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## RTN Headlines

### Food Delivery On Demand: Disruptors and Debate

By Angela Diffly

Director of Membership, Restaurant Technology Network

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*At the Food On Demand Conference, restaurants heard from nearly every food delivery fish in the sea. As the industry wades through rough waters, the debate about how to make food delivery palatable and profitable rages on.*

At the second annual [Food On Demand Conference](#) in Chicago this week, there was no shortage of big, innovative and unique delivery companies

looking to make a splash with potential restaurant partners in the audience. It was eye-opening to hear from most of them during rapid-fire, back-to-back 15-minute presentations. The following summarizes what I took away from the whirlwind sessions.

### **But First, Millennials**

Delivery companies like [UberEats](#) are placing big bets on huge market share, throwing dollars at star power and influencers to reel in the young delivery demographic restaurants covet. The company showcased flashy video and its cool factor by name-dropping influencers and promotions via The Oscars and SXSW.

“Think of us as Uber, not just Eats. You’re partnering with 75 million users around the world. It’s our job to help you convert them,” said Bowie Cheung, head of regional operations at [Uber](#). To help you get there, UberEats boasts an app allowing restaurants to select budget and items to promote in a Facebook-like targeted approach to winning wallet share.

With 5.1 million customers in the USA and Mexico, predominantly Southwest-player [Postmates](#) senior VP of sales Dan Mosher claimed, “We own the millennial customer” (they also own a cute robot, more on that later). He went on to say millennials make up a full three-fourths of its customer base, 60 percent are female, and the Postmates customer has an average household income of \$95K.

Postmates' Unlimited flat rate food delivery (monthly or annual subscription) is one of every three orders. "They're not switchers. They're already spending their money for the subscription, so they're coming to Postmates only," said Mosher. He revealed the annual spend for Postmates Unlimited customers is \$3K per year and 3X the frequency - more than the average spend on Amazon.

"I can't tell you how many times I've heard, 'if you could just sharpen the pencil.' I'm a millennial. I've never even used a pencil," quipped head of enterprise restaurants at [Grubhub](#) and former founder and CEO of LevelUp. This sparked a universal laugh from the rapt audience.

Rather than partnering with everyone and trying to leverage one against the other, Grubhub wants a deeper, more exclusive partnership. "When we partner with brands exclusively in unique ways, we give them access to data - our largest asset. Think about buying versus renting, your customer." he said. (Grubhub enjoys an exclusive relationship with Yum brands.) While it's a great strategy and it's definitely what restaurants want, the statement seemed to land a little sideways. Do these customers not already belong to the restaurant? Now they have to buy their customers back? This is debatable, of course. Thus the big, looming question, who owns the customer?

The elephant in the room was the generational gap between the young, hipster disruptive delivery company execs and seasoned "old-school"

restaurateurs. This fact also came to light when [Foodsby](#) founder and CEO Ben Cattoor addressed the crowd. “Most of these companies started in garages in Silicon Valley,” he said. “I’m from Minnesota. It’s freaking cold. We don’t start companies in our garages.”

That brings us to [DoorDash](#). A billion-dollar idea that started in a Stanford University dorm room, the company is now the top on-demand food delivery service (after knocking off GrubHub) in consumer spending market share, according to [Edison Trends](#). CEO Tony Xu recently told [Fortune at Brainstorm Tech](#) the company wants to be the only company outside of the postal service to deliver to every U.S. household. Back at our conference, VP of business development Toby Espinosa said the company wants restaurants to have their own delivery business, with DoorDash as the logistics platform behind it. “The consumer should have the freedom to order regardless of channel,” he said.

### **Who’s In The Driver’s Seat?**

Regardless of who delivers it, top of mind among restaurants (besides holding onto margin and who owns the customer) is keeping hot, delicious food hot and delicious upon arriving at the customer’s door. When it’s not, which happens A LOT, guess who takes the hit? The restaurant brand. Now who owns the customer?

Foodsby has a unique business proposition: deliver the food yourself. “We’re not in the delivery space. With our model, you get to decide

where you're going and when you're going. Our system does the rest," commented Cattoor. Foodsby has much lower restaurant fees, nothing over 10%, and literally puts the restaurant back in the driver's seat. This appeals to restaurants' desire to take back control of business flow, operations, food quality and brand reputation (not to mention holding onto precious margin and reclaiming the customer).

Perhaps the most entertaining of speakers was Jayson Koss, CEO of [Delivery Dudes](#). With arguably the coolest attitude and definitely the wildest hair, Koss was refreshingly authentic during his off-the-cuff talk. He spoke passionately about how the company earned trust from restaurants by helping them perfect packaging and, together, they decide which items are delivery-worthy and how to best handle them on-the-go. "Our customers are constantly giving us feedback about packaging and we're constantly changing it. We see very clearly that when restaurants care about packaging, the ones that want to be our partners and invest in packaging, they grow. And the ones who don't take delivery seriously, don't," he said.

Delivery Dudes used "growth hacking through sweat equity" to build a business on the backs of drivers who worked their way up to ownership, to become the "delivery dude" of their own territories. He said they've watched restaurant partners get excited about the "shiny Silicon Valley companies." Meanwhile, these companies blanketed a territory then jacked up prices. The key differentiator here (cool hair aside)? "We have

drivers that care about restaurants and customers. Food quality matters. In order for food to travel, you've gotta keep it right.”

To capitalize on efficiencies that may help keep food right, [UberEats](#) says it's partnering with 1000+ restaurants in virtual kitchen environments, and recommends this approach as a safe way for restaurants to test a new concept. Postmates also suggests a cloud kitchen is a good way to go for density of creation and delivery. When 20 different restaurants can deliver inside a one-mile tight radius, you have robust variety at scale, and customers have no perception that it's all coming from the same kitchen. “It's a great way to test the market,” commented Postmates Mosher.

Concentrated predominantly in the Southeast and Midwest, [Waitr](#) is also doing things differently, practicing a little southern hospitality and hands-on involvement with its restaurant partners, boasting community involvement through church bazaars and soccer games. CEO Chris Meaux said the company is “entrenched in the communities they serve.” He also mentioned that the company goes the extra mile to create “a gallery for the art that you as restaurateurs create,” which includes pictures of the actual food customers will be ordering. He says this changes the experience for consumers. I say that's music to the restaurateur's ear. After all, restaurants pride themselves on creating delectable dishes. A delivery partner who “gets” that picture, quite literally, is bound to score points.

Postmates may have the biggest technology wow factor with Serve, its (very cute) autonomous delivery robot. With 10K+ deliveries in three cities and two countries, the self-driving sidewalk delivery has a 25-mile range, 8 mph speed and can carry up to 50 lbs of product. But I was disappointed that Serve didn't roll up on stage and deliver a sandwich.

## **The Biggest Fish**

I can't end this article without mentioning the two biggest fish in this sea (and on the planet): Amazon and Google. Both talked more big-picture strategy, but here are a couple of key takeaways.

“Start with the customer and move backwards” is the customer-obsessed Amazonian mantra and core to everything the e-commerce giant does. [Amazon Restaurants](#) makes no exception, and is hyper-focused on value, selection and above all, experience. Jerry Rapisarda, Amazon Restaurants general manager said the company even sends its engineers along with delivery drivers to hone in on the full-circle customer experience and perfect it from the inside-out. He also mentioned one-click ordering and Alexa as “prime” examples of how the company envisions moving deeper into serving up food.

In addition to “Hey Google, order food” branded chocolate bars throughout the conference, Google debuted a 3-tap, double-digit conversion rate food ordering flow. Ben Byron, Google's director of global business development put the focus on discovery and ease of food

ordering. “We’re focused on search and discovery, and seamlessly connecting users to food,” Byron commented. “Keep an eye on consumer behavior. They want it delivered yesterday. When you adapt to these demands, that’s the key to success in the next 5-10 years.

Hey Google, and Alexa, you forgot the live food ordering demos from stage. With all the delivery companies in that room, you’d think they’d have mobilized the troops in a Chicago minute to make something happen. And we could all have enjoyed a slice of pizza during the networking break. #missedopportunity #stillhungryforit

Sadly, all the unanswered questions for Google, Amazon and all the other delivery fish in the sea remain a mystery since there was no Q&A inside the sessions I attended. But the real-world aggregation disruption Grubhub’s Priebatsch referred to in his talk (Hotels.com to hotels - though I would argue Airbnb tops that list, Amazon to retail, Expedia to travel, Ticketmaster to event sales, etc.) is without a doubt happening in the food marketplace. Not only are food delivery companies aggregating delivery for restaurants, but the food delivery companies themselves will likely be aggregated - swallowed up by the silent whales lurking deep below - waiting for just the right time to surface. And what a meal that will be!

**The Restaurant Technology Network will soon be kicking off a workgroup entitled "Third-Party Delivery" to identify key pain points, prioritize and solve**

together - with delivery companies, technology suppliers and restaurant operators. **Join the RTN community today to participate.**

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8550 W. Bryn Mawr, Suite 200 | Chicago, IL 60631

Tel: (773) 992-4450

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