



# ON-DEMAND SERVICES:

EVERYTHING THAT MAKES  
IT SUCCESSFUL!



**Tookan**

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# INTRODUCTION

In 2008, two tech enthusiasts Garrett Camp and Travis Kalanick, were out camping on New Year's eve. They wanted to hire a private driver for the trip, and at that moment, an idea struck their mind about sharing the rent of \$800 among friends. This thought sparked an idea to create the first on-demand service - Uber.

The Uber model began to revolutionize service-based businesses through innovative tech stacks and unique business logic in the coming years. Coming to the present day, the on-demand economy has seen massive traction from enterprises, eCommerce businesses, and the retail industry.

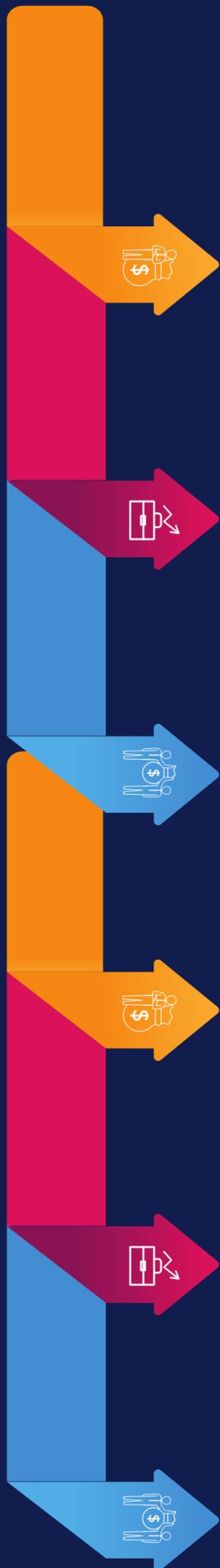
The business idea behind Uber's model was fantastic, but what was more alluring was executing a mobile app-based tech stack. It was a platform that connected the drivers with users to book rides, and now we can see many different service-based businesses exploring the same model.

From on-demand food delivery by the likes of UberEats or Doordash to on-demand home services by TaskRabbit or Thumbtack, the possibilities are endless. At the same time, starting an on-demand service needs reliable delivery and order management solutions.

This is an area where successful on-demand services differ from lesser-known startups, as they focus on delivering the best experience to their customers through innovative features. Here, we will discuss the on-demand economy, a business model that you can follow, and how a smart delivery management tool like Tookan can help.



# ON-DEMAND ECONOMY - WHERE ARE WE & WHAT TO EXPECT?



The on-demand home service market is expected to rise at a compound annual growth rate(CAGR) of 53% between the 2020-2024 forecast period. ([Technavio](#))

The on-demand home service market size is expected to increase by \$1574.86 billion during the forecast period of 2020-2024. ([Technavio](#))

The online food delivery sector is set to reach a revenue of \$28,486 million by the end of 2021. ([Statista](#))

The online food delivery market is expected to grow at a CAGR of 4.3% and will reach a revenue of \$32,325 million by 2025. ([Statista](#))

The on-demand ride-hailing segment is set to reach \$260,159 million in 2021. ([Statista](#))

The on-demand ride-hailing service market will grow at a CAGR of 10.36%, with a revenue of \$385,942 million by 2025. ([Statista](#))

# CHAPTER 1

## 1.1 WHAT IS AN ON-DEMAND SERVICE?



For any startup or even established enterprises, business decisions are not a regular chore but often a critical juncture in their growth journey. So many businesses are lenient on technology advancements in comparison to conventional approaches. The on-demand business model is that innovative approach that has empowered several enterprises and startups.

It is a service-based business model that focuses on the 24/7/365 delivery model. In this model, businesses offer services on-demand through a tech stack that ensures instant or scheduled deliveries.

An on-demand service can be defined as an economic activity backed up by technological advancements to fulfil demand through immediate provisioning of goods and services.

## 1.2 FACTORS THAT FACILITATED THE RISE OF THE ON-DEMAND SERVICE ECONOMY:

### 1.2.1 Recent Tech Innovations

Recent tech innovations like Artificial Intelligence, the Internet of Things, Speech Recognition, Bluetooth Low Energy(BLE), and others are empowering the on-demand scene. Especially AI-based applications have been helping businesses to quickly adopt the on-demand model and integrate features like auto-allocations, route optimizations, and real-time notifications.

### 1.2.2 Easier Access to Capital

With the surge in venture capitalist (VC) culture, access to capital has been easier than ever. The on-demand model has been quite popular among VCs. According to [Reuters](#), VC funding of more than \$9 billion was poured in for more than 125 on-demand delivery companies over the past decade, which was on an average \$2.5 billion per year. So, there is no denying the fact that the on-demand landscape is booming with investments.

### 1.2.3 Changes in Customer's Behaviour

As modern technologies push the barrier of customer experience, there are massive changes in how a user purchases goods and services. For example, 56% of consumers in the range of 18 to 34 in age prefer same-day delivery, and 61% of consumers will not mind paying extra for it.

This change in the consumer behaviour is an opportunity and challenge both at the same time. It is great for on-demand businesses to engage consumers and enhance the customer journey. At the same time, same-day deliveries can be quite challenging.

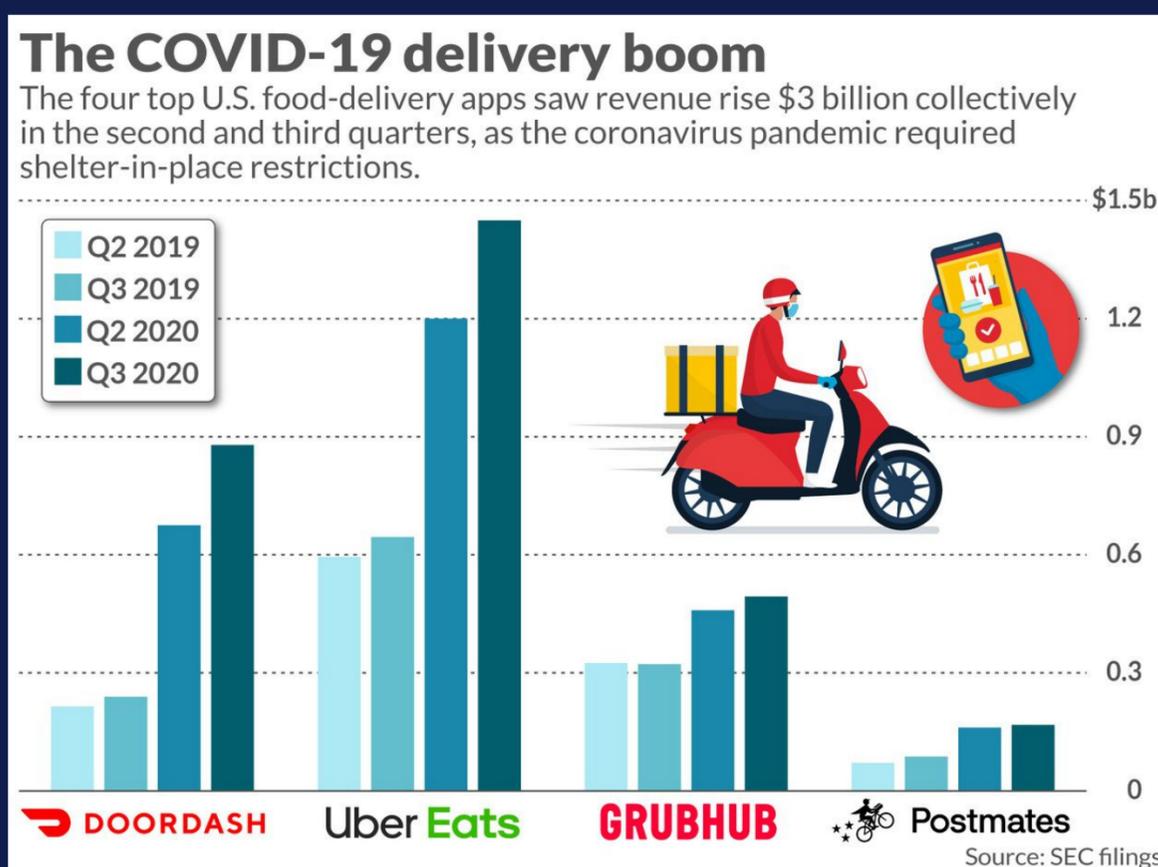
### 1.2.4 Last-mile Delivery Approach

Last-mile delivery is considered to be the final phase in a supply chain. It deals with the delivery of products from distribution hubs to the customer's location. Integration of innovative technologies into the last-mile approach can help on-demand companies handle the challenges like same-day delivery.

# 1.3 WHY WE NEED ON-DEMAND SERVICES MORE THAN EVER?



On-demand services have been quite popular, especially during the pandemic, as authorities in several countries have imposed lockdowns due to a surge in COVID19 cases. So, people are now opting for on-demand services to deliver foods and daily essentials at their doorstep. This has also encouraged more brick-and-mortar retail stores to look for on-demand solutions for their operations.



Source: [Marketwatch](#)

According to a report by [Marketwatch](#), the four biggest on-demand food services in the US saw a collective rise of \$5.5 billion between August to September month of 2020 due to a surge in COVID19 cases. As the infections rise and we are yet to witness a third wave of the surge in COVID19 cases, on-demand services are bound to see more traction.

So, starting an on-demand service in the current scenario is ideal. It may seem that the on-demand business model is easy to adopt, but you need a thorough understanding before integrating it into your existing operations.

# CHAPTER 2

## 2.1 BUSINESS MODEL (WHAT ARE THE ELEMENTS OF THE ON-DEMAND SERVICE INDUSTRY?)



If you are to start an on-demand service, the first thing that comes to mind is a sound business model. It is the basis of your business proposal for investors and venture capitalists to understand revenue sources, types of operations, need for resources, and stakeholders in your service.

There are different types of business models used by on-demand services based on the markets, delivery type, and demand category. Depending on the type of business model you choose, the tech stack solution can be developed.

### 2.1.1 TYPES OF ON-DEMAND MARKETS

There is no end to the type of market that you can tap into with an on-demand model. Some of the popular on-demand markets are:



There is no limitation to the type of market that you can enter with an on-demand model. Generally, Uber X stands for every on-demand application that follows the model of Uber apps. So, you can create on-demand applications for any business vertical or niche based on the Uber model. Let's take an example of the apparel on-demand apps that has propelled many businesses to success.

The on-demand apparel and fashion industry saw rapid growth with localisation of manufacturing raw materials. McKinsey's [survey](#) suggests that 60% of apparel procurement executives expect that more than 20% of their sourcing will be from nearshore vendors by 2025

## 2.1.2 TYPES OF DELIVERY

Two of the most common delivery types you may encounter in an in-demand business model are scheduled and instant. While there has been a myth around on-demand apps related to instant deliveries of 10-15 minutes, it is not entirely true. Instant delivery can take from a day to two days, at the same time, scheduled delivery can take four to seven days. .

As you explore different on-demand markets like, say, ride-hailing or food delivery, scheduled deliveries become more relatable.

Take an example of an on-demand service like [TaskRabbit](#). The app has an algorithm that matches customers' tasks or jobs with the best professionals from registered personnel on their platform. As the task is allotted to a professional based on the user's choice from a list of options, the job is scheduled from the app.

Simultaneously, there are eCommerce giants like Amazon that are offering same-day deliveries for groceries and other goods. So, the type of delivery does impact what can be the business model of your on-demand application.

## 2.1.3 DEMAND CATEGORY

A business model depends on the type of demand or customer's expectations. The identification of the demand category needs proper problem definition and a thorough brainstorming on the solution. Whether you need an on-demand marketplace to cater to a massive demand of a specific niche or an integrated delivery module for existing retail business depends on the consumer's expectations.

An online marketplace has a massive customer base where you can cater to multiple categories. Simultaneously, enhancing your current business with an integrated on-demand delivery application can help improve the customer journey. Take an example of McDonald's with an on-demand delivery service integrated into their existing restaurants known as the McDelivery.

Choosing between aggregated suppliers (Marketplace) and contracted suppliers (Integrated Service) depends on the demand you are experiencing in the market

## 2.1.4 CUSTOMER'S CHOICE VS. ANONYMOUS ALLOCATIONS

Whether you choose an aggregator model or integrated service, there is always the dilemma of offering choice vs. anonymity. For example, with a food delivery app like say Doordash or UberEats, customers get to choose the food they want to be delivered, and not the delivery agent. Simultaneously, a home service app like Thumbtack or TaskRabbit allows you to select the service provider.

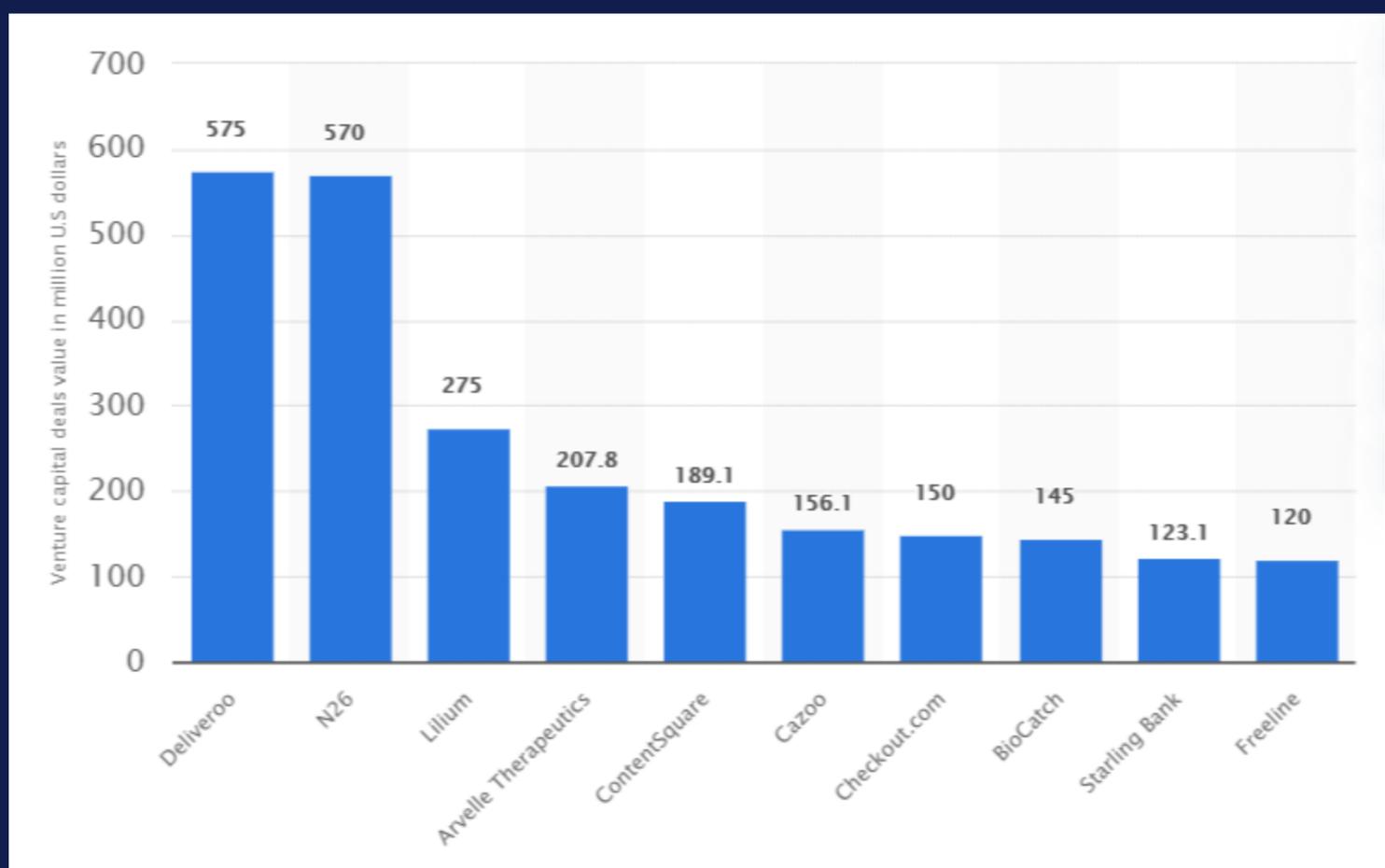
However, the difference lies in the business vertical you are working in and not the choice issue. Food choice is essential in an on-demand food delivery business compared to who will deliver that food.

Apart from the delivery type, demand, and choice of consumers, one of the most significant factors determining a business model's framework is the revenue source.

## 2.2 ON-DEMAND REVENUE MODEL



The business model depends on the revenue source to be lucrative. In 2020, the most extensive VC funding was received by an online food delivery application - Deliveroo, with \$575 million.



A venture capital funding or any kind of initial funding can work as a Kickstarter to your startup or on-demand business, but attracting them needs the right monetisation source. There are many ways to generate revenue for an on-demand model, which is a lucrative investment because of the revenue model.



- **Transaction Fee**- It is a charge that on-demand services take on completing a transaction on the platform.
- **Commission Charges**- A fee that on-demand companies charge to the service providers or a cut from their revenue.
- **Subscription Charges**- These are levied for the subscription of different services, including free delivery, exclusive deals, and more.
- **Advertising**- Charges on advertising products on the application or on-demand service portals.
- **Delivery Charges**- Charges levied on the delivery of services or goods as per distance from the user's location and other factors.

# CHAPTER 3

## 3.1 UNIQUE FEATURES OF ON-DEMAND APPS THAT CAN HELP YOUR BUSINESSES



On-demand business model and revenue model discovery help you understand the logic behind your tech stack. You need to have a thorough understanding of what you need as a part of that technology suite for leveraging the business logic.

### 3.1.1 GETTING NOTIFIED

Modern-day consumers expect to get notified regarding every detail of their orders. The shift in consumer behaviour needs to be dealt with reliable solutions like a real-time notification feature. It helps on-demand services offer all the necessary details that consumers expect at every stage of service request fulfilment.

A study on consumer expectations from [Hubspot](#) suggests that 84% of customers leave a brand after three bad experiences. This can be changed with real-time notifications that show details like, Estimated Time of Arrival (ETA) and driver's contact details for communication.



## 3.1.2 ORDER TRACKING



The order tracking feature is more than just an accessory these days. As consumers love to track their orders all through the fulfilment journey, you need to have integrated maps, tracking features, and real-time detection of the delivery agent's location. It is also an excellent feature for stakeholders like delivery partners and management to control the entire fulfilment cycle.

A [PwC](#) report suggests that 43% of consumers are ready to pay more for convenience, and that is where features like real-time tracking come into play. They help consumers track every detail with ease, right from an on-demand application on their smartphone.

## 3.1.3 RE-ROUTING SUCCESS

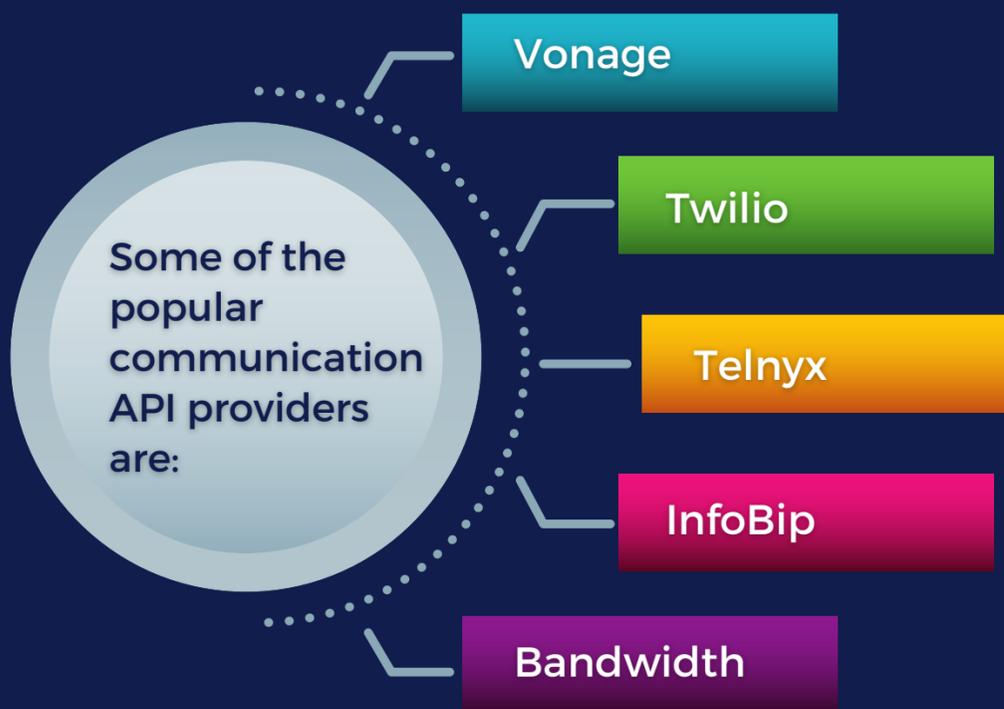
The surge in consumer's demand for same-day deliveries needs reliable tech-based solutions for on-demand services. Route optimization is one feature that these services can leverage to save on the overhead costs and delivery service inefficiencies. It helps on-demand businesses to optimise the route of delivery and reduce the cost of last-mile delivery.

Route optimization can be an excellent addition to the features you can integrate with intelligent delivery management software. Tookan is one such software that can help you with smart features like route optimisations.

## 3.1.4 COMMUNICATION SUPPORT

Enabling consumer communications for delivery agents and service providers is vital to all on-demand businesses. It makes the fulfilment journeys more comprehensive by understanding, responding, and rectifying issues quickly. On-demand companies can leverage communication APIs (Application Programming Interface) to integrate voice calling, messaging, or even live chat.

Execution of the tech-stack and integration of communication APIs into the business logic needs experienced partners. There are intelligent software solutions like Tookan that help integrate custom APIs and even develop them based on business needs.



## 3.1.5 AUTOMATING OPERATIONS

Automation in on-demand apps improves operational capabilities. Companies can leverage innovations like Artificial Intelligence, Machine Learning, Voice Recognition, and others to enhance the customer experience. For example, Amazon's recommendation engine helps consumers find the best suitable products according to their purchasing behaviour.

The level of automation and functionality depends on the business vertical or on-demand market you are operating in. Intelligent solutions like Tookan can help you with features like auto-allocation of delivery agents as per the service request. This may be an excellent feature for on-demand firms that are looking for intelligent order management tools.

## 3.1.6 EASE OF PAYMENTS



One of the most significant features that you need for an on-demand service is the online payment feature with multiple options. Startups and entrepreneurs need to look beyond the usual payment options as there has been a surge in innovative technologies like cryptocurrencies attracting many consumers.

Integration of online payments needs a payment gateway for processing of the transactions. Similarly, you will need a BTC processor for the integration of Bitcoin payments. Popular BTC processors or crypto payment gateways are:

 Coinbase

 Dwolla

 BitPay

 GoCoin

# CONCLUSION

## Why Tookan Is the Right On-Demand Service App in These Times?

If recent pandemic has been any indication, the need for on-demand services will still see a massive jump. This does not stop at the application of an on-demand model for the delivery of goods and services, as we are already witnessing its usage in the vaccination drive for COVID-19.

However, startups and enterprises need to look beyond the pandemic. There is no denying that the present scenario makes the on-demand economy a necessity, but looking beyond it will make your growth futureproof. So, adopting innovative and intelligent technologies to develop the tech stack for your on-demand business can render more fruition than you can fathom.

Identifying the customer's behaviour, tracking the order history, smarter revenue distributions, and order management need smart analytics. Software solutions like Tookan can help you with innovative analytics, order management, and intelligent features for on-demand apps.

So, if you are looking to leverage a smart tech stack for on-demand business growth or even starting one from scratch, [Tookan](#) is here to help!