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

As part of the ongoing PEMUDAH program, a dialogue was held with restaurants to identify the hurdles faced with the instant fulfilment platforms.

Location	:	Zoom
Date	:	3rd December, 2020
Objectives	:	To identify the issues or challenges faced when dealing with the instant fulfilment marketplaces for a fact finding mission to find ways to help the businesses and to put together a roadmap for the development of this industry.
Number of people reached out to via call	:	45
Number of people who agreed to attend	:	19
Number of people who attended	:	17

No	Name	H/P Number	Organization
1.	Anil Sharma	012-5652676	Chak'z
2.	Aslam Zahari	019-6340294	Pithouz
3.	Atiqah Taff	012-2340405	Serai Group
4.	Zeehan Zahari	012-3215850	Copper
5.	Edmund	018-7767009	Inside Scoop
6.	Johar Jaffar	019-2880209	A&J Grill & Western
7.	Joshua	012-3810366	Espresso Lab
8.	Michael	012-7499663	Marrybrown
9.	Mior Amin	012-642 2896	Mios Kitchen
10.	Muhammad Azimullah	012-6854101	Mohammad Chow
11.	Nick Biaspal	012-3061223	Nick's Tikki's & Taco's
12.	Renyi	012-3459971	MyBurgerLab
13.	Satira	019-3707009	Kek & Co
14.	Syed Naziq Shahabuddin	013-3897449	Kreate
15.	Tony Lim Chin Hau	019-4773119	Boat Noodle
16.	Yaseer Dasuki	019-7286163	Kopiesatu
17.	Ahmad Shukri Shukor	019-3817030	Nasi Ayam Baba

Verbatim Feedback Points

1. The service provided by the instant fulfilment platforms are fine but the issue is the high commission that the merchants need to pay.

2. Grab also requires merchants to pay a monthly fee of RM800 if they want to be on top of the list seen by consumers.

3. 30% of the revenue of businesses is paid to Grab and Foodpanda, if merchants are on both platforms.

4. The cost of paying RM3,000 to keep the merchants in the banner is affordable for the larger merchants, as they have marketing funds, but it causes the smaller merchants to struggle.

5. The merchants do not mind selling their products on a new platform which allows the database of riders to be managed, as long as the platform can deliver the products within half an hour, as it is the optimal time for the delivery of food and beverages.

6. Due to rider issues, even the larger merchants are unable to open up their own apps for delivery.

7. If an omni-channel strategy existed, it would be most important for the customers to be exposed to a relevant payment gateway as the merchants merely just sell their products, so it's not about their comfort.

8. There is a gateway of problems as the delivery process is not just about commission, channels or payment. The omni-channel strategy proposal solves about 90% of the problems faced by merchants, but it has to be determined that the merchants can't be charged too high, as it will discourage them.

9. The smaller players aren't able to scale and compete due to the technical, marketing and operational angles, so the omni-channel strategy is aimed to become a platform that aggregates all the local delivery players, so they can serve the local restaurants.

10. However, the merchants raised the issue that not many people usually hear about the local delivery players. As an example, due to the existence of GrabCar, not many consumers use MyCar, taxis or any other e-hailing platforms. Thus, the omni-channel platform may be enough, but they believe that even if there is local presence, there is no way to control customers.

11. One of the larger merchants pay between 3-5% of their revenue for marketing, which is around 5-7 million. Another merchant, however, stated that they rather not pay for ads because when they grow organically, their consumer base is more targeted.

12. Merchants are unhappy that they pay a lot to GrabFood and Foodpanda but their restaurants tend to disappear among the other restaurants in both apps.

13. GrabFood are still trying various methods on what merchants are happy to pay, but down the road, as it gets more competitive, merchants will realise that it is more efficient to be at the top of the list because the average user does not scroll past more than 30 brands on both GrabFood and Foodpanda.

14. Merchants believe that both GrabFood and Foodpanda should not be charging the same percentage of commission during MCO as they are making a lot of money.

15. The smaller players would like the ability to negotiate the percentage commission with GrabFood and Foodpanda, the way the bigger players are allowed to.

16. The delivery business is about managing the fleets. GrabFood and Foodpanda immediately drop their riders if there’s any form of misbehaviour, so these riders move on to the other smaller delivery platforms, which is where problems arise because these drivers may be problematic.

17. Good networking is the key to getting on the signature list.

18. Making an exclusive deal with GrabFood means locking themselves out from using any other player that comes along. This may or may not be a problem, depending on the size of the merchants.

19. Based on comparison, both Grabfood and Foodpanda offer equally satisfactory levels but the sales are the same and there is not much incremental when the restaurants are not on the signature lists or at the top.

20. From a legal perspective, these two platforms are dominant, and when it’s open to abuse, the competition within the market is distorted.

21. When merchants have a problem with GrabFood and Foodpanda, the larger ones have client relationship managers to handle the situation but the smaller merchants suffer as their messages tend to go into a ‘black box’ and they do not receive a reply for a long time.

22. The merchants require visibility from GrabFood and Foodpanda cause some of them feel like these two platforms do not aid their growth. These merchants claim to only be on it due to the fear of losing out.

23. The merchants have no problem with GrabFood and Foodpanda maintaining their top signature brands, but they want to be helped as well. A suggestion given was a rotation of the smaller brands.

24. If a no-name brand is typed into the search bar of these apps, there are times where the restaurants don't appear. Specific names are needed to be typed in order for these restaurants to appear.

25. Previously, FoodPanda had called a merchant to promote a package where he would have to pay RM2,500 for 3000 likes or clicks on his restaurant, but they could not guarantee there would be conversion sales. After he rejected their offer, he hasn't received any sales from FoodPanda.

26. Merchants would also like to know the operational aspect of the search engines as some merchants are unable to find their restaurants on the list, despite being only 500 metres away from their restaurant.

27. When a merchant reopened their restaurant after renovations, it took 3 weeks for their restaurant to reappear on GrabFood.

28. As the size of GrabFood and Foodpanda has grown very large, lowering the commission percentage will bring new people on board.

29. Since merchants are not allowed to muck-up their prices, some of them sell items that are not on their dine-in menus.

30. Smaller players, such as stalls or restaurants, are unable to involve themselves with GrabFood and Foodpanda as they already have low prices on their products, and having to give 35% of their profits will not help their businesses.

31. When the smaller businesses join the campaigns held by Foodpanda and GrabFood, it's merely for the marketing aspect as they do not gain much profits. They need to increase the prices of their products by a small margin but not all areas have officers or people in charge to allow them to change their prices. However, Foodpanda makes it easier right now to change prices as they are encouraging the smaller players to join them. The 30-40% charge has to be revised or reduced specifically to help the small entrepreneurs, as their businesses will not survive without it.

32. The customers may not have an issue with the high prices because it is convenient for them to get the food delivered to the doorstep but nobody realises that it's the merchants who have to bear the cost and are getting hurt from the commission percentage.

33. One of the merchants refused to join GrabFood and Foodpanda but the implementation of MCO made it compulsory for them to start delivering, so they chose Oodle-In Restaurant Ordering. The issue with Oodle is that they do not receive much exposure in regards to their delivery services.

34. Merchants suggested that instead of providing a large amount of discounts to their customers, Grab and Foodpanda should redirect that budget to the merchants.

35. Merchants believe that there is a great need to make GrabFood and Foodpanda understand that they need to stop fighting each other and instead take care of the merchants' needs by lowering the percentage, at least during MCO.

36. Merchants would like a healthy collaboration with GrabFood and Foodpanda as they don’t mind sharing the space to thrive together.

37. A long term sustainable needs to be put in place and in order for it to be sustainable, it needs to be commercial. Legislating rules to solve the problem will only work as a short-term solution. Thus, a structure needs to be put in place that these two platforms can compete among themselves in a manner that will create lower rates for the merchants.

38. Customers would be willing to make a shift to other delivery platforms that may not be as Hi-Fi as FoodPanda and GrabFood, but do provide service levels that are reasonable.

39. PosMalaysia has logistics in every single town, district or state in Malaysia. They also have riders at their disposal. Thus, merchants believe that the authorities should go into partnership with PosMalaysia to create a delivery platform, where a 10% service charge is provided.

Key Highlighted Issues

1. The commission charged to merchants, which is 35%, is too high. On top of that, merchants are also required to pay a monthly amount of RM800 to be at the top of the list viewed by consumers in the Apps.

2. In order for the merchants to appear on the banner, they have to be RM3,000. This can be afforded by the larger merchants, but the smaller ones struggle as they do not have marketing funds.

3. The merchants realise that their restaurants tend to disappear among the other restaurants in both GrabFood and FoodPanda. They are unable to find their restaurants on lists, despite being in a very close proximity to their locations. The merchants would like to know how the search engine works.

4. The average user scrolls past a maximum of 30 merchants on both apps. Thus, the smaller players are rarely discovered by consumers unless they are found through specific searches.

5. There is not much increase in sales for merchants who are not on the signature brands lists or at the top for some other reason thus proving that GrabFood and Foodpanda does not add to the growth of smaller merchants.

6. The dominance of GrabFood and Foodpanda opens the market to abuse and distorts the competitiveness in the market.

7. After a merchant had rejected an offer from Foodpanda to purchase a promotion package, he stopped receiving any sales from the app.

Saya mengesahkan butiran seperti di lampirkan

Suzana Ismail
Pengurus Kanan (E48)
10 December 2020

Proposed Action Plan

1. As a long term sustainable and commercial plan, the authorities need to introduce and implement a structure that enables Grab and Foodpanda to compete among themselves in a way that creates a lower commission rate for merchants.

2. Grab and Foodpanda should redirect the budget spent on attracting consumers by giving them all sorts of promotions to merchants.

3. The implementation of an omni-channel platform is possible, as long as the platform is able to control and manage a database of riders, who are efficient enough to deliver the products within half an hour. This platform will also be agreed to as long as a relevant payment gateway is provided for the customers. Merchants on these platforms should not be charged a percentage of commission that is unreasonable.

4. There is also the suggestion of turning PosMalaysia into a delivery platform as they already have the available resources such as logistics, riders along with the relevant experience.