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Multisided Platforms

How do platform-based ventures in the food delivery industry acquire consumers in the start-up phase and how are these customer acquisition methods perceived by the consumer?

by

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Abstract

This study aims to examine customer acquisition strategies of multisided platforms and consumer perception towards them. It further aims to contribute to current literature by addressing present uncertainty regarding the relationship of customer acquisition and consumer perception. From a practical perspective it should help other multisided platforms to identify customer acquisition methods that are not only successful but also set the foundation to retain the acquired consumers. The study focuses on on-demand offline services, exemplified by platform-based food delivery services. It has a qualitative approach and uses a multiple case study design.

First, three qualitative semi-structured interviews with representatives of food delivery services are conducted. Second, six in-depth interviews with consumers of those services are conducted to understand how they perceive certain strategies. The findings show that MSPs use a variety of customer acquisition methods, which are all perceived differently by the consumer. The study further reveals customer acquisition through marketing, discount codes and value proposition as the most salient themes. Within marketing, the consumer perceives induced customer acquisition more skeptical than word-of-mouth acquisition. One reason for that is, that is that induced customer acquisition such as out-of-home and social media marketing are not as trustworthy as recommendations from friends. Discount codes in general are perceived very positive mainly because of the economic benefit associated with saving money. Value proposition on the other hand is the main reason why consumers use food delivery services in first place. Reasons for that is that ordering through a food delivery service offers convenience, culinary variety and saves time. The study contributes to the field of multisided platform research and bridges the gap to customer acquisition and perception. Furthermore, the findings of this paper show applicable implications for other on-demand offline platforms that have common characteristics in the business model and a similar target group.

Keywords: Multisided Platforms, MSP, Customer Acquisition, Consumer Perception, Food Delivery Services, Marketing, On-demand Offline Service

Disclaimer

We hereby certify that this material, which we submit for assessment on the masters programme of *Entrepreneurship & Innovation – New Venture Creation* at Lund University, is entirely attributed to our original work, or where other work is cited references are supplied.

Lund, 14.09.2018

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This master thesis represents the final accomplishment in order to graduate with a Master of Science in Entrepreneurship & Innovation - New Venture Creation from Lund University. This research was inspired by our interest in launching a platform-based venture. Throughout the process of developing a business model and writing the business plan for our own venture, we have struggled to identify the right customer acquisition strategy and to understand how consumers perceive certain strategies. As we have deepened our knowledge about the subject, we discovered that there is not much research about customer acquisition for platform-based ventures and how different strategies work as an inducement for consumers to start using the platform.

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Cheers

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List of Abbreviations

A	Agree
B2B	Business-to-business
B2C	Business-to-consumer
CPM	Cost per thousand impressions
D	Disagree
E.g.	Exempli gratia (lat.), for example
Et al.	Et alia (lat.), and others
Etc.	Et cetera (lat.), and so on
F2C	Firm-to-consumer
I.e.	id est (lat.), in other words
MKT	Marketing
MMR	Mixed methods research
MSP	Multisided platform
N	Number
OOH	Out-of-home
p.	Page
Pp.	Pages
SA	Strongly agree
SD	Strongly disagree
SME	Small and medium-sized enterprises

SNM	Social networks and media
U	Undecided
WOM	Word-of-mouth

1 Introduction

Seven of the ten most valuable unicorns are multisided platforms (Fortune, 2016). In late 2016, 1,500 startups were registered for the world's leading startup event SLUSH, with 85 describing themselves with the word 'platform' and 15 using the word 'marketplace' (Still et al., 2017). Multisided platforms (MSP) connect the demand-side and the supply-side through innovative forms of value creation, delivery and capture (Täuscher & Ladien, 2017). MSPs are interesting opportunities for entrepreneurs because they can be built and launched at relatively low costs compared to traditional businesses working in single-sided markets (Landström, 2017).

The business models of multisided platforms rely on independent participants to co-create value, as they trigger network effects between the demand and supply side and are therefore associated with rapid growth and the potential to dominate a market due to winner-take-all dynamics (Täuscher & Ladien, 2017). To run a business profitably, the platform must achieve the critical mass, meaning it must secure a sufficient amount of customers on both sides in order to provide enough value for each and therefore to achieve sustainable growth (Evans, 2008). However, most startups do not solve this problem of attracting enough suppliers and consumers to their platform and fail (Evans & Schmalensee, 2016).

Many scholars argue that having a scalable business model (e.g. Ruutu et al. 2017; Täuscher & Kietzmann, 2017) and creating indirect network effects (e.g. King, 2013; Bhargava, 2014; Ruutu et al. 2017) are crucial factors for platform-based startups to achieve the critical mass. Attracting enough consumers and suppliers is a necessary starting point to all platform-based startups, because strong indirect network effects will fuel sustainable growth (Evans & Schmalensee, 2016).

1.1 Aim and Objectives

The aim of this thesis is to identify early stage customer acquisition strategies tailored to multisided platforms in the food delivery industry and to understand how those methods are

perceived by consumers. After providing an overview of multisided platform literature and theories on customer acquisition, the paper then presents a review of current literature about customer perception. Using qualitative research, we identify customer acquisition strategies used by food delivery services when they ignite or enter a new market. Further, we investigate consumer perception towards those strategies through in-depth interviews.

1.2 Research Purpose

Current literature on customer acquisition of platform-based business models is limited and mainly stresses the significance of a properly constructed pricing model and networking effects. However, far too little attention has been paid to customer acquisition strategies of platform-based ventures and consumer perception, especially for startups and firms competing in growth markets. Today's customer acquisition literature highlights the popularity of induced customer acquisition as well as word-of-mouth customer acquisition. However, more research on this topic needs to be undertaken before associations between customer acquisition of MSPs and consumer perception can be made.

The scholars Täuscher and Kietzmann (2017) brought up the necessity to compare platform-based business models with each other, rather than comparing them with traditional ownership-based business models within the same industry. Following this advice we have chosen to focus on on-demand food delivery services and to compare their customer acquisition strategies in the startup phase or when entering a new market. In this study “food delivery service” refers to companies, that deliver meals to the end-user (B2C) from partner restaurants (B2B) ordered through the food delivery companies’ website or app. Further, whenever referring to customers or consumers in this study, we are speaking about the end-user (B2C).

The purpose of this research is to identify how ventures in the food delivery industry acquire consumers in the start-up phase. Readers of this thesis should be able to better identify effective customer acquisition methods for platform-based ventures and how those strategies are perceived by the consumer. By identifying applicable customer acquisition methods used by food delivery services and consumer perception towards them, this paper will bridge a theoretical gap by extending the knowledge on customer acquisition of MSPs.

1.3 Delimitations

Data in this study is collected in the context of food delivery, and does not include research on MSPs in other industries. Bearing that in mind, we want to highlight that customer acquisition strategies and consumer behavior can vary significantly in other industries. Since we have used a non-probability sampling approach it does not allow us to generalize our findings (Bryman & Bell, 2011).

The empirical phase of this study took place in different countries in Europe, yet this research did not take cultural difference into consideration. This study, presents the perceptions and voices of a small group of participants when compared to the total population and therefore, cannot be generalized or transferred to become the voice of a broader population (Easterby-Smith et al., 2015).

1.4 Key Concepts

This section presents the theoretical perspective and the development of the research question and purpose. A number of key concepts are presented in order to form the theoretical foundation of the study.

Table 1. Key concepts

Concept	Description	Source
Customer acquisition	“the process of getting new customers, for example, by advertising”	Cambridge Online Dictionaries, 2018
Multisided Platforms	“Multisided platforms (MSP) connect the demand-side and the supply-side through innovative forms of value creation, delivery and capture”	Täuscher & Ladien, 2017
Indirect Network Effects	“The value for an actor group (consumers) depends on the size of another actor group (restaurants).”	Ruutu et al., 2017
Customer Acquisition through Marketing	“Companies can acquire customers through costly but fast-acting marketing investments (induced	Villanueva et al., 2008

	customer acquisition) or through slower but cheaper word-of-mouth processes (word-of-mouth customer acquisition).”	
Customer Acquisition through WOM	“Customers acquired through an referral are considered more valuable because they yield a higher contribution margin than consumers acquired through other channels and are more likely to refer people themselves.”	De Vries et al., 2017
Customer Acquisition through Coupons & Discounts	“Coupons motivate new customers to switch brands and convert them into repeat customers who will return even without a discount and be willing to pay the full price.”	Myung et al., 2006

1.5 Outline of the Thesis

The first chapter to follow this introduction is a broad literature review about multisided platforms and customer acquisition strategies. The industrial context of this study is limited to food delivery services; therefore, the market size and drivers are briefly described. By observing existing literature on customer perception, we identified current theories and introduced them briefly in the first chapter. The second chapter presents the research methodology. It describes the taken approach, the sample selection the interview procedure as well as the data collection process and its analysis to obtain meaningful results. The findings of the interviews and data analysis are then presented and followed by a discussion to contextualize the findings and offer insight into their significance. The paper will finally conclude with a summarization of the findings and reflections on the practical implications, which can lead to further research on the topic.

2 Literature Review

In order to explore the gaps in the literature forming the research problem of this study, its focus must first be put in relation to previous literature in the field of customer acquisition of MSPs. The chapter is divided in three major parts: The first part includes a definition of multisided platforms and gives an introduction into the food delivery industry by presenting markets, size and drivers. The second part deals with customer acquisition in general and the third part focuses on popular customer acquisition strategies.

2.1 Multisided platforms

Whenever consumers and suppliers do a transaction through intermediaries or a ‘platform’ that is controlled by a third party, they are using a two-sided platform (MSP) (King, 2013). “However, if a two-sided platform involves network effects, so that participants on one side of the platform care about the number of participants on the other side of the platform, it is a two-sided market.” (King, 2013, p.1)

According to the description above, multisided platform businesses and industries vary from physical newspapers to online marketplaces – to anything where two parties interact through a platform (Evans & Schmalensee, 2016). Multisided platforms need to attract two or more types of customers by enabling them to interact with each other on attractive terms (Evans & Schmalensee, 2016). The demand from one customer group depends on the demand for it from the other customer group, which makes the platform business face cross-market network effects (CME) (Sridhar et al., 2011). Rapid changes in development of information technologies have turbocharged the ancient matchmaker model together with foundational platforms (e.g. Google and Apple), which are powered by these information technologies (Evans & Schmalensee, 2016). MSPs often offer self-managed matchmaking services through a digital platform, and thus can serve additional users at a marginal cost, close to zero (Täuscher & Kietzmann, 2017; Evans & Schmalensee, 2016).

Täuscher and Laudien (2017) have conducted an analysis to provide a conceptually and empirically grounded taxonomy of marketplace business models by systematically analyzing 100 randomly selected marketplaces with content analysis and binary coding. Täuscher and Laudien (2017) showed that there is no “one-size-fits-all” business model that is suitable to all multisided platform companies, but were able to identify six different categories, shown in Table 2. Identifying these types of competing value propositions helps to better understand marketplace competitors and market potential (Täuscher & Laudien, 2017).

Table 2. Marketplace Business Model Types (Täuscher & Laudien, 2017)

Business model type	Platform type	Platform participants	Value proposition	Transaction type & good	Revenue model	Example
Efficient product transactions	Web-based platform	C2C, B2B	Large product variety	Physical products	Commission fee, subscription fee; mostly supply side	<i>Beepi</i> (eBay for used cars)
Digital product community	Web-based platform	C2C	Being part of a primary non-commercial community	Digital products; physical products	Commission fee; supply side, demand side	<i>Sellfy</i> (connecting ‘neighbors’ to share durable goods with each other)
Product aficionados	Web-based & mobile platform	B2C, C2C	Exchanging knowledge about niche products with community of like-minded people	Physical products	Commission fee; supply side	<i>HobbyDB</i> (Knowledge database and transaction platform for collectibles)
On-demand offline services	Web-based & mobile platform	B2C	Large service variety in a novel form	Offline services	Commission fee, subscription fee; mostly supply side	<i>StyleSeat</i> (connecting beauty salons & consumers)
Online services	Web-based platform	C2C, B2C	Novel online services with social networking character	Online services	Commission fee, subscription fee; mostly supply side	<i>iTalki</i> (connecting language learners with teachers for 1-on-1 online lessons)
Peer-to-peer offline services	Web-based & mobile platform	C2C	Novel services with community feeling within & outside digital platform	Offline services	Commission fee (demand & supply side), subscription fee (third parties)	<i>Airbnb</i> (connecting people to list, discover, and book private accommodations)

2.1.1 Food Delivery Services

On-demand offline services match the supply and demand for real-world services and are novel and efficient sales channels for businesses that allow an effective capacity management (Täuscher & Laudien, 2017). Food delivery services can be defined as on-demand offline platforms (Täuscher & Laudien, 2017), which connect suppliers (restaurants) and consumers (end-user) through the platform and operate as an intermediary that organizes the food delivery. The characteristics of on-demand-offline services are presented in Table 3.

Table 3. *Example of On-demand Offline Services (Täuscher & Laudien, 2017)*

Characteristics	On-Demand Offline Services	Food Delivery Service
Platform Type	Web-based and & mobile	Web-based and & mobile
Platform Participant	B2B & B2C	B2B (restaurants) & B2C (end-user)
Value Proposition	Large service variety in a novel form	Food delivery from restaurants
Transaction Type	Offline Services	Food Delivery
Revenue Model	Commission fee, subscription fee	Commission fee (B2B) & Delivery fee (B2C)

Sridhar et al. (2011) refer to the end-user group as attractors (e.g. the consumer ordering food through the platform) and to the end-user group interested in accessing attractors through the platform as suitors (e.g. the restaurants offering their food on the platform). An on-demand food delivery marketplace invests in enhancing its product quality growing the numbers of restaurants to retain and increase the number of consumers using the platform.

Food delivery platforms allow consumers to compare offerings, scan and post reviews, and place orders from a range of restaurants with one click through a website or app (McKinsey, 2016). Food belongs to low involvement products, as consumers tend not to remember the prices, indicating that they make food-price choices rationally at the given time without much consideration (Cheow Sern Yeo et al., 2016). The platforms are compensated by the restaurants through a fixed margin of the order, and by a small fee from the customer (McKinsey, 2016). Food delivery platforms often have their own logistic networks and provide the delivery for restaurants that do not have their own drivers (McKinsey, 2016). Even though they have a higher cost of maintaining the driver and vehicles, new delivery platforms achieve EBITDA margin (e.g. profitability ratio that measures how much earnings the company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue) of more than 30% (McKinsey, 2016). According to McKinsey (2016) the growth of food delivery platforms is driven by sources of customer demand. Those services substitute the consumer for both dining in a restaurant and meals prepared and consumed at home (McKinsey, 2016). Studies have found a positive relationship between attitude and behavioral intentions, which means that consumers prefer to use online services

because of convenience, usage usefulness and other motives (Cheow Sern Yeo et al., 2016). The timesaving factor increases the value of the service provided because it reduces the amount of time and energy the consumer has to put into purchasing a product or meal (Cheow Sern Yeo et al., 2016).

The revenue for meals ordered through food delivery services globally amounts to US\$11,8 billion in 2018 and is expected to show an annual growth rate of 22,4% resulting in a market volume of US\$26,5 billion in 2022 (Statista, 2018) The demand for this service is created by today's fast paced world, where consumers do not have the time to go out for food, or to wait in a restaurant for food to be served (Cheow Sern Yeo et al., 2016). In the USA, one out of every two and a half meals is consumed away from home and 87% of Americans who use food delivery services agree that it makes their lives easier, and 31% say they use the service at least twice a week (Mintel, 2016). In order to stay competitive, restaurants are therefore forced to offer additional services like food delivery and make the food come to the customers (Cheow Sern Yeo et al., 2016).

2.2 Customer Acquisition

Customers are valuable assets for companies, but can be expensive to acquire. Nevertheless, customer acquisition is important for companies in many contexts: when launching a new product or service, when entering new geographic or customer segments and especially for startups (Ang & Buttle, 2006). According to Buttle (2009) customer relationship management and customer acquisition management must be viewed as strategic organizational goals and play crucial roles for both startups and other companies. It is important that companies are aware of profitable growth and therefore should focus on acquiring profitable instead of unprofitable customers (Villanueva et al., 2008). Especially Internet startups have made the mistake of aggressively spending on customer acquisition, in effort to maximize the number of users, which could eventually lead to customer revenue later (Villanueva et al., 2008).

According to Evans and Schmalensee (2016) multisided platforms can adopt three main strategies for securing critical mass: zigzag strategy, two-step strategy and commitment strategy. Within the zigzag strategy platforms simultaneously try to engage both parties to use the platform but can focus more on one group (Evans & Schmalensee, 2016). In the two-step strategy the platform persuades first one group to join, and only after they have joined they

approach the others (Evans & Schmalensee, 2016). For example, the table booking service OneTable used this strategy and focused first on signing up restaurants, and after having enough on board they marketed to potential customers (Evans & Schmalensee, 2016). Within the commitment strategy, members do not join unless they have some guarantee that members of the other group will join (Evans & Schmalensee, 2016).

Evans and Schmalensee (2016) refer to a variety of tactics, which MSPs' use to implement these strategies: One option is self-supply, where MSP supplies one side itself in the start and another tactic is to get some marquee customers on one or both sides to better generate the momentum. A third tactic is convincing members of each group that if they join the platform, members of the other group will be there too, which is usually done by telling or exaggerating that the other side is already on board or formally by getting members to sign a conditional contract obliging them to join the platform if the platform gets enough members to the other side (Evans & Schmalensee, 2016). However, Evans and Schmalensee (2016) stress that a large number of users does not guarantee the successful ignition of the MSPs and that entrepreneurs have to remember that MSPs needs a thick market, which often requires focusing efforts narrowly.

Firms in multisided markets face similar challenges to startup's in single-sided markets, and may fail as a result of technological challenges, a lack of product market fit, the inability to attract venture capital or as a result of flaws in the organizational design (Täuscher & Kietzmann, 2017). However, in addition to these "traditional" failure factors, there are more challenges especially faced by MSPs, which arise from the nature of multisided markets. Platforms face distinctive challenges in managing customer adoption, and trading off growth and profitability (Bhargava, 2014). Furthermore, the firm has to control several factors including managing product design and the intensity of network effects, managing the timing of product announcement versus actual product release, selecting the target market for initial product launch, and whether to sell a single version or an expanded product line (Bhargava, 2014).

Täuscher and Kietzmann (2017) listed seven challenges that MSPs may face even though the firm has reached the critical mass and has a scalable business model. Täuscher and Kietzmann (2017, p. 255) define scalability as "...a firm's ability to flexibly offer its service to a larger number of users without incurring proportional additional costs." To be able to grow, the business model has to be scalable (Evans & Schmalensee, 2016, p.36). The other six causes of

failures are: low customer lock-in, low control over service quality, high-competition for idle resources, low transaction frequency, high costs of developing both market sides (e.g. acquiring both suppliers and consumers), and unexpected changes in the legal environment (Täuscher & Kietzmann, 2017). According to Täuscher and Kietzmann (2017) high scalability and network effects do not guarantee success unlike the common wisdom claims.

High cost of developing both market sides may emerge when pioneering firms enter entirely new markets and need to invest heavily in accustoming the market environment to novel business models (Täuscher & Kietzmann, 2017). In the long run, the success of a platform depends on a viable business model and having the ability to attract customers (Ruutu et al., 2017) by creating enough value to each of its customer groups (Evans & Schmalensee, 2016). Controversially, Verhoef et al. (2001) argue that cross-buying (customers paying for additional products or services from the same firm) is affected mainly by marketing instruments as loyalty programs applied during the relationship and that satisfaction has no effect on cross-buying. However, customers are more likely to cross-buy, if customers perceive the prices of the firm as fairer than the prices of the competitors (Verhoef et al., 2001).

2.2.1 Achieving the Critical Mass

One key issue of multisided platforms when acquiring consumers is to gain a critical mass of end-users, developers, and service providers. In the initial phases of multisided platform development, a common problem is the so called “chicken-and-egg problem” (Ruutu et al., 2017). Just as the chicken can’t exist without eggs and the chickens are needed to get eggs, the platform cannot attract customers without suppliers and vice versa. In order to create value MSPs have to get an adequate number of both sides on board (Evans & Schmalensee, 2016). Unfortunately, most multisided platform-based startups are not able to solve this problem (Evans & Schmalensee, 2016).

According to Piscicelli et al. (2018) most MSPs strive to reach a sufficient critical mass but many fail to translate it into financially viable businesses and shut down. The market acceptance is a major barrier for platforms that require a fundamental change in consumer behavior (Piscicelli et al., 2018). Achieving the critical mass and being able to scale up a platform depends crucially on the network effects it creates (Ruutu et al., 2017). Networking effects can be divided into direct and indirect (or cross-side) network effects. In direct

network effects the value for an actor group depends on the size of the same actor group (e.g. a social media platform) (Ruutu et al., 2017). The indirect network effects refer to instances in which the value for an actor group (consumers) depends on the size of another actor group (restaurants) (Ruutu et al., 2017). If the firm succeeds to solve the chicken-and-egg problem, the indirect network effects will generally fuel sustainable growth (Evans & Schmalensee, 2016). There is no standard time limit for achieving critical mass, but according to Evans and Schmalensee (2016) a platform either achieves it during the first couple years, or never.

According to Täuscher and Kietzmann (2017, p.255): “Business models that are both scalable and generate network effects are perceived as leading to a virtuous cycle of increased market share and profitability “. Consequently, one market leader will dominate the space and eventually new entrants will not be able to compete once the market leader has reached a substantial network size (Täuscher & Kietzmann, 2017). Additionally, the critical mass is easier to achieve if the user’s decision-making process (adoption, discarding, switching the platform) is slow (Ruutu et al., 2017).

2.2.2 Pricing Structure

Multisided platforms have a more complex pricing structure than traditional businesses, and must balance the interest of all sides to achieve and keep the critical mass (Evans & Schmalensee, 2016). The pricing structure is more complex because of the indirect network effects, (Evans & Schmalensee, 2016, p.32) “...which makes the demand of each group interdependent with the demands of the other groups.”

When deciding the price structure, MSPs have to define how much to take from each group but also how price sensitive they are (Evans & Schmalensee, 2016). However, in more competitive industries pricing is not as difficult because MSPs can more or less follow other companies (Evans & Schmalensee, 2016). Respectively, competition makes price comparison better available to consumers. According to Sinha (2000) the Internet increases customers’ switching opportunities by improving market transparency, meaning that customers can easier compare homogeneous or simple products or services online.

2.2.3 Competition

The mobile revolution has yielded many information-based platforms that have low entry costs with highly imitable business models (Kim et al., 2017), which has caused competition in different platform industries and markets. Multisided platforms are usually not exclusive, meaning that consumers simultaneously use several providers, which is called “multihoming” (Caillaud & Julien, 2003). According to Caillaud and Julien (2003, pp.323) ”... this moderates price competition and reinforces market power and intermediation profits.” The competitive pressure due to prevalent multihoming on the consumer side causes multisided platforms to use similar pricing and value offered to customers (Kim et al., 2017.)

Traditional economic theory is based on assumptions of perfectly competitive markets in which a large number of sellers offer identical products that are perfectly substitutable with each other and where prices are minimized to the level where it is just sufficient for the suppliers to continue operating in the market (Palmer, 2000). However, companies seek to differentiate their products to avoid competition and get a premium price, making sure that no competitor is selling an identical product to theirs (Palmer, 2000). According to Palmer (2000, p. 90): “...buyers remain aware of close substitutes which are available and may be prepared to switch to these substitutes if the price premium is considered to be too high in relation to the additional benefits received.” Product differentiation, especially through branding, becomes a key tool to create a monopoly power in the market (Palmer, 2000). However, Palmer (2000) notes that product differentiation is not possible in all markets. According to Porter (1980 cited in Palmer 2000) competitive advantage may be based on cost leadership rather than brand development, if the product involves customers in low risk levels and the product development only offers few opportunities to distinct. In MSP context, Kim et al. (2017) argue that the competitive pressure due to prevalent multihoming on the consumer side, causes platforms to use similar pricing and value offered to customers (Kim et al, 2017)

2.3 Customer Acquisition strategies

The customer acquisition process plays an important role for startups and firms competing in growth markets and therefore represents a large expense within the marketing budget (Villanueva et al., 2008). According to Villanueva et al. (2008, p.48): “Companies can acquire customers through costly but fast-acting marketing investments or through slower but cheaper word-of-mouth processes.” Villanueva et al. (2008) call these two ways of acquiring customers through marketing (MKT) induced customer acquisition and word-of-mouth customer acquisition. To grow the business, companies use different MKT-methods, such as broadcast media (TV, radio), out-of-home (OOH), direct mail, and more spontaneous methods like guerilla marketing (Villanueva et al., 2008). However, in recent years marketing budgets are shifting towards more measurable methods like social media (De Vries et al., 2017) or affiliate marketing (Villanueva et al., 2008).

2.3.1 Induced Customer Acquisition

De Vries et al. (2017) have found that traditional marketing such as out-of-home (OOH) is very effective to influence consumers’ awareness, consideration and acquisition. OOH is one of the oldest forms of advertising in history and has a great impact and specific reach while at the same time being one of the fastest-growing media segments across the globe (Roux & Van der Waldt, 2016). OOH advertising media evolved from being mainly billboard advertising to include other contemporary platforms such as interactive displays in shopping malls and advertising displayed on objects like balloons, bicycles, and promotional street art (Roux & Van der Waldt, 2016). OOH can be great for startups because of the immediacy when penetrating existing markets and lower CPM (cost per thousand impressions) than online advertising (Beauregard, 2016). However, with OOH it is hard to evaluate its precise impact on sales (unless it is the only marketing channel), it may require long-term contracts, has a limited focus and can cause consumer apathy or consumer contempt (Beauregard, 2016).

The ultimate goal for companies that use **social media marketing** is to increase sales through new customer acquisition, increase consumption, or up- or cross-selling (Tsimonis & Dimitriadis, 2014). According to the study of Social Media Examiner, 96% of small and medium-sized enterprises (SMEs) use social media marketing, and 92% of SMEs consider

social media marketing as important for their business (Delzio, 2015). Facebook is the most popular social media channel because of the tremendous consumer pool, although 35% of marketers are uncertain whether their Facebook efforts are effective (Delzio, 2015).

Ang and Buttle (2016) have found that the sales process becomes more and more influenced by the Internet and especially by social media, which is used for finding new leads, qualifying leads, and managing relationships. Nevertheless social media marketing is different than traditional marketing because it is more related to “relationship marketing” and requires more attention and strategy building to achieve a brand image and loyalty (Erdogmus & Cicek, 2012). De Vries et al. (2017) have also found that customers acquired through social media impressions are more likely to engage with the firm (e.g. follow, comment and share their content).

2.3.2 Word-Mouth Customer Acquisition

Word-of-Mouth (WOM) is characterized as the noncommercial oral, person-to-person communication between a communicator and a receiver, regarding a brand, product or service (Mohtasham et al. 2017). Customers who are satisfied with the quality of a service or product are more likely to generate WOM behavior and act as an agent for word-of-mouth marketing (Mohtasham et al. 2017). WOM has a strong effect on the purchasing behaviour (Sen & Lerman, 2007), and according to East et al. (2017) one in eight recommendations result in sale and 50 percent of service provider replacements rest on recommendations. Moreover, Meyners et al. (2016) argue that between 20% and 50% of all purchase decisions are based on personal recommendations.

Villanueva et al. (2008) have found that firms that can afford to build a customer base organically through tools like WOM face a better long-term profitability outlook and can spend less on customer retention. Therefore companies seek to simulate and manage WOM by utilizing referral programs (Meyners et al., 2016; Schmitt et al., 2011). These referral programs are continuously controlled by the company and are exploiting the social connections of existing customers and offering rewards (e.g. cash, gifts or discounts) for making the conversion happen (Schmitt et al. 2011). Referral programs generally attract only a small number of customers, but have low costs.(Verhoes & Donkers, 2005). However, according to Schmitt et al. (2011) the referrer may seem less reliable unlike organic WOM. Schmitt et al. (2011) investigated 10,000 referred customers of a leading German bank for

over three years and their findings indicate that referred customers are more profitable and loyal. However, there are differences across customer segments and companies should use a selective approach for their referral programs (Schmitt et al. 2011). Because referral programs reward both new and old customers, they often attract price sensitive customers. Bolton et al. (2004) argue that customer acquisition channels that focus heavily on the price (rather than brand image or service quality) will create less loyal customers.

Affiliate marketing combines sharp performance incentives with the broader efficiencies of online advertising (Edelman & Brandi, 2015). According to Misner (1999) word-of-mouth is the most effective marketing strategy. Customers acquired through an referral are considered more valuable than others because they yield a higher contribution margin than consumers acquired through other channels and are more likely to refer people themselves (Meyners et al, 2016).

A relatively new phenomenon related to WOM is **electronic word-of-mouth (eWOM)**, where product reviews, which consumers post on different websites (e.g. Yelp, App Store, Play Store etc.) are one of the most common forms (Sen & Lerman, 2007). Past research has shown that people tend to weight negative information as more relevant than positive information when evaluating these reviews (Sen & Lerman, 2007). Sen & Lerman (2007) have investigated the existence of the negativity effect in eWOM consumer reviews both for utilitarian (e.g. products purchased for their practical use) and hedonic (e.g. products that make customers feel pleasure, fun and enjoyment) products to find out whether consumers exhibit similar bias online as offline. The scholars were able to show that negativity bias only exist for utilitarian products but positivity bias for both hedonic and utilitarian products (Sen & Lerman, 2007). Prior studies also indicate that a higher number of reviews (both negative and positive) leads to higher relative sales (Trusov et al., 2009). Social media is an ideal tool for eWOM, as users freely create and spread brand-related information in their networks composed of their friends (Vollmer & Precourt, 2008).

2.3.3 Discount Codes & Coupon Promotion

In recent years coupon promotion has been steadily growing in importance as an integral component of the marketing mix and is used for different reasons: to attract new customers, generate a short-term sales increase, increase customer traffic, and encourage repeat purchases of a brand (Myung et al., 2006) The primary reason why customers respond to coupon

promotion are economic benefits associated with saving money by using the coupon (Myung et al., 2006).

Dodson et al. (1978) apply the self-perception theory to coupon promotion and state that if a customer purchases a product under the premise of a deal, it is not obvious if the attraction is due to the products attributes or the coupon incentive. Studies have shown that discounts add perceived value to a product because it indicates that the price is an even better bargain, which means that lower prices stimulate sales for the retailer and increase the value for the consumer (Cheow Sern Yeo et al., 2016).

Prior studies have shown that there is a positive relationship between the face value (the monetary amount that a consumer saves off the selling price) of a coupon and the coupon redemption rate (Myung et al., 2006). Furthermore, marketers believe that coupons motivate new customers to switch brands and convert them into repeat customers who will return even without coupons and will be willing to pay the full price (Myung et al., 2006). Regular customers see coupon promotion as a reward, that encourages to continue buying a brand (Myung et al., 2006). However, once the coupon promotion is over, some customers recognizes that an important motivation for the previous behavior, is no longer present and the purchase declines and the customers are less likely to buy products for the regular price (Myung et al., 2006; Dodson et al., 1978).

3 Methodology

The following chapter presents and evaluates the methodological choices made in relation to the purpose of the study: to identify customer acquisition strategies by food delivery services and to understand how they are perceived by the consumer. To begin with, a foundation is set through explaining the research approach and design. From this standpoint the data collection method and sample selection are presented, and finally the data analysis part follows.

3.1 Research Approach & Design

For conducting the research, a qualitative research approach based on a multiple case study design was applied (Gioia et al. 2013). It aligns with Bryman and Bell's opinion of qualitative research (2011): First, it is inductive in how it aspires to permit the data collected to contribute to and generate theory, rather than confirming existing theory. Second, it acknowledges that it can only claim to review the topic of interest by interpreting statements of the participants in the study, rather than claiming an absolute truth.

We aimed to identify similarities and differences within customer acquisition strategies, it was necessary to compare multiple food delivery companies. Therefore, a multiple case design is chosen, which allows us to frame a theory that is grounded, accurate and generalizable (Eisenhardt & Graebner, 2007). It was chosen because it supports the development of an "accurate, interesting, and testable" theory and is especially successful when answering 'how' questions (Yin, 2014; Eisenhardt & Graebner, 2007, p.26). Further, Bryman and Bell (2011) argue that multiple case studies improve theory building as the comparison between cases may suggest new concept of interest. Yin (2003) argues that the ability to use replication strengthens the quality of findings through studying each case with the same method to identify potential similarities and differences. While case studies are often criticized for lacking generalizability this study focuses on giving thorough insights into customer acquisition strategies and consumer perceptions (Bryman & Bell, 2011).

3.2 Data Collection

This section presents the data collection as well as the terms of case selection and sampling of interview participants. To answer the research question semi-structured interviews were conducted in two steps: First, marketing managers from food delivery services were interviewed to explore and understand how they acquire consumers and what challenges they face. Second, those customer acquisition strategies were reviewed by interviewing six consumers of food delivery services with the aim to understand how they perceive certain customer acquisition strategies.

An interview protocol was used to guide the semi-structured interviews. Using Bryman and Bell's (2011) recommendations for a successful interview guide we have formulated interview questions without having too specific or leading questions. The interviews with the representatives of food delivery platforms have taken place in April and May, and the consumer interviews in June. The primary data collection consisted of a purposeful sample (N=9) including both company (N=3) and consumer (N=6) interviews. In total nine 30 to 45-minute interviews were carried out, audio recorded and involved both researchers: While one conducted the interviews in the English language, the other took notes. For locational reasons two company interviews were conducted by phone while the rest was held face to face.

In the beginning of the company interviews some basic questions in regards to the interviewees' background and role in the company were asked. Respectively, the customers were asked general questions about how often they use food delivery platforms and which platforms they have used. For the first part of interviews we have formulated an interview guide with 11 questions (see Appendix A) while the second interview guide included 17 questions (see Appendix B). The main research question was leading both interview guides, where the authors asked questions to get answers to topics that remained unanswered in the theoretical framework (Bryman & Bell, 2011). However, we did not create too specific questions to not close off alternative avenues of enquiry, that could have arose during the interviews (Bryman & Bell, 2011).

Some scholars argue that semi-structured interviews have low validity, because the researcher has no way of knowing if the interviewee is telling the truth and has the opportunity to create a response or unconsciously respond with an answer, they feel the interviewer expects (Tashakkori & Teddlie, 2003). Hindsight also plays an important role in terms of validity of

semi-structured interviews, because the participant has had the opportunity to reflect on an occasion and rationalize their actions (Tashakkori & Teddlie, 2003). Controversially, the same scholars argue that semi-structured interviews have high validity, because they allow the participant to talk in detail and can explain meanings behind actions with little or no input from the interviewer (Tashakkori & Teddlie, 2003).

3.2.1 Sample selection

To strategically select interview participants relevant to the research question we have used purposive sampling (Bryman & Bell, 2011). For the food delivery interviews, we have identified seven possible on-demand food delivery services in Europe, which they approached via email and phone. Three of seven replied and agreed to be part of the study. Although Yin (2016) argues that various interview partners can bring in different viewpoints, the interviews were only conducted with one employee per company. This has been due to time and resource constraints on the companies' side. All three interviewees were then contacted by email, which included a brief overview on the overall research aim and a introduction of the researchers. The data was collected from three marketing managers of food delivery services who have been part of the startup phase or accompanied the entrance into a new country. Due to confidentiality, we will disclose the name of the companies, as it has been requested, and will refer to them as Company 1, Company 2 and Company 3 (standing for order of the conducted interviews). The overview of the interviewed companies is presented in the table 4.

Table 4. Overview of the interviewed companies

Company	Description
1	Company 1 is an Internet based distributor of ready cooked food and pastries in Sweden. Company 1 was founded in 1998 and belongs to the first movers within the food delivery industry. When Company 1 started up there was no competition and they had to use marketing to not only acquire consumers but also to educate them that ordering food to their home is possible. In the beginning Company 1's target segment were corporate "low status" workers such as receptionists, clerks and secretaries because they were people "living with the problem". Afterwards Company 1 expanded to the consumer market, but focus purely on corporate customers since 2017. Even though Company 1 is solely focusing on corporate consumers today we have still chosen to include them in this research, as their first mover advantage offers many insights.

2	Company 2 is an on-demand food delivery company that offers meals from their customers' favorite restaurants that traditionally do not deliver. Company 2 was founded in 2014 in Germany and offers meals from over 9,000 selected restaurants in 10 countries worldwide. Using the app, website or corporate platform, customers can browse local restaurants, place an order, and track it as it's prepared and delivered by a bike courier or delivery driver. Company 2 is focusing on both private and corporate consumers but offers it corporate consumers an own "corporate website" through which they can order.
3	Company 3 is an online food ordering and delivery service that takes orders via a mobile app or website. It was founded in 2014 in Helsinki, Finland and has since expanded to over 20 cities and claims to deliver food from over 1400 restaurants. Company 3 allows any restaurant to sign up as a merchant, mediating the order from the customer, taking care of the delivery and automatic payment by credit card.

For the second part of interviews, we have conducted six in-depth interviews with consumers of food delivery services. As before, we have used purposive sampling when selecting participants. The interviewees' have been contacted by email first and the interviews have been conducted in person. The six consumers that have been interviewed have all tried food delivery platforms before, which was the only criteria for the sample selection. However, we made sure to interview the same amount of male and female consumers. Further, we will only refer to the consumers via their first name. Overview of the interviewed customers is presented in the table 5.

Table 5. Overview of the interviewed customers

Name	Date	Location	Gender	Age	Occupancy
Jenny	14.06.2018	Lund, Sweden	Female	33	Working
Daniel	15.06.2018	Malmö, Sweden	Male	32	Working
Rene	16.06.2018	Lund, Sweden	Male	35	Working
Jonas	17.06.2018	Berlin, Germany	Male	27	Student
Ann-Sophie	17.06.2018	Darmstadt, Germany	Female	26	Working
Kerstin	18.06.2018	Frankfurt, Germany	Female	25	Student

3.3 Data Analysis

To analyze the qualitative data, we have used the theoretical sampling strategy, which emphasizes the importance of not starting out with too many preconceptions (Bryman & Bell, 2011). The data analysis was initiated by revising and transcribing all recordings of the interviews. Thus, all quotes presented in the findings are actual quotes from the interviews. Each interview data was assorted and reconfigured in written transcription following the framework by Miles and Huberman (1994). The data was then compared with each other to allocate similarities, overlaps or contradictions in accordance with the theoretical framework. The transcripts were reviewed and analyzed through open coding on a question-by-question basis. This helped to give labels to component parts of theoretical significance, or which appeared salient within the selected sample (Bryman & Bell, 2011). Moreover, the data analysis followed the recommendations and guidelines of Gioia et al. (2013) to increase the scientific thoroughness of qualitative analysis, which is often criticized for not being systematic and transparent enough. Therefore, the first two steps of the analysis were conducted in separation from previous literature in order to observe the data collected free from preconceived ideas of what will be discovered.

The analysis part followed six steps and was used for both company and consumer interviews: [Step 1] read through of the unmarked transcripts [Step 2] second go-through with the first identification of patterns and significant themes in terms of similarities and differences. [Step 3] Discussion of the themes among the authors and selection of codes to be used in the coding process. The codes were then split in two parts: First, the empirical variables, which recurred throughout the interview and second, theoretical variables extracted from the literature review. [Step 4] The interview transcripts with the chosen codes were then entered into MAXQDA 2018 qualitative data analysis software, which counts the frequency of each code and leads to the rankings and definition of parental codes. For the company interviews 41 codes (see Appendix C) were aggregated into 11 parent codes (Appendix D). For the consumer interviews 49 codes (See Appendix E) were aggregated into 14 parent codes (Appendix F). [Step 5] The parent codes were treated as a potential indicator of concepts and compared in order to organize the data into meaningful groupings. [Step 6] Finally we created most significant themes to structure the findings and to relate them to each other and to existing literature. From the food delivery interviews four themes have been identified and another four themes from the consumer interviews.

As suggested by Bryman and Bell (2011) we have analyzed and coded the transcripts independently before comparing the results and discussing an overall outline to avoid a biases and perceptions.

4 Presentation of Empirical Data

In the following chapter, we first present the findings from the food delivery interviews and then the findings from the consumer interviews.

4.1 Presentation of Empirical Data

4.1.1 Theme: Marketing (induced & word-of-mouth)

The interviews with the food delivery representatives have shown that they all acquire consumers through marketing and therefore “marketing” has been identified as a salient theme. The marketing theme consists of two sub themes: (1) induced customer acquisition, which includes social media and out-of-home marketing and (2) word-of-mouth acquisition.

All three interviewees stated that the main goal behind their early stage customer acquisition strategy is to get as many consumers on board as possible. As Company 2 illustrates:

“In the beginning, the main focus was on getting as many consumers as possible to make as much money as possible.”

However, all three companies have different marketing strategies when igniting their business and building a customer base. Company 1 and 2 use a variation of methods such as out-of-home marketing, hand-to-hand flyering and affiliate marketing and describe social media marketing as relatively expensive. Because the companies could not find a correlation between their social media input and sales growth, they continued to use social media only to a small degree and do not spend any marketing budget on it.

Company 1: “In my opinion social media marketing is relatively expensive. We tried it out, but as we could not find any correlation between input and the sales growth, we stopped it again.”

Company 3 on the other hand is focusing on their own social channels and word-of-mouth marketing. They are primarily spending budget on paid advertising on Facebook and Instagram for customer acquisition. Additionally, Company 3 is producing content to share on their brand channels, with the aim of relationship building.

Company 3: “We are primarily focusing on Facebook and Instagram advertisement for reaching new users, and content creation for community building.”

Company 3 describes how they attract new customers through social media:

“We try to be visible in social media through ads that explain who we are what we do - with appetizing, reliable and honest pictures of our restaurants and venues. We also highlighting the fact that we deliver a variation of good food to our customers doorsteps promptly on time.”

Company 1 and 2 were using OOH marketing in the early stage of their businesses, describing OOH as a very expensive and not that successful method for attracting new consumers. Today, both companies use OOH mainly when entering new markets (e.g. offering the service in new cities or countries) to create brand awareness.

Company 2: “In the beginning we had these big out-of-home marketing campaigns, which were extremely expensive and built a great brand awareness, but were not such a success in acquiring customers which was the initial aim of these campaigns.”

Company 2 is using word-of-mouth marketing by motivating already existing consumers and employees to invite their friends and family through a customized referral link, which gives both parties a discount code. Company 3 is also utilizing word-of-mouth marketing and believes that satisfied consumers will spread the message to their network:

“We rely very heavily on indirect word-of-mouth, which means that our customers spread the message if they were satisfied with the food and our service.”

4.1.2 Theme: Discount Codes

Another salient theme that has emerged during the interviews are discount codes and vouchers, where two of three companies are using discount codes to attract consumers and are combining them with both induced and word-of-mouth strategies.

Coupons and discount codes are the main customer acquisition tool for Company 2, which is utilizing it by handing out paper vouchers offering an customized 8€ discount code, which can only be redeemed by new customers. To distribute the vouchers Company 2 is using hand-to-hand flyering because it has the biggest conversion rate. Company 2 describes the utilization of vouchers when entering a new market as following:

“In the beginning, when we entered the market the main tool were vouchers. We offered 8-euro vouchers and our main competitor was doing the same. We were floating the market with vouchers, as the budget for each marketing penetration campaign was huge.”

4.1.3 Theme: Quality

A common theme that emerged in all three interviews is the importance of quality of the technology (platform) and service (food and delivery) when acquiring consumer. To improve the quality of their service the companies are constantly asking their customers for feedback. Company 3 for example asks every customer to rate their service between 1-5, and if a customer gives a bad review they will further investigate the reason:

“If they give ratings between 1, 2 or 3 we ask why they haven’t been satisfied. If a restaurant gets a bad rating, which usually stands out - there are often other factors involved. Then we have to investigate.”

Especially in the startup phase it was challenging for Company 2 to fix deficiencies in the platform development due to inadequate resources and therefore had to use resources efficiently for regular operations. To improve the quality of the service Company 2 is using not only the feedback from the consumers but also from the riders:

“In the beginning we had “riders heads”, a small team of riders, which operate between the operational site and the couriers to identify best practices for the service and the platform development.”

Company 1 sees their superior quality as the main differentiator in the highly competitive market of food delivery. They are using feedback to constantly improve their IT and are through that deepening their relationship with both consumers and restaurants:

“We differentiate through creating a good support system in the consumption chain. We guarantee that nothing goes wrong with the food delivery and that the quality of the food is always great. This allows us to build a strong customer relationship.”

4.1.4 Theme: Competition

Competition was another salient theme when discussing customer acquisition during the interviews. While competition is not a customer acquisition method per se, it was often named in the context and as a challenge that has reinforced high customer acquisition spendings. Company 1 was the first mover of food delivery services in Sweden and had to spend a lot of marketing budget to change the customer behavior and acquire consumers. New competitors that have entered the market have benefitted from their early marketing efforts:

“In the beginning we had to do a lot of effort via marketing to change the customer behaviour. Today, there is much more competition in the market and the customer is already aware.”

Company 2 launched in a very competitive market where the competitor was already investing a lot of budget in marketing campaigns. The competitors also had the advantage of having experience through operating in another country. Further, Company 2 also highlights that even marginal differences in the competitors' pricing (e.g. delivery prices) affect their orderings:

“When we entered the market, our biggest problem was our competitor. Because they have already been in the market and investing a lot in marketing. Our delivery fee was 2,90€ and theirs was 2,50€, it's only a 0,40€ difference but it would still affect our orderings.”

4.2 Consumer Interviews

4.2.1 Theme: Marketing

The consumer interviews have shown that there is a different perception between induced customer acquisition such as out-of-home and social media marketing and word-of-mouth customer acquisition. Induced customer acquisition strategies, and especially social media advertisement is clearly identified as marketing by the consumer is are perceived more skeptical than word-of-mouth customer acquisition.

The majority of the interview partners have mentioned that an important reason for trying out a food delivery platforms is curiosity, which is created through marketing campaigns that catch the consumers awareness.

Jenny: "When I was in the UK and I saw a branded (food delivery) cyclist cycling around the city and was just curious what that was. I Googled and found out it was delivery service for lots of different restaurants. So I tried it out."

Rene: "I'm pretty curious what's out there and sometimes I just scroll through social media to see what's trending. That's how I find new apps and why I try them out. I just want to see what's going on out there and if there's something cool I have to know".

While all interviewees' have said that marketing increased their awareness of a new food delivery platform, all three interviewees agreed that the timing of the advertisement has to be right. They said, they would be more likely to try a new food delivery service, if they see an advertisement during their lunch time or when they are hungry.

Kerstin: "I believe that an advertisement will be memorized in the back of my mind and if I get hungry I would probably recall it. But if I see an advertisement outdoors or on social media I don't think I would buy/order straight away."

Daniel: " I only click on the ad, if I actually want food at that time. So maybe, if companies advertise during lunch time, then maybe I would click on it."

While the two interviewees' above react to social media marketing another interviewee said, that even if she sees an advertisement of a unknown food delivery service on social media, she would still order through the service she already knows.

Ann-Sophie: "I don't know if I would try a new service just because I saw an advertisement on social media. I'd probably still go back to the food delivery service I know and trust it works."

When discussing social media advertisement, the interviewees' highlighted that a discount code combined with social media advertisement increases the probability that they will try out a new food delivery platform.

Kerstin: "I love searching for discount codes. If I happen to find an discount code on social media of a company I don't know, I would try it out. Only because I can save more money compared to a platform I have already used before."

Rene: "It depends if there is a voucher, coupon or discount, then I would probably try a new platform. But I have almost never seen an advertisement in social media and used it straight away. And there's only a low chance that I'll remember the discount code when I need it. I will more likely use the app I already have on my phone."

Word-of-mouth customer acquisition strategies such as recommendations from friends have an enormous influence on whether the interviewees' will or will not try out a new food delivery service. Referrals from friends are seen as more trustworthy and are not perceived as advertisement compared to social media marketing for example. If friends recommend a new platform, they do not doubt their recommendation because they know that their friends usually have similar standards and would not recommend a bad product or service.

Rene: "When your friends have experience with it, you know beforehand that it works. When your friends share their experience, was it positive or negative, you feel that you are on the safe side, because you know something about that platform beforehand."

Jonas: "A recommendation by a trusted friend is a good indicator because they would not recommend a bad product"

4.2.2 Theme: Saving Money

Discount codes and saving money have been identified as a salient theme during the consumer interviews. They have a strong impact if consumers will try a new food delivery platform or not. Discount codes in general are perceived very positive by the consumer, as all of them agreed to using them.

Daniel: "Discount codes are pretty good, I normally look around the net to find one. Normally, I've already decided to get food delivered before finding the code, so as a promotional offer, it isn't so good."

Jonas: "If there is a great discount offer, I will easily try out a new food delivery service or other platform."

Kerstin: "I really like the perks of signing up to a new service, because you often get discounts or free delivery, which makes the order/food even cheaper."

One interviewee said he would continue using a food delivery for the full price if the quality and restaurant selection is satisfying, even if he initially started using the service because of a discount code.

Daniel "I would say it doesn't matter if I get discount codes for the second order, if the service is good - but I still look for them online to save money"

However, another interviewee agreed that price discounts are a convincing incentive to make him try a food delivery platform but is not sure if he would use the service regularly.

Rene: "Getting discount code could be convincing but being a returning customer - I don't know. Getting a voucher makes it easier to try, because if it doesn't work you haven't lost anything. You can save some money too."

A discount code was identified a great incentive to switch to another platform or use multiple at the same time. Especially because the consumers compare prices between different in order to save money.

Kerstin: “Yes, I like to compare prices. I’m always up for trying new food delivery services, the more choices the better the chances of saving some money. I often Google to see if I can get a discount code. I also love telling my friends and co-workers about them. When I invite them to a food delivery service, they get a discount code and I get a reward, which often ended with me only paying a few euros for an expensive meal. I love that feeling of saving money.”

That consumers of food delivery service are very price sensitive indicates following interviewee who also checks if the price on the platform is cheaper than ordering directly from the restaurant.

Jenny: “It’s cheaper than to order from directly take away from those restaurant websites.”

Discount codes are not only perceived so positively because they save the consumers real money, but also because they show that the company values her as a customer.

Ann-Sophie: “A discount in form of free delivery for example shows me that the company appreciates my order and values me as a customer.”

4.2.3 Theme: Trustworthiness & Quality

Another salient theme that recurred during the consumer interviews is trustworthiness. The interviews have shown that food delivery services are seen as a trustworthy to try out and do not need a deep research process beforehand. Reasons for that are that (1) it is easy to sign up to a food delivery service, (2) they are easy to quit, (3) it is easy to switch in between platforms and (4) food delivery platforms are perceived similar to each other.

Kerstin:” It can be a one-time thing, no strings attached - I don’t have any risks of ordering through the platform because I don’t have to pay a membership fee.”

Jenny: “Once you use one of them, they are all kind of the same. You don't look up or ask for advice. You just use them based on what is available in terms of the restaurant on the actual platform.”

Rene: “It's not about big money or big investment, and usually these services work. I guess there's no big risk involved.”

Rene: “I guess I Googled the food delivery service first, but I didn't do that deep research. Usually I ask my friends if they have experience using that app or platform. But usually if they don't have that much experience using them I just try it, it's not that important to do some prior research.”

Even though most of the interviewees' do not ensure the quality through searching for information online, or talking to friends, there are many reasons which lead consumers to not try a food delivery service. Some are: a cheap looking interface, bad content and low-quality marketing campaigns because they indicate that the platform could be untrustworthy.

Rene: “It has to look also serious; otherwise I might think it's a scam.”

Jenny: “If they put so much money on advertisement, you kind of feel like they must be relatively legit and safe business and it's not for example illegal. If I only get an email and have not heard of them elsewhere, and they don't even have an online presence - then I would be concerned.”

Unreliable or difficult user experience often causes users to switch services. Even though all interviewees' portrait themselves as loyal customers, most of them are already using multiple food delivery platforms at the same time or would be willing to switch to another platform. The main reason for multihoming is that the consumers get a better selection of restaurants to order from in addition to saving money as identified in the previous chapter.

Daniel: “If I'm using one and it becomes tedious to use and I know it will be easier on another, then I will try it.”

Jonas: " If my preferred restaurant is not supported by one platform, I will choose another."

Jenny: "... not all of them have the same restaurants on board, so I would switch depending what I want to eat"

4.2.4 Theme: Convenience

Another theme that was identified as salient throughout the interviews is convenience. While the previously discussed customer acquisition strategies have mostly been related to marketing, convenience is part the food delivery services value proposition. Food delivery services simplify the life of the consumers and save precious time. By offering a broad selection of restaurants they bring variety into the culinary life of the consumer. Further, the technology prevents misunderstandings, which may occur when ordering on the phone because of language barriers.

Rene: "First there was the need - I need food and don't want to go to the city or neighborhood to get something. That was the main reason. I was (...) hungry and lazy, but also the option that I can get food from different places and not only from a pizzeria. And sometimes when you call these restaurants, the people misunderstand your order and with these platforms there is less risk for misunderstanding. "

Jenny: "I guess the first would be good branding - how does it look? Second, would be functionality, is it easy to use, is intuitive: does it remember what I like and save my preferences so that, if I want to order a food again it might recommend me like a new restaurant that has the food I like."

5 Analysis/ Discussion

The aim of this chapter is to discuss the findings with the respective theoretical background in mind, linking the discovered themes to existing customer acquisition literature and answering the research question. Based on the previous chapter the findings have been merged into three customer acquisition strategies. Finally, research limitations of the study are presented and suggestions for further research given.

5.1 Marketing

The findings indicate that the main customer acquisition method of food delivery services is marketing, which is a great tool to increase the visibility and awareness in certain markets. This study has shown that most of the consumers got curious after seeing an advertisement and therefore got triggered to try out a food delivery service. However, the timing of the advertisement has to be right, as consumers are more likely to try out a food delivery service when seeing an advertisement while hungry. Even though there are many marketing methods used for customer acquisition, the interviews have identified that the food delivery services spend most of their marketing budget on out-of-home, word-of-mouth and social media marketing.

Previous literature has identified OOH as the most effective method to influence consumers awareness and to densely reach the customers attention in a targeted market (De Vries et al. 2017; Evans & Schmalensee, 2016). Even though OOH is an expensive investment, we have found out that is especially effective when food delivery platforms ignite their business or start in new markets, because it builds sustainable brand awareness. The consumers, which have been interviewed, have all stated that they have seen an billboard of a food delivery service before. However, they all disagreed that there is a correlation between seeing an OOH billboard and trying out a food delivery service. This finding aligns with prior research of Beauregard (2016) who states that is is very hard to track the impact of OOH on sales unless it is the only marketing channel.

Literature has shown that WOM has a strong effect on the purchasing behavior of customers and indicates that referred customers are more reliable and profitable than traditionally acquired customers (Meyners et al., 2016; Schmitt et al., 2011; East et al. 2017). Misner (2009) even claims that WOM is the most effective marketing strategy. In this study, word-of-mouth was also identified a very important theme. While organic WOM is not really in the hands of the companies, food delivery platforms are motivating already existing consumers to invite their friends and family through a customized referral link, which gives both parties a discount code. Such marketing activations are perceived very positive by the consumer, who likes the benefit of a discount code - when recommending a product themselves or being referred. Prior research has shown that satisfied consumers are more likely to act as an WOM agent (Mohtasham et al. 2017), therefore it is very important for food delivery services to make sure their consumers are satisfied. One reason for WOM being perceived so positive by consumers is the feeling of trust. If friends recommend a new service, the consumer can be sure that the platform works, as their friends usually have similar standards and would not recommend a bad product or service. Nevertheless, Evans and Schmalensee (2016) stress the importance that the critical mass needs to be achieved during the first couple of years since MSP starts operating. Thus, it can be argued that solely relying on organic word-of-mouth might take too long for platform-based startups and will not achieve the critical mass quick enough. Even though referral programs attract only a small number of customers, they have very low costs (Verhoes & Donkers, 2005). Moreover, recommendations from friends have a strong influence and referred customers tend to be more loyal and profitable (Meyners et al., 2016; Schmitt et al., 2011; East et al. 2017). Therefore, referral programs are very suitable for platform-based startups and are good methods to supplement organic word-of-mouth.

Companies are increasingly relying on social media for customer acquisition, and both scholars and media are highlighting that the importance of SNMs is growing rapidly for both consumers and marketers (Gunawan & Huarng, 2014; Delzio 2015). Food delivery services are using social media by sharing creative photo and video content to connect with new consumers and to stimulate orders. Furthermore, companies are investing in paid advertising in social networks with the aim to drive more sales. However, our research has shown, that the minority of the interviewed companies is actively utilizing social media as a customer acquisition tool while the majority declared it as a rather ineffective tool compared to other marketing methods like hand-to-hand flyering or direct sales. Respectively, consumers do not see social media marketing as an influence to try a new food delivery platform, but argue that

they would be influenced, if social media advertisement would be combined with a discount. Although this study has not identified social media marketing as an effective customer acquisition method for food delivery platforms, Shankar et. al (2003) argue that customer's acquired online are more loyal and that the Internet reinforces positive relationships between satisfaction and loyalty. Therefore, social media marketing is an interesting tool for food delivery platforms in the long run, especially to retain customers and build long-lasting relationships.

5.2 Saving Money

This research discovered that coupons or discount codes are a very popular method for food delivery services to attract new or infrequent consumers. Discount codes are often combined with social media and word-of-mouth marketing or handed out through hand-to-hand flyering. Prior studies have revealed, that the main reason for the success of price discounts is the economic benefit associated with saving money (Myung et al., 2006). This aligns with our findings, which show that discount codes have a strong influence to whether consumers will start using a new food delivery platform or not. However, Bolton et al. (2004) argue that customer acquisition channels that focus heavily on price (rather than brand image or service quality) will create less loyal customers. This research also revealed that consumers not only compare the price of one food delivery platform with another, but also compare them to traditional alternatives such as ordering directly from the restaurant. Consequently, it can be assumed that consumers of food delivery services are very price sensitive and are more likely to try a service that offers a better price. Even if the consumer is already satisfied with another platform, a better price or discount code offer a great motivation to switch to another service. However, a price discount is not necessarily a reason to switch to another platform completely and abandon the previously used. Instead, the consumers often use multiple platforms due to low switching costs and relatively fast adaptation process of new platforms, to get a better selection of restaurants and possibilities to save money. This is controversial to earlier research about traditional businesses, which shows that customers that perceive a firm as offering low prices will more likely cross-buy (Verhoef, Franses, & Hoekstra, 2001). Further, our findings show that customers easily switch and try new food delivery platforms. According to Ruutu et al. (2017) this fact will make it harder for platforms to achieve the critical mass because the switching, adaptation and discarding process is fast.

Our interviewed consumers are actively searching for promotions and looking for them online in order to save money. Therefore, coupon promotion is very effective when entering the market. These findings align with earlier research that argues that the Internet causes customers to focus more on the price as it increases market transparency for homogeneous or simple products or services (products whose attributes are easy to compare) and therefore increases the customers' switching opportunities (Sinha, 2000).

Myung et al. (2006) argue that customers are less likely to buy products for the regular price once the coupon promotion is over. This is controversial to our research that has shown that consumers will continue using a food delivery service after receiving a price discount, if they are satisfied with the service. Verhoef et. al (2001) on the other hand argue that satisfaction has no effect on cross-buying. However, the same scholars say, that customers who perceive the firm offering low prices will more likely cross-buy (Verhoef, Franses, and Hoekstra, 2001).

5.3 Value Proposition

Earlier research (Ruutu et. al, 2017; Evans & Schmalensee, 2016) has highlighted that platform-based start-ups must create enough value to each customer group, must have the ability to attract customers to reach the critical mass and must have a viable business model (e.g right pricing structure to capture the value) in order to be successful. This aligns with our study, that has shown that the main reason for using a food delivery service is the convenience (e.g. value proposition) the consumer gets when using the service. The consumer does not only save time when ordering through a platform, food delivery services also offer a broad selection of restaurants, which is the most important convenience factor for the consumers.

Although the quality of a food delivery service does not directly influence if a consumer will try out a food delivery service because he/she can only evaluate the quality after using, it indirectly does. Our research has shown that if the quality of the platform or service does not meet the consumers requirements they will more likely switch to a competitor's platform. Moreover, the quality directly influences if satisfied consumers will recommend the service to a friend through word-of-mouth or a referral. However, we have also found that consumers do not read reviews of food delivery platforms online because they do not see any risk related to

using the service. Therefore, this study implies that consumers easily start or quit using a platform-based service, if multiple alternatives exist in the market. Further, this study has identified that the food delivery industry is highly competitive and that many alternatives exist and are constantly compared with each other by the consumers. Food delivery platforms are perceived similar to each other, which decreases switching barriers and creates pressure for food delivery platforms to follow each other's pricing. All of them try to differentiate mainly by improving the quality of the service and the platform. These findings are further strengthened by Kim et al. (2017) who argue that the competitive pressure due to prevalent multihoming on the consumer side, causes platforms to use similar pricing and value offered to customers. According to Palmer (2000, p. 90): "...buyers remain aware of close substitutes which are available and may be prepared to switch to these substitutes if the price premium is considered to be too high in relation to the additional benefits received." Therefore, platform based companies need to put high importance to listening to customer feedback in order to improve the quality and retain customers in highly competitive markets. Otherwise they create the opportunity for their competitors to win over their unsatisfied customers. These findings align with prior studies of Ruutu et al. (2017) who states that it is important to react to customer feedback, because delays in platform development affect adversely on building the critical mass.

5.4 Research Implications and Importance

Our study is the first to explore how platform-based startups acquire customers and examines how customers perceive these strategies. The findings of this paper show highly applicable implications for other on-demand offline platforms that aim to acquire consumers and achieve the critical mass, due to common characteristics in the business model such as B2C and B2B platform participants, value proposition or revenue model. Based on our results, several implications can be drawn for other multisided platforms. Marketing managers may use the findings to either reassess or extend their current customer acquisition strategy. While previous literature on multisided platforms is missing customer acquisition this study presents tangible recommendations that allow marketing managers to take immediate action.

(1) First, platforms need to understand that the value proposition is the main reason why customers use them. Therefore, the value proposition needs to be clearly communicated

through marketing. (2) Second, platforms can successfully attract new customers by offering price discounts. But in order to retain them, MSPs need to invest in the quality of the product and service. (3) Third, platforms must communicate trust to customers, which can easily be accomplished by stimulating positive WOM, creating targeted marketing campaigns and having simple and transparent pricing models that do not require long term commitment from customers. (4) Fourth, when platforms create social media and out-of-home marketing campaigns for customer acquisition, they need to make sure that these campaigns are targeted to the right places (OOH) and displayed at the right time (social media). (5) Fifth, it is recommended to combine both social media and word-of-mouth marketing with price discounts to have a more direct impact on customer acquisition. (6) Sixth, customers of MSPs are not patient or loyal to one platform. Customers switch platforms easily, if they get more value or price savings from another platforms. Thus, it is recommended that MSPs gather feedback from customers and offer compensations to dissatisfied customers. (7) Finally, when deciding on the pricing of the service or product, platforms must find out how price sensitive their customer group is, and what their competitors' pricing is. This is due to the fact that customers of MSPs not only compare the price between platforms but also to traditional alternatives, which is easy in today's transparent two-sided markets.

However, the generalizability of these findings to other multisided platforms is severely limited by the non-probability sampling approach combined and the relatively small sample of food delivery platforms and customers.

5.5 Future Research

During this thesis, we identified various opportunities for future research. Although this study enhances the understanding of factors associated with customer acquisition of multisided platforms and the consumers perception, a lot remains to be uncovered. This research indicates that certain customer acquisition methods have a more positive consumer perception but their impact on customer retention remains unclear. Further research could be conducted on retaining customers and the reasons customers switch to other platforms. Additionally more research could be conducted about competition on both sides (e.g. MSPs have to get both consumers and suppliers on board). Thus, further research could investigate B2B customer acquisition of MSPs in the early stage.

6 Conclusion

The aim of this study was to identify how food delivery services acquire customers and to understand how those strategies are perceived by the consumer. Previous research has been conducted to understand the business model of multisided platforms but less attention has been given to customer acquisition and consumer perception of MSPs.

The study reveals that food delivery platforms acquire customers mainly through marketing, and use a variation of different marketing methods in their customer acquisition strategy. However, there is no universal customer acquisition strategy amongst the platforms.

One common method is induced customer acquisition where companies rely on social media and out-of-home marketing. We have found that social media and out-of-home marketing do not have a direct impact to try food delivery platforms, but increase customers awareness especially when the customer has not used the service before. Our findings also show that induced customer acquisition is more effective, when the economic benefit associated with saving money is communicated. It is also very important that the timing of these acquisition strategies is targeted in order to be successful. Additionally, platforms utilize word-of-mouth acquisition, and especially organic word-of-mouth. When trying platforms, recommendations from friends have a strong influence because customers perceive platforms as more trustworthy, when their friends already have experience with them. The study further reveals that induced customer acquisition is perceived more skeptical than word-of-mouth acquisition. However, in the startup phase and when entering new markets they need to implement induced methods in order to gain awareness. Further, the majority of food delivery services offer price discounts to new customers, which are perceived very positively, mainly because of the economic benefit associated with saving money. Therefore referral programs are an effective customer acquisition method for food delivery platforms, because they combine the benefits from both price discounts and WOM.

Our findings further show that value proposition is very important when acquiring customer and is the main reason why consumers use food delivery services in the first place.

Consumers use food delivery platforms because they offer convenience through culinary variety and time savings. However, even if customers are satisfied with one food delivery platform, they are also interested in trying a new platform, if they offer a price discount or a better selection of restaurants. Customers will not abandon the old platform completely but will multihome because of better restaurant selections and chances to save money due to low switching cost. Because customers of food delivery platforms are very price sensitive they compare the price between platforms and other alternatives. This brings up the necessity for food delivery platforms to integrate the message of economic benefit into their customers acquisition strategies instead of only communicating their value proposition, which is considered as self-evident among the consumers who perceive different food delivery platforms very homogenous, and therefore switch and test them easily.

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Appendix A

Interview Guide: Food delivery platforms

Name of the company	
Name	
Gender	
Age	
Position in company	
Number of years employed	

1. Please describe your role and tasks at Company X.
2. What were the biggest challenges when Company X first entered the new market/started and what are they now?
3. Has Company X business model been changed since you? If yes, how and why?
4. How do you attract consumer to order at Company X?
5. Which role does marketing play in the cost budget of Company X? Has it changed during the life cycle of the company?
6. Can you describe your marketing strategy? Have you changed it since the beginning? If yes, please describe how and why?
7. What marketing channels are you focusing on?
8. What are the key factors and aims driving campaigns and strategies at Company X?
9. How do you engage and retain customers (both restaurants and consumer who order)?
10. How do you collect customer feedback and have you used it for further developing your business?
11. How does competition affect your business and how do you try to differentiate?

Appendix B

Interview Guide: Food delivery customers

Location
Date of the interview
Name
Gender
Age
Occupancy

1. Do you use any food delivery platforms and how often do you use them?
2. Why do you use food delivery services?
3. How did you hear about food delivery platforms the first time?
4. How easily do you try new online platforms?
5. How did you become aware of these services?
6. Can you describe which reasons influenced you to try these food delivery services?
7. Do you use different food delivery platforms at the same time?
8. Do you research about food delivery services beforehand (talk to friends, Google)?
Why?
9. Are recommendations from friends influencing your purchasing behaviour? If yes/no, why?
10. Is the price (delivery fee, price of the food) important when deciding if you want to try out a new food delivery platform? If yes/no - why?
11. Is a discount code a good way to convince you to try a new food delivery service?
Would you be willing to pay the regular price after the first order? Why/Why not?

12. Would you try a food delivery platform if you see an advertisement on social media?
If yes/no - why?
13. Would you try a food delivery platform if you see an advertisement outdoors? If
yes/no - why?
14. Would you try a food delivery platform if you get free delivery/ a discount code? If
yes/no - why?
15. What do you consider is the best way to get you to try a new food delivery platform or
continue using in long term? Why?
16. Do you see these motivations to try food delivery platforms are applicable to other
platforms (e.g. Uber, Spotify, Etsy) as well? How/Why?
17. Is there something which would prevent you from using a platform, that is totally new
for you and you don't know anything about?

Appendix C

Variables used in coding in qualitative part 1: food delivery company interviews.

Code	Coded segments of all documents
More restaurants	1
Attracting consumers	1
Colors	1
Supply Chain	1
App	1
Content	1
Focus Customer Relations	6
Competitors	1
Free Delivery	1
Making them understand	1
WOM	2
Adds	3
Less Marketing	1
Key Factors & Aims	1
Aggressive	1
Branding	2
Getting restaurants on board	1
Outsourcing	1
Marketing Strategy	1
too little resources	1
Affiliate	2
Budget	1
Missguided Knowledge	1
E-Mail	2

Business Model	2
Technology not working	1
Discount Codes	1
Challenges	1
Competition	4
Guerilla	2
Institutions	1
Hand 2 Hand Flyering	3
Culture	1
Flyers in postbox	2
Quality	4
Face2Face	1
Online Marketing	4
Radio	1
Out-of-Home	3
Social Media	8
Event Marketing	3

Appendix D

Theoretical and Empirical Parent Variables in qualitative part 1: food delivery company interviews.

Theoretical variables	Subject 1	Subject 2	Subject 3	Total
Word-of-Mouth	0	2	2	4
Out-of-Home Marketing	1	3	0	4
Guerilla Marketing	0	2	0	2
Social Media Marketing	3	2	5	10
Coupons & Discount Codes	0	6	1	7
Competition	3	5	3	11
Pricing	2	0	2	4
Empirical variables	Subject 1	Subject 2	Subject 3	Total
Quality	3	1	3	7
Email marketing	0	0	2	2
Event Marketing	1	1	0	2
Branding	0	2	0	2

Ranking of variables by the number of times mentioned by the company.

Theoretical & Empirical Variables	Company 1	Company 2	Company 3	Total
Competition	3	5	3	11
Social Media Marketing	3	2	5	10
Coupons & Discount Codes	0	6	1	7
Quality	3	1	3	7
Word-of-Mouth Marketing	0	2	2	4
Out-of-Home Marketing	1	3	0	4
Pricing	2	0	2	4
Guerilla Marketing	0	2	0	2
Brand Marketing	0	2	0	2
Email Marketing	0	1	1	2
Event Marketing	1	1	0	2

Appendix E

Variables used in coding in qualitative part 1: food delivery consumer interviews.

Code	Coded segments of all documents
save money	8
quality	8
experience	8
curious	7
similar	7
Google	6
cheaper	5
trust	5
convenient	5
selection	5
brand	5
sign-up	4
convenience	4
lazy	4
being different	3
timing	3

risk	3
loyal	3
value	3
easy	3
TV	3
bike courier	3
Facebook	3
complicated	2
preferences	2
safe	2
scam	2
concerned	2
discussion	2
test	2
easier	2
faster	1
extra features	1
traditional alternatives	1
generic	1
functionality	1
reward	1
extra fee	1

big investment	1
intuitive	1
trustworthy	1
transparency	1
legit	1
convincing	1
commitment	1
bad service	1
more options	1
cyclist	1
Instagram	1

Appendix F

Empirical Parent Variables ranked in qualitative part 2: food delivery consumer interviews.

Empirical Variables	Total
convenience	18
trustworthiness	17
saving money	16
application properties and quality	14
experience	8
similarity	7
curiosity	7
good selection	7
timing	4
courier	4
social media	4
loyal	3
value	3

TV	3
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