



A Study on the Effect of Online Food Delivery Platforms on Conventional Hotel Business

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ABSTRACT

Online food delivery sites have been growing at a very fast rate and have severely changed the nature of the food service sector creating both opportunities and threats to the traditional hotel companies. This paper analyses how online food delivery websites have affected the traditional operations of the hotel industry in respect to customer behavioural change, change in sales volume, change in operational performance and competitive intensity. The research study is carried out in the form of a mixed-method research design by means of gathering primary data in the form of structured questionnaires and interviews with hotel owners and hotel managers and secondary data in the form of industry reports and scholarly journals. The results demonstrate that the traditional hotels are under pressure to operate as it is characterized by high commissions, rough competition in terms of prices, lack of direct communication with customers and relying on the digital platforms. Most hotels are losing in their dining in clientele and at the same time investing in package, delivery logistics, and online marketing as a way to stay competitive. Nevertheless, the research also finds beneficial results, including extending market presence, rising brand awareness, and selling more during the non-peak time by partnering with platforms. Among the main problems the study singles out are limitations in profitability, quality management of the delivery



process and technological adaptation in the small and middle-size Hotels. The paper has concluded that the Internet based food delivery websites have reshaped the characteristics of the traditional business, yet have proven to be an inevitable component of the modern hospitality ecology. The paper recommends strategic integration of digital mediums, development of hybrid enterprise systems and policy interventions to help traditional hotels to achieve sustainable development.

1. INTRODUCTION

The emergence of online food delivery (OFD) services is a paradigm change in the organization and operation of the hospitality and food service sector. The digit-based intermediaries like Swiggy, Zomato, Uber Eats, and the like platform-based aggregators, have restructured the conventional value chains by providing technology-driven systems of ordering, logistics, and customer interactions. This platformization of food consumption has substantially changed the processes in the market, which has increased the rivalry and transformed patterns of consumption both in cities and semi urban settings.

Traditional hotel industry, which has had physical service experiences and competitive advantage based on location, is finding itself forced to be modified to suit digitally mediated markets. The convergence of online food delivery systems has created complicated functions and strategic issues among them being compressions of margins with high commission designs, loss of control in their customer relations, risks in quality through third-party delivery mechanisms, and an increase in the price transparency. At the same time, these systems have helped hotels contact more customers, use data-driven customer insights, and make the most of their capacity at slow times.

There is still a dearth of empirical study analysing the complex effects of online food delivery platform penetration on conventional hotel business models, especially in developing nations, despite the phenomenon's increasing significance. By methodically examining the financial, operational, and strategic impacts of online meal delivery services on traditional hotels, this study aims to close this gap. The research attempts to provide evidence-based insights that can guide managerial decision-making and policy formulation for sustainable competitiveness in the changing hospitality ecosystem by fusing primary field data with well-established theoretical frameworks of digital disruption and platform economics.



With a focus on Kannur district, the current study attempts to investigate the effects of online food delivery services on traditional hotel enterprises. The main goals of this study are to look into the major factors that have led to the growth of online food delivery businesses in the study area, analyse the issues and operational difficulties that traditional hotel businesses are facing as a result of these platforms' rapid expansion, and investigate the opportunities and competitive threats that may arise in this shifting market environment. Additionally, the study aims to offer workable and sustainable solutions that can help conventional hotel companies successfully compete with online meal delivery services. By tackling these goals, the study aims to offer a thorough grasp of the regional dynamics of digital food service platforms and their consequences for traditional hotel businesses' long-term viability.

The expansion of internet meal delivery services has a big impact on traditional hotels' revenue sources. Hotels are seeing a drop in food and beverage income as more customers choose online meal delivery. The influence of revenue on traditional hotels is examined in this study, along with hotel initiatives to reduce these losses and maintain profitability.

Traditional hotels around the world are being impacted by the global phenomenon of the rise of online food delivery services. This study examines the difficulties traditional hotels confront in various markets and geographical areas from a worldwide viewpoint. This study intends to offer insights into the global implications of this trend and identify methods for hotels to stay competitive in a market that is changing quickly by examining the influence of online food delivery on traditional hotel business across various contexts.

2. LITERATURE REVIEW

Due to its disruptive effects on the hospitality and food service industries, the fast growth of online food delivery (OFD) platforms has attracted a lot of scholarly attention. The impact of digital platforms on consumer behaviour, operational effectiveness, and company sustainability in the food service industry has been the main focus of earlier research.

Ahmed (2017): There is a shift in food-consuming behaviour of the people in Bangladesh. Sylhet hasn't fallen short in that. The market has been being influenced by the new food-consuming behaviour. But as AI Abid and Karim (2017) state, the factor that has been the most important is the implementation of technological innovations shifting the market. The shift is so far looking good. This has left most additional organizations internationalizing grow from barely something. One of such is the online food delivery services.



Kumar and Bhatia (2018) analysed the rise of app-based food delivery services in urban India and found that convenience, time efficiency, and aggressive discounting significantly influenced consumer preferences. Their study highlighted that the availability of multiple restaurant options through a single platform has weakened the competitive advantage of location-based traditional hotels.

Mehta (2019): The study draws attention to the economic aspect of the online food delivery services and their influence on hotel businesses in Mumbai. It shows that hotels have recorded a reduction in the revenue of dine-ins but have paid in higher numbers of orders they deliver as well as streamlined their kitchen operations.

Gupta and Duggal (2019) studied the operational challenges faced by small and medium-sized restaurants in Delhi and Mumbai due to platform dependency. They reported that high commission rates, ranging between 20% and 35%, severely affected profit margins and increased financial vulnerability among traditional eateries. Their findings emphasized the risk of over-reliance on third-party platforms.

Chatterjee and Dey (2020) focused on the impact of digital platforms on the sustainability of traditional food businesses in semi-urban regions of India. Their research revealed that while digital platforms improved business visibility and customer reach, they simultaneously increased operational complexity and forced hotels to invest in packaging, technology, and staff training.

Sathish and Rajamohan (2021) examined consumer satisfaction and trust in OFD platforms in South India. The study concluded that platform-mediated interactions reduced direct customer loyalty towards traditional hotels, as customers increasingly associated service quality with the delivery app rather than the restaurant itself.

Mishra and Rao (2021): The study is a research study examining the effects of food delivery websites. Hotels in Chennai that are small and medium. It points out the competitive forces of these hotels and necessity to develop their services in order to remain relevant in the market.

Traditional Indian hotels' strategic reactions to digital disruption were examined by Maheshwari and Malhotra (2022). According to their research, brand-focused marketing tactics, direct-ordering systems, and hybrid business models were better at maintaining competitiveness than total reliance on third-party platforms.



3. RESEARCH METHODOLOGY

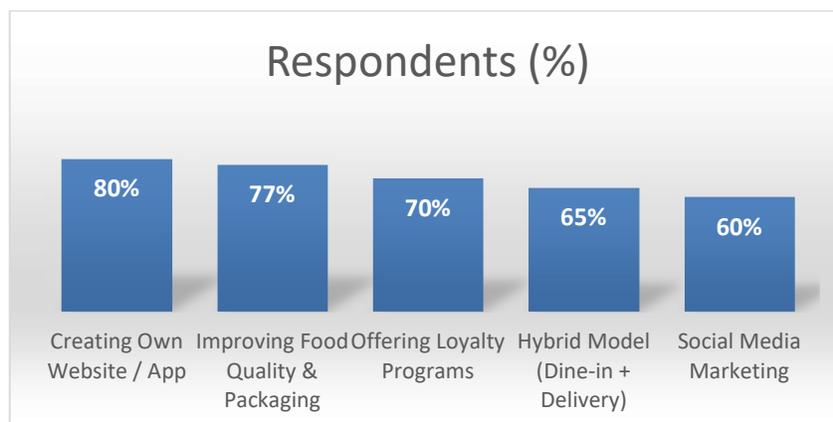
This article combines information from different publicly released reports, agricultural statistics, and economic surveys. In order to investigate the impact of online food delivery (OFD) platforms on traditional hotel businesses in Kannur District, Kerala, the current study uses a descriptive and analytical research design. A structured questionnaire with closed-ended and Likert-scale items is used to gather primary data from hotel owners and managers. In order to obtain deeper insights, personal interviews are also conducted. One hundred respondents with operational experience in both traditional and platform-based food service systems are chosen using a purposive sampling technique. Academic journals, government publications, industry reports, and pertinent digital platform sources are the sources of secondary data. Thematic analysis is used to interpret qualitative responses, while descriptive statistical tools like mean scores, percentages, and frequencies are used to analyse the gathered data. The study is conducted with strict adherence to ethical principles, such as informed consent, voluntary participation, and respondent confidentiality.

4. RESULTS AND DISCUSSION

Table 4.1 FACTORS CONTRIBUTING TO GROWTH OF ONLINE FOOD DELIVERY

Factor	Respondents (%)
Smartphone & Internet Usage	88%
Convenience & Time Saving	84%
Discounts & Promotional Offers	79%
Easy Digital Payment (UPI/Wallets)	72%
Wide Restaurant Choices on Apps	68%

Source: Primary data



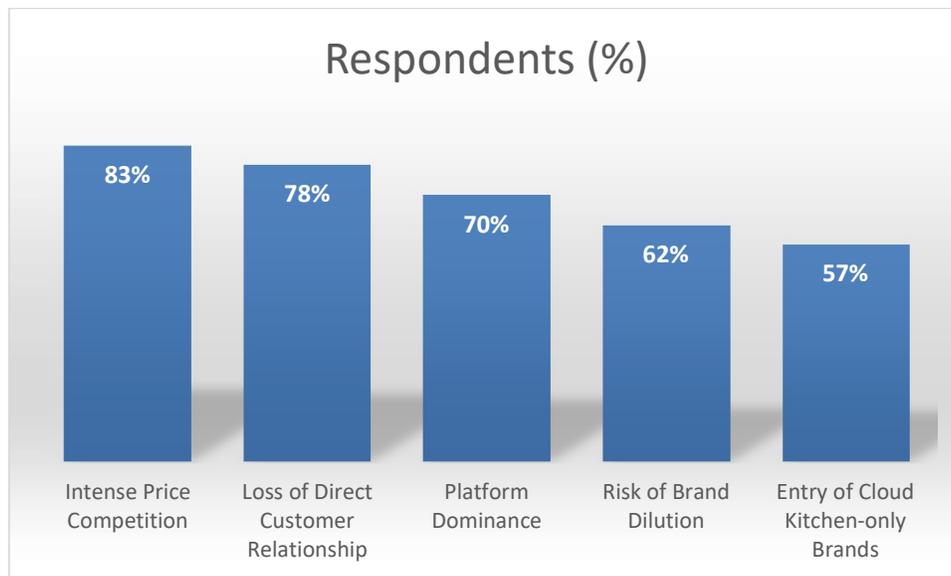


Widespread smartphone and internet accessibility (88%) is the main factor driving the growth of online food delivery, followed by convenience (84%). This demonstrates how changes in lifestyle and digital infrastructure have fuelled market growth.

Table 4.2 PROBLEMS FACED BY TRADITIONAL HOTELS

Problems	Respondents (%)
High Commission Charges	85%
Reduced Profit Margins	81%
Decline in Dine-in Customers	74%
Food Quality Issues During Delivery	60%
Platform Dependency	58%

Source: Primary data



The primary issue found is the high commission costs (85%), which have a direct negative impact on profitability. Another major issue is a decline in dine-in patrons.

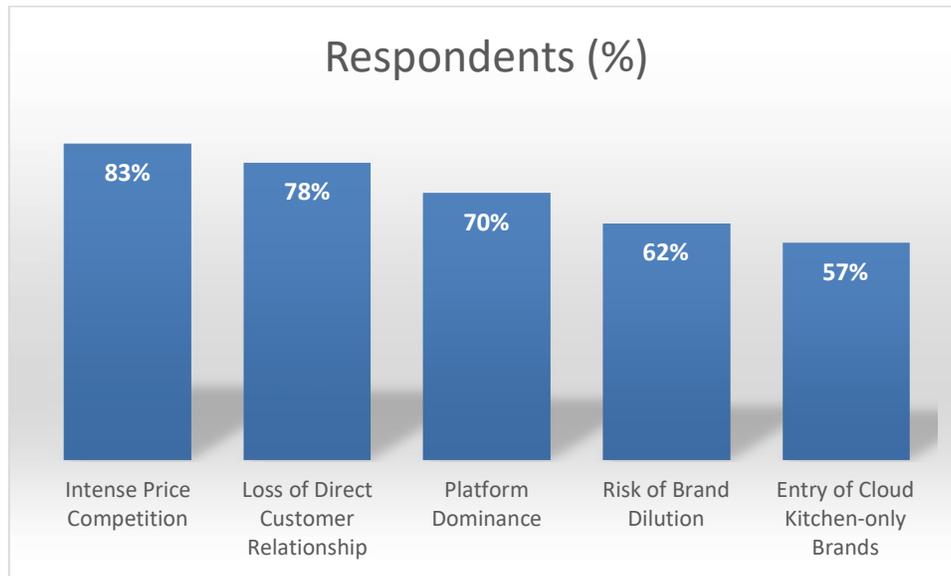
Table 4.3 OPPORTUNITIES IDENTIFIED FOR TRADITIONAL HOTELS

Opportunities	Respondents (%)
Increased Customer Reach	82%



Opportunities	Respondents (%)
Growth in Sales Volume	76%
Brand Visibility	71%
New Employment Opportunities	55%
Expansion Through Cloud Kitchens	48%

Source: Primary data

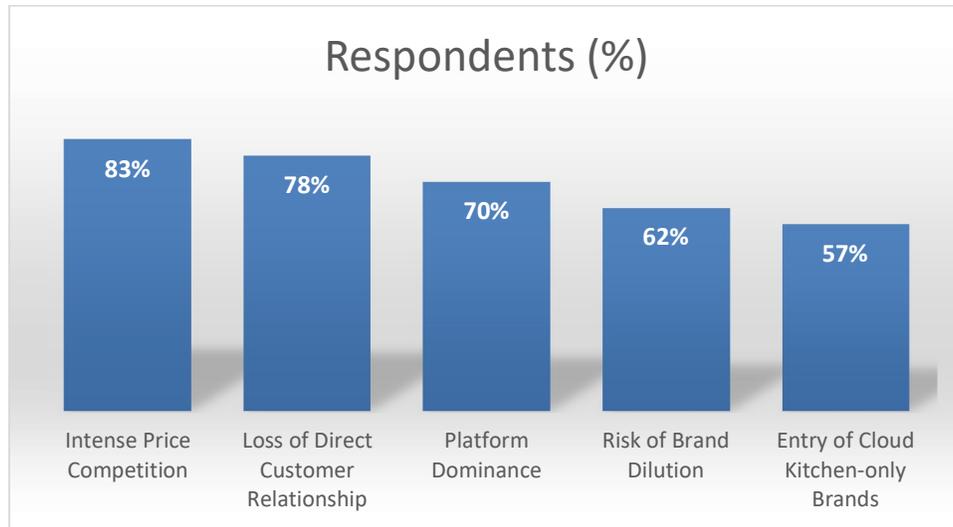


The majority of hotels acknowledged that OFD platforms offer greater sales potential (76%) and broader market access (82%), indicating that platforms also generate growth chances.

Table 4.4 THREATS FACED BY TRADITIONAL HOTELS

Threats	Respondents (%)
Intense Price Competition	83%
Loss of Direct Customer Relationship	78%
Platform Dominance	70%
Risk of Brand Dilution	62%
Entry of Cloud Kitchen-only Brands	57%

Source: Primary data

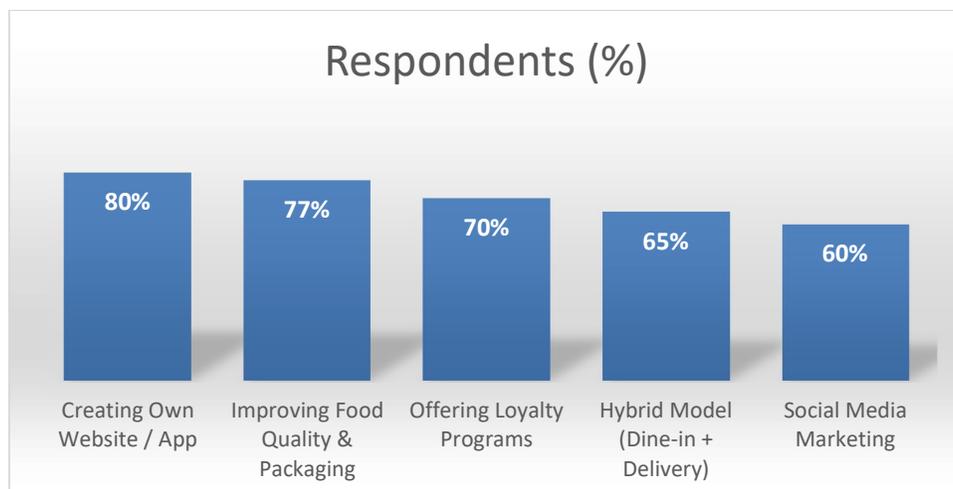


The biggest risks are fierce pricing competition (83%) and deteriorating customer relations (78%), underscoring the dangers of long-term platform dependence.

Table 4.5 STRATEGIES SUGGESTED BY RESPONDENTS

Strategies	Respondents (%)
Creating Own Website / App	80%
Improving Food Quality & Packaging	77%
Offering Loyalty Programs	70%
Hybrid Model (Dine-in + Delivery)	65%
Social Media Marketing	60%

Source: Primary data





The strategy that is most desired is building autonomous digital platforms (80%) to decrease the reliance on aggregators, and secondly are the initiatives of quality improvement and retention.

Table 4.6 RELATIONSHIP BETWEEN ONLINE FOOD DELIVERY PLATFORM USAGE AND PERCEPTION OF INCREASED CUSTOMER REACH (CHI SQUARE ANALYSIS)

Platform Usage	Agrees Customer Reach Increased	Disagrees	Total
High Usage	38	7	45
Medium Usage	30	10	40
Low Usage	8	7	15
Total	76	24	100

Source: Primary data

Chi-square test formula-

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where, E= expected, O=observed

Platform Usage	O (Agree)	E (Agree)	(O-E) ² /E	O (Disagree)	E (Disagree)	(O-E) ² /E
High	38	34.2	0.422	7	10.8	1.338
Medium	30	30.4	0.005	10	9.6	0.017
Low	8	11.4	1.013	7	3.6	3.156

Total value= 6 (rounded figure of 5.951)

At df =2, chi-square critical value at p=0.05 or 5.991

Since, $\chi^2=6 > 5.991$

The chi-square test shows that there is a statistically significant correlation between the degree of Online Food Delivery (OFD) platform use and the perception of the enhanced customer reach among hotels in (p = 0.033). Hotels who have not digitally adopted are in danger of being left behind thus forming a digital divide and competitive imbalance. They can be encouraged to embrace digital integration, optimized



menu, promotions, and improved management of the platform to achieve the same market expansion benefits.

5. CONCLUSION

The research conducted in Kannur district offers a thorough insight into the impact of online food delivery (OFD) systems on the food service landscape of the area and the way in which they transform the performance and sustainability of the old-established hotel industry. The discussion on the dynamics that have led to the expansion of the online food business, it is obvious that the convenience, competitive pricing, broader menu options and online availability are leading to rapid adaptation by the consumer. The growing adoption of smartphones and electronic payment platforms have also facilitated the growth of the online food delivery platforms in these areas.

According to the results of the chi-square test, the perceived benefits and the utilization of the platforms by the hotels have a high level of correlation, particularly in relation to the consumer reach, visibility, and order frequency. Digital divide is on the upswing in the hospitality sector with hotels having a higher level of use of digital platforms showing greater potential of expansion in the market than the low-use hotels. This means that to remain competitive in the shifting market, there is need to have an active online presence.

According to the study, there are a number of challenges that traditional hotel businesses are facing as a result of the emergence of the online food delivery platforms. They are elevated commission fee, profit margins, disruptions in the operations of the business, overreliance on aggregator services, and challenges in ensuring a steady food quality throughout the delivery process. A lot of hotels also talked of the issue of customer loyalty moving towards platform-based decisions as opposed to personal brand relationships leading to a decrease in walk-in visits.

Based on the study's conclusions, a number of tactical solutions are suggested to assist conventional hotel companies in successfully overcoming the difficulties presented by online meal delivery services. Hotels should concentrate on improving the guest experience by providing exceptional hospitality, themed dining events, and individualized service. Developing an internal online ordering system, user-friendly mobile applications, and an active social media strategy can help boost customer engagement because strengthening digital presence is crucial. Specialty dishes, dietary options, and DIY meal kits are examples of menu innovation that can draw in a variety of clientele. Expanding market reach can also be achieved by putting loyalty programs into place, collaborating with regional vendors, and organizing



events like weddings, business gatherings, and cultural events. Maintaining competitiveness requires operational improvements through quality control, effective kitchen management, and employee training. Offering wellness services, encouraging eco-friendly projects, and adopting sustainable practices can all improve the hotel's value proposition. When combined, these tactics can help established hotel companies improve customer retention, fortify their market position, and maintain their competitiveness in the rapidly changing digital food service industry.

In spite of these challenges, the research concludes that the benefits of the use of online food delivery platforms include increased publicity, the opportunity to enter new types of clients, increased volume of orders, and flexible promotional capabilities. Nevertheless, the existence of traditional hotel business is always in danger due to such challenges as increasing costs, loss of bargaining power, and the internet competition. Based on the findings, the hotels can employ more of the online food delivery platforms through digital transformation strategies, such as controlling the platform ratings, improving the quality of packaging, optimizing the online menus, and strengthening the online and offline brand identity.

Overall, the study comes to the conclusion that online food delivery services have had a big impact on Kannur's traditional hotel business environment, bringing about both opportunities and disruptions. Traditional hotels must strategically integrate digital technologies, improve service efficiency, and align their operations with changing consumer behaviour in order to maintain growth and stay competitive. In order to ensure long-term resilience in a food service industry that is changing quickly, the research emphasizes the need for hotels to create hybrid business models that combine traditional service quality with digital channel optimization.

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