




The added value of delivery

Why online ordering and delivery are
staples in the digital age of hospitality

Face the facts: delivery is here to stay.

Most restaurant owners and chefs probably prefer that customers stop by, pull up a chair and experience service in the traditional way – in dining rooms where ambience is carefully crafted, and quality is assured on the spot. But even though in-house dining continues to appeal to consumers, current growth in the food service sector is being driven by delivery.

It's a fact that delivery is transforming almost every aspect of running a restaurant. As a result, failing to embrace delivery could very well mean the end of your food services business. But partnering up with a third-party delivery company doesn't mean surrendering – it means profiting – as long as you take an informed approach.

 In this e-book, you'll learn more about the forces driving the transformation of the food and hospitality business. We'll also provide you with hard facts on delivery service fees and help you identify the best way to incorporate delivery into your restaurant operations.

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Chapter 1

How delivery impacts hospitality

It's just so convenient – consumers are a few clicks away from delicious meals delivered to their doorsteps. Pioneered by Amazon two decades ago and now extending to a wide range of services and domains, rapid delivery is reshaping the way hospitality industries operate, market themselves and find their footing in the increasingly complex food services landscape.

We've said it before in numerous customer cases and whitepapers and we're expecting to keep saying it: online ordering and delivery offer significant cost, profits and sales advantages to the food businesses that embrace it, primarily because it's a lucrative additional sales channel. Here are a few things to expect.

Millennials still appreciate dining in

Although digital age consumers are ordering more food online, delivery isn't replacing brick-and-mortar dining experiences. Morar HPI consultancy found in 2018 that around 75% of people who had a positive delivery experience were likely to eat at that restaurant in person.

More meals go mobile

A wide range of high-quality, healthy, nourishing meal options is available online, leading to more competition between high-end restaurants, gourmet meal kit companies and fast-casual dining options.

Rethinking restaurant real estate

Restaurants no longer have to seek out high-traffic, high-priced areas to achieve success, thanks to delivery. Competition between restaurants is now occurring less in “real life” and more online.

In-house dining is adapting to delivery

The physical layouts of restaurants are changing to make way for delivery, with many choosing to cut back on dining space, boost kitchen capacity, hire delivery-focused personnel and renovate to include delivery-specific areas.

We covered the most extreme version of this setup – where no dining area or storefront is provided – [in our whitepaper on dark kitchens](#).

“Fed-up” millennials and ultra-niche dining

A reverse trend is being observed in which millennials, paralyzed by choice, are opting for dining solutions that limit choice and focus on extremely high quality and seasonal dishes.

None of this means that you should pack up your restaurant, fire your staff and open a dark kitchen – or launch some other business entirely. When approached the right way, delivery can be a boon to your business. Yes, it comes at a price – but managed correctly, you can transform the price into profit, loyalty, market reach and business longevity.

Chapter 2

The costs of delivery

Restaurants operate on thin margins – around 2% for restaurants and 6% for dark kitchens –, and some of them claim that the costs of delivery are just too unsustainable for their businesses. If you're worried as well, it's important to consider the fact that there are a wide range of delivery fee structures out there, and many different providers to choose from.

In April 2019, Adroit Market Research predicted that the global value of the food delivery industry will reach USD 161.71 billion in 2023 and grow at a rate of 11.7%. You read that right. The time to enter the market is now – but it's important to carefully consider options and costs before leaping.

How third-party delivery works in a nutshell

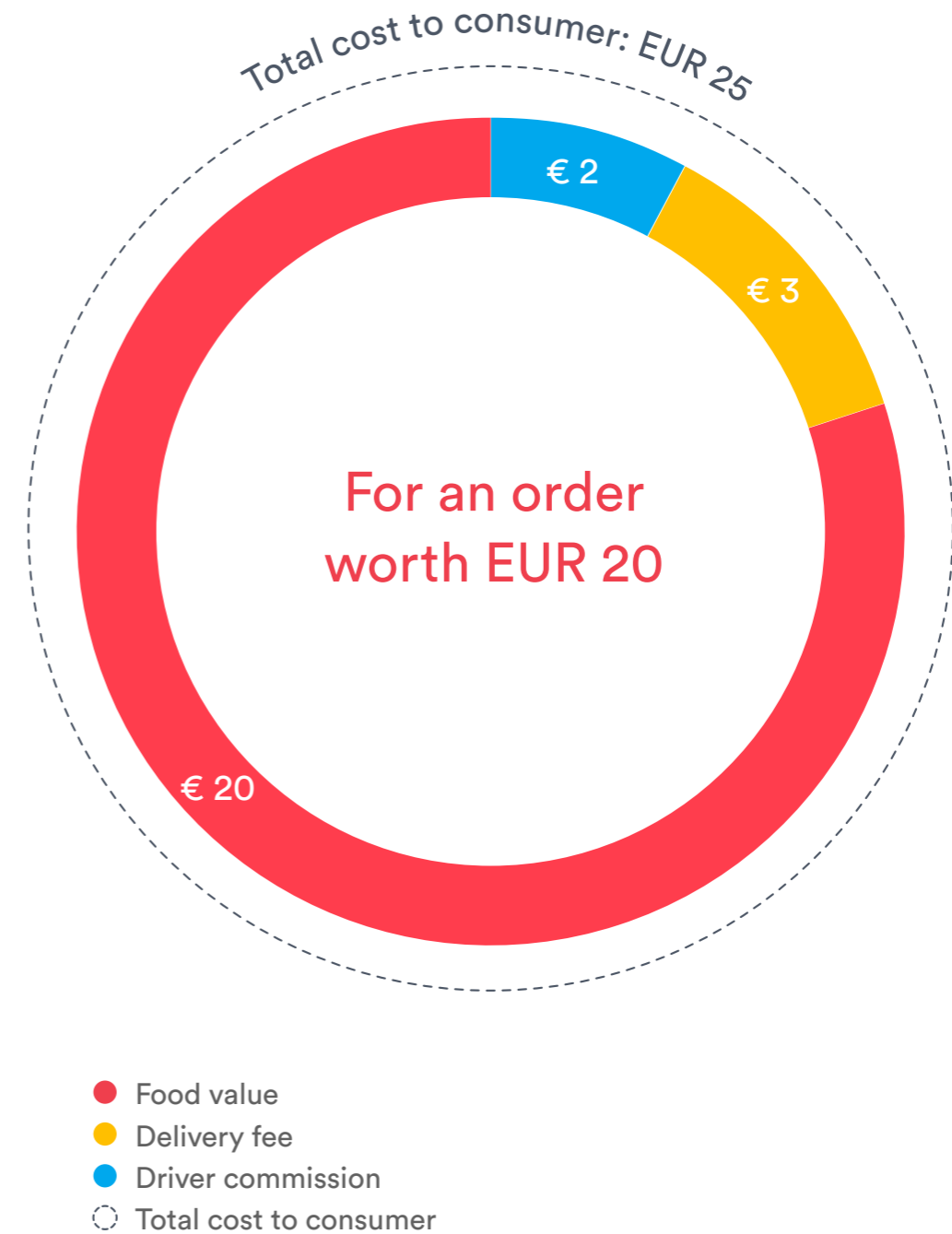
Third-party meal delivery services like Takeaway.com, Deliveroo and UberEats work with local networks of employees that they typically pay according to number of deliveries made combined with a mileage fee. There are a number of different fee structures that delivery companies use to charge their restaurant partners, commonly a percentage commission per order.

The effectiveness of this disruptive delivery business model lies in the power of the company's app, which consumers download and use to order from restaurants partnered with the delivery company. This digital interface links restaurants, delivery drivers/cyclists, e-commerce channels, hungry consumers and location data in real time. The result is the smooth coordination required for fast, cost-effective delivery.

Costs for consumers

To start off, let's look at a fictional cost breakdown of a typical delivery order fulfilled by a third-party delivery company.




This might sound like a high markup for most consumers, but millennials don't hesitate to pay for the convenience of restaurant-quality food delivered just minutes after cooking.



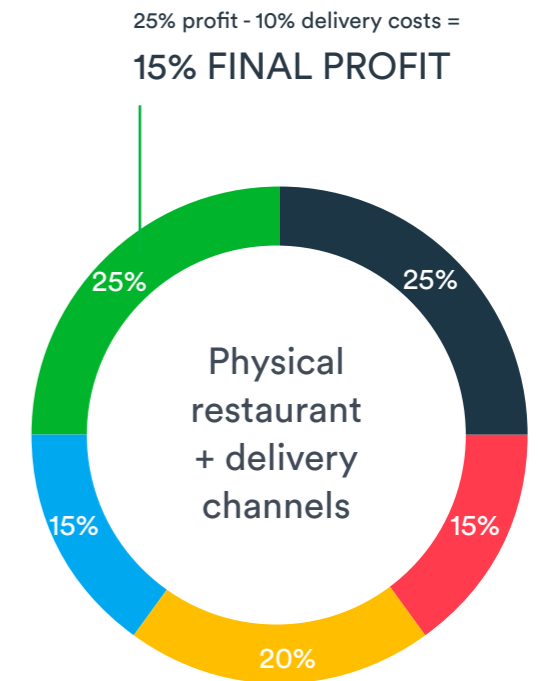
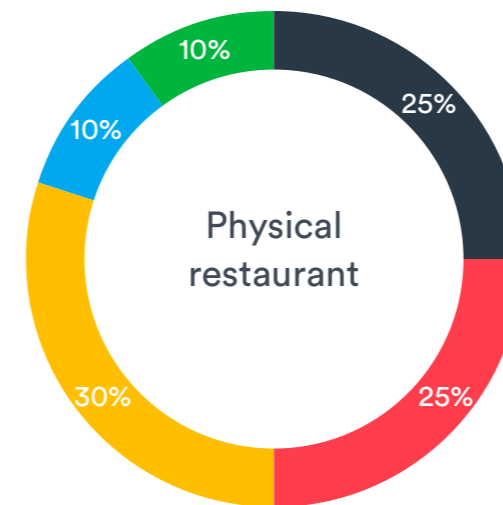
Costs for restaurants

To offset commissions charged by delivery companies, some restaurants increase prices of food ordered online vs. what they charge on premise. Restaurant chains can negotiate custom terms with delivery channels as well, making pricing a difficult thing to pin down. Channels may also charge more when partner restaurants work with other competing channels and for additional services like photography.

We've collected estimates (since these figures differ from contract to contract) on the restaurant costs of delivery charged by a handful of popular third-party channels.

Delivery company	Area	Commission (% of order value)	Other fees
	US	20% marketing + 10% delivery	3.05% + USD 0.30
	Worldwide	20-30%	GBP 2.50
	Worldwide	USD 350-500 (one-time fee) + 30%	15% + fee for small orders
	EU, UK	13%	Undisclosed
	US	15-30%	USD 0.99 – 9.99 + undisclosed service fee

Costs and returns of a physical restaurant



- food
- labor
- rent
- marketing & overhead
- profit

Chapter 3

Third-party vs. in-house delivery

› Pizza has been making its way from parlors to your door for decades. Why can't your restaurant take the same approach? Naturally, it can – but with some important caveats to keep in mind. In this chapter, we highlight some of the reasons why the benefits of third-party delivery often outweigh the costs.

Food delivery isn't the new concept here – it's the combination of real-time data processing, GPS, high-speed internet and mobile technologies that have transformed it into something disruptive. Is it more cost-effective to harness this combination yourself with a proprietary app, or to pay third party delivery firms to do it for you?

Custom apps are expensive

It's important to keep in mind that mobile apps cost thousands – even tens of thousands – of euros to develop, and to consider whether your customer base is large enough to warrant yet another app taking up smartphone screen real estate. Would a customer download your app, or prefer to rely on apps that aggregate the

offerings of multiple restaurants?

Third-party delivery companies offer tech expertise

If your business is a large franchise or very well-established restaurant, a custom app may be a cost-effective choice. However, the top 10 delivery companies still have something that most food businesses don't: extensive data and network expertise.

Benefits of choosing third-party apps



The technology is tried and tested.



You don't need to broaden your competencies to cover logistics, insurance and vehicle management.



There's already a huge user base you can benefit from.



Leave the technology to the techies and focus on the food.

Chapter 4

Introducing delivery channels into your business model

Ensuring that delivery has a positive impact on your restaurant's bottom line means taking a step-by-step approach to its introduction. Delivery means that new ways of working, new technologies and new operational mindsets will take their places in your kitchen and dining room.

If you're completely new to delivery, don't panic – just take these considerations into account, read the fine print in the contract of your delivery channel partner, and be open to some light renovations and IT investments.

Step 1: invest in technology

- Upgrade your POS platform and ensure that it's ready to interact with delivery channels.
- Verify that your WiFi covers all areas where tablets will be used to receive process orders (if applicable).

Step 2: create delivery-friendly spaces

- Remember, delivery couriers are your friends.
- Make it easy for motorists (and cyclists) to enter and exit your premises without interrupting service or diner traffic.
- Designate an area for order pickup and organize orders carefully (by name or pickup time, for instance).
- Have a staff member who serves as a point of contact for couriers in case something comes up.

Step 3: select containers and packaging designed to travel

- Invest in high-quality (more expensive packaging).
- Brand your packaging.
- Think carefully about the qualities you want to preserve in your food: should certain elements be in separate containers?
- Make it easy for couriers to differentiate between orders and fit them easily into their carrying bags: easy-stacking, transparent, flat options are popular.

Step 4: hire a delivery expert

- They manage all aspects of order receipt and meal package preparation, freeing up your kitchen and dining staff.
- Experts can prepare materials in advance to ensure that orders can be fulfilled as quickly as possible.
- Offer dedicated support to delivery drivers and cyclists in communicating and gathering orders.

Conclusion

Get started with delivery – the right way

Delivery and takeaway companies try to make it as easy as possible for restaurants to get up and running. Each delivery company offers unique incentives and relies on different applications and business models, but registration follows a similar path for all.

Kicking off your relationship with delivery channels



Visit the channel's website and register to become a restaurant partner



Sign the partner agreement



Get the technology



Schedule a meeting with your account manager to set up your menus



Receive orders

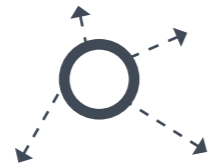
Simplify delivery channel management with Deliverect

Partnering with more than one delivery and takeout aggregator means working with different apps, online ordering channels and technologies. If handling multiple tablets in the kitchen and dealing with several account managers isn't your idea of a good time, we offer you a streamlined solution that keeps you in control and simplifies VAT compliance.

Deliverect is a software platform that collects orders placed through all mainstream delivery and takeout services and connects directly with your POS.



Avoid the 'wall of tablets'



Work with an unlimited number of delivery companies



No rekeying or manual entry needed



Automatic menu updates on multiple websites



Ensure that every customer gets a receipt



Maintain comprehensive oversight over all channels



Scale up faster

Ready to start preparing to open your own dark kitchen? Our [exclusive e-book](#) offers you a step-by-step overview.

Want to learn more about how we can help you get the most out of your delivery channels? Visit our website, www.deliverect.com/features, for more details.

