The Strategy Choice of self-support and outsourcing model of Food and beverage enterprises' delivery Service

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Abstract. Currently, the catering business offers take-out delivery services to customers because to the severe rivalry in the sector and the development, use, and popularization of information technology. In China, huge Internet delivery platforms are mostly used for catering delivery services, and the service provider is primarily focused on a small number of platforms with competitive advantages. In this profession, there is intense industrial competition and a high barrier to entry. Some big catering chain businesses, including KFC and Pizza Hut under Yum Group, have a delivery service team comprising of its own take-out ordering platform and delivery workers as opposed to delivering through take-out delivery platform. While self-operated take-out ordering and distribution platforms will incur high platform maintenance costs, salaries of distribution service team personnel and other expenses for a long time, and will incur management costs or scale diseconomies of the department, large take-out ordering and distribution platforms require paying high commissions and distribution fees to the platform providers. This article will use the Yum! Brands, i.e., KFC and Pizza Hut brands as examples, which are owned by it and have their own distribution service team and platform for takeout food sales, and compare and analyze the benefits, drawbacks, opportunities, and challenges of the two distribution models using the SWOT analysis method. Based on the analysis, this study examines whether or not catering businesses should have a self-operated delivery service team and under what circumstances they should choose which route to follow for delivery service.

Keywords: Platform for Parkson Group; takeaway distribution services; SWOT analysis.

1. Introduction

Delivery service is the process by which a product seller (mostly in the catering business) delivers a product to the location that the customer specifies. In China, the majority of food and beverage delivery services are provided by sizable Internet delivery platforms, which are focused on a few platforms with competitive advantages. In this area, there is also a lot of industry competitiveness and substantial industry hurdles. Few significant catering chain businesses, like "KFC" Pizza Hut, owned by Yum Group, have a self-operated take-out delivery service team as opposed to the take-out delivery platform. This study compares the factors that catering businesses take into account when deciding whether to create their own platform for takeout delivery services.

With more than 35000 chain restaurants and 1 million workers throughout more than 110 countries and territories, Yum Brands is a sizable catering company in the world. In terms of making chicken, pizza, and other chain catering, its brands lead the world, including KFC and Pizza Hut. KFC, Pizza Hut, and Taco Bell are three brands that Yum! Brands exclusively operates and is permitted to operate. It also entirely owns the Oriental Jibai, Little Fat Sheep, Huang Jihuang, and COFFIi&JOY chain restaurant brands in the Chinese market. The two primary examples used in this essay are KFC and Pizza Hut.

Kentucky Fried Chicken, or KFC for short, is the second-largest fast food chain in the world and the biggest network of fried chicken restaurants in the United States. Fried chicken, hamburgers, chips, rice, egg tarts, drink, and other high-calorie fast food are the company's major products. One of the pizza franchised chain businesses, Pizza Hut mostly caters to young people as its customer base. Pizza, spaghetti, baked rice, grilled foods, and other major entrees, as well as pre-meal snacks, salads, desserts, and drinks, are among the more than 200 new goods that have just hit the market.

ELEME Takeout. Online takeout, new retail, same-day delivery, and the catering supply chain are the main enterprises. There are 3.4 million online eateries on it, and there are 260 million users. It includes 670 cities and more than 1000 counties nationwide.

Meituan. Meituan is a technology-based retail enterprise that serves more than 250 million takeaway customers, more than 2 million cooperative merchants, over 500 000 active distribution riders, more than 1300 cities, and 21 million orders every day.

As a matter of fact, it is curcial to investigate how should catering businesses decide whether to employ an outsourcing method or create their own take-out delivery platform in order to create a take-out service delivery team. This article compares and contrasts Parkson Group's two delivery service modes using theoretical research from the fields of economics, corporate finance, marketing, and other relevant disciplines, as well as the following analysis techniques:

This paper examines theoretical research in economics and finance related to the comparative analysis of the economic value of the takeaway service model, and it examines the benefits and drawbacks of the operation of catering enterprises in providing takeaway service by adopting self-operated and outsourcing modes. This research is based on the body of existing domestic and international research literature. Afterwards, this study examines the many impact factors on the operation of companies under various delivery service modes by comparing the various effects of the delivery service on the overall operation of catering enterprises under the self-supporting and outsourced modes. Subsquently, the SWOT-based method is based on the analysis of the enterprise's internal and external competitive environment as well as the situation under the conditions of competition. Specifically, it analyzes the four dimensions of catering enterprises under the self-supporting and outsourcing modes, namely S (strengths), W (weaknesses), O (opportunities), and T (threats), in order to analyze the differences between the company strategy and the company's internal resources, external environment.

2. Literature Review

Long before the advent of smart phones and catering ordering and distribution platforms, strategic study on the logistics distribution in the catering business and whether to incorporate third-party distribution service providers was conducted. Beginning with a description of third-party logistics in China, Cai Di Li Longzhu went on to suggest the creation of a third-party logistics agent model that is not asset-based and the use of information technology to advance the third-party logistics sector [1]. Yum Group's food distribution network and long-distance transportation of perishable foodstuffs in China were examined by Xu Xianhao, Sun Yongli, and Li Yiyan in 2007 [2]. An Yu examined Yum! Brands' KFC brand's logistics system and made recommendations for enhancing the service level and capacity for growth of Chinese chain catering businesses [3].

The development of McDonald's and KFC's self-operated takeaway ordering platforms was compared by Tian Xin [4]. Guo Xiaofeng and Zheng Yuxiang examined the two common logistics models used by catering businesses, compared the two models to those used by KFC and McDonald's, and made recommendations for China's distribution of catering logistics [5]. According to Liu Yang, the chain catering industry's cost rivalry is centered on logistical costs. He examined Yum! Logistics' management techniques and logistics cost management, and he made recommendations on how to account for, manage, and improve logistics costs [6].

Qian Xiaoshu examined the cost of operating Chinese catering businesses before examining the O2O model's application there and the effectiveness of traditional catering businesses' self-operated logistics distribution. She also examined various O2O models in the field of catering distribution [7]. Through modeling, Chen Haitao, Li Tongqiang, and Song Shanshan conducted empirical study on the repeat purchase intentions of users of the takeout platform. They also investigated the determinants and degree variations of consumers' repeat purchases, as well as the impact of platform quality trust, offering a guide for the development of takeout distribution platforms [8].

Based on the theory of customer satisfaction, Chen Jing, Wu Tao, and Wang Tianchi chose KFC as their research subject, examined factors like product price, service rapidity, customer consumption experience, satisfaction with the product portfolio, and the quality of distribution service, and proposed a solution to enhance and optimize the catering delivery service sector [9]. By examining the logistical operation management of transnational advanced catering chain enterprises, Liu Xinlin and Wang Qunzhi studied the development strategies and models of the Chinese catering industry and provided references for the transformation and upgrading of Chinese catering enterprises They also analyzed the weaknesses of Chinese catering enterprises in comparison to international chain catering enterprises [10].

3. Compare & Contrast

The commission from the business flow of the cooperative merchants, the settlement fee and deposit of the platform merchants, the advertising space and promotion fee of the platform website, and the platform distribution fee are the main components of the large takeaway distribution service platform's service fees. A sketch of the takeaway distribution service system is presented in Fig. 1. Meituan costs merchants to settle down, including technical service fees and performance service fees, according to the poll. Each time food is distributed, a performance service cost is levied, which includes a distance fee, a pricing fee, and a time fee. Meituan charges a particular percentage of commission from merchants to settle down as the technical service fee. This percentage is between 5% and 25%, and the percentage of revenue from merchants to settle down is charged in accordance with the minimum fee. The commission will be paid in accordance with the merchant's self-delivery commission ratio, which ranges from 5% to 11% for KFC and other catering businesses with their own takeaway delivery crew. These businesses consider the consumer aspect when deciding where to place orders for takeout. The total cost of using Meituan delivery service ranges from 17% to 25% if the merchant does not have a self-operated delivery platform and delivery service team, and the actual cost of small and medium-sized catering businesses is around 23%, so the service cost of the platform merchant is comparable to and slightly higher.

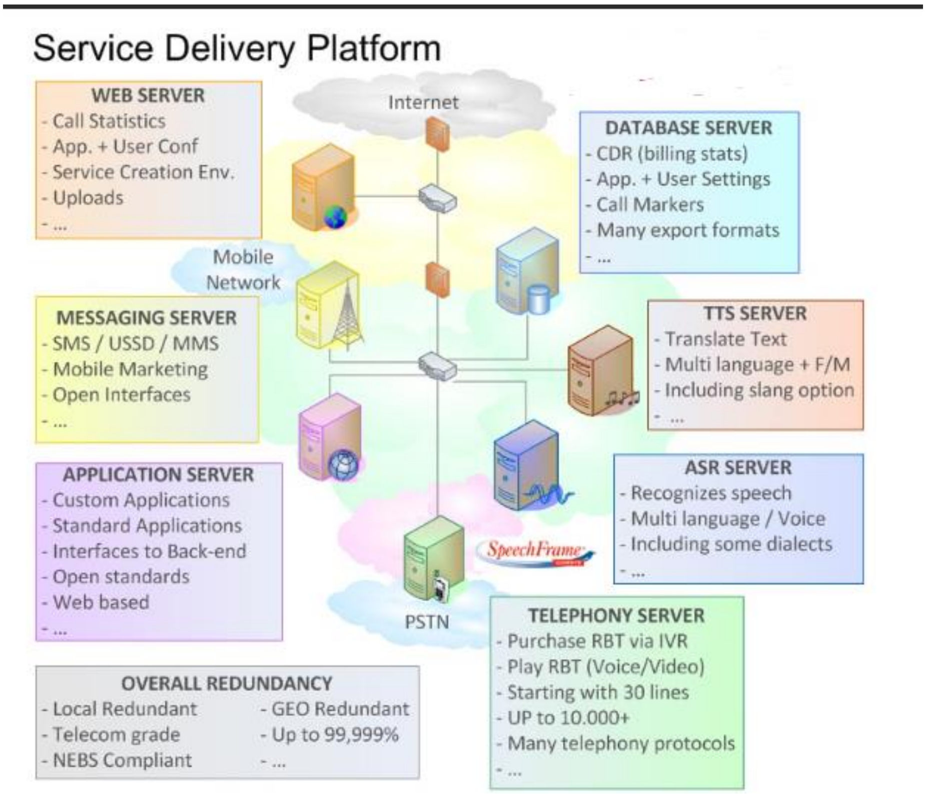

Figure 1. A sketch of the takeaway distribution service system.

The construction and upkeep of the ordering website and mobile application, as well as the wages of the takeaway delivery employees, are all included in self-operated takeout delivery services. The primary components of the entire cost of the takeaway platform's creation are server expenses, software maintenance costs, and development costs. The biggest expense for constructing the takeout platform is the server cost. The configuration of the server computer, including the high-performance hard drive, RAM, and CPU, will have a direct impact on how well the server performs and how much it costs to develop the takeaway platform. According to the survey, the annual server rent ranges from 1000 to 5000 yuan if Huawei ECS is employed.

Website and platform software must allow two-way user communication, include business processing, order processing, and other features, and be purchased at a cost. The costs associated with building a website, creating a mobile application, and maintaining an existing website application include the design of the website and application interface, the development and testing of website functions, etc. They also include maintenance costs associated with changing website code, adding new functions, modifying website architecture, etc., as well as technical support costs, which are the costs associated with technical support provided by qualified network service providers. Like KFC, Pizza Hut's mobile phone client's live mobile application reportedly cost between 30,000 and 100,000 yuan to design. The cost of developing software might approach 200000 yuan if it is sophisticated. The average wage of delivery employees is around 3000 yuan per month, depending on the varied working hours and workload, and the salary is often spread in the range of 2000 to 5000 yuan per month, according to the relevant information of various employment websites.

4. SWOT Analysis Based on Independently Run Takeout Service Businesses

4.1 Strength

More than 2000 branches of Yum Brands are located in the mainland. Its thorough design and prolonged operation in China have created its first-mover, brand, and scale advantages. Yum! Brands, which are subordinate to Yum! Brands and have a strong position in the western catering market in China, have consistently held the top spot throughout the year. Examples of these brands include "KFC" and "Pizza Hut." Based on this, Yum! Brands has the incentive to establish its own catering distribution department and the circumstances to attract clients with its wide retail network.

The logistics distribution management expertise of Yum! Brands Group, which is founded on its years of continuous operating experience, is another crucial element in the company's competitive position in the sector. According to an analysis of the pertinent financial reports, even though the COVID-19 caused significant harm to the catering industry and the decline in consumption brought on by the epidemic's economic effects reduced its clientele, the takeout business growth at KFC during the COVID-19 has a mitigating effect on the decline in its turnover. According to Yum China (09987HK), the take-out market would grow by 60% in the fourth quarter of 2021 and contribute 35% more to sales as a result of the pandemic. Yum China's sales rose by 19%, with the takeout sector acting as the primary driver. Additionally, Yum Group's catering brands have their own catering distribution department, which has greater operational benefits than other comparable businesses due to its strong operational autonomy and reasonably under control cost structure. Meituan and other Internet take-out distribution service platforms have frequently included merchants in the platform's promotional activities without contacting the settled merchants and confirming their willingness to participate, and have transferred the cost of promotional activities to the merchants. Their daily promotional activities necessitate the settled merchants to participate, according to the information records of "Black Cat Complaint" and other rights protection platforms. The cost burden on merchants is fairly high, and they frequently have unforeseen expenses that could even result in negative operating income. As a result, it can be challenging for merchants to develop marketing strategies after joining a platform, which makes it difficult to keep track of overall operating costs and reduces business autonomy. Self-run takeout delivery businesses can use more adaptable ways to manage marketing expenses and profit distribution, optimize the autonomy of business operations, and regulate marketing expenditures within the parameters of revenue.

4.2 Weakness

Yum Group has a long history in China. Yum Group has always offered the service of food ordering and delivery via phone, even before the development of the Internet takeout distribution platform. Based on its many years of operation, it has built a solid basis for the promotion and use of its self-operated takeout platform and has a wealth of knowledge in the takeaway logistics and distribution business. However, the takeout delivery business has seen increasingly strong competition in recent years. With the emergence of popular take-out services in China, marketing price wars like "ten billion subsidies" are currently rife. The advertising of clients on the platform is a major issue for catering businesses that have recently established self-operated take-out platforms. It is challenging to prevail in the severe pricing competition, and it is much more challenging to successfully strike a balance between the platform's income and both its own marketing efficiency and client promotion costs.

The development of the delivery crew for takeout necessitates a large infrastructure investment. Yum! Brands has spent a significant amount of money setting up and running its own logistics distribution, buying cars and equipment for logistics storage, and constructing specialized facilities including distribution centers and information network platforms. The distribution department's building procedure has a protracted cycle and a significant upfront cost. In order to properly plan and organize the material allocation work and the development of the logistics network, the department's construction must employ a sizable number of professional practitioners and managers in the field of logistics distribution with strong professionalism and high management level. Input and output from management are more efficient than effort done on logistics upkeep. The self-supporting distribution department must also take on operational risks brought on by hazard elements such food safety liability mishaps that might happen in the logistical chains of storage and transportation, transportation, storage, etc. Additionally, the self-operated distribution team's grassroots personnel, particularly the delivery crew, are relatively mobile, which might result in an inconsistent level of service knowledge and other traits among the workforce. To increase the cost of self-operated distribution, businesses must pay training fees to boost the training of workers' matching work abilities.

4.3 Opportunity

Mixed operation benefits from a self-operated delivery platform. The "free kitchen" sub-brand introduced by KFC and the Kwai column in the Pizza Hut application allow for the purchase of semi-finished prefabricated dishes, and the mobile phone applications for both brands have a "mall" page where you can buy a variety of goods, including fresh fruits, tableware, kitchen utensils, digital appliances, etc. Parkson Group has also partnered with well-known companies like Suber and broadened the scope of its business by selling items from other companies on the "brand hall" page of its independently run takeout ordering and distribution platform mobile application and program.

The advantages of a self-operated delivery team's larger team size can be used to more successfully implement the new "group buying" business model in the "Internet plus" era. Yum Group has made significant progress in the area of international group purchasing, and its subsidiary KFC has started a morning takeaway group purchasing service for corporate clients. Yum Group has offered services via the pre-purchase option at discounted pricing and without any distribution fees for businesses employing more than 200 employees. In order to achieve the goal of mass and long-term customer acquisition, Yum Group has partnered with a number of Internet industry leaders. Yum Group has also opened up new markets through the application of new business models and realized the digital transformation and upgrading of catering businesses through creative operational strategies.

A self-operated delivery team makes it easier to achieve model innovation when there is a business crisis. On account of the benefits of having a self-supporting workforce, KFC took the lead in developing the service mode and introduced the contactless delivery service mode at a time when the catering sector was at a stop as a result of the dramatic drop of client sources caused by the COVID-19. Customers may swiftly pick up food from the self-service station using two-dimensional code after placing online purchases. In the COVID-19 context, KFC continued to operate at least two-thirds of its existing stores thanks to this service model innovation, and thanks to its continued operations, KFC successfully seized the market vacancy when the industry as a whole was difficult to operate and some competitors withdrew from the industry.

4.4 Threaten

For independently run delivery platforms and independently owned delivery teams, it is essential to retain a sizable pool of long-term personnel. The COVID-19 and the cyclical financial crisis have, however, caused the client base and income of the catering industry to decline recently, especially for businesses with high average customer prices. It is more challenging to achieve temporary scale reduction or company change when maintaining a big scale of employee teams. An ongoing, significant investment must be made in staff training, consumables purchases, and other costs if logistics are to operate effectively. Large logistics distribution departments frequently struggle with poor average staff productivity, high operating costs, and diseconomies of scale as the logistics industry grows. The development of Parkson China's self-distribution approach may be challenging given the proliferation of the takeout industry.

5. Conclusion

In summary, the self-supporting and outsourcing delivery service modalities of catering businesses are not completely at odds with one another. The two can work together to advance the business while complementing one another. The cost of early construction and daily maintenance for the delivery crew and self-supporting platform is expensive, but the average cost may be reduced by a high order volume. However, small and low-order catering businesses are better suited to employ outsourcing mode to provide distribution services. Large food chain organizations can use the self-supporting delivery mode to lower the cost of delivery service. While establishing the take-out distribution platform, it is important to consider the advantages, partners, and other aspects of its own business strategy, as well as to fully exploit the platform's potential economic value and avoid any potential scale reduction or business difficulty transformation. To ensure the significant role of logistics in the enterprise strategy and meet the needs of long-term enterprise development, enterprises should pay attention to the accumulation of their own logistics management experience, change the logistics management concept, and strengthen the training of staff quality. Overall, these results offer a guidelin for further exploration of the delievery system for the state-of-art coporations.

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