

Delivering a Delivery Strategy



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Delivery is here to stay

Four years ago, at MAPIC in Milan, we set out a view of the restaurant delivery market. Since then, the world has moved on, delivery has changed, and we have tracked the implications of the changes in two white papers. Our starting point in this latest white paper is that restaurant delivery is here, and it is here to stay.

We address what this means for players, both operators and suppliers, affected by the expansion of delivery. And we help to answer the question **“What should I do about delivery?”** While this might be a surprising question for some (they will say: Surely I know what to do), many others throughout the restaurant ecosystem are still unaware of the consequences of the nature of the challenges posed by delivery, and the options available. And they are uncertain or undecided about what to do.

It is to businesses like those that this paper is directed.

Peter Backman, François Blouin

Why delivery is significant

Delivery is a global activity. Each of the one hundred leading countries – with a combined GDP of 97% of the global total – has a functioning restaurant delivery economy.

An implication of this wide geographic spread is that **delivery meets a worldwide consumer requirement** – it is not a one-off or localised activity - and that is just one major reason behind its rapid spread and its likely staying power. But things are not staying still – the market (even post covid) is showing rapid growth and there is consolidation amongst the players.

Restaurant delivery is worth about \$400 billion at consumer buying prices. This is referred to under several names (each with a slightly different definition) – Gross Transactional Value, Gross Merchandise Value, Gross Order Value. We shall use the first of these – GTV.

There are many similarities across this wide geographic coverage and so we have picked out some specific examples to underline the current state of delivery and its evolution. **Demand in France grew by 47% between 2018 and 2020 and in 2021, the market was valued at €7,76 billions** (Source: Food Service Vision).

The total UK delivery market was worth £16.6 billion in 2021 and the segment controlled by aggregators grew by 34% that year (source: Peter Backman).

In half of the countries with an established restaurant delivery segment, three or fewer aggregators control over 90% of restaurant delivery. In a handful of countries – such as Portugal and Argentina – there are four players, while in some countries – Finland and New Zealand for example, there are only one or two. But in all countries, mergers, acquisitions, and the entry of new actors is leading to a model where there are three players – with some regional differentiation in the USA for example (source: theDelivery.World).

Consolidation and expanding geographical coverage are features of the market. Mergers and acquisitions are not only driving consolidation but also the international reach of aggregators - Uber Eats is currently in 54 countries; Delivery Hero, with its acquisition of Wolt, is present in over 70 countries.

Sheer size, rapid expansion, consolidation – given these major developments, what can businesses do about the opportunities?

What delivery means for the industry

Delivery is a major disruptor. **It not only changes customer expectations, but also the nature of the services and marketing messages** delivered by both operators and suppliers.

In the following tables, we summarise the implications arising from delivery on each element of the service and marketing mix, and their consequences for operators and suppliers.



Menu "offer"

Implications arising from delivery	Consequences for operators	Consequences for suppliers
<ul style="list-style-type: none"> • Must be short, focused so the customer can readily see the options and make a choice • Quality after delivery becomes a critical point 	<ul style="list-style-type: none"> • Carefully choose your delivered offer according to brand DNA and a good need state coverage for consumers • Adapt your recipes, cooking techniques and packaging to ensure the best possible quality after transport • Suggest additional (high margin) dessert and drink options 	<ul style="list-style-type: none"> • Identify if your products are suited for delivery recipes. If not... innovate and create new products or recommend new "delivery recipes" • Supply dessert and drinks options



Service levels

Implications arising from delivery	Consequences for operators	Consequences for suppliers
<ul style="list-style-type: none"> • Speed of preparation is vital to ensure delivery within 30 minutes • Vital to eliminate mistakes • The new "customer" is... the rider 	<ul style="list-style-type: none"> • Need for back of house efficiency • Focus on items that are simple to prepare • Configure your store to cope with riders' needs 	<ul style="list-style-type: none"> • Provide products that are simple and fool proof to prepare • Redesign equipment thought on time reduction



Experience

Implications arising from delivery	Consequences for operators	Consequences for suppliers
<ul style="list-style-type: none"> • No more physical contact and direct feedback from consumer • Food-only offer (no tableware, no decor, no ambience, no waiter...) 	<ul style="list-style-type: none"> • Develop and design communication via packaging and offer itself • Imagine new ways to enhance the delivered experience (leaflets, goodies, QR codes...) 	<ul style="list-style-type: none"> • Fewer options to showcase your brand in the POS • Rethink how to give visibility to your brand in a delivered experience

What delivery means for the industry



Marketing

Implications arising from delivery	Consequences for operators	Consequences for suppliers
<ul style="list-style-type: none"> • Drive to store limited to 2 or 3 channels via aggregators • In store: online only / limited activation menu by menu or product by product 	<ul style="list-style-type: none"> • Become best in class in algorithm management • Try to develop a pull strategy to drive consumers to choose your brand or offer 	<ul style="list-style-type: none"> • Invent new activation transactional processes • Find new ways to influence consumers choices (social media, gamification, etc)



Operations

Implications arising from delivery	Consequences for operators	Consequences for suppliers
<ul style="list-style-type: none"> • Requires detailed planning for speed, efficiency, cost • Introduces operational complexity (additional tech hardware, prioritising delivery versus dine in orders...) 	<ul style="list-style-type: none"> • Set up clear lines of responsibility • Have clear instructions for managers and staff 	<ul style="list-style-type: none"> • Cooperate with operators as they develop their procedures



Product pricing

Implications arising from delivery	Consequences for operators	Consequences for suppliers
<ul style="list-style-type: none"> • Operators need to share their margin with delivery company • Consumer pays more for delivery than instore • Promotions weight can be higher 	<ul style="list-style-type: none"> • Need to manage much more carefully the P&L • Balance lost margin (ie commission) with need to minimise food costs • Redesign the cost structure (less service staff, less equipment, more commissions) • Examine ways to reduce commissions (eg. Direct delivery models) 	<ul style="list-style-type: none"> • Focus on the products that deliver the highest margin for operators • Understand your customers' economic KPIs

Operators

Clearly any engagement with delivery calls for an analysis of all the significant elements of your marketing mix.

And the first step is to analyse your strategic position.

Delivery is a route to additional revenue – and possibly additional profits. But it comes with several negatives, such as reduced contact with customers, and unwanted operational complexities in bricks and mortar sites. So, what to do?

- **The restaurant industry as a whole has no choice but to embrace delivery** – it's what customers want;
- **But individual operators must still choose whether to embrace delivery or not.**

The choice, for any operator, depends on many variables too: whether you operate a bricks-and-mortar restaurant or a dark kitchen, whether you adopt a virtual brand, whether you decide that delivery will be strategic or tactical, and more.

However, **when you approach delivery, you must answer key strategic questions:**

- What **share of my business** should be in delivery?
- How will I **capture orders** - via an aggregator, marketplace, or some other way?
- How should I **address branding** – for example, should I use my existing brand, create a new brand, franchise a virtual brand?
- What is **the nature of the competition?** And how should I restructure my operations and change my product to compete effectively?
- **What resources** do I have that will maximise my delivery offer in terms of pricing, profitability, quality, consumer appeal?
- Given the tech-nature of delivery, **what information** should I capture, how should I capture it, and how should I process it most effectively?

Suppliers



Whether manufacturers or distributors - must also have a strategy for delivery, even if the strategy is not to engage with delivery.

To develop a strategy, you must be able to answer a barrage of questions:

- What am I going to do about delivery – in the medium / long term? **Am I sufficiently serious about delivery?** What should my strategy be?
- **Which of my 'traditional' sectors are being disrupted?** And how are they being disrupted?
- **What opportunities** do these changes present? Additional sales? New sectors? New products? Revised pricing strategies?
- Do I have **the right offer?**
- Am I targeting **the right customers?** How should I **engage with aggregators and other delivery companies?** What relationships should I have with dark kitchen operators and landlords?
- What changes do I need to bring to our thinking about engaging with IT companies, delivery aggregators, landlords, dark kitchen operators?

A new channel for success

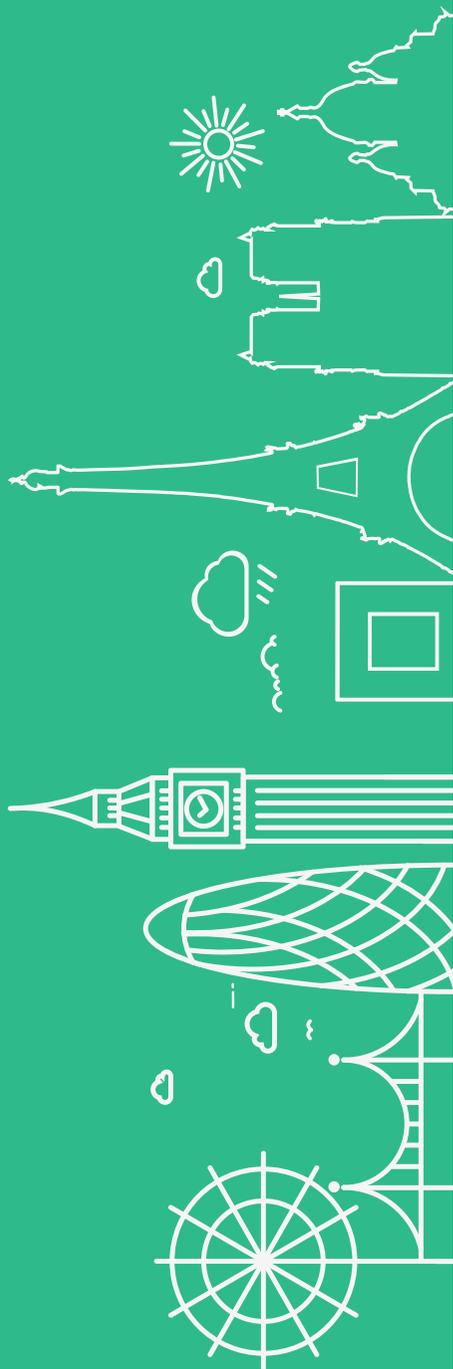


Since the onset of Covid, delivery has added to eat-in and takeaway to become a **third channel that really counts.**

And that means:

- The restaurant industry, as a whole, has no choice but to embrace delivery – because it's what customers want;
- But individual operators and suppliers must still choose whether or not to embrace delivery;
- And those businesses that chose to embrace delivery face a barrage of strategic questions.

In today's market, with its multiple challenges – from inflation to staff and product shortages – **delivery provides a new channel for success.** Suppliers that make a success in this still new market will be **the ones that take the steps necessary to genuinely understand and precisely measure the business opportunities it presents.** And then use these insights to formulate and implement business strategies that will win in delivery.



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Founded in Lyon in 2005 by François Blouin, Food Service Vision is the French and European expert on the entire food service value chain. It has developed economic intelligence skills, thanks to a "data factory" which collects, analyses and puts into perspective all the macro and micro economic data of the foodservice. It also carries out research and consultancy activities for players in the sector. Food Service Vision has around 20 consultants and analysts.