

Food Delivery Boom Fuels Competition Among Restaurants

30th Sep, 2020



BY DATAWEAVE

This year, homebound consumers crave the convenience of food delivery. Growing 20% since 2015, restaurant delivery has sparked intense rivalry to reach consumers' homes. Although the pandemic led to \$165 billion in lost sales industry-wide between March and July, experts predict online food delivery sales will reach \$220 billion by 2023, accounting for 40% of total restaurant sales.^[1,2]

This massive market opportunity makes food delivery an urgent priority for restaurants to stay competitive and solvent during the pandemic. This year nearly one in six U.S. restaurants have closed either permanently or long-term.^[3]

Also, 40% of U.S. operators say they will likely be out of business within six months if economic conditions persist and 60% of Canadian restaurants could close permanently by November.^[4,5]





COVID-19 compounds market complexity

Powerful market trends are rattling restaurants. During the pandemic, nearly 70% of operators have added third-party delivery to lift sales.^[6]

This year, third-party delivery from food delivery apps like Uber Eats, Grubhub and DoorDash will grow 21% over 2018.^[7] The global market for cloud kitchens (also called ghost kitchens or virtual kitchens), commercial kitchens intended for delivery-only orders, will grow from \$650 million in 2018 to \$2.6 billion by 2026.^[8]

To avoid the need to rely on delivery partners, many chains invest in their own last-mile delivery capability to serve their fleet of restaurants.

E-grocery sales are poised to surge 40% in 2020 and meal kits have boomeranged back into popularity, nearly doubling 2019 sales.^[9, 10]

Consumers demand speed to keep their food fast, fresh and hot. Prompt service matters, as one survey found when consumers face a food delivery issue, 93% want it resolved within 10 minutes.^[11]

The recession and job losses mean more consumers now need affordable food options. Meanwhile, restaurants are investing more in technology to modernize operations for efficient omnichannel service.

How restaurants are adapting to 2020's disruption

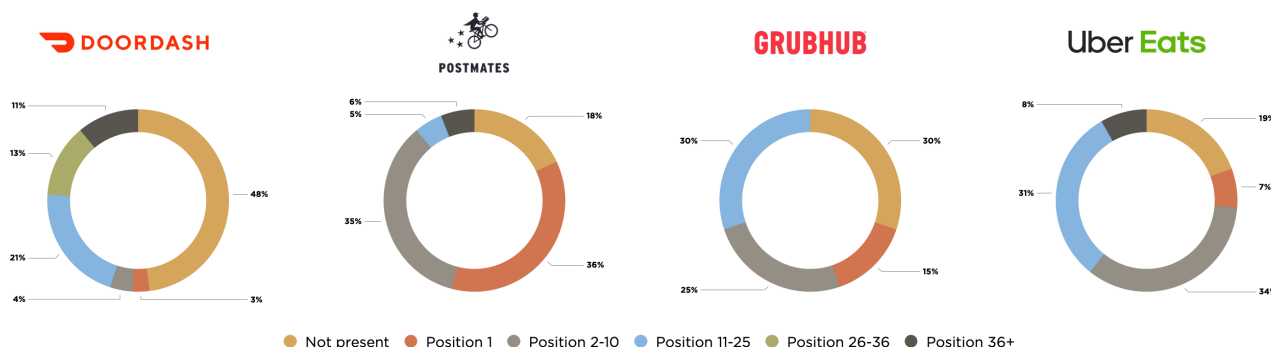
Restaurant prices have risen during the pandemic to cover operating costs. Third-party delivery fees have led 41% of consumers to prefer to order food by contacting the restaurant directly (vs. 16% for third-party delivery).^[12] To optimize pricing competitiveness, more restaurants now compare their delivery fees and offerings with rivals' to spot and correct gaps, and keep their prices affordable.

To streamline operational processes and costs during the pandemic, 28% of restaurants shrank their menus.^[13]

For clarity on which items to keep, operators now use data insights on restaurant listings and menu items down to the ZIP code level. This

information also helps them decide whether to adapt to consumers' diverse tastes, including vegan, gluten-free and organic, for competitive local assortments.

Distribution by Position- Homepage



Outperform rivals: Restaurant operators seek proof of their brand visibility on food delivery apps' homepages.

Restaurants have discovered consumers welcome reasons to celebrate at home this year. One chain's weekly virtual happy hours on Facebook Live drew 80,000 participants and a \$40,000 sales increase from delivery and takeout orders.^[14]

More restaurants now compare their promotional strategies with rivals' to evaluate marketing performance, including homepage discoverability and visibility ranking, to ensure consumers find their brand online with ease.

Delivery speed and precision also matter. A survey found 70% of consumers had food delivery order complaints, including late delivery (50%), incorrect order (37%) and cold or stale food (36%).^[15] Using accurate geographic data can help restaurants improve speed and the customer experience.

To gain a competitive advantage in today's booming food delivery market, a growing number of leading chains and food delivery providers are collaborating with DataWeave to access actionable insights to make better strategic and operational decisions faster. Using trusted insights to make data-driven pricing, menu and promotional decisions help restaurants save time, reduce risk and gain clarity in today's evolving market.

Applying DataWeave's accurate, up-to-date information also helps restaurants deliver affordability, convenience and variety to remain responsive to consumers and agile among competitors. To see how DataWeave helps restaurants stay relevant and competitive, [contact us](#) today.

^[1] Rogers, Kate. Winter is coming, bringing a new challenge to already-struggling restaurants. CNBC. September 14, 2020.

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[3] Klein, Danny. 100,000 Restaurant Closures Expected in 2020. QSR. September 14, 2020.

[4] Rogers, Kate. Winter is coming, bringing a new challenge to already-struggling restaurants.

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[5] Charlebois, Sylvain. Don't Want to Save the Restaurant Industry? Fine, but Use it to Save the Canadian Economy. Retail Insider. September 11, 2020.

[6] Rogers, Kate. Winter is coming, bringing a new challenge to already-struggling restaurants. CNBC. September 14, 2020.

[7] US Food Delivery App Usage Will Approach 40 Million Users in 2019. eMarketer. July 2, 2020.

[8] Levy, Ari. Virtual Kitchen, founded by ex-Uber execs to help restaurants with delivery, raises \$20 million. CNBC. Sept. 8 2020

[9] Redman, Russell. Online grocery sales to grow 40% in 2020. Supermarket News. May 11, 2020.

[10] De Leon, Riley. How the coronavirus pandemic delivery surge created a lifeline for Blue Apron meal kits. CNBC. May 22, 2020.

[11] Guskowski, Joe. Delivery services have room to improve, consumers say. Restaurant Business Online. Sept. 1, 2020.

[12] Guskowski, Joe. Consumers' desire to order directly from restaurants is a big opportunity. Restaurant Business Online. Aug. 27, 2020.

[13] Romeo, Peter. Best practices for weathering a second COVID wave. Restaurant Business Online. Aug. 28, 2020.

[14] Ibid.

[15] Guskowski, Joe. Delivery services have room to improve, consumers say. Restaurant Business Online. Sept. 1, 2020.

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