



Food Delivery Apps: Usage and Demographics – **Winners, Losers and Laggards**

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BACKGROUND

Restaurant food delivery services like Grubhub, UberEATS, DoorDash, and Postmates are transforming the way people get their meals. In 2017 alone, Grubhub had nearly \$4 billion in gross food sales, and it gobbled up Seamless, Eat24 and Foodler. According to data from Slice Intelligence, UberEATS grew by 230% last year, with its average customer spending more than \$220 annually. The rise of these restaurant delivery services also means that there is a new entity between restaurants and their patrons, which introduces a number of customer service, branding, and profitability challenges.

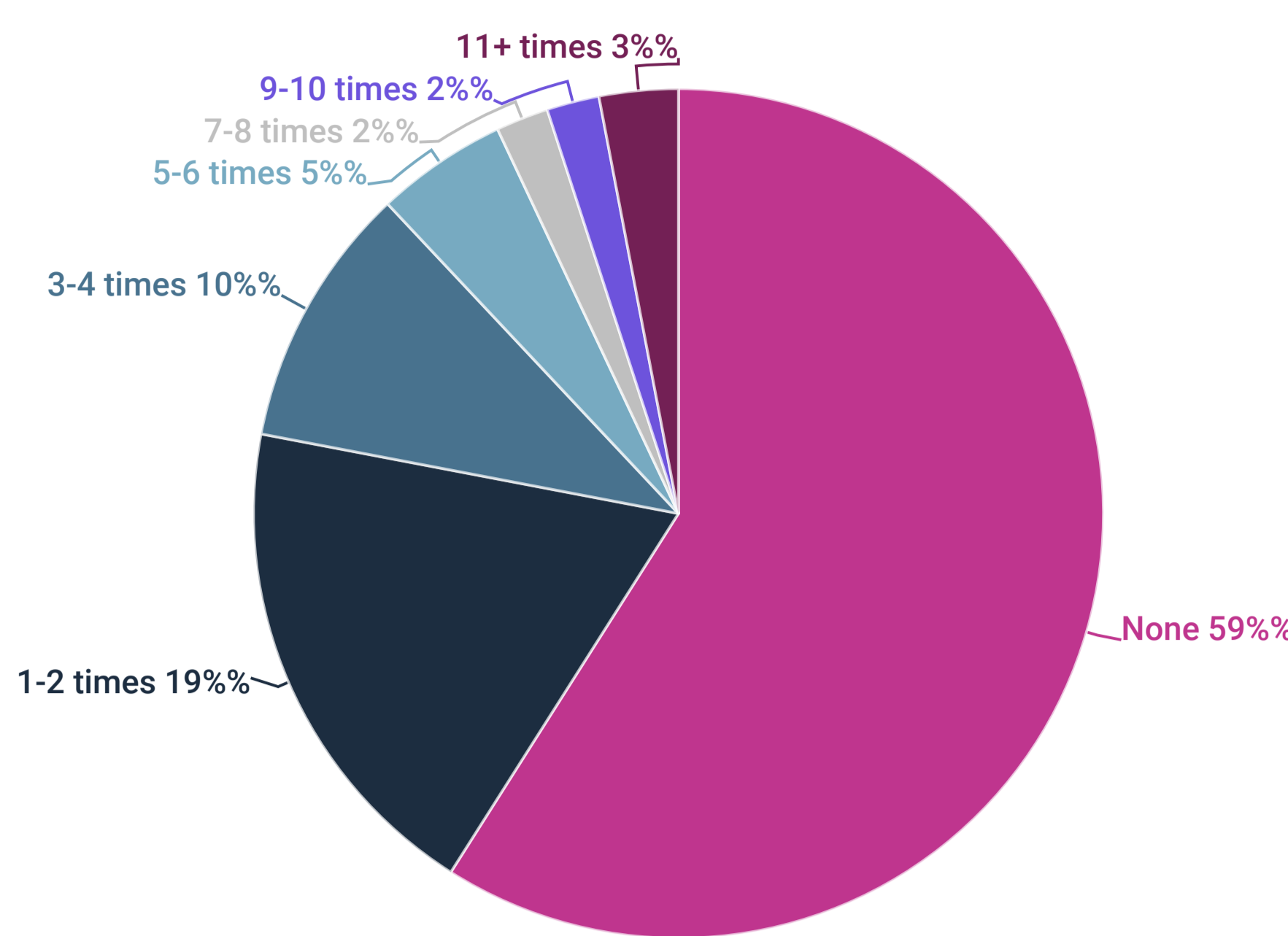
USAGE FREQUENCY

Once the primary domain of restaurant pick-up and pizza delivery, the restaurant delivery industry has been transformed by a number of websites and apps that make an enormous number of restaurants' food available without leaving home.

To understand how prevalent the use of these multi-restaurant delivery websites/apps is, as well as their relative popularity, the Zion & Zion research team surveyed 2,928 U.S. consumers ages 18+. Figure 1 shows that 41% of consumers have used a multi-restaurant delivery website/app at least once within the past 90 days.

Figure 1

Frequency of Ordering Food Via Multi-Restaurant Delivery Websites/Apps

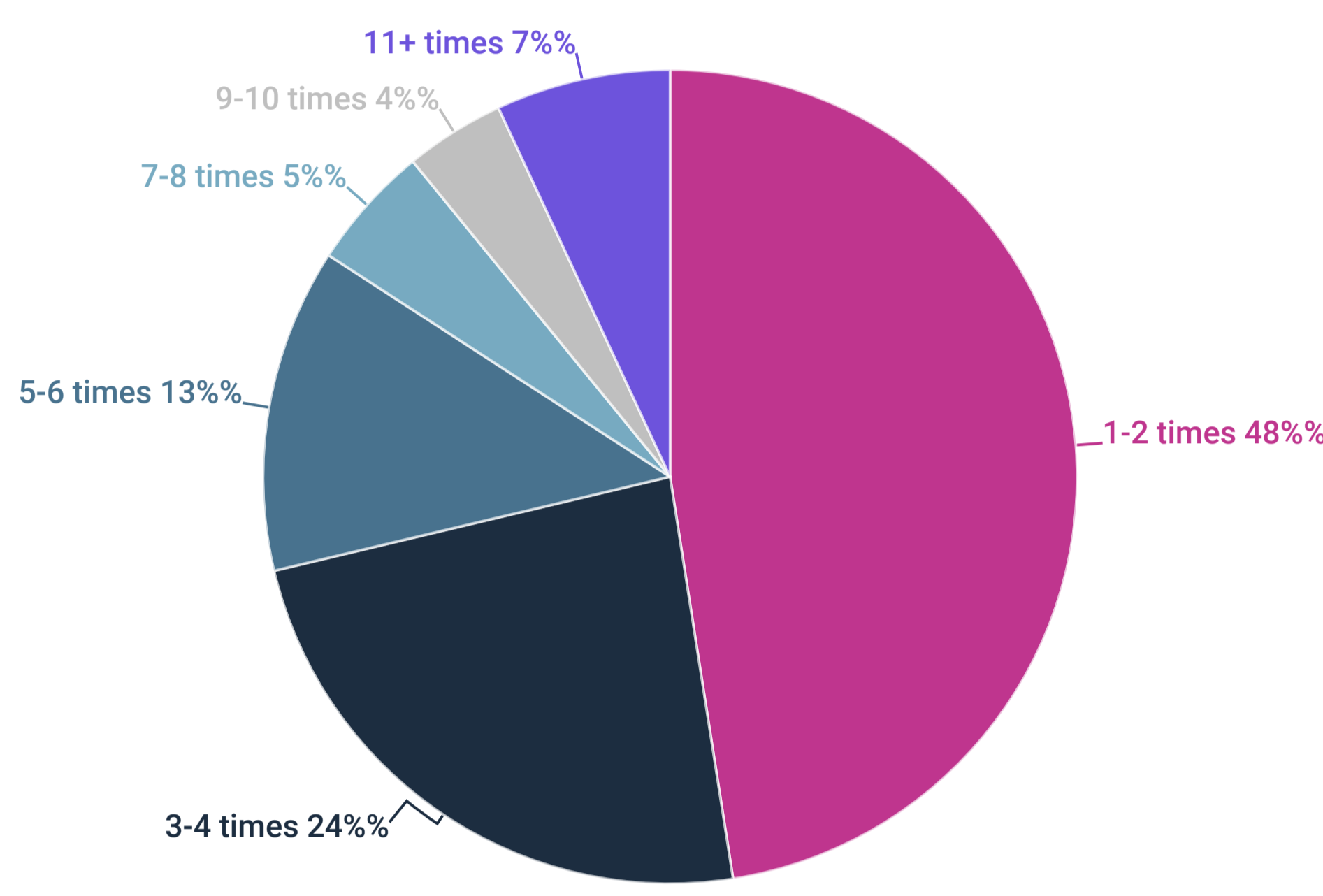


Question: During the past 90 days, how many times have you ordered restaurant food delivery from a website or app that allows you to select from among many restaurants?

Of those who have used one of these multi-restaurant delivery websites/apps, Figure 2 highlights the fact that nearly 50% have only used one once or twice in the past 90 days. Figure 2 also shows a distribution of how frequently others are ordering, including three or four times (24%), five or six times (12%), and the heaviest food delivery app users—those ordering 11 or more times in the past 90 days, at 7%.

Figure 2

How Often Are Consumers Ordering Food Via Multi-Restaurant Delivery Websites/Apps?

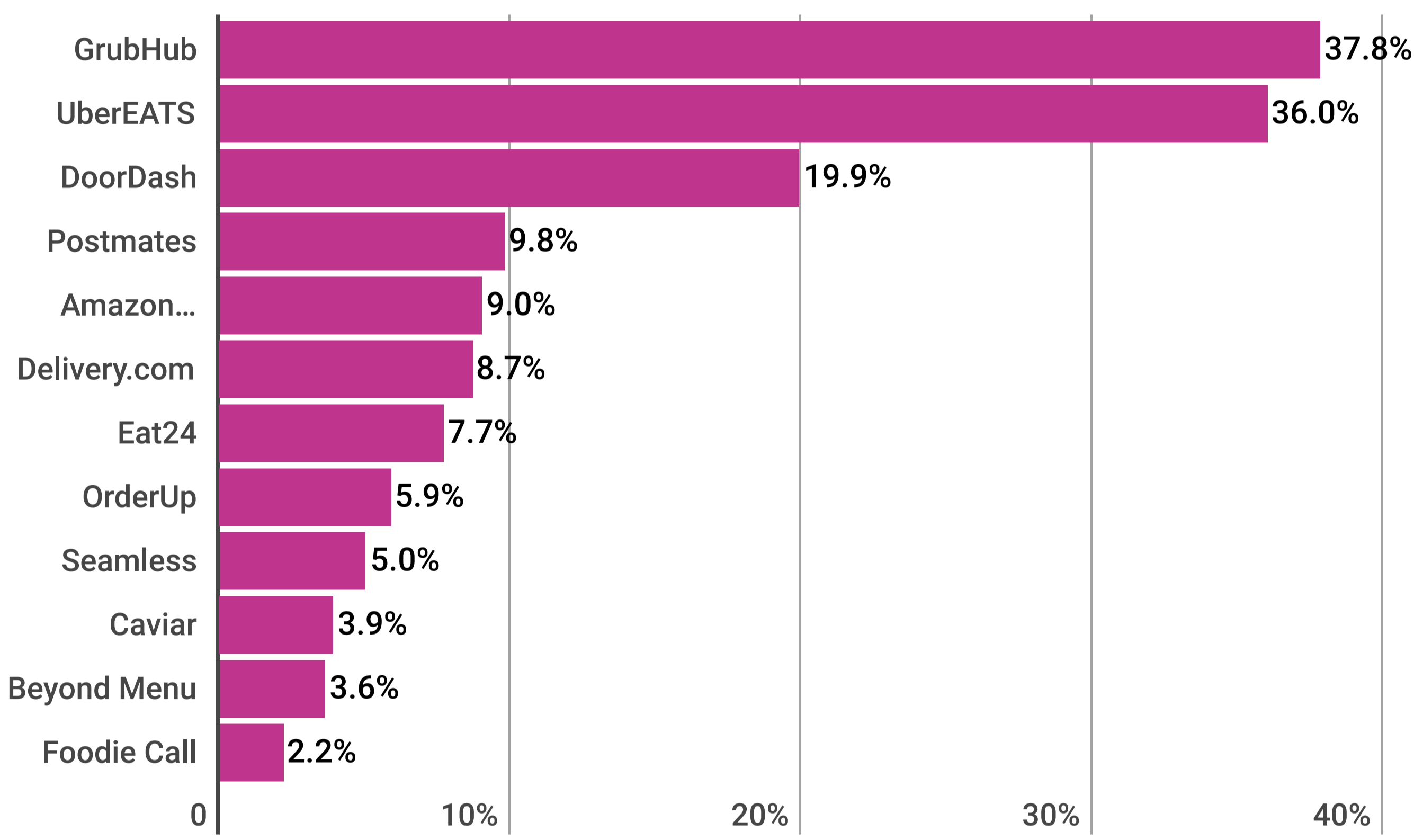


Data from respondents who said they ordered restaurant food delivery from a website or app within the past three months.

According to our study, Grubhub has been used by 37.8% of all multi-restaurant delivery website/app users, followed by UberEATS at 36.0%, and DoorDash at 19.9%. See Figure 3.

Figure 3

Most Used Multi-Restaurant Delivery Websites/Apps



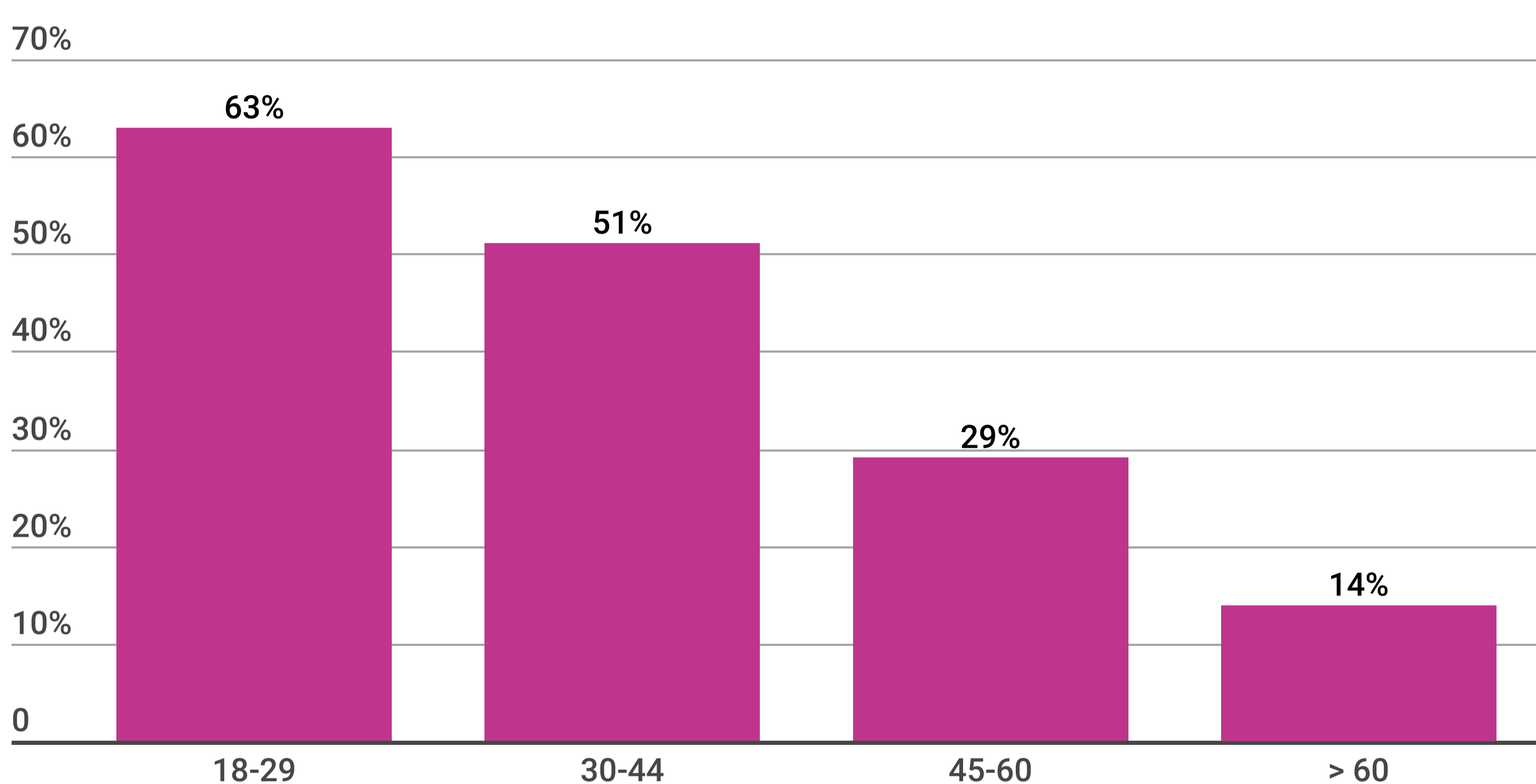
Question: Which multi-restaurant delivery websites/apps do you most often? You may select more than one.

BIGGEST USERS: LOW INCOME AND THE YOUNG

Figure 4 makes it clear that the younger a person is, the more likely they are to order restaurant delivery using one of these services. 63% of people 18 to 29 years old have used a multi-restaurant delivery website or app service in the past 90 days, followed by 51% for those 30 to 44 years old, 29% for those 45 to 60, and just 14% for those 60 and over.

Figure 4

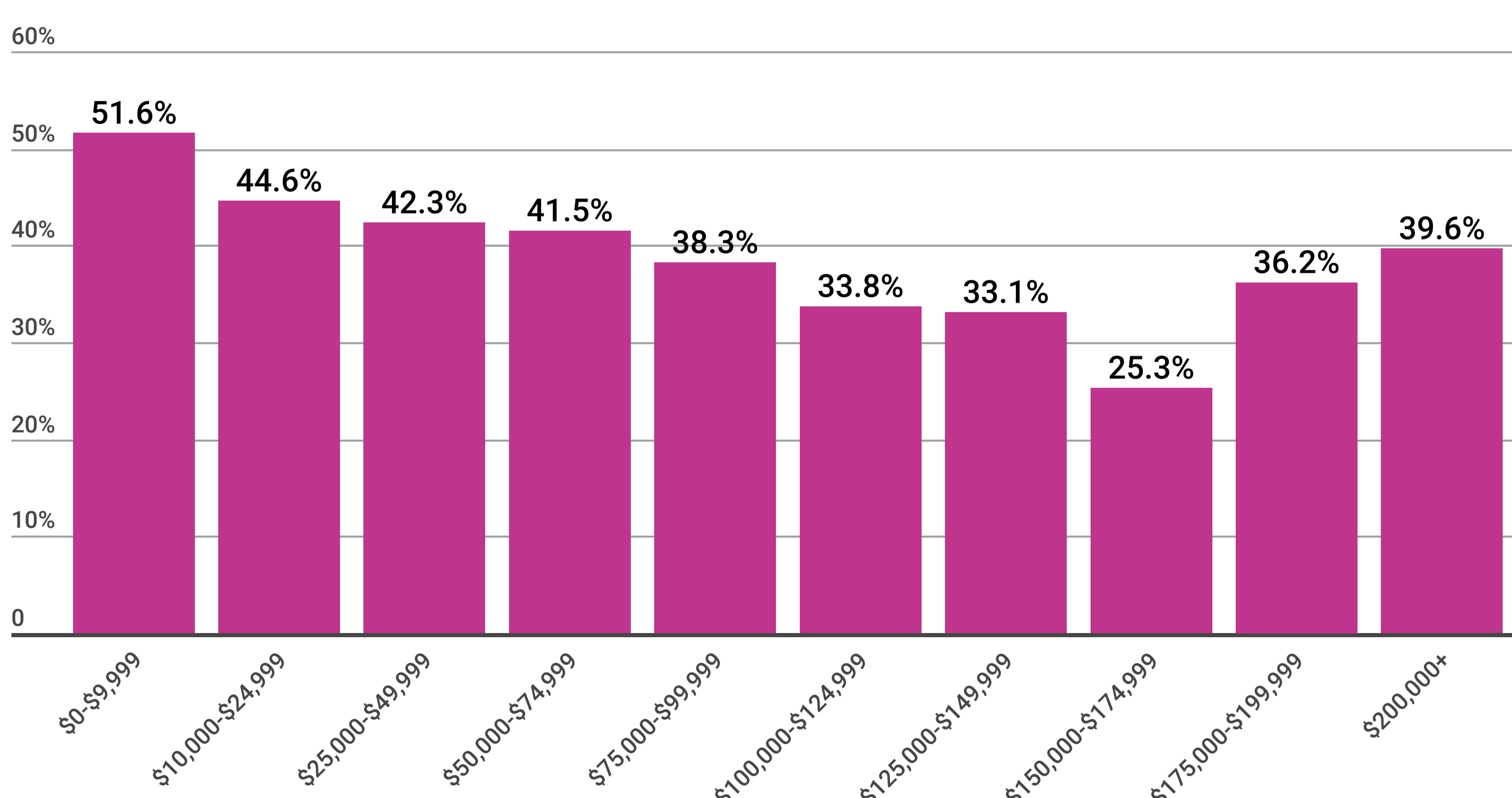
Percent of Each Age Group That Have Used a Multi-Restaurant Delivery Website/App in the Past 90 Days



Segmenting by income shows that, in general, the less income a consumer earns, the more likely the consumer is to take advantage of restaurant delivery services. See Figure 5. The lowest incomes have the highest usage: 51.6% for those earning less than \$10k per year, and 44.6% for those earning \$10k to \$24.9k.

Figure 5

Percent of Each Income Level Who Have Used a Multi-Restaurant Delivery Website/App in the Past 90 Days



PUTTING THE DATA TO WORK

Investment bank UBS projects that online food ordering may rise more than 20% annually to \$365 billion by 2030. Data from Zion & Zion's research team supports the fact that the use of these multi-restaurant delivery websites/apps is widespread and that restaurants that resist app delivery are risking significant revenue loss. Analysts at Morgan Stanley believe that delivery could eventually top 40% of all restaurant sales. Indeed, such sales could even become a restaurant's core business. Some restaurants are concerned at this trend, and with good reason. Delivery by a third party can make it difficult to control customer service, food quality and branding. And while total sales may increase due to the ease of ordering, restaurants may face profitability issues. *The New Yorker* quoted a restaurateur who articulates these concerns: "We know for a fact that as delivery increases, our profitability decreases," with 20% to 40% of delivery revenue going to third-party platforms and couriers.

This is a puzzle not easily solved. Restaurants are likely to lose business if they don't align with one or more delivery services. At the same time, however, their profitability may either take a hit due to the high fees imposed by such services; or alternatively, the restaurant may have excess capacity that can be leveraged. One thing is certain. Many restaurants will be forced to reconsider their business models.

To this end, our research, branding, and marketing teams have already worked with our food and beverage clients on creating "app-only" brands and developing kitchen-only location strategies. Alongside these strategies has come the need to modify menus and to create packaging to ensure transport tolerance. Also of key concern is ensuring that a mechanism exists for customer feedback to reach the restaurant. And food delivery websites/apps suffer from myriad shortcomings in collecting usable customer feedback as the typical customer interaction subtleties that occur during a customer's visit to a brick and mortar restaurant are substantially lacking from the food delivery website/app feedback process.