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**RESEARCH ARTICLE**

**THE EFFECT OF ONLINE DELIVERY SERVICES ON THE PROFITABILITY OF SMALL-SCALE FOOD SERVICES IN GENERAL SANTOS CITY, SOUTH COTABATO, MINDANAO, PHILIPPINES**

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**Abstract**

The study aimed to know the effect of the online delivery services on the profitability of small-scale food services in General Santos City, South Cotabato, Mindanao, Philippines. The study concludes that the online delivery services significantly increased the profitability of small-scale food services in General Santos City, South Cotabato, Mindanao, Philippines.

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**Introduction:-**

In the Philippines, more Filipinos started to use digital platforms in buying products and make cashless payments, according to a study conducted by visa.com.ph (2021). Business establishment owners and managers experienced difficulties as to how they could sustain their operations despite the workforce reductions, lower operational business hours and days, limited consumer store capacity, etc. on the onset of pandemic. Another problem is integrating technology into the regular business operation since almost everybody is restricted by ordinances from going out due to the pandemic.

With the pandemic, entrepreneurs evolve their strategies to sustain their companies (especially financially) and at the same time provide products and services to the market. The Covid-19 pandemic has close many businesses and eventually, contributed to the unemployment spike. But on 2021, there is a decrease in the number of businesses that have been closed despite the pandemic according to the Department of Trade and Industry Secretary Ramon Lopez in a report by Kris Crismundo (July 7, 2021), which means that the industry is starting to recover despite the alarming cases of the deadly disease.

As business people, strategizing on attracting prospects of the products and service offering makes it challenging due to the pandemic. The most popular strategies by businesses nowadays is the integration of digital platforms using the Internet for the advancement of business operations. Because almost everyone is immersed digitally in social media such as Facebook, it is acknowledged that business people and entrepreneurs will effectively market through this digital platform (Bala and Verma, 2018).

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**Framework**

During the Covid-19 pandemic, the demand for delivery services began to grow since people are restricted to go out. In a study conducted by Dones and Young (2020) in evaluating the demand of the five delivery services present in the Philippines, namely: Grab Express, Lalamove, Angkas, Ninja Van, and Transportify, Lalamove dominated the competition. Lalamove delivers anything like documents, food and groceries, items, etc. Food is the most delivered by the courier that was founded by the survey. Among the participants aged 15-57 years old, Cash-on-Delivery is the most wanted mode of payment.

The novel corona virus had forced people around the world to stay at home for preventive measures. Since food is one of the primary necessities of human being, take-out and delivery options were made available so restaurants and food owners and operators can still continue doing business and provide products and services to the market. There is a global increase in revenue on the online food delivery market as published by Gamilla (2021). This increase is a result of consumers turning to online food delivery as alternative to in-store buying.

There have been studies underlying the success of businesses using online food delivery service applications (OFDSAs) internationally. According to the study of Meenakshi, N., & Sinha, A. (2019), in India, officials are competing with others just to get funding from the investors, get connected with some restaurants, customer loyalty, fleet size, and management, and management of employees. Though these factors were shown in the study, additional information from the findings reveals that high growth is the driving volume for all companies. However, there is a lack of differentiation in the product offerings.

In a study conducted by See-Kwong, G., Soo-Ryue, N. G., Shiun-Yi, W., & Lily, C. (2017) entitled "Outsourcing to Online Food Delivery Services: Perspective of F&B Business Owners," the findings stated that the three main driving factors to the business owners' intention to look for third-party food delivery service providers are: increase of the company's income, the customer reach is wider, and the ability to expand the company's market because of the partnership. The study's findings also recommend that restaurant owners must consider the changes in customer preferences due to its dynamic nature so that they can remain competitive in the foodservice industry.

High food costs and salary expenses of firms are the primary concern of restaurants with full-service delivery that lower their profitability. Improvement of the full-service business' performance is dependent on balanced productivity and revenues while minimizing harmful food quality. The size of the company has also impacted profitability because of the economies of scale that decrease the product costs of foods. (Mun, S. G., & Jang, S. S., 2018)

Company's size, operational capital, and company efficiency showed a strong relationship to profitability. There is a negative relationship between the equity ratio and leverage ratio to the profitability of companies. Liquidity or current ratio showed no significant relationship with profitability according to a study on Malaysian companies. (Alarussi, A. S., & Alhaderi, S. M., 2018)

For on-demand food delivery, offering free delivery showed to be not sustainable. Greater values in demand aspects will improve the positive results and will just worsen the negative results of the companies. The fix or variable wage mix enhances profitability of ordering platforms. (Seghezzi, A., & Mangiaracina, R., 2020)

The independent variables used in the study as online delivery service platforms were service aggregator, new delivery service, and full-service delivery. The dependent variables were sales, cost of sales, selling expenses, and administrative expenses.

**Objectives:-**

The objectives of the study are (a) To determine what delivery platform is used by the small-scale food services in General Santos City; (b) To know whether the small-scale food services in General Santos City are profitable; and (c) To determine if there a significant relationship between the online delivery services and profitability of the small-scale food services in General Santos City. ”.

**Research Design**

The research is primary quantitative design. It involves the systematically analyzing of what is happening using collecting quantifiable data and analyzing it through mathematical and/or statistical techniques. The survey

questionnaire method was used to gather the data from the seventeen small-scale food services in General Santos City answerable by “yes” or “no”. The statistical test which analyzed the respondents’ answers to the online delivery platform employed and whether the small-scale food services are profitable was the frequency distribution. In determining the significant relationship of online food delivery services and profitability, the Spearman Correlation Coefficient was used.

### **Results And Discussions:-**

As to the platforms employed by the small-scale food services, all of the respondents utilized the online delivery service and majority of them employ the “new delivery service” partners in the course of their business operations. The mostly utilized partner was the Food Panda. This implies that in the locality of General Santos, third-party online delivery partners were preferred by most of the food service restaurants. In fact, in a study conducted by Niu, B., Li, Q., Mu, Z., Chen, L., & Ji, P. (2021), platform-logistics were more preferred by restaurant respondents with low market potential.

Results on the frequency and percentage distribution of the respondent’s profitability in terms of sales revealed that respondents have increase in sales, product prices and production. The results also showed that most of the respondents did not eliminate non-saleable products nor have an additional saleable product offering. According to See-Kwong, G., Soo-Ryue, N. G., Shiun-Yi, W., & Lily, C. (2017) the business owner’s intention to adapt or out-source third party food delivery services is because of its wider market reach, increase in revenue, and expansion of customer base.

Regarding profitability in terms of cost of sales, all respondents experienced no decrease in product and direct labor costs while 82% responded no reduction of spoilage in employing the online food delivery service. The results were normal since the respondents have an increase in production therefore increasing the product cost because variable costs are dependent on production level. According to the study of Mun, S. G., & Jang, S. S., (2018) food cost and salary expenses are the primary concern of restaurants with full-service delivery that lower profitability. In addition, the size of the company has also impacts profitability because of the economies of scale that decrease the product costs of foods.

In relation to profitability in terms of selling expenses, majority responded that there is no decrease in advertising and promotion while they utilized the online delivery services. There is also no reduction of business operating hours and utility expenses. Selling expenses such as advertising and promotion are variable expenses and it changes in total as volume of products changes according to Harold Averkamp (n.d). Therefore, the results behave normally.

As to profitability in terms of administrative expenses, all respondents do not have reduction of employees which implies that the adaption of online food delivery service to be profitable does not have to be a means of reducing employees. According to a book entitled “Profit-Building: Cutting Costs Without Cutting People” by Perry Ludy (2010), reduction of workforce is a short-term solution in profit-making. Instead of cutting people, giving them the chance to participate in analyzing how the company can achieve profitability is a better approach to increase profitability.

The correlation matrix between online food delivery services and profitability showed that online sales delivery platform shows significant relationship with the selling expenses while no significance with sales and cost of sales.

### **Conclusion:-**

**Based on the above findings, the following conclusion was formulated:**

The online delivery services significantly increased the profitability of small-scale food services in General Santos City, South Cotabato, Mindanao, Philippines.

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