

Competitiveness of Halal Food Delivery Platform in Malaysia: An Analysis of bekal by foodpanda

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ABSTRACT

Halal food delivery platform has been introduced to meet the demands of Muslim customers and address concerns among Muslims about mixing halal and non-halal food during the delivery process. This issue directly affects Muslim customers because the food's halal status is in doubt. As a result, this study employs Michael Porter's Five Forces Model (MPFFM) to assess the competitiveness of Malaysia's only halal-certified food delivery platform, bekal by foodpanda. According to the analysis, rivalry among existing competitors is low, and the threat of substitute products is moderate. The threat of new entrants is also low. Meanwhile, the bargaining power of suppliers is increasing, as is the bargaining power of buyers. This study could serve as a foundation for future research on halal delivery platforms.

Keywords: Food Delivery, online ordering, bekal by foodpanda, Michael Porter's Five Forces

1. INTRODUCTION

Online ordering and food delivery are not new phenomena in the food industry. In Malaysia, online ordering and food delivery have been used by Malaysians not only in urban areas, but this trend has been widely spread to suburban and rural areas. Companies that offer this kind of service have created more branches and networks in order to ensure wide coverage of their brand. Based on statistics, revenue in the online food delivery market in Malaysia is projected to reach US\$ 2.31 billion in 2023 with an annual growth rate (CAGR 2023–2027) of 14.24%, resulting in a projected market volume of US\$3.94 billion by 2027 (Alda, 2023).

Online Food Delivery refers to prepared meals delivered online, where orders are typically placed through an app or website and delivery times vary. This meal delivery includes the delivery of meals carried out directly by restaurants and online delivery services that provide customers with meals from partner restaurants that do not necessarily have to offer food delivery themselves (Alda, 2023). In Malaysia, there are several food delivery platforms that are widely used by restaurants and are well-known to customers. Some of them are FoodPanda, Grab Food, Bungkusit, Shopee Food, AirAsia Food, Beep, and others. Table 1 shows the top twelve food delivery platforms in Malaysia.

Table 1: Top 12 Food Delivery platforms in Malaysia

Brand	Type	Apps Installs	Web Order	Coverage	Distance	Own Logistics	Demographics of Customers
GrabFood	Super apps	100,000,000	Yes	Major cities nationwide	10 km	Yes	All
FoodPanda	Food & grocery delivery	50,000,000	Yes	Major cities nationwide	Depends on restaurants	Yes	All
ShopeeFood	Super apps	10,000,000	Yes	Klang valley	N/A	Yes	All

AirAsia Food	Super apps	10,000,000	Yes	Klang valley, Penang, Ipoh	60 km	Yes	All
EASI (Hungry)	Food & grocery delivery	500,000	NO	Selected cities	N/A	Yes	Chinese
Bungkusit	Food & grocery delivery	500,000	NO	KV, PG, Terengganu, Ipoh, Johor	N/A	Yes	Malay
DeliverEat	Food Delivery	100,000	Yes	Penang, Klang valley	7 km	Yes	All
LOLOL	Food & grocery delivery	100,000	Yes	Klang valley, Melaka, Johor	40 km	Yes	Chinese
GemSpot	Table booking & food delivery	100,000	NO	Klang valley	40 km	Partner	All
Beep Delivery	Food Delivery	50,000	Yes	Klang valley, Penang, Johor	20 km	Hybrid	All
Tapau	Food Delivery	50,000	Yes	Northern region, etc	N/A	Yes	Malay
OdaMakan	Food Delivery	50,000	Yes	Kelantan & other selected cities	10 km	Yes	Malay

Source: (Bees, 2021)

Online food delivery directly involves halal food issues. The emergence of halal issues in food delivery has existed since Malaysians started to accept the trend in their new lifestyle. In 2021, there will be food delivery service operators who are accused of not taking care of the sensitivity of Muslims when bringing halal and non-halal food together during the delivery process (Rahman, 2021). Muslims are also advised to be more careful when purchasing food, especially through online delivery applications. This will prevent them from buying food whose halal status is in doubt, including the status of the food operator (Yup, 2021). In terms of food safety issues, the government has developed two guidelines that are generally used to ensure that the food delivery industry avoids any issues involving the health and safety of consumers. In the aspect of halal logistics, there is a standard operation manual that can be used, namely MS 2400-1:2019 Halal Supply Chain Management System Part 1-General Requirements (Transportation). The first version was issued in 2010; the second version was issued in 2019, allowing food delivery activities to be carried out based on Shariah requirements.

According to the Kedah state fatwa committee, in the context of Malaysia, where the majority of the population is Muslim, online food delivery services such as "FoodPanda" and so on are halal, and they are included in the category of "*Wakalah bil Ujrah*" (Representation paid for wages) contracts, for which the law must be based on the terms and conditions that have been set by shariah. For the delivery of non-halal food through the service, if the sender directly does not know the status of the food, whether it is halal or not, then the income obtained from the service is also halal. However, if the sender of the food is aware of the fact that it is haram, it is

advised that he avoid getting involved in such muamalat (Awang, 2020). This is because buying and selling that involves illegal things is illegal and is also included in the food delivery business based on the verse in the Quran:

"And you should help each other in doing good deeds and piety, and you should not help each other in committing sin (disobedience) and aggression. And fear Allah, because indeed Allah is severe in His punishment (for those who break His orders)".
(Al-Maidah, verse 2)

Due to this issue, food delivery platform operators have been advised to get halal certification for their food delivery services. Having a halal certificate will be an important benchmark for companies to operate among Muslim consumers in this country (Sulaiman, 2020). In Malaysia, there are two food delivery platforms that have received halal certification for their services from the Department of Islamic Development Malaysia (JAKIM). The first food delivery platform is Bungkus by Honestbee, which was recognized as halal-certified by JAKIM in 2019. However, there is no new update on companies in terms of their existence in the market. The other food delivery platform is "bekal by foodpanda". There are also other food delivery services that focus on delivering only halal food, although they do not have halal certificates. Some of them are Lauk, Ode Jee, and Bungkusit. Therefore, the purpose of this study is to analyze the competitiveness of a halal-certified food delivery platform in Malaysia, which is bekal by foodpanda.

2. "bekal by foodpanda"

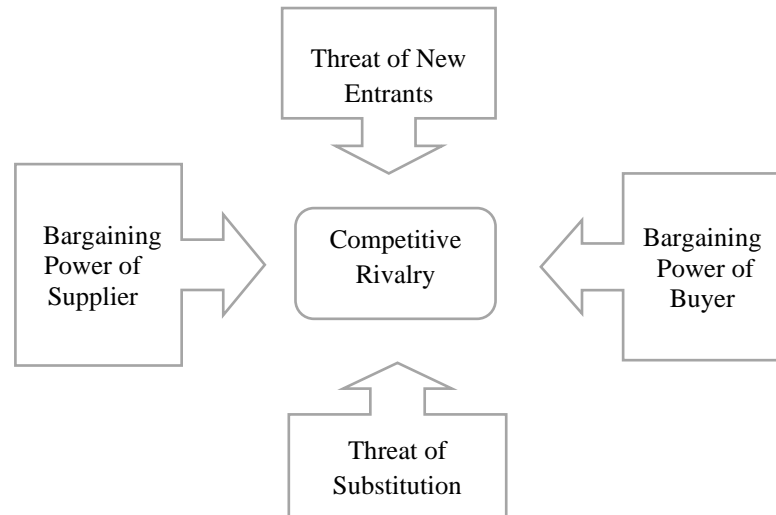
In response to the demand for halal food options, FoodPanda developed a dedicated halal delivery platform known as bekal by foodpanda. This halal food delivery platform has been recognized as a halal certified delivery platform by JAKIM. This platform ensures that Muslim consumers have access to a wide range of halal-certified restaurants and food vendors, allowing them to enjoy their favourite dishes while adhering to their religious dietary restrictions. It was initially established in Putrajaya solely as a pilot market. After two years in the market, this delivery platform was officially launched by the Minister of the Prime Minister's Department (Religious Affairs), Datuk Dr Mohd Na'im Mokhtar. By launching a halal delivery platform, FoodPanda aimed to provide a convenient and reliable service for Muslim consumers who seek halal food options. This initiative enhances the overall dining experience for the local Muslim community.

The management of bekal by foodpanda designed their halal management policy to comply with halal requirements and standards related to halal food, warehousing, retail, and transportation. The references of the halal management policy are Food Act 1983 (Act 281), Food Hygiene Regulations 2009, fatwas Bayan Linnas and Islamic decrees made by state Islamic authority bodies, Malaysia Halal Management System (MHMS) 2020, Malaysia Halal Circulars, Malaysia Standards, MS 1500:2019 (Halal Food- General Requirements, 3rd revision), Malaysia Standards, MS 2400-1:2019 (Halal Supply Chain Management System Part 1: Transportation - General Requirements, 1st revision, Malaysia Standard, MS2400-2:2019 (Halal Supply Chain Management System Part 2: Warehousing – General Requirement, 1st Revision, Malaysia Standard, MS2400-3:2019 (Halal Supply Chain Management System Part 3: Retailing – General Requirement, 1st Revision, Manual Procedure for Malaysia Halal Certification (Domestic) 2020, Sertu Guideline according to Islamic Perspective, Trade Descriptions (Definition of Halal) order 2011 and Trade Descriptions (Certification and Making of Halal) order 2011 (Halal Policy DHE Logistics Malaysia Sdn Bhd, 2022).

3. METHODOLOGY

This study uses qualitative methods by exploring an analysis of the competitiveness of *bekal* by Foodpanda using Michael Porter's five-forces model (MPFFM). MPFFM can be used to analyze the attractiveness of a particular industry, evaluate investment options, and assess the competitive environment in the market (Tools, 2023). According to Porter, there are five forces that represent the key sources of competitive pressure within the industry. They are competitive rivalry, Bargaining power of suppliers, Bargaining power of buyers, threat of substitution and threat of new entrants (Figure 1).

Figure 1 : MPFFM



4. FINDINGS

This section will discuss the analysis of Michael Porter's five-forces model (MPFFM) towards the application of *bekal* by foodpanda. Observational analysis has been used to analyze each element of MPFFM, namely competitive rivalry, threat of new entrance, bargaining power of the supplier, bargaining power of the buyer, and threat of substitution.

4.1 Competitive Rivalry

The first of the Five Forces refers to the number of competitors and their ability to undercut a company. The larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company. Suppliers and buyers seek out a company's competitors if they are able to offer a better deal or lower prices. Conversely, when competitive rivalry is low, a company has greater power to charge higher prices and set the terms of deals to achieve higher sales and profits. As the sole provider in this service area, *bekal* by foodpanda has a monopoly in the halal food delivery industry. This is consistent with the monopoly market attribute of the manufacturer or provider being unique and having no competitors. The majority of vendors listed under the *bekal* by foodpanda category are franchise food business vendors.

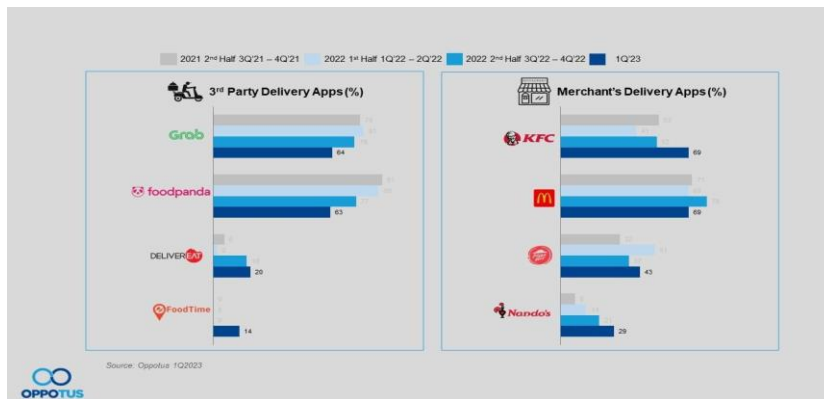
Table 2: Registered Vendors in bekal by Foodpanda (as at August 2023)

Vendor	Star Rated	Restaurant Delivery Services Provided
Domino's Pizza	4.7	Yes
Zus Coffee	4.8	No
KFC	4.6	No
Mcdonald's	4.7	Yes
Pizza Hut	4.6	Yes
4fingers Crispy Chicken	4.7	No
Subway	4.6	No
A&W	4.6	No
Marrybrown	4.5	No
Ayamas	4.4	No
Baker's Cottage	4.8	No
Tealive	4.8	No
US Pizza	4.7	No
Boat Noodle	4.7	No
Starbucks	3.5	No
I Love Yoo	3.5	No
Wingstreet	4.6	No
Kenny Rogers	3.7	No
Burger King	3.9	No
The Chicken Rice Shop	4.2	No
D'Laksa	3.8	No
PapaRich	3.7	No
Bubblebee	4.1	No
Daporlah	4.0	No
The Manhattan Fish Market	3.8	No
Kenangan Coffee	4.9	No
Sushi King	4	No
Dunkin'	3.5	No
Me'nate Steak Hub	4.5	No

*Limited to the area around Kajang - Semenyih

Table 2 shows that the vendors listed in bekal by foodpanda apps are established and have a strong enough presence in the industry. The participation of all these mature vendors gives the app provider an advantage to attract the confidence of the buyer, and since there is no other provider involved with the same services for the time being, it has no competitors in the halal food delivery service industry. But the situation could change if this issue was interpreted from different angles. According to OPPOTUS (2023), Malaysians prefer to use 3rd-party delivery apps such as Grab and FoodPanda, compared to the merchant's own delivery apps, such as those provided by McDonald's and Domino's Pizza (Figure 2). Considering how these platforms tend to offer more promotions and rewards to attract consumers to use them, in addition to having a wider range of meals to choose from, this seems like the more obvious choice. Overall, 3rd-party delivery app usage has risen as high as 91% in the first half of 2022. Grab and FoodPanda dominate within the 3rd party delivery app space, maintaining 64% and 63% in Q1'23 (OPPOTUS, 2023). This provides a competitive advantage for bekal by foodpanda because customers do not need to install new apps. This section can be found in FoodPanda app itself, where customers just need to click the bekal by foodpanda section.

Figure 2: 3rd Party Delivery Apps and Merchant's Delivery Apps



Source: OPPOTUS, 2023

4.2 Threat of New Entrants

A company's power is also affected by the force of new entrants into its market. The less time and money it costs for a competitor to enter a company's market and be an effective competitor, the more an established company's position could be significantly weakened. An industry with strong barriers to entry is ideal for existing companies within that industry since they would be able to charge higher prices and negotiate better terms.

In the case of bekal by foodpanda, the app provider is the only one that provides halal food delivery services. Which means it has no competitors in this industry. The difficulty of other competitors entering the market is expected to be high. It follows that competitors will face the high costs of starting up, staff training, and halal certification applications. In other words, the competitive threat of new entrants is low due to the barriers set up, as mentioned.

4.3 Bargaining Power of Supplier

The next factor in the Porter model addresses how easily suppliers can drive up the cost of inputs. It is affected by the number of suppliers of key inputs to a good or service, how unique these inputs are, and how much it would cost a company to switch to another supplier. The fewer suppliers in an industry, the more a company would depend on a supplier. As a result, the supplier has more power and can drive up input costs and push for other advantages in sales. In other words, when there are many suppliers or low switching costs between rival suppliers, a company can keep its input costs lower and enhance its profits.

In the case of bekal by foodpanda, it the only halal delivery platform in Malaysia. Therefore, we can find most of the well-known vendors with halal certification in the marketplace. Customers will not find small vendors on this platform. bekal by foodpanda will create trust and loyalty towards the vendor's brand. Therefore, suppliers need to abide by the terms and conditions set by this app. With the increase in customer concerns about halal delivery, there is a good strategy for vendors to cope with the demand from their customers through this halal delivery platform. As a new delivery platform, bekal by foodpanda also needs to ensure all vendors are satisfied and selling their foods through this platform. Therefore, they cannot simply charge different charges for delivery. This is because it also competes with FoodPanda where FoodPanda Malaysia has more than 100,000 vendors nationwide (Sipalan, 2023). This shows that the bargaining power of suppliers is increasing.

4.4 Bargaining Power of Buyer

The ability that customers have to drive prices lower, or their level of power, is one of the Five Forces. It is affected by how many buyers or customers a company has, how significant each customer is, and how much it would cost a company to find new customers or markets for its output. A smaller and more powerful client base means that each customer has more power to negotiate for lower prices and better deals. A company that has many, smaller, independent customers will have an easier time charging higher prices to increase profitability (Ali, 2021). In this case of bekal by foodpanda, bargaining power of the buyer is increasing. This is because bekal by foodpanda needs to create buzz for this platform and cannot simply charge higher delivery costs to customers. Otherwise, customers will shift to normal delivery platforms, which will make their halal delivery platform less competitive.

4.5 Threat of Substitution

The last of the Five Forces focuses on substitutes. Substitute goods or services that can be used in place of a company's products or services pose a threat. Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and lock in favorable terms. When close substitutes are available, customers will have the option to forgo buying a company's product, and a company's power can be weakened.

There is no other halal delivery platform in Malaysia, bekal by foodpanda has a natural progression from its previous delivery fleet make-up, which already set aside 40 percent of its ridership specifically for halal delivery. Besides, halal delivery already accounted for between 30 and 40 percent of total deliveries, and it was expected to eventually grow (Sipalan, 2023). However, bekal by foodpanda needs to consider competition from normal delivery platforms such as FoodPanda itself, Grab, and others. Therefore, the threat of substitution is moderate.

5. CONCLUSIONS

Consequently, for bekal by foodpanda, it has less significant rivalry in the halal food delivery market because it is the only delivery platform recognized by JAKIM as a halal delivery platform. The threat of substitute products is moderate for the reason that it has similar types of food offers by vendors as the normal food delivery platforms such as FoodPanda and Grab. Also, the bargaining power of buyers and suppliers is becoming stronger, where bekal by foodpanda needs to charge normal delivery charges and provide offers to customers to attract them to buy from this platform and develop their loyalty to halal delivery platform. This halal delivery platform has a low threat of entrants due to the difficulties in terms of complying with halal certification standards and the readiness of the company itself for this new competitive delivery platform. As a conclusion, understanding Porter's Five Forces and how they apply to an industry can enable a company to adjust its business strategy to better use its resources to generate higher earnings for its investors. This analysis is expected to serve as a starting point for future studies on halal delivery platforms. It is suggested that additional research be conducted to determine customer awareness and acceptance of this platform.

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