Food delivery or Forced delivery?

A case study on restaurants' business model innovation in response to digital platforms

Abstract

Digital platforms have prospered since the beginning of the pandemic and radically change how firms create and capture value. The restaurant industry has been particularly exploited, invoking strains on incumbent restaurants' business models and leaving managers in unfamiliar territory. The circumstances form a unique opportunity to research a phenomenon when actors are pensive about the development. This study outlines the impact digital food delivery platforms have on incumbent restaurants and how they innovate their business model in response. We used a qualitative case study design of explorative nature, in which semi-structured interviews with qualified and experienced executives comprised the primary source of empirical data. The result shows that incumbent restaurants experience a loss of control, relationship tension, and depleted profitability. In conjunction, these factors outline new requirements in premises, new ways to improve the customer experience, and new ways to drive sales. The paper concludes that incumbent restaurants' management needs enhanced business acumen to successfully manage and allocate resources between the two modes of operations - delivery and on-site consumption - which entail fundamentally different business models. Thus, we contribute to executive management by outlining key considerations to help navigate the changing industry climate. In addition, we extend the business model elements framework proposed by Mason and Spring (2011) to account for the overlooked component customer data.

Keywords: Digital platforms, Gig economy, Business model, Business model innovation

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Contents

1   Introduction

Digital platforms represent a prominent part of the modern economy and have radically changed how firms create and capture value during the last two decades. The digital platform economy emerging as a result of digitalization and globalization urges incumbents to adapt their business models to remain competitive. However, the questions remains, how? This study will investigate how incumbent restaurants innovate their business models in response to digital food delivery platforms.

The digital platform business model initially gained traction from being able to connect supply and demand of external products without owning any products or services themselves (Breidbach & Brodie, 2017). Several different types of digital platforms exist today, and among the most commonly referred to, we find marketplaces, app stores, social media, and online advertising platforms (Duch-Brown, 2017). As these, once simple, digital matching platforms have grown in size and market dominance, so has their complexity. A debated trend adding to this is the gig economy, in which platforms employ gig workers to carry out services for customers. Typically, gig economy platforms are two-sided, leaving two actors cooperating. However, not all. Food delivery platforms are multi-sided *and* part of the gig economy, implying they cater to multiple actors simultaneously, increasing the complexity of the interplay between participants (Farhi & Hagiu, 2008).

Digital platforms, acknowledged for their rapid scale-up pace enabled by the structure, algorithms, and cloud infrastructure, have become an essential part of what has been called the "third globalization" (Kenney & Zysman, 2016). For instance, industry dominators disrupting entire industries have surfaced, such as Uber in the transportation industry and Airbnb in the rental housing market. In 2020, the Covid-19 pandemic had a stark impact on businesses and digitalization. While the complete aftermath of the pandemic is not yet discernible, early reports underpin an accelerated digitalization effect.[1] Not surprisingly, many digital food delivery platforms have seen unprecedented growth during this period, providing an excellent opportunity for new insights. With lockdowns and governmental restrictions

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[1]Accenture report, 2020

2

enacted, many restaurants have had to use food delivery services as a last resort to keep their business afloat. One restaurant's executive interviewed stated that its online food delivery volume had grown 500 percent during 2020. For an industry known for being analog just a few years ago and characterized by low margins, this rapid digital transition accelerating during 2020 has undoubtedly put some incumbent restaurants in unfamiliar territory.

Digital platforms and their ecosystems have gained scholars' attention in multiple fields, including economic, information systems, and technical management. Over time, scholars have progressively recognized the challenge of researching these platforms coherently as they spread into almost every industry and consequently become part of several subjects, such as information systems, institutions, markets, and technologies. Furthermore, a research agenda on digital platform ecosystems encouraged scholars to "define the proper scoping of digital platform concepts by studying platforms on different architectural levels and in different industry settings" (de Reuver, Sørensen, & Basole, 2018). Among their broad research questions proposed, we aim to contribute to how digital platforms transform industries. Cozzolino, Corbo, and Aversa (2021) investigated the collaboration and competition between incumbent producers and entrant platforms in a digital advertising ecosystem. The authors suggest that academics should seek to "identify additional incumbent strategies in reaction to entrant platforms in settings that present characteristics that diverge from ours by exploring contexts embracing ecosystem logics, such as manufacturing and service industries." By considering digital food delivery platforms that are multi-sided and part of the gig economy, with three active participants - gig workers, business actors, and consumers - our context diverges from previous research and creates an opportunity for contributing.

The purpose of this thesis is to investigate how incumbent restaurants innovate their business models in response to digital food delivery platforms. We do this by first exploring the change multi-sided gig-economy platforms enforce on restaurants, which in turn, help us outline how restaurants innovate its business models. The two following research questions are used:

1. What change do digital multi-sided platforms in the gig economy enforce on incumbent restaurants' business models?

2. How do incumbent restaurants' innovate their business models in response to digital multi-sided platforms in the gig economy?

To address these research questions, we combine theory on digital platforms and business model innovation. Regarding digital platforms, we consider well-known characteristics, such as network externalities, multi-homing, and level of domination. The theoretical framework adopted to identify business model elements come from Mason and Spring (2011), which divides a business model into network architecture, market offering, and technology. The study uses a qualitative research strategy, adopting a case study design of explorative nature, using semi-structured interviews with qualified and experienced executives as the primary source of empirical data. In addition, company documents provided by interviewees, observations in restaurants, and secondary data collected are used. Our data is analyzed using the Gioia methodology.

The study finds that multi-sided gig-economy platforms pressures incumbent restaurants' business models, resulting in a loss of control over the restaurant, customer, quality, and brand. It also escalates relationship tension with actors in the ecosystem, which, ultimately depletes the profitability. The effect leads to new requirements in premises for incumbent restaurants. In doing so, incumbent restaurants pursue business model innovation that improves the customer experience for delivery and use new initiatives to drive sales, such as leveraging digital marketing power. The paper concludes that incumbent restaurants' management needs enhanced *business acumen* to successfully manage and allocate resources between the two modes of operations - delivery and on-site consumption - which entail fundamentally different business models.

We contribute by suggesting several managerial implications in the business climate with multi-sided gig economy platforms. For example, incumbent restaurants primarily operating on-site consumption should limit dependency on digital platforms and be cautious in employing ghost kitchens. For the delivery business

model, managers should focus on how customers can co-create the experience at home and consider fragmenting its brand into multiple virtual brands. For academics, we add to the literature by investigating the overlooked context of how digital platforms that are multi-sided and part of the gig economy affect incumbents. In addition, we extend Mason and Spring's model on business model elements by adding the element *customer data* along the network architecture dimension.

2 Literature Review

2.1 Digital platforms

Defining digital platforms

Digital platforms have been researched in multiple fields, the most common being the economic, information system, and technical management fields (de Reuver et al., 2018). While scholars consent on some elements for the definition of platforms, it still lacks a clear definition. Researchers seem to agree that a platform is "an entity that enables transactions between multiple actors in the presence of network externalities" and that platforms adopt a business model that seeks to match either two-sided or multi-sided markets while also "internalizing the network externalities within and across markets" (Parker & Van Alstyne, 2005; Rochet & Tirole, 2003). However, Loux, Aubry, Tran, and Baudoin (2020) point out that research insights from two-sided markets should not be generalized to multi-sided markets because multi-sided platforms are too complex. The increased complexity is not reflected adequately in previous literature, making several publications outdated, claims Farhi and Hagiu (2008). For this reason, we suggest a categorization of digital platforms to consider the markets digital platforms cater to, being either two-sided or multi-sided. In addition, a clear distinction between digital platforms that employ gig workers versus those that do not is made, as the gig economy has an apparent effect on digital platforms. In doing so, our view reflect the different environments and actors digital platforms operate with, and are arranged along two dimensions:

1. Is it a two-sided or multi-sided platform?

2. Does the platform employ gig workers?

Together, these two dimensions form a quadrant (Figure 1), illustrating which actors that platforms collaborate with, and the direct or indirect relationships between actors. In the top-left quadrant, there are two-sided platforms that do not employ gig workers. Two-sided platforms are recognized for connecting a supply-side and a demand side, such as eBay connecting buyers and sellers or Paypal connecting merchants and consumers. The top-right quadrant displays two-sided platforms that employ gig workers, such as the ride-hailing company Uber connecting drivers and passengers or accommodation matchmaker Airbnb connecting owners and renters. In the bottom-left quadrant, we have multi-sided platforms that provide interactions across multiple markets, such as Facebook, connecting users, advertisers, content developers - being both consumers and businesses. Finally, in the bottom-right quadrant, we have multi-sided gig economy platforms (hereafter MG-platforms), such as digital food delivery platforms where gig workers deliver food produced by businesses to consumers. Compared to two-sided platforms contracting gig workers, like Uber's taxi service, the work carried out by gig workers on multi-sided platforms only composes a part of the total value offering, which, in turn, forms new relationships (as illustrated by the dotted lines in Figure 1).
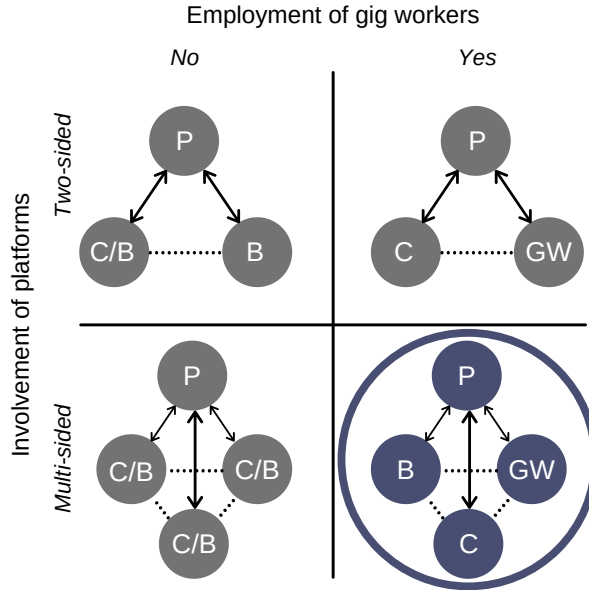

Figure 1: Our figure categories digital platforms based on 1) if they employ gig workers and 2) the level of platform involvement. P=Platform, C=Customer, B=Business, GW=Gig worker.

Network Effects

Scholars addressing digital platforms have committed considerable efforts to the phenomenon of network effects. Rochet and Tirole (2003) studied network externalities, also known as network effects, for platforms catering to two-sided markets and highlighted the importance of getting both sides on board. The two types of network effects are direct and indirect. Direct network effects exist if the value of a product offering increases as more people are using it, such as the value of a social media platform in relation to the number of users using it (Katz & Shapiro, 1985). Indirect network effects exist if the product value for one user group depends on the number of users in a different user group. For instance, the value offering to consumers for a digital food delivery platform depends on the number of restaurants existing on the platform. The proliferation of one side of the market attracts more users on the other side of the market, and vice versa, leading to a recurring, in itself beneficial growth loop (Rochet & Tirole, 2003).

A recognized challenge for digital platforms dependent on indirect network effects is the chicken-and-egg problem. Consider Airbnb's digital platform - each side is hesitant to join if the other side is not populated. Renters (buyers) would not want to join if there are no owners (sellers) present, and similarly, owners (sellers) see no value if there are no renters (buyers) using the platform (Caillaud & Jullien, 2003). To make one side large enough to attract actors on the other side, digital platforms typically subsidize access for the participant that is most responsive to price changes (Duch-Brown, 2017).

Multi-homing

For the digital platform's participants, the use of multi-homing has had significant implications, attracting several scholars to the subject. Multi-homing occurs when various platforms co-exist, and user groups can join and use several platforms simultaneously (Rochet & Tirole, 2006). For sellers, in particular, there may exist multiple barriers to engage in multi-homing. Duch-Brown (2017) illustrate a few reasons why multi-homing is unattractive for sellers in digital marketplace platforms. First, small sellers depend on large groups to find their products. Second,

it is challenging to build up a good reputation on multiple platforms. Third, reputation can not be transferred between platforms. Finally, digital platforms try to lock in business users using technological means and incentivize platform-specific investments. In conjunction, these factors strengthen platforms' bargaining power against sellers.

Domination

Digital platforms are sometimes seen as intermediaries but have also been investigated for using their powerful market positions to their advantage. For example, Duch-Brown (2017) point out that platforms acting as economic agents "are able to manipulate strategic instruments in order to select their user base, and consolidate their position in the market." The authors argue that the economics of multi-sided platforms result in imbalances of bargaining power, vindicating academics to address the use of dominant logic in platform ecosystems. To understand how dominance is exploited in ecosystems, we turn to Iansiti and Levien (2004), who have explored and mapped out two types of dominators in ecosystems. First, physical dominators, which integrate throughout the ecosystem until they own and control a large part of the network. For example, Netflix began its business by licensing other companies' TV shows, leading to the rapid growth of its service, and later integrated backward to produce TV content themselves. Secondly, value dominators own a small part of the network but drain considerable value from the participants, so much that they may not survive, possibly leading to an ecosystem collapse.

2.2   Commercial actors in the platform ecosystem

The business actor

A broad stream of research on the business actors has addressed how incumbents adapt to technological changes. Incumbents are defined as companies that existed in an industry before a discontinuous change in technology (Lourdes Sosa, 2013). We use the term to distinguish between restaurants that existed in the industry prior to the entry of digital platforms and those who have entered after, as these may have had other considerations when developing its business models (Lourdes Sosa, 2013).

Although there is an absence of a platform-based or ecosystem-based context in this stream of research, a common finding has been that incumbents seem to perform worse after discontinuous changes, while entrants who were not operating in the market prior to the shift tend to be in favor of competitive advantages (Cozzolino et al., 2021).

The available literature on the business actor in the context of digital platforms has mainly focused on how platforms in the gig economy affect companies or why companies choose to exist on multi-sided platforms. Regarding how gig economy platforms have affected companies, scholars have found the gig economy to threaten incumbents through its economies of scale and operational efficiency, in part enabled by paying workers per gig, creating a downward force on prices charged to consumers. A demonstrating example is Uber, creating a substitute for taxi rides through its ride-hailing service with substantially lower prices (Kung & Zhong, 2017; Srnicek, 2017). The literature on the most common benefits incentivizing companies to exist on platforms highlights access to customers and positive network effects as central (Kung & Zhong, 2017).

Gig workers

Gig workers are a recurring aspect of digital platforms and hence, an important consideration when investigating digital platforms' effect on incumbents' business model. They differ substantially from traditional employment and are a focal point for researchers on gig economy platforms. The labor market is characterized by low entry barriers and great flexibility, while the work itself consists of simple tasks that require little prior experience or knowledge (Goods, Veen, & Barratt, 2019). Many gig workers lack the type of job security that other types of employment have, although there are signs of change. For instance, Foodora has recently introduced a collective agreement for its gig workers.[2]

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[2] DN Ekonomi: Foodora tecknar kollektivavtal

2.3 Business model and business model innovation

Defining Business Model

A business model is seen as a high-level description of the different components that constitute a business (Frankenberger, Weiblen, Csik, & Gassmann, 2013) and is a vital aspect to stay relevant in a turbulent environment with a changing demand (Zott & Amit, 2010). The role of the business model is essential to help companies organize their resources to create value for the customers and the company (Teece, 2010), which is crucial to attract partners in the supply chain. The lack of value creation will demotivate companies to participate in the industry (Chesbrough, 2007). Mason and Spring (2011) argue that the value of a business model lies in its ability to capture and strengthen the different elements within the company. Moreover, Chesbrough (2007) states that "a better business model often will beat a better idea or technology." There is no commonly accepted definition of the term 'business model.' However, a study found some similarities in the literature on business models. In conjunction, these aim to: combine business elements, create a product or service from those elements, establish value for the customer and the company, and differentiate the company to yield a competitive advantage against competitors (Lang et al., 2020).

Defining Business Model Innovation

Business model innovation is the restructure and implementation of a business model (Björkdahl & Holmén, 2013). Furthermore, it is a method to establish a competitive advantage (Teece, 2010), as it can be used as a tool to outperform your competitors in areas where they have not yet acted and build on already existing strengths within the firm (Amit & Zott, 2012). Moreover, business model innovation is more profitable than other types of innovation, such as product or process innovation (Frankenberger et al., 2013). In addition, if firms do not renew their business model, their value offering will be less attractive to customers over time (Teece, 2010). A challenge that companies face with business model innovation is that all aspects of the company will most likely affect how successful the organization's business model innovation will be. Thus, companies need to reflect if the new business model will

work on a larger scale and generate value in the market. One thing to keep in mind is that the new and traditional business model can co-exist (Chesbrough, 2007). For business models to co-exist, companies must integrate them efficiently and reflect on what part the new business model should have in the big picture. In other words, they need to analyze the attractiveness of the new market contrary to the current business model's market to strategically allocate its resources in between the two. Determining factors could be the competence to handle the new market within the firm or the expected profitability (Markides & Oyon, 2010).

2.4   Summary and gap in research

Until this point, we have learned that digital platforms are known for their strong influence, reshaping industries and prompting firms to change how they create value and make money. They could cater to two-sided or multi-sided markets and may or may not employ gig workers. We have also outlined how network effects and multi-homing work. In addition, the domination literature helps us identify the use of domination in ecosystems. Key research findings for each commercial actor in the ecosystem provide a fundamental understanding. Furthermore, business model literature helps us recognize how business models are used, and business model innovation clarifies how businesses change and improve their business models.

The context of this study is digital food delivery platforms that are multi-sided and consist of gig workers (MG-platform), making its effect on incumbent restaurants different from digital platforms that scholars have investigated. Previous studies in a similar context have focused on gig workers or customers, largely overlooking how businesses are affected. In addition, business model literature has looked into digitization processes, but research specifically on the incumbent restaurants' change in business models remains scarce. In this article, we will focus on the implications digital food delivery platforms (hereafter FD-platforms) have on incumbent restaurants' business model innovation. Our research gap and the research questions are summarized in Figure 2.
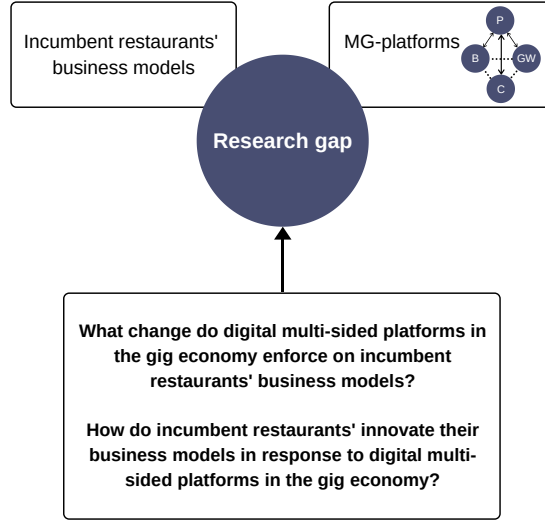
Figure 2: The figure illustrates the research gap identified between the literature on incumbent restaurants' business models and the implications on their business models caused by MG-platforms.

3 Theoretical framework

The theoretical framework used to help us address the research question for this study is created by Mason and Spring (2011) and defines companies' business model elements. The authors performed an extensive review of the literature on business models to develop the model, ensuring its generalizability in various industries, such as the restaurant industry. It structures business models into three core dimensions, which are then broken down into separate elements. All three parts are interconnected, and a transformation in one will automatically trigger a change in the other two; thus, changing the whole business model. An illustration of the model can be seen in Figure 3.

Technology is the combined knowledge and utilization of different systems and products in order to optimize the business. It is divided into product, core, process, and infrastructure.

- Product is well recognized as the central part of technology as it is included in all elements to some extent.

- Core concerns the foundation technology that the product is built upon and

is often the deciding factor for pursuing innovations.

- The process is the technical aspects required to manufacture the product or carry out the service.

- Infrastructure lays a foundation for all technological connections for the product.

Market Offering is how the company coordinates its actions most efficiently to achieve the most significant value for the customers. The four core elements within market offering are value, artifacts, access, and activities.

- Value is defined as the benefits which a customer gains from the product or service. Companies must understand what value means to their customers, as it can vary over time and between customer segments.

- Artifacts are tangible items that the customer purchases from the company.

- Access is the part of an offer that the customer needs to pay to access before receiving any value.

- Activities refer to the value firms add to the customer's offer through activities associated with the product or service. It can be a way for companies to increase their profit and create a competitive advantage, but it can be hard to manage as customer demand tends to be volatile.

Network Architecture describes the interaction between different actors in a value chain. The four dimensions are markets and standards, capabilities, relationships, and transactions.

- Markets and standards describe the accessibility of capacity within the supply chain. Markets transform over time and create new standards along the way. How firms decide to frame the markets and standards will impact what managers will prioritize and what opportunities will be pursued.

- Capabilities are the knowledge gathered in the supply chain and determine who does what and who could do what.

- Relationships are the foundation for new business and business models over time.

- Transactions refer to the payment method(s) offered by the company. New transaction methods drive new business models as companies will choose the transaction with the lowest cost at the given quality.
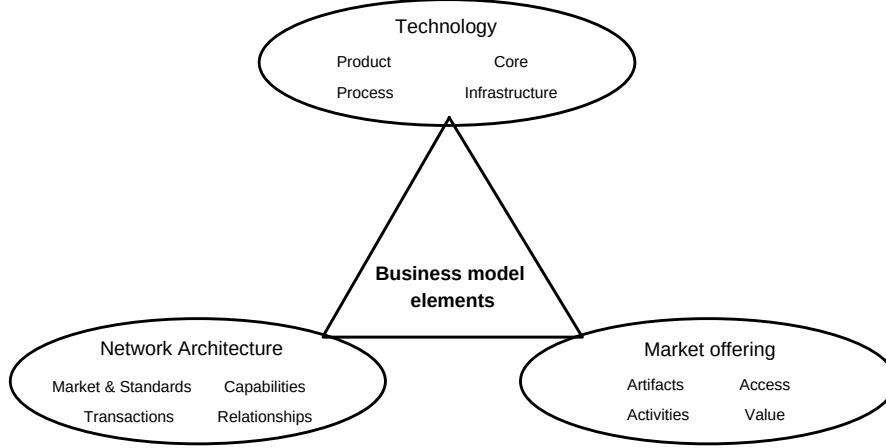
Figure 3: This figure illustrates the Business model elements framework presented by Mason and Spring (2011). The model structures all elements of business models into three dimensions, which are then broken down into categories.

4 Methodology and Findings

4.1 Research method and data collection

Research approach

This study investigates how FD-platforms have affected incumbents' business models and how incumbents have innovated their business model innovation to adapt. The question is answered using a qualitative research strategy, as it is the primary strategy used for research concerning real events (Bell, Bryman, & Harley, 2019). Our approach adopts a case study design of explorative nature, using semi-structured interviews with qualified and experienced executives as the primary source of empirical data. In addition, company documents and sources provided by the executives were used, along with observations. The selected approach is suitable as it provides the required level of openness to allow unexpected and novel knowledge to emerge while

also ensuring an in-depth analysis of the research question (Bell et al., 2019; Yin, 2017). Furthermore, Yin (2017) claims that case studies are preferred when studying actual events as it requires no control over behavioral events. Moreover, abductive reasoning was used as the results were developed iteratively between theory and data. A pure inductive is not suitable due to the limited numbers of cases, nor the deductive with its narrow focus on theory testing (Bell et al., 2019). The abductive reasoning aligns with the exploratory approach when discovering and exploring a new phenomenon (Myers, 2013).

Interview approach

We conducted five semi-structured interviews with three respondents using the digital software program Zoom, two of which were in-depth follow-up interviews. All interviews were conducted in the interviewees' native language, Swedish, audio recorded, and later transcribed. Semi-structured interviews help gain both retrospective and real-time accounts by those people experiencing the researched phenomenon (Gioia, Corley, & Hamilton, 2013). To capture all elements of change in a structured way, we based the interview guide on Mason and Spring's three dimensions of business model elements. However, these questions were formulated using a languaging without theoretical jargon that was comprehensible for our interviewees. In addition, broad opening questions were added to prompt the interviewee to speak freely and capture general ideas about the phenomenon. A concluding question asking interviewees if they thought that we had missed any critical question was asked in case our interview guide failed to capture elements of interest. To fully leverage the interviewees, we requested each respondent to provide us with relevant documents and suggestions for trustworthy secondary sources. Throughout the interview process, we occasionally revised our questions, as "interview questions must change with the progression of the research" (Gioia et al., 2013).

Selection of participants

Using qualified and experienced executives as the primary source of empirical data meant that each respondent had to meet certain criteria. The criteria developed for participants were: +10 years of experience in the industry; holding an executive

management position; knowledge and involvement in restaurants' long-term strategy; and experience of the interaction and handling of FD-platforms. Furthermore, each participant had to be employed at an incumbent restaurant, meaning that the company should have operated prior FD-platforms existence. The respondents were evaluated and approached using LinkedIn. In total, three relevant respondents were selected to participate in the study. All respondents matched the stated criteria. For example, one of the respondents has been in the restaurant industry for more than 20 years and is highly proficient. One backside of interviewing high-profile respondents is that they are hard to get in contact with. Several respondents acknowledged that they would have liked to participate but did not have the time. At the same time, two of the respondents highlighted that they typically do not partake in these studies, but because of the high relevance of the study, they chose to participate. One respondent provided contact information to key informants, leading to the fifth interview with a leading executive. These three executives represented five restaurant brands, including global and nationwide restaurant chains. All restaurants are active in major cities in Sweden and qualify as incumbents according to the definition used. An overview can be seen in Table 1.

Interview execution

After our first round of interviews, we realized that network architecture was the single most emphasized out of the three theoretical dimensions investigated. Thus, we adjusted the interview guide for interview round two to investigate the four factors within the network architecture. By devoting one additional interview to this dimension, we were able to discover more in-depth insights. Our first round of interviews also turned out helpful when designing the observations we carried out. We also realized that by encouraging each participant to speak freely, the length of the interviews varied. Two out of three respondents provided us with internal documents, and these ranged from industry reports to FD-platforms reports on key performance indicators. As for the secondary sources, the respondents recommended reliable news websites that were browsed for relevant information, but also other content. For example, one podcast episode with three Harvard professors discussing

the future of restaurants was recommended as an insightful source.

We constructed the interview guide for our last interview according to our previous findings from the interviews, secondary data, and observations. The interview guide emphasized aspects highlighted by previous data or contradicting among sources and included a compilation of the questions for rounds one and two, thus focusing on the network architecture dimension.

Observation approach

Two observations were completed at different restaurants than those represented by our respondents to test the answers given in the interviews in other similar restaurants. The observation method used was direct observations, as it is a valuable method when the aim is to gain knowledge about a current situation and get a detailed image of what has transpired (Yin, 2017). A behavior sampling approach was used, "whereby an entire group is watched and the observer records who was involved in a particular kind of behavior" (Bell et al., 2019). We documented all behaviors showcased by the restaurant personnel and the gig workers in an observation note while sitting inside the restaurant - acting as regular guests. It is important to observe during different situations to get a nuanced picture of the situation (Bell et al., 2019). Thus, each observation lasted four hours and took place during weekdays, between 11.00 and 15:00. This way, we were exposed to everyday situations and could remark differences during busy rush hours and more quiet hours. Furthermore, to increase our reliability, both authors conducted the observations together (Yin, 2017).

Type	Source	Role	Company	Founded	Revenue (MSEK)	Interview guide*	Time	Date	Words
Interview	RA	COO	1	2014	100-500	1	55 min	2021-03-18	6128
Interview	RB	CEO	2 3	2014 2012	100-500 <100	1	35 min	2021-03-19	2825
Interview	RA	COO	1	2014	100-500	2	56 min	2021-04-14	5121
Interview	RB	CEO	2 3	2014 2012	100-500 <100	2	33 min	2021-04-19	2317
Interview	RC	CEO	4 5	2004 2004	>500 >500	3	52 min	2021-04-30	3932
Observation	O1	-	6	1974	>500	-	4 h	2021-04-19	813
Observation	O2	-	7	2013	<100	-	4 h	2021-04-21	948

Table 1: Overview of the interviews and observations completed.
*Full interview guide can be found in Appendix A-C.

4.2 Method discussion

Ethical considerations

All respondents were given sufficient information on the study's aim and motive via email or LinkedIn before deciding whether to take part in the interview voluntarily (Bell et al., 2019). Furthermore, at the beginning of the interview, each respondent was informed that: the interview would be recorded and transcribed; names will be held confidential; there are no right or wrong answer; and that the information will not be distributed in any form other than through the research paper. There was no request for anonymity; however, all company names and respondent names are held anonymous to ensure that no participants or companies take harm from the answers given. The anonymity also ensures that all participants feel secure in giving us transparent and honest answers. In doing so, the focus is placed on the answers rather than the person supplying them (Bell et al., 2019). All documents, such as recordings, notes, and transcripts, were deleted after the study was completed.

Trustworthiness

There are four main criteria from which a qualitative research strategy study needs to be evaluated. These are credibility, transferability, dependability, and confirmability (Bell et al., 2019). In order to increase the overall research quality and trustworthiness, a central objective throughout the whole research project has been to provide as objective a view as possible, although complete objectivity is almost impossible to achieve (Bell et al., 2019). Relying on semi-structured interviews means coming close to the informants, which has its downsides. For example, it is crucial to consider the risk of authors "going native," adopting the interviewee's opinion to a large extent and consequently tilting the empirical results (Gioia et al., 2013). In order to resist going native, one author took on a skeptical role, questioning all assumptions and statements made. By doing so, we did not lose the higher-level perspective necessary for informed theorizing, adding to the work's overall credibility and confirmability. By providing a thorough description of the process and study motive, the reader obtains comprehensive information to judge the study's transferability (Bell et al., 2019). Moreover, a detailed description of the analysis method has been

provided to enhance the study's transparency and, thereby, dependability (Bell et al., 2019; Gioia et al., 2013).

4.3 Data analysis and findings

As our research design was intended to capture subtle changes to incumbents' business models imposed by the adjusted business climate FD-platforms entail, we analyzed our data in line with the Gioia methodology (Gioia et al., 2013). This method is suitable for enabling a solid level of qualitative rigor, which is crucial for the thesis' overall trustworthiness.

After completing two initial semi-structured interviews, we examined the data and open-coded representative 1st-order categories and 2nd-order themes. Based on the concepts that emerged, we adjusted our questions for the in-depth interviews. We followed a similar approach for our final coding of interviews. We started by reading through our transcripts, observation notes, company documents, and secondary sources. We open-coded the data with our research question in mind to identify germane insights, pairing representational quotes from the material into main concepts. To facilitate our analysis, we used the computer-assisted qualitative data analysis software, Nvivo12. When possible, we coded using interviewees' phrases (Corbin & Strauss, 1990). For instance, several respondents mentioned a clear negative shift in the 'restaurant atmospherics' when gig workers entered to collect delivery orders. For this reason, we labeled one first-order category 'harmed restaurant atmospherics.' After comparing our codes, looking for similarities and differences among the categories, we condensed them into 19 1st-order categories. The representative quotes can be found in Table 2.

We reviewed our categories looking for emerging patterns that could help us explain (1) the changes imposed by FD-platforms and (2) the response of incumbents through innovation to its business models. From this, we identified six themes relating to our first-order categories. For example, regarding restaurants' business model innovation, a strong emphasis was placed on having a ghost kitchen that handles online orders or reconstructing existing restaurants with two entries.

Thus, we formed the theme 'New requirements in premises' based on the 1st-order categories 'Ghost kitchens' and 'Two openings.' Together, these six themes formed two aggregate dimensions, three relating to 'business model tension' that captures how the business climate has changed and three relating to 'innovation pursuits' detailing ways in which restaurants innovate their business models. These can be found in Figure 4.

As our data structure emerged, we looked for ways to synthesize the findings with the established theories on business models and business model innovation. Simultaneously, we wanted to ensure that the theory applied could accurately portray our results, and when appropriate, we expanded the theoretical models to account for elements previously overlooked.

To summarize, the empirical results and analysis are based on data from semi-structured interviews with qualified and experienced executives in restaurants, company documents provided by interviewees, observations in restaurants, and secondary data collected. This data was then analyzed using the Gioia methodology, and our findings are shown in Table 2 and Figure 4.

Table 2: Dimensions, Themes, Categories and Quotes.

Second-Order Themes and First-Order Categories	Representative Quotes (see Appendix D for secondary sources)

Overarching dimension: Business model tension

1. Loss of control

A. Harmed restaurant atmospherics

A1. They [gig workers] are often put under pressure and have an algorithm that evaluates how fast you are on certain routes, how efficient you are, what rating you have of those with whom you leave the food. (RA1)

A2. They often enter our restaurant with a helmet on their heads and shouting into the kitchen, "where is my number?" then they take two orders and accept additional orders, and stand and wait, inciting our staff. (RA1)

A3. "The restaurant was never fully seated during the observation." (O2)

B. Poor customer insights

B1. We lose the data that is valuable to us. We would like to know more about the transactions, [for example] where the customers live, is there any location that orders more than others. (RC1)

B2. It is never detailed data, it's just high-level. We ask about how we perform compared to our competitors, but what you get back is mostly data that they care about. They send over cooking time and how long the couriers wait. (RB1)

C. Lack of quality control

C1. We have no control over that [the quality], everything is completely outsourced. The only thing we can control is our packaging and our taste. (RA2)

C2. We have gone from having 5 percent in delivery, to almost 50 percent in delivery. There we have a challenge with quality. When we hand over the food, we lose control. (RB1)

C3. "The gig worker seems to have trouble closing his heating bag." (O1)

D. Colliding brand exposure

D1. How am I supposed to move that experience into the home by sending a product with someone else. You completely lose control over how you treat the guest and what service you want your brand to represent. (RA1)

D2. Owning guest relationships is important. [...] When your brand goes through someone else, your brand loses the opportunity to influence. (RA2)

2. Depleted profitability

E. Low gross margin

E1. Many years ago, the restaurant industry turned into a volume game more than a margin game and the margins have already been tough in the restaurant industry. Then, when the platforms charge a commission between 25 and 30 percent, the margin becomes almost minimal. (RA1)

E2. Increasing volumes on delivery means that you have to put in more resources, but if you have not reached the level where you cover your fixed costs, it will be very tough to cope with this. (RA1)

F. Increased ratio of delivery to on-site consumption

F1. When so much of the sales shifted over to take-away [delivery], our margins got slaughtered. (RB1)

F2. We are very worried now. They create a need, an addiction, so many that our guests are on the platforms. (RA1)

F3. F3. The amount of 'eat in restaurant'-lunch decreased during 2020 with 23 percentage points, while take-away lunch [delivery or pick-up] increased with 24 percentage points. The distribution in 2018 and 2019 was 60% and 40% (D1)

G. Lack of financial knowledge

G1. In the restaurant industry, there are few who keep track of their gross profit or [...] their income statement. (RC1)

G2. They [FD-platforms] charge a commission on gross sales and not net sales. Who the hell cares about gross sales? The actual commission is much higher. (RC1)

H. New innovations monetizing on existing margins

H1. There are no luxury margins in the restaurant industry to begin with, and then the platforms enter and take their cut, and then Deliverect [software that aggregates orders from platforms] who will also take its cut. (RA2)

H2. They are popping up digital solutions just for our industry on the right and left, just for operations but also for other parts such as orders. Just the other day we had a meeting with some who are measuring climate footprint. (RB2)

3. Relationship tension

I. Complicated contracts

I1. It is a bloody mess when you enter their contracts. (RB1)

I2. There is one thing I do not understand, how does all of the restaurants that are not as big as we are, deal with a contract from [FD-platform] containing up to 40 pages. How dare these normal restaurant owners sign this? We paid a lawyer to go through and correct it. (RC1)

J.	Imperative to offer home delivery	J1. You hear about abroad where delivery sales have increased about 40-50 percent, so everyone is afraid of being left behind, and you are forced to be on the train. Otherwise, our competitors will take the entire home delivery share. (RC1) J2. Right now, we are in a situation where we do not have the opportunity to turn them off. We need the sales. (RA1) J3. The majority of the restaurants customers chose to not eat in the restaurant (O2)
K.	Encountering customer churn	K1. If we make a mistake or if a problem arises in our restaurant, we have the opportunity to turn a potential brand saboteur into an ambassador through problem solving and handle it correctly. (RA1) K2. If something goes wrong in our delivery and customers complain, then that complaint does not come directly to us but it comes to the platform that usually compensates the guest with a bonus check on [FD-platform], but they will not select our restaurant when redeeming it. (RA1)
L.	Concerned of backward integration	L1. These [FD-platforms] want to own the data so they can try to open industrial kitchens where they serve what is most in demand at certain times. If they also start copying products on the market and sell them at a cheaper price on their platform with a better [in-app] placement, all their partners will be leached out. (RA1) L2. "Foodora market is a game changer. We can deliver pretty much anything in 30 minutes. The Swedes want fast delivery of groceries, now we make sure to arrange it, as we have the infrastructure ready, says Hans Skruvfors [Foodora CEO Sweden]. (S2) L3. "[...] we have created Foodora kitchens, a department and a concept whose purpose is to dedicatedly create innovative virtual solutions." (S3)

Overarching dimension: Innovation pursuits

4. New requirements in premises

M.	Ghost kitchens	M1. We have noticed that many restaurants have started operating dark kitchens, both investing in their own or becoming tenants in premises, or alternatively, setting up a container. (RB1) M2. We also consider having dedicated hubs where you differentiate operations for customers and for delivery. [...] Then you have a place that is good for the restaurant experience and a place that is good for delivery. (RB2) M3. I would expand the kitchen space so that I could do delivery at a greater frequency, it is a bigger market. I wouldn't be surprised if we saw more kitchens that are designated for deliveries to a far greater extent than we have today. (S1)
N.	Two openings	N1. In our latest restaurant in [Swedish city], we built a separate take-away kitchen to handle hassle with take-away. (RB1) N2. We will build the upcoming restaurants differently, with two entrances, one entrance for pick-up and one entrance for eating in the restaurant. (RA1)

5. New customer experience

O.	Product optimization	O1. We send cans instead of cups, we create containers for the french fries, so they keep the heat better, sorting hot and cold separately, that type. (RC1) O2. We must increase the feeling and experience when you visit restaurants and create a correlation between our tastes and a visit to the restaurants. So customers select [restaurant] because you want to consume [restaurant], not just burgers. (RA1)
P.	Customer communication	P1. What we are looking at is sending some type of communication in the delivery bag, such as merchandise or something like that. There you can actually do something. (RB2) P2. We do small things; we send a personal greeting from the person who has packed your meal and we see that the delivery goes up from those who ordered home. (RA2)
Q.	Customer co-creation	Q1. When we sold our family menu, it did not sell very well, but during the Melodifestivalen [Swedish TV program] when we renamed it "Mello-meny", it sold exceptionally. (RA2) Q2. Our strategy is really to deliver as good an experience as possible and to send greetings, merchandise or something extra in the delivery bag. (RB2)

6. New initiatives

R.	Digital marketing power	R1. I see the [restaurant] industry beginning to operate in a more unbundled way, at each level. [...] In my mind, the power eventually accrues to who can own the customer relationship. Because as the market gets more crowded, I think your ability to generate demand becomes increasingly important. (S1). R2. A Youtuber [Mr Beast] in the United States, with 55 million subscribers, launched a hamburger concept and opened 300 restaurants in one day. He sold burgers faster than any other chain in the world and why - well because people wanted the brand and people wanted him. (RA2)
S.	External collaboration	S1. We, like everyone else, look at different Dark Kitchen alternatives. For example, a joint venture with other concepts, where you complement each other and rent an industrial kitchen and share kitchen spaces. (RA2) S2. If they start copying, we may well join forces with [key competitor] and [key competitor] and make our own [FD-platform]. (RC1)

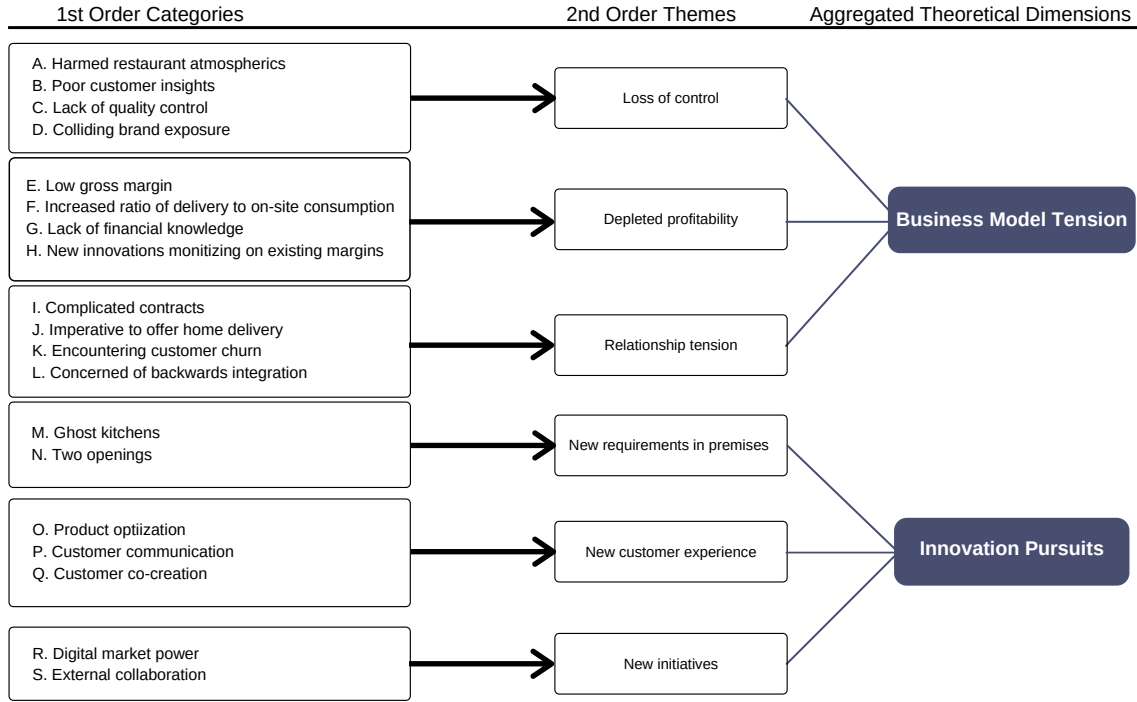# Categories, themes and aggregated theoretical dimensions

| 1st Order Categories | 2nd Order Themes | Aggregated Theoretical Dimensions |

1st Order Categories

A. Harmed restaurant atmospherics
B. Poor customer insights
C. Lack of quality control
D. Colliding brand exposure

E. Low gross margin
F. Increased ratio of delivery to on-site consumption
G. Lack of financial knowledge
H. New innovations monitizing on existing margins

I. Complicated contracts
J. Imperative to offer home delivery
K. Encountering customer churn
L. Concerned of backwards integration

M. Ghost kitchens
N. Two openings

O. Product optiization
P. Customer communication
Q. Customer co-creation

R. Digital market power
S. External collaboration

2nd Order Themes

Loss of control

Depleted profitability

Relationship tension

New requirements in premises

New customer experience

New initiatives

Aggregated Theoretical Dimensions

Business Model Tension

Innovation Pursuits

Figure 4: Data structure.

5 Analysis

5.1 Business model tension

Loss of control

Several categories identified in the results indicate that FD-platforms have led to a loss of control for restaurants. For example, the restaurant atmosphere is harmed as gig workers enter the restaurants to collect orders, and gig workers are under pressure from FD-platforms. A restaurant COO (RA1) explained: 'They [gig workers] are often put under pressure, and have an algorithm that evaluates how fast you are on certain routes, how efficient you are, what rating you have of those with whom you leave the food.' Concerning the restaurant's atmospherics, the COO (RA1) stated that the gig workers contribute to an adverse climate for the guests: 'They often enter our restaurant with a helmet on their heads and shouting into the kitchen, "where is my number?" then they collect two orders and accept additional

orders, and stand and wait, inciting our staff.' Our observations indicated that this might be a common problem for restaurants because the staff did not allow gig workers to enter the restaurants and instead carried orders outside, handing them over to the appointed gig worker.

The loss of control is also associated with the fact that restaurants are not provided with insightful customer data. The data provided is constructed with the FD-platform's performance in mind and will not allow the restaurants to understand how customers behave when ordering food on the platform or the characteristics of the customers ordering from them. A restaurant CEO (RC3) explains: 'We lose the data that is valuable to us. We would like to know more about the transactions, [for example] where the customers live, is there any location that orders more than others.'

Another recurring problem is the lack of quality control for delivery orders. A restaurant CEO (RC3) explained that the company has no control over the food the second it is left to a gig worker. The only thing they can control is the packaging and taste.

Finally, restaurants also lose control of their brand. A restaurant COO (RA1) questioned how restaurants could move their experience to customers' homes when it is being delivered by someone else, concluding that: "You completely lose control over how you treat the guest and what service you want your brand to represent." Together, these factors contribute to an overall loss of control for restaurants, losing essential aspects at the heart of their physical restaurant operations.

Depleted profitability

The restaurant industry is characterized by low margins. One restaurant COO (RA1) highlighted a crucial shift where restaurants' business models became a 'volume's game,' rather than the 'margins game' it used to be. Add to that the low gross margins caused by the FD-platforms fees, typically starting at 30 percent of the order price. One respondent pinpointed that the low gross margin could make it challenging to cover fixed costs, continuing: "increasing volumes on delivery mean

that you have to put in more resources, but if you have not reached the level where you cover your fixed costs, it will be very tough to cope with this."

The low gross margin is driven, at least in part, by an increasing share of delivery orders. For instance, a restaurant CEO (RB1) stated: 'When so much of the sales shifted over to take-away [delivery], our margins got slaughtered.' It became clear that a too large share of delivery will make the restaurant operations unprofitable, and one respondent expressed concerns that the increase in delivery during the pandemic is forming a habit.

On the notion of the FD-platform fees, one respondent talked from his long experience within the industry, explaining that only a few restaurants keep track of their gross profit and income statement. The restaurant CEO (RA1) also noted that: "They [FD-platforms] charge a commission on gross sales and not net sales. Who the hell cares about gross sales? The actual commission is much higher." For instance, if a restaurant sells a meal on an FD-platform, they are inclined to pay 12 percent VAT, leaving them with a net income of 88 percent of the total order value. In turn, given a contract stipulating restaurants to pay a commission of 30 percent of the gross sale to FD-platform, the net commission equals approximately 34 percent (30% divided by 88%).

As the intensified digital platform climate emerges in the restaurant industry, new actors pop up, offering solutions to problems that arise. For example, Deliverect integrates all online orders to one point-of-sale so that restaurants can more easily manage orders from multiple FD-platforms seamlessly. Demonstrated by this example, a restaurant CEO (RC3) stated that it becomes problematic when these innovations monetize on the already low margins.

Relationship tension

It quickly became apparent that there is an underlying tension between the actors in the food ecosystem. This tension is driven by multiple factors. For example, the digital FD-platforms have very complicated contracts. A restaurant CEO (RB1) stated: 'It is a bloody mess when you enter their contracts.' This view was confirmed by

another restaurant CEO (RC3), who expressed particular concern regarding smaller actors: 'There is one thing I do not understand, how do all of the restaurants that are not as big as we are, deal with a contract from [food delivery platform] containing up to 40 pages. How dare these normal restaurant owners sign this? We paid a lawyer to go through and correct it'.

One line of logic that could explain why incumbent restaurants are joining these agreements inconsiderately is the substantial decline of guests during the pandemic. A restaurant CEO (RC3) explained the fear of being left out of a potential delivery boom that neighboring countries have seen: 'You hear about abroad where delivery sales have increased about 40-50 percent, so everyone is afraid of being left behind, and you are forced to be on the train. Otherwise, our competitors will take the entire home delivery share.' Another restaurant COO (RA1) concluded that they are not able to operate without them: 'Right now we are in a situation where we do not have the opportunity to turn them off. We need the sales.'

One of the restaurant's traditional strengths has been the possibility to turn a dissatisfied customer into a promoting customer. A restaurant COO (RA1) explained: 'If we make a mistake or if a problem arises in our restaurant, we have the opportunity to turn a potential brand saboteur into an ambassador through problem-solving and handle it correctly.' On the contrary, for issues concerning the home delivery order, the COO (RA1) points out a negative downside: 'If something goes wrong in our delivery and customers complain, then that complaint does not come directly to us, but it comes to the FD-platform that usually compensates the guest with a bonus check on [FD-platform], but they will not select our restaurant when redeeming it.'

Lastly, another underlying and perhaps not as outspoken concern is the ongoing trend of FD-platforms integrating backward, starting operations that compete with the existing restaurants on their FD-platforms. For example, the FD-platform Foodora opened its first ghost kitchen in Stockholm in the spring of 2021. A restaurant COO (RA1) speculates: 'These [FD-platforms] want to own the data so they can try to open industrial kitchens where they serve what is most in demand at

certain times.' Continuing: 'If they [FD-platforms] also start copying products on the market and sell them at a lower price on their FD-platform with a better [in-app] placement, all their partners will be leached out. In conjunction, these factors contribute to a tension between the incumbents and the FD-platforms.

5.2   Innovation pursuits

New requirements in premises

The increased ratio of delivery orders to on-site consumption (eating at the physical restaurant) has led to new challenges and consequently switched the requirements of restaurants' premises. Due to the in-store atmospherics being harmed by gig workers collecting food, restaurants are inclined to build new premises with one designated entry for gig workers and one for guests. One restaurant anticipated a sales increase in delivery, leading them to adapt the facility. The restaurant CEO (RB1) explained: 'In our latest restaurant in [Swedish city], we built a separate take-away kitchen to handle hassle with take-away.'

The increased emphasis on profitability has also created traction for a relatively new concept, ghost kitchens, where restaurants rent or invest in cheaper off-site facilities designated for delivery meals. A Harvard business professor speculated in a podcast on the subject (S1): 'I would not be surprised if we saw more kitchens that are designated for deliveries to a far greater extent than we have today.' One restaurant CEO (RB2) disclosed: 'We also consider having dedicated hubs where you differentiate operations for customers and for delivery. [...] Then you have a place that is good for the restaurant experience and a place that is good for delivery.'

New customer experience

For customers, the experience of ordering food home and eating out is vastly different. For example, while the meals remain the same, they will likely drop in temperature during transportation. Restaurants cope with this by overlooking packaging to ensure that the heat is contained. A perhaps trickier challenge restaurants face

was formulated by one restaurant COO (RA1): 'We must increase the feeling and experience when you visit restaurants and create a correlation between our tastes and a visit to the restaurants. So customers select [restaurant] because you want to consume [restaurant], not just burgers.'

Another way restaurants try to elevate home delivery is by communicating to the customer in new ways. The most common approach was leaving some kind of personal greeting inside the delivery bag. One restaurant CEO (RB2) had more extensive plans: 'What we are looking at is sending some type of communication in the delivery bag, such as merchandise or something like that.'

Delivering something extra in the delivery bag, such as merchandise, is more than just a pleasant treat. Through certain means, restaurants are able to ensure that customers co-create a pleasant home experience. For example, one restaurant renamed their family menu after a popular Swedish TV show for families, Melodifestivalen, which nudged families to consume the food together in front of a popular TV show.

New initiatives

The ecosystem dynamics for the restaurant industry have unfolded attractive opportunities. A Harvard business professor captured it neatly (S1): 'I see the [restaurant] industry beginning to operate in a more unbundled way, at each level. [...] In my mind, the power eventually accrues to who can own the customer relationship. Because as the market gets more crowded, I think your ability to generate demand becomes increasingly important.' A restaurant COO (RA2) mentioned a significant example of how digital market power is used in new ways: 'A Youtuber [Mr Beast] in the United States, with 55 million subscribers, launched a hamburger concept and opened 300 restaurants in one day. He sold burgers faster than any other chain in the world, and why - well, because people wanted the brand and people wanted him.'

Another opportunity as FD-platforms grow more powerful is external collaboration. Medium-sized restaurants with limited resources are looking for ghost

kitchen alternatives. For instance, one restaurant interviewed (RA2) is looking for a partnership with other concepts that could complement their offering, providing the example of renting an industrial kitchen and sharing kitchen spaces. At the same time, another restaurant CEO (RC3) regards it as an option for exceptional cases: 'If they start copying, we may well join forces with [key competitor] and [key competitor] and make our own [FD-platform].' A COO (RA2) stated: 'We, like everyone else, look at different Ghost Kitchen alternatives. For example, a joint venture with other concepts, where you complement each other, rent an industrial kitchen, and share kitchen spaces.'

6 Discussion

There is a substantial uncertainty of how the restaurant industry will unfold, largely dependent on the rebound following governments ease of restriction for the pandemic. The future share of delivery in a steady-state, a state where the fear of a pandemic does not drive behavior, will alter the business model innovation for incumbents in the restaurant industry. Nonetheless, this situation has provided a unique opportunity to research a phenomenon when actors are pensive about the development taking place.

6.1 Business model elements division

The results of this study reveal two main indications. First, a stark contrast between the business model for restaurants operating through FD-platforms and the business model for a traditional restaurant emerge. Second, the Mason and Spring (2011) framework representing business model elements has a weak link to customer data, which we argue it needs to capture. Below, we discuss the logic and findings supporting these insights.

The capabilities at the heart of a traditional brick and mortar restaurant include the service level of its staff, which is eradicated when customers order through FD-platforms. The know-how in food preparation is also altered because restau-

rants have to factor in the delay in transporting the food, modifying, for example, the foundation of how to combine and use hot and cold ingredients. Furthermore, because FD-platforms are in possession of the transactions, restaurants are left with limited insights on their customers, leaving them to attract customers through their food, price, or loyalty. However, the restaurants lack quality control over the food, have a hefty cost structure with existing infrastructure, and colliding brand exposure making it challenging to compete with these factors. Moreover, new relationships with the FD-platform and gig workers need to be managed, and in some ways, the relationship with customers fade away. Also, driven by the intensified digitalization, new markets and standards have emerged. The indirect network effects causing a proliferation of customers and restaurants on FD-platforms during the pandemic have led new actors to monetize on emerging problems and opportunities. For instance, companies can create and launch competing restaurant concepts overnight - putting new digital marketing forces at play. Together, these illustrate apparent differences for the elements capabilities, market standards, relationships, and transactions in Mason and Spring's network architecture dimension.

There are also differences in the market offering and technology dimension, although less prominent. Regarding the market offering, the value in the artifacts - the food - remains fundamental, but an increased emphasis is put on the customer's delivery, which is outsourced, and the in-store experience restaurants work hard to perfect, does not add value. Essentially, the delivery does not reflect the activities provided in the restaurants but contributes to customers by increasing access in terms of location of consumption. The least implications were found in the technology dimensions, such as some previously mentioned insights affecting the process and core technology.

Even though all aspects have changed in some ways, network architecture stands out in comparison. The intensified digitalization unfolding during the last decade contends an extension of the Mason and Spring model. In particular, we argue that it is time to acknowledge that *customer data* plays an essential role in companies' business models and how they compete. Customer data can be used to

understand how customers behave online, define the target audiences' overall demographics and identify ways to improve the customer experience. As most business operations occur in a digital environment to some extent, data provides businesses with several strengths and opportunities. For a traditional restaurant, customer data could materialize through e-WOM on search engines and websites, which builds a brand image that remains over time. For example, the Youtuber "Mr Beast" leveraged his followers to launch a hamburger concept that sold millions of meals through his partners for a short period. The current Mason and Spring model's different elements provide a weak link to customer data. For this reason, we argue that customer data needs to be considered as its own element as a part of the network architecture dimension. This study supports that a strong advantage can be built on customer data, which is recognized in many other industries as well, such as e-commerce.

Driven by this study's insight into the stark difference between delivery and on-site consumption business model and our theoretical framework, we propose that incumbents distinguish between business models intended for delivery and on-site consumption. However, a particular choice of business model does not rule out the other, as discussed by Chesbrough (2007) and Markides and Oyon (2010). The authors point out that business models can co-exist but highlight the importance of defining to what extent the resources should be distributed between the business models.

Below, we discuss the identified insights for each of these business models, starting with the implications for business models built primarily with on-site consumption in mind. The structure of the discussion can be viewed in Figure 5.
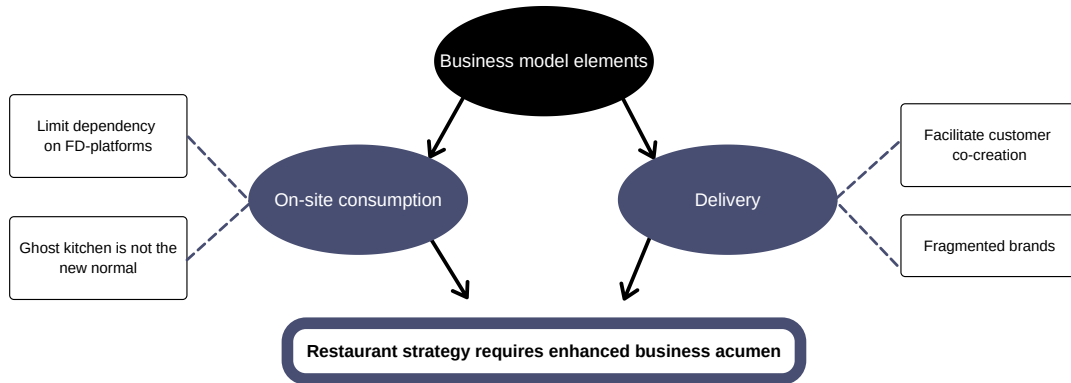
Figure 5: The figure illustrates the structure of the paper's discussion.

6.2   On-site consumption

Limit dependency on FD-platforms

One respondent highlighted FD-platforms' backward integration as a potential risk to leach out profits in the restaurant industry. With their strong market position, existing delivery infrastructure, and customer data insights, these platforms can leverage virtual brands operating on a tight cost structure that advances the market offering. Furthermore, the increased indirect network effect leading to an upswing of active users on the FD-platforms has made it imperative for restaurants to offer home delivery. As more restaurants have joined, the customer offering has improved and made the market exceedingly competitive. These insights are in line with Kung and Zhong (2017), who found the key benefits incentivizing companies to exist on platforms are access to customers and positive network effects.

By possessing the platform infrastructure, FD-platforms can promote their own restaurants through in-app placement and nudges. This study's evidence indicates that FD-platforms move towards becoming physical dominators, integrating throughout the ecosystem until they own or control large parts of it (Iansiti & Levien, 2004). The idea of growing to a global scale and then pivoting to leverage size and market dominance to exploit profits has occurred in other industries. For example, Amazon started as an online book retailer but later founded their

own publishing company and began to publish authors' books as well.[3] However, restaurants are in a more favorable position than existing publishers on Amazon's e-commerce platform, as they already have their own well-established channel that is hard for FD-platforms to interfere with. It would be far easier for FD-platforms to outcompete the restaurants if they did not have their own strong channel; like so, FD-platforms' backward integration will not be as disruptive as those undertaken by, for example, Amazon or Netflix.

Due to restaurants' existing cost structure of physical operations, they should avoid price competition with FD-platforms integrating backward. The low gross margin and loss of control for food delivery operations combined with specialized new actors exploiting the market leave little room for inefficient incumbents. In fact, incumbents tend to perform worse after discontinuous changes than entrants that were not operating in the market before the shift (Cozzolino et al., 2021). In line with our findings, this study suggests that restaurants should double down on what works well for them, namely, their own channels. However, FD-platforms should not be neglected as they do provide value. For example, restaurants can assign excess capacity to manage delivery orders. They can also use the channel to promote their physical store by including communication that offers discounts to customers coming to them directly. In summary, restaurants should limit their dependency on FD-platform and, instead, strengthen their own channels.

Ghost kitchen is not the new normal

Ghost kitchens have been highly discussed among the respondents as an attractive way to cut costs, increase reach and regain control of their physical restaurant experience. The ghost kitchens are highly cost-effective as the experience elevating elements are removed through, for example, the absence of high-street locations and customer-centric staff. Furthermore, it extends the restaurant's customer reach as the ghost kitchen will be placed in a less attractive location. Thus, increasing the 3-5 kilometers limit on FD-platforms delivery range. Lastly, it separates the gig workers from the restaurant, which improves the customer experience.

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[3]Investopedia: Backward integration

The backside to this type of establishment, even though the costs to operate the kitchen is lower than a restaurant, is that the delivery has a lower per-unit profit margin. One reason is that multiple actors are cutting into the profit margin, such as Deliverect. Thus, requiring a high volume in order for it to be profitable. Furthermore, the backward integrating FD-platforms and new specializing actors have an advantage as they already have efficient processes up and running and experience in how to operate a ghost kitchen. Therefore, the restaurants employing this mode of operation will most likely experience a high level of competition.

All things considered, restaurants should acknowledge that it might be a better approach not to open a ghost kitchen and instead focus on their core business. Restaurants need to consider if they have the relevant knowledge to compete with a fully digital concept. For example, Chesbrough (2007) discussed the importance of considering if innovation in the business model will generate value. Moreover, Markides and Oyon (2010) highlighted the importance of analyzing a potential market before entering. In addition, Mason and Spring (2011) concluded that a company's business model should focus on strengthening the company. However, delivery can be seen as an excellent complement to the restaurant sales if used cautiously. One way to do so is by channeling excess capacity to delivery.

Still, this does not resolve the atmosphere dynamic. One way to deal with this is to change the restaurants' layout to have two entrances that separate the gig workers from the guests. Two separate entries would eliminate the tension caused by the gig workers in the restaurant and restore the pleasant atmosphere. For example, one of the respondents successfully implemented dual entries to minimize the negative impact.

6.3 Delivery

Facilitate customer co-creation

Traditionally, customers are surrounded by other guests in the restaurant, and a pleasant and memorable atmosphere is co-created by the customers. When eating at home, it becomes exceedingly complex to ensure that the customer will co-

create a pleasant experience as the restaurant lacks control over the context of where and how the meal is consumed. In turn, the value created for the customer is, to a greater extent, dependent on the customer self. Thus, restaurants lose a valuable part of their value offering when customers order through delivery, alternating the market offering.

The respondents have made some attempts to facilitate customer co-creation through personal notes, specialized containers, merchandise, and conceptual bundles. For example, the "Melodifestivalen" bundle developed for families implied that customers would consume the food (1) together with the family and (2) in conjunction with an entertaining TV show. Our respondent highlighted that the change of name from "family menu" to "Mello menu" led to a distinct increase in sales, although the meals included were the same. In doing so, the restaurant indirectly facilitates a pleasant experience, causing customers to create positive associations to the brand and experience, re-ordering the menu, which could explain the increase in sales. Consequently, restaurants need to consider innovating their offerings to nudge the customer to co-create an enhanced experience rather than improving the food. In an article by Frankenberger et al. (2013), the authors state that business model innovation tends to be more profitable than other types of innovation, supporting this argument. There are multiple opportunities to facilitate a customer co-creation, such as incorporating communication to detail how customers can create a pleasant customer experience, including music recommendations and suggestions of activities. However, making customers co-create the experience is a rather intricate problem with no simple solution. The restaurant that succeeds in finding a way will likely create a strong relationship with the customer and increase brand reputation. In line with these findings, (Teece, 2010) concluded that innovation is needed to increase a brand's attractiveness over time and establish a competitive advantage.

Fragmented brands

One way to cut through the competition in the increasingly crowded FD-platforms is fragmenting the restaurants' brand into multiple virtual brands. The competitive

landscape in the restaurant industry has intensified because most restaurants exist on all FD-platforms simultaneously. Duch-Brown (2017) concluded that the main negative factors with multi-homing are (1) that you do not want to be exposed to a smaller market, (2) it is challenging to build a reputation on multiple digital platforms simultaneously, and (3) it is hard to transfer your reputation in between digital platforms. However, these aspects do not weigh as heavily in the restaurant industry. First, the restaurants are due to perishable products restricted from exposing one operating unit to a large market, entailing several local markets. Second, brand awareness is likely pre-established in local markets through exposure to neighboring people walking by the restaurant. Third, the reputation depends to a greater extent on their physical operation. In conjunction, these factors limit the negative impact of multi-homing restaurants entailing that it becomes easy for restaurants to exist on multiple restaurants simultaneously, which crowds the market. In addition, FD-platforms subsidize the customer side to scale (Duch-Brown, 2017), which means that these FD-platforms are full of restaurants offering customer deals. To cut through the noise in this increasingly competitive format, restaurants should fragment their brand into multiple virtual brands. For example, a customer who wants to order pizza may not navigate to an Italian restaurant but instead select a restaurant specializing in pizza. To reach these customers, the Italian restaurant can fragment its brand into three virtual brands: one for pizza, one for pasta, and one for other Italian food. In doing so, it becomes easier for customers to find what they want. In support of this, one respondent stated that customers tend to select one of the first options when ordering food at their restaurant through FD-platforms.

As most restaurants already have an established brand in their local market, fragmenting their brand positions them more as an expert within each area. Additionally, because FD-platforms are restrictive with supplying the restaurants with detailed customer insights, fragmenting the brand means that the high-level data is separated into each niche, providing them with better insights.

6.4 Restaurants will have to be more strategic

With two modes of operations in the restaurant industry - on-site consumption and delivery - restaurants are left with strategic decisions that require enhanced business acumen. With business acumen, we refer to the knowledge in relevant business disciplines, such as financials, operations, and logistics, that help restaurants make strategic business decisions. Traditionally, opening a restaurant has required a somewhat simple approach. The two central strategic questions have been: (1) what type of food to serve, and (2) at what price point. Ultimately, limited business acumen has been required to operate the restaurants, which could, to some extent, explain the lack of financial knowledge among incumbents in this study. However, in the emerging business climate, with new modes of operations, fierce competition, and virtual brands, restaurants need to make critical trade-off decisions to align their strategic priorities. For example, an urban restaurant located in a heavily populated area may experiment with building a loyal customer base for its physical restaurants, perhaps through innovating its business model to a subscription model while also cooperating with complementary concepts in the neighborhood. For these restaurants, exploiting delivery to use idle capacity and drive customers to its own channels could be advantageous. Conversely, a restaurant in a less densely populated suburb may be less inclined to have sit-down guests and instead focus primarily on delivery. In this case, a lean kitchen environment, dual entry, and a goal to be operationally efficient in its food production are crucial considerations. In other words, particular strategies that require business acumen that restaurants have not had to have before. Moving forward, restaurants need to develop an understanding that goes beyond how they make money into a deep understanding of the strategic decisions in their business model. We argue that it is critical to determine whether to primarily employ delivery or on-site consumption, and be mindful about how the non-core business model can be leveraged as a complement.

7 Conclusion

The purpose of this study was to investigate (1) what effect MG-platforms have on incumbents and (2) how incumbents innovate their business models in response. To this end, we investigated the context where FD-platform represented MG-platforms and incumbent restaurants represented incumbents. To address the first question, FD-platforms pressures incumbents' business models resulting in a loss of control over the restaurant, customer, quality, and brand. In addition, it escalates relationship tension through, for example, physical domination and, ultimately, depletes the profitability. As for the second question, this effect has introduced new requirements in premises, a new customer experience, and new initiatives that, for example, leverage digital marketing power.

Managerial implications

The results of our research underpin key recommendations for management in the restaurant industry. We propose the following points to be considered when outlining a long-term restaurant strategy in a business climate with FD-platforms:

1. Distinguish between the two modes of operations, on-site consumption, and delivery, as these entail fundamentally different business models. However, imperative to note is that the employment of one business model does not rule out the other. Therefore, be mindful of how these business models are leveraged.

2. For the on-site consumption business model, dependency on FD-platforms needs to be limited to withhold profitability. In addition, ghost kitchens are not the new normal, meaning restaurants should think twice before entering the competitive landscape. However, FD-platforms can be used deliberately to sell excess capacity and channel customers to own channels. In doing so, restaurants continue with what they do best - creating captivating customer experiences with food.

3. For the delivery business model, managers should strive to facilitate customers in co-creating the experience through various nudges. Furthermore, to cut

through the fierce competition on FD-platforms, restaurant brands should consider fragmenting their brands into multiple virtual brands that clearly communicate what they offer.

4. The two modes of operations - delivery and on-site consumption - entail fundamentally different business models, which require enhanced business acumen to manage successfully. By developing and strengthening business acumen, restaurants can optimize their resources and competence strategically.

Theoretical contribution

This paper contributes to understanding how incumbents adapt through business model innovation to multi-sided gig economy platforms. By considering digital food delivery platforms that are multi-sided and part of the gig economy, our context diverges from previous research and adds to the sparse literature investigating how incumbents have been affected. More specifically, we add to the literature using the business model framework proposed by (Mason & Spring, 2011). In doing so, we contribute to the research agenda outlined by de Reuver et al. (2018) by examining how digital platforms transform industries.

In addition, it contributes by extending the framework by Mason and Spring (2011) on business model elements to account for the digital shift that has changed the nature of business model elements. In particular, the overlooked component of customer data is added to the model's network architecture dimension.

Limitations and further research

The pandemic has affected the results of the study in primarily two ways. First, the massive increase in sales volume for food delivery is linked to the governmental restrictions enacted and general fear of being in public places, such as restaurants. For this reason, there is a great deal of uncertainty as to how large the future share of delivery will turn out to be. This uncertainty influences the attractiveness of operating delivery in the future, which likely impacts the business model innovation pursuits. At the same time, we argue that the benefits of completing this study at a time where restaurants are pensive about the development taking place outweighed

the limitation. Second, multiple respondents declined to participate in the study because they 'simply do not have the time due to the increased workload during the pandemic.' Thus, limiting our data set more than anticipated. In total, 48 participants were contacted. In addition, it could be questioned to what extent these results are generalizable to other types of MG-platforms. To *confirm* the evidence from this study, it can be replicated when governmental restrictions are removed, and general fear levels in the societies have stabilized. Future scholars could also *confirm* this study by investigating whether customer data proves to be a relevant element of Mason and Spring's framework for other industries, thereby testing its generalizability. Moreover, the results of this study could be *extended* by taking FD-platforms perception into account. In doing so, a more holistic view of the phenomenon could be obtained.

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9   Appendix

Appendix A - Interview questions for interview round 1

Question nr	Opening questions	Öppningsfrågor
1	What is your name, how old are you and what is your role in the company?	Vad heter du, hur gammal är du och vad har du för roll i bolaget?
2	How many years have you worked for the company?	Hur många år har du jobbat för bolaget?
3	What does your role mean?	Vad innebär din roll?
4	In short, what are the biggest challenges for you as a company today?	Kortfattat, vilka är de största utmaningarna för er som bolag idag?
	Brief about the restaurant industry	Övergripande information om branschen
5	What is the general feeling in the industry for digital delivery platforms, such as Foodora?	Vad är den generella känslan i branschen för digitala leverans-plattformar, som t.ex. Foodora?
6	What changes in the industry have you seen since the launch of platforms?	Vilka förändringar i branschen ser du sen lanseringen av plattformar?
7	What platforms do you use today? a. Have you encountered any challenges with these platforms? b. How do you experience their willingness to cooperate? c. Do the platforms share their insights about customer behavior? d. What kind of information and how do you get access to it? e. Are there any barriers to using multiple platforms at the same time?	Vilka plattformar använder ni idag? Har ni stött på några utmaningar med dessa plattformar? Hur upplever ni deras samarbetsvilja? Delar plattformarna med sig av deras insikter om kundbeteende? Vad för typ av information och hur får ni ta del av den? Finns det några barriärer till att använda flera plattformar samtidigt?
8	How does the volume differ between: a. Online and offline? b. Take-away and digital platforms?	Hur skiljer sig volymen mellan: Online och offline? Take-away och digitala plattformar?
	Technology	Teknologi

9	How has your service / product / experience changed with digital platforms?	Hur har er service/produkt/upplevelse ändrats i och med digitala plattformar?
10	What changes in your process have you had to make due to the platforms?	Vilka förändringar i er process har ni fått göra på grund av plattformarna?
	Network Architecture	Nätverk
11	Do you need any new type of knowledge to manage platforms?	Behöver ni någon ny typ av kunskap för att hantera plattformar?
12	How are the relationships to different platforms?	Hur är relationerna till olika plattformar?
13	What types of costs do you have that are linked to your presence on digital platforms?	Vilka typer av kostnader har ni som är kopplade till er närvaro på digitala plattformar?
14	How do the margins differ between your different delivery methods (e.g. FD-platforms, take-away and visiting guests)?	Hur skiljer sig marginalerna mellan era olika leveranssätt (e.g. plattformar, take-away och besökande gäster)?
	Market Offering	Marknadserbjudande
15	In what way have the values you offer customers changed with FD-platforms?	På vilket sätt har de värde som ni erbjuder kund förändrats i och med plattformar?
16	How have FD-platforms affected your target group?	Hur har plattformar påverkat er målgrupp?
17	Based on your own insights, how do customers experience the experience when they order, get home and eat food using FD-platforms?	Utifrån dina egna insikter, hur upplever kunderna upplevelsen när de beställer, får hem och äter mat genom att använda plattformar?
	Concluding questions	Avslutande frågor
18	Given our ongoing study, is there any question you think we missed, that would be of great importance?	Givet vår pågående studie, finns det någon fråga du tycker att vi missat fråga, som skulle vara av stor vikt?
19	Do you have any documents about you as a company that you think can be useful to us and can you think of distributing? For example, material from the platforms you work with.	Har du några dokument om er som bolag som du tror kan vara till nytta för oss och kan tänka dig att dela ut? T.ex. material från de plattformar ni samarbetar med.

Appendix B - Interview questions for interview round 2

Question nr	Introductory questions	Inledande frågor
1	We've talked before about how digital platforms affect restaurants, but if we step back and look at digitization as a whole, your use of digital marketing, digital presence, digital technology in restaurants and so on. How has the digitalisation of the industry affected you?	Vi har pratat tidigare om hur digitala plattformar påverkat restauranger, men om vi kliver tillbaka och kikar på digitaliseringen som helhet, dvs. användandet av digital marknadsföring, digital närvaro, digital teknologi på restaurangerna och så vidare. Hur har branschens digitalisering påverkat er?
2	How have the platforms led to innovation for the restaurant's business models?	Hur har plattformarna lett till innovation för restaurangers affärsmodeller?
	Brand	Varumärke
3	What is your strategy for securing your brand image going forward in an industry with platforms?	Vad är er strategi för att säkerställa er varumärkesimage framåt i en bransch med plattformar?
4	How do you see that you can influence the brand in platforms? Follow-up question, off-platform?	Hur ser ni att ni kan påverka varumärket i plattformar? Följdfråga, utanför plattform?
	Transactions	Transaktioner
5	How are you affected by not owning the transaction? Follow-up question: If you were to own the transaction / platform, what would you have done differently then?	Hur påverkas ni av att inte äga transaktionen? Följdfråga: Om ni skulle äga transaktionen/plattformen, vad hade ni gjort annorlunda då?
	Relationships	Relationer
6	How do you work to get repeat customers on the platforms?	Hur arbetar ni för att få återkommande kunder på plattformarna?
	Capabilities	Kapacitet
7	We have understood that the platforms are restrictive in sharing data, given that you could get what data you want, how would you have used it and which KPIs would you like to measure?	Vi har förstått att plattformarna är restriktiva mot att dela med sig av data, givet att ni kunde få vilken data ni vill, hur hade ni använt den

		och vilka KPIer skulle ni vilja mäta?
8	How would an optimized business model to be a subcontractor to e.g. Foodora se ut?	Hur skulle en optimerad affärsmodell för att vara en underleverantör åt t.ex. Foodora se ut?

Appendix C - Interview questions for interview round 3

Question nr	Opening questions	Öppningsfrågor
1	What is your name, how old are you and what is your role in the company?	Vad heter du, hur gammal är du och vad har du för roll i bolaget?
2	How many years have you worked for the company?	Hur många år har du jobbat för bolaget?
3	What does your role mean?	Vad innebär din roll?
4	In short, what are the biggest challenges for you as a company today?	Kortfattat, vilka är de största utmaningarna för er som bolag idag?
	Brief about the restaurant industry	Övergripande information om branschen
5	How have you experienced that digitalisation has redrawn the restaurant industry? Then we think of everything from the use of digital marketing, digital presence, digital technology in restaurants and so on? How has it affected you?	Hur har du upplevt att digitaliseringen ritat om restaurangbranschen? Då tänker vi på allt ifrån användandet av digital marknadsföring, digital närvaro, digital teknologi på restaurangerna och så vidare? Hur har det påverkat er?
6	What changes have you seen in the industry since the launch of digital platforms? - What changes in your process have you had to make due to the platforms? - Do you need any new type of knowledge to manage platforms? - Employed any person who takes care of the relationship to platforms? - How are the relationships to different platforms? - How have platforms affected your target group?	Vilka förändringar i branschen ser du sen lanseringen av plattformar?

7	What platforms do you use today?
	  - Have you encountered any challenges with these platforms?
	  - How do you experience their willingness to cooperate?
	  - Do the platforms share their insights about customer behavior?
	    - What kind of information and how do you get access to it?
	    - Given that you could get what data you want, how would you have used it and which KPIs would you like to measure?
	  - Are there any barriers to using multiple platforms at the same time?
		Vilka plattformar använder ni idag? Har ni stött på några utmaningar med dessa plattformar? Hur upplever ni deras samarbetsvilja? Delar plattformarna med sig av deras insikter om kundbeteende? Vad för typ av information och hur får ni ta del av den? Finns det några barriärer till att använda flera plattformar samtidigt?

8	What is your strategy for securing your brand image going forward in an industry with platforms?	Vad är er strategi för att säkerställa er varumärkesimage framåt i en bransch med plattformar?
9	How do you see that you can influence the brand in platforms?	Hur ser ni att ni kan påverka varumärket i plattformar?
	Transactions	Transaktioner
10	How are you affected by not owning the transaction? Follow-up question: If you were to own the transaction / platform, what would you have done differently then?	Hur påverkas ni av att inte äga transaktionen? Följdfråga: Om ni skulle äga transaktionen/plattformen, vad hade ni gjort annorlunda då?
11	If digital platforms were to integrate backwards and try to copy your concept, how would you respond then? What changes would you make to the business model?	Om digitala plattformar skulle integrera bakåt och försöka kopiera ert koncept, hur skulle ni respondera då? Vilka förändringar skulle ni göra i affärsmodellen?
	Relationships	Relationer
12	How do you work to improve the customer experience for those who order via platforms? More specifically, how do you try to get customers to co-create the experience at home?	Hur arbetar ni med att förbättra kundupplevelsen för de som beställer via plattformar? Mer specifikt, hur försöker ni få kunderna att co-createa upplevelsen i hemmet?
13	Do you feel that the relationship with the customer has been affected by the use of digital platforms, and how?	Upplever ni att relationen till kunden har påverkats av användningen av digitala plattformar, och hur

	Concluding questions	Avslutande frågor
14	Given our ongoing study, is there any question you think we missed that would be of great importance?	Givet vår pågående studie, finns det någon fråga du tycker att vi missat fråga som skulle vara av stor vikt?
15	Do you have any documents about you as a company that you think can be useful to us and can you think of distributing? For example, material from the platforms you work with.	Har du några dokument om er som bolag som du tror kan vara till nytta för oss och kan tänka dig att dela ut? T.ex. material från de plattformar ni samarbetar med.

Appendix D - Secondary sources referred

S1 - Secondary source 1
Description: Foodora press release for launch of first dark store.
https://www.mynewsdesk.com/se/foodora-punkt-se/pressreleases/foodora-oeppnar-matbutiker-foodora-market-3038950

S2 - Secondary source 2
Description: Foodora press release for launch of first ghost kitchen.
https://www.mynewsdesk.com/se/foodora-punkt-se/pressreleases/foodora-och-fontana-oeppnar-virtuell-restaurangkedja-3094566

S3 - Secondary source 3
Description: HBR podcast 'after hours' with three professors at Harvard University discussing the future of restaurants. Recommended as an insightful source by one respondent.
https://hbr.org/podcast/2021/04/the-future-of-restaurants-take-out-and-more