

Food delivery in India

Free lunch

MUMBAI

Investors are pouring money into delivery apps—and for now, losing it

OF THE thousands of young men trying to make their fortunes in Mumbai, India's biggest city, Abdul Haq Ansari is doing better than most. Wearing a black and orange jacket and carrying a cooler bag, he climbs aboard his battered Royal Enfield motorbike and sets off towards a local restaurant. In the past month, he has started making deliveries for Swiggy, a fast-growing food-ordering app, around Bandra, a hip suburb popular with Bollywood stars and cricketers. Delivering meals is "very good for money", he enthuses. Working for five or six hours an evening, Mr Ansari makes about 20,000 rupees a month (\$270), enough to put him into the top 20% of Indian earners. And because this is his second job—Mr Ansari is also a personal trainer—he is in fact well into the top 10%.

India's urban middle classes have long expected to be able to get anything delivered to their doors by a horde of underemployed young men. Mumbai's "dubbawallahs", who deliver thousands of lunch boxes to offices each day, have been the subject of earnest studies by management consultants. But now techies hope they can beat them at the same game. Over the past six months, food delivery has taken off, thanks to huge investments in app-based logistics firms.

Swiggy has raised \$465m in total, much of it from Naspers, a South African internet firm which also owns a large share of Tencent, one of China's online titans. It now claims to "partner with" some 70,000 drivers and deliver 700,000 meals a day. Its main competitors include Zomato, which has raised \$200m from Alibaba, another huge Chinese e-commerce firm, and Foodanda, which is owned by Ola, an Indian ride-sharing app with many foreign investors. Dozens more are trying to get in, notably Uber, an American ride-hailing giant.

Investors are clearly licking their lips. The trouble is that for now they are mostly incurring losses. Take Mr Ansari: for each delivery, he makes between 40 and 120 rupees, depending on the time of day and distance. Yet most customers pay less than that; few meals, he says, cost more than 50 rupees. Restaurant prices are higher. The apps also offer a plethora of cheap "exclusive" specials with free delivery, desserts and drinks. The gap is made up by the firms. Indian newspapers estimate that Swiggy's losses may be as high as \$20m a month (the company publishes no such numbers). Zomato lost around 1bn rupees

Coffee wars

Full of beans

Competition is hotting up in the coffee industry

IN 1934, in the Italian city of Trieste, Francesco Illy came up with a way to package coffee in pressurised containers that kept it fresh. In 1935 he invented the first automatic coffee machine. In 1974 Illy, the company he founded, became the first to sell a kind of coffee pod—single servings of ground, tamped beans that produced espresso anywhere, any time.

Aluminium capsules, the successors of those pods, have become a fiercely contested battleground for the world's biggest coffee companies, notably Nestlé, a Swiss food-and-drink giant, and JAB Holdings, an investment firm intent on building a coffee empire. On October 8th, in the latest sign that the coffee wars are hotting up, Illy signed a licensing deal for capsules with JAB, blending Illy's coffee and cachet with JAB's commercial clout.

Two decades ago as many as 20 substantial companies competed in the retail-coffee trade, says Jeffrey Young of

Allegra World Coffee Portal, a consulting firm. In the past few years the market has consolidated—and at a faster pace in the past year or so.

In 2015 JAB bought Keurig, America's biggest coffee-pod system, for \$13.9bn. It has also swallowed Jacobs Douwe Egberts, Espresso House and Peet's Coffee. Nestlé signed a \$7bn deal in May with Starbucks to distribute the ubiquitous chain's products. Today JAB and Nestlé together control about a third of the market for fresh and instant coffee, which Euromonitor International, a research firm, estimates to be worth \$83bn a year.

Capsules—an expensive but convenient way of making coffee—have been the market's fastest-growing area in recent years. The pace has slowed recently, notably in America where the market has matured, but Europe is still bubbling away. Nespresso, owned by Nestlé, leads in Europe but has failed to make inroads in America. Keurig got there first, offering a variety of brands, and selling them through supermarkets. Until recently Nespresso only sold its products in its own shops and through its website. Nestlé's acquisition in 2017 of a majority stake in Blue Bottle Coffee, a hip Californian brand, is a sign of its eagerness to boost its presence in America.

Despite JAB's and Nestlé's heft, others are keen to compete. Coca-Cola bought Costa, a British chain, in September for £3.9bn (\$5bn). This month Lavazza, another Italian coffee-maker, bought Mars's coffee business, including its Flavia and Klix vending systems. But—as for many other products—Amazon is the great unknown. Sales of hot drinks have been slow to take off online. As capsules' popularity grows that may change, says Matthew Barry of Euromonitor. Amazon's purchase of Whole Foods, a trendy grocer, in 2017 brought with it Allegro, another fancy coffee brand. A bigger battle may be brewing.



The taste of the 1930s

in the year to March.

Could food delivery pay off? India's economy is growing at 7-8% a year, and with it the number of people able to afford takeaways. The number with smartphones and access to the internet is growing even faster. So profits may yet come—but probably not fast enough for every investor. For one thing the middle class is still relatively small, as well as rather stingy. If Swiggy and others stop subsidising their customers, they may stop buying. And if

profits do arrive there is nothing to stop firms such as Amazon, which already has a huge distribution network, jumping in too.

India has been here before. In 2016 Zomato stopped serving several cities after making big losses. The same year Ola closed its "Ola Cafe" service. This wave of investment is more ambitious. The risk, jokes one investor, is that it may prove to be little more than a free gift "from pensioners in California to the Indian middle class". And, for now at least, to the drivers. ■