



Food delivery platforms

in Southeast Asia (SEA) 4.0

Jan 2024



About Momentum Works

Momentum Works is a **venture outfit** headquartered in Singapore. It connects and empowers the digital and new economy ecosystem in emerging markets through well-researched **insights**, **community**, and **venture-building** experience.



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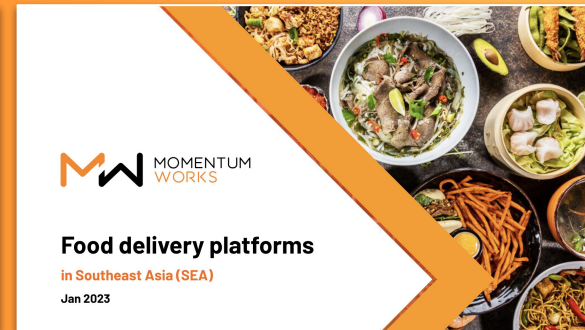
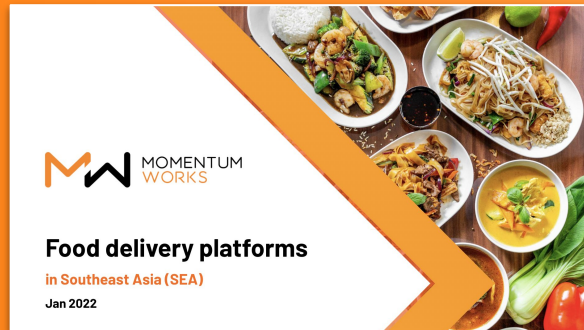
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This is Momentum Works' 4th annual *Food Delivery Platforms in Southeast Asia* report



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Table of contents

1. Introduction & overview
2. Key trends in 2023
3. Key players and strategies
4. Key takeaways from global development
5. Conclusion and perspectives

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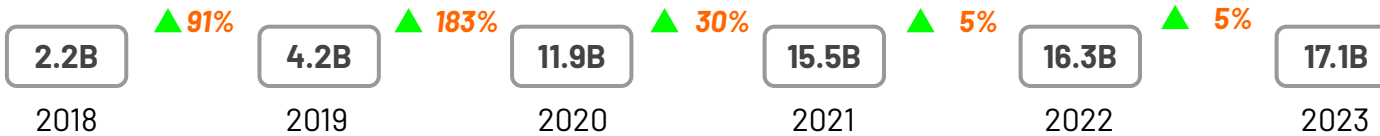
Highlights of food delivery platforms in Southeast Asia in the past year



1

Southeast Asia food delivery platform GMV grew 5% yoy to US\$ 17.1B

Southeast Asia (6 markets) food delivery GMV (US\$)



2

Vietnam (~30% growth) stands out amidst the region's modest topline gain

Food delivery GMV (US\$)



3

Grab continues to extend leadership, while LINE MAN & ShopeeFood grew significantly

Food delivery GMV (US\$) 2023



In this 2024 report, we updated:

- **What happened in 2023?**
Numbers, growth, trends, adaptation of the ecosystem, on the ground insights etc.
- **What are key players' focus** and strategies?
- **What can we learn** from global food delivery development?
- **What's next** for the space?



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1. Introduction & overview

2023 - a year of profitability & further consolidations?



2012: Foodpanda starts in SEA



2015: Foodpanda exits VN & ID



2019: Delivery Hero buys Woowa Brothers, operator of Baemin in ROK



2017: SEA acquires Foody.vn (later rebranded ShopeeFood)



2019: ROK's Baemin enters VN



ShopeeFood launches in ID, MY, TH



Grab becomes public via de-SPACing



GoTo IPO on IDX
goto

Foodpanda enters and exits Japan



Grab acquires Jaya Grocer in MY



GoTo divests Tokopedia to TikTok
goto
tokopedia

India's leading platforms become profitable



Meituan launches KeeTa in HK



Delivery Hero announces group-level positive adj. EBITDA



Pre-2020

2021

2022

2023

GOFOOD

2015: Gojek launches GoFood in ID



2015: Deliveroo expands into SEA

Uber Eats

2016: UberEats launches in SG

Meituan

2018: Meituan IPO

Uber Grab Food

2018: Grab buys Uber SEA and launches GrabFood

wongnai

2020: LINE MAN acquires Wongnai in TH

DOORDASH

2020: Doordash IPO

zomato

Zomato IPO

airasia food MY, SG, TH

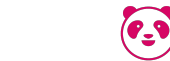
Airasia wants to do food, acquires Gojek's TH operations



Foodpanda acquires TabSquare

wongnai

LINE MAN Wongnai raises US\$265m Series B led by GIC



Delivery Hero really wants to sell Foodpanda; nobody is buying



Baemin exits VN

wongnai

LINE MAN Wongnai acquires POS company FoodStory and controls Rabbit Line Pay

Grab

Grab achieves positive group-adjusted EBITDA

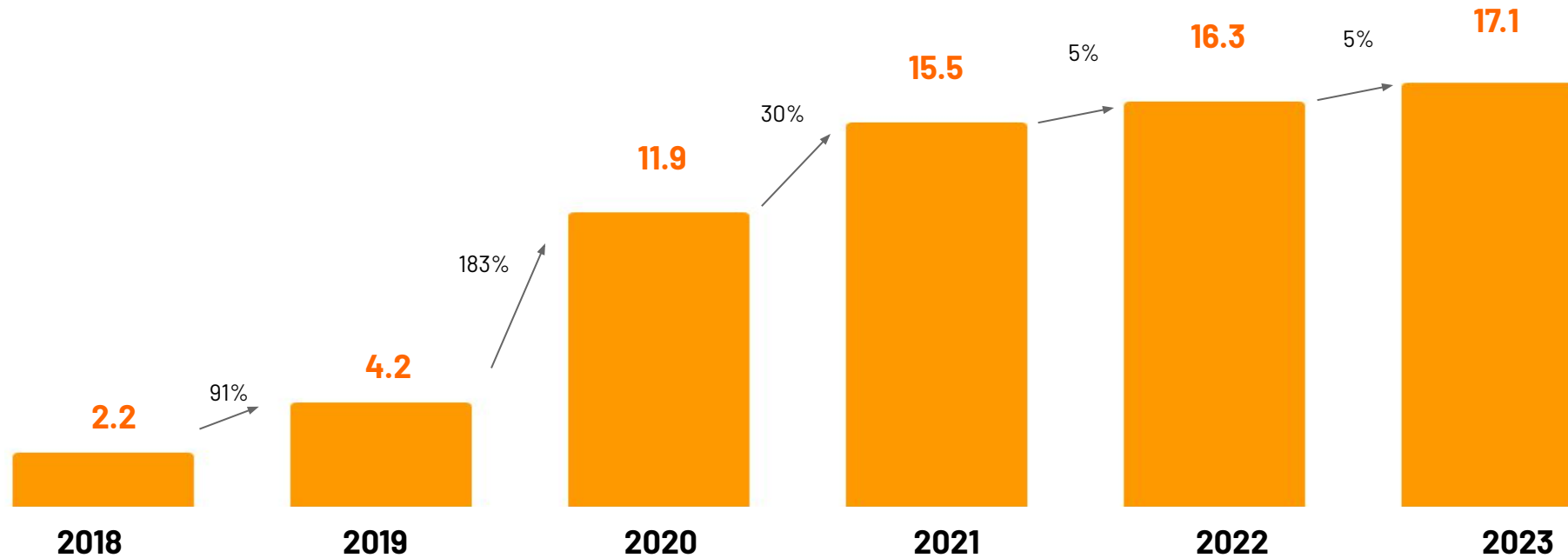
In 2023, SEA food delivery platforms' total GMV grew at 5% for the 2nd year in a row



2023 food delivery GMV grew 5% yoy to US\$ 17.1B*

** GMV estimation covers only food delivery orders placed through Grab, Foodpanda, Gojek, Deliveroo, LMWN, Baemin, ShopeeFood, and RobinHood. GMV includes all the orders made and sent to restaurant partners, including cancelled and refunded orders.*

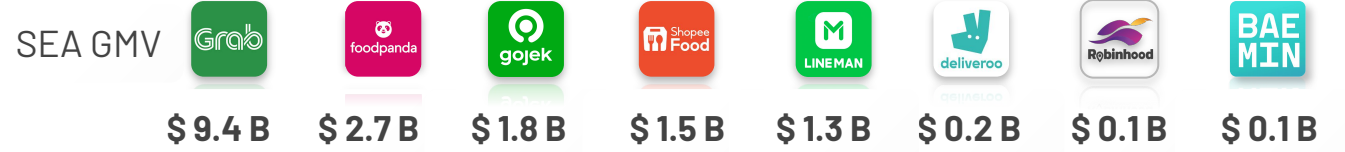
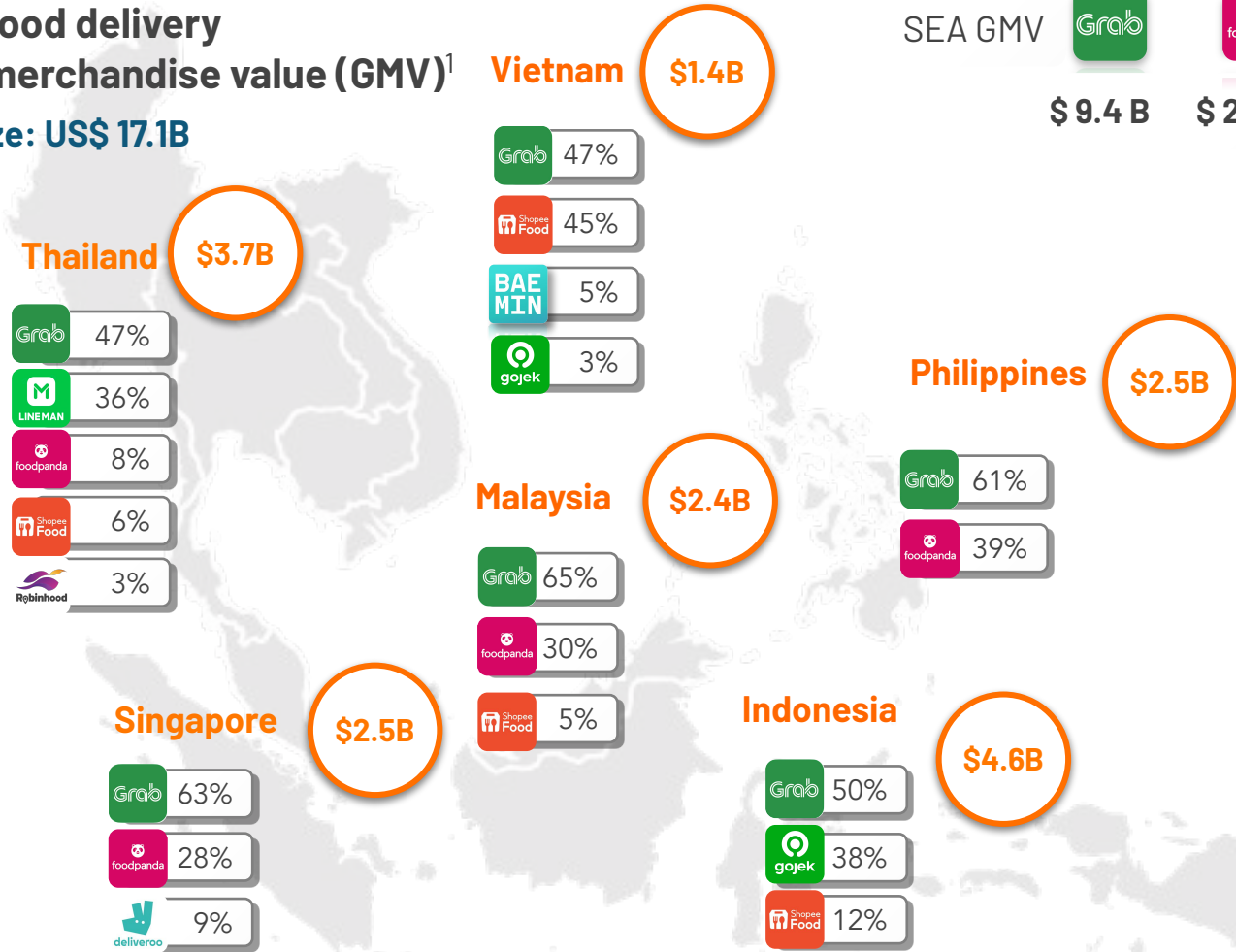
Southeast Asia food delivery platforms GMV (US\$ B)



Grab continues to lead, while Vietnam led the growth in all markets



2023, food delivery gross merchandise value (GMV)¹
Total size: US\$ 17.1B



Most food delivery markets in Southeast Asia experienced very modest, **low single digit growth**, with the exception of **Vietnam**, where total GMV grew almost 30% despite cost controls from almost all the players.

It is also important to note that in the Philippines, there is a significant market of food delivery operated by quick service restaurant chains. While that market is not in the scope of this report, we estimate the size to be close to 1/3 of the total platform GMV in the country.

Amongst food delivery platforms, **Grab** continues to gain significant market share in **Singapore, Malaysia and the Philippines**, as well as in **Indonesia** - the region's largest market.

ShopeeFood, which has received little attention from outside because of the larger ecommerce battle Shopee is fighting, actually grew the most (almost 2/3); while **LINE MAN** in Thailand also recorded double digit growth.

With further consolidated expected in 2024, the market landscape will continue to shift.

1. The 2024 GMV estimation by Momentum Works covers only food delivery orders placed through Grab, Foodpanda, Gojek, Deliveroo, LINE MAN, Baemin, ShopeeFood, Robinhoo. GMV includes all the orders created and sent to restaurant partners, including, cancelled and refunded orders. This estimate does not include food delivery orders not placed with any of the platforms, such as orders placed directly with F&B operators.

Source: Industry interviews; data sources including POS systems, fleet owners and payment service providers; consumer surveys; Momentum Works estimates



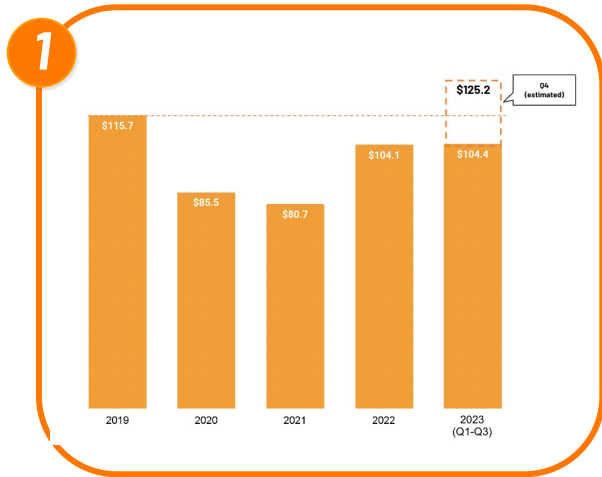
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2. Key trends in 2023

4 key trends impacting food delivery sector in 2023



F&B recovered but competition intensified, with most major shifts expected to continue into 2024



Recovery of F&B to pre-pandemic levels



Chinese F&B brands entering Southeast Asia en masse



Digitising people and organisation



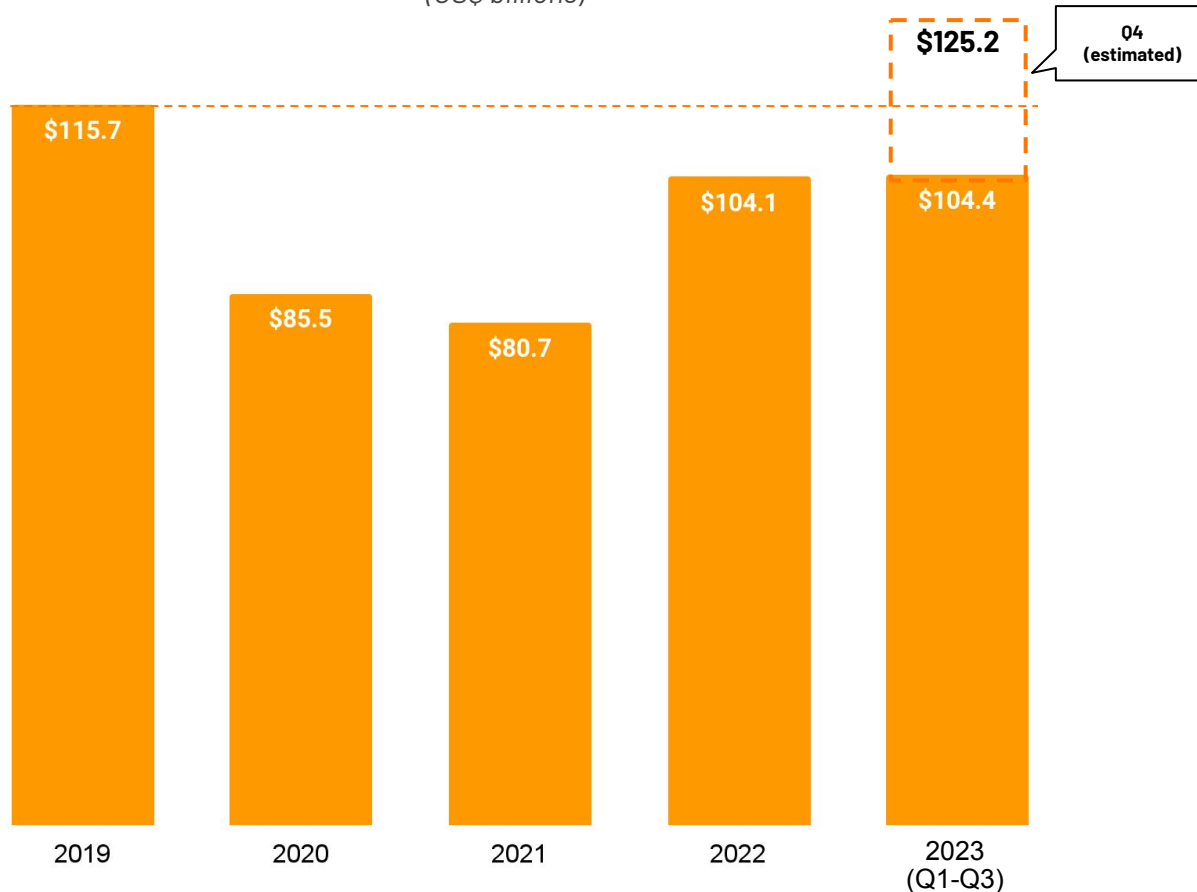
Diverging strategies of key platforms

Key trend #1: F&B recovered to pre-pandemic levels, but not everyone is happy



F&B spending in SEA exceeds 2019's level in 2023

Total consumption of out of home food and beverages in 6 major SEA countries (US\$ billions)¹



Consumption has rebounded. In 2023, the total F&B service expenditure in SEA finally recovered to **exceed pre-pandemic levels of 2019**. Many large operators we have spoken to are seeing clear growth. Director of an Indonesian chain operator told us: *“It’s a great year for F&B. Looking at the numbers, this is the first full year we come out of the pandemic slump.”*

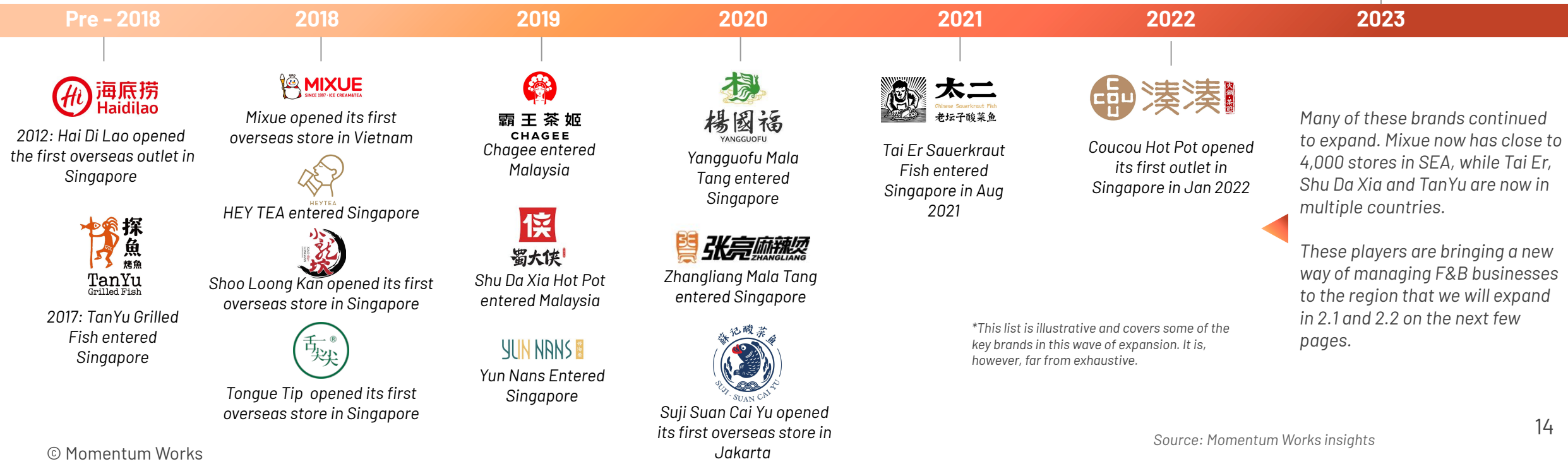
Many premium F&B operators feel differently. Over the course of 2023, we read repeated press coverages (notably in Singapore) on the struggles of many premium F&B brands. They told the press that 2023 was even more difficult than 2022, and many had resorted to pausing new outlets or cutting costs. A plausible cause of this could be the macro uncertainties (and inflation) that causes middle class diners to be price-sensitive and thus more cautious in splurges.

1. Momentum Works’ estimates based on government statistics including Yearbooks and National Accounts of Singapore, Vietnam, Thailand, Indonesia, Philippines, Malaysia; Out-of-home food and beverages or “ready-made food” include items sold in stalls, restaurants, or other retail outlets.

Key trend #2: Chinese F&B brands enter SEA en masse, intensifying the competition



In 2023, there was a significant increase in the **categories and quantity** of Chinese chain restaurants expanding overseas, and many of them chose Southeast Asia (esp. SG MY, TH & ID) as the first destination.



Many of these brands continued to expand. Mixue now has close to 4,000 stores in SEA, while Tai Er, Shu Da Xia and TanYu are now in multiple countries.

These players are bringing a new way of managing F&B businesses to the region that we will expand in 2.1 and 2.2 on the next few pages.

*This list is illustrative and covers some of the key brands in this wave of expansion. It is, however, far from exhaustive.

Key trend #2.1: A few notable Chinese F&B brands that recently appeared in SEA



Following Malatang, hot pot, and sauerkraut fish, can these newly entered players that have already established a significant presence in China thrive in Southeast Asia and potentially influence the local food culture?



China's largest coffee chain with 10,000+ stores

Expanded into SG in 2023, opening 30 stores in the year



Established by former founders of Luckin, with **6,000+ stores** worldwide

Entered **ID, TH, VN, MY and SG** in 2023



A chain selling Roujiamo, a **kebab pocket-like sandwich** originally from Northwest China

Marketed as "Chinese burger", Bingz had expanded to Canada, before coming to SG



XiabuXiabu: **individual hot pot** chain listed in Hong Kong, operating 1000+ stores in China

Entered SG and plans to expand into MY and TH

Key trend #2.2: Chinese F&B brands bring not only food, but also their methodologies



Incl. branding, marketing strategies & tactics, operations, tech, franchise model as well as their consultants

Before

After

China's biggest **bubble tea** brand with 36,000 stores

MIXUE's Super Sign - Snow King's success



MIXUE mascot's song trending on social media



And you may have seen the **Snow King** V.S. **Douyin Frog** videos on TikTok?



HUA & HUA billboard at Singapore Changi Airport

Before

After

The largest hot pot chain in China with presence across Southeast Asia

Before

After

SG brand famous for its herbal roasted, rebranded with new slogan "The Must-Eat In Singapore, Dian Xiao Er Herbal Roast Duck"

In 2023, Shanghai-based branding and positioning consultancy HUA & HUA started an office in Singapore serving Chinese brands entering Southeast Asia and regional brands looking to sharpen their brand image. A few examples of HUA & HUA customers above.

Key trend #3: Digitising also people & organisation



1. Managing F&B as a product



2. Managing F&B as an organisation

F&Bs are also business organisations with employees. Large chain stores deal with the complexities of operations and people issues, including the following:



Examples of tools:

1. Traditional general tools



Record, financial mgmt



Communications

2. SaaS for specific areas



Communication



Staffing



Staffing & CRM



Accounting & budgeting

3. Integrated software tools



The fragmentation of digitisation of F&B, mentioned in our last **Food Delivery Platforms in Southeast Asia** report, persists.

Key trend #4: Strategies of food delivery platforms diverging



Sharpened focus on core food business

*Pushed advertising business and affordability / saver programme
Deprioritized peripheral businesses (e.g., dark kitchen, dark stores and POS systems)*

goto



New CEO re-aligning strategy, divested Tokopedia

Will they divest Gojek (incl. food) as well?



Became a part of Shopee except in VN

Instead of a standalone business initially envisioned



Strengthened ecosystem through acquisitions

Acquired POS startup FoodStory and a majority stake in Rabbit Line Pay



Looking to divest "less profitable" markets

Exited Vietnam (Baemin), trying to sell Foodpanda in SEA

In our last (2023) food delivery platforms report, path to profitability was the key focus of all delivery platforms operating in Southeast Asia.

In 2023, every platform achieved **some sort of profitability** according to their own definition.

What's next? The players are diverging in their strategies. Nonetheless, as you can see on the left, **consolidation remains a common theme**. Refer to 4.1 for a detailed case study on Delivery Hero.

Key trend #4.1: Consolidations - case in point: Foodpanda



Delivery Hero tries to divest its Southeast Asia businesses



Delivery Hero
"will divest less profitable markets"

Foodpanda announced a layoff of **1000**, 10% of its workforce

Foodpanda long term CEO Jakob Angele replaced due to personal and professional controversies; long time Taiwan GM John Fang takes over

Meituan "not acquiring Foodpanda", telling analysts that research concluded "impossible to be profitable"

Feb 2022

Dec 2022

Feb 2023

Aug 2023

20 Sept

16 Oct

16 Nov

30 Nov

Bloomberg: **LMWN** in talks to acquire Foodpanda in **Thailand**



Delivery Hero announced group level **positive adjusted EBITDA** in H1 2023

Wirtschaftswoche: Delivery Hero "in talks to sell part of its Asia business"; Grab is potential buyer"



Bloomberg: **Meituan "seriously" explores acquiring** Foodpanda in Southeast Asia



Foodpanda and Baemin Vietnam **layoffs** amid potential sale



Baemin exits Vietnam





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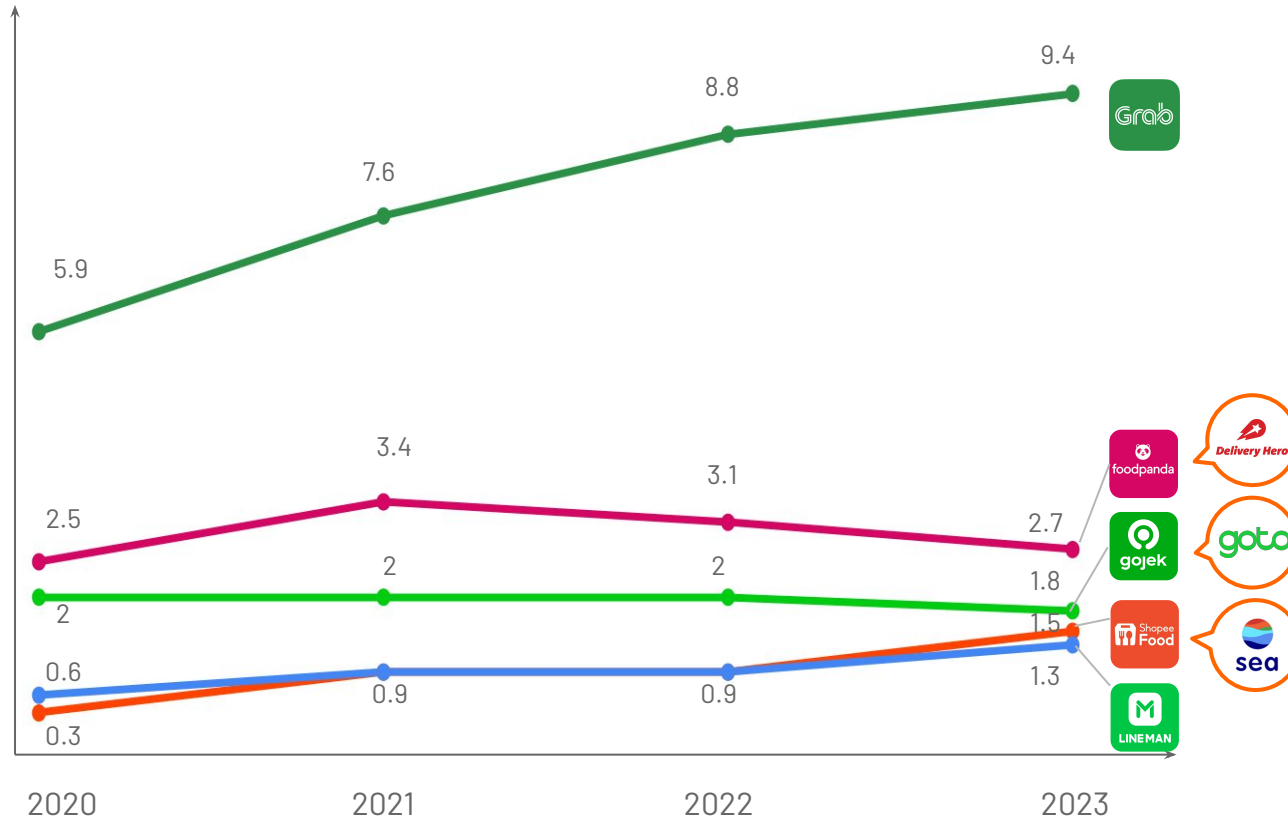
Key players and strategies

Grab continues to extend leadership while LINE MAN & ShopeeFood had notable growth



Southeast Asia food delivery GMV (US\$ B)

* Momentum Works' estimates



At the region level, **Grab** continues its leadership position amongst various food delivery platforms.

LINE MAN and **ShopeeFood** grew in 2023, making them the most viable competitors to Grab in Thailand and Vietnam respectively.

Indonesia-focused **Gojek**, on the other hand, declines slightly. The recent Tokopedia-TikTok Shop Indonesia merger opens up two possible scenarios: 1) more resources for Gojek since GoTo Group has jettisoned the significantly loss-making ecommerce arm, or 2) GoTo Group will further re-examine its strategy and re-open consolidation talks with Grab.

Foodpanda probably experienced the most notable declines, amid attempts by its parent Delivery Hero Group to divest.

Amid speculations that TikTok parent ByteDance is in talks to acquire China's market #1 ele.me from Alibaba, why not Gojek?

Major players have made significant improvements in profitability



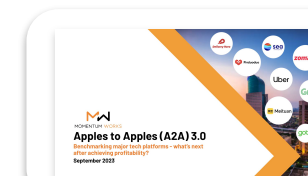
Stages of overall profitability



As mentioned earlier, most major platforms have **achieved some sort of profitability**.

In Southeast Asia, **Grab** has achieved adjusted EBITDA breakeven at the group level; **GoTo** pledged to achieve the same by Q4 2023 (GoTo will release Q4 2023 earnings in March 2024). Foodpanda parent **Delivery Hero** also achieved adjusted EBITDA breakeven in 2023, though it is likely their Korea and Middle East businesses subsidised the losses in Southeast Asia.

These players will work towards, and some will achieve, positive free cash flow in 2024. However, **profitability might not be a stable state**, as Meituan & Uber's experiences have demonstrated.



Apples to Apples: Benchmarking major tech platforms - a report by Momentum Works

Key players' strategic focus: balancing growth and profitability



Parent



Parent



Parent



Food delivery presence	ID, PH, VN, TH, MY, SG, MM, KH Southeast Asia-focused	PH, TH, MY, SG, LA, MM, KH Global (SEA, MENA, EU & LATAM)	ID, VN Primarily in Indonesia	ID, VN, TH, MY Southeast Asia-focused	TH Thailand-focused
What happened in 2023	Achieved positive group adjusted EBITDA in Q3 2023 Deprioritised periphery businesses ¹ to focus on the core; extended customer base through dine-in and user segmentation (e.g. saver programme); made significant progress in advertising	Delivery Hero achieved positive group adjusted EBITDA in H1 2023 Trying to divest Foodpanda in SEA; South Korean subsidiary Baemin exited Vietnam market	Balancing user base expansion with monetisation: pushed advertising, lowered AOV, raised take rate Push for affordable "economical mode" , and "sometimes aggressive in subsidies"	Integrated ShopeeFood within Shopee (e.g. budget & promotions allocation); expansion into lower tier cities in VN Put stronger focus on defending against TikTok Shop in its core ecommerce business	Acquired POS startup FoodStory Acquired majority stake in Rabbit Line Pay Aggressively grew market share in Thailand, mostly at the expense of Foodpanda
What they said they were focusing on (2023)	"Generate sustainable adjusted EBITDA ; achieve next milestone of positive free cash flow "	"(In balancing growth and profitability,) our most important metric is cashflow "	"Increase target market , improve monetisation and strengthen synergies" "Expanding low-cost selection [...] while streamlining operations"	"Prioritise investing in the business to increase market share and strengthen market leadership (in ecommerce)"	Targets to IPO as early as 2025, starting in The Stock Exchange of Thailand (SET) and eventually dual listing in the US

1. Kitchen, dark stores, quick commerce Source: Industry interviews; Momentum Works insights

What leaders of key food delivery players said in 2023...



Anthony Tan
CEO, Grab (2012-now)



Patrick Walujo
CEO, GoTo Group
(2013-now)



Niklas Östberg
CEO, DeliveryHero
(2011-now)



Yod Chinsupakul
Founder, Wongnai
(2010-now)
CEO, Line Man Wongnai
(2020-now)



Forrest Li
CEO, SEA
(2009-now)

We still have a long way to go in achieving our mission. There is so much more we can do to serve beyond one in 20 Southeast Asians ... In order to achieve this we have to provide our consumers with **more affordable services** while enabling our driver merchant partners to earn more

- Grab Q3 2023 earnings call

GoTo now sits on a much stronger foundation and we expect this partnership to bring many benefits not just for e-commerce, but for our **on-demand services and fintech businesses** as well

- Statement after announcing Tiktok Shop Indonesia and Tokopedia merger

...We need to become even more lean, efficient - and **above all else - a high performing organisation**. This will require us to be more demanding and selective in how we structure ourselves moving forward - by carefully choosing the right roles, team sizes, and org design in each area

- Letter to employees announcing Q1 layoffs

We want to use our strength of over 10 million LINE MAN and Wongnai users, over 500,000 merchants, and over 100,000 riders to create **a coherent transaction experience for all stakeholders**. With the addition of RLP, we believe LINE MAN Wongnai is uniquely positioned to help digitalize the Thai economy

- Statement announcing acquisition of Rabbit LINE Pay

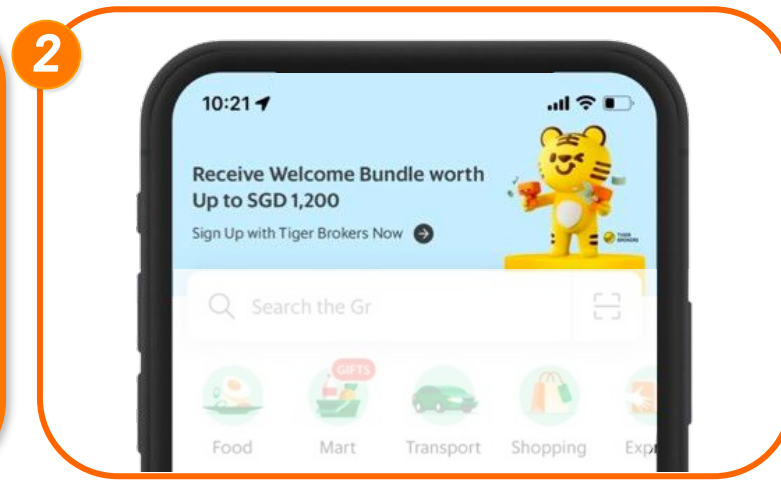
... (New joiners) might not have had the chance to experience our **full fighting mode** yet... ask our veterans for their war stories... This (frugality and efficiency), combined with our inborn fighting spirit and deep understanding of our markets, make us a formidable opponent for any competitor

- Letter to employees in September announcing "full fighting mode"

Key pillars of growth of food delivery platforms in 2023:



Expand user base



Ancillary revenue: Advertising

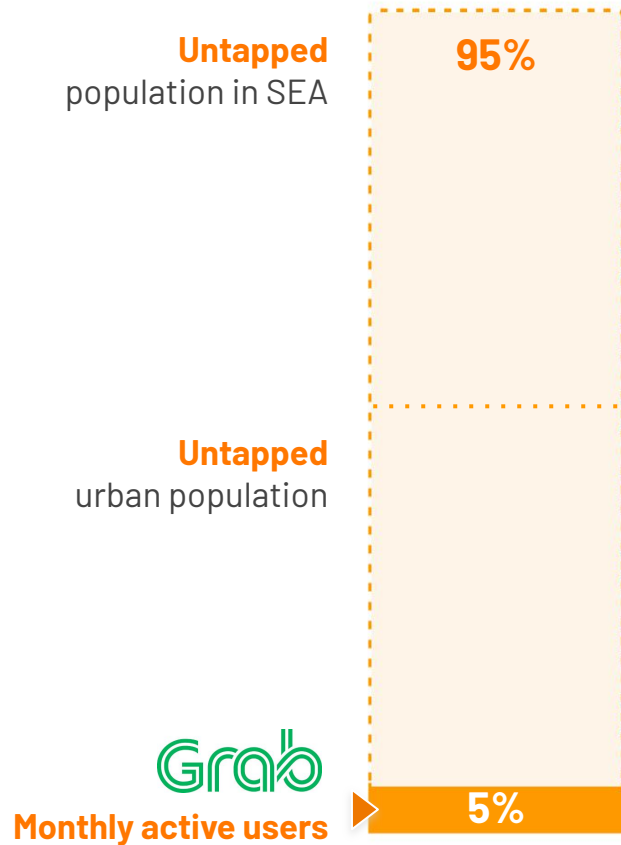


Algorithm supported further operational optimisation

1. Expand user base - Where to find them?



Southeast Asia population is still largely untapped by food delivery



Where to find them?
Cari dari mana?
จะหาได้ที่ไหน?
Tim họ ở đâu?



biggest potential

In major cities

Attracting large segments of untapped consumers in large cities through segmented offerings (see next page for more details)

Expansion into smaller cities

e.g. Whilst all provinces in TH have been penetrated, leading players in Vietnam are still expanding into smaller cities,

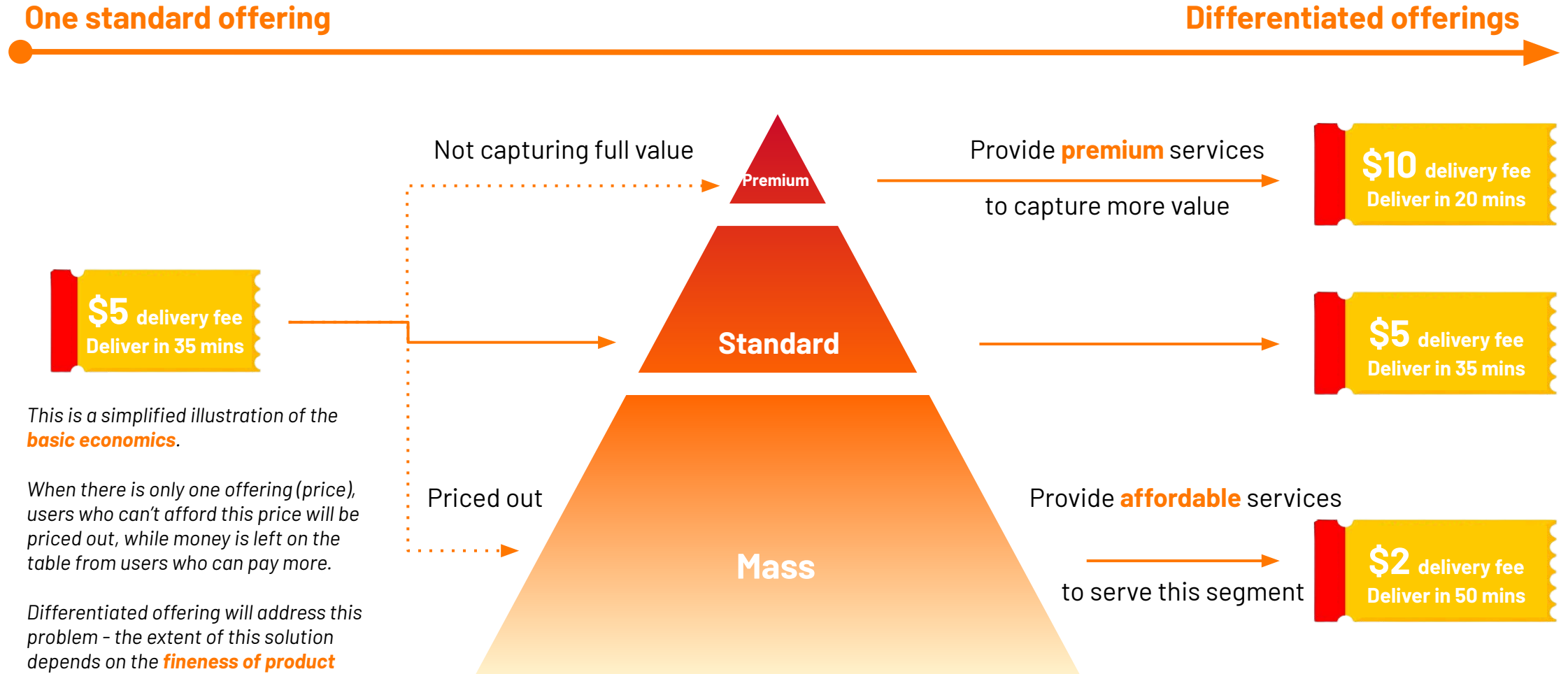
Tourists

e.g. LINE MAN in Thailand has built WeChat mini program with interface and (food) menus in Chinese, for Chinese tourists

1. Expand user base - through segmented offerings with a focus on affordability



Segmenting users by ability to pay to maximise value capture

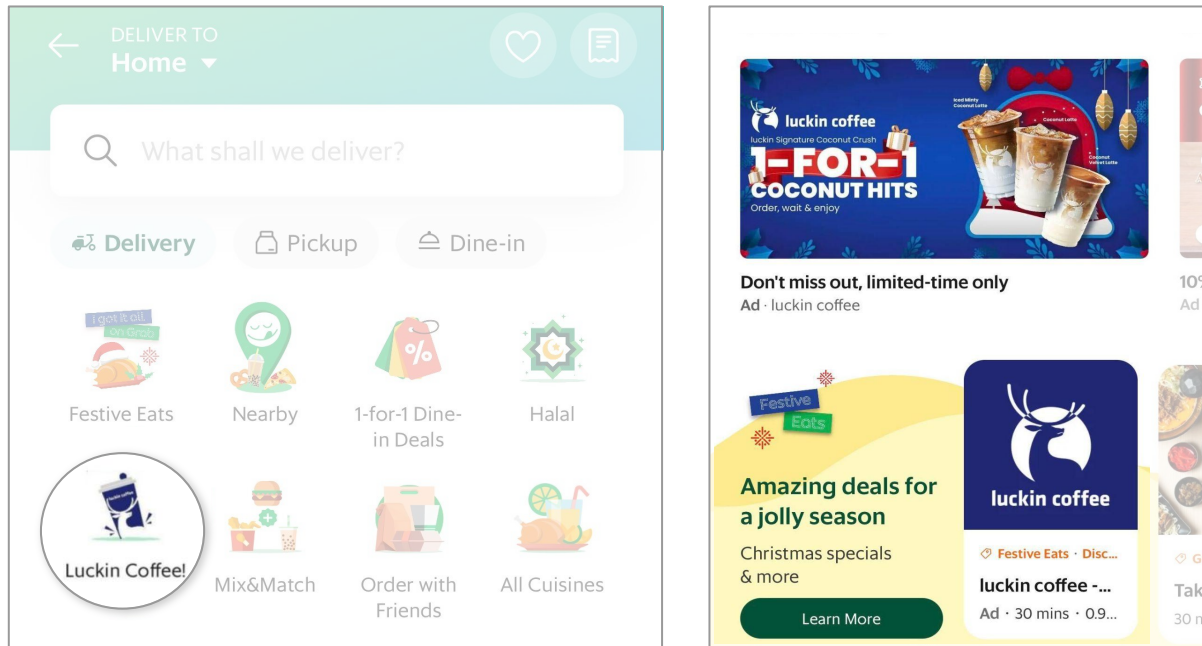


This is a simplified illustration of the **basic economics**.

When there is only one offering (price), users who can't afford this price will be priced out, while money is left on the table from users who can pay more.

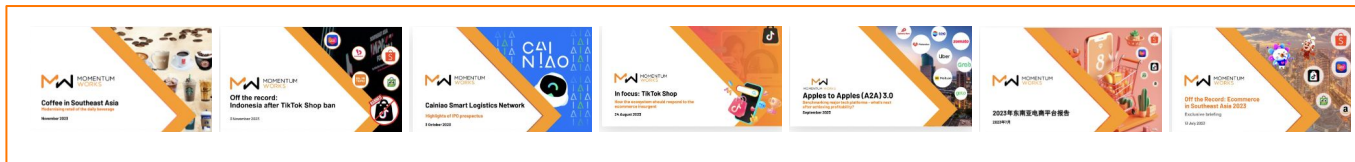
Differentiated offering will address this problem - the extent of this solution depends on the **fineness of product and execution**.

2. Advertising: why it can and should be a key revenue source for food delivery platforms



Effective ads are highly targeted by location, time, and user preference

... and below is an example of ineffective, not-targeted ad



A large food delivery platform provides a good, relevant advertising avenue for F&B merchants as well as F&B/consumer brands, for the following reasons:

- **Right audience:** large **active user base** with the intention to spend specifically in F&B;
- **Digital touch points:** data on user locations and purchase behaviour for **targeting**;
- Extensive **inventory** of display and performance ads across the user journey;

Large transactional platforms such as Amazon, Alibaba and Meituan all derive significant portions of **revenue from advertising. It is proven.**

With limited good online advertising options aside from US tech giants (and perhaps TikTok) in this region, **brands might find it natural** to add food delivery platforms to their list of ad channels.

The potential of performance ads on food delivery platforms, on the other hand, will depend on user base, product and execution.

2. Advertising: brands have different needs compared to smaller F&B merchants

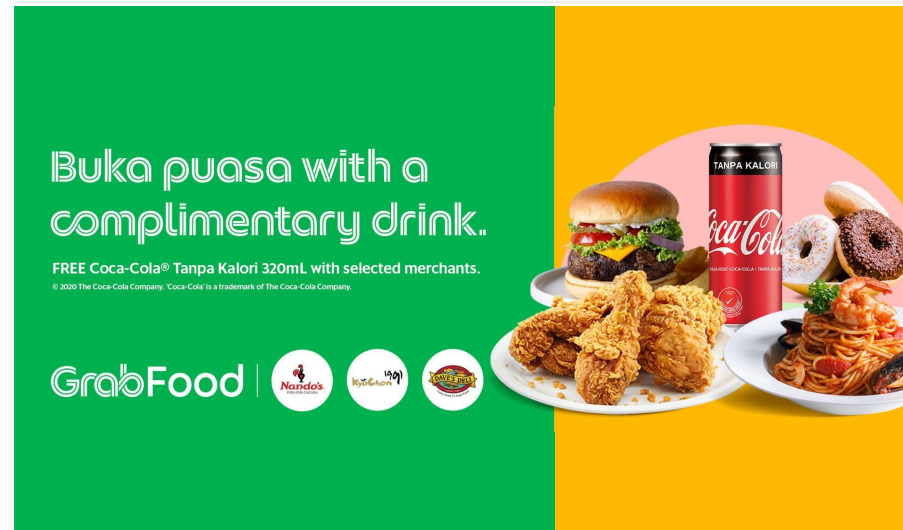


1

Big F&B chains

Focus on **branding ads** to reinforce **brand presence** and showcase **new products or campaigns**; brands can invest in **performance ads** as well

Examples:



3

FMCG brands

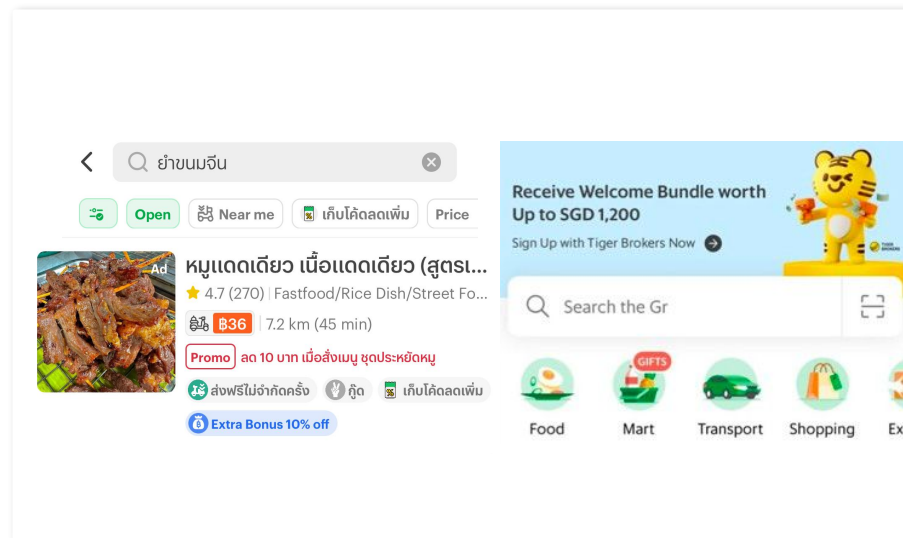
Focus on **visibility and product promotions** not only for branding but also to drive **product-specific demand** e.g.: nudge consumers to pick up a can of coke while ordering a meal delivery.



2

Small F&B merchants

Focus on **hyper-local targeting** in **search** and inventory ads to **drive sales**, with **building brand awareness** typically being a secondary concern.



4

Financial services and others

Focus on **exposure as well as targeted advertising**, e.g.: in-feed ads tailored to users with specific purchasing behaviors or driving conversion to credit card application



3. Further operational optimisation is still possible in the region



Platforms can and should continuously improve delivery efficiency and lower unit delivery costs

Group orders

Users in the same office order together



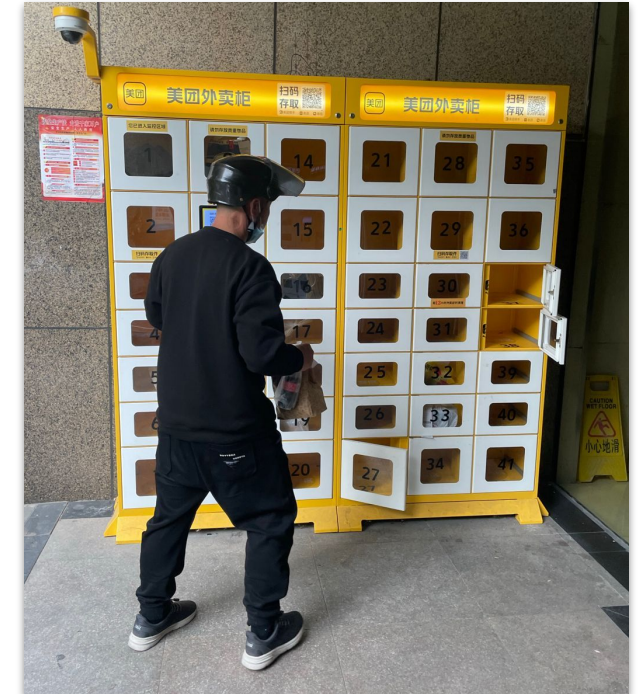
Batched orders

Riders deliver multiple orders in one trip



Underpinned by various platform algorithms (e.g. dispatching, routing, mapping)

Will we see lockers in Southeast Asia?



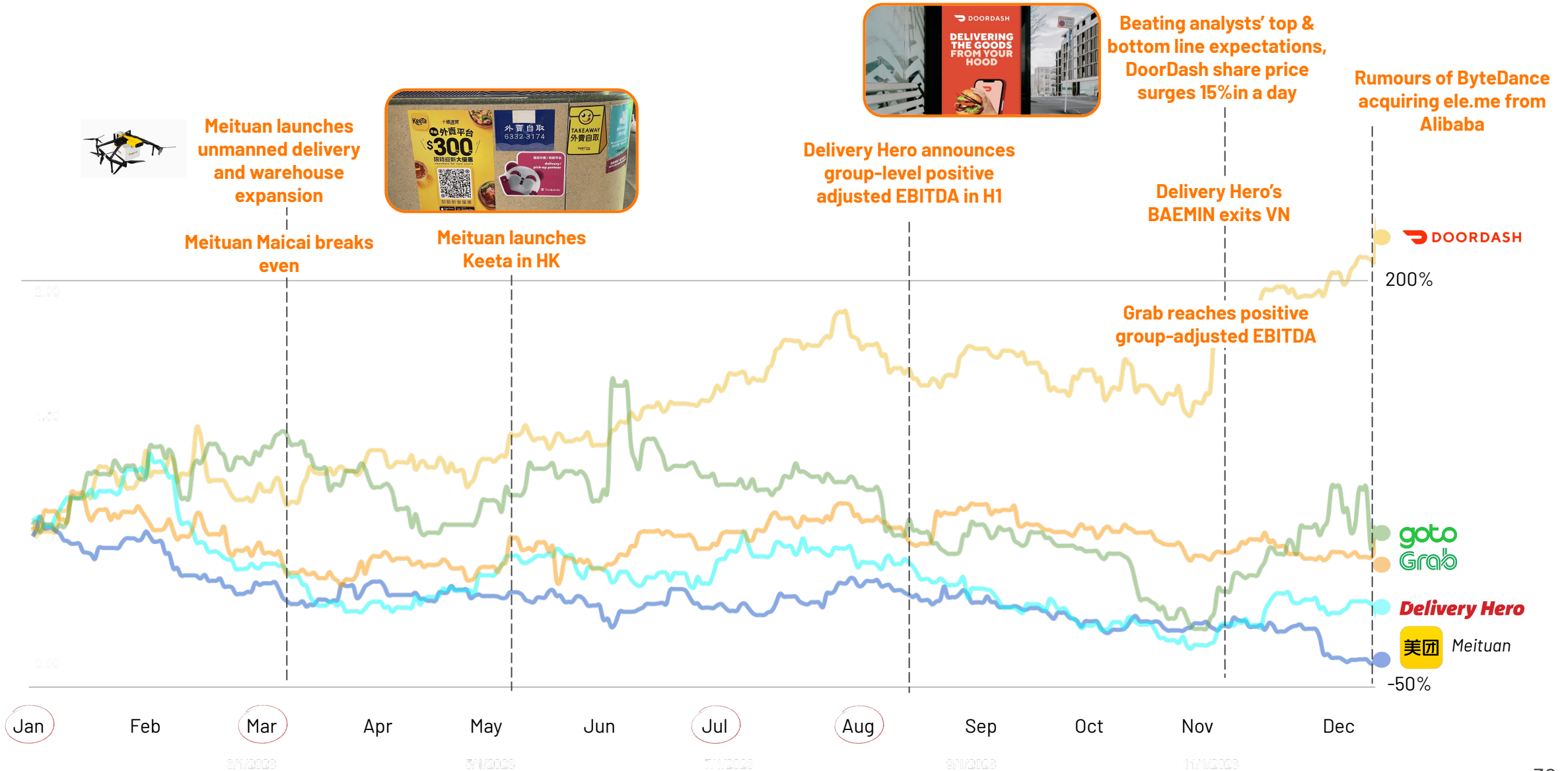
Food delivery lockers are prevalent in cities in China. They improve delivery efficiencies during office lunch hours where lifts are congested (for either rider to go up or consumer to come down). Such order density is not yet common in SEA.

4. Key takeaways from global development



美团优选
上美团App
美团配送 准时好用

US market leader Doordash outperforms its international peers in capital markets

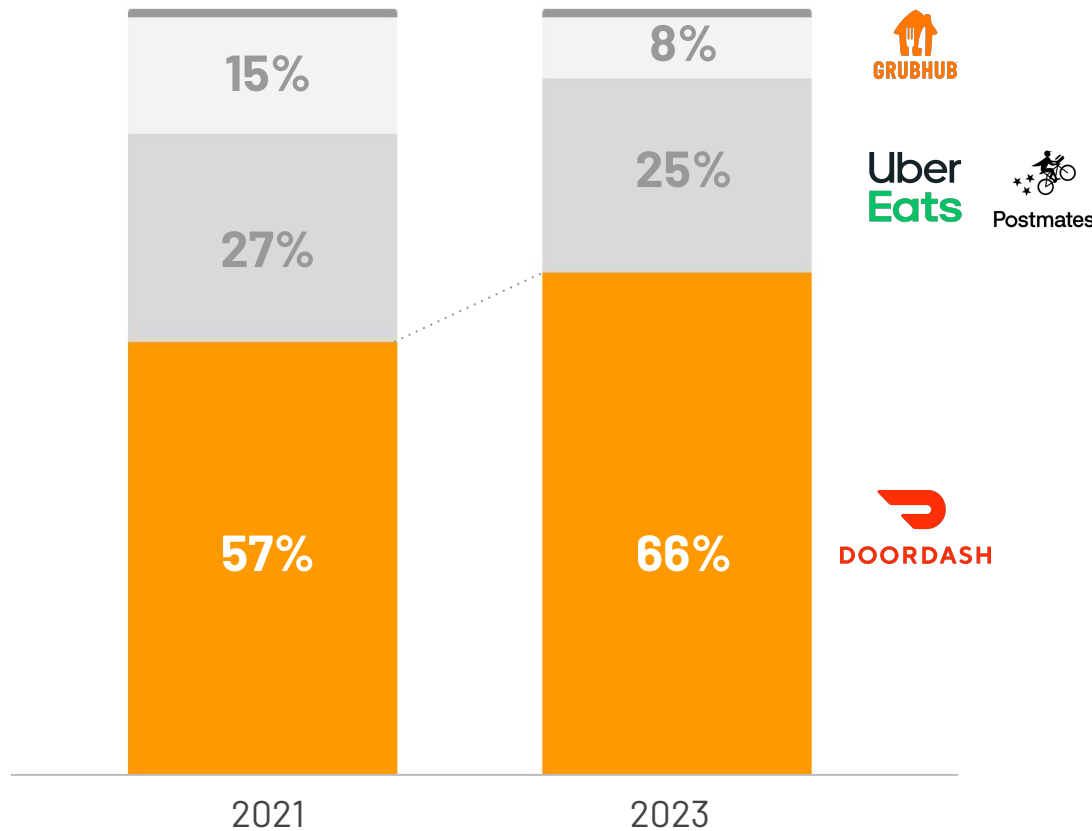


1. Doordash, with increasing market share & free cash flow, looks to expand



Doordash and UberEats own > 90% of market share

Food delivery market share (% total sales)



DoorDash had a good 2023: share price more than doubled; revenue grew significantly; and it continues to **increase its dominating market share**.

In a recent interview, DoorDash CEO Tony Xu told Financial Times that the company would expand **“out of the US”** and **“out of restaurants”**. DoorDash’s free cash flow of US\$878m for the 12 months till Sept 2023 gave it the confidence and financial resources.

US consumers we spoke to told us that DoorDash’s success is probably due to **the right strategy** (e.g. focused on suburbs instead of major cities during the pandemic) and the **founders’ focus** & relentless **push for optimisation**.

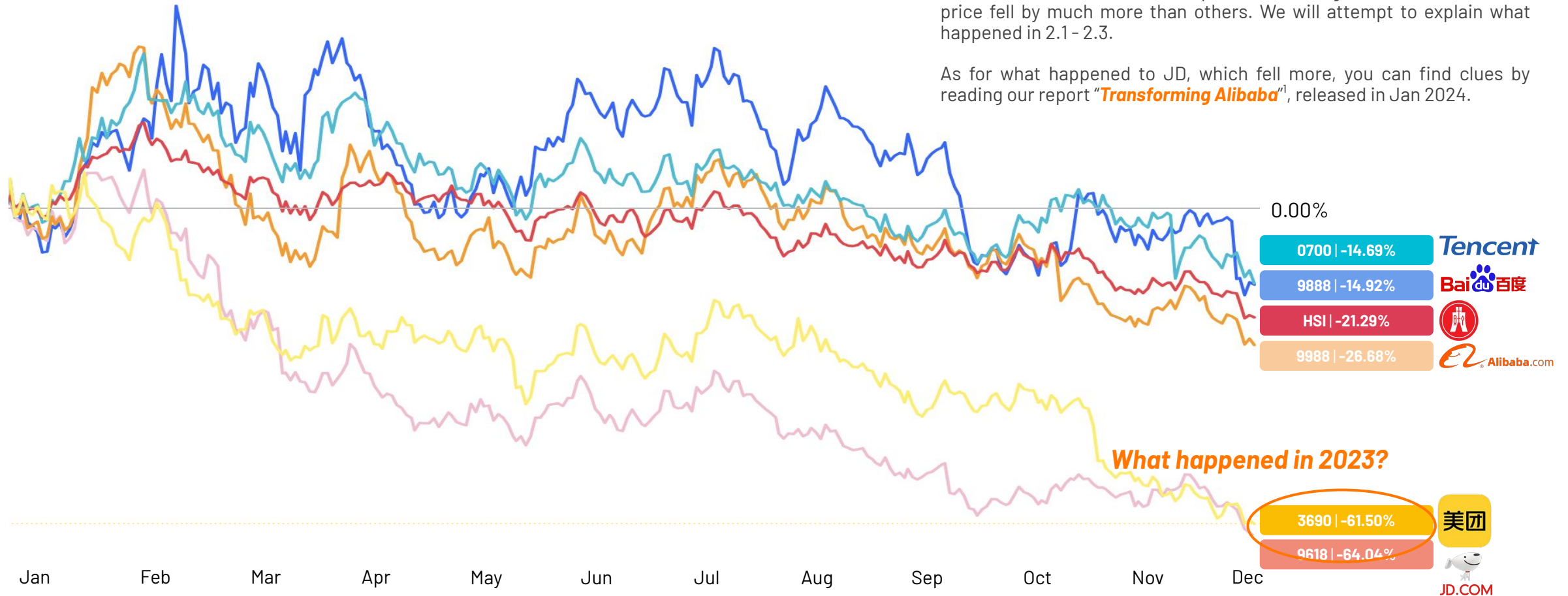
With acquisition of Finland-based Wolt in 2022, DoorDash has exposure in 27 markets. Many of its (especially European) food delivery rivals have encountered significant **challenges in running multi-country, multi-continent businesses**, a fact that we believe that DoorDash’s leadership is acutely aware of while planning their expansion.

2. Meituan has encountered its most challenging year since IPO



While almost all Chinese tech equities had a tough 2023, Meituan's stock price fell by much more than others. We will attempt to explain what happened in 2.1 - 2.3.

As for what happened to JD, which fell more, you can find clues by reading our report "[Transforming Alibaba](#)"¹, released in Jan 2024.



"We are fully confident in the long-term growth potential of Meituan. The present stock price **only reflects the value of the food delivery business.**"
 - Meituan's founder **Wang Xing**, during the 23Q3 conference call

1: Click [here to download the "Transforming Alibaba" report](#)

Source: Tradingview

2.1 Meituan faces challenges in its core profit driver as well as its largest new business



Core Local Commerce




- **Food delivery**
You all know what this is
- **In-Store, Hotel and Travel**
In-Store = "dine in", earns via ads
Profit driver
- **Meituan Instashopping**
Instant 3P ecommerce

Threatened by


New Initiatives



- **Meituan Grocery**
Fresh on demand 1P
- **Meituan Select**
Group buy, pre-order
Bleeding unit
In competition with
 **多多买菜**
拼多多旗下买菜平台
- **Other Businesses**
Shared bikes, powerbank rentals and more

Meituan's large food delivery business and most of its other initiatives are performing well in 2023. However, in **'in-store'** (or 'dine in' as Grab calls it in Southeast Asia), Meituan faces strong **challenge from ByteDance's Douyin** (TikTok's China version). In addition, Meituan Select, one of the only two players surviving at scale after the "war of thousand community groupbuys", falls behind **Pinduoduo's Duoduo Maicai** in terms of profitability.

2.2 Meituan uses deterrence strategy against Douyin's aggression



- Efficient **fulfillment** system;
- Largest network of **partnered merchants**, especially smaller businesses and those in lower-tier cities;
- Dianping is the most trusted **review & rating** platform

Fulfillment system to delivery food and other goods



User base to drive consumer traffic to merchants



- Massive **user base** that are sticky to the platform - able to help merchants **reach customers and create branding** effectively;
- **Interactive, rich content format**;
- Lack of own fulfillment capabilities, partnering with ele.me

How Douyin featured local services on the platform:



Douyin's "Nearby" page mirrors Meituan's services: food delivery, nearby restaurants, tickets, etc.



Luckin voucher ads on Douyin

Douyin (TikTok's China version) continues its attempts to monetise its daily active user (DAU) base (>800 million) beyond advertising and ecommerce.

In 2023, Douyin aggressively crossed into Meituan's turf, helping F&B merchants distribute vouchers, thus directly **threatening Meituan's cash cow of advertising for in-store**. In addition, rumours are that Douyin is in talks with Alibaba to acquire ele.me, the food delivery platform it has been partnering with.

To defend its market share, Meituan has taken various strategies to **lower prices to consumers and commissions to merchants**, including live streaming, short videos, cashbacks, and fee waivers for low-tier merchants etc.

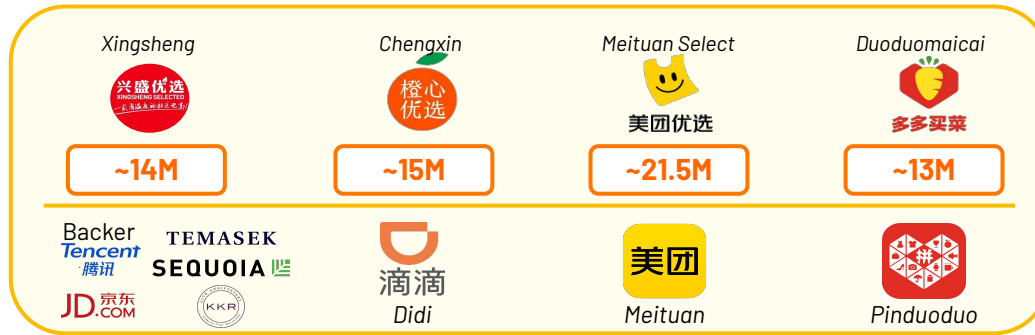
Meituan's live streaming differs from typical live commerce by primarily **selling vouchers for in-store consumption** rather than physical goods. The main goal is to **increase user engagement and help merchants** grow orders and acquire new customers.

It seems Meituan is repeating its winning (deterrence) strategy of **making a business so low-margin** such that Douyin would find it more worthwhile to monetise its massive consumer elsewhere (bad news for JD and Alibaba?).

2.3 Meituan beat all others but falls behind Pinduoduo in community group buy

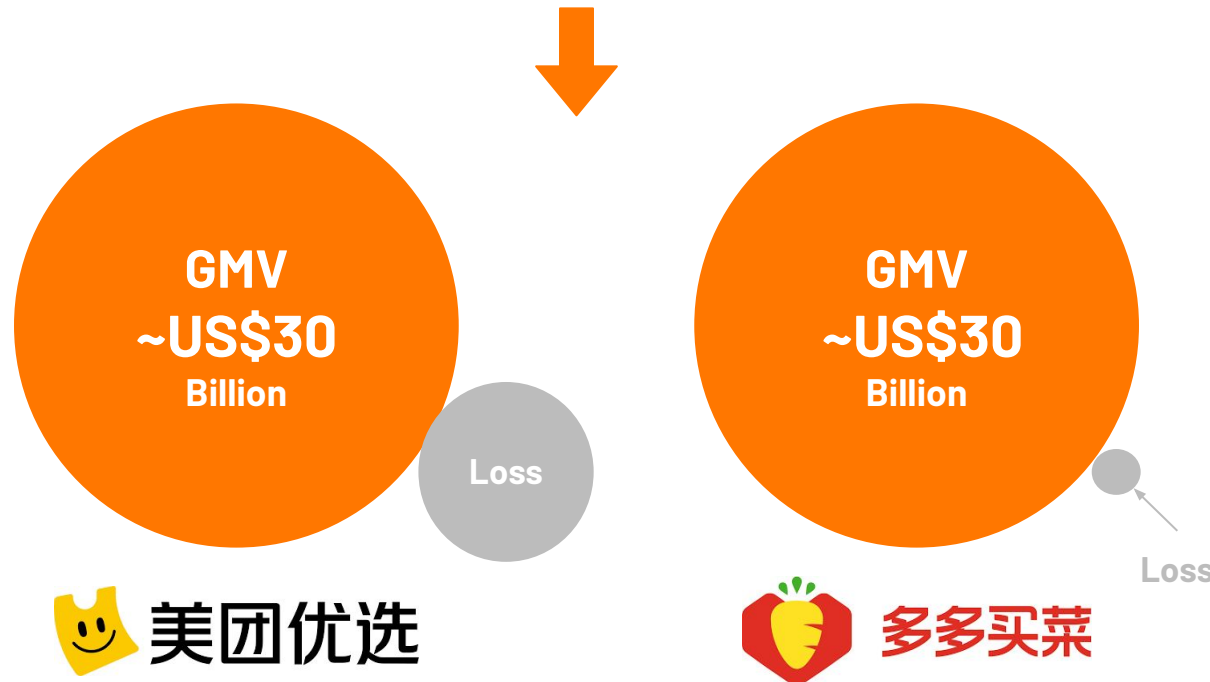


2020-2021
2nd war of 1000 groupbuys



...As well as subsidiaries and investees of Alibaba, JD and many others

2023



In 2020-2021, almost all the major tech platforms in China joined “the 2nd war of 1000 groupbuys”, launching or investing in community group buy operations: **pooling orders from the community for next day delivery**.

Meituan took community group buy very seriously, deeming it as a key initiative to **reach out to previously untouched customer base** in lower tier cities or mass neighbourhoods.

Fast forward to 2023, most players fizzled out because their operations were not at enough scale, and/or not efficient enough, to minimise losses. **Meituan Select and Pinduoduo’s Duoduomaicai** became the surviving duopoly, each delivering about US\$30 billion GMV.

However, **Meituan’s losses are much larger** than that of Pinduoduo, raising the question of potential changes in the market dynamics. Facing a **strong competitor known for ruthless efficiency**, should Meituan give it up or will it be able to find a way to stem its losses?

Side note: many of **Temu’s operations leaders had worked extensively at Duoduomaicai**, where they were “trained” extensively on operations and competition.

3. Collapse of confidence in 1P quick commerce



Globally, investors and operators had a reckoning of the challenges of dark stores

*Non-exhaustive

Europe

Top 2 players merged; smaller players scaled down or exited.

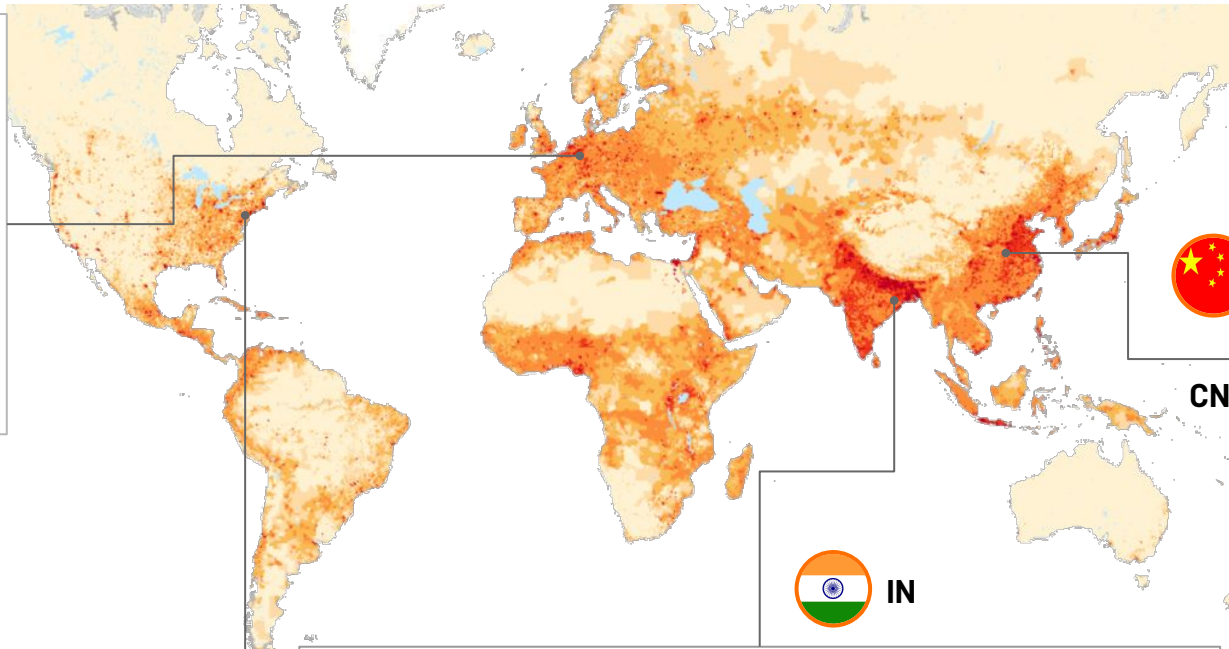


acquired by competitor



US

Most well-funded independent player Gopuff puts **IPO on hold**; Struggles to achieve **profitability**, "plans to tap advertising"



Largest independent dark store players collapsed



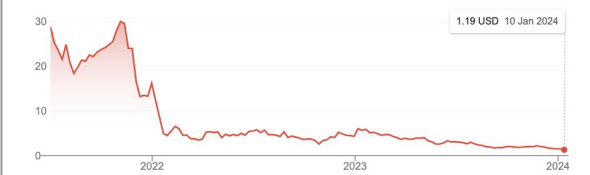
MissFresh

Closed down operations in 2022, and delisted in 2023



Dingdong

Stock price crashed -96% since IPO¹



blinkit acquired by **zomato**

Large players **experimented and exited** 1P shortly:



Retail



Ride sharing



Food delivery



Ecommerce



Fast. Fresh. Easy



3. Dark store profitability requires much more volume, density and operational efficiency



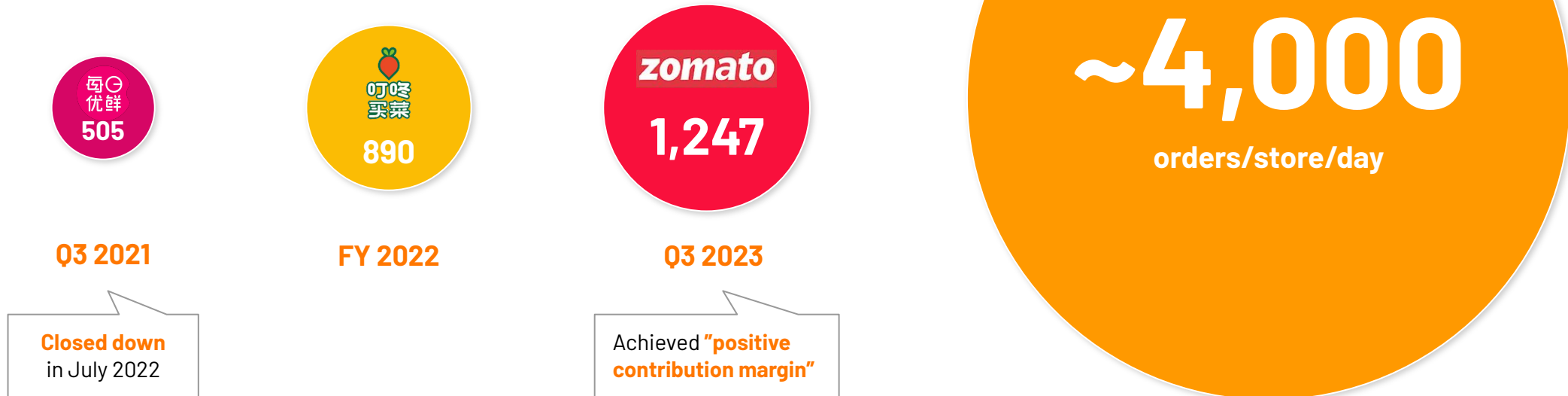
Every quick commerce player, especially independent ones, have very rosy projections about breakeven point in their business planning. However, the reality is that **volume, density and operational efficiency requirements** here are much higher compared to running a general food delivery platform.

A leading Chinese 1P player put their “operational break-even point” at about 4,000 orders/store/day - “our operations in multiple cities in China show that this is **the minimum to allow efficient SKU planning and rider operations.**”

This number will vary by countries, but a high bar in operations will probably apply in most places.

Break even point

According to a major Chinese 1P dark store player affiliated to a large platform





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5. Conclusion and perspectives

Conclusion and perspectives



- In 2023, the overall F&B industry has finally exceeded the pre-pandemic levels of 2019, according to government statistics. That said, the growth of the food delivery market was modest, remaining at **5%** for the 2nd year in a row. We estimate the combined platforms GMV in the six countries to be **US\$17.1 billion**.
- **Vietnam** recorded the fastest growth of total GMV in 2023 (nearly 30%), while most of the other markets experienced low single digit growth rate. There is also a significant self-operated delivery operations by **QSRs in the Philippines**, which we estimate to be about **one-third** of the combined platforms GMV in the country.
- Aside from over F&B recovery, the other three key trends we identified are: entry of **Chinese F&B brands**, digistation of **F&B as an organisation**, as well as **divergence of platform strategies** with the common theme of consolidation.
- Amongst the major food delivery platforms, **Grab** continues to extend its leadership position in the region, contributing more than 54% of the total GMV; **ShopeeFood**, which has been folded more closely into Shopee, and **LINE MAN**, a major player focused on Thailand, grew the most;
- After one to two years of cost reduction, operational optimisation and sometimes layoffs, most platforms, according to their own definition, have **achieved some levels of profitability**. **Consolidation**, which is already happening in the sector, is expected to continue in 2024;
- Amid flat top line expansion, most platforms are looking at three areas of further growth: **expansion of user base** across various segments and geographies, **advertising** revenue and further **operational optimisation**.
- Globally, US-based **DoorDash's** strategy and operational-focus has borne fruit, with strong free cash flow fuelling potential vertical and international expansion. At the same time, China's leading player **Meituan**, while having a healthy food delivery segment, is challenged by **Douyin** and **Pinduoduo** in core advertising revenue and community group buy respectively. Will Douyin's cousin **TikTok** enter the fray in Southeast Asia in 2024?

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Q3 2023

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Digital Leadership Immersion



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Register



Register

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- An appreciation (and learning) of operational strategies, execution and new supporting technologies;
- Networking with decision makers & potential partners.

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- What does FinAccel's \$140m series D have in common with Faiza's \$100m series C?
- Goto seems to have simplified its strategy – will they execute it well?

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- Our thoughts on Sea Group's 2023 Q1 results
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- Pinduoduo and Temu founder: my life lessons and reflections (Part 2 of 2)
- Pinduoduo and Temu founder: my life lessons and reflections (Part 1 of 2)
- LinkedIn's former China CEO on why LinkedIn failed in China (Seeing the unseen)
- Our thoughts on Didu's 1st annual report after delisting
- Do Chinese tech companies still practice "996" working culture?

Ecommerce

- Temu now leaps ahead across Europe, North America and ANZ
- What exactly are TikTok, Shopee, Lazada all trying to copy from Temu?
- Can Temu challenge Amazon or become the next Amazon?
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- After acquiring Goflix, will Goto make it?
- Does Shopee's investment in logistics and lending make sense? Recap part 2 of 5
- What does the future hold for cross-border e-commerce? Of the Record with Momentum Works...
- Momentum Works – CIDC discussion: Development of digital economies in Southeast Asia Part 2
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- Meeahole: Job To Be Done
- Zomato is the ultimate Rorschach Test
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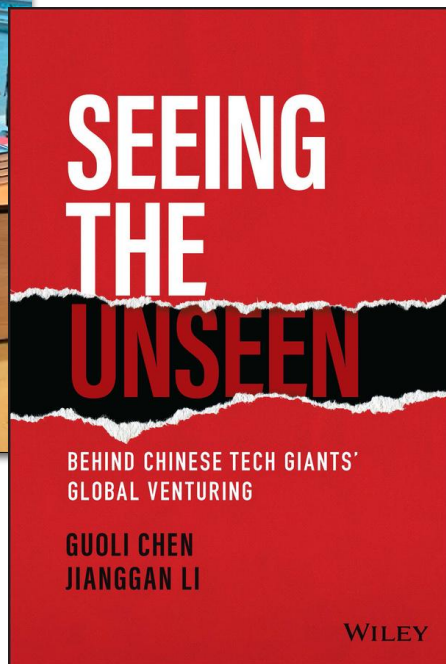
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These photos are taken by Momentum Works team on the ground while researching for this report



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