Yanbing Ye

ONLINE TO OFFLINE FOOD DELIVERY SITUATION AND CHALLENGES IN CHINA.

Case company Ele.me

Business Economics and Tourism

2015
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Teoreettisessa osassa käsitellään ensin O2O -toiminnan elementtejä. Tämän jälkeen käsitellään online ja offline -toimintoja erikseen, jotta saadaan selville yhteys näiden kesken ja osat, joihin O2O-toiminnassa pitäisi keskityä ja parantaa.

Tutkimus kohdistuu Ele.me -yritykseen, jolla on suurin markkinaosuus ruuan O2O-tilaustoiminnassa Kiinassa. Tutkimuksen tavoitteena on selvittää ruuan O2O -tilaustoiminnan tilanne ja haasteet, joita selvitetään tutkimalla kuluttajien arvioita palvelun laadun ja O2O -tilausalustan suhteen.

Empiirinen tutkimus toteutetaan laadullisen ja määrällisen tutkimuksen keinoin verkkokyseilyllä ja verkkohaastattelutilillä. Näitä tutkimuksia osoittavat positiivisia tuloksia Ele.me -yrityksen palvelun laadun sekä ruuan O2O -tilaustoiminnan suhteen. Toisaalta, vaikka ruuan O2O-tilaustoimintaan liitetään positiivisia odotusarvoja, ruuan laatu ja hygienia ovat edelleen yksi merkittävimpä haasteita.

Avainsanat: O2O, Ruuan tilaustoiminta, Kiina
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ABSTRACT

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With the development of smart phones and the internet, China is now enjoying a very rapid growth of its e-commerce. As part of its branch, the Online-to Offline (O2O) market is developing even more outstandingly with high underlying potential. More and more investors spend a large amount of funding in this area and try their best to discover the most promising investment area of the O2O market, which resulted in the boom of the O2O food delivery industry in 2014. The O2O food delivery means that consumers order or purchase their meals online while they are eating in the restaurant or at home.

Accordingly, the theoretical part will first discuss the operational flow of the O2O mode. Then the two concepts of online and offline will be analyzed separately in order to find the relationship between them and the parts that the O2O platform should focus on and improve. Ele.me will be chosen as the case company. The research problem is to find out the situation and challenges underlying the O2O food delivery market, reflected by the consumers’ comments to service quality in the case company.

The research approaches for the empirical findings are qualitative and quantitative, which are online questionnaire and online interview. The results of the survey show the pleasing achievement of Ele.me service quality as well as of the O2O food delivery industry. However, although the O2O delivery market is under a positive expectation, food quality and hygiene is one of the significant problems in its way.

Key words: O2O, Food Delivery, China
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1 INTRODUCTION

In this chapter, the background of the study will be introduced, including the current situation of the Chinese e-commerce market and Chinese Online to Offline catering industry overall. The basic information of the company Ele.me will also be presented. After that, the research problems and objectives will be stated, as well as the analysis of the thesis limitation. Finally, there is a description of the thesis outline as an overall framework of the study.

1.1 Background of the Research

E-commerce has grown from an infant to a giant in the last 15 years in China. Its effect is so significant to both the online and offline businesses and customers that it has become a common model for small or medium sized entrepreneurs to start up their businesses. One of the biggest events which happened in 2014 was the release of Alibaba’s IPO on September 19th which created an over 245 billion dollar giant e-commerce company in China. What is more, the overall gross merchandise volume (GMV) of e-commerce hit 80 billion Yuan in 2014 single day and the related logistic is well-regulated and managed with over 400 million packages. The raising rate of GMV of e-commerce actually fell from 293% in 2012 to 63% in 2014, which implicates the maturity of the B2B and C2C market in China. (China Daily 2014). At the same time, the well and profitable performance of GrubHub led to its IPO release in April 2014 increasing awareness of the O2O food delivery business.

With the fierce competition of e-commerce in China, more and more giant local or international investors pay attention to Online to Offline industry wanting to get a well bite of this new space, particularly the O2O food delivery business.
1.1.1 Current Overall Chinese E-Commerce Market

2014 was a year of dramatic boom for the e-commerce following the prosperous pace over the past 8 years, while its e-commerce GMV hit 12.3 trillion Yuan in 2014 with a 21.3% growth compared with 2013. In fact, the rising rate of development of GMV has been keeping surpass 20% since 2012. This speedy footprint of the rising rate will not be blocked under 15% until 2018 according to the forecast. The expectation of e-commerce is that it will reach 24.2 trillion Yuan in 2018 with a stable growth (see Figure 1), which suggest a giant potential for the e-commerce market in China. (Iresearch 2015)

Figure 1. China e-commerce GMV 2011-2018. (Iresearch 2015).
As for the market segments of e-commerce, B2B e-commerce was still taking the lead with 70% market share in 2014. Although the market share of O2O businesses was very small with only 2.3% in online travel and 1.4% (see Figure 2), there was an 27.1% increase in the online travel market and a 42.8% growth in the online to offline business, which means they have a massive potential in the future, especially for the O2O services of catering, leisure and recreation and wedding celebration. (Iresearch 2015)

![Figure 2](image.png)

**Figure 2.** Distribution of the e-commerce market in China in 2014, by segment. (Statista 2015).
1.1.2 Current Overall Chinese Online to the Offline Catering Industry

The catering industry is one of the industries which are closest to people daily life. With the development of the internet, more and more people try to order meal online and purchase in group. Also electronic discount tickets are well-implemented in the catering industry. In this research ,the people who order or purchase their meal online while they are eating in the restaurant or at home, or consume with electronic discount tickets, can be considered as clients of online to offline catering industry. (Chinabaogao 2015b)

![Graph](image)

**Figure 3.** The situation of rising rate and revenue of the national catering industry 2002-2014. (Chinabaogao 2015b).

According to the government report of the national catering industry, the revenue of the catering industry was 2786 billion Yuan in 2014, which rose by 9.7% compared with the previous year (see Figure 3). Although the increasing rate fell down in the last three years, its speed of growth was very stable and Chinese catering industry is expected to reach a 3000 billion Yuan revenue in 2015. The main stimuli for high speedy development of the catering industry are the rising
population of netizens, the rapid user rate of smart phones and growth of the whole economy in (Chinabaogao 2015b)

In addition, according to the report of analysis of development of national catering industry, “characteristics” is the main factor to appeal to customers taking 37.9%, which means customers will select restaurant based on their individual taste and hobbies. On the other hand, “environment” with 19% and “public evaluation” with 15.5% were following to it. The percentage of the internet online ordering was three times larger than telephone booking in 2014.(Chinabaogao 2015s)

From 2013 to 2014, the awareness of online to offline clients was increasing. With the rapid development of the mobile internet, more and more online food apps appeared which improved the using range and products of O2O food business. The trend has being increasing for the offline traditional food business to engage into the fever of internet and online mobile as well as their clients. The payment between online to offline was well-used while the foundation of basic service of CRM was strengthened.

Based on the statistics, the number of online users of O2O catering industry was 189 million in 2014, accounting for over one third of the Chinese netizens. The market scale of O2O catering industry was rising to 94.37 billion Yuan with 51.5% increasing compared with 2013. It was expected to be over 200 billion Yuan market scale and 300 million users in 2017. As for its segment of online to off line food delivery industry, this volume grew tremendously from less than 3 billion value to over 15 billion value in 2013 to 2014. Although its percentage account for less than 1% in the entire market share, it still becomes the sparkling focus of the industry with its rapid growth.(Chinabaogao 2015c)
After the market adaption from 2012 to 2014, many offline businessmen paid more attention to online tools and had better understanding for their product to suit the market. It becomes easier to enter the O2O market with long time practice of online tools, which shows more evident to chain restaurant. The online platform has gradually changed its focus to back-end technical support services from user flow. (Chinabaogao 2015c)

Although the increasing rate of the national catering industry’s value is slightly rising, the industry itself is still in a harsh position. Because of the increasing cost of material, labor and rent, out-of-date management as well as fierce competition, the bankruptcy rate of the catering industry is very high. Recently, its bankruptcy rate was up to 15% per month in 2012. 75% of the restaurants in Wuhan is at the edge of break-even, while 30% is suffering to survive. In Xiameng, the profit rate is only one third of three years before (Pintu360 2014). The above situation actually implies the necessity for the offline restaurants to enter O2O food delivery market, which it will expand their consumer base eliminating the impact of location of the restaurant which means saving the cost of rents. As one marketing tool, the restaurant can take advantage of their sales promotion by using O2O platform.

1.1.3 Investment Situation of the O2O Food Delivery Industry

Due to the rising awareness of online to offline food delivery market, more and more new companies emerged in this market in 2014, while a lot of companies in the O2O food delivery service area also gained funding from various investors. Table 1 shows the amount of funding in 2014 and a short company introduction. The increasing amount of funding keeps heating up the market and accelerates the elimination between the involved dozens of competitors during the “war”.
Table 1. The main funding situation of O2O companies in 2014.

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<tr>
<th>Company</th>
<th>Introduction</th>
<th>Funding in 2014</th>
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<td>Ele.me</td>
<td>unified O2O corporation</td>
<td>D funding: 30 million dollar</td>
</tr>
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<td></td>
<td></td>
<td>E funding: 330 million dollar</td>
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<tr>
<td>Meituan</td>
<td>has group purchasing backup</td>
<td>C funding: 300 million dollar</td>
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<tr>
<td>Dianping.com</td>
<td>entertainment life platform</td>
<td>E funding: over 100 million dollar</td>
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<td>Tao diandian</td>
<td>Taobao+Tmall</td>
<td></td>
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<td>Baidu waimai</td>
<td>has Baidu map backup</td>
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<tr>
<td>Linhaoxian</td>
<td>food delivery platform+ strategies offer</td>
<td></td>
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<tr>
<td>Dajiemeishihui</td>
<td>family focus food delivery</td>
<td>D funding: 50 million dollar</td>
</tr>
<tr>
<td>Fitaoshi</td>
<td>8262O model</td>
<td>B funding: 20 million dollar</td>
</tr>
<tr>
<td>Shengzhoubanjin</td>
<td>based on LBS</td>
<td>B funding 50 million Yuan</td>
</tr>
<tr>
<td>Weimaichaoren</td>
<td>global platform</td>
<td>E funding 38 million dollar</td>
</tr>
<tr>
<td>Dianmenba</td>
<td>food delivery</td>
<td>B funding: over 10 million dollar</td>
</tr>
<tr>
<td>Womouwaimai</td>
<td>mobile food order platform</td>
<td>A funding: 80 million Yuan</td>
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The three largest Chinese internet companies, Baidu, Tencent and Alibaba, also expand their funding in the O2O food delivery industry, in order to expand their own market share in this market. It can be predicted that Baidu referring to Baidu waimai, Alibaba referring to Tao diandian and Tencent referring to Dianping.com as well as Ele.me, will make it more unpredictable for the O2O food delivery market.

1.2 Introduction of Ele.me

Ele.me, the Chinese leading food delivery brand, was first established in April 2009, by four master students of Jiao Tong University, Zhang Xuhao, Kang Jia, Wang Yuan and Deng Ye. The name of Ele.me is actually meaning “hungry yet?” in Chinese. After its development of 6 years, its footprints have been in over 200 cities in China with 10 million users, 180 thousand franchised restaurants and more than 1 million daily orders in September 2014. In fact, with the mission and vision of Ele.me, which is to improve the digitization of the entire catering
industry with the belief of acme, passion and innovation and finally become “Taobao” in Chinese catering industry, it not only conveys a faster and more convenient user experience, but also offers a unified marketing method to restaurants. (Baidu Baike 2015)

As an online platform, Ele.me also establishes a bridge between the restaurant and consumer. The factor of place has reduced its impact on the both sides that the restaurant can spare more time on the improvement of food and service quality when the customer can have more choice to discover more dishes to satisfy their daily need of tasting. On the other hand, Ele.me prompts a rising business opportunity for short-distance logistics. (Zoujing 2014)

The core competitive advantage of Ele.me is the invention of two internal softwares, Napos and Walle. Napos focuses on the back-stage management of restaurant. Restaurant can handle food delivery orders and online payment effectively through Napos. At the same time, it has normal software’s features to manage the daily back-stage management of the restaurant, such as order management of kitchen. For most of the districts of second or third level cities, it is for free, while in the advanced and rich cities, it cost 4820 Yuan per year. (Zoujing 2014)

Walle is intended to the internal staff in Ele.me as a CRM software which can not only record achievement and development of staff, but also show their daily target in the public platform to improve efficiency. (Gan Yuan 2014)

In January 2015, Ele.me gained 350 million dollars as E funding from CITIC,Tencent, JD.com, Dianping.com and Sequoia Capital. Accumulated with 460 million dollars it got last year, there is no doubt that the competitive advantage of capital of Ele.me is very evident. It actually used over 100 million
Yuan to offer 200 thousand free lunches as promotion in August 2014. (Baidu Baike 2015)

1.3 Research Problem and Objective

The research problem of the thesis is to find out the basic user background, consumer behavior and their comments of the service quality in Ele.me, in order to have better an understanding of the impact and performance of the O2O food delivery platform. Accordingly, the thesis will analyze the current situation of the online to offline food delivery industry and the challenges it faces reflected by the case company. Moreover, the situation of consumer behavior and offline service quality will be also stated. Finally, it will give advice to Ele.me.

Therefore, there are some sub-objectives needed to be figured out in order to achieve the thesis objective:

- What is the role of O2O platform to offline businesses and online consumers?
- What is the relationship between offline businesses and online consumers?
- What are the baffling factors existing in Chinese O2O food delivery industry?
- What is the method for Ele.me to satisfy consumers?

1.4 The Limitation of the Research

There are two key limitations of this thesis. First, although the research is discussing the entire Chinese market, the sample of the empirical survey and interviews is too small to have a significant representation and comprehensive view of Chinese customers because of the limitation of place, time and money. Deviation cannot be avoided.
Second, apart from the collection of customers’ comments towards the marketing tools and company awareness, it lacks the involvement of a company to state their perspective.

1.5 Outline of the Thesis

The thesis is divided into five main chapters. Chapter 1 mainly analyses the background of the study, including the introduction of Chinese e-commerce situation and the O2O catering situation in China; basic information of the case company Ele.me; the research problems and objectives; thesis limitation and outline.

Chapter 2 offers the theoretical part of the thesis. At the beginning, Chapter 2 analyses the operational flow mode of O2O as a foundation to figure out the main factors and steps affecting the online and offline parities based on the O2O platform, which is connected with the design of research questionnaires analyzed in Chapter 4.

Chapter 3 refers to the definition of two research approaches; qualitative approach and quantitative approach to elicit the process of implementation of questionnaire and interview; the methods of data collection and analysis; the reliability and validity of the thesis.

In Chapter 4, the results of the collected data from questionnaire and interview will be presented and analyzed. Based on Chapter 3 and Chapter 4, Chapter 5 will conduct conclusions and give advice to the case company Ele.me.
2 ONLINE TO OFFLINE THEORY

In this chapter, it will introduce the three parties involved in the O2O model: O2O platform, offline businesses and online consumers. The operational flow of O2O e-commerce mode will be presented, while the online consumer behavior, and service quality will be shown to analyses the role and influence of O2O platform. Finally, it will be classifications of O2O e-commerce mode.

2.1 O2O Overview

O2O is standing for “Online to Offline”. Different with the traditional e-commerce of “online market and logistics distribution mode”, O2O basically uses the mode of “online market + go to shop” or in other way “online market + offline service”. The orders are taken online through a network platform by the customers and complete payment online or offline when they have the service in a physical store. The group purchase, as a new form of e-commerce, can be considered as the representative and the start of the O2O.(Xia 2014)

It is important to know that the business model of O2O is an efficient combination of online virtual economy and real economy, while it is depending on online interactivity and gains support and recognition through all walks of life. (Weng and Zhang, 2015) Network turns into the “front-desk” that guides the real economy to the virtual world. At the same time, it is going to be the direction of the development of mobile Internet and e-commerce with the growth of location-based service (LBS). The connection between online mining and attracting consumers can be realized that customers can choose goods and services online, and then purchase and consume in the entity shop. (Xia 2014)

With the help of O2O, the regional restrictions to convey information of service price and quality can be broken. It appeals to and assists customers with selecting
goods or services in need. At the same time, it is possible for the offline businesses to have a better understanding of the scale of production depended on needs of the minority. Compared with traditional electronic commerce, O2O focuses on the model of e-market and offline experience. Customers have more opportunity to gain and select preferred information online with lower territorial limitation. Decisions can be made more efficiently to have a more delightful offline spot experience and services that can bring a lot of specific feelings to customers. (Ding and Jian 2014)

The objective of O2O is to achieve the maximization for the profit of offline and online resources, which improve and rely on each other to achieve a win-win situation. Contrary to Omni-Channel’s respect of business thinking, O2O pays more attention in maximizing the value of consumption for the consumers, using the online systematic process and the virtual consumption system to reduce real consumption cost such as transportation. Moreover, the transformation process in manufacturers or the simple vendors to life service providers can be realized by prompting the biggest developed technology and commercial environment. (Weng and Zhang 2015)

2.2 Operational Flow of O2O E-Commerce Mode

In Figure 4, the operational flow of O2O e-commerce mode involves the 3 parties: O2O platform, consumer and offline businesses. Firstly, O2O platform is the basic bridge between offline entities and consumer. Through O2O platform, offline businesses can release information and promotion of commodities while consumer can collect and select necessary goods and services. After the decisions have been made by consumers through the websites, the demand and data which
contains a number of personal information will be sent to the certain offline businesses through the O2O platform. Meanwhile, this information will be saved in the O2O platform which can be taken as a significant decision-making parameter for offline entities. The payment can be paid online or offline determined by the O2O platform service and the consumers’ decision. Finally, the consumption, usually services, will be experienced offline and consumer can submit their feedback to the O2O platform helping to guarantee the quality of the service in the offline entities. (Ding and Jiang 2014)

**Figure 4.** Operation flow of O2O e-commerce mode (Ding and Jiang 2014).

### 2.3 Cooperation and Details within the O2O E-Commerce Mode

As for the O2O platform, the geographic location of the user is the main consideration while it is used by the O2O platform operators to the offer and recommend their users with suitable and available business service information to
the user with well-setting of search scope. Also, service categories of various items like entertainment, catering and accommodation, etc., are provided on the website to meet different users’ needs. There are two ways to show the information: classification, such as item categories, and map. With these two methods display, the consumer can choose the most available and preferred service based on the location, hobbies and habits. The offline businesses that the consumer will select are impacted by location so that the consumer can complete the service successfully offline. Usually, O2O platform will cooperate with entities to provide some discounts, accumulated credit for specific bonus or coupon and free gifts in order to cultivate and develop users or customers’ spending habits. (Zhang 2014) The discount of online payment offered by the participating businesses will be larger than the offline payment. Consumers can be attracted to shopping and paying online with special discount.

As for offline entities, advertisements and release online can convert into real buying behavior and every transaction will automatically create a “track code”. The “track code” or “transaction log” is helpful for entities to conduct and improve customer relationship management (CRM). (Wang and Lai 2014)

As for payment, if the user chooses to pay online, a third party payment platform will involve automatically, such as the bank or professional third party payment like Alipay. When the online payment is finished through user’s third party payment account, payment information will be sent to O2O platform by the involved third party, and then O2O platform will submit payment voucher to the user usually in terms of mobile terminal. At the same time, consumer will accept the proof of payment to gain the service. (Zhang 2014) Offline payment is also accepted in many times, when consumers go to enjoy the service in real store.
According to Figure 5, the advantages of O2O are very obvious that it cannot only maintain the merits of traditional electronic commerce, like abundant and comprehensive information flow and payment online, but also ameliorate the growth of offline businesses with advanced technicalizaion, offering a more adjustable method for traditional business to match the tendency of digital technicalization. (Ding and Jiang 2014)

2.4 Online Consumer Behavior

In this sub-chapter, it will firstly introduce the concept of consumer behavior and then connect with the features of online consumers’ behavior in O2O e-commerce platform.

2.4.1 Consumer Behavior

In order to explain the relationship between consumer behavior and marketing strategy, Rogan (2007) states that “strategy is about increasing the probability and frequency of buyer behavior. Requirements for succeeding in doing this are to know the customer and understand the consumer’s needs and wants”

Chisnall(1992)also mentions that the needs and motives of humans are inescapably connected relationship, so it is really hard to distinguish the precise difference which may characterize them. People order a meal in restaurant because of settling hunger, but their real underlying dominant need could be to enjoy the special or latest taste of dishes.

Out of the importance of the consumer’s characteristics, Kotler and Armstrong (2007) emphasize the impact of stimuli from advertisements and the way of transmitting to consumer.( see Figure 5) An amount of personal features, which
are connected with the consumer’s specific needs, affect the buyer’s decision (Kotler and Armstrong 2007).

**Figure 5.** Factors affecting the online consumer’s behavior (Kotler and Armstrong 2007).

As online shopping is developing, more and more attention is paid and research is done in this area. For instance, Case, Burns and Dick (2001, 873) indicate that “internet knowledge, income and education level are especially powerful predictors of Internet purchase among university students”. There is a discovery by Ho and Wu (1999) that a positive relationship exists in online shopping behavior and five categories of factors in terms of product features, logistical support, websites’ technological features, information features and homepage presentation, in an online survey of 425 U.S. Undergraduate and MBA students.
2.4.2 Features of Online Consumers’ Behavior in O2O E-Commerce Platform

O2O platform is a quick and convenient way of purchasing. In today’s world, we are sharing a increasingly speedy pace of daily life with the development and spread of high-technology. The increasing number of netizens and demand for enjoying a higher life-style is the stimuli to generate faster, more available and convenient shopping patterns. The lack of Time and space more and more become a restriction for people to enjoy the traditional shopping model and it takes a lot of time and energy to go to a specific shop, selecting goods by hand, piece by piece. It can be even worse that you cannot buy your ideal stuff after a long-walking day. This entire process is very inefficient, tedious, complex and time-consuming. On the contrary, O2O platform can provide the modern people with more convenient own personal settings of searching scope. In the meanwhile, it actually offers 24 hour service regardless of your working schedule. (Zhang 2014)

O2O platform is a high quality and affordable way of purchasing. In the respect of the consumer, the price of their product or service becomes a very sensitive factor to customers while consumers are enjoying a larger and diverse market online. It is easier for a consumer to browse and compare goods from various merchants in the method of website platform. What is more, entities can directly face and sale goods and services to consumers through O2O platform. The cost of paying to an intermediary has been reduced which spare more room for lower price as a marketing tool to satisfy the consumer’s preference of a cheaper product or service. (Zhang 2014)

O2O platform is a personality display in this way of purchasing. At present, millions of species and commodities exist in the buyer’s market, while the buyers in the new generation can fulfill their preferred life-style and show their individual
characteristics and personality by the online market. Unparalleled commodities are needed as well to meet the higher requirement of personal consumption. In that way, O2O is a great platform for consumers to express their thoughts and desires through ordering specific services they need online. What is more, sometimes they can even involve in the design and production of the product or service to meet their own satisfaction. (Zhang 2014)

O2O platform reduces consumer loyalty in some extent. Although the O2O platform opens the door of a larger market to entities in some ways, it also presents a complicated market to the consumer with much more products information and alternatives. Shopping activities through internet are becoming more realistic to consumer, in order to achieve utility value of their shopping and chase after new fashion. (Zhang 2014)

2.5 Offline Service Quality

Service quality is classified as a kind of marketing which is able to generate a competitive advantage, and has been the main consideration for merchants and researchers for a long time.(Han and Baek 2004) However, the interpretation of service quality is different from person to person but the essence is the same. The concept from Parasuramn, Zeithaml and Berry(1988) is stated as “The overall evaluation of a specific service firm that results from comparing that firm’s performance with the customer’s general expectations of how firms in that industry should perform”, which is usually suitable to offline service quality. On the other hand, it is interpreted as “The difference between customers’ expectations for service performance prior to the service encounter and their perceptions of the service received” (Khalil 2011)
Most of service quality explanations follow the most common definition of service quality as the contradiction among expectations of consumer and perceptions of the service received. (Han and Baek 2004) From the research fundings of Parasuraman, Zeithaml and Berry (1985), a formula is implied as:

Service quality = Perceived performance -Expectation of Service (Du 2014)

Parasuraman et.al (1988) came out with the SERVQUAL instrument (see Figure 6) which aims to explain the work flow of service quality. As Table 2 shows, there are five key gaps, consisting of the discrepancies between user’s expectations and the real services.

Gap 1 is relating to consumer expectations and the perception of management towards them. It is not always that the service providers totally understand what requirements cannot be excellence of quality for consumers. Gap 2 is about the specifications of the quality of the services defined by the interpretation of perceptions that managements has of the expectations of users. This gap is because of the lack of descriptions of the offer, adjusted to the consumers’ wishes. The right design of the service and established standards may be lacking in this gap.

Gap 3 refers to the real performance of the service in the face of previous descriptions, which is measured by if the standard service is delivered or not. Gap 4 refers to the service actually offered and external communications which service descriptions claimed in the media or other communication channels. Gap 5 was a functions of the four previous weaknesses, namely, \( Gap\ 5 = f [gap\ 1, \ gap\ 2, \ gap\ 3, \ gap\ 4] \). (Parasuraman et.al 1988)
Figure 6. SERVQUAL gap model of service quality (Parasuraman et al. 1988).

### 2.5.1 Dimensions of Offline Service Quality

According to SERVQUAL (Parasuraman et al. 1988, 1991), the dimensions of service quality can be divided into five parts (see Figure 7): tangibles, reliability, responsiveness, assurance and empathy. In the following sub-chapters, it will explain these five items and their impact on O2O platform in details, while it also will come up with the advice of positive action for O2O food delivery platform to prompt Offline service quality.
Figure 7. Dimensions of service quality (Parasuraman et al. 1988, 1991).

2.5.2 Tangibles

Tangibles mainly contain the physical facilities, equipment, personnel and communication materials (Parasuraman et al. 1988). Because asymmetry information exists between online and offline. It is not rare that the consumer perceives that much offline information cannot meet the online images of the stores while the information submitted by the store is very limited on the Internet. O2O platform is easy to be speculated and devalued by consumers when consumer go to the real entities and realize the gap between his expectation and
the physical environment cannot be ignored or tolerant. The consumer will be disappointed and reduce his satisfaction automatically. (Du 2014)

In order to avoid this situation, the O2O food delivery platform should insist the offline restaurant on displaying more information of their store on the internet to enable consumers to browse them. It is necessary to embody the information of surroundings of the restaurant, basic taste of dishes, address of the restaurant and the delivery time and so on. Psychological gap of consumer will be shrinking when there are enough informative details on the website. On the other side, consumer will be easier to maintain satisfaction with this O2O food delivery platform.

2.5.3 Reliability

Reliability is referring to the ability to perform the promised services dependably and accurately (Parasuraman et al. 1988). If the introduction of online service cannot totally match the realistic service, the truthfulness of the information online will be speculated by consumers, which will make them indirectly degrade the O2O platform internally or externally by telling on their friends. It is no doubt that offline business should prove their qualification to offer service to O2O platform. It increases the risk that accidents happen to consumer during the process of consumption in a store without qualification. (Du 2014)

Hence, O2O food delivery platform should take actions to monitor offline restaurants and try its best to narrow the difference between online and offline in order to increase consumer satisfaction. Punishment should be conducted to the dishonest restaurant and comfort consumers with a reasonable explanation and compensation. Last but not least, qualification of the restaurant should be validated by the O2O food delivery platform in ahead of entering it.
2.5.4 Responsiveness

Responsiveness means the willingness of service providers to help customers and provide prompt service (Parasuraman et al. 1988). The information on the website should be up-date as fast as it can to offer more information to consumers in time, which usually will increase their reliability towards the platform. Longer working hours of online service will be very helpful to consumers in emergency.

O2O food delivery platform should establish a strong responsibility towards consumers and assist offline restaurant in needs such as technology. Operating capacity should be assessed by the platform in case of trouble occurring during a busy consumer’s period.

2.5.5 Assurance

Assurance deals with the knowledge and courtesy of employees and their ability to convey trust and confidence. According to Parasuraman et al. (1988), the more qualification the service staffs has, the more trustful the consumers feel. It is common that consumer want to get professional service offline after they complete online buying. At present, the requirements of staff qualification are becoming higher and higher. (Du 2014)

As for O2O food delivery platform, it is understandable that non-professional service will cast consumers down during the consumption, especially when the service staff performs badly for the service he/she conducts. Negative feedback will be given to the O2O platform, which will impact upon their loyalty of the platform as well. The consumers’ rights and interests should be placed as the most important consideration to O2O food delivery platform, which is now normally
ignored in the operational flow of the platform. (Du 2014) The attention to the restaurant quality such as hygiene is not enough. Especially, it is essential to increase the training for the delivery staff from the catering or O2O food delivery platform, since the timing and service attitude of delivery staff builds the first image to consumers.

2.5.6 Empathy

Empathy is related to the provision of caring and individualized attention to customers. In this way, the service provided by the O2O platform should convey the feeling to consumer that the value of the service deserve or surpass the price. Undoubtedly it will upgrade the image of the platform as well as rise consumer’s satisfaction. It is also possible for consumer to increase their loyalty after having a positive buying experience several times. (Du 2014) The offline business has the main responsibility to promote Empathy. The improvement of the O2O food delivery platform can be to appreciate and encourage this type of restaurants by setting a rank of the best service for the restaurant in the homepage, in order to build a “win-win” situation for both O2O food delivery platform and offline restaurant.

2.6 Classifications of O2O E-Commerce Mode

Su (2012) divides O2O into two types: transaction sales type and consultant sales type, which will be explained in the following chapters.

2.6.1 Transaction Sales Type of O2O: Group Purchasing

Group purchasing, as a typical transaction sale case of O2O, can be considered as a cost advantage in competitive strategy, which uses discount as the main business strategy. Its outstanding merit is reflected on discount sales in transactional sale,
which is suitable for the opaque and profiteering industry in domestic area. In this type of O2O, it provides the offline store information, such as discount, product information and order service, to online user, then it generates and organizes group buying to convert them into offline clients. There are two features of transaction sales type: one is product homogeneity to generate group buying; the other is that the merely focus is price. The biggest restriction of transaction sales type of O2O is that it is hard to guarantee profit once the market has narrowed room for reducing the selling price to final consumers. (Su 2012)

2.6.2 Consultant Sales Type of O2O: the Emphasis of Brand and Advertisement

Contrary to transaction sales type, the core consideration of consultant sales type is profit instead of cost. The main sale principles in this type are as follow (Su 2012):

- Difference existing between product or service and competitive product
- Product or service should be classified or customized based on demand of client
- Client does not fully understand the solving strategy or added value inside the product or service
- Product or service should deliver the feeling of customer centricity to client
- A higher cost of product or service can be validated

Moreover, consultant sales type of O2O also shows its advantage of branding, advertisement and experience. It is very useful to improve offline sales through strengthening branding online. Meanwhile, the result of getting better feedback by
O2O online promotion appeals merchants instead of random advertisement. It is easy to get the feedback of online advertisement in O2O platform, since customer go to store after order is submitted online. (Su 2012)
3 RESEARCH METHODOLOGY

3.1 Qualitative and Quantitative Approach

Qualitative research and quantitative research are two general approaches to primary data collection. However, only using one of these two approaches are not completely perfect to produce a totally comprehensive result of research with their advantages and disadvantages while used for decision making of various natures. Usually, more objective results can be reached when these two approaches are combined together in a research.

In order to get insights and understanding of the problem setting, qualitative research is relied on small samples with an unstructured methodology. The relationships between the researcher and respondents are much more elastic, while respondents can reflect on and deliver their own opinions in their own terms. (Sable 2012) The aim of qualitative approaches is to figure out the real thinking in a consumer’s mind (Kumar, Aaker and Day 2002, 178). It is a method to get close with attitudes, thoughts, feelings and behaviors from the respondents, and have a better understanding to them indirectly. Qualitative approaches consist of desktop research and in-depth interview. In fact, the defects of qualitative approaches are very obvious that it is time-consuming and requiring more efforts, having small amount of involved participants and hard to generalize the result of findings. However qualitative approach it make it possible to have a deeper understanding and abundant context for exploring new aspects and phenomena. (Ben- Eliyahu 2013)

Quantitative approach is the research methodology that aims at quantifying the data and typically, implementing some form of statistical analysis (Sable 2012). Questionnaire is one of the most common quantitative research methods which
helps to collect structured data, intending to gain specific information from a larger number of respondents. Testing hypothesis, looking at causes and influences can improve the result of forecasts of future. Unlike qualitative research, it selects a sample randomly and usually has a larger amount of respondents. What is more, the results can be generalized due to the structured questionnaires and a larger number of respondents. (Cruz 2011)

Table 2 displays more details between qualitative research and quantitative research.

**Table 2.** Qualitative versus quantitative research (Malhotra 2007, 144).

<table>
<thead>
<tr>
<th></th>
<th>Qualitative Research</th>
<th>Quantitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>To gain a qualitative understanding of the underlying reasons and motivations</td>
<td>To quantify the data generalize the results from the sample to the population of interest</td>
</tr>
<tr>
<td>Sample</td>
<td>Small number of non-representative cases</td>
<td>Large number of representative cases</td>
</tr>
<tr>
<td>Data Collection</td>
<td>Unstructured</td>
<td>Structured</td>
</tr>
<tr>
<td>Data analysis</td>
<td>Non-statistical</td>
<td>Statistical</td>
</tr>
<tr>
<td>Outcome</td>
<td>Develop an initial understanding</td>
<td>Recommend a final course of actions</td>
</tr>
</tbody>
</table>

As Table 2 shows, there are several differences existing between qualitative research and quantitative research in terms of research objective, sample selection, data collection, data analysis and outcome. Therefore, mixing these two
approaches is meaningful, because it can improve understanding of the subject resulted from diversification of outcomes, expansion of the knowledge through creating new mode of thinking. (Bazeley 2002)

3.2 Data Collection

The categories of data can be various depended on different researchers, while it is mainly classified into two basic categories as primary data and secondary data. Primary data is original data that is collected by the researcher. Secondary data is collected data by others for a different purpose, then reused by researcher. The biggest merit of primary data is that this data can be monitored by the researcher during the investigation process. (Ghauri and Groung 2005, 91)

In this research, the online questionnaire and in-depth interview as primary data will be used, in order to analyses the objective of the research in Chapter 1. According to the thesis objective, the questionnaire is used for the purpose of collecting Chinese consumers’ general opinions concerning the daily usage of O2O food delivery platform, as well as their evaluation of the service quality of Ele.me; exploring if Ele.me could improve and increase consumer’s satisfaction in current strongly competitive market of O2O food delivery industry.

In order to get the opinion from the perspectives of the offline service providers, four online interviews will be organized with four restaurant owners who had registered in the Ele.me platform. These interviews were designed to analyses the runner feedback towards Ele.me platform as well as their comment to it.

SOJUMP online service will to be used to create and spread the online questionnaire, targeting the numerous Chinese consumers with various genders, occupations and buying behaviors. In order to be more accepted by Chinese consumer, this questionnaire will be written in Chinese correspondingly. In order
to ensure the accuracy of the wording and phrasing, this questionnaire will be evaluated by five Chinese persons before publishing it online. The method to be used to spread the questionnaire in public is public social websites such as Weibo, Webchat and some instant messaging sites. SPSS and Microsoft Excel will be used to process and statistically analyses the data.

3.3 Reliability and Validity

Reliability means if the collected data and analysis result of the research has the possibility to be repeated at some time in the future by various researchers, concluding consistent findings (Oliver 2000, 53). In order to avoid the impact of potential threats to the reliability of the research, three approaches are used to evaluate the reliability. The first one calls test re-test, which means that the same measure should be conducted to the same respondents twice. The second one is called internal consistency, which refers to testing the reliability by first separating the data into two halves to check if linearity exists between them. The final method is alternative form which focuses on implementing the alternative measurement which is almost equal with the initial one within the same group, implying a high level of correlation exists. (Zikmund 2000, 280; Saunders et al.2009, 373-374)

Validity refers to how well the research outcomes really measure what it is purported to measure. Accordingly, it is used to evaluate a research or a project in a continuous time period. Winter (2000) interpreted it as “rather contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects”.

The research’s validity can be strengthened in the following way: firstly, research problem should be carefully defined. At the same time, a large amount of
references are used to define the problem, referring to the library or professional online organization. Secondly, the questions designed in the research should have a close relationship with the literature concepts such as consumer behavior and service quality. Furthermore, the questions in the questionnaire and interview should be checked and revised several times.

As for this research, reliability and validity can be enhanced because of large volume of sample in the questionnaire (278), while the interviews use the random sampling. What is more, pilot testing of the questionnaire has be used and ensure the questions were understandable for the survey respondents.
4 EMPIRICAL FINDINGS

Both the results of interview and questionnaire will be presented and analyzed in this chapter, including demographic findings, Ele.me’s service quality impacts on consumer’s satisfaction at present, and the most appreciated advantages and sales promotion.

4.1 Demographic Findings

As for the interview, four Chinese restaurant owners were selected by random sampling method. They ranged in age from twenty five years old to forty years old. As for the location of their restaurant, two of them are close to university; one is close to office buildings; one is on a street with comparatively less visitor flow-rate. What is more, two interviewees run small-sized restaurants with four and six employees and two interviewees run middle-sized restaurants with twenty-nine and thirty-nine employees.

Concerning the questionnaire, in addition to some demographic questions, the respondent was asked about gender, occupation, his/her selection and payment to food delivery and the main worried factors of food delivery.

The total amount of the respondents was 278. As for the gender, the number of male was 121 occupied 43.5% while it was 157 for female with 56.5%, considered as very similar proportion.

The second question was about respondents’ occupations, which as presented by Figure 8, was divided into four groups: student, office worker, normal worker and others.
**Figure 8.** Respondent’s occupation.

In terms of occupation, the majority of respondents were student accounting for 64.39 percent of the entire numbers of respondents while the group of office worker ranked second with 21.94% followed by the occupation of normal worker. According to the interviews of restaurant owners, due to the limited time to make meals, more and more office workers and especially students tend to have a meal outside or through food delivery in daily life, so the high share of these two groups shown in this figure, actually tend to increase the reliability of this research.

Next, the frequency for respondents to order food delivery, separated by occupation, will be displayed in Table 3.
**Table 3.** The respondents’ frequency of ordering food delivery separated by occupation.

<table>
<thead>
<tr>
<th>X/Y</th>
<th>Student</th>
<th>Office worker</th>
<th>Normal worker</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-7 times</td>
<td>28(75.68%)</td>
<td>4(10.81%)</td>
<td>2(5.41%)</td>
<td>3(8.11%)</td>
</tr>
<tr>
<td>&lt;3 times</td>
<td>13(71.35%)</td>
<td>35(18.92%)</td>
<td>16(8.65%)</td>
<td>2(1.08%)</td>
</tr>
<tr>
<td>Very rare</td>
<td>19(36.54%)</td>
<td>22(42.31%)</td>
<td>10(19.23%)</td>
<td>1(1.92%)</td>
</tr>
<tr>
<td>&gt;8 times</td>
<td>0(0.00%)</td>
<td>0(0.00%)</td>
<td>4(100.00%)</td>
<td>0(0.00%)</td>
</tr>
</tbody>
</table>

It is very obvious that student respondents showed their big demand for food delivery. Only 36.54% of them chose “very rare” and ranked the first on both the group of “4-7 times” (75.68%) and “< 3 times” (71.35%). Office workers were following with 10.81% (the group of “4-7 times”) and 18.91% (the group of “< 3 times”). From Table 3, we can calculate that the percentage of the group “Very rare” is only 18.71%. Although the main share of frequency was the group of “< 3 times”, a great market opportunity of food delivery still can be expected.

**4.2 the Advantages and Challenges of O2O Platforms**

Question 4 is about the respondents’ main way or online platform for food delivery and it is divided into five groups: Tao Dianqian, Ele.me, Meituan waimai, phone calling and others. In other extent, it is about the current competition and market share of O2O platforms, a “fight” between these main competitors in this industry wanting to take the lead of this market. The result in details is shown by Figure 9.
Figure 9. Respondents’ main way or online platform for food delivery.

According to Figure 9, the phone calling (34.17%) was still the first choice for the majority of the respondents in this question, while Ele.me (29.14%) ranked the second in this question. The gap between Ele.me and Meituan (21.94%) was not that obvious, which means the elder company Ele.me is actually threatened by the expansion of Meituan. As a new company in the O2O food delivery industry, Tao Diandian was presented well and strongly with 12.95%.

Figure 10 is considering the advantages of food delivery platform, while most of the questionnaire respondents appreciated the reference for the recommendation, which could enrich the information of the restaurant before the consumer conducts the purchase of the meal. The increasing usage rate of internet and smart phones also is one of the biggest reasons for the growth of O2O food delivery platform, that it becomes much easier to access the internet both for the consumers and restaurant owners.
Figure 10. Advantages to use O2O food delivery platform.

Also, from the interviews, all of the interviewees said that they had kept increasing the awareness of the internet that they would display more information of their restaurant’s characteristics and update them in time on the internet, in order to appeal to more consumers. The online comments by consumers were also taken very seriously by restaurant owners to improve themselves.

In Figure 11, it presents the situation of the respondents’ acceptable full price for food that most of the respondents (59.35%) said they can handle a price between 10 to 20 Yuan when they order food delivery, while only 5.4% respondents can handle the price between 20 to 50 Yuan. It implies this demand for dishes with cheap or middle price. In order to attract more consumers, price-off will be a good promotion method for expensive restaurants.
Figure 11. Respondents’ acceptable full price for food.

The results of the survey also show the respondents’ acceptable waiting time for the food delivery (See Figure 12), presenting with 46.76% for the group of “less than 20 mins” as well as 49.64% for the group of “less than 30 mins”.

Figure 12. The respondents’ acceptable waiting time.

At the same time, the method to connect with the restaurant (See Figure 13) is very equal between smart phone (34.17%), Internet(“36.99%) and phone calling(29.14%), while basically, most of them prefer to paying physically(66.55%) than online payment(33.45%).
Figure 13. The method to connect with the restaurant.

More precisely, in order to avoid unsecured online payment, 86.54% of the respondents being worried about this part chose to pay physically as Table 4 shows.

Table 4. Respondent’s payment separately by what they worry on online meal booking.

<table>
<thead>
<tr>
<th>XY</th>
<th>Pay physically</th>
<th>Online payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured online payment</td>
<td>49 (86.54%)</td>
<td>7 (13.46%)</td>
</tr>
<tr>
<td>Slow food delivery</td>
<td>88 (61.07%)</td>
<td>54 (38.93%)</td>
</tr>
<tr>
<td>Food quality</td>
<td>127 (69.40%)</td>
<td>56 (30.60%)</td>
</tr>
<tr>
<td>Accurate location of delivering food</td>
<td>58 (67.44%)</td>
<td>28 (32.56%)</td>
</tr>
<tr>
<td>Food hygiene</td>
<td>117 (68.86%)</td>
<td>58 (31.14%)</td>
</tr>
<tr>
<td>Others</td>
<td>4 (100.00%)</td>
<td>0 (0.00%)</td>
</tr>
</tbody>
</table>

In order to expand and improve the O2O market, firstly we should consider the challenging factors existing in this market. According to the statistics below, (see Figure 14) the biggest area of concern was the food itself, the food quality
(65.83%) and food hygiene (62.95%). The quality and hygiene are the most important consideration when running a restaurant. While most Chinese are still under the pressure of bad food quality, such as the use of reused oil and vegetables with too much pesticide.

![Diagram showing respondents’ worrying items of O2O food delivery.](image)

**Figure 14.** Respondents’ worrying items of O2O food delivery.

From the interviews, the interviewees also said that due to poor management or profitability, food hygiene was ignored by many restaurant runner, resulting in limited trust to small restaurants. The speed of food delivery was faster than the speed of setting up a better restaurant foundation and controlling systems by government.

Because most of small or medium restaurants have a limited budget to hire more people to deliver the food, they will wait for a certain amount of dishes to start to deliver. From the interview, three of the interviewees had realized this problem and would spend more effort ensuring the quality and hygiene of food, by paying more attention to the ingredients purchasing of more qualified brands. On the
other hand, they also talked about that more employees would be hired to only focus on the food delivery if profit was increased enough.

4.3 Consumer’s Satisfaction to Service Quality of Ele.me

This sub-chapter will be presented with the data analysis of demographic findings on Ele.me’s consumers, such as the competitive advantages of Ele.me and the flaw part of Ele.me services. Then it will focus on the service quality reflected by the consumer’s satisfaction;

4.3.1 Demographic Findings on Ele.me’s Consumer

Firstly, we will start with the utilization rate of Ele.me. As presented in Figure 5, 57.6% of the respondents claimed to have used Ele.me, which means there is still much room to do to increase its utilization ratio. As for the occupation of the users, the interview shown students took the lead regarding of using Ele.me most frequently, followed by office workers.

Because we need to find out the quality service regarding of Ele.me, the following analysis in this sub-chapter will be only answered by the respondents who had used Ele.me before to increase the research responsibility and validity.

With the previous question as a filter, 160 respondents who has used Ele.me before came to the next one (a multiple-choice question) to identify the channels through which they first knew about Ele.me, whereas the survey system automatically enable the respondents without using Ele.me before skip to the end of the questionnaire.

Figure 15 is about the channel for the respondents to know Ele.me at the first time.
Clearly, Figure 15 presents that 35.96% respondents got to know Ele.me via the flysheet or banner ads. As the traditional way of advertisement, flysheet and banner ads showed its advantage of attracting people. Sales promotion also took a big piece of cake as increasing Ele.me’s brand awareness, accounting for 26.97%. It is also very important of friends’ recommendation, which indirectly presents satisfaction of the consumers and spread the brand awareness of Ele.me in some ways.

From the aspect of the interview, the flysheet and banner ads were also presented in the obvious place in restaurant frequently. More and more customers in the physical restaurant also got to know Ele.me in this way. The Quick Response (QR) were also included in flysheet that consumer could connect with Ele.me more conveniently, indicating a good corporation between Ele.me and restaurants.
4.3.2 Tangibles

One of the most important factors related to the tangibles abilities of service quality is about the difference between the online information and reality. As Figure 16 shows, it is still quite tangible with the food presented online. Most of the respondents, accounting with 76.4%, thought that the gap between the online description of food and the real food was acceptable with a little difference. Accumulated with the group of “No difference”, which was following it with 18.54%, it shows that basically consumers can trust the food presented online in Ele.me.

![Bar chart showing the percentage of perception between online description and real food](image)

**Figure 16.** The difference between online description and real food.

This outcome can be the improving factor for consumers to consume more and enjoy the joy of purchasing and increase their satisfaction of Ele.me. In fact, it indicates the performance of monitoring is good by Ele.me. Also, a good corporation with restaurant cannot be ignored. As from the interview, comments
from consumers were actually playing an important role for developing the dishes in the restaurants.

4.3.3 Reliability

Although Figure 17 reflects that the group of “satisfied” took the first prize of the consumer’s comments about the service of food delivery speed and quality with 47.75%, and 3.93% respondents held very satisfied opinion in the same area, but 41% of respondents showed neutral in this statistics, which in other words, was just satisfactory in these respondents’ point of view. The speed and quality is still needed to be prompted in order to raise the reliability to consumers, as well as making it as the competitive advantages to attract consumers in the fierce market. The rest of opinions of this aspect is the group of “Not satisfied”( 6.74%) and “Very not satisfied”(3.93%). (Not at all satisfied)

![Pie Chart showing satisfaction levels](image)

**Figure 17.** Satisfaction of food delivery speed and quality.

4.3.4 Assurance and Responsiveness

In order to improve the assurance of the food delivery speed and quality in Ele.me, it is necessary to pay attention to the complaint provided by the “Not satisfied” group and “Very not satisfied” group.
Figure 18 presents the complaints from the respondents who chose “Not satisfied” in Figure 17.

**Figure 18. Complaints of “Not satisfied” group.**

Most of the respondents were upset about the Ele.me reaction of the consumer’s complaint, accounting for 66.67% which indicates a poor responsiveness ability of service in this question. At the same time, both the group of slow food ordering process and the group of ignorance of remark information were causing the same ratio of disappointing performance with 50%, while the group of out-of-date order information was after them with 33.33%. Lastly came with the group of inaccurate location of delivering group (8.33%). Basically, it reflects on the room to improve the specialty of caring service in this platform. The method can be organizing more training for its staffs or hiring more professionals to enhance the service quality.
On the other hand, the professionalism of technical employees seems to be proved in the interview that all of the interviewees have gained technical assistance from Ele.me in time, showing high appreciation and responsiveness towards the technical professional service in Ele.me. Firstly, the technical personnel display great patience and professionalism to assist the restaurant runners in understanding how to use Napos, Ele.me specific system of order management. Secondly, when a problem happened, the technical personnel took a very quick action to help the restaurant runner very successfully every time.

Moreover, from the interview, it can be also realized that the more elder the generation is, the lower usage rate of complex App. Some of the interviewees actually reflected that some of elder’s consumers cannot manage to use the app of Ele.me and have to take food delivery order by telephone.

4.3.5 Empathy

When it goes into the core factors for respondents to use Ele.me, the money that Ele.me has spent for promotion before seems to work very well to offer their consumer with good dishes at a reasonable price. According to Figure 19, 84.27% the respondents took the group of good sales promotion as the key factor(s) for them to choose Ele.me as food delivery platform.

![Figure 19. Key factors to choose Ele.me.](image)
There was a not dramatic difference between the rest parts of factors including brand (32.58%), consumer’s habit (27.53%), propaganda(22.4%) and rich types of restaurant(17.98%). It should be in focus that brand awareness of Ele.me is created and increased that 32.58% respondents showed high value of brand of Ele.me, ranking the second in Figure 19.

In order to discover the impact of sales promotion on Ele.me, Figure 20 is based on the question that if the respondents would quit using Ele.me or not when Ele.me would not use sales promotions any more.

![Pie chart showing potential to quit using Ele.me without promotion](image)

**Figure 20.** Potential to quit using Ele. me without promotion.

The result is very obvious to ensure that sales promotion is an essential stimuli for Ele.me to be outstanding in the market. If Ele.me quit sales promotion it may cause a big earthquake for itself, that near 30% of the respondents will certainly leave this platform while 40.45% respondents con not sure their attitude now.( see Figure 20)

As for the specific sales promotion methods, Figure 21 indicates that price-off, being one of the most direct and practical promotion methods, was taking the lead of other sales promotion options with 43.26%. Next, red paper, seemed as a “lottery” to receive random money, held the secondary position, which may be
caused by the please and excitement of “lucky” from red paper. The next following promotion type was free gift with 18.54%, while cash refunds were the final type with 16.29%, close with the free gift.

Figure 21. The most appreciated sales promotion type.
5 CONCLUSION

5.1 Summary and Findings of the Research

This thesis has selected a case company in order to find out the baffling factors for O2O food delivery platform as well as how service quality effects on consumer’s satisfaction. Firstly from the research we can find out that students are still the major users of the O2O food delivery platform. There is a high potential in this new market. It appeals to more and more competitors, such as Meituan and Tao Diandian, which has actually threatened the current market share of Ele.me as the statistics present. On the other hand, poor food quality and food hygiene are the most baffling elements in the Chinese O2O food delivery industry, resulting in 65.83% of the respondents being anxious about food quality and 62.95% for food hygiene. The most commonly acceptable price for a meal is up to 20 Yuan which is very limited and usually occurs in small or medium sized restaurant without sales promotion, Poor food quality and hygiene happen most in this sizes of restaurants. Based on this situation, it suggests the demand for providing better management of food quality and hygiene.

As for the perspective of Ele.me’s service quality, the narrowed gap between online food description and real food is one of the biggest advantages of Ele.me. In the meanwhile, the relationship between Ele.me and its registered restaurant is very cooperative and harmonious that the service quality offered by Ele.me is evaluated very high, which is very good at monitoring restaurants. The most reliable factors ele.me is sales promotion while it directly leads the appreciation of 84.27% of the respondents.
5.2 Advice to Ele.me

Though the previous analysis shows that Ele.me is running well basically, especially making a lot of efforts to maintain the relationship with both food consumers and restaurant runners, the problem of it is also very obvious that Ele.me is over depended on sales promotions. In some aspects, sales promotion is the most direct way to get an obvious result in expanding consumer base, which is one of the main reasons for it to be commonly used in starting-up businesses. At the same time, overmuch sales promotion is a very hard way to get profit. For instance, JD.com has successfully become the second largest e-commerce company in China, but due to overmuch sales promotion, it is continually suffering a deficit since 2011, even causing 5 billion Yuan deficit in 2014 (Xinhua 2015). The balance between market share and profitability should be carefully controlled in the Internet industry. One of the methods for the aspect is to dig out the most effective way of promotion with the most amount of saving.

Beside sales promotion, Ele.me should put more efforts on exploring their advantages and features to find out other ways to create profit. For instance, the core value of Ele.me is their two technical softwares, Napos and Walle. Due to these high-techs, Napos offers assistance for the restaurant owner, so it would be better to develop and dig out more profitability from the software such as offering more useful paid services. Instant information to consumer can be developed with the growth of technical ability of Ele’s me.

Moreover, Ele.me should pay more attention to the market outside the student base in order to expand its market share and improve its brand awareness. In order to attract elder consumers, a simpler app can be produced targeting the elder generation, who usually tend to enjoy a simplified app for searching.
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APPENDIX

APPENDIX 1: Open-ended Interview Question:

1. How long have you joined Ele.me?

2. How does Ele.me help you to find or expend your customer?

3. What kind of customer service do you use in Ele.me?

4. What kind of problem do you have when you use the system of Ele.me? How does Ele.me help you to solve it?

5. Which part do you think is the biggest advantages for restaurant to join Ele.me?

6. What is the unsatisfied part when you use Ele.me?

7. What kind of service do you want Ele.me to offer you in the near future?
APPENDIX 2: Online Questionnaire in English

Consumer’s Satisfaction Research of Ele.me in China

Dear respondents,

I am doing my bachelor thesis on how the service quality provided by Ele.me. This questionnaire is designed to test the consumer’s satisfaction of the Ele.me’s service in order to give advice for Ele.me to present better service and content consumer’s in the future. Personal information will be kept confidential.

Basic Information

1. What is your gender?
   a. Male       b. Female

2. What is your current occupation?
   a. Student       b. Office worker
   c. Normal worker c. Others

3. What is your frequency to order food delivery per week?
   a. Very rare       b. <3 times
   c. 4-7 times       d. > 8times

4. What is the main online platform or way you use to order way?
   a. Tao DianDian   b. Ele.me
   c. Meituan        d. Phone calling
E. Others

5. What is your acceptable full price for food, when you use food delivery?
   a. about 10 Yuan  
   b. 10-20 Yuan  
   c. 20-50 Yuan  
   d. Others

6. What is your acceptable waiting time for food delivery?
   a. < 10 mins  
   b. < 20 mins  
   c. < 30 mins  
   d. > 30 mins

7. Which method do you prefer for payment?
   a. Pay physically  
   b. Online payment

8. What do you think of the competitive advantage(s) of online booking? (multiple choice)
   a. Easy access internet  
   b. Selecting food with pictures  
   c. Offering multiple meal setting as reference  
   d. Order in advance  
   e. Rich types of dishes  
   f. Reference for the recommendation and comments of various restaurants  
   g. Presenting the newest dishes  
   h. Saving offline phone money

9. Which factor(s) do you worry about online meal booking? (multiple choice)
a. Unsecured online payment  b. Slow food delivery

c. Food quality  d. Accurate location of delivering food

e. Food hygiene  f. Others

**Consumer’s comment to Ele’me service quality**

10. Have you ever used Ele.me?

a. Yes  b. No

(If the answer is no, the questionnaire will be finished automatically)

11. Through which channel do you firstly know about Ele.me?

a. Flysheet or banner ads  b. Friends recommendation

b. C. Sales promotion  d. “Ele.me” Web-page

c. c. Social media like Wechat or Weibo  f. Other channels: ____

12. What is the key factor(s) for you to choose Ele.me (multiple choice)

a. Good sales promotion  b. Brand awareness

c. Consumer’s habit  d. Rich types of restaurant

e. Propaganda

13. Which of the following sales promotions do you enjoy the most from Ele.me?

a. Free gift  b. Red paper

C. Price-off  d. Cash refunds
14. What if the sales promotion from Ele.me is quit, will you keep using it?
   a. Yes                      b. No
   c. No idea now

15. What is the gap between the real food and online description of Ele.me?
   A. No difference               b. Little difference but can be accepted
   c. Very big difference

16. What is your overall opinion to Ele.me regarding to the real speed and quality of delivering food?
   a. Very satisfied               b. Satisfied
   c. Neutral                     d. Not satisfied
   e. Very not satisfied

17. Which part do you depress with Ele.me related with Question 16.
   a. Slow food ordering process   b. Ignorance or remark information
   c. Not enough reaction with consumer’s complaint
   d. Order information cannot be update in time
   e. Inaccurate location of delivering food
   f. Other reason:______

18. What is your advice to Ele.me?
   ________________________________
Thank you for your participation and have a great day!
APPENDIX 3: Online Questionnaire in Chinese

“饿了么”用户情况及服务满意度调查[复制]

尊敬的先生/女士，

这是一份关于“饿了么”用户对于该平台满意度的调查问卷。此问卷主要用于检测“饿了么”目前在国内市场的服务质量，以便于日后加以改善，提供更好的服务。调查内容包括您的基本信息。本问卷仅用于学术研究，个人信息绝对保密，敬请您的参与！

1. 您的性别是 *
   - 男
   - 女

2. 您现在的职业是什么 *
   - 学生
   - 白领
   - 普通工作人员
   - 其他

3. 您预订外卖的频率是？ *
   - 极少
   - 每周3次以下
   - 每周3~7次
   - 每周8次以上

4. 您通常使用哪个外卖软件或者其他方法预定外卖？ *
   - 饿了么
   - 美团外卖
   - 拼多多外卖
   - 菜鸟
   - 其他

5. 您能接受的外卖价格大约是 *
   - 10元左右
   - 10元到20元
   - 20元到50元
   - 其他
6. 您可以忍受的等待外卖送达的时间大约是 *
   □ 10分钟以内
   □ 20分钟以内
   □ 30分钟以内
   □ 30分钟以上

7. 您喜欢的支付方式是 *
   □ 现金付款
   □ 网上支付

8. 您觉得网上订餐的优势在哪里？
   [多选题]
   □ 上网方便
   □ 价格更便宜
   □ 多样套餐供参考
   □ 菜品更新快
   □ 菜品种类齐全、丰富多样
   □ 可以看到商家的即时价格
   □ 及时了解新出菜品
   □ 网上订餐免去了电话费

9. 您对于网上订餐有什么顾虑？
   [多选题]
   □ 支付方式不全
   □ 价格太贵
   □ 菜品质量
   □ 菜品信息不全
   □ 口味、份量不符
   □ 食品卫生
   □ 其他

10. 您是否使用过“饿了么”？
    □ 是
    □ 否
11. 您首次接触到“饿了么”是通过什么途径?
   
   ○ 微博、微信等社交软件
   ○ 电视广告
   ○ 同事介绍
   ○ 优惠活动
   ○ 其他，请注明...

12. 您选择“饿了么”是外卖的关键因素是什么？
   
   ○ 价格
   ○ 品牌知名度
   ○ 使用习惯
   ○ 服务质量
   ○ 其他，请注明...

13. 您更倾向于“饿了么”以下哪个优惠？
   
   ○ 现金优惠券
   ○ 会员优惠
   ○ 其他，请注明...

14. 如果“饿了么”价格优惠活动取消，您还会继续使用吗？
   
   ○ 会
   ○ 不会
   ○ 不清楚

15. 在“饿了么”是否遇到过与其他平台提供的外卖有较大的差异？
   
   ○ 现在
   ○ 无差异
   ○ 转差，能接受
   ○ 转差很大
16. 您对“饿了么”实际送餐的速度与质量是否满意？
○非常满意
○满意
○一般
○不满意
○很不满意

17. 以下哪些方面造成您对问题17的不满？（多选题）
- 接触速度快慢
- 订单完成情况
- 订单无人跟进
- 订单信息未能及时反馈
- 订单不准确
- 其他：

18. 您对“饿了么”有什么建议吗

提文

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