report intends to focus on the activities carried out by Foodpanda to better understand how they kept afloat during times of hardship and economic downturn and whether the strategies used could be scaled up to other business models to help get them through similar situations. All the information collected was from

Foodpana’s employees and research papers on Foodpanda and similar companies operating in Bangladesh.

2.2 Overview of the Company

2.2.1 Background

Foodpanda is a company that was founded by Ralf Wenzel, Rohit Chadda, Ben Bauer, Kiren Tanna, and Felix Plog in March 2012. Their headquarters is situated in Berlin, German. Later purchased by Delivery Hero SE which proceeded the company visual and physical overhaul. Now they are currently operating in 16 countries. They are:

1. Bangladesh	**2. Pakistan**
3. Brunei	**4. Singapore**
5. Cambodia	**6. Thailand**
7. Hong Kong	**8. Philippines**
9. India	**10. Taiwan**
11. Japan	**12. Myanmar**
13. Laos	**14. Bulgaria**
15. Malaysia	**16. Romania**

Table 1: List of countries Foodpanda’s operating in

Foodpanda was introduced in Bangladesh in 2013 by Ambareen Reza and Zubair Siddiky where they were the first food delivery service of Bangladesh. Since then the company has gone through various changes. They faced stiff competition from Pathao, HungryNaki, and UberEats (now discontinued) but still is one of the top delivery companies. They have branched out into grocery, pharmacy, and introduced cloud kitchens for food.

2.2.2 Business Model

Foodpanda uses several ways in which they make a profit. The application serves not only a medium for customers and vendors to meet but also a place for advertisement. The most obvious method is that Foodpanda charges delivery fees from customers, however delivery fees have been reduced to a very minimal amount and during promotions, delivery charges are waived. The reason they can run their businesses even without a delivery fee is that most of the profit comes from elsewhere. The first one-time payment for every new restaurant that wants to join serves as a huge revenue. This applies to all home cooks, restaurants and pharmacies though the amount may vary. The second and main source of payment comes from commissions from orders through the application. Usually, the rate is between 20%-35%. Considering that Foodpanda Bangladesh receives over 6000 orders per month this is where Foodpanda earns the most revenue.

2.2.3 Organizational Structure

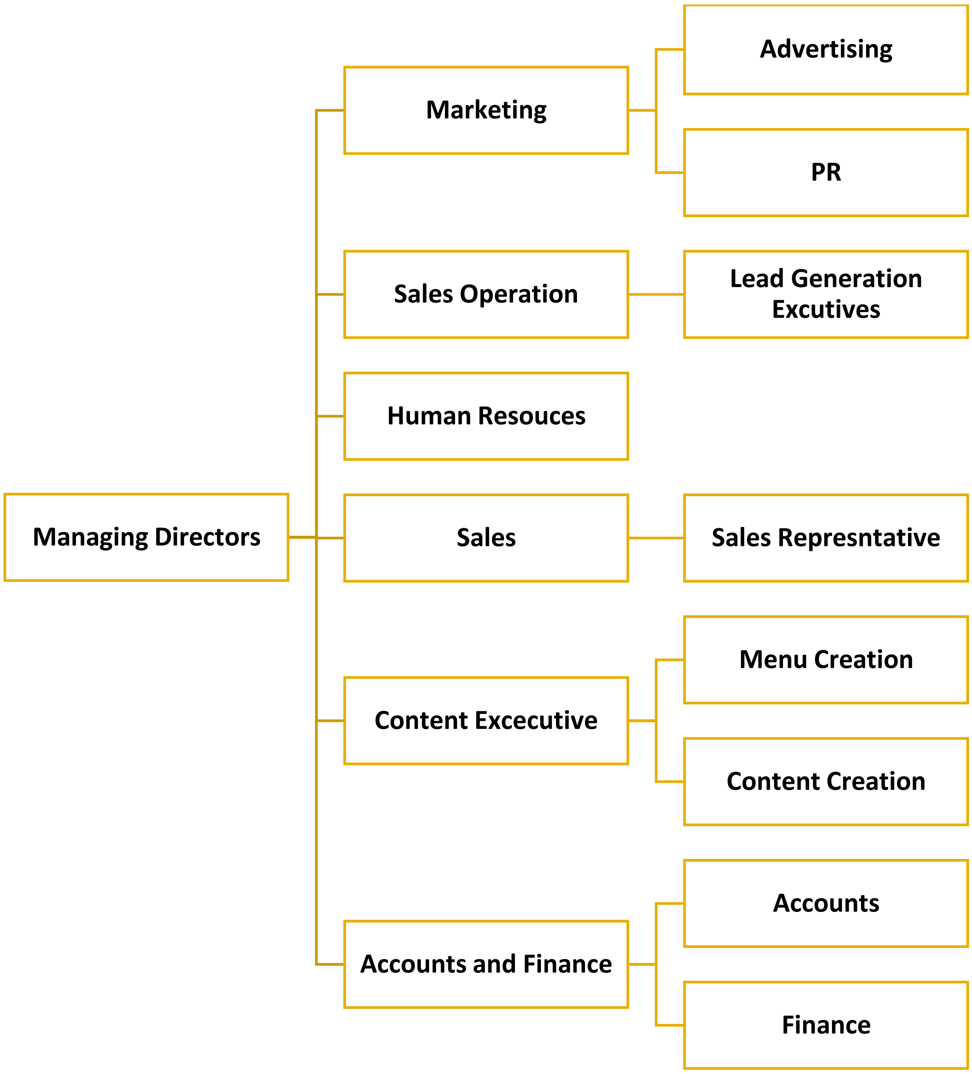

Figure 1: Organizational Structure of Foodpanda

Managing directors: Controls and oversees all departments of Foodpanda, while delegating long term goals to the respective managers.

Managers: Overlooks one or more departments and provides daily targets and goals in order to achieve long term and short term targets. Manages team leaders and executives. Communicates with overseas branches to integrate new changes and report performances of the local branch.

Team Lead/Supervisor: Communicates daily tasks while organizing, controlling, and managing executives to maintain a smooth workflow. Manages and acts as a middleman between managers and lead executives.

Lead Executives: Carries out tasks starting from accounts creation, management, and organization to making a vendor active that ultimately the end-user experience in the application. Provides training to new SR's and organize them to complete tasks assigned.

Sales Representatives: These are individuals who are assigned a certain location to gather restaurant, grocery, and pharmacy data and transfer them to lead executives to further process and organize. They must also negotiate and handle vendors when they are live with Foodpanda.

Riders/Delivery Men: These are freelancers that work with Foodpanda in order to deliver and receive products that are ordered through the application.

2.3 Management Practices

Management is one of the core functions of a business as it helps maintain the functionality of the company. Foodpanda uses international management practices as seen in the Berlin headquarters but tailored to Bangladesh's scenario, therefore ensuring the best possible outcome. Since Foodpanda's management practices are used in different countries with various customs and cultures, it is a tried and true model that works effectively.

2.3.1 Internal Management

- **Hands-off management**: Once the manager sets the goals for the day, employees are free from micromanagement and have the freedom to complete the work in ways that are best suited to the individual. As long as the goal is met management does not directly interfere with the performances. Even the SR's have the freedom to take up as much or as little work per day as they like considering that by the end of the month they achieve the certain number of leads that were assigned to them. However, if the performance is not up to the standards then management involves themselves to communicate with employees about where the problems lie and what solutions could be used.

- **KPI**: Foodpanda uses KPI to motivate employees to come up with ideas to efficiently complete their tasks or contribute to ideas where work could be completed in a better fashion. These monetary incentives help employees to maintain a certain performance while also helping the company without the use of extra personnel to help stimulate growth.

- **Regular Meetings and Check-in:** Meetings are conducted every morning before work starts to communicate daily tasks and brief employees on the direction the management is heading to make sure the whole company is aligned. At the end of the day, a performance check is conducted which is later reviewed in the meeting on the next day to recalibrate actions that may or may not need to be taken.

- **Team Cohesion:** Due to the infancy of the department I was assigned to a common problem was the lack of employees to cater to the needs of each sector. Therefore sometimes the workload of one sector would overflow and the whole team would be required to divert their attention towards it, leaving behind their work. This helped in two ways, firstly it would solve the immediate problem of the heavy workload from one person to several people and secondly, it helps employees not only to learn and practice teamwork but also to learn all aspects of work within the department making everyone flexible and versatile.

2.3.2 External Management

Probably one of the most important management aspects of the company external management must be done carefully as handling both parties, vendors, and customers, are sensitive and hold a great influence on Foodpanda’s business.

- **Customers:** The target group of Foodpanda is between the ages of 18-45 years of age. A group of people who are tech-savvy and require impeccable service. Any negative experience is highlighted in social media platforms where there are thousands of users. This is exactly why Foodpanda has a separate PR and customer service team to handle customers and help resolve any issues that arise with day-to-day service.

- **Vendors:** Another important stakeholder of the business who is given the utmost importance when it comes to issues. Vendors are usually assigned a SR to handle and negotiate their accounts. Other than that they have access to devices that can directly chat with the Foodpanda helpline and also the general helpline that is available to all on the official website.

2.4 Marketing Practices

Foodpanda is the frontrunner in terms of marketing as both Pathao and HungryNaki have little to no presence in advertising and marketing. Foodpanda uses numerous methods to lure their customer and create brand awareness. In fact, Foodpanda's advertisements are one of the most heavily invested in social media, in Bangladesh.

2.4.1 Advertising

- **Social Media Marketing**

Foodpanda's most frequently used platforms for social media marketing are Youtube and Facebook advertisements, but they are also included in many other sites that are owned by Bangladeshis and foreigners. Usually, the advertisements show little snippets of videos of food trying to entice the user with imagery and/or ongoing promotional offers

- **Email Marketing**

Customers who have already registered with Foodpanda have already provided their email accounts which is another medium but less frequently used by

Foodpanda. Usually, email advertisements are filtered by the user’s email company as promotion or spam therefore doesn’t serve as a great reach out for them. Mostly email advertisements are sent when the user has been inactive for a while and they want to bring back the customer to use their products.

- **Mobile Marketing**

The rarest form of advertisement from Foodpanda as a personal messaging advertisement is considered “extremely annoying” by customers and may create a negative impact on the image of the company. However, Foodpanda may send a text with a promotional offer once in every six months.

2.4.2 Marketing Mix

Price

As previously mentioned, Foodpanda offers great discounts frequently that their competitors can’t imitate as their negotiation power is far greater. They also offer free delivery charges or very little charge which makes their pricing one of the most attractive across the food delivery scene.

Place

The most important segment of placing in the marketing mix is convenience and accurate store placement for businesses to thrive and reach out to most customers. The big advantage of delivery stores is that it checks both the criteria. People enjoy the comfort of home while reducing travel time on the congested streets to Bangladesh or lack of transportation in some areas while all the menu is laid out in front of the customer and it gets delivered to their doorstep. Not only do people from all over Bangladesh have access to nearby food, grocery, and pharmacy around them, the app itself serves as a promotional medium for Foodpanda.

Product

Even though Foodpanda started as a food delivery application, it has now branched out to grocery and pharma. All three goods are necessities, therefore special efforts aren’t required from Foodpanda to attract customers to make a purchase decision.

Especially during the period of lockdown, when people were afraid of leaving their homes but demand for all three goods were skyrocketing all over the world, Foodpanda enjoyed the benefit of choosing to provide these without extra costs incurred by the company. So the obvious benefit of delivering necessary goods is that regardless of the situation people will demand the good to some degree or the other.

2.5 Financial Performance & Accounting Practices

2.5.1 Financial Analysis

The growth of profits has been consistently rising for Foodpanda for the last few years in Asia. Since the region consists mostly of developing countries that have high GDP growth and an enormous population where each year more people enjoy better standards of living and therefore demanding greater convenience which delivery apps provide. Even though there is a net loss present, the figures are improving and gross profit figures show positive selling figures.
As seen in Figure 2, all sources of primary income have seen boosts thanks to their greatest contributor, Asia enjoying a 50% increase (Figure 3) in their orders, far greater than any continent Foodpanda is operating in.

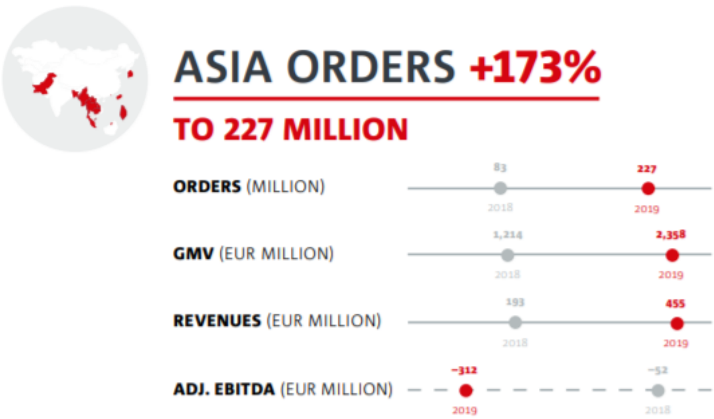

Figure 2: % Change in orders in Asia Credits: Foodpanda Financial report 2019

EUR MILLION	2019	2018	CHANGE EUR MILLION	CHANGE %
REVENUE	1,237.6	665.1	572.5	86.1
COST-OF-SALES	−926.4	−318.0	−608.4	>100
GROSS PROFIT	**311.2**	**347.2**	**−36.0**	**−10.4**
MARKETING EXPENSES	−495.2	−313.9	−181.3	57.8
IT EXPENSES	−94.8	−54.3	−40.5	74.6
GENERAL ADMINISTRATIVE EXPENSES	−373.5	−217.2	−156.3	72.0
OTHER OPERATING INCOME	19.9	10.0	9.8	97.8
OTHER OPERATING EXPENSES	−6.7	−9.2	2.6	−27.6
IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS	−8.8	−4.3	−4.5	>100
OPERATING RESULT	**−648.0**	**−241.7**	**−406.3**	**>100**
NET INTEREST COST	−9.4	2.8	−12.2	>100
OTHER FINANCIAL RESULT	93.7	18.8	74.9	>100
SHARE OF THE PROFIT OR LOSS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD	−99.7	−38.6	−61.1	>100
EARNINGS BEFORE INCOME TAXES	**−663.4**	**−258.8**	**−404.6**	**>100**

Table 2: Income Statement 2018-2019
Credits: Foodpanda Financial report 2019

Foodpanda isn't a business where they started making profits yet as their rapid expansion costs increase the costs every year where each new business has a buffer period before starting to make profits. However, if figures from 2017-2018 are compared it is visible that most sections of the income statement show positive signs of improving and is an indicator that growth is increasing and will turn losses into a profit, if this trend follows, in a few years. Gross profit has increased by 20.3% whereas operating profit has only changed by 3.4% which shows that costs have risen less proportionately which is positive. Interest costs have changed from a cost into an income source, meaning loans have been fully repaid and on top of that Foodpanda has provided loans to others.

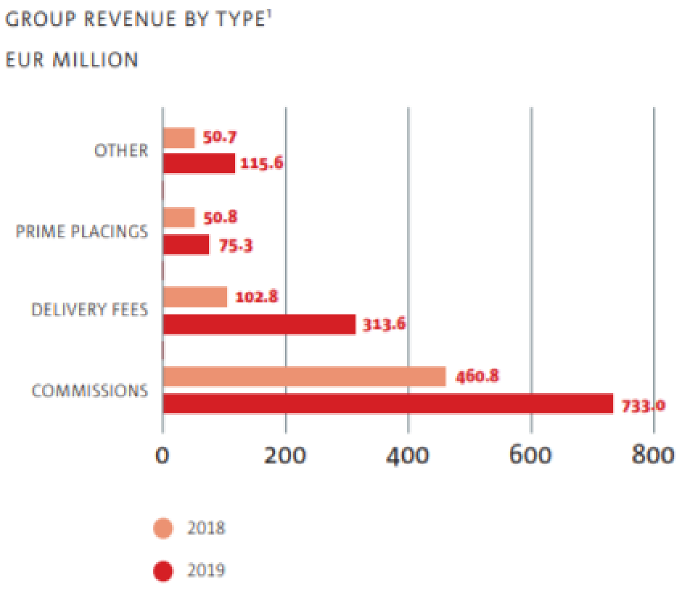

Figure 3: Change in primary income
Credit: Credits: Foodpanda Financial report 2019

The real picture of stability can be witnessed in the balance sheet. The fact that Foodpanda no longer has great increases in fixed assets and long term loans is a sign that they are moving from the growth stage to the maturity stage. This means that they have well established themselves in the market and there won't be major turbulences in their incomes in the upcoming future apart from unpredictable causes. Therefore an assumption could be derived that Foodpanda will begin to enjoy profits soon and the future investments made would be to improve the existing infrastructure to strengthen their foothold in the industry.

EUR MILLION	DEC. 31, 2019	%	DEC. 31, 2018	%	CHANGE
NON-CURRENT ASSETS	1,723.0	64.5	1,129.2	56.3	593.8
CURRENT ASSETS	949.7	35.5	875.8	43.7	73.9
TOTAL ASSETS	**2,672.7**	**100.0**	**2,005.0**	**100.0**	**667.8**

EUR MILLION	DEC. 31, 2019	%	DEC. 31, 2018	%	CHANGE
EQUITY	1,869.5	69.9	1,615.0	80.6	254.5
NON-CURRENT LIABILITIES	185.4	6.9	62.6	3.1	122.8
CURRENT LIABILITIES	617.9	23.1	327.4	16.3	290.5
TOTAL LIABILITIES AND EQUITY	**2,672.7**	**100.0**	**2,005.0**	**100.0**	**667.7**

Table 3: Balance Sheet 2018-2019
Credits: Foodpanda Financial report 2019

2.5.2 Ratios

As expected from a company that is making losses and hasn't reached breakeven yet, the ratios look bleak. None of the current or quick ratios is close to the ideal numbers and profitability ratios also show highly unsatisfactory figures. Even the debt to equity ratio is extremely high.

Gross margin	18.41%
Operating margin	-51.25%
Net Profit margin	-55.27%
Revenue/Share	8.59
Book Value/Share	10.61
Basic EPS	-3.62
Return on Equity	-41.89%
Return on Assets	-24.23%
Return on Investment	-28.73%
Quick Ratio	3.51
Current Ratio	3.53
Debt to Equity	81.05%

Table 4: Ratios of Foodpanda

2.5.3 Accounting Practices

IFRS and IAS are used to prepare the financial statements in order to maintain an international standard and ease of consolidating several statements. All the basic accounting principles are used to maintain transparency and easily auditable for the government. IFRS and IAS used.

IFRS	
5	Non-current assets held for sale and discontinued operations
9	Accounting for financial instruments: classification and measurement of financial instruments, impairment of financial assets
11	Consolidation and joint ventures
12	
15	Revenue
16	Leases
17	Insurance Contracts
IAS	
11	Construction Contract
12	Income Taxes
17	Leases
18	Revenue
39	Financial Instruments: Recognition and Measurement

Table 5: IFRS and IAS list

2.6 Operations Management and Information System Practices

2.6.1 Operations Management

Operation management refers to managing an entire production or service system starting from the raw materials and converting them into finished goods. It ensures that the entire business system is efficient and effective by using minimum input to produce maximum output. Operations include producing the product, managing the quality, and creating service for the customers.

The food delivery business has become a very competitive sector with new startups entering the sector very frequently. Recently Foodpanda has raised $20 million to expand its service all around the globe. This funding will not only help Foodpanda to

increase its growth but also become a dominant player in the market. Currently, it is operating in 15 different countries and is active in 27 different markets.
If we look at the entire process of Foodpanda then we can see that the first step of this process is if any restaurant wants to get itself enlisted then it can fill-up the form available on Foodpanda's website. After that, the company will contact the restaurant and complete all the necessary procedures to get the restaurant onboard. From the customer's point of view, they mainly need to enter their city in the App and browse through the delivery options available in that area. This entire process is not only convenient for the customers but also increases the restaurant's sales along with the revenue earned from their dine-in customers.

Initially, Foodpanda used to outsource its transportation service but right now the company has its transportation service with a team consisting of both part-time and full-time delivery staff who have been equipped with cycles and motorcycles. The total time involved in delivering the food to the customer includes 60 mins where the vendor gets 15 mins to prepare the food and the rest of the time is needed to get the food from the vendor to the customer.

2.6.2 Information System Management

If any restaurant wants to come on board with Foodpanda then they can fill-up the form available on the website. However, this the not the only way through which restaurants can onboard with us through the SRs who goes door to door and collect all the information from different restaurants. Later on, these sales representatives, fill the online form known as the Formstack on behalf of these restaurants. These leads then automatically get uploaded on the company's software known as the Salesforce(SF). However, it will only be qualified after it has been thoroughly checked by the lead generator executive and confirmed that the information provided is ok and the restaurant is within our delivery zone then it will be forwarded to the sales team by the lead generator executive. However, if the lead generator executive finds any problem with the lead then the lead will be rejected and will not be forwarded to the sales team. It usually takes 7 to 8 working days for a particular account to become active. Once the account has become active then the service can be availed by the customers through their mobile online application starting from 11 am to 11 pm. Along with the option of payment made by cash Foodpanda also included the option of online payment which has made the process faster and efficient. A delivery charge is added to the orders along with the basic payment but it varies from restaurant to restaurant and also depends on the distance covered by the rider.

Along with the restaurants we also have another segment which is known as Home Kitchen where people can prepare the food at home and deliver the food through Foodpanda to the customers when they place an order. If a home kitchen owner wants to be enlisted on Foodpanda the process is the same as the one for the restaurant. Along with that, they need to make sure that they have five items on their menu.

2.7 Industry and Competitive Analysis

2.7.1 SWOT Analysis

Strength	**Weakness**
• Great infrastructure of online services • Numerous sources of funds • Internationally renowned brand • Structured in a way that riders cannot conduct illegal activities	• Slow delivery time • Poor customer service • No loyalty program • Very low exclusive restaurants
Opportunity	**Threat**
• Expand to sectors such as electronics, parcel delivery, and other grocery items • Enjoy first-mover advantages in newly packaged old services	• Regularly faces negative customer/vendor reviews on social platforms

Table 6: SWOT Analysis Summary

Strengths

Infrastructure: Since many of the applications used to conduct business in Foodpanda has been brought directly from the well-polished and advanced applications used in Berlin, the company could eliminate the time that would have been wasted with users facing bugs and them fixing it. The application was established enough to figure out how end users will most benefit from it.
Sources of funds: Locals brands had to struggle in finding investors willing to risk their capital in a newly formed entity who had an uncertain future which caused lots of skepticism. Even after establishing themselves in the market, they have seen investors pulling out due to several reasons.[1] Foodpanda however, will not face such a problem as its investors are spread across all over the world.

Renowned brand: A large portion of the population prefer to stick to well-known and established brands if it falls under their purchase power because of the surety that comes with it. Foodpanda is the only foreign company that is currently operating in Bangladesh.

Structured Applications: One of the greatest complaints that Pathao users had was their riders/deliverymen were cheating the app to earn money. Deliverymen often accepted and then canceled the order to give an illusion that it had been done by mistake, however, this was done to take the order outside the application and earn commissions for themselves. This problem is addressed by Foodpanda by making sure any transaction beyond the application will not hold value and therefore will not be endorsed by any parties involved.

Weaknesses

Delivery time: Foodpanda has one of the slowest delivery times which hampers their customer satisfaction as not only does it make their food cold it also makes them impatient. Their competitors on the other hand offer much greater speed of delivery.

[1] Islam, M. Z. (2). Pathao downsizing on fund shortage.(2019) S. Rahman (Ed.), (p. 1). A. Retrieved 2020, from https://www.thedailystar.net/business/ride-sharing-startups-pathao-downsizing-fund-shortage-1762894.

Poor customer service: Complaints of unavailability of personnel offering help during issues regarding Foodpanda is very common. There isn’t a dedicated line that is always live for help and poor communication through emails is also an issue.

Lack of Loyalty program: Apart from discounts and reduced delivery charges there aren’t any mechanisms used by them to attract customers to regularly order from them. Considering that the switching cost of delivery applications is close to zero, this is a poor decision on their end.

Low exclusive restaurants: There are hardly any vendors that are just exclusive with Foodpanda. Whereas, Pathao, even though a lower quantity of restaurants, contains a large number of quality vendors.

Opportunities

Expansion: The company has already a team of riders who are familiar with their rules and regulations, using that structure to expand to other products such as electronics and delivering personal parcel would be profitable without a great increase in fixed costs.

First Mover Advantage: Foodpanda can use the existing services already available and modify them to cater to a specific group of customers which may allow greater pricing and therefore greater profits. One example could be ‘cloud kitchens’. A concept that is to order from several different restaurants without having to make multiple different orders.[2]

Threats

Poor image: Due to problematic helplines and claims from vendors being charged unusually high commissions during difficult periods in coronavirus lockdowns saw many vendors follow the same suit of boycotting Foodpanda. This is one of many incidents in that past that slowly help corrode the image of the brand.

[2] Gomes, V. (2020, July 07). Cloud Kitchens: Future of food delivery services. Retrieved September 22, 2020, from https://www.thedailystar.net/toggle/news/cloud-kitchens-future-food-delivery-services-1920413

2.7.2 Porter's Five Forces

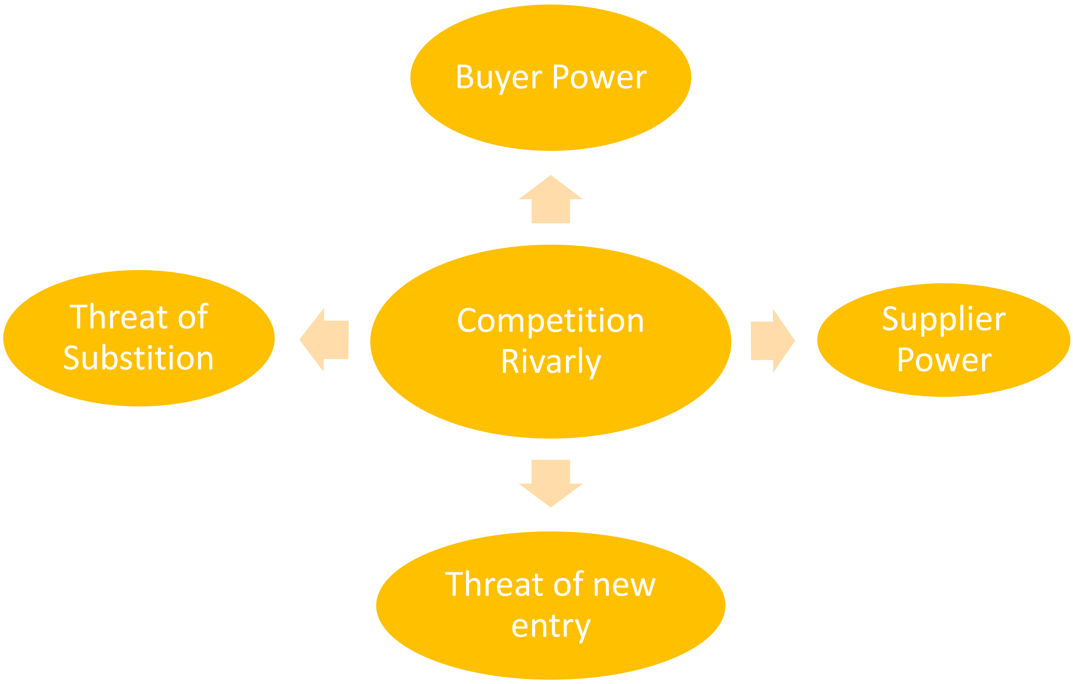

Figure 4: Porter's Five Forces

Competition Rivalry:

Foodpanda is one of the top competitors does face great competition from their rivals, HungryNaki, Shohoz, Pathao, and Ubereats(now non-operational). The food delivery business in Bangladesh is an oligopoly market that benefits the customers with greater efficient services and to some extent the suppliers as well.

Threat of Substitution:

Substitute services are plenty. All the delivery apps provide more or less the same restaurant, have low switching costs, and hardly and brand loyalty. Any minor benefit elsewhere or inconvenience in their current choice will encourage customers to move away without much hesitation.

Supplier Power:

In most cases, Foodpanda's supplier power is not great. Restaurants and home kitchens that aren't popular have only a few options for delivery outlets and let alone outlets with good reputation. Therefore Foodpanda sets the price of goods/services in the form of commission and their supplier has to accept it. For popular restaurants, however, Foodpanda may fall to the demands of the vendor and sometimes may reduce commissions heavily according to the situation.

Buyer power:

Buyer power is extremely high as options are plenty for customers. They have choices between Shohoz, HungryNaki, Pathao, Foodpanda, and the restaurant's own delivery system which is mostly free of cost for consumers and with low switching costs, Foodpanda doesn’t hold much power in controlling the price. That is exactly why the regular discounts and promotional offers are given frequently to hold on to the customer base.

The threat of new entry:

The initial costs of setting up are very high for infrastructure for the applications system and the delivery fleet. Even if a new company manages to do that, the prices would be hard to match, and the list of vendors active with Foodpanda

2.8 Summary and Conclusions

Foodpanda is one of the top competitors in Bangladesh but is losing its place to rivals due to a lack of innovation and poor customer service. If they don’t react quickly to the changing environment they may face a similar situation to Nokia in 2007.[3] The financial situation of Foodpanda seems to be improving, however, special effort is required to bring the figures to a manageable position.

2.9 Recommendations

Introduce loyalty programs to hold on to the existing customer and improve minor problems that exist to clear the negative perception that surrounds Foodpanda. Make delivery time shorter to help complete with the fast delivery of Pathao and

[3] Wollaston, S. (n.d.). The Rise and Fall of Nokia review – fascinating insight into the Finnish, and now finished, tech firm [Introduction]. Retrieved 2018, from https://www.theguardian.com/tv-and-radio/2018/jul/10/the-rise-and-fall-of-nokia-review-fascinating-insight-into-the-finnish-and-now-finished-tech-firm

introduce attractive deals with exclusive vendors to give themselves unique selling points that would take them above their competitors.

Chapter 3

Foodpanda's Capitalization of the Market during the Pandemic

3.1 Introduction

3.1.1 Background

The research topic "Foodpanda's capitalization of the market during the pandemic" aims to find out the strategies and thinking processes in order to grow drastically at a period when businesses all over the world began to struggle. At the height of the pandemic, Foodpanda was offering the three most rapidly popular sectors which were food, grocery, and pharmacy through delivery. Does the business model work only for e-commerce or is it expandable to other types of businesses as well?

3.1.2 Objectives

- To understand how Foodpanda used existing resources to grow at a difficult economic period
- To identify why they decided to expand to the pharmacy and grocery sectors
- To recognize the driving factors to their success of new implementations
- To understand employee management and recruitment process during the time of their growth
- To identify the daily working practices to keep with the exponential rise in consumers and partners

3.1.3 Significance

This research is design to help understand what makes a company thrive during an economic downturn while analyzing the business models used. It also will help understand if the same strategies could be used in other industries in certain problems to help create a buffer for future worldwide or local level crises in order to keep the economy or individuals businesses run. This research could provoke further study and provide research material for those who are willing to create a study in the same or similar topics.

3.2 Methodology

In order to analyze the research topic and generate information in order to come into a conclusive statement, data was collected through the same methods as the previous chapter

Primary sources:

- Observations during the internship tenure
- Interview with supervisor and manager
- Discussion with Foodpanda employees
- Reports provided by the company

Secondary sources:

- Articles
- Research papers on e-commerce during COVID-19
- Newspaper
- Reports on Foodpanda available online

3.3 Findings and Analysis

3.3.1 Introduction

The largest occurred in the pharma sector as people rushed to purchase masks, sanitizer and people became extra cautious and bought OTC medicine to improve their immunity to protect themselves from COVID. Also with the rise in COVID patients other medicine were being purchased in bulk. Grocery and food grew because people were afraid of coming in contact with people additionally paired with the fact that people remained home which increased boredom which explains the rise in home entertainment such as Netflix, HBO, HULU, Amazon streaming services, etc.

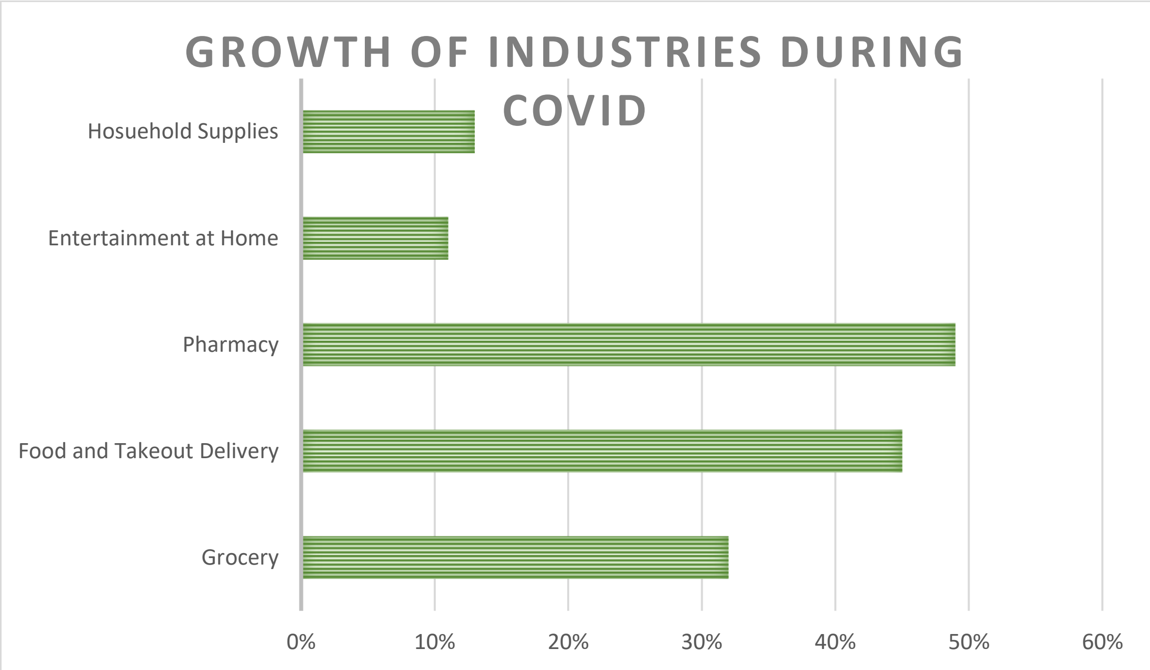

Figure 5: Growth of industries during COVID

Food delivery isn't the only industry that experienced the benefits of the lockdown. All companies that operated in e-commerce or later switched to online mediums had that same result.

3.3.2 Findings

I. To understand how Foodpanda used existing resources to grow at a difficult economic period

Foodpanda before the COVID situation before the lockdown was announced, the structure of their vendors consisted mostly of restaurants, home kitchens, grocery, and pharmacy, in that order of popularity. However, after the situation degraded many restaurants shut down and the same owners decided to provide the food from their home to cut down on costs that were no longer bearable. Some vendors also decided to start home kitchen service out of sheer boredom or desperation for income. Pharmacies and groceries were also very popular vendor requests as people didn’t trust most of these places to keep a sanitary environment or to be exposed to other people. So the structure now looked like this:

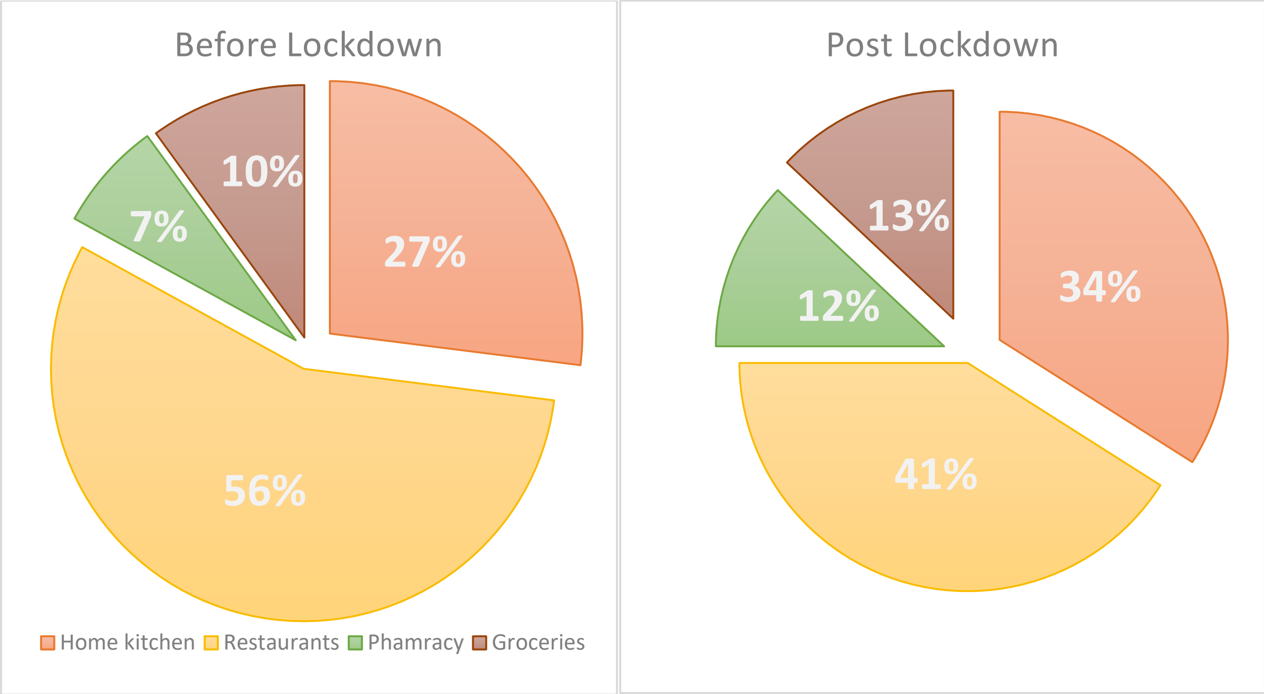

Figure 6: Pre and Post COVID structure of vendors

Foodpanda already had a well-established fleet of delivery bikes and cycles as well as an e-commerce infrastructure to onboard vendors quickly. As people lost jobs in the non-skilled sector and the company saw a huge jump in order requests they hired several riders and trained them to meet the demand. Though the challenges were there such as physical office was no longer active and all training had to be done virtually. It proved to be a challenge to monitor the work of the employees even though their information systems provide reports automatically of employee performance.

Foodpanda had to take special precautions to inform vendors of sanitary work practices also their employees about protection and cleanliness to avoid contracting or spreading the deadly virus. At a time when people were stocking up on essentials like face masks and sanitizers which depleted the stock, it proved difficult to manage these in bulk.

II. **To identify why they decided to expand to the pharmacy and grocery sectors**

The company had plans to branch out to sectors that were safer to expand to like necessity goods. Plans and implementation had already started before the first case of the corona was identified but was not popular at the time. Since all the businesses slowed down due to a lack of consumer activity. Then these vendors rushed to join Foodpanda as they tried to move their products in e-commerce as swiftly as possible to mitigate the incoming losses. Consumers enjoyed the new selection of goods that was easily available through the app. Pharmacy and grocery vendors had some reluctance during approaching them with the new business proposal initially because of the added costs of commissions and there were businesses with their delivery systems but what Foodpanda offered was the opportunity for greater exposure and advertisements.

III. **To recognize the driving factors to their success of new implementations & to understand employee management and recruitment process during the time of their growth**

The company added over 300+ employees in the last six months as they enjoyed 12 times the growth from last year. The greatest challenge was to train the employees without physically illustrating the process. They hire fresh graduates for entry-level jobs which allow them to train them quickly and use their fresh energy and motivating into firing the efficiency of the work. Since work from home was introduced employees had the freedom to work at their convenient hours, however, that meant that time was now broader for work and set challenging targets to keep up with the inflowing workload.

IV. **To identify the daily working practices to keep with the exponential rise in consumers and partners**

As previously mentioned Foodpanda uses KPI to help keep employees motivated. Employees are usually given attainable yet challenging tasks to keep up. Training sessions from Berlin are conducted to keep up-to-date with the online systems and new additions made. Meetings to discuss new changes to implement voiced by the employees to make the work smooth is also a part of a monthly activity that helps customize to the individual country's needs. Employees are also encouraged to come up with personal ideas to make work more efficient.

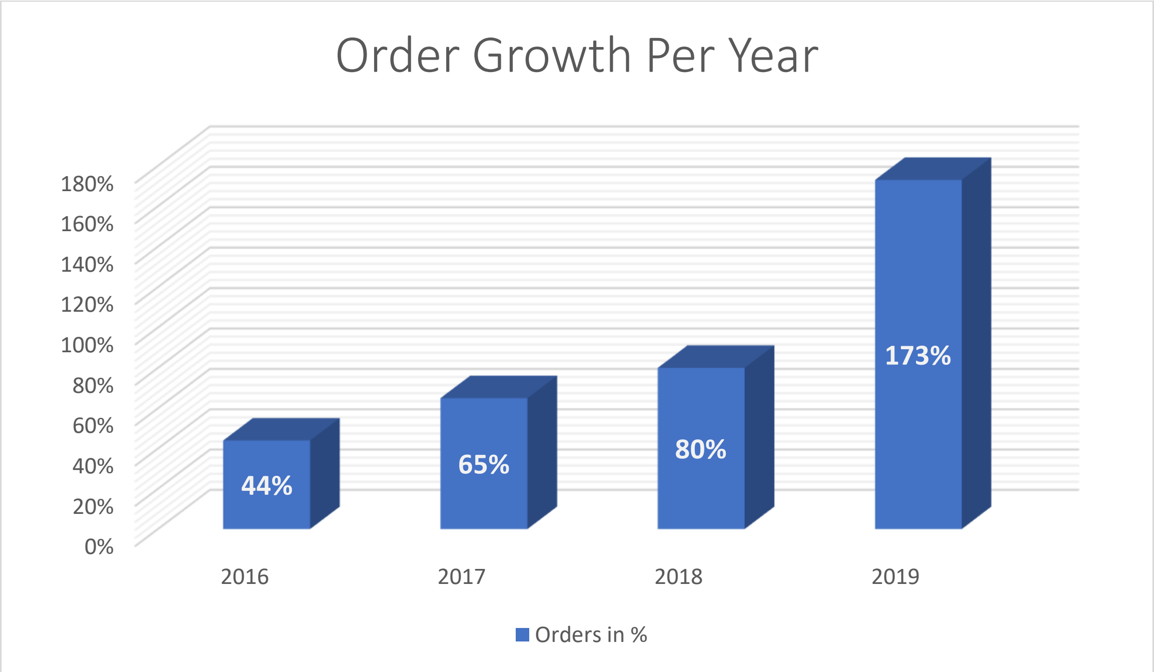

Figure 7: Order growth over the Years

3.3.2 Analysis

The strategy of Foodpanda to play safe when branching out from food has helped their cause in the downturn of COVID. It was fortunate that the three best-growing industries paired with the growth of delivery were under Foodpanda's control. What also helped them was the fact that the market isn't as saturated as developing countries and the consumers and vendors were yet to fully commit to a digital market place. This meant that Foodpanda was one of the few choices for both the parties could adopt that would help them through the lack of mobility without incurring great amounts of costs. Had the company branched out to non-essential goods such as electronics with an already having a base of food, grocery, and pharmacy already established as it now they would still enjoy significant profits as their basic earnings would be secured where even though a lower demand for the product existed would still bring in cash flow from consumers weren't as badly affected as the middle income or lower-income groups.

3.4 Summary and Conclusions

Unfortunately, this study shows that the strategies used by the company weren't the driving factor for their success but the unique situation that Bangladesh is in. A middle ground where the country is half adopted to e-commerce, lack of delivery options from the businesses themselves, or third parties. Just like the rest of the world the company could not predict the situation would arise due to COVID but were saved by the fact they had already set their roots and found themselves in an advantageous position of being a market leader in a lowly competed market. The delivery industry in Bangladesh doesn't have space for more than two big players (Pathao and Foodpanda), which saw Ubereats a multinational brand fail, pack up their business, and leave. Therefore the business model cannot be used elsewhere and is not scalable to avoid crises.

The study tells us that businesses that work in producing and retailing in necessity goods automatically have a buffer to the damage an unforeseen event may bring. Even banks who regularly prepare for the worst situations struggled to keep afloat but the lack of closure of banks showed that the best way to survive any danger is to analyze possible negative outcomes and create a fund to prevent it. Though small companies may not have the cash, a bank owns and needs to focus on immediate problems rather than have the luxury to plan for long term problems.

3.4 Recommendations

Financially Foodpanda doesn't have the capacity to create funds for unexpected losses as we saw in their balance sheets but they could stick to diversifying to essentials goods and services which is also a good defense mechanism.

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