



Restaurant
& Catering



Navigating the online food delivery industry: A guide for food and beverage retailers

Restaurant & Catering Association of Australia 2019

INTRODUCTION

Online food ordering and delivery is one of the fastest evolving e-commerce industries in Australia and around the world. Largely driven by consumer demand, alongside an increasing rate of technology innovation, the number of Australian businesses using online food delivery services has doubled increasing to 31.2% in 2018, up from 15.4% in 2017.¹

Over the past decade, online food delivery services, such as Menulog, and more recently UberEats and Deliveroo, have established a new way for Australians to access and order food from local restaurants across the country. These businesses - often coined 'aggregators' - service tens of thousands of local restaurants by providing a way for customers to order meals online.

For food and beverage retailers, partnering with an online food ordering and delivery provider may offer an easy and effective way to reach more local customers and capture a section of the market which they may not otherwise have had access to. However, it's important for retailers to have all the information to weigh up the investment and return of these providers.

Menulog, UberEats and Deliveroo are the three main online food ordering and delivery providers in the Australian Market, with Foodora ceasing local operations in August 2018. Each provider has a unique offering for both restaurants and customers, which will be detailed throughout this guide.

While Menulog also offers a pick up / 'click and collect function', this guide focuses on delivery providers and as such, other 'click and collect' companies, such as 'Hey You' or 'Skip' have not been included.

Developed in collaboration with Menulog and Deliveroo, this guide will provide a one-stop-shop for information on the industry, the opportunity for all types of businesses as well as considerations for restaurants either pursuing a new online business stream or already working with an online delivery solution.

NB. Ubereats was approached for submission.

¹R&CA 2018 Industry Benchmarking report, <https://bit.ly/2Rfqtcn>



CONTENTS

| | |
|--|----|
| Introduction | 1 |
| How To Use This Guide | 3 |
| Online Food Delivery - Key Stats | 4 |
| The Opportunities for Food & Beverage Retailers | 5 |
| The Considerations for Food & Beverage Retailers | 6 |
| The Financials | 9 |
| What Customers Think | 9 |
| Success Stories | 10 |
| More Information | 10 |

HOW TO USE THIS GUIDE

This guide has been created as a consolidated resource for the restaurant and catering industry. It is designed to provide essential information about the online food delivery industry, with input from a range of key stakeholders, including the major industry providers mentioned as well as restaurants and customers that currently use online ordering and delivery websites and mobile apps.

This resource has been created in two parts:

1. This 'master' guide - *Navigating The Online Food Delivery Industry*

This document provides an overview of the industry and essential information for those looking to invest in online ordering and delivery.

2. Fact sheets - Key topics of interest

These documents delve deeper into specific topics of interest to provide further detail on specific areas and common questions asked about online food delivery:

- [Online Food Delivery in Australia - Options for Restaurants](#) – There is so much to consider when looking at an online delivery provider. This fact sheet compares providers side by side, with key about each vendor and a summary of considerations.
- [How to Optimise your Online Listing and Boost your Business](#) - This document provides further information on how you can leverage more from an online food delivery provider and ensure you're making the most of this partnership for your business.
- [The 'Dark Kitchen' trend](#) - 'Dark', 'Ghost' or 'delivery-only' kitchens are a hot topic, but what are they, when did the trend arise and what are the benefits and the challenges for restaurants looking to venture into this area? This fact sheet aims to answer these key questions.

R&CA Gold Association Partner, Menulog, released an additional resource for restaurants in 2018 year entitled 'A Growing App-etite - The Australian online food delivery market: it's growth, trends and future'. This report looks at the history of the online ordering and delivery industry in Australia and across the globe, provides insights into how technology has driven consumer 'app'-etite for eating experiences, looks at current and future trends and provides a summary of the Menulog services for restaurants. This report can be found [here](#).



ONLINE FOOD ORDERING AND DELIVERY A MARKET SNAPSHOT

- The food delivery industry now occupies 4% of the whole foodservice industry in terms of spend, which equates to AUD\$1.6 billion.²
- More than six million Australians made online food orders in 2017. In addition to this, Australians are more likely to spend more on an order for home delivery than they will for pick-up.³
- Food ordering and delivery providers in Australia are already generating more than \$600 million in total transaction value, a figure estimated to expand to \$2.4 billion by 2026, due to demographics, increasing population coverage and greater restaurant adoption.⁴

²The NPD Group Research, prepared for QSR Media, July 2018: <https://bit.ly/2PBqs1C>

³YouGov Galaxy research, prepared for The MenuLog Inaugural Report, 'A Growing App-etite', February 2018: <https://bit.ly/2PGFpzC>

⁴Morgan Stanley Research, August 2018: <https://bit.ly/2Cj1Q9Z>

In our most recent benchmarking survey, we asked business-owners to tell us why they selected their online ordering and delivery provider. Here's what they said:

“Fast.,”

**“Easy to use,
popular, suited to
our venues.”**

**“We can control our
orders without a big
percentage of our
revenue going to the
other players.”**

“Industry specific.”

“Easy.”

“Popularity.”

**“Cost too prohibitive
to use others.”**

**“We only wanted one and
they approached us.”**

“EXTRA SALES.”

**“Market
levels.”**

**“Trend
setting.”**

**“Good service and
marketing.”**

**“Most professional,
best advertising.”**

“Convenience.”

**“Only one
available in
my area.”**

**“Bigger exposure and
no need to deliver
ourselves.”**

**“Provide lots
of work.”**

**“Hours of operation,
marketing.”**

**“Best negotiated
percentage.”**

THE OPPORTUNITIES FOR FOOD & BEVERAGE RETAILERS

1. Network effects

Australia's first online delivery 'aggregator', Menulog, says its business is founded on a simple premise, which is to enable great restaurants to provide delicious food to more local customers. The 'Network Effect' of this relationship means the more restaurants that become available on Menulog, the more customers are attracted to and use the service, due to greater choice, which in turn provides more local customers - and so it continues.⁵ As such, by joining a large online delivery provider, your restaurant could benefit from the size and scale of these businesses, to reach more customers via an established network.

2. Investment in marketing

One of the major benefits promoted by these large networks is the tens of millions of dollars invested in marketing for restaurant partners. Businesses like Menulog, UberEats and Deliveroo advertise on a range of channels - from TV and radio, to outdoor media and social media such as Facebook and Instagram - to promote local restaurants to local customers. While this would be a significant cost for individual restaurants, having a network of partners means these businesses can advocate on your behalf.

3. Access untapped or new customer markets

By offering online ordering and delivery, food and beverage retailers can reach new customers they may not have previously had access to. This may include customers in your local area that only order online or those in surrounding suburbs that may not have seen your restaurant but are within your delivery zone. Research by Deliveroo shows that over a third of Australian restaurant partners using the online delivery provider in the financial year of 2016- 2017 were able to tap into new customer markets⁶, indicating incremental growth in orders for these restaurants.

4. Streamline operations and grow business

Online ordering and delivery has the potential to help businesses streamline their internal operations, by providing an externally developed and managed technology system to receive and send orders to restaurants, which can save precious time in-store. Online ordering can replace time-intensive phone orders and reduces the risk of misheard orders. With functionality such as pre-ordering and Menulog's 'click and collect', online ordering and delivery providers can also assist with yield management and staffing, as well as reducing lines in store during busy periods, creating a better customer experience. These providers can also share a wealth of data to assist with operations and help grow your business. In the 2016-2017 financial year, 17% of restaurants using Deliveroo were able to expand their restaurant operations and almost 10% had employed at least two more people to cater for demand amounting to 1,800 extra jobs that year.

⁵ The Menulog Inaugural Report 'A Growing App-etite - The Australian online food delivery market: it's growth, trends and future', Page 10

⁶ Deliveroo, Submission to the Senate Select Committee on The Future of Work and Workers, <https://bit.ly/2G0NOxn>

⁷ Deliveroo, Submission to the Senate Select Committee on The Future of Work and Workers, <https://bit.ly/2G0NOxn>



5. Drive demand in quiet periods

Partnering with an online food ordering and delivery provider can also help drive business in traditionally quiet periods or during the low season by providing customers with a way to order from your restaurant, when they may not be able to come in or have limited time to wait in line. During quieter periods you may wish to promote more online orders, such as mid-morning, afternoon, days of the week or earlier in the week. Online orders can also supplement these quiet periods by providing a catering solution for other businesses or organisations.

6. Delivery-only kitchens

Delivery-only kitchens, otherwise known as 'dark kitchens' or 'ghost restaurants' are delivery-only commercial kitchens, with no physical customer-facing premises. Delivery-only kitchens provide an option for retailers to pool resources and reduce overheads by offering one stream of service for customers. Read more about delivery-only kitchens in the ['Dark Kitchen Trend' Fact Sheet](#).

THE CONSIDERATIONS FOR FOOD & BEVERAGE RETAILERS

It's important for any food or beverage retailer to assess all options available before joining a platform. Some key considerations before partnering with a delivery platform are:

1. Which business model best suits your business?

Each online delivery provider operates with a unique business model and ways of working with restaurants. It's important to carefully select which model works best for your business. A few key questions to ask before deciding on a provider are:

- Do you have your own delivery drivers, or would you need a delivery solution? Would hiring a driver/s be more cost effective for you in the future?
- What would you like to achieve with an online ordering and delivery solution? Is it more customers, is it growing into new areas, or both?
- What features would you be looking for from an online ordering and delivery provider? Would you like to offer click and collect and/or catering options, in addition to delivery?

For more information on the various models available to restaurants, take a look at the [Online Food Delivery in Australia - Options for Restaurants Australia](#) Fact Sheet.



2. Have you properly assessed the costs associated with partnering with an online food delivery provider?

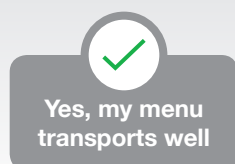
The cost of online ordering and delivery has been a hot topic in the media, with much discussion around the sustainability of costs for restaurants. Like any other products or services, the benefits provided by an online delivery service incur a cost. Every provider will offer a different cost structure for varying benefits and will also feature additional options or added value, depending on which provider it is. Broadly speaking, all online delivery providers operate on a shared revenue system, which means the provider takes a percentage on orders placed through the delivery platform. Again, this percentage varies between suppliers and even between product offers, so it's important to discuss all costs up front and ensure the option selected for your business drives bottom line growth. Armed with information, you may decide that online delivery is not right for your business or at the current stage your business is at, or you may decide it is and be better equipped to decide on a delivery partner. For more information on costs, take a look at the [Online Food Delivery in Australia - Options for Restaurants](#) Fact Sheet.

3. Is your current menu suited to delivery?

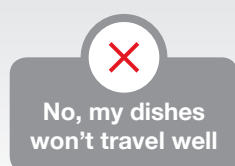
Your menu offering and how well your dishes travel should be considered before embarking on a partnership with an online food delivery provider. Food and beverage retailers should be confident that the items they offer on their online delivery menu can maintain their quality and presentation throughout delivery. Furthermore, all providers should have suitable packaging for any meal to be delivered and should also either have commercial grade delivery bags for their own drivers, or the confidence that third party food couriers will always have these, to ensure customers receive food hot, fresh and tasty 100 percent of the time. Another important consideration for restaurants is to ensure delivery suburbs have been carefully selected by time for delivery, to ensure destinations will not take too long to deliver too. Each delivery provider can assist with this process, however restaurants can find out more information in the Fact Sheet [How to Optimise your Online Listing and Boost your Business](#).

IS MY MENU READY FOR DELIVERY?

Do you have appropriate packaging and equipment for delivery?



Customers should always be treated to the best possible experience, regardless of whether they're dining in or out. Suitable food packing, along with gear for transportation, can make all the difference when it comes to keeping dishes hot / cold as well as for food safety. Food delivery providers will often have this kind of merchandise available if your restaurant doesn't currently.



Have you exhausted all packaging options before ruling delivery out?

Most foods can be delivered with the right equipment and packaging, so ensure you have looked into this thoroughly before ruling delivery out. Speak to delivery providers to get their advice and enquire about packaging options.

Can you adapt your menu offering for online delivery orders?

Most dishes can be altered to make them easier to transport, for example, placing sauces in separate containers, insulated containers for cold dishes or frozen dessert. You could also consider providing a specific selection from your menu for delivery.

Delivery just won't work for my Menu offering

It may be worth considering other ways to boost your business, for example listing on an online platform and offering customers 'click and collect' on orders

Additional considerations for restaurants:

1. Food safety in transit

This should always be a key consideration for retailers offering delivery for customers. If opting for self-delivery, food and beverages retailers need to ensure they have the appropriate health and safety policies in place, which include policies for drivers transporting food to customers.

2. Customer feedback and complaints

When partnering with an online food provider, restaurants should prepare for an increase in volume of orders and with that, an increase in the volume of customer feedback. It's important for restaurants to understand how an online delivery partner deals with customer feedback and complaints, and where the responsibility lies. Most providers will have a detailed process for handling these situations and so it's important for restaurants to obtain all information around responsibilities of incorrect and missing orders upon partnering with a provider. As a restaurant, remember it is your reputation and brand that will be affected by any issues with delivery, regardless of whether the delivery business or your business wears the cost. For more information on how this works for different businesses, check out the [Online Food Delivery in Australia - Options for Restaurants](#) Fact Sheet.

3. Privacy regulation and customer data

All online ordering and delivery providers are bound by Privacy Laws and will each have a detailed Privacy Policy in place to protect customer data. While restaurants will receive customer details required to facilitate online ordering and delivery, customers that place orders through an aggregator platform have signed up as a customer of that particular platform versus individual restaurants. With this in mind, if restaurants want to build their own customer databases, it's important they look at other strategies in order to do so.

4. Developing a relationship with 'online' customers

As society becomes more digitised and transactions increasingly move online, it's important for retailers to review the online experience a customer has with their store, just as they would face to face. When it comes to online ordering and delivery platforms, there are a number of considerations restaurants should discuss with providers to ensure their online presence fits with their existing brand. These may include:

- How is my menu structured and what is available?
- How am I positioned on the site?
- What copy and image is featured?
- What are my menu item descriptions?
- Am I specifically featured in marketing campaigns, including emails to customers?
- Am I featured in social media posts?



THE FINANCIALS

Revenue Sharing

All major providers operate on a shared revenue system, which means the provider takes a percentage on orders placed through the platform. This percentage varies between suppliers and product offers, so it's crucial to weigh up all the costs initially and determine which model is right for your business.

Other costs to assess before entering into a partnership include whether there is a sign-up fee, whether the provider has a "lock in contract" or if there are exit fees and whether the restaurant needs to pay for any technology or promotion, such as an instore device or photos.

For more information on what this cost covers for each business, please review the [Online Food Delivery in Australia - Options for Restaurants Australia](#) Fact Sheet.

Additional Options

Online ordering and delivery providers may provide other options for restaurants to generate revenue through their service. This could be an additional product available to restaurant partners for purchase or, a benefit to restaurants of the individual platform's business model. For example, if a restaurant chooses to supply their own driver then they could partner with Menulog and set their own delivery fee, which the restaurant then keeps. For more information on what this cost covers for each business, please review the [Online Food Delivery in Australia - Options for Restaurants Australia](#) Fact Sheet.

WHAT CUSTOMERS THINK

Menulog customer

"I'm Alex, I'm 25 and I live in an apartment in Fitzroy, Melbourne with two flatmates. I love ordering food online because it's so easy, I don't even have to think. I can just reorder what I know I've had before, or from a place I like and it just works. Now I'm used to Menulog, I wouldn't go back. For one, I've realised that I'd rather talk to my flatmates over a beer while I place the order rather than talk to the restaurant. I have tried so many different types of food since going online- it's so good. You can always get a good deal on Menulog, I couldn't get the ingredients and make it for the price, let alone have it delivered to my door, it's pretty awesome I have to say."

Deliveroo customer

"I'm Alice, aged 43 from Melbourne. I juggle a busy job with two young kids, so Deliveroo is a lifesaver for me! Once a week I order as a treat to myself. Also, Wednesday is the evening that I'm driving everyone to and from afterschool classes, so I'll often order the family a healthy dinner to save time... and stress."



SUCCESS STORIES

Earl and Pearl, Berkeley, NSW – partner of Menulog

“We would have closed down if it wasn’t for Menulog - it has made a huge difference for us! Not only did it help me keep my doors open, but it now accounts for 30 percent of orders. Marketing costs a lot of money. And you don’t always have the time when you are running the store and getting all the fresh ingredients. So, the online platform is a big help. Customers tell me that they have even stayed in motels nearby the restaurant because of the restaurant’s rating on Menulog.”

Mary’s Burgers, Sydney, NSW - partner of Deliveroo

“We’re always about being straight up and telling the truth here at Mary’s. Deliveroo has exceeded our expectations in both sales and service department. Revenue has taken a real boost and they have fulfilled their promise on taking full responsibility of the service and our customers as soon as the food leaves the building.”

MORE INFORMATION

MENULOG

<https://www.menulog.com.au/content/join-menulog/>

Call: 1300 787 955

Email: enquiries@menulog.com

DELIVEROO

<https://restaurants.deliveroo.com/en-au/>

Call: 1300 766 8326



Developed in partnership with R&CA Gold Association Partner Menulog and also Deliveroo

