India Food and Grocery Delivery Platforms Market Assessment, By Service Type [Food Delivery, Grocery Delivery], By Delivery Mode [Third-Party Platforms, In-House Delivery], By Channel Type [Mobile Application, Websites/Desktop], By Payment Method [Cash-on-Delivery, Online], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

India food and grocery delivery platforms market was valued at USD 5.57 billion in FY2024, expected to reach USD 24.34 billion in FY2032, with a CAGR of 20.24% for the forecast period between FY2025 and FY2032. Owing to fast-paced urbanization, the rise in digital payment systems, and the high penetration of smartphones, the market has dramatically altered consumer shopping behavior towards food and grocery items. In addition, the robust growth of the market is supported by impressive internet usage, as indicated by the Telecom Regulatory Authority of India (TRAI) report as of 2024. The average monthly data consumption per user has reached 20.27GB, while the internet subscriber base reached 954.4 million, with 556.05 million subscribers added in urban areas and 398.35 million subscribers added in rural regions. The fast-paced lifestyle demands quick and convenient delivery services, which has recently helped food and grocery platforms gain popularity. Food consumption in India varies by region, cuisine, and customer preferences. Tier 2 and Tier 3 growth will expand the market landscape further.
Furthermore, innovation in the grocery sector, particularly in response to rising inflation, is crucial as price sensitivity is an important factor for Indian consumers. Notably, 65% of Indian consumers search for value for money. Many brands are innovating competitive pricing through private labels, discounts, and loyalty schemes to seek the attention of consumers. Platforms are investing in advanced logistics capacities and sophisticated delivery models, including technology-enabled route management capabilities for optimizing process efficiency and waste reduction. The market is witnessing the packaging trend of sustainable, eco-friendly, and organic food items. Further, the availability of a wide range of payment options, ranging from cash on delivery (COD) to digital wallets, credit cards, debit cards, and the Unified Payments Interface (UPI), drives the market growth.

The shift in Consumer Behavior to Define Market Trend

A shift in Indian consumer behavior has accelerated the growth of food and grocery delivery platforms. The increased propensity to opt for online shopping due to increasing urbanization and reliance on digital platforms is creating a sense of convenience. A rising trend in smartphone usage, coupled with the growing need for the management of digital contactless payments for daily food and grocery delivery, is becoming necessary for the masses. Moreover, a busy schedule adds pressure to decide about choosing the various food products and local grocery supplies through online means.

Consumers want to access an expansive range of products. Consumers expect quick delivery options and a tailored shopping experience. In 2023, around 78% of Indian consumers surfed multiple channels during their shopping journey, showcasing the need for an omnichannel approach. Hence, it is crucial for brands to be vigilant about the shifts happening in the behavior of their consumers. Furthermore, availability to shoppers, convenience, and personalization are the top three growth drivers for this market. As such, platforms that implement these strategies are very well positioned to meet the changing needs of the Indian consumer to sustain growth in this dynamic sector.

Discount and Promotional Strategies to Act as Growth Catalysts

Aggressive promotion and discounting strategies have led to the growth of Indian food and grocery delivery platforms. Multiple brands take different marketing initiatives to attract new customers and increase loyalty. For example, Blinkit launched its Flash Sale feature in February 2024, especially for grocery items. With this, it offered some sizzling deals on some of its best-selling items for a limited time. Along with fast delivery to customers' doorsteps, the scheme provided instant savings and easy return services that attracted price-sensitive consumers.

Zomato's Top Savings Program has generated an equally impressive user base, and it has so far attracted over 2 million subscribers under its Zomato Gold membership, where all orders above USD 1.17 (INR 199) or more have free delivery from restaurants located within a 7 km radius, besides getting offers and discounts. Such promotional campaigns bring in repeat business, apart from giving direct sales, as they are driven by habitual buying behavior. With rising stakes from competition in this industry, strategic usage of promotions will play a vital role in maintaining the current growth momentum for food and grocery delivery platforms.

Digital Payments to Surge in India Food Delivery Market

In India, the cash-on-delivery (COD) mode has remained dominant for years due to its ease and trustworthiness. Indian consumers are reluctant to opt for online transactions owing to a lack of security and trust. However, in recent years, with faster digitalization and higher penetration of smartphones, online modes of payment, especially mobile wallets and UPIs, are gaining significant momentum. The COVID-19 pandemic further stretched it as the convenience of the digital mode and 'contactless' payments, a safety measure, became more acceptable to consumers. According to the Ministry of State for Finance report, total volumes of digital payment transactions indicated FY2017-2018 recorded at USD 294 million (2,071 crores), FY2022-2023 stood at a remarkable USD 1.60 billion (13,462 crores), with a CAGR of 45%. Online payments also facilitate faster processing, tracking, and reward loyalty to cater to tech-savvy consumers. Adopting online payment modes allows consumers to opt for incentives through discounts and cashback.

While COD dominates the India food and grocery delivery platforms market, growth in adoption of online payment options is also bolstered by impressive growth in digital transaction volumes. While the trust in online transactions continues to build, online payments are likely to become dominant going forward as well, in sync with broader trends in e-commerce worldwide.

Regional Analysis of the Food and Grocery Delivery Platforms Market

Metropolitan cities such as Mumbai, Delhi, and Bengaluru influence a bigger chunk of the market, wherein 70% of India's total food services consumption centres among upper-middle and high-income segments. Consequently, this concentration of demand propels platforms such as Zomato, Swiggy, and BigBasket which offer a range of products along with convenience through quick delivery services.

However, tier 2 cities such as Jaipur, Indore, and Coimbatore are forecasted to possess incremental growth owing to rising disposable incomes and changing eating habits that bolster demand for convenience. The market expansion in these regions is being driven by the surge in smartphone adoption and digital payment options. Additionally, local players are making the market highly competitive by offering hyper-localized services and diverse cuisine options, directly contending with established giants.

Future Market Scenario (FY2025 - FY2032F)

- With growing health consciousness, food delivery services will see increased demand for healthy, organic, and customized meal options. Platforms will need to partner with health-focused brands and local farms in order to keep providing consumers with the healthiest options.

- The food and grocery delivery market will be greatly transformed by drone technology, where suppliers can go around traffic and deliver orders faster than ever. This technology will introduce more efficiency, especially in urban areas, whereby customers order within the shortest time possible and reliably.

- Big data will become essential to understand consumer behavior. By utilizing the technology, delivery platforms will analyze trends, preferences, and feedback to customize offerings, optimize delivery routes, and forecast demand in order to ensure more efficient operations and deliver customer convenience.

- The growth in the demand for food and grocery home delivery is expected to spur the development of virtual kitchens, commonly referred to as cloud kitchens. As delivery-only establishments, they save on overhead expenses by not requiring any physical dining spaces, thereby enabling restaurants to optimize their delivery operations.

Key Players Landscape and Outlook

Renowned players in the Indian food and grocery delivery platforms leverage various strategies to acquire and retain a customer base. Tying up with local restaurants and grocery stores enhances the offerings, enabling an ample range of products and cuisines. Many brands also invest in user-friendly applications and websites for mobile devices to deliver a smooth ordering experience, incorporating real-time tracking and personalized recommendations.

Besides, harnessing the power of data analytics enables such companies to gain insights into what syncs well with the consumers, thereby strategically enabling target marketing and inventory management. Penetrating new cities and regions has become a mainstream strategy for the untapped potential opportunities these unexplored markets offer. For instance, in July 2024, JioMart launched a pilot program in Mumbai and Navi Mumbai for grocery delivery within an hour under the hyperlocal delivery section of its app. This initiative is a part of the company's broader plan to integrate its quick commerce services into categories as diverse as apparel and electronics. The skyrocketing competition and evolving consumer preferences make it an ideal time for platforms to focus more on convenience, speed, and diverse product offerings.

For instance, Swiggy Instamart rolled out a 24x7 free delivery service in Delhi-NCR, allowing customers to place online orders for groceries, snacks, and other essentials with instant delivery in 10-15 minutes. This move aligns with the surge in consumer demand ahead of festive seasons, catering to last-minute shopping needs for items such as festive snacks and gifts. Swiggy Instamart's ability to deliver late-night orders and instant gratification highlights its commitment to versatility in addressing diverse customer needs. Additionally, promotional strategies, including discounts, cashback, and loyalty programs, remain prominent in captivating price-sensitive consumers.

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