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Grubhub's deal with Taco Bell and KFC is evidence of two new trends in restaurant technology



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Restaurants need delivery — and need to control the delivery experience.

KFC CORP.



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– **Contributing Writer,**
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The stock of Chicago-based Grubhub soared last week on the news that it partnered with Taco Bell and KFC to offer their food for online ordering and delivery.

For Grubhub (NYSE: GRUB), the most important result is that they will now be in hundreds of cities where they previously didn't support any restaurants.

But why did Taco Bell and KFC — both owned by Yum Brands (NYSE: YUM) — sign up?

It's because of two intertwined trends in restaurants and food service: the need for delivery and the need to control the quality of the delivery experience.

Need for delivery

As I've mentioned before, we are now in the "Attention Scarcity Age" where everyone is overworked, overwhelmed, and impatient. Not only are people reluctant to visit sit-down restaurants, they don't even want to bother with fast food and takeout. Consequently, the fastest growing segment of dining is delivery.

Traditionally, pizza chains were the only ones that offered delivery. Over the years, they built their own infrastructure by employing drivers with their own cars and training them to know the local area, follow maps, and deliver the pizza hot.

Now, all the other restaurants (including McDonald's) want to immediately offer delivery, but they don't have the time and interest in building up their own delivery service. Instead, they are turning to startups such as Grubhub and Uber Eats.

In fact, offering internet ordering and delivery has become a hot segment among start-ups.

This is leading to the other trend — the need to control the delivery experience. With so many different start-ups signing up the same customers, restaurants like McDonald's found that customers were getting different delivery experiences, depending on which app they used to order with.

For this reason, McDonald's has now chosen Uber Eats to be its sole delivery service.

This is also a major key to the GrubHub/KFC-Taco Bell deal. Not only will GrubHub be the only delivery partner for KFC/Taco Bell, but GrubHub will also integrate their systems with Yum to allow seamless ordering straight from the KFC and Taco Bell websites.

My prediction is that we will see a shakeout among delivery start-ups: a few, large ones (including GrubHub and Uber Eats) will become exclusive partners to large restaurants and chains, while a few small surviving startups will compete to sign up small, local restaurants.