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Are Indian Food Delivery Models Broken by Design? A Business Model Critique

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Abstract

The Indian food delivery industry has witnessed explosive growth over the past decade, with platforms like Zomato and Swiggy leading the charge. However, beneath the surface of rising order volumes and aggressive market expansion lies a troubling reality these platforms continue to operate under significant financial strain, with recurring losses, gig worker unrest, and eroding trust from partner restaurants. This research paper critically examines whether the Indian food delivery business model is inherently flawed broken by design and whether its challenges stem not from executional gaps but from structural inefficiencies built into the model itself. Using a qualitative case study approach, supported by secondary data, financial analysis, and theoretical frameworks such as the Business Model Canvas and Porter's Five Forces, the paper dissects the platform driven delivery model across dimensions of customer acquisition, unit economics, stakeholder relationships, and policy alignment. Comparative insights from global players like DoorDash (USA) and Meituan (China) provide context and contrast. The findings suggest that the Indian model's overreliance on discount based growth, absence of viable unit economics, unsustainable gig labour practices, and weak regulatory frameworks contribute to a precarious ecosystem. The paper concludes with recommendations aimed at structural reengineering proposing fairer labour policies, strategic diversification, and regulatory interventions as essential to redesigning a sustainable, resilient food delivery industry in India.

Keywords: Food delivery, Platform, Gig worker, Discount, Business model

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1. Introduction

In recent years, India's food delivery sector has emerged as one of the most dynamic segments of the digital economy. With the rise of urbanization, a growing middle class, and widespread smartphone penetration, platforms like Zomato, Swiggy, and the now-defunct UberEats India rapidly transformed consumer behavior and restaurant operations. What began as a convenience has become a lifestyle especially in metropolitan and Tier-1 cities propelled by app-based ordering, instant gratification, and aggressive marketing.¹

However, this seemingly flourishing ecosystem masks a more fragile reality. Despite high order volumes and extensive geographic expansion, leading food delivery platforms continue to report consistent financial losses, raise capital to

¹ Mohanapriya, P. Geetha. and A. Prasathkumar. (2019). A Comparative Study on Customer Preference Towards Online Food Ordering System and Restaurant with Special Reference to Coimbatore District. *International Journal of Disaster Recovery and Business Continuity*, 11(1), 1326–1332.

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offset operational deficits, and engage in pricing strategies that undermine their own sustainability. Moreover, strained relationships with partner restaurants, ongoing disputes over commission structures, and the exploitation of gig workers who operate in precarious, low paying conditions raise serious questions about the ethical and economic integrity of the model.²

What exacerbates the situation is the absence of strong regulatory oversight in areas such as labour rights, data transparency, food safety compliance, and consumer protection. The platforms, in their race to scale, have leaned heavily on investor capital, aggressive discounting, and algorithmic control over multiple stakeholders creating a system that prioritizes rapid growth over profitability, resilience, and fairness.³

This research paper seeks to investigate whether the Indian food delivery model is structurally flawed broken by design rather than merely suffering from executional or transitional challenges. By deconstructing the platform-based business models through qualitative analysis and case studies of dominant players, the paper will assess core aspects such as revenue generation, cost structure, customer acquisition strategies, gig economy labour practices, and regulatory fit.

The study also draws comparisons with global counterparts such as DoorDash (USA) and Meituan (China), highlighting both shared and divergent structural characteristics. In doing so, it aims to explore whether India's socio-economic and regulatory context necessitates a fundamentally different approach to building sustainable food delivery platforms.⁴

Ultimately, this paper argues that unless Indian food delivery platforms shift from a growth at any cost paradigm to a model based on balanced stakeholder value, operational transparency, and policy alignment, they risk collapsing under the weight of their own contradictions. This critique is not simply a cautionary tale it is a roadmap for rethinking how platform businesses can be redesigned for long-term success in the Indian market.

2. Business Model Analysis

This section deconstructs the Indian food delivery platform business model, with a focus on Zomato and Swiggy, using the Business Model Canvas (BMC) framework. It highlights how structural weaknesses in their design may be contributing to long-term unsustainability, despite short-term growth and market capture.

2.1. Key Partners

1. Restaurants: Core service providers whose menus and kitchens fuel platform offerings. However, high commission rates (20–30%) and loss of direct customer access lead to increasing friction.
2. Delivery Partners: Gig workers responsible for order fulfillment; often underpaid, uninsured, and unsupported.
3. Investors: Crucial to operational continuity, as both platforms rely heavily on capital inflows to offset losses.
4. Cloud Kitchens and Aggregators: Strategic alliances for exclusive offerings.
5. Third-Party Logistics & Payment Gateways: Enable back-end operational support.
6. Government Bodies (e.g., FSSAI): Regulatory compliance is essential, but largely superficial and loosely enforced.

2.2. Key Activities

The core operational activities of Indian food delivery platforms like Zomato and Swiggy revolve around:

a) Order Aggregation and Fulfillment

These platforms act as digital intermediaries, aggregating restaurant menus and making them available to users via mobile apps. Order processing includes real-time coordination among customers, restaurants, and delivery personnel. Delivery logistics involve route optimization, partner allocation algorithms, and coordination with traffic and location-based data.⁵

² Atharva Kulkarni. (2021). Review of Online Food Delivery Industry of India. *International Journal of Engineering and Advanced Technology (IJEAT)*. ISSN: 2249-8958 (Online), Volume-11 Issue-2, December 2021

³ A. Alalwan. (2020). Mobile Food Ordering Apps: An Empirical Study of the Factors Affecting Customer e-Satisfaction and Continued Intention to Reuse. *Int. J. Inf. Manage.*

⁴ Qin, Z., Song, R., Ye, J., Zhu, H. and Jordan, M.I. (2023). KDD-2023 Workshop on Decision Intelligence and Analytics for Online Marketplaces. In *Proceedings of the ACM SIGKDD International Conference on Knowledge Discovery and Data Mining*, 5878–5879. Association for Computing Machinery. doi: <https://doi.org/10.1145/3580305.3599202>

⁵ Mallika Suri. (2024). Swiggy Business Model & Growth Strategy. Growthx. Retrieved from <https://growthx.club/blog/swiggy-business-model>.

b) Technology Development and App Maintenance

Significant resources are directed toward maintaining a robust, scalable app infrastructure capable of handling high traffic, multiple payment options, and features such as live tracking, order customization, and real-time ratings. AI/ML algorithms are employed for order prediction, personalized recommendations, and fraud detection.⁶

c) Customer Acquisition and Retention

This includes launching frequent promotional campaigns (discounts, free delivery, festival offers), maintaining loyalty programs (like Zomato Gold/Pro, Swiggy Super), and pushing app notifications to drive repeat usage. Influencer marketing, social media engagement, and in-app gamification are also part of this activity.⁷

d) Vendor Onboarding and Relationship Management

Platforms invest in acquiring and managing a large portfolio of restaurants, including cloud kitchens. They provide onboarding support, access to delivery logistics, and data dashboards but often without transparency in how visibility or ranking is algorithmically determined.

e) Customer Service

This involves managing refunds, complaints, order issues, and delivery delays through a combination of AI chatbots and human agents. However, poor customer support quality often frustrates users and affects brand loyalty.

While these activities are operationally intensive and digitally sophisticated, the lack of innovation beyond scaling especially in product development, vertical integration, or value-added services leaves the platforms vulnerable to disruption and stagnation.

2.3. Value Propositions*a) To Consumers*

- One-stop access to a wide variety of cuisines and restaurants.
- Doorstep convenience with real-time tracking and flexible payment.
- Affordable access to premium restaurants through offers and memberships.
- Cashback, loyalty rewards, and gamified discounts.

b) To Restaurants

- Increased order volumes and digital visibility.
- Access to delivery infrastructure without owning logistics.
- Insights from consumer data analytics.

c) To Delivery Partners

- Income opportunities with low entry barriers (no educational or licensing requirements).
- Flexible work hours and gig-based earning.
 - Consumers: Value is deeply tied to discounts, not loyalty or quality.
 - Restaurants: Many experience shrinking margins due to high commissions and loss of direct customer control.
 - Delivery Partners: Exploited through fluctuating payouts, algorithmic pressure, and lack of protections like health insurance or grievance redressal.

Thus, while value is created, it is unsustainably extracted, undermining long-term trust across stakeholder groups.

2.4. Customer Segments

Food delivery apps cater to a diverse urban demographic, including:

- Young professionals and students in metros and Tier-1 cities.

⁶ Aditya Shashtri (2024). In-depth Business Model of Zomato – 360 Degree Analysis. IIIDE. Retrieved from <https://iide.co/case-studies/business-model-of-zomato/>

⁷ Id

- Busy households seeking convenience over home cooking.
- Corporate clients using platforms for team lunches or event catering.
- Tier-2 and Tier-3 market aspirants, especially during pandemic-driven digital adoption.

The customer base is highly price-sensitive, leading to shallow loyalty. Retention is heavily reliant on continuous promotional incentives, making it unsustainable as platforms struggle to cut back on discounts without losing users.⁸

2.5. Customer Relationships

Automated, app-driven interactions have become the norm on food delivery platforms, offering convenience but limiting deeper engagement. These platforms often provide personalized order suggestions based on users' purchase history and preferences, and they maintain incentive-based relationships through rewards systems and discount coupons. However, the lack of human engagement restricts the development of an emotional connection with the brand. As a result, these platforms foster transactional rather than community-driven or value-based loyalty.⁹ Consequently, even minor changes in pricing or service quality can lead to customer churn, highlighting the fragile nature of customer retention in such models.

2.6. Channels

Food delivery platforms primarily rely on mobile apps as their main interface, while also offering web platforms for desktop users. They utilize in-app advertisements, push notifications, SMS, and emails to drive promotions. Additionally, digital marketing strategies involve influencers and social media campaigns, complemented by offline promotions through partner events or QR code branding. Despite their strong digital presence across multiple channels, monetization of these channels remains weak. This is largely due to low conversion rates from advertisements and a consumer base that has been conditioned to expect frequent discounts and offers.¹⁰

2.7. Key Resources

Food delivery platforms operate on a robust technology stack that includes backend servers, real-time tracking systems, machine learning-based order matching, and scalable databases. They enjoy strong brand equity with high recall and top-of-mind presence, particularly in urban India. Their delivery fleet, composed largely of gig workers, serves as the most visible aspect of the customer experience. Additionally, user and restaurant data form the backbone of their personalization efforts, algorithmic efficiency, and dynamic pricing models. However, the most human-intensive component the delivery workforce remains underdeveloped and frequently over-exploited. Moreover, the absence of intellectual property or proprietary food products weakens these platforms' defensibility when compared to vertically integrated competitors with more control over their offerings.¹¹

2.8. Cost Structure

Food delivery platforms incur significant costs across various operational areas. Key expenses include payouts to gig workers and vehicle maintenance subsidies under logistics, as well as heavy spending on discounts and promotions aimed at user acquisition and retention. Marketing and advertising costs both digital and offline also form a substantial part of their budget. On the technical side, maintaining the app, servers, and overall tech infrastructure adds to the financial load. Salaries for corporate teams across departments such as sales, technology, customer service, and operations further contribute to operational expenditure. Additionally, platforms pay third-party fees for services like payment processing, packaging, and legal support. When factoring in these costs, particularly discounts and delivery subsidies, platforms often operate on negative contribution margins per order. Without continuous infusion of venture capital, most would face cash-flow deficits, raising serious concerns about their long-term financial sustainability.¹²

⁸ Sandeep Kumar Sahu. (2021). Segmentation at Swiggy — Part 1. Swiggy Bytes — Tech Blog. Retrieved from <https://bytes.swiggy.com/segmentation-at-swiggy-part-1-d9566ab1a442>

⁹ Meenakshi, N. (2023). When Do We Eat? Food Ordering Platform Strategies. *Journal of Business Strategy*, 44(3), 136–144. doi: <https://doi.org/10.1108/JBS-11-2021-0187>

¹⁰ Zomato Annual Report 2023-24. Retrieved from chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://b.zmtcdn.com/investor-relations/Zomato_Annual_Report_2023-24.pdf

¹¹ *Id*

¹² Patamsetty, SaiVyomini, Case Study on Zomato (December 11, 2022). Available at SSRN: <https://ssrn.com/abstract=4299232> or <http://dx.doi.org/10.2139/ssrn.4299232>

2.9. Revenue Streams

Food delivery platforms primarily generate revenue through commissions charged to restaurants, typically ranging from 15% to 30% per order. Additional income sources include delivery fees, which are often waived or kept nominal, resulting in inconsistency and limited revenue contribution. Restaurants also pay for in-app advertising to enhance their visibility on the platform. Subscription models like Zomato Gold/Pro and Swiggy One offer users benefits such as free delivery and exclusive deals in exchange for a recurring fee. Some platforms have also ventured into cloud kitchens and B2B logistics, though these remain experimental and limited in scale.¹³ A smaller portion of revenue comes from corporate orders placed by enterprise clients. However, this heavy reliance on restaurant commissions has led to growing tensions between platforms and their partner restaurants. Moreover, alternative revenue streams are not yet mature or profitable enough to compensate for the losses incurred through aggressive discounting and rising delivery costs.¹⁴

Strengths	Weaknesses
Strong brand recall	Poor unit economics
High order volume	Dependency on VC funding
Advanced tech platform	High delivery/logistics cost
First-mover advantage	Weak gig worker protections
Opportunities	Threats
Diversification into grocery, cloud kitchens	Regulatory intervention (labour, tax)
Premiumization of services	Rising restaurant resistance
Tier-2 and Tier-3 market expansion	Consumer fatigue due to lower discounts
Integration with fintech and loyalty ecosystems	Gig worker strikes and legal challenges

The business model of Indian food delivery platforms appears fundamentally imbalanced:

- Unit economics are unsustainable, with costs outpacing monetizable revenues.
- Stakeholder relationships (restaurants, workers, and even consumers) are built on fragile incentives rather than mutual value.
- Scale has been prioritized over resilience, and unless major structural changes are introduced, the platforms risk perpetual dependence on investor capital, or eventual market consolidation through failure.¹⁵

Next, we will evaluate international benchmarks to understand whether other models offer workable solutions to these structural flaws.

3. Why the Model May Be Broken

Despite rapid user adoption, massive capital inflows, and technological sophistication, Indian food delivery platforms face persistent challenges that raise fundamental questions about the viability and sustainability of their business models. These problems are not merely operational they are structural and systemic, indicating that the models may be broken by design.¹⁶

3.1. Flawed Unit Economics

At the heart of the problem lies a negative contribution margin per order. The total cost of acquiring, servicing, and delivering an order is often higher than the revenue earned.¹⁷ Consider the typical breakdown:

¹³ Gupta, S. and Prashar, S. (2023). Zomato.com: 10-min delivery. *Emerald Emerging Markets Case Studies*, 13(4), 1–24. doi: <https://doi.org/10.1108/EEMCS-04-2023-0095>

¹⁴ Aniruddha Deshpande. (2016). Zomato - Market and Consumer Analysis, *International Journal of Advance Scientific Research and Engineering Trends*, 1(6), 146-152. Retrieved from <https://bit.ly/2E1Llkt>

¹⁵ Kanteti, V.L. (2018). Innovative Strategies of Startup Firms in India: A Study on Online Food Delivery Companies in India. *International Research Journal of Management Science & Technology IRJMST*, 9(3).

¹⁶ Kulkarni, A. (2021). Review of Online Food Delivery Industry of India. *International Journal of Engineering and Advanced Technology*, 11(2), 75–77. <https://doi.org/10.35940/ijeat.b3317.1211221>

¹⁷ *Ibid.*

- Average order value (AOV): 300–400
- Commission from restaurants: ~20–25%
- Delivery cost per order: 60–90
- Customer acquisition/retention cost (discounts, marketing): 30–60
- Tech and admin overheads: 10–15

Even with a high commission and nominal delivery fee, the platforms often lose 15–50 per order. The model assumes that scale will solve profitability that once enough users are on board, discounts can be reduced and delivery costs optimized. However, Indian consumers are extremely price-sensitive, and any withdrawal of incentives leads to a drop in orders and loyalty.¹⁸

3.2. *Over-Reliance on Discounting and Promotions*

Customer loyalty on Indian food delivery platforms is largely driven by incentives rather than the overall user experience. These platforms have cultivated a consumer base that typically orders only during promotional windows, such as 100 discounts or 1+1 meal deals. Users frequently switch between apps based on the availability of promo codes and coupons, and they often compare the cost of dining in at a restaurant versus ordering through the platform before making a decision. This behavior promotes unsustainable consumption patterns. When platforms attempt to cut back on discounts to improve profitability, many users either migrate to competitors or stop ordering altogether, leading to a drop in order volume and revenue. As a result, platforms are caught in a vicious cycle where they must continuously spend on promotions to maintain relevance and customer engagement, despite the financial strain.¹⁹

3.3. *Adversarial Relationship with Restaurants*

What initially started as a partnership between food delivery platforms and restaurants has gradually evolved into a clear power imbalance. Restaurants are required to pay commissions as high as 25–35% just to be listed and remain competitive on these platforms. Despite their central role in the value chain, they have little to no access to user data, order insights, or control over how they appear within the app.²⁰ Furthermore, dynamic pricing mechanisms and algorithm-driven rankings often prioritize premium partners or those who pay additional fees for advertising and enhanced visibility, further disadvantaging smaller or independent establishments.²¹

This leads to:

- Eroded profit margins for restaurants
- Ghost kitchen competition from the same platforms (e.g., Zomato's Hyperpure or Swiggy Access)
- Restaurants creating their own apps or joining alternative aggregators to bypass dominant players

In short, the platforms have become gatekeepers, not enablers straining the ecosystem they depend on.

3.4. *Gig Worker Exploitation and Unrest*

Delivery partners are the backbone of the food delivery ecosystem, yet they function under highly precarious conditions. Their income is unpredictable and largely dependent on variables like peak hours, weather-based incentives, and delivery distance. These workers are not formally employed, meaning they lack job security, health benefits, provident fund contributions, or other employment protections. Moreover, they face relentless pressure from algorithmic performance tracking systems that monitor metrics such as time-to-pickup and cancellation rates. Growing dissatisfaction with these conditions has led to strikes in major cities like Delhi, Bangalore, and Hyderabad. While the gig economy model offers

¹⁸ Md Zakariya Khan (2025). Zomato Adds New Charges for Long-distance Deliveries; Restaurants Unhappy. June 04, 2025. *Business Standard*. Retrieved from https://www.business-standard.com/companies/news/zomato-long-distance-delivery-fee-restaurant-backlash-125052200406_1.html

¹⁹ Varuni Khosla (2019). Why Restaurants and Aggregators are Locking Horns Over Discounts. August 31, 2019. *Economic Times*. Retrieved from https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/why-restaurants-and-aggregators-are-locking-horns-over-discounts/articleshow/70916348.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

²⁰ Anirudha Yerunkar (2025). Bad news for Zomato, Swiggy as restaurants get angry with food delivery giants for...., Deepinder Goyal says.... March 3. *India.com*. Retrieved from <https://www.india.com/business/bad-news-for-zomato-swiggy-as-restaurants-get-angry-with-food-delivery-giants-for-data-usage-deepinder-goyal-says-demand-increased-7651415/>

²¹ Anay Mehrotra (2022). Unfair Business Practices by Food Delivery Platforms: An Analysis of the Competition Commission's Assessment. October 11. *Law School Policy Review*. Retrieved from <https://lawschoolpolicyreview.com/2022/10/11/unfair-business-practices-by-food-delivery-platforms-an-analysis-of-the-competition-commissions-assessment/>

scalability for platforms, it remains socially unsustainable and is increasingly facing regulatory scrutiny.²² If proposed changes under India's Code on Social Security are enforced, mandating benefits and protections for gig workers, the cost structures for food delivery platforms could rise significantly, challenging their existing business models.²³

3.5. Investor Dependence and Cash Burn

Over the past decade, both Zomato and Swiggy have raised billions of dollars in funding, not to generate profits, but primarily to fuel growth. These funds have been used to acquire users, subsidize deliveries, and build brand loyalty through aggressive giveaways and discount campaigns. Additionally, the platforms have expanded into non-core areas such as grocery and meat delivery, further stretching their resources. This growth-at-any-cost strategy has resulted in constant cash burn, making the platforms heavily reliant on external capital for survival. This creates an artificial business environment where sustainability is sidelined. As venture capital investors increasingly prioritize profitability over rapid expansion, the current model faces significant risk. Unless there is a drastic improvement in unit economics, the long-term viability of these platforms remains uncertain.²⁴

3.6. Limited Product or Brand Differentiation

Despite differences in user interface and user experience, both Zomato and Swiggy essentially offer the same core service. They feature largely the same set of restaurants, similar pricing structures, and comparable delivery speeds. As a result, there is no true product moat that differentiates one platform from the other. The switching costs for users are minimal, leading to a highly commoditized market environment. In such a landscape, customer loyalty is driven almost entirely by promotional offers and marginal conveniences, making it difficult for either platform to build long-term, experience-based user retention.²⁵

3.7. Regulatory and Legal Headwinds

As these platforms expand, they face growing regulatory scrutiny:

- FSSAI compliance is weakly enforced but could tighten.
- Consumer complaints related to wrong or unhygienic deliveries have surged.
- Antitrust concerns are being raised about preferential treatment and unfair terms with restaurants.
- Labour laws may soon classify gig workers as formal employees raising costs.

These legal and compliance challenges expose the fragility of a model that was built rapidly but without long-term safeguards.

3.8. Market Saturation and Slowed Growth

Following the pandemic, Tier-1 cities in India are approaching a saturation point in terms of order volume growth on food delivery platforms. As a result, these companies have increasingly turned their attention to expanding into Tier-2 and Tier-3 markets. However, this expansion presents significant challenges. In these smaller cities and towns, the average order value (AOV) tends to be considerably lower, reducing the revenue potential per transaction. Additionally, delivery distances are often longer due to less dense urban layouts and infrastructure, which raises logistical costs and delivery times.²⁶ Compounding these issues is the relative scarcity of high-value or premium restaurant partners, which limits the attractiveness of the platforms to a broader consumer base in these regions.

These factors collectively stunt the future growth potential of food delivery businesses and erode investor confidence in the ambitious market expansion projections often touted by these companies. The Indian food delivery model, in its current form, suffers from fundamental design flaws that undermine its sustainability. At its core is a "burn-to-grow" strategy an aggressive approach that prioritizes rapid customer acquisition and market share over immediate profitability.

²² Dr Gayatri Nair. (2020). Gig Economy and the Law After Covid: Introduction to the Theme. *Law School Policy Review*, August 15. Retrieved from <https://lawschoolpolicyreview.com/2020/08/15/gig-economy-and-the-law-after-covid-introduction-to-the-theme/>

²³ Kumar, Aditya. and Sahu, Radheshyam. (2024). *The Growing Gig Economy - Prospect and Challenges*, October 18. Available at SSRN: <https://ssrn.com/abstract=5096475>

²⁴ JM Financial Report. (2020). Online Food Delivery: A fading battle of 'capital burn'. JM Financial Institutional Securities Limited. August 10. Retrieved from chrome-extension://efaidnbmnnnibpcajpegglefindmkaj/https://www.jmflresearch.com/JMnew/JMCRM/analystreports/pdf/%5BJMFL%5D%20Internet_Online%20Food%20Delivery_10August2020.pdf

²⁵ *Ibid.*

²⁶ Nithin, N. (2024). A Study on the Financial Impact of Food Delivery Apps on Restaurant Businesses with Special Reference to the South Bangalore Region. *International Journal of Research Publication and Reviews*. 5(5), 9298-9304, Retrieved from <chrome-extension://efaidnbmnnnibpcajpegglefindmkaj/https://ijrpr.com/uploads/V5ISSUE5/IJRPR28409.pdf>

This strategy assumes that profitability will eventually emerge, but it does so without implementing meaningful structural reforms to the underlying business.²⁷

Additionally, the model is marked by conflicted relationships with two critical stakeholders: restaurants and delivery workers. Restaurants are burdened by high commission rates and limited control over their data and visibility, leading to strained partnerships. Meanwhile, delivery workers operate under precarious conditions with little job security or benefits, resulting in labour unrest and increasing regulatory scrutiny. Together, these tensions expose vulnerabilities in the entire value chain, which remains heavily dependent on continuous investor funding. Without sustained financial backing, the system risks collapse.²⁸

To ensure long-term viability, the food delivery ecosystem in India must be radically reimagined. This requires fairer revenue-sharing arrangements with restaurant partners to foster healthier collaborations, improved worker protections and benefits to create a more sustainable gig economy, and ongoing product innovation to differentiate offerings and enhance user experience.²⁹ Crucially, the model must also reduce its dependence on external capital and shift toward genuine profitability. Without such transformative changes, the industry faces not just disruption by competitors or new technologies but the possibility of systemic collapse.

4. Attempts to Repair

Recognizing the structural issues threatening their sustainability, Indian food delivery platforms have undertaken various initiatives aimed at repairing their broken business models. These attempts focus on improving unit economics, stakeholder relationships, technology innovation, and regulatory compliance. However, the effectiveness and scalability of these efforts remain mixed.³⁰

4.1. Shift Towards Subscription Models and Loyalty Programs

To reduce dependence on costly discounts and promotions, platforms like Zomato Gold/Pro and Swiggy Super have introduced subscription services offering benefits such as:

- Free or discounted delivery
- Exclusive offers on premium restaurants
- Priority customer support

These programs aim to create predictable recurring revenue streams and foster customer loyalty beyond one-time discounts.³¹

Effectiveness and Challenges: While subscription models help reduce the discount-driven churn, they have limited penetration mostly among urban, high-frequency users. Many users remain price-sensitive and unwilling to pay upfront fees, limiting scale. Moreover, subscription benefits often cannibalize existing promotional strategies without significantly improving profitability.

4.2. Optimizing Delivery Logistics Through Technology

Platforms have heavily invested in:

- AI-based route optimization to reduce delivery times and costs.
- Dynamic pricing of delivery fees based on distance, demand, and traffic conditions.
- Batching orders in nearby locations to increase delivery efficiency.
- Improved real-time tracking and communication tools for delivery partners and customers.³²

²⁷ Raghav Aggarwal. (2025). Swiggy, Zomato face rising costs amid slowing growing in food delivery biz. February 6. Financial Express. Retrieved from https://www.financialexpress.com/business/industry-swiggy-zomato-face-rising-costs-amid-slowing-growing-in-food-delivery-biz-3740121/?utm_source=chatgpt.com

²⁸ Kaveri Medappa, Rajorshi Ray and Mohd. Sajjad Hussain. (2020). Confronting Precarious Work Beyond social security for platform workers. The India Forum. October 7. Retrieved from <https://www.theindiaforum.in/article/confronting-precarious-work>

²⁹ *Ibid.*

³⁰ The Gig Trap Algorithmic. (2025). Wage and Labor Exploitation in Platform Work in the US. May 12. Human Rights Watch. Retrieved from <https://www.hrw.org/report/2025/05/12/gig-trap/algorithmic-wage-and-labor-exploitation-platform-work-us>

³¹ CNBCTV18.com. (2025). How cashback and loyalty programs shape food delivery spending. April 21. Retrieved from <https://www.cnbctv18.com/personal-finance/cashback-loyalty-programs-food-delivery-spending-discounts-credit-cards-19591990.htm>

³² Ravi Singh. (2021). Re-Architecting Swiggy's logistics systems. February 15, 2021. Swiggy Bytes — Tech Blog. Retrieved from <https://bytes.swiggy.com/re-architecting-swiggy-logistics-systems-ddf301a29fa0>

These technological upgrades aim to reduce operational costs and enhance the customer experience.

Effectiveness & Challenges: Though logistics optimization improves marginal cost efficiency, the overall delivery cost per order remains high due to India's urban congestion, unpredictable traffic, and last-mile challenges. Furthermore, increased complexity sometimes leads to delivery delays or cancellations, frustrating users and partners.³³

4.3. Expanding into Cloud Kitchens and In-house Food Preparation

Both Zomato and Swiggy have launched cloud kitchen initiatives—centralized kitchens that prepare food exclusively for delivery, often operated in partnership with brands or independently.

- These kitchens enable better cost control, standardized quality, and faster preparation.
- Platforms capture a larger share of the value chain, moving beyond just delivery.

Effectiveness & Challenges: Cloud kitchens are capital intensive and require strong operational expertise. While some have seen success in metros, many face challenges like real estate costs, quality control, and replicating brand loyalty. Also, platforms risk alienating partner restaurants by competing directly.³⁴

4.4. Strengthening Restaurant Partnerships

Recognizing tensions with restaurant partners, platforms have begun:

- Offering tiered commission models based on restaurant size and sales volumes.
- Introducing transparent dashboard analytics to help restaurants track orders and customer preferences.
- Providing marketing support and training to improve digital presence.
- Piloting direct payment settlements to improve cash flow for restaurants.

Effectiveness & Challenges: Though these measures improve goodwill, the fundamental power imbalance remains. High commissions persist, and restaurants have limited bargaining power, leading to continued dissatisfaction. Many are diversifying their presence across multiple platforms or building proprietary ordering systems.³⁵

4.5. Improving Delivery Partner Welfare

With growing protests and regulatory pressure, platforms have started:

- Offering accident insurance and limited health coverage.
- Introducing performance-based incentives with greater transparency.
- Deploying training programs for safety and customer service.
- Creating grievance redressal mechanisms.

Effectiveness & Challenges: These efforts are positive but still far from providing full employee benefits or job security.³⁶ The gig economy's inherently flexible yet precarious nature limits the scope of welfare. New labour laws may force platforms to revise their employment models entirely, increasing costs.³⁷

4.6. Diversification into New Revenue Streams

To reduce over-dependence on restaurant commissions, platforms are:

- Expanding into grocery and essentials delivery (Swiggy Genie, Zomato Market).
- Developing B2B logistics services for small businesses.
- Offering in-app advertising and featured listings for restaurants.

³³ Aryan Sirohi. (2025). Optimizing Delivery Time and Customer Satisfaction: A Data-Driven Analysis of Zomato's Logistics Operations. *International Journal of Research Publication and Reviews*, 6(5), 16831-16834. Retrieved from <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://ijrpr.com/uploads/V6ISSUE5/IJRPR47081.pdf>

³⁴ Swiggy Explorer. (2024). Food on Demand: The Rise of Cloud Kitchens. March 16. Swiggy Diaries. Retrieved from <https://blog.swiggy.com/food/food-on-demand-the-rise-of-cloud-kitchens/>

³⁵ Swiggy Explorer. (2024). *Partner with Swiggy: A Complete Guide*, March 23. Swiggy Diaries. Retrieved from <https://blog.swiggy.com/food/complete-guide-to-partner-with-swiggy/>

³⁶ Deeksha Tiwari. (2024). Swiggy Launches Nationwide 'Delivering Safely' Charter for Delivery Partner Safety. March 18. Restaurantindia.in. Retrieved from <https://www.restaurantindia.in/news/swiggy-launches-nationwide-delivering-safely-charter-for-delivery-partner-safety.n11153>

³⁷ Anjali Kumar (2024). Delivery Partner Well-being – Introducing a framework to guide our efforts. Zomato Blog. Retrieved from <https://blog.zomato.com/delivery-partner-well-being-introducing-a-framework-to-guide-our-efforts>

- Testing corporate catering and meal plans for offices.

Effectiveness & Challenges: While diversification can stabilize revenue, these verticals are also highly competitive and low-margin. Success depends on scale and operational excellence, and they do not directly address the fundamental issues in the core food delivery model.

4.7. Focus on Tier-2 and Tier-3 Market Penetration

Platforms are aggressively expanding beyond metros to tap into:

- Smaller cities with rising smartphone penetration.
- Newly digitized customer bases post-pandemic.
- Localized cuisine options and partnerships.
- They offer region-specific marketing and promotions to build early loyalty.

Effectiveness & Challenges: Lower average order values and less dense restaurant ecosystems make profitability challenging. Delivery distances and infrastructure bottlenecks raise costs. It remains uncertain whether these markets can sustain growth at scale.³⁸

4.8. Regulatory Compliance and Proactive Engagement

To preempt stricter regulations, platforms have:

- Strengthened food safety compliance via technology and audits.
- Engaged with government bodies for self-regulation frameworks.
- Adopted transparent pricing and data policies in line with consumer protection norms.

Effectiveness & Challenges: Proactive compliance helps build trust but adds to operating expenses. Enforcement remains inconsistent across states, complicating uniform rollout. Non-compliance incidents continue to create reputational risks.³⁹

Indian food delivery platforms are actively working to repair their fractured business models by pursuing innovations across several key areas, including customer engagement, technology, stakeholder welfare, and revenue diversification. Despite these efforts, many of the initiatives tend to address surface-level symptoms rather than tackling the fundamental root causes that have long undermined the industry's sustainability.⁴⁰

For instance, while the heavy reliance on discounting remains a persistent issue, it has been somewhat softened through the introduction of subscription models that offer users benefits like free delivery and exclusive deals. On the logistics front, improvements such as optimized routing and better fleet management have helped to reduce delivery costs, but they have not succeeded in eliminating the underlying expense challenges that continue to weigh heavily on margins. Meanwhile, tensions with key stakeholders including restaurants and delivery workers persist largely due to entrenched structural power imbalances that leave these partners with limited control and insufficient protections.⁴¹

Additionally, the platforms face significant regulatory risks, as emerging labour laws and compliance requirements impose additional operational costs and complexity. These regulatory pressures further threaten the already thin margins and require substantial investment to manage effectively.⁴²

Ultimately, achieving sustainable profitability in the Indian food delivery sector will demand a much more radical and holistic rethinking of the entire ecosystem. This involves rebalancing how value is captured and shared among stakeholders, improving labour protections to create a fairer and more sustainable workforce model, driving genuine innovation in product and service offerings to create meaningful differentiation, and evolving toward more integrated

³⁸ *Ibid.*

³⁹ Ali Mehdi, Priyanka Tomar, Divya Chaudhry and Pallavi Joshi. (2019). Streamlining Food Safety Compliance Ecosystem in India: Facilitating Ease of Doing Business in India's Food Sector. *Streamlining Food Safety Compliance Ecosystem in India*. Indian Council for Research on International Economic Relations (ICRIER), PrintShoot, Gurugram. Retrieved from https://icrier.org/pdf/Streamlining_Food_Safety_Compliance_Report.pdf

⁴⁰ Rise of food delivery apps and the need to strengthen regulation. Money Control. July 14, 2019. Retrieved from https://fssai.gov.in/upload/media/FSSAI_NEWS_Delivery_MoneyControl_15_07_2019.pdf

⁴¹ *Ibid.*

⁴² Swati Raghuvanshi. (2024). Licenses Required For Food Delivery Business In India. *StartupFino*, March 1. Retrieved from <https://www.startupfino.com/blogs/licenses-required-for-food-delivery-business-in-india/#:~:text=The%20full%20name%20of%20FSSAI,registered%20for%20an%20FSSAI%20licence.>

and resilient business ecosystems. Only through such comprehensive transformation can these platforms hope to move beyond perpetual cash burn and build a truly viable long-term future.⁴³

5. Global Comparisons

To understand the challenges and potential solutions for Indian food delivery platforms, it is instructive to compare their business models with those operating in other major markets worldwide. While the core concept connecting consumers with food providers via digital platforms is universal, significant differences in market maturity, regulatory environment, consumer behavior, and operational strategies lead to varying outcomes in profitability, sustainability, and growth.

5.1. United States: Diversification and Market Consolidation

The US market, led by platforms like DoorDash, Uber Eats, and Grubhub, is among the most mature globally.

- **Profitability Focus:** DoorDash, for instance, recently reported achieving adjusted profitability at the EBITDA level in select quarters by optimizing delivery fees and reducing subsidies.
- **Diversified Revenue Streams:** U.S. platforms have expanded aggressively into grocery delivery, convenience stores, alcohol, and even meal kits, reducing reliance on restaurant commissions alone.
- **Robust Regulatory Environment:** labour laws, such as California's AB5, have forced gig economy players to reclassify drivers, pushing platforms toward hybrid employment models or higher pay rates.
- **Technological Edge:** Advanced route optimization, predictive analytics, and AI-driven customer personalization enhance operational efficiency.⁴⁴

Lessons for India:

- Diversification beyond restaurant delivery is critical for sustainable revenue.
- Strong regulatory frameworks force platforms to innovate on labour models, increasing costs but improving social sustainability.
- Profitability requires fine balance between customer acquisition costs and delivery charges.

5.2. China: Super Apps and Ecosystem Integration

In China, food delivery is dominated by Meituan Dianping and Ele.me (Alibaba-backed).

- **Super App Strategy:** Platforms are integrated into super apps offering ride-hailing, hotel booking, e-commerce, and payments—creating a one-stop ecosystem that increases customer stickiness and cross-selling.
- **Scale and Speed:** With a massive urban population, platforms achieve unparalleled delivery density and speed, often within 30 minutes.⁴⁵
- **Heavy Subsidies and Competition:** The market has seen intense subsidy wars, leading to cash burn, but Meituan's scale helped it dominate and consolidate the market.⁴⁶
- **Investment in Automation:** Use of delivery robots, drones, and automated kitchens is accelerating.

Lessons for India:

- Ecosystem integration can drive customer retention and increase lifetime value.
- Automation investments may reduce delivery costs long term.
- However, achieving China-level scale and density is challenging due to India's geography and infrastructure.

⁴³ Parthik Choudhary. (2020). Legal Framework of Start-ups in India (Zomato: A Case Study) . *International Journal of Legal Science and Innovation*, 3(3), 230-234. doi: <https://doi.org/10.10000/IJLSI.11710>

⁴⁴ Kabir Ahuja and Vishwa Chandra. (2021). Victoria Lord, and Curtis Peens. Ordering in: The rapid evolution of food delivery, September 22, McKinsey & Company Article. Retrieved from <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/ordering-in-the-rapid-evolution-of-food-delivery>.

⁴⁵ Yiyun Gong, and Jiale Zhang. (2024). Worker exploitation in the case of food delivery platforms in China. June. School of Economics and Management, Lund University. Retrieved from <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://lup.lub.lu.se/luur/download?func=downloadFile&recordId=9156686&fileId=9156692>

⁴⁶ Jane Zhang and Minghe Hu. (2020). Meituan, Ele.me relax food delivery time targets after backlash over risky conditions for riders. South China Morning Post. September 9. Retrieved from <https://www.scmp.com/tech/apps-social/article/3100847/eleme-give-customers-option-wait-longer-food-deliveries-after>.

5.3. Europe: Regulatory Compliance and Niche Markets

European platforms such as Just Eat Takeaway and Delivery Hero operate in a fragmented regulatory environment.

- Labour Rights: Strong labour protections have led to classification of delivery workers as employees rather than contractors in many countries, significantly increasing operating costs.
- Market Consolidation: Platforms have merged or exited markets to reduce competition and improve margins.
- Focus on Quality and Experience: Many platforms emphasize food quality, customer service, and premium offerings rather than price wars.⁴⁷
- Local Partnerships: Collaboration with local restaurants and regulatory bodies is prioritized.⁴⁸

Lessons for India:

- Regulatory compliance and worker protections, though costly, improve sustainability and brand reputation.
- A quality-focused approach may attract affluent customer segments willing to pay more.
- Fragmented markets require adaptive strategies tailored to regional consumer preferences.

5.4. Southeast Asia: Emerging Markets with Hyper-Localization

Countries like Indonesia, Vietnam, and Thailand have fast-growing platforms like GoFood (Gojek) and GrabFood.

- Hyper-localization: Tailored offerings focusing on street food and local cuisines dominate.
- Super Apps and Multi-service Integration: Similar to China, food delivery is bundled with ride-hailing, payments, and logistics.
- Cash on Delivery: Higher preference for cash payments influences pricing and collection mechanisms.
- Gig Economy Flexibility: Delivery partners often operate with flexible, informal arrangements.⁴⁹

Lessons for India:

- Localized cuisine and payment preferences must be central to strategy.
- Multi-service super apps create engagement beyond food delivery.
- Flexible labour models work but raise social sustainability concerns.

5.5. Key Takeaways for Indian Food Delivery Platforms

5.5.1. Scale and Ecosystem Integration Are Crucial

Indian platforms are adopting some super app features, but true ecosystem integration remains limited compared to China or Southeast Asia.

5.5.2. Regulatory Adaptation Will Define Longevity

Globally, tightening labour laws and consumer protection regulations have reshaped platforms' labour and operational models. India must proactively prepare to comply without sacrificing business viability.⁵⁰

5.5.3. Diversification and Innovation Are Non-negotiable

Models overly reliant on restaurant commissions and discount wars have failed or become unsustainable. Adding grocery, retail delivery, and advertising revenues is key.

5.5.4. Customer Loyalty Beyond Discounts

Mature markets focus on user experience, personalization, and quality assurance rather than pure price competition—a critical pivot for Indian platforms facing thin margins.

⁴⁷ News. (2024). Delivery platforms face an uncertain future as regulators impose new rules. October 14. Cities of the Future. Retrieved from <https://citiesofthefuture.eu/delivery-platforms-face-an-uncertain-future-as-regulators-impose-new-rules/>.

⁴⁸ Weiyi Jiang Ouyang. (2024). The European Online Food Delivery Industry — Explained as a Video Game. Medium. December 15. Retrieved from <https://medium.com/included-vc/the-european-online-food-delivery-industry-explained-as-a-video-game-24eba5d9806d>.

⁴⁹ Dadang Irsyam. (2025). How Gojek and Grab Became the Kings of Digital Transportation Despite the Challenges. Medium. January 5, 2025. Retrieved from <https://medium.com/@dirsyamuddin29/how-gojek-and-grab-became-the-kings-of-digital-transportation-despite-the-challenges-ccf47c6d6af8>.

⁵⁰ *Ibid.*

5.5.5. Technology and Automation

Investment in automation, AI, and logistics optimization differentiates leaders and can reduce costs over time but requires capital and scale.

Indian food delivery platforms operate in a unique confluence of rapid urbanization, diverse consumer preferences, infrastructural challenges, and regulatory ambiguity. While lessons from mature global markets offer valuable insights—especially regarding ecosystem integration, labour protections, and diversification—India's heterogeneous geography, price sensitivity, and emerging regulatory landscape demand bespoke strategies.⁵¹

To evolve from broken-by-design models to sustainable businesses, Indian platforms must blend global best practices with hyper-local innovation, address socio-economic realities of gig workers, and move beyond discount-driven growth toward value-driven, tech-enabled ecosystems.

6. Policy and Regulatory Challenges

The rapid growth of food delivery platforms in India has outpaced the evolution of clear, consistent, and supportive regulatory frameworks. This regulatory lag has contributed significantly to the systemic challenges these platforms face, affecting operational stability, stakeholder relationships, and long-term sustainability. Understanding the policy and regulatory environment is critical for diagnosing why Indian food delivery models are struggling and for identifying pathways toward reform and resilience.

6.1. Ambiguity in labour Classification and Gig Worker Rights

One of the most pressing regulatory challenges is the classification and rights of delivery personnel, who constitute the backbone of these platforms.

- Delivery workers are predominantly classified as independent contractors or gig workers, which exempts platforms from providing benefits such as minimum wages, social security, health insurance, and job security.⁵²
- This model enables cost flexibility but has sparked widespread protests, public criticism, and legal scrutiny.
- The Government of India's Code on Social Security, 2020, and various labour reforms call for more comprehensive protections, but enforcement and clarity remain inconsistent.
- Courts and labour tribunals are increasingly intervening, prompting platforms to explore hybrid or employee-like models, which would increase operational costs substantially.⁵³

Implications: Without clear legal frameworks ensuring worker rights while preserving platform flexibility, the sector faces instability, increased litigation risks, and reputational damage.

6.2. Food Safety and Standards Compliance

Food safety remains a critical concern within India's vast and diverse culinary landscape, especially given the sheer scale and variety of food service providers involved. Food delivery platforms are mandated to comply with regulations set forth by the Food Safety and Standards Authority of India (FSSAI), which requires them to ensure proper licensing, adherence to hygiene standards, and traceability of food products. However, enforcement of these regulations is inconsistent and often patchy, particularly because thousands of small and medium-sized restaurants are listed on these platforms, making uniform compliance difficult to achieve.⁵⁴

There have been occasional incidents of food contamination, the use of substandard ingredients, and unhygienic delivery practices that have surfaced in the media or through consumer complaints, which significantly erode customer trust in these platforms. While the platforms are responsible for monitoring and ensuring that their partner restaurants comply with food safety norms, they lack direct operational control over the kitchens and preparation processes. This disconnect complicates accountability and makes it challenging to guarantee consistent food safety across the entire ecosystem. As a result, ensuring food safety remains an ongoing and complex challenge for Indian food delivery platforms.⁵⁵

⁵¹ *Ibid.*

⁵² Akshat Sogani. (2025). Legal Ambiguities Ensure the Gig Economy Continues to Let Down Indian Workers. January 30. The Wire. Retrieved from <https://thewire.in/labour/legal-ambiguities-ensure-the-gig-economy-continues-to-let-down-indian-workers>.

⁵³ Naveen Kumar. (2024). Regulatory Framework and the Protection of Basic Rights of Gig Workers. May 16. Bar and Bench. Retrieved from <https://www.barandbench.com/view-point/regulatory-framework-and-the-protection-of-basic-rights-of-gig-workers>.

⁵⁴ *Ibid.*

⁵⁵ Sachi Chaudhary. (2023). FSSAI's Initiatives for Ensuring Food Safety in Online Food Delivery Services. September 7. StartupFino. Retrieved from <https://www.startupfino.com/blogs/fssais-initiatives-for-ensuring-food-safety-in-online-food-delivery-services/>

Implications: Increased regulatory scrutiny and potential fines compel platforms to invest in compliance audits, training, and technology, raising costs and operational complexity.

6.3. Consumer Protection and Fair Pricing

Consumer protection laws in India, including the Consumer Protection Act, 2019, along with recent regulations targeting the e-commerce sector, aim to address and curb unfair trade practices prevalent in online marketplaces, including food delivery platforms. These laws seek to prevent misleading advertisements and hidden charges that can deceive customers and impact their purchasing decisions. Additionally, the regulations target practices like excessive surge pricing during periods of peak demand, which can unfairly inflate costs for consumers.

The laws also emphasize fair treatment in terms of cancellation and refund policies, ensuring that platforms provide clear, reasonable, and prompt resolution when orders are canceled or refunds are requested. Another crucial area of focus is the protection of consumer data privacy. Platforms are required to safeguard personal customer information in accordance with the standards outlined in the pending Personal Data Protection Bill, which aims to regulate data collection, storage, and usage more rigorously.⁵⁶

Overall, food delivery platforms are expected to maintain transparent pricing structures, honor refund claims promptly, and implement robust data protection measures to comply with these evolving legal standards. This regulatory framework is designed to enhance consumer trust and ensure a fairer, more accountable marketplace.

Implications: Failure to comply invites legal penalties, class-action suits, and loss of consumer confidence. Balancing dynamic pricing for profitability with fairness is a delicate challenge.

6.4. Competition Law and Anti-Trust Scrutiny

The food delivery sector in India has experienced intense competition, frequently characterized by aggressive discounting strategies and exclusivity agreements with restaurants. These practices have drawn the attention of the Competition Commission of India (CCI), which actively monitors the market for anti-competitive behaviors such as predatory pricing, monopolistic tendencies, and abuse of dominant positions by leading platforms.

Several food delivery companies have faced scrutiny for entering into exclusive contracts with restaurants, which restrict those restaurants from partnering with rival apps. Such exclusivity deals can limit market choice for consumers and potentially create unfair barriers for competing platforms, thereby reducing the overall competitiveness of the industry.⁵⁷

Moreover, ongoing mergers and acquisitions within the sector have raised concerns about market consolidation. While these deals may offer operational efficiencies, they also risk diminishing competition, which could ultimately harm consumers through higher prices, fewer choices, and reduced innovation. The CCI continues to keep a close watch on these developments to ensure a fair and competitive marketplace that benefits both consumers and businesses alike.⁵⁸

Implications: Regulatory actions can limit discounting strategies and exclusivity models, forcing platforms to innovate new competitive tactics that do not violate laws.

6.5. Taxation and GST Compliance

Food delivery platforms in India must navigate a complex and often challenging tax regime that significantly impacts their operations. Key among these tax considerations is the Goods and Services Tax (GST), which applies to various components such as commission fees charged by the platforms, delivery charges paid by customers, and the sale of packaged foods. However, the application of GST is complicated by multiple tax slabs that vary depending on the type of food item and the category of service being provided. This variability creates a complex compliance environment that requires careful categorization and accounting.

Further adding to the complexity is the ambiguity surrounding tax liabilities on discounts and promotional offers frequently used by these platforms. Determining whether GST should be levied on the discounted price or the original price remains a grey area, often resulting in inconsistent tax treatments and compliance challenges.

⁵⁶ Mohd Aqib Aslam. (2020). Refund And Cancellation Policy Under E-Commerce Platform. Legal Service India. Retrieved from <https://www.legalserviceindia.com/legal/article-6999-refund-and-cancellation-policy-under-e-commerce-platform.html>

⁵⁷ Priyam Indurkha. and Rituraj Singh Parmar. (2022). Antitrust Implications of Dual Role Played by Food Intermediaries vis-a-vis the Recent Tussle Between NRAI and Zomato-Swiggy. September 14. Blog of the Corporate and Commercial Law Society of HNLU. Retrieved from <https://hnluccls.in/2022/09/14/antitrust-implications-of-dual-role-played-by-food-intermediaries-vis-a-vis-the-recent-tussle-between-nrai-and-zomato-swiggy/>

⁵⁸ *Ibid.*

To manage these complexities, food delivery platforms and their partner restaurants need robust accounting systems and processes to ensure accurate tax reporting and compliance. However, this necessity often increases the effective operational costs for both the platforms and their restaurant partners, squeezing margins further and adding another layer of financial pressure in an already competitive market.

6.6. Local Municipal Regulations and Licensing

Food delivery operations in India must engage with a wide array of local regulatory authorities, each imposing distinct rules and requirements that impact different aspects of the business. For instance, municipal corporations oversee critical areas such as restaurant licensing and food safety compliance, ensuring that partner establishments meet local health and hygiene standards. Simultaneously, traffic and transport regulations influence the day-to-day delivery operations, affecting how delivery personnel navigate urban environments, manage parking, and comply with vehicle rules.⁵⁹

Additionally, local labour laws can impose further obligations related to the gig workforce, including conditions around working hours, safety measures, and potential benefits, which vary significantly across states and municipalities.⁶⁰ This patchwork of regulations results in a highly fragmented regulatory landscape, with enforcement practices differing widely from one city or state to another.

For platforms operating pan-India, this regulatory fragmentation creates significant operational challenges. They must continuously adapt to diverse local rules, complicating compliance efforts and increasing administrative burdens. The inconsistent enforcement across regions also leads to uncertainty, making it difficult to standardize policies and maintain uniform service quality nationwide. This regulatory complexity is a persistent hurdle for food delivery companies striving to scale efficiently while adhering to the varied legal frameworks across India.

6.7. Data Privacy and Cybersecurity Regulations

With extensive user data collection, platforms must comply with emerging data privacy laws:

- Protecting sensitive customer and delivery partner data.
- Ensuring secure transactions and preventing data breaches.
- Compliance with the forthcoming Data Protection Act and cybersecurity guidelines.

Indian food delivery platforms operate in a complex, evolving, and often fragmented regulatory environment. While the rapid growth of the sector has brought innovation and convenience, regulatory challenges around worker rights, food safety, consumer protection, competition, and taxation create significant operational and financial uncertainties.⁶¹

- To evolve sustainably, platforms must engage proactively with policymakers to co-create balanced frameworks that protect stakeholders without stifling innovation.
- Regulatory clarity and consistency will reduce litigation risks and foster greater trust among consumers, workers, and partner restaurants.
- Aligning business models with emerging social and legal expectations, especially around gig worker welfare and food safety, will be pivotal for the sector's long-term viability.⁶²

This section highlights that policy and regulatory reforms are both a challenge and an opportunity—properly navigated, they can transform the food delivery ecosystem into a more equitable, efficient, and resilient market.

7. Recommendations

In light of the structural challenges, regulatory complexities, and competitive pressures faced by Indian food delivery platforms, this section proposes actionable recommendations aimed at transforming these models from being “broken

⁵⁹ FSSAI. (2014). FSSAI Registration for Swiggy. Retrieved from <https://fssaiindia.in/fssai-food-safety-license-registration-for/swiggy/>

⁶⁰ Saranya A.T. (2024). Gig Workers and the Labour Laws: Struggle Between Flexibility and Protection. *Indian Journal of Integrated Research in Law*, IV(VI) | ISSN: 2583-0538. Retrieved from <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://ijirl.com/wp-content/uploads/2024/12/GIG-WORKERS-AND-THE-LABOUR-LAWS-THE-STRUGGLE-BETWEEN-FLEXIBILITY-AND-PROTECTION.pdf>

⁶¹ V.S. Krishnapriya. (2025). Can there be Fair Competition in the Food Delivery Market?. *The India Forum*. April 15. Retrieved from <https://www.theindiaforum.in/forum/can-there-be-fair-competition-food-delivery-market>

⁶² Sandeep Agrawal. (2025). Ensuring fair competition & data privacy in food delivery. *Fnbnews.com*. March 10. Retrieved from <https://www.fnbnews.com/Top-News/ensuring-fair-competition—data-privacy-in-food-delivery-81142>

by design” to sustainable, scalable, and socially responsible ecosystems. These recommendations target multiple stakeholders, including platform companies, policymakers, partner restaurants, delivery workers, and consumers.

7.1. For Food Delivery Platforms

7.1.1. Redesign Business Models for Profitability and Sustainability

- Move away from discount wars: Focus on value creation rather than aggressive price-cutting. Platforms should leverage subscription models, loyalty programs, and personalized offers to build stickier customer relationships.
- Enhance unit economics: Optimize logistics through AI-driven route planning, order batching, and dynamic pricing of delivery fees. Adopt predictive analytics to better forecast demand and supply balance.⁶³
- Expand diversified revenue streams: Invest in grocery delivery, in-app advertising, B2B logistics, and cloud kitchens to reduce dependence on restaurant commissions.

7.1.2. Strengthen Stakeholder Collaboration

- Build fairer partnerships with restaurants: Develop transparent commission models, timely settlements, and joint marketing initiatives. Offer technological tools to help restaurants manage orders and optimize menus.
- Improve delivery partner welfare: Introduce comprehensive insurance, training, safety protocols, and grievance redressal. Explore hybrid employment models that balance flexibility with social security.

7.1.3. Invest in Technology and Innovation

- Adopt automation technologies, such as delivery robots and drones, where feasible.
- Enhance app experience with personalized recommendations, order tracking, and customer support.
- Integrate advanced food safety tracking and verification systems to build consumer trust.

7.2. For Policymakers and Regulators

7.2.1. Establish Clear and Balanced labour Regulations

- Define legal status and rights of gig workers clearly to reduce ambiguity.
- Promote social security schemes tailored to gig economy workers, balancing worker protection with business flexibility.
- Facilitate dialogue between platforms, workers, and government to develop sustainable labour frameworks.

7.2.2. Strengthen Food Safety and Consumer Protection Enforcement

- Streamline FSSAI licensing processes and increase inspections focused on delivery-specific challenges.
- Mandate transparency in pricing, refunds, and customer data protection.
- Encourage consumer education about food safety and complaint mechanisms.

7.2.3. Encourage Fair Competition and Market Practices

- Monitor anti-competitive practices such as predatory pricing and exclusivity agreements.
- Promote a level playing field for emerging and smaller platforms.
- Support innovation-friendly policies that incentivize technological adoption.

7.3. For Partner Restaurants

- Adopt digital ordering and inventory management systems to improve efficiency.
- Engage actively with platforms for data insights on customer preferences.
- Explore multi-platform presence and direct ordering channels to diversify sales.
- Maintain strict food safety and quality standards to uphold consumer confidence.

⁶³ *Ibid.*

7.4. For Delivery Partners

- Seek greater awareness of rights and benefits.
- Engage constructively with platforms for training and feedback mechanisms.
- Participate in collective forums or associations to represent gig worker interests effectively.

7.5. For Consumers

- Support fair pricing models by valuing service quality over discounts.
- Report food safety issues and provide constructive feedback.
- Prefer platforms and restaurants that demonstrate transparency and compliance.

7.6. Cross-Stakeholder Collaboration

- Establish industry consortia including platforms, restaurants, delivery partners, consumer groups, and regulators to develop best practices, standards, and innovations.
- Encourage public-private partnerships for skilling delivery partners, infrastructure development, and regulatory compliance assistance.

Transforming Indian food delivery platforms into sustainable and equitable ecosystems requires multi-dimensional and coordinated efforts. Platforms must balance growth ambitions with profitability and social responsibility. Policymakers need to provide clear, supportive, and adaptive regulatory frameworks. Partner restaurants and delivery workers should be empowered to actively participate in the evolving digital food economy. Finally, consumers play a vital role by choosing quality and fairness over mere discounts.

By implementing these recommendations, the Indian food delivery sector can overcome its foundational flaws and emerge as a robust, innovative, and inclusive industry that benefits all stakeholders and drives long-term value creation.

8. Conclusion

The Indian food delivery ecosystem, despite its rapid growth and transformative impact on urban dining habits, reveals fundamental flaws that threaten its long-term viability. This research paper critically examined the question: “Are Indian Food Delivery Models Broken by Design?” Through a detailed business model critique, exploration of policy and regulatory challenges, and global comparisons, it becomes evident that the current models face systemic issues that go beyond mere operational inefficiencies.

The aggressive pursuit of market share through discount-driven growth, high dependency on gig labour without adequate social safeguards, fragmented regulatory oversight, and unsustainable unit economics have collectively strained the business models of leading platforms. While these platforms have succeeded in creating unprecedented convenience and access for consumers and new income opportunities for delivery partners, the lack of alignment between profitability, social responsibility, and regulatory compliance undercuts their sustainability.

International case studies underscore that mature markets have moved beyond hyper-competitive discount wars to diversified, technology-enabled, and socially conscious business models supported by clearer regulations and stakeholder collaboration. India’s unique challenges such as its vast geography, heterogeneous consumer base, and evolving regulatory environment—require customized solutions. The nascent state of policy frameworks concerning gig workers, food safety enforcement, and consumer rights adds layers of complexity that Indian platforms must navigate urgently.

This study’s findings highlight the necessity for a paradigm shift. Platforms must innovate toward balanced growth that integrates technology, profitability, fair labour practices, and regulatory compliance. Policymakers should engage proactively with industry players to create clear, fair, and adaptive frameworks that protect all stakeholders without stifling innovation. Restaurants and delivery partners need empowerment and better integration within the digital ecosystem. Finally, consumers have a role in supporting sustainable practices by prioritizing quality and fairness.

In essence, the Indian food delivery sector stands at a critical crossroads. The current “broken” models present not only challenges but also valuable opportunities to reinvent the business in ways that foster resilience, inclusivity, and ethical growth. Through multi-stakeholder cooperation, technological advancement, and thoughtful regulation, the sector can transition from crisis-driven to confidence-building, ultimately fulfilling its potential as a key pillar of India’s digital economy and urban lifestyle transformation.

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