Building Capability & Scalability in the Instant Fulfilment Marketplace - Dialogue with Instant Fulfilment Platforms

As part of the ongoing PEMUDAH program, a dialogue was held with instant fulfilment platforms to identify hurdles that are in instant fulfilment businesses in terms of fulfilment companies serving vendors in F&B as well as Retail arena.

Location	:	Zoom
Date	:	30th November, 2020
Objectives	:	The objective of this paper is to understand what can be done to reduce the pain points faced by F&B as well as Retailers with regards to smaller players that manage businesses online and work within the instant fulfilment segment and to hear out issues that are faced with players who are newly established and do not have the financial capital advantage, geographic scale and other clout-like players with first mover advantages.
Number of people reached out to via call	:	45
Number of people who agreed to attend	:	13
Number of people who attended	:	10

No	Name	H/P Number	Organization
1.	Suresh T	017-2275549	Lashini.my
2.	Suriamall	012-2717776	Shankar
3.	Leon Tang	012-6550419	QuikEats
4.	Mandeep Singh	017-8666647	Frisome by iCan Technologies
5.	Azhar	011-55535872	BungkusIt
6.	Paw Chen Yon	016-3119991	F&B Connects
7.	Thiru	016-2619061	MyMall2U
8.	Alvin Tan	010-4604228	Dropee
9.	Jaden	017-6596679	HUNGRY
10.	Aliments	012-9241126	Lee Aliments

Verbatim Feedback Points

1. Grab and Foodpanda are dominating the market and the way they charge the merchants up to 35% gives them a lot of room to play with, in terms of the backing they can throw, but this ends up costing the restaurants. Both these players have a big consumer base, riders and such. New players aren't allowed to do the same thing as they don't have pockets as big and do not have much to play with in terms of revenue. The total cost for the consumers of Grab is subsidized by the 35% that they charge.

2. Establishments are given the option to go into exclusive agreements with Grab, where the revenue charged will lower to 26%-28%. Some of the smaller players feel like this exclusive arrangement needs to be broken to have an even playing field. However, other players believe that the lawyers of Grab have covered all the bases before signing exclusive agreements with the merchants, thus making it impossible to invalidate these agreements.

3. Consumers these days are reluctant to download new apps, even though it takes less than a minute to do so. Thus, it is easier to get merchants, as they are educated and aware than delivery is important, to come on-board than it is to get users.

4. Performance marketing through Facebook adds and more has been carried out but the establishment did not receive even a single download, so they stopped. Thus, since the percentage charged is very minimum, which is from 2-10%, merchants are encouraged by this establishment to promote their sales through delivery themselves.

5. In efforts to encourage consumers to order from the platform, Aliments create special URL links for merchants to display on social media platforms that customers can click and order easily. The reasoning behind this is that customers do not like disturbance in between of ordering when they want food or are hungry, so Aliments made the user experience only 4-5 clicks. A built-in customer retention system has also been built to provide customers with coupons, cashbacks and more, all of which is sponsored by the merchants themselves.

6. It is easier to get boutique or exclusive merchants on board as they can't pay the big players. Most of them have huge followings, so after customers view their products, they then go on to purchase from the other merchants.

7. To interest users, the platforms need to input a lot of value added services such as customer interaction.

8. User acquisition can be difficult due to the promos given by other platforms as the start-ups aren't able to give their customers promotions.

9. The riders are the biggest players of this platform, but they want persistency and secure daily based costs. The issue is that smaller platforms aren't able to offer them

high pay-outs, whereas the big players can do it due to the high percentages they charge.

10. When a player has money, they can grab market share, and when all the other players die off, they can rule the way they want to. For example, when Uber walked away, the prices immediately changed with Grab, thus proving that this business is a case of who can last the longest.

11. To level the playing field, the smaller players can be given loans, grants and such, but this will not work in the long term.

12. The authorities should legislate against any unfair practices and uphold the law to not be unfair up to the point where the smaller players are killed off.

13. The authorities should also assist the smaller players with advertising to help them reach the market, especially with local merchants. The idea behind this is to present all the smaller players as locals and help them advertise, as advertising is the most expensive part of getting customers. However, this may also cause issues as consumers will only download 1 app.

14. There are two steps to dealing with customers. First is getting them to download your App and the next is getting them to order from your app. The platforms agree that the former is easier than the latter.

15. Some platforms face issues in terms of technical capabilities to fulfil their customer's journey and entire end-to-end consumer experience. To get the point of being seamless and smooth, it is expensive and a lot of money is needed to get right. However, the platforms are aware of it and are trying to work on it. It is expensive because to get your UI right, you will have to rely on hired help. The countries they outsource to include India and Singapore.

16. PENJANA is an active force in terms of helping the platforms move forward. The authorities had given allocations to digitize the SMEs into the digital platforms. The concern for this was that the priority was given to the larger players. PENJANA should focus more on supporting the local players.

17. The government had spent a few hundred million on the e-wallet campaign, all of which was divided to only 3 major players. The smaller platforms believe that the start-ups should at least receive a bit of that funding.

18. These platforms could partner with an integrated app as part of a high traffic site, which channels users to these platforms. The question is if the platforms are willing to share their revenue with this integrated app and if the platforms would be able to charge the merchants extra percentage if the sales come through the website.

19. Some platforms raised the concern that this integrated app would further confuse the users as they would have too many choices. There is also the issue that one

restaurant could be registered with multiple different apps, so the question is which app would receive the order. Choosing the highest ranking restaurant to receive the restaurant circles back to the problems raised with Grab.

20. Platforms also feel like it would be detrimental to control competition in this manner as the platform would not end up being neutral, even though that is the intention of it. Profit-sharing would also not be fair.

21. However, this app would benefit customers as not all platforms deliver to certain locations, so having an integrated app would overcome this issue as the customers will be able to choose the platforms that do deliver to them.

22. From the perspective of platforms that do not have their own fleet, they may lose out by joining this integrated app as their 3rd party delivery platforms will independently join this app as well.

23. The way to be seen and heard is to have multiple points of distribution and being on an agglomerated app allows this, which in turn would increase visibility. However, this will cost the platforms more money as they will have to consider the technology fees, in addition to retaining their databases. They will need to be linked back to them for customer retention, which will be difficult in an integrated app.

24. The authorities could help these platforms from the aspect of database expansion.

25. The platforms require help with getting resources as it is costly for small start-ups to hire full time employees. A tie-up programme with the government where they have a source of individuals looking for jobs, which we can use to find employees who fit ther criteria.

26. The authorities should find a way to help the platforms grow the base of their businesses, whether in terms of merchants, riders, customers, funding or training and they hope to grow themselves from there.

27. Realistically, the platforms feel like the playing field will never be even, so the onus is on them to market themselves in a way that attracts consumers.

28. As for the procurement platforms, the main challenge is time as it takes long to maintain the whole platform and to move forward. They also face the challenge of unstable outlet levels.

29. One of the back practices in the F&B industry is that the supervisors, managers or even the head chef tend to take under table supplies directly from the suppliers. The issue here is that during the rollout until the outlet level and ordering level, procurement platforms face the challenges of this restriction from the buyers to change to their platforms to do the ordering, because they realise that this platform will be transparent and they will no longer be allowed to take under table supplies from the suppliers.

Key Highlighted Issues

1. New players do not have the financial backing that Grab and Foodpanda do, thus causing them to be unable to provide the same incentives for their merchants and riders the way these platforms do.

2. Platforms have tried performance marketing via social media but not many consumers download their apps.

3. The reluctance of consumers to download new or more than one app makes it difficult to acquire customers to order from their platforms.

4. Regulations need to be put in place to put an end to unfair practices as some of the said practices could even kill the smaller players off.

5. Grants, loans and more can be given to the smaller players in an attempt to even the playing field but this will only help them in the short-run.

6. The cost of improving their technical capabilities to be able to provide their customers with a seamless and smooth consumer experience on their websites or Apps is too high as you need to outsource your technical staff.

7. The newer platforms do not receive the same backing in terms of resources and funding from the government that is usually given to the bigger players.

8. The platforms have an issue with hiring full-time employees as it costs too much. The alternative option is to hire interns, but most of the interns usually do not possess the sufficient knowledge required to help better the platforms.

9. The platforms believe that the playing field will never be even, but they should at least be given a chance to get there. The issue here is that they are unable to bear the cost of the marketing funds that are required to attract consumers.

Proposed Action Plan

1. The authorities need to implement legislation to control the platforms from unfair practices.

2. The government should help these platforms in terms of marketing and fundings and should include them more in programs like PENJANA.

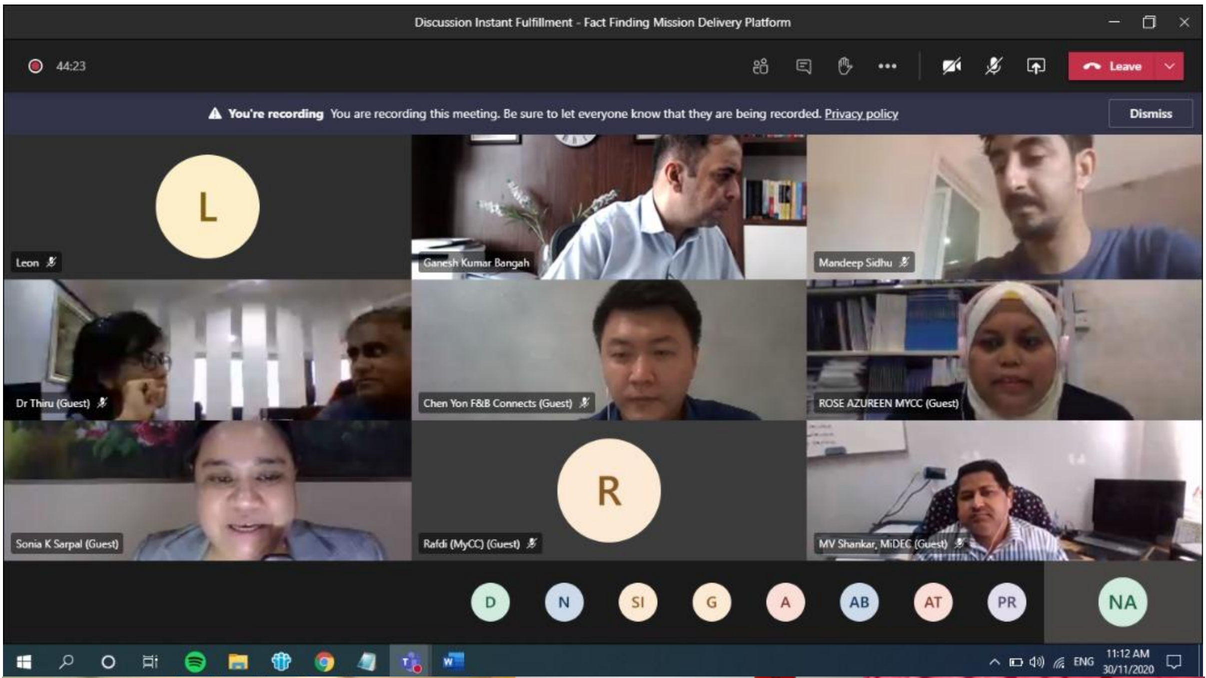
3. The introduction of an integrated app as part of a site that has high traffic, which will be able to direct consumers to these platforms. The consumers will have the choice of all these platforms on a single app. This app would benefit consumers as all the different platforms would be able to cover all locations. This integrated app would also increase the visibility of the platforms.

4. A tie-up programme with the government where they gather a list of all individuals who are looking for a job. These platforms can use the said list to find potential employees that match their requirements.

Saya mengesahkan butiran seperti di lampirkan

Suzana Ismail
Pengurus Kanan (E48)

10 December 202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