



Third Party Delivery: Today and Tomorrow

November 2019



Types of Platforms

There are really three types of platforms for restaurants:

- Independent Platform
 - Restaurant's branded website – can include delivery, curbside, takeout
 - Easier to communicate specials, LTO's
 - Greater control over delivery and food quality
 - Relatively high cost, and long time to develop
 - Third Party Platform
 - Plug and play order taking and payments
 - Delivery can be by restaurant or third party
 - Larger customer pool
 - Less expensive approach; quicker to launch
 - Commissions 15 – 30% of sales
 - Often pool trips from multiple restaurants – no control over food quality
 - Hybrid – Panera, McDonald's
 - App for take out orders
 - Third party for delivery
 - Delivery by the restaurant, or by third party
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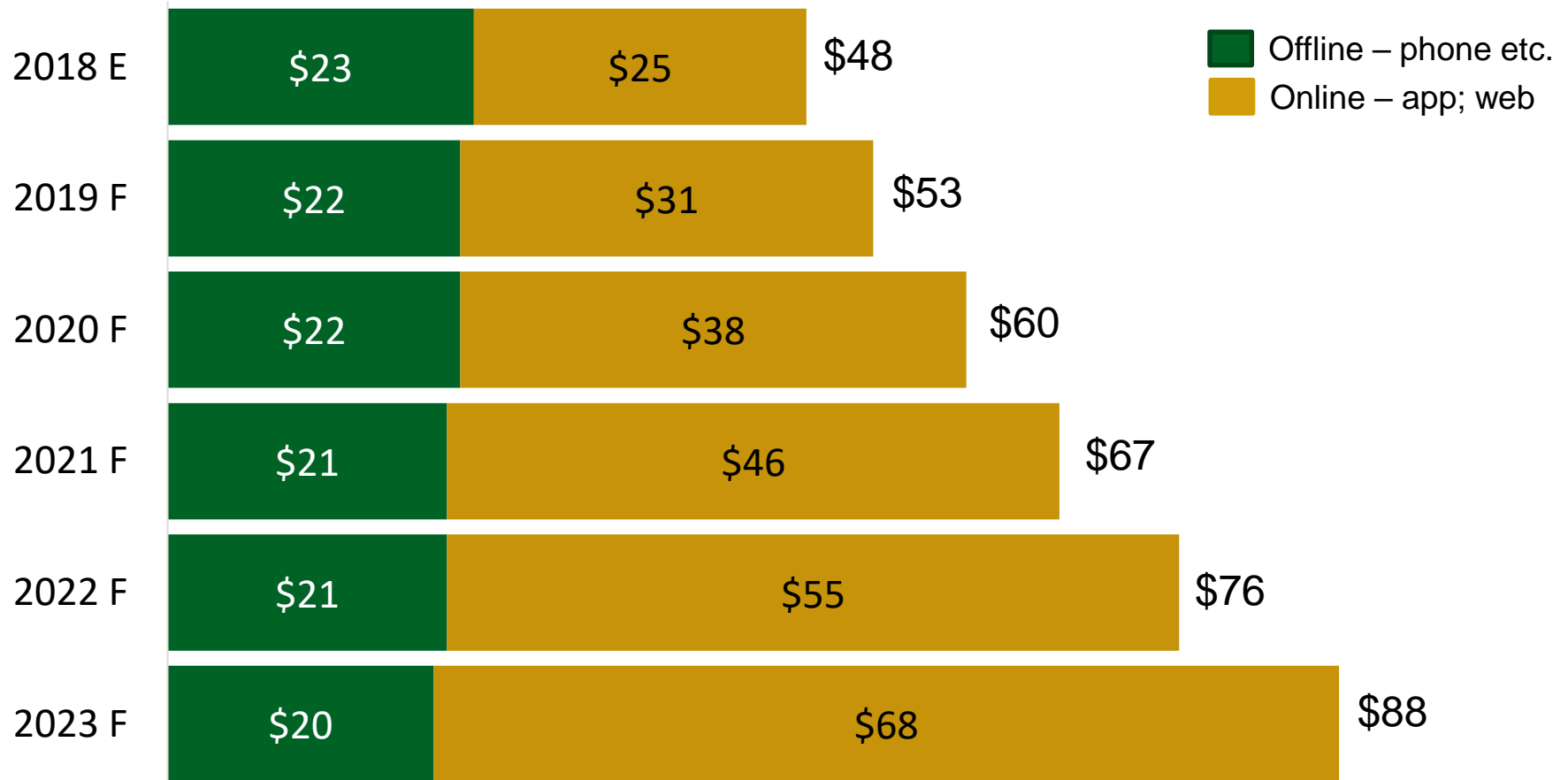
Third Party is A Crowded Space

There are many different restaurant delivery companies – all vying for market share

- Key players are:
 - DoorDash
 - Grubhub
 - Uber Eats
 - Postmates
 - Eat24
 - Caviar
 - Waitr
 - Amazon Restaurants – Closed in June 2019



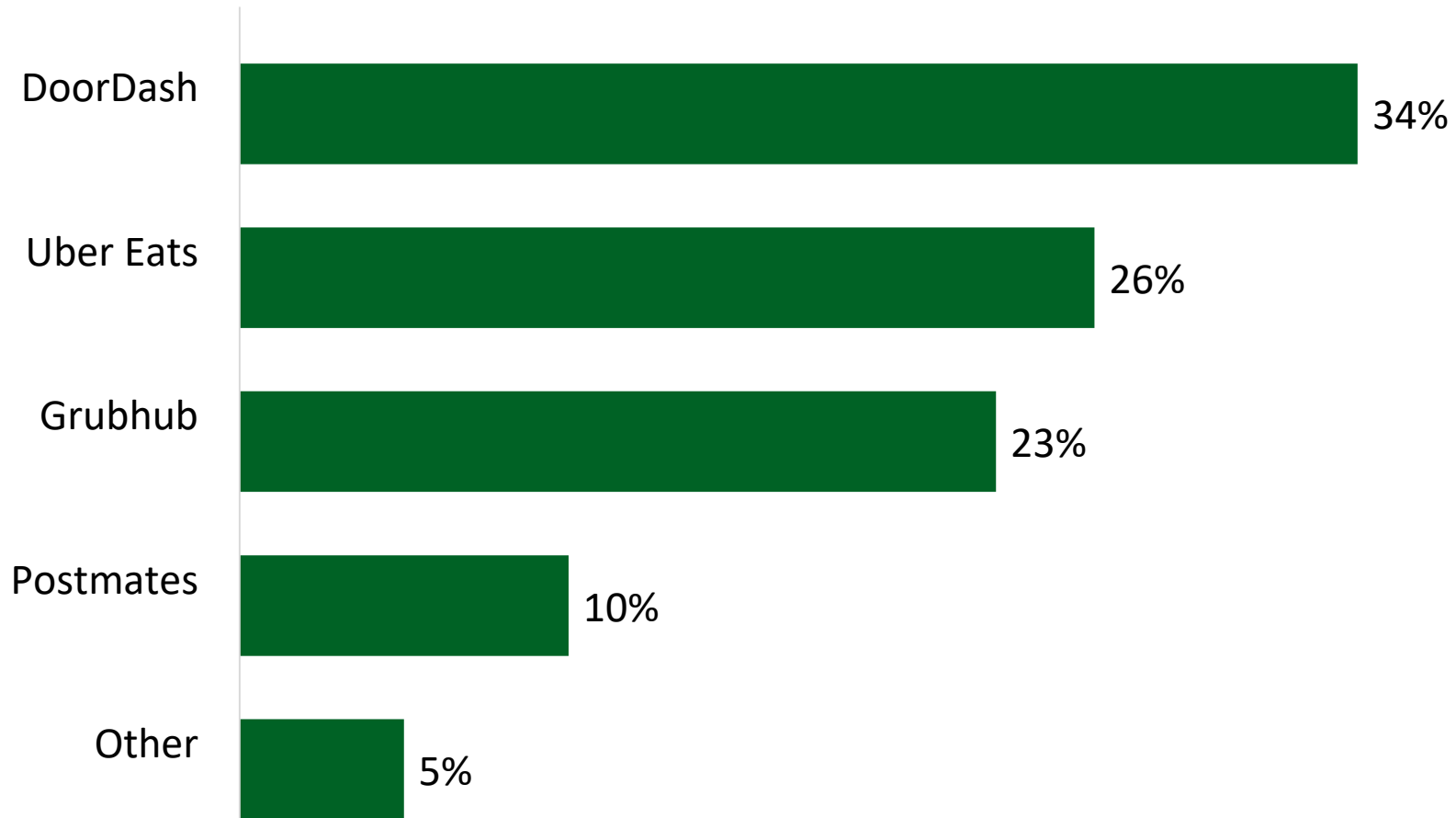
US Restaurant Delivery Sales - \$88 Billion Opportunity by 2023



Source: LEK Research; Cowen 2017 Dining in is the new Dining out; E= Estimate; F=Forecast



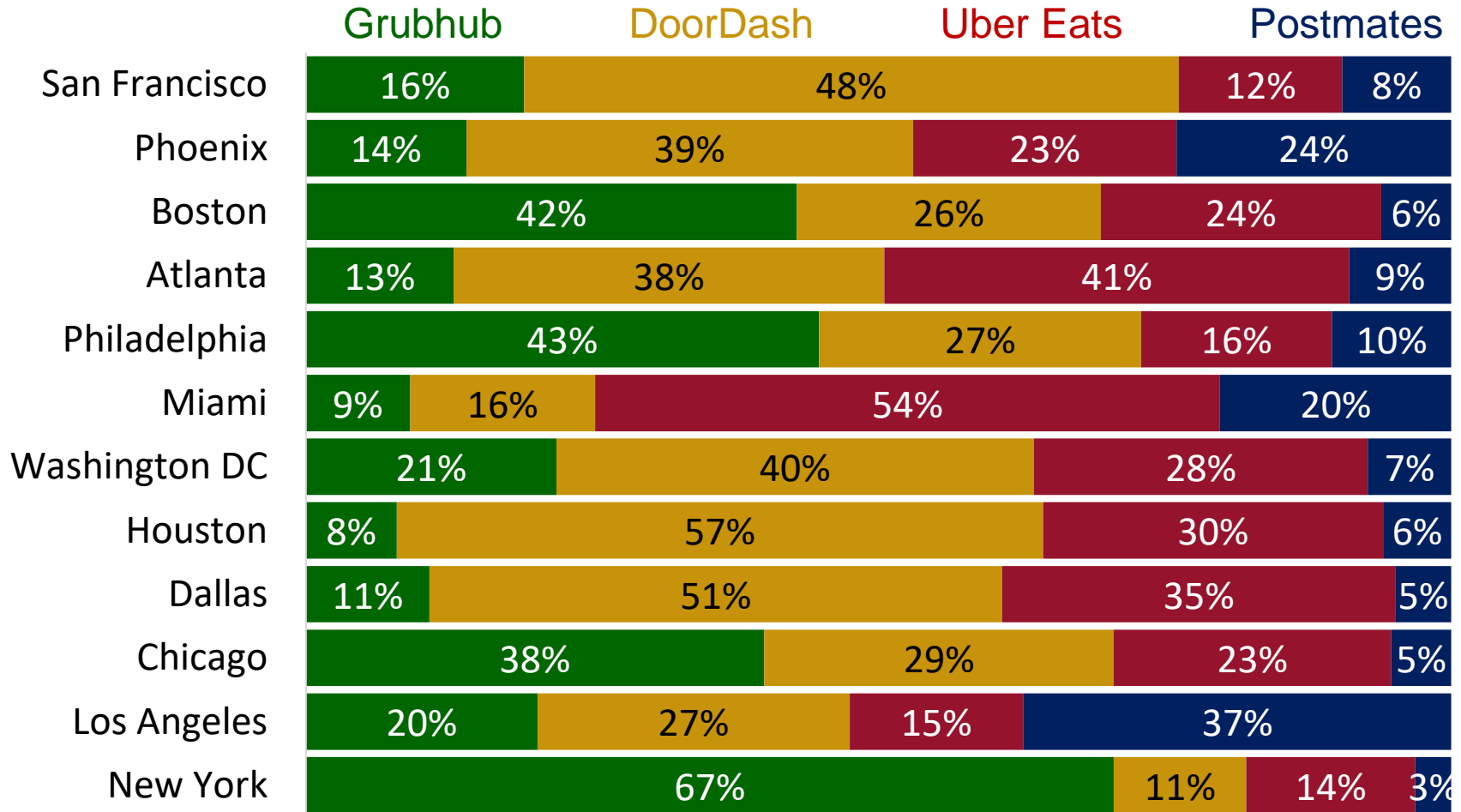
September 2019 Market Share – Total US



Source: Second Measure



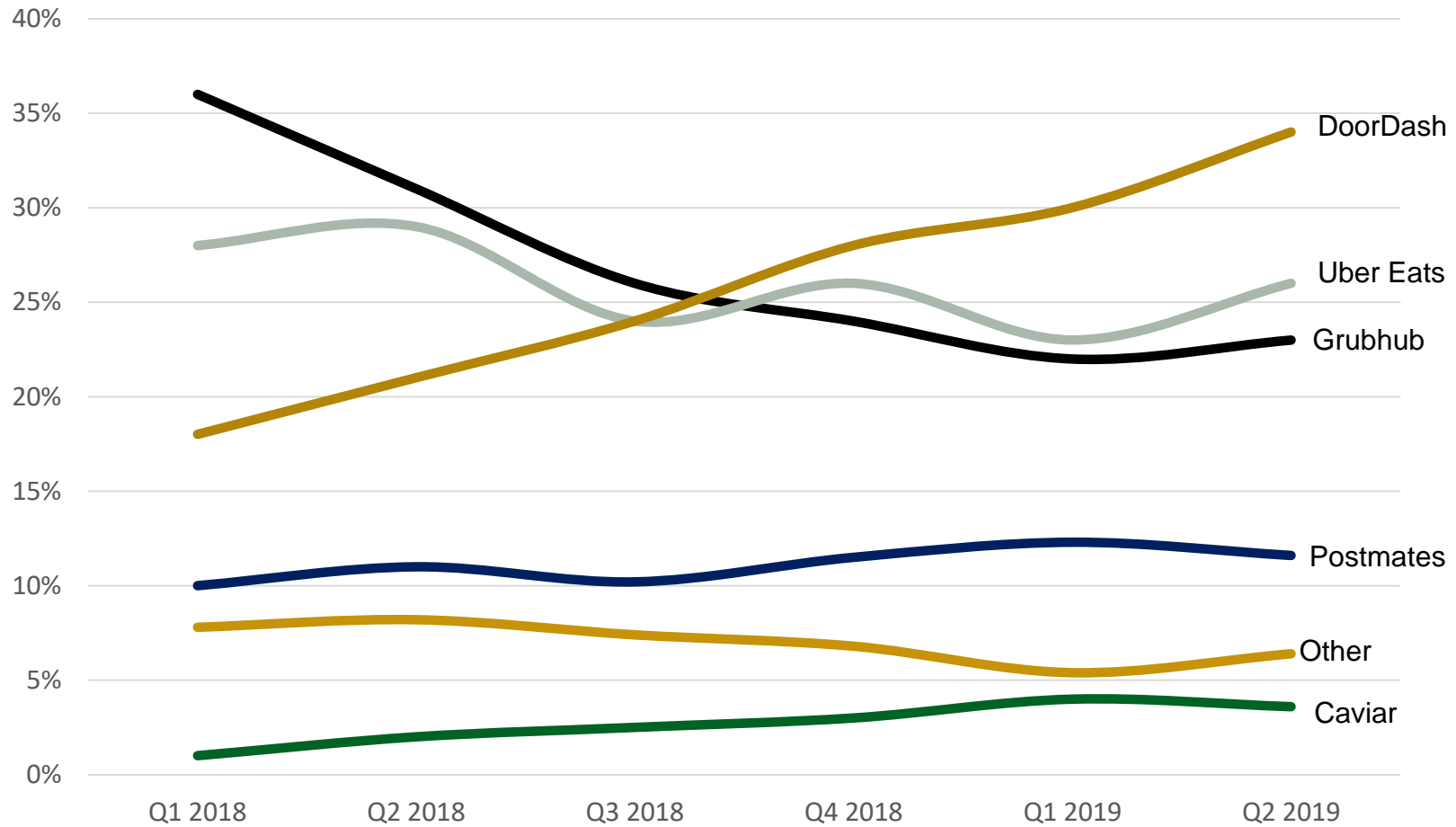
September 2019 Market Share – Major Markets



Source: Second Measure



Delivery Market Share over Time



Source: Wall Street Journal; Edison Trends



Customer Overlap

Customers do not seem to be loyal to one or even two delivery providers

Competitors

	Grubhub	DoorDash	Uber Eats	Postmates	Caviar	Waitr
Grubhub	--	24%	14%	10%	3%	1%
Door Dash	19%	--	16%	10%	1%	2%
Uber Eats	19%	27%	--	12%	2%	1%
Postmates	24%	30%	21%	--	4%	1%
Caviar	41%	21%	15%	20%	--	0%
Waitr	9%	26%	10%	5%	0%	--

Customers



Wall Street Stops Cheerleading for Delivery Companies

- Grubhub Q3 revenue of \$322 Million was 30% ahead of 2018's \$247 Million
- Grubhub Q3 net income was \$1 Million vs. \$22.7 Million in 2018 – Stock plunged 43% valuing the company at about \$3B – down from \$5.3B the day before
- Grubhub said in a statement: “We don’t believe that the company can generate significant profits on just the logistics side of the business” In other words, delivery will be a low margin business
- Postmates shelved and IPO in early October citing “market uncertainty”
- DoorDash has stopped talking about an IPO
- Postmates and DoorDash together have raised about \$3B in private investment, and have a combined valuation of about \$15B before Grubhub's Q3 earnings
- It appears that restaurant delivery is turning into a commoditized low margin business



Grubhub's Poor Performance in Q3 Had an Impact





Impact of Delivery on Restaurants

- Cheesecake Factory said off premise sales comprise 16% of revenue, with delivery representing 5.6% of total sales
- There are some drawbacks for the brand:
 - No alcoholic beverage sales – a big margin hit
 - Often no beverage sale
 - No control over the delivery experience – timing, courtesy of the driver etc.
 - If something goes wrong the restaurant brand is blamed, not the delivery brand
 - Food quality is lower than in the restaurant – McDonald's French Fries have a shelf life of 7 minutes. Some categories handle delivery well – pizza, sandwich, most Asian cuisines
 - Cost to redesign kitchens and technology in some cases an after thought and expensive



Impact of Delivery on Restaurant Brands



"Don't pay any attention. Simmons is always yelling 'Wolf' about something."

CartoonStock.com



Impact of Delivery on Restaurants

- There are operational impacts as well:
 - Third party orders may not be well integrated into the order que for the kitchen. There is one technology solution OLO that integrates takeout and delivery into the order queue. Others do it manually.
 - Some restaurants have separate operations for takeout and delivery – adding labor and complicating the kitchen operations
- Panera – Ron Shaich
Panera tested 3rd Party Delivery in 2015 & 2016 and made a decision to implement self delivery!