

# Medallia Market Research Suite

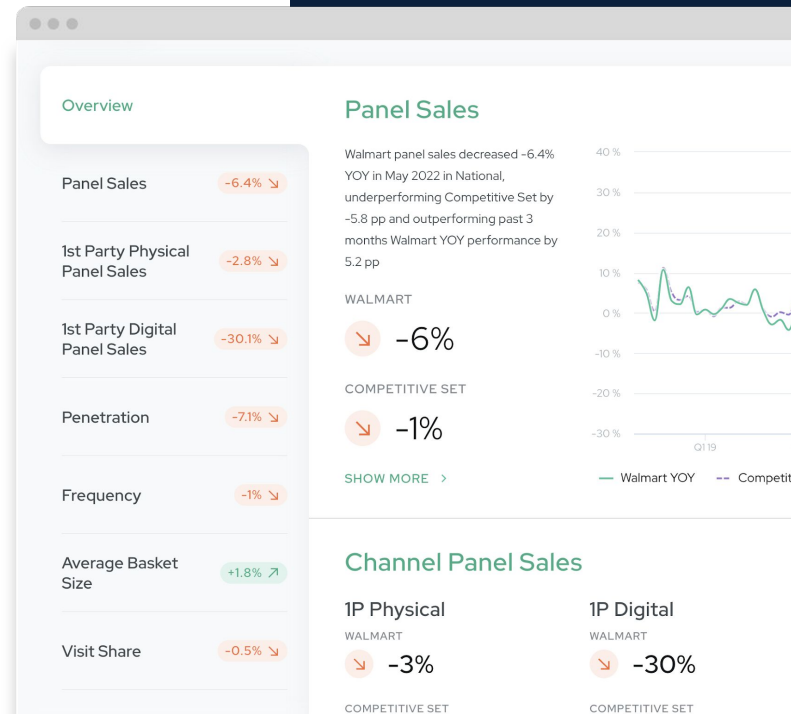
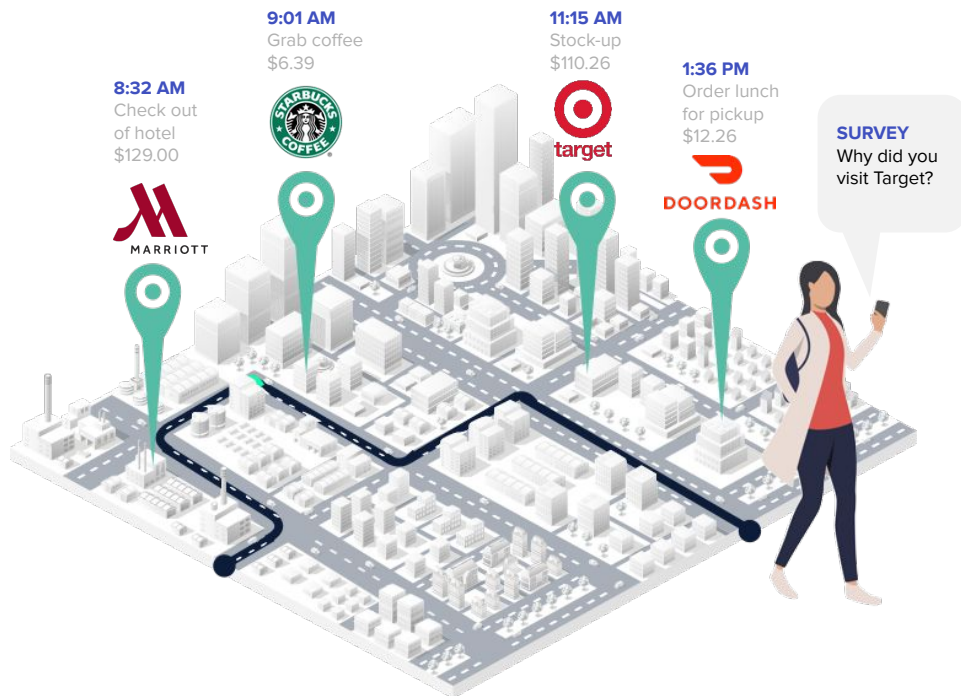
## The State of Third-Party Delivery



**Andrew Custage**  
Head of Insights,  
Medallia Market Research



# Real-world behaviors. One-click analysis.



# Special Guests

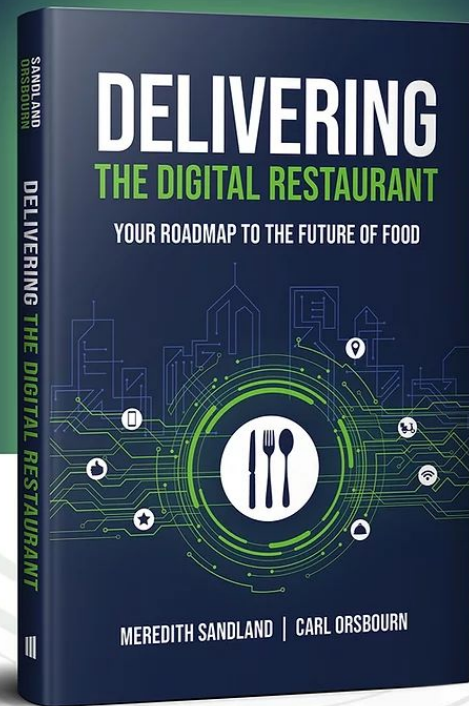


**Meredith Sandland**  
CEO  
Empower Delivery



**Carl Orsbourn**  
COO  
JUICER

Podcast Hosts and Authors of  
***Delivering the Digital Restaurant***



# Session Contents

The State of  
Third-Party  
Delivery



The Delivery Landscape



Food Ordering, in Detail



The Rise of Non-Food Orders



The First-Party vs. Third-Party Choice



Driving Further Third-Party Use

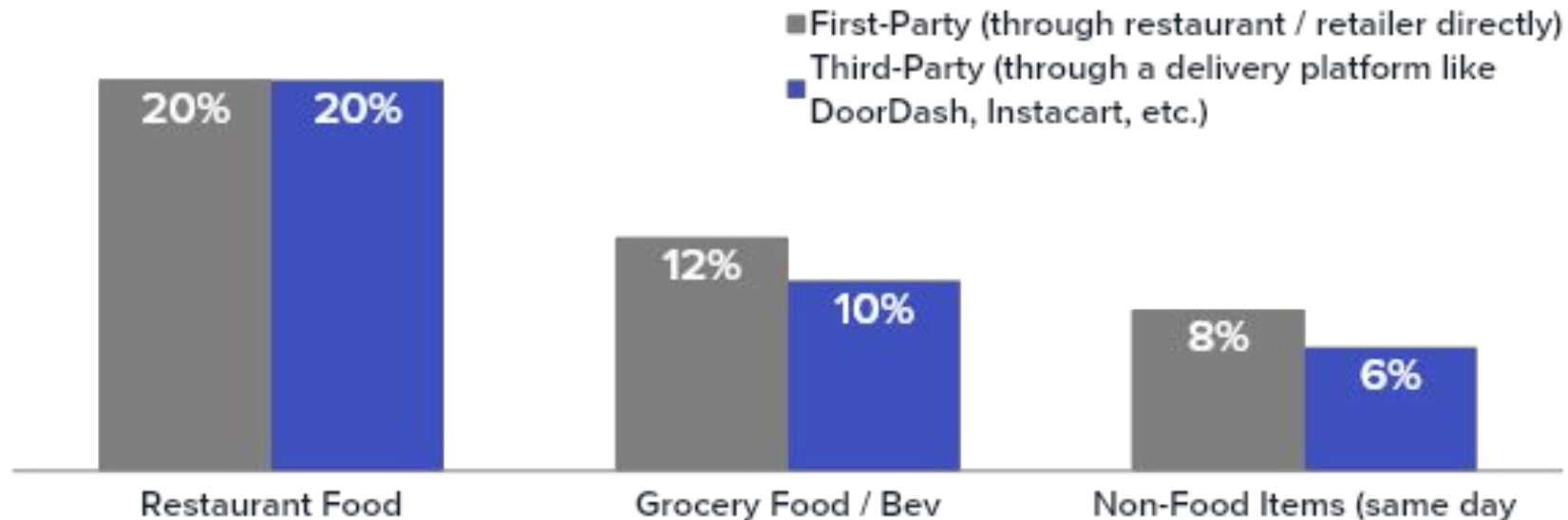
# The Delivery Landscape

# 1 in 5 used restaurant 3PD in past month

At roughly the same incidence as ordering delivery directly from the restaurant (First-Party), restaurant Third-Party Delivery is a popular choice.

## Types of delivery used in past month

Which of the following have you done in the past month?



# Gen Z: especially big fans of delivery

Gen Zers are more likely to prefer delivery and consequently less likely to prefer dining-in at restaurants.

## Restaurant order method preference

Of all the ways to get food from a restaurant, which is your single most preferred way?

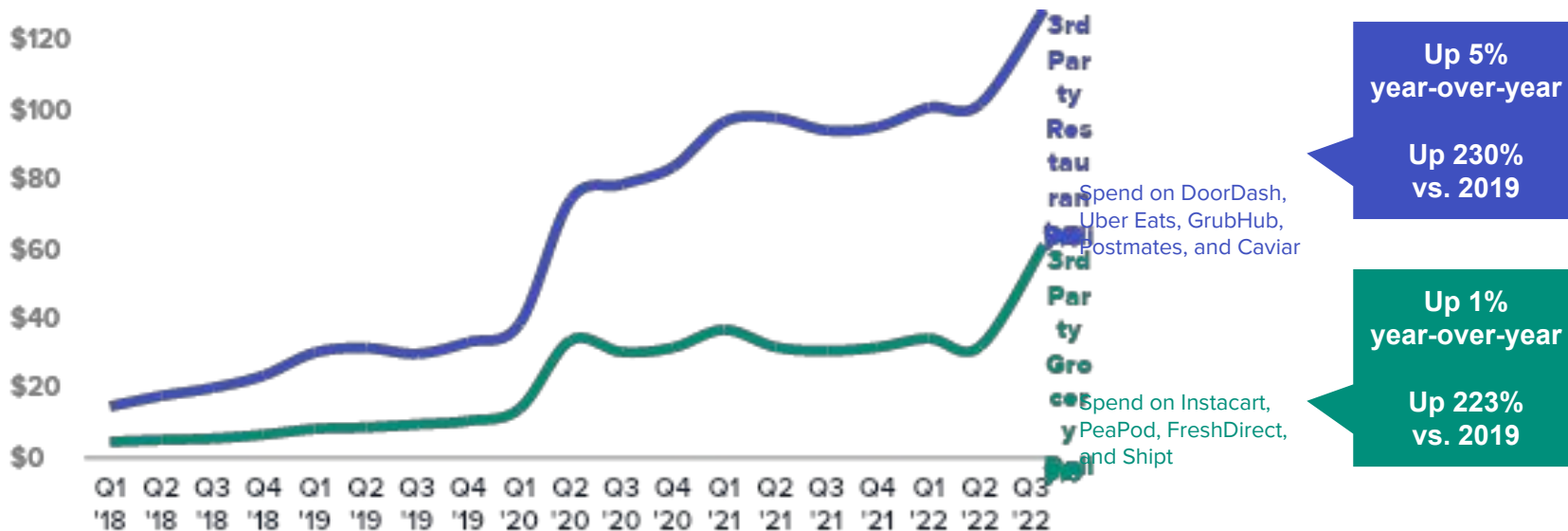


# Spend on 3PD continues to grow

Restaurant-focused platforms continue to grow, though many now also cover grocery and non-food retailers too. Grocery-focused platforms continue to hold too.

## Estimated quarterly spend per person on Third-Party Delivery

US National; Spend per panelist on groups of platforms listed for 90 day periods shown



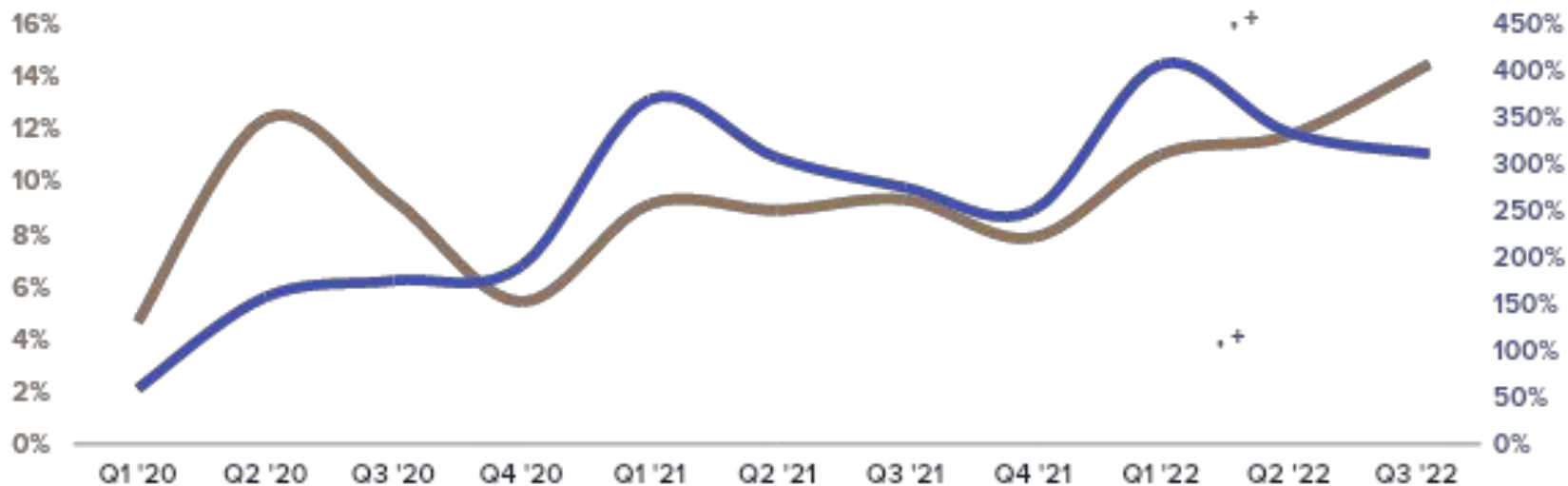


# 3PD still growing from Txn, not just Check

DoorDash is seeing a rise in Average Check Size (likely due to inflation-driven price hikes), but Transaction Volume isn't declining in the process.

## DoorDash Average Check Size and Transaction Volume, vs. 2019

US National; Relative % change vs. equivalent quarter of 2019

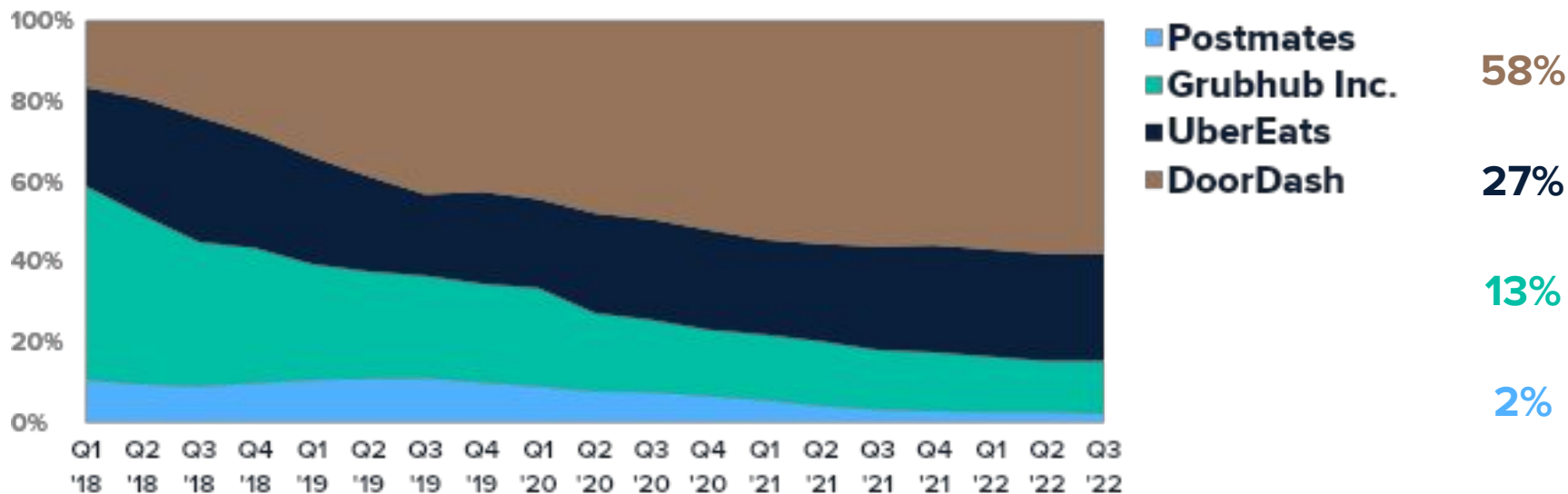


# DoorDash still holding commanding share

DoorDash has grown to hold a 50%+ market share among the 4 biggest restaurant-focused platforms, and the trend has not receded.

## Market Share among leading restaurant Third-Party Delivery platforms

US National; % shown by quarter

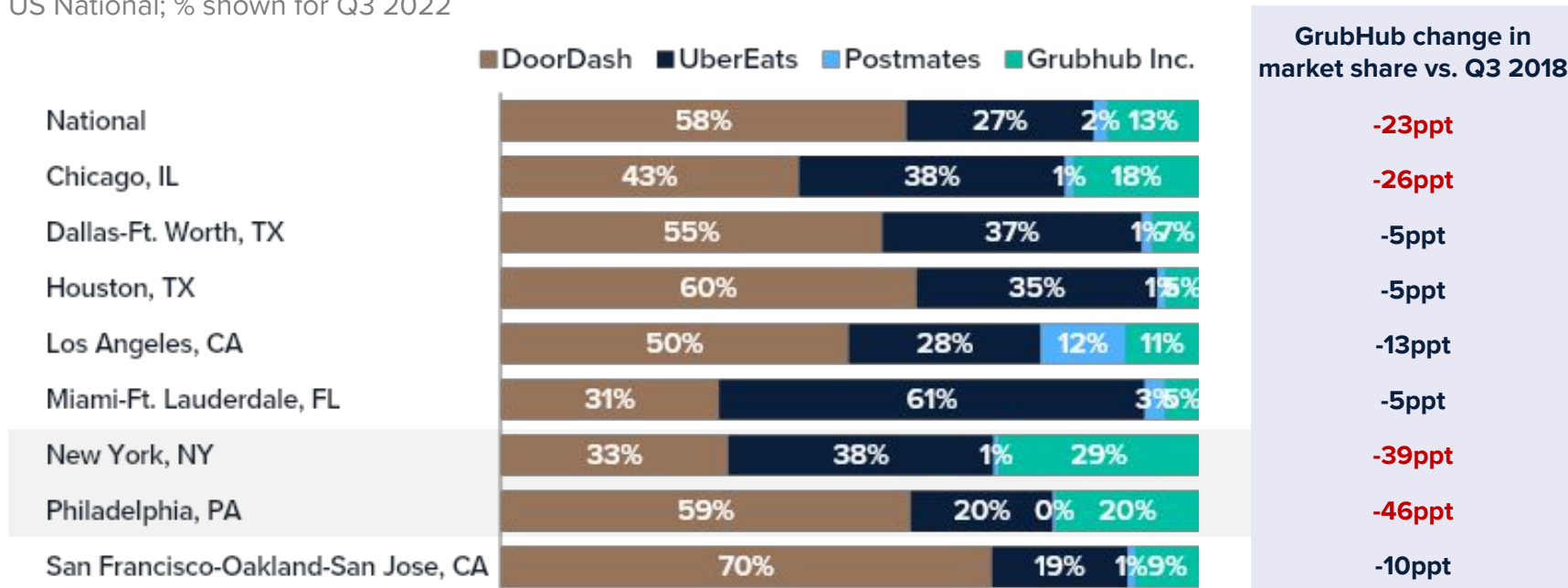


# GrubHub holding onto just a few DMAs

GrubHub (including sub-brand Seamless) is still competitive in certain DMAs like New York and Philadelphia, but its stronghold has shrunk over time

## Select DMAs: Market Share of platforms

US National; % shown for Q3 2022

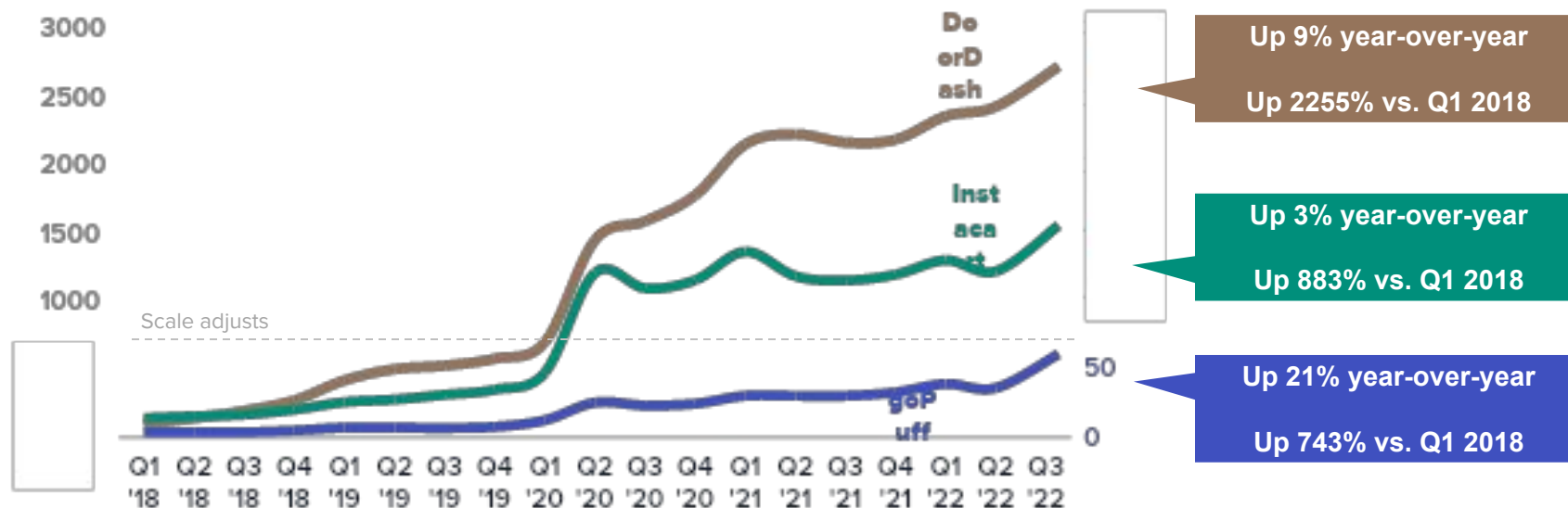


# Convenience delivery is also growing

Platforms specializing in convenience item delivery (e.g. snack foods, household goods, etc.) like goPuff have grown heavily but are still much smaller than DoorDash.

## Indexed quarterly sales by select platform

US National; Spend from panel on platforms listed for 90 day periods shown (100 = on par with DoorDash Q1 2018)

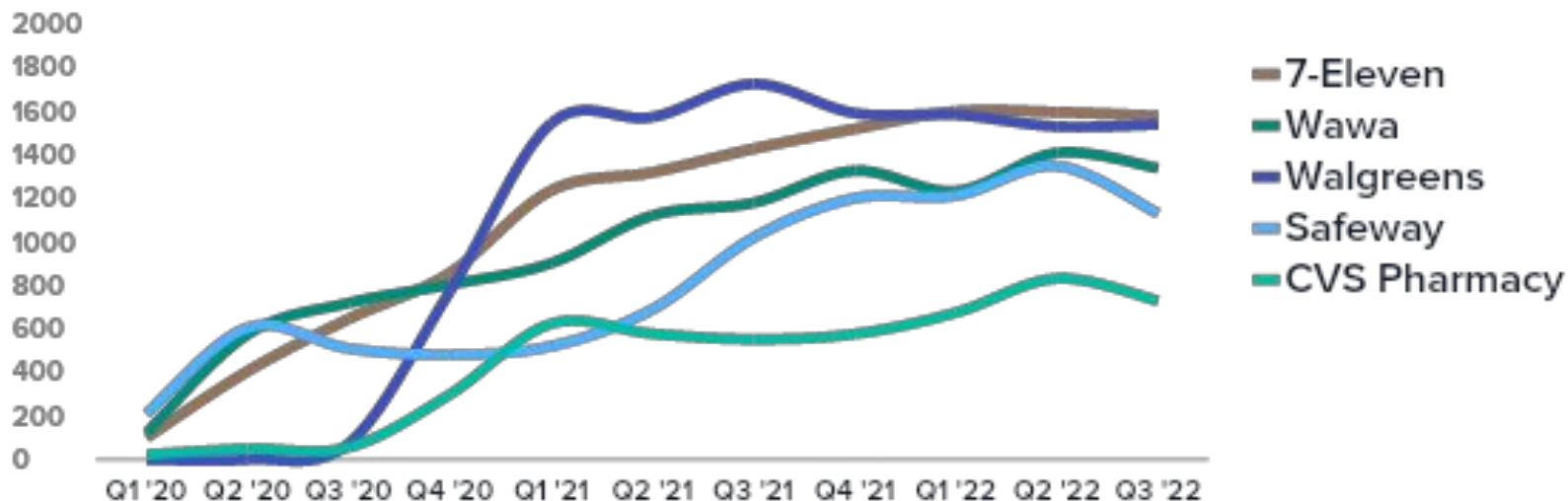


# Key retailers are growing platform presence

Non-restaurants like convenience store chains 7-Eleven and Wawa, plus drug stores like Walgreens and CVS, have grown their sales on these platforms substantially.

## Third-Party Delivery platform spend index for select retailers

US National; Spend from panel on DoorDash, Grubhub, and Postmates (100 = on par with 7-Eleven Q1 2020)

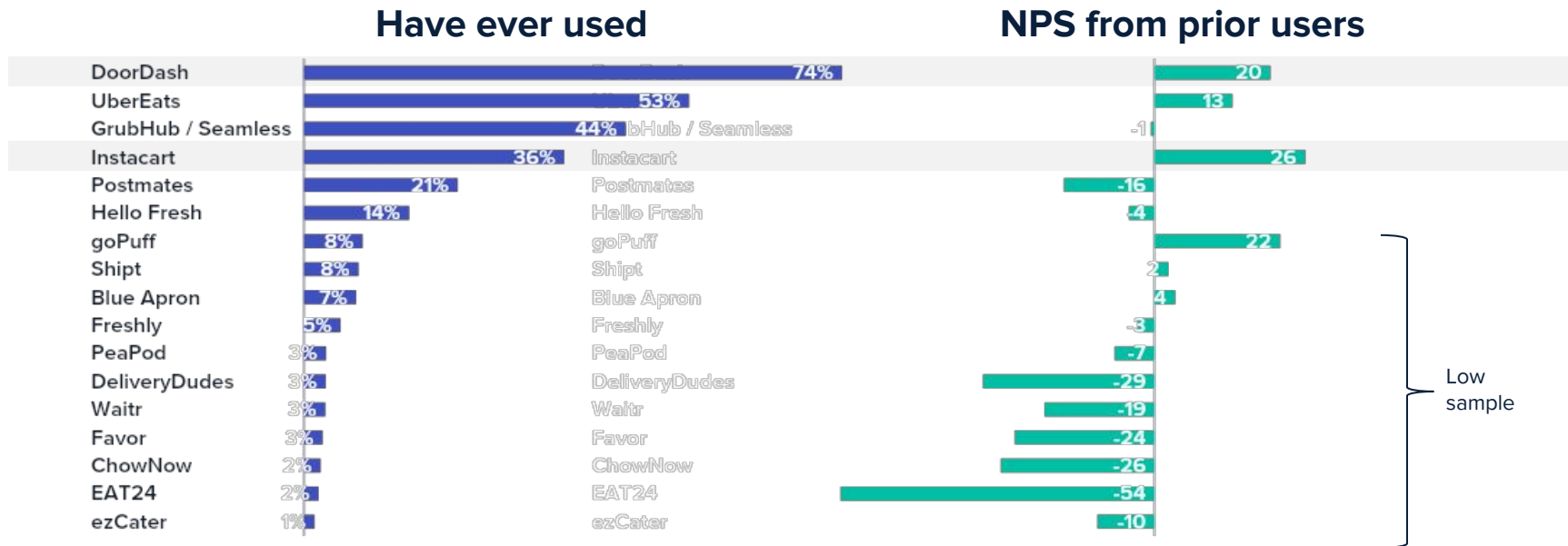


# DoorDash trial highest, but Instacart has as good if not better advocates

## History of use, and Net Promoter Score

From which of the following services have you ever placed a delivery order?

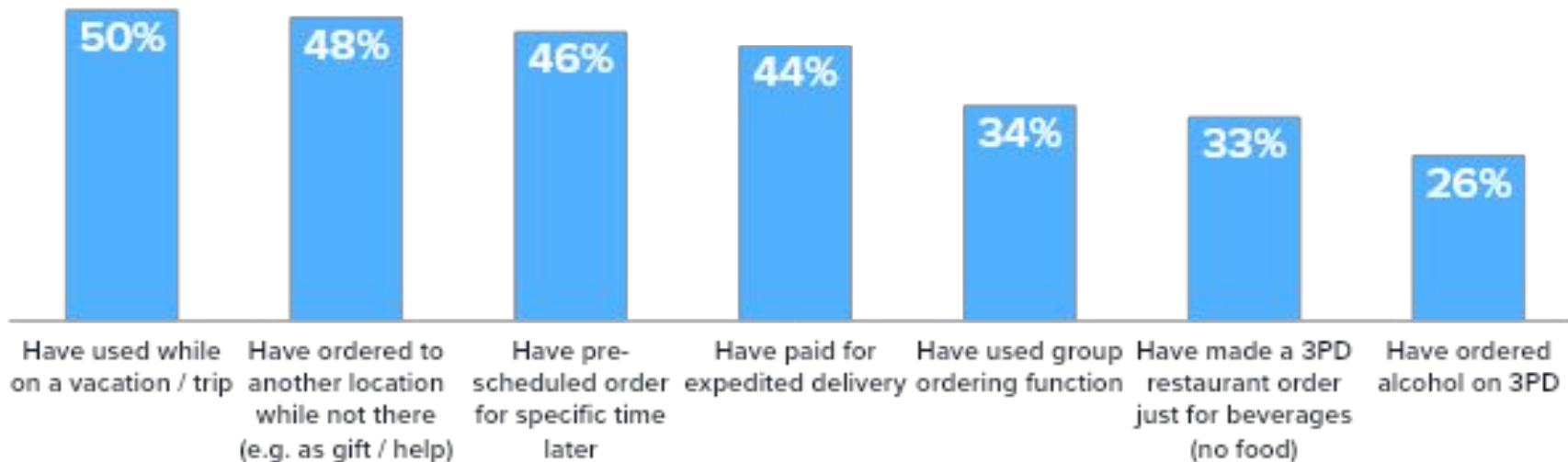
How likely is it that you would recommend the following delivery services to a friend or colleague?



# Consumers are exploring the many ways of using Third-Party Delivery

## What consumers have done in a 3PD order before

For each of the following, please select the answer that best applies to you.



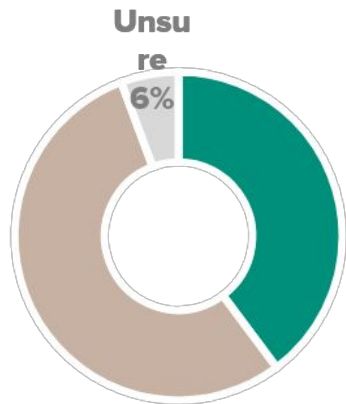
# 2 in 5 have a 3PD subscription benefit

Of those with 1+ subscription to a 3PD platform (e.g. DashPass, Instacart+, etc.), the majority pay the fee for it (vs. getting it as credit card perk).

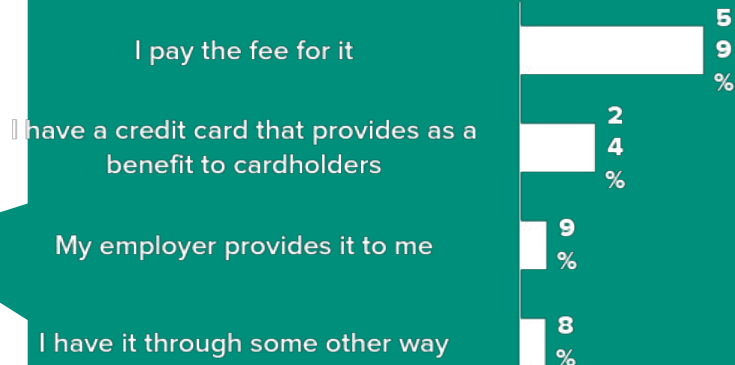
## Incidence of 3PD subscriptions, and how getting them

For each of the following, please select the answer that best applies to you. - I have a subscription with special benefits from at least one third-party delivery platform (e.g. DashPass, Instacart+, etc.)

### Have a subscription w/ special benefits from 1+ 3PD platform



### How getting subscription





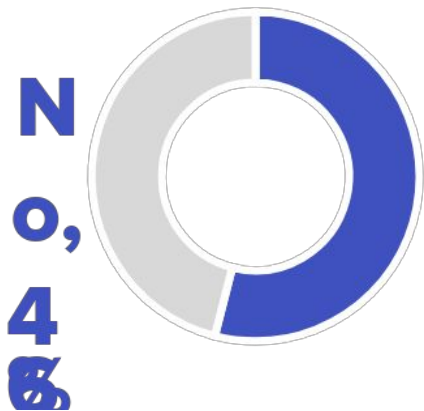
# Virtual concept awareness is stagnant

The percent of respondents citing prior awareness of virtual restaurants / “ghost kitchens”, and the percent knowing that have purchased from one, are both virtually unchanged compared to the start of 2022.

## Awareness of, and prior ordering from, Ghost Kitchens

Before taking this survey, how would you rate your familiarity with “ghost kitchens” - restaurants who are available for delivery orders but otherwise have no physical presence for dining-in or picking-up food (i.e. no storefront, no waiters, etc.)?

**Both metrics virtually unchanged vs. Jan 2022 results**



**Have at least some knowledge of “ghost kitchens”**

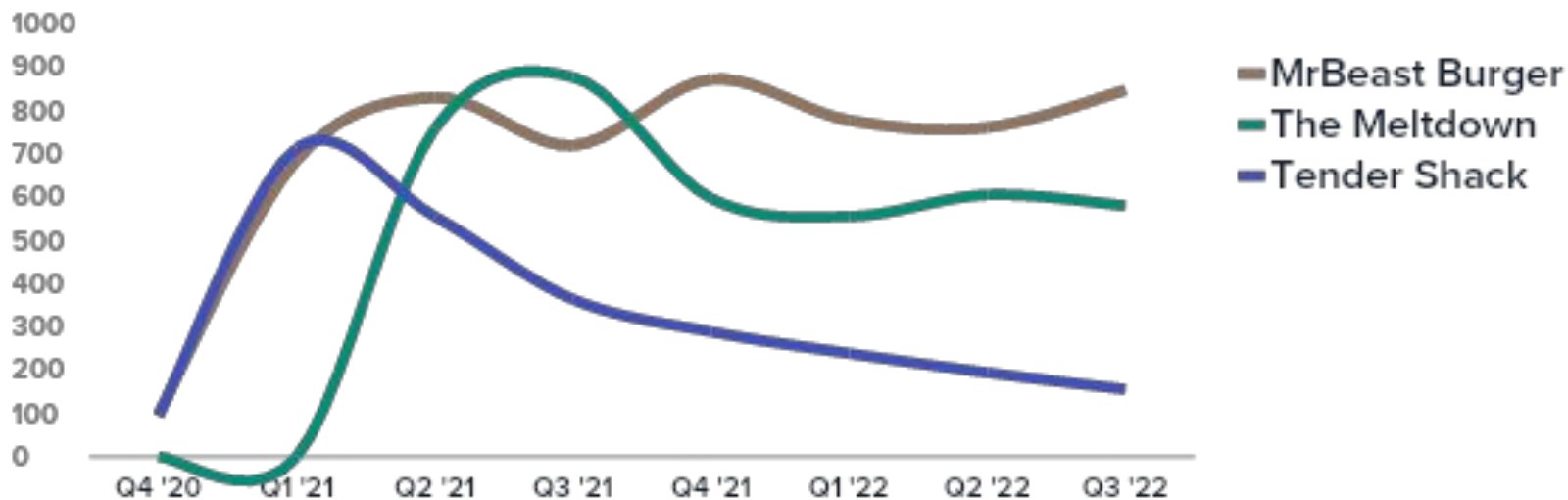
**13%**  
**of total know they have ordered from one in the past**

# Select virtual concepts flat-to-down

Notable ones like MrBeast Burger appear to be holding onto the sales performance first achieved in 2021, but aren't growing substantially higher.

## Third-Party Delivery platform spend index for select Virtual Concepts

US National; Spend from panel on DoorDash, Grubhub, and Postmates (100 = on par with MrBeast Burger in Q4 2020)





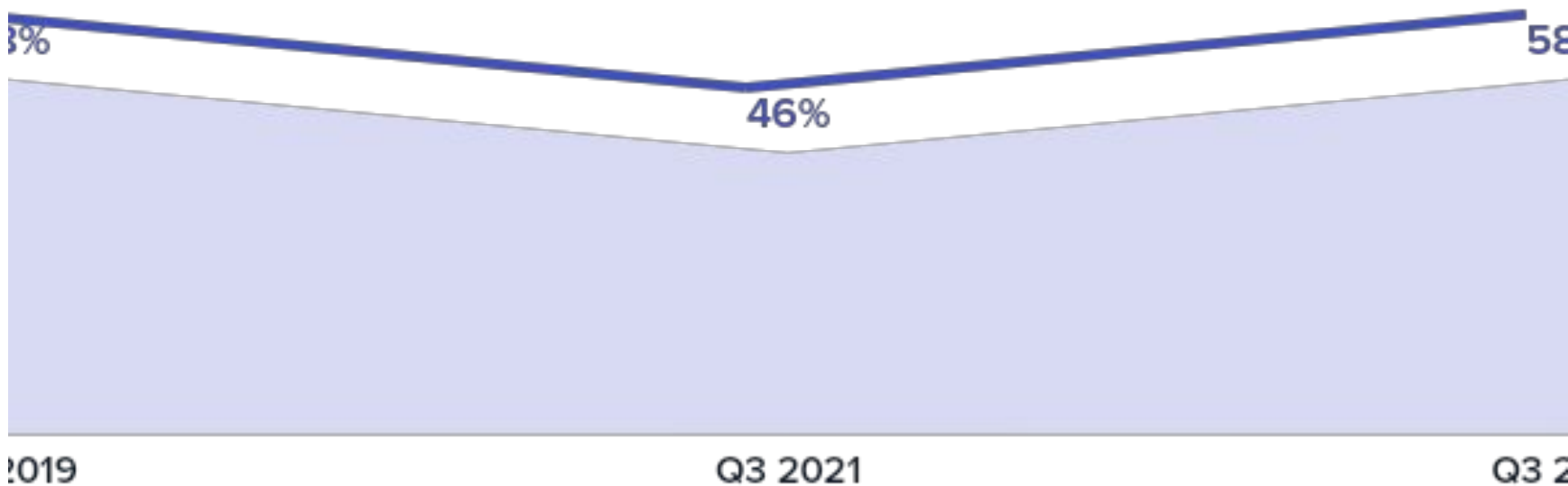
# Food Ordering, In Detail

# Smaller party sizes are back

The average order was for a larger number of people in 2020-2021 (likely due to more sheltering at home), but this trend has returned to pre-pandemic values.

## Party size of order: % for 1-2 people

For how many people was that most recent order?

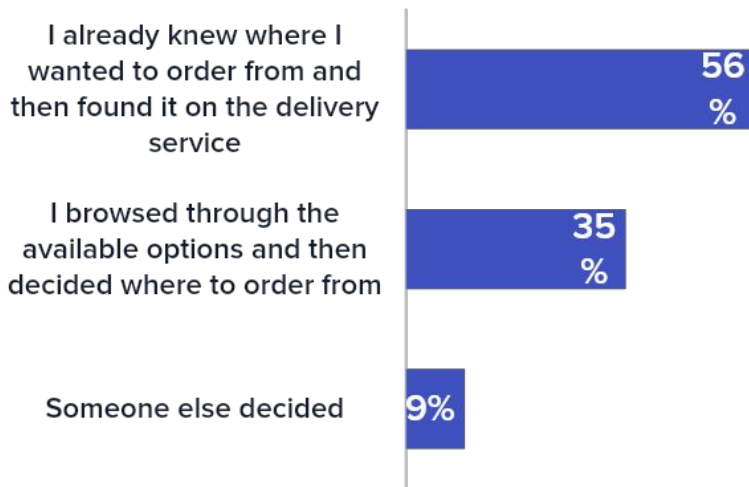


# The restaurant is selected only after browsing in 1/3 of orders

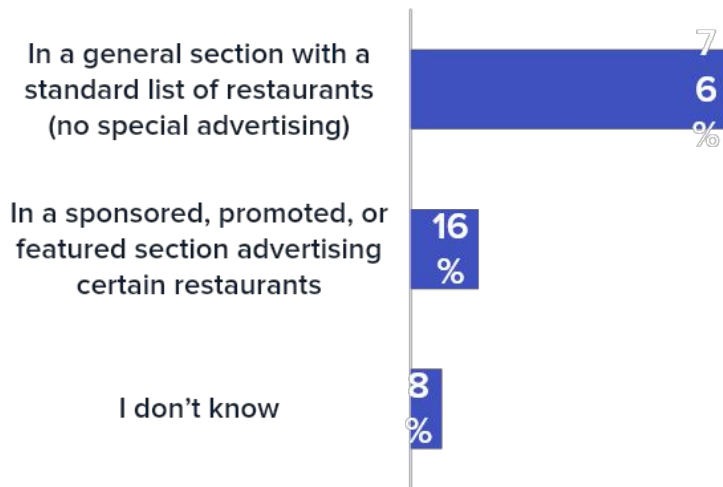
## Restaurant selection process

How did you decide which restaurant/cafe/store to order from? Where did the restaurant you chose appear on the screen?

### Choosing the restaurant



### How restaurant was displayed

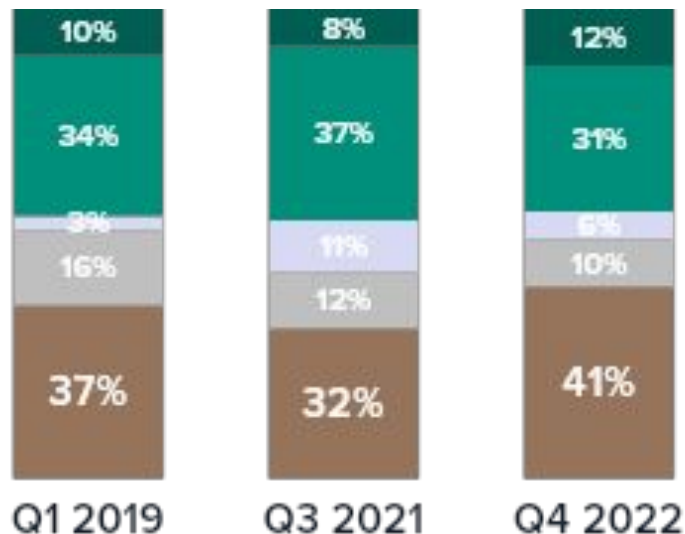


# The COVID-driven ROI of a restaurant being on 3PD may be slightly shrinking

## What customer would have done if 3PD wasn't an option

If you hadn't made this order, what would you have done instead?

- Food from Same Restaurant (directly)
- Food from Different Restaurant
- Food from Grocery / C-Store
- Food Already at Home
- No Food



3PD Impact to Restaurant:

**Incremental transactions (59%)**

**Cannibalistic transactions (41%)**

# The Rise of Non-Food Orders

# Non-Food 3PD most often from Mass

16% of respondents say they've purchased non-food items from a Third-Party platform in the past. It's most common to be from a Mass Retailer.

## Retailers used when making a non-food 3PD order

You indicated that in the past month, you have ordered non-food/bev products from a third-party platform like Instacart, goPuff, etc. for same-day pickup or delivery. When you last did this, from what kind of retailer did you order those products?





# Household goods are most common

When people use 3PD to make a non-food purchase, it is most common for goods like paper towels, cleaning products, etc. 2nd are personal hygiene.

## What non-food/bev products are purchased

What kind of non-food/bev product(s) did you get from that store on that occasion?



**Household supplies** (50%)



**Personal hygiene** (41%)



**Pet products** (37%)



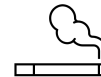
**Cups, napkins, or utensils** (27%)



**Medicine** (21%)



**Cosmetics** (20%)



**Tobacco products** (20%)



**Electronics** (19%)



**Apparel** (19%)



**Decorative / party items** (18%)



**Books, magazines, content** (15%)



**Office supplies** (14%)



**Sporting equipment** (11%)



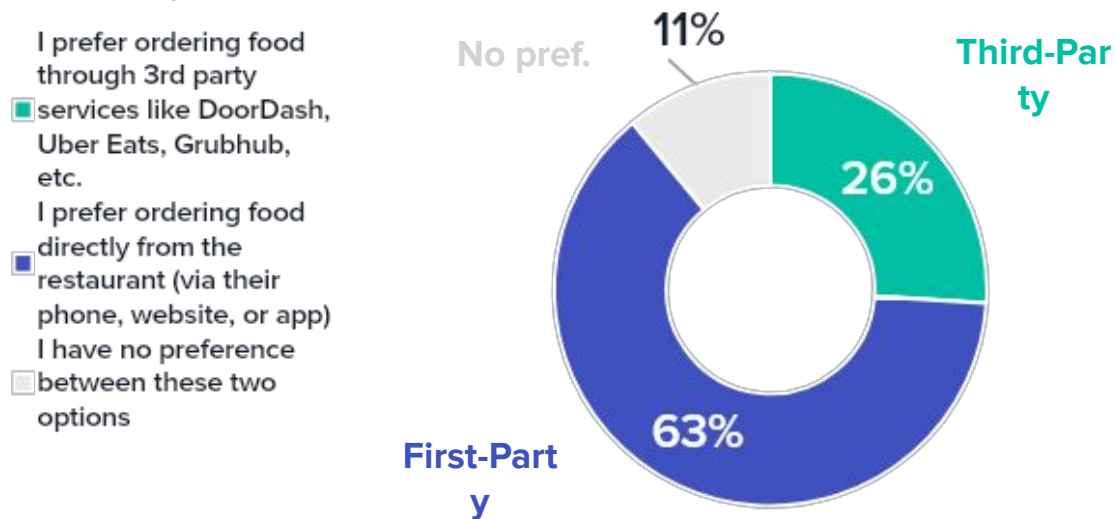
# The First-Party vs. Third-Party Choice for Restaurants

# First-Party preference still highest

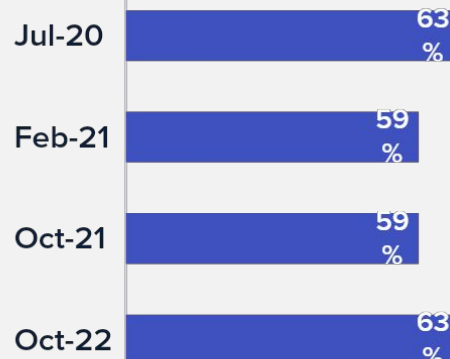
Compared to points in 2021, First-Party preference is growing its lead over Third-Party by slightly more.

## First vs. Third-Party Delivery Preference

Overall, when ordering restaurant delivery, which of the following do you prefer to use? Select the option that best describes you.



### First Party %, Over Time



# But consumers still avoid 1PD at times

Several reasons around no known First-Party option or a cumbersome process / experience cause consumers to choose Third-Party.

## Why consumer didn't choose 1P instead (on most recent 3PD order)

Why, on this occasion, did you not order delivery food directly from the restaurant instead of using a third-party service like DoorDash, Uber Eats, etc.?



# Restaurants have tools to drive to 1PD

Many consumers say they could be convinced to go from Third-Party to First-Party ordering the next time if there's something in it for them.

## Top 5 things customers say could switch them over to 1PD

When trying a new restaurant through a third-party platform like DoorDash or Uber Eats, what increases the chance you'll shift to ordering directly from the restaurant (and not via the third-party) next time? Top 5 out of 13 choices shown



#1

If I am informed their **menu prices are lower** when ordering directly through them (35%)



#2

If I am informed they have **fewer fees** when ordering directly through them (30%)



#3

If I am informed I could get **loyalty / rewards points** when ordering directly through them (22%)



#4

If I am informed the **delivery would be faster** when ordering directly through them (21%)



#5

If the restaurant leaves a **promotion / coupon in the delivery bag** that needs to be used directly through them (21%)

Driving further  
Third-Party Use

# What's inside the bag affects experience

Consumers say the things that improve their experience the most include inclusions like condiments, container labeling, and driver notifications.

## What helps drive the best possible Third-Party experience?

Which of the following, if any, would you say greatly improve the restaurant delivery experience for you?

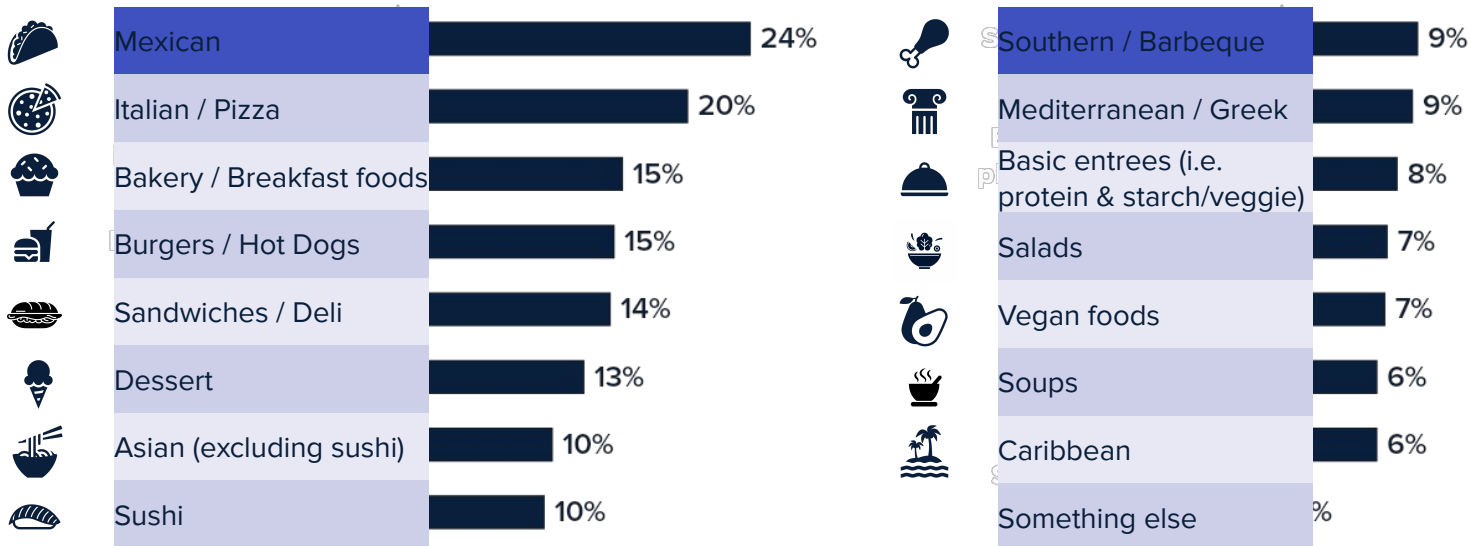


# People want more 3PD Mexican & Pizza

The most desired cuisine options consumers want to see more of include these two cuisine types – in Pizza’s case the lack of options may be due to chains’ push back to First-Party options

## Better cuisine options desired on Third-Party Delivery

What kind of food should have more / better options on delivery apps than what you’ve seen in the past?





# Fees / tips still biggest barrier to 3PD use

Over time, not wanting to pay fees / tips has grown as an even more common barrier for restaurant customers pass on using third-party delivery.

## Reason for not using Third-Party Delivery, among restaurant customers

Average % of qualifying respondents, by time period shown

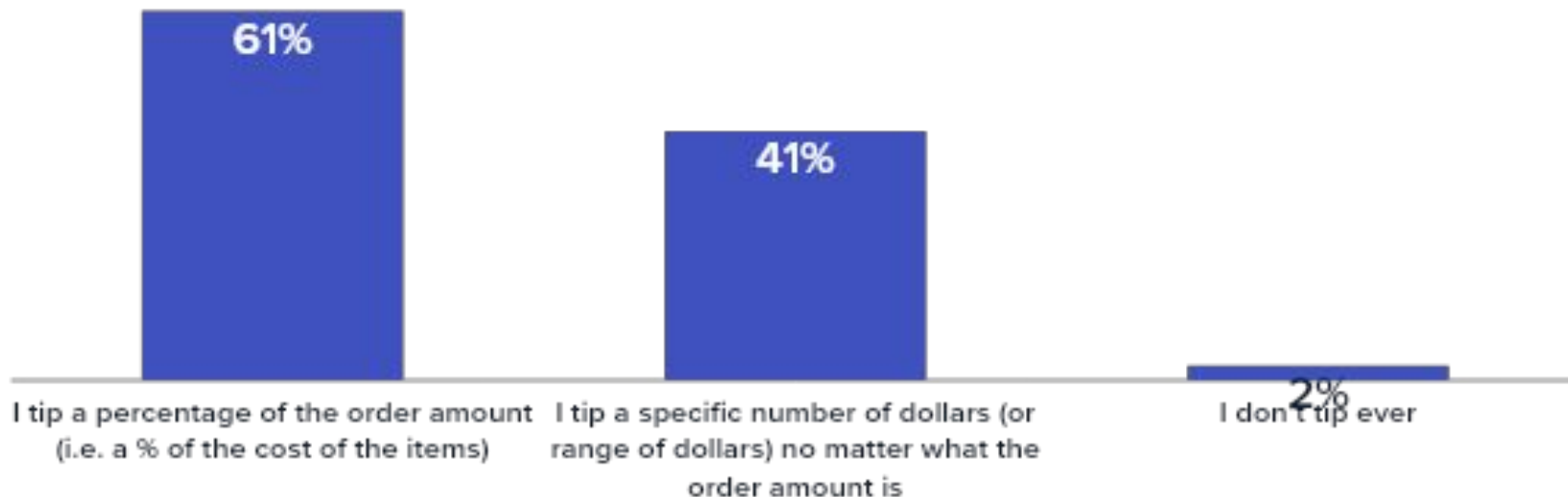
Rank (out of 13 reasons)	Reason	Mar '20 - Oct '20	Nov '20 - Apr '21	May '21 - Mar '22	Apr '22 - Sep '22	Change vs. Mar - Oct '20
1	I didn't want to pay the fees / tips for using delivery	35%	42%	42%	46%	+11ppt
2	It would take too long to get the food	19%	23%	22%	22%	+3ppt
4	The food would be cold / stale by the time I got it	10%	12%	12%	11%	+1ppt
9	I didn't want an employee touching my food bag	9%	8%	5%	4%	-5ppt
10	I didn't want to come in contact with the employee	9%	7%	4%	3%	-6ppt

# People do tip, and generally based on %

A majority of people say their regular approach to tipping is to do it based on a % of the order, vs. a flat amount of dollars regardless of the food cost

## How people tip on 3PD orders

When you use a third-party platform for delivery, how do you typically choose what to tip the driver, if at all?



# People want cheaper 3PD above all else

Of all the possible ways Third-Party Delivery could be improved, consumers rank a variety of value-based ones above speed, accuracy, and service.

## What would make Third-Party Delivery better

“If there were certain things that could be better about ordering delivery on third-party platforms, what would they be?”

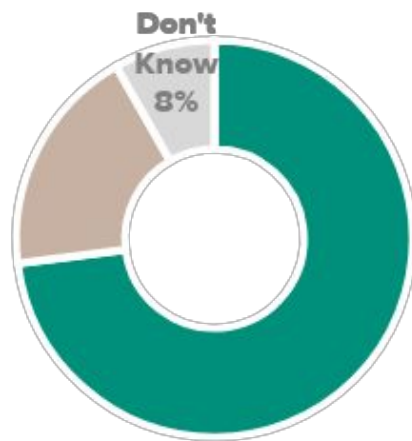


# Dynamic pricing is possibly a solution

Many consumers say they'd theoretically be in favor with a system where prices rise and fall based on how busy the restaurant is at certain times.

## Views on dynamic pricing for food ordering

I would be in favor of a system where menu prices are lower in times where the restaurant isn't busy (e.g. 3-5pm) and then prices are higher at peak times (e.g. 6-8pm)



Agreement is especially high among those who currently have 1+ 3PD platform subscriptions (79%), and those aged 35-44 (78%)

# If unable to change value, improve speed

For respondents who indicated a top thing they want to improve is value, if pressed to pick something else, they defer next to speed and packaging.

## If not value, then what else to improve?

In the last question, at least one of your answers had to do with making the total cost of delivery less expensive. If you had to pick another answer unrelated to cost itself, which one would you add to your top reasons?



**#1**

Faster delivery time overall (22%)



**#3**

Fewer inaccurate orders (wrong items) (18%)



**#2**

Better packaging to maintain food temperature (18%)



**#4**

Better customer service when something goes wrong (17%)

# Recap

## The State of Third-Party Delivery

- Third-Party Delivery platforms have continued growing, with leaders like DoorDash and Instacart achieving sales volumes at or above levels of the height of the pandemic in 2020. This has been driven by growth of both transaction volume and average spend per transaction year-over-year. Based on the details of recent Third-Party Delivery orders, there remains evidence that a majority of orders are incremental to restaurants. However, increased First-Party delivery capabilities and reduced concern about in-person visiting compared to 2020-2021 suggests the proportion of Third-Party transactions that are incremental to a brand is in slight decline vs. earlier points in time.
- Consumers still say they prefer ordering on First-Party channels over Third-Party if given the chance, but many cite not knowing if the restaurant offers First-Party delivery or the cumbersome process of setting up an account / payment details as the reasons they end up using Third-Parties. Consumers say they'd be most likely to switch over to First-Party on a future order if they are informed of menu prices or fees being lower there, or if promos / rewards were offered but only redeemable on First-Party. For ordering on Third-Parties more often, the biggest barriers (and increasingly so) remain the cost of doing so.
- DoorDash continues to grow its market share among leading restaurant-focused platforms, with Grubhub continuing to be the biggest share loser. Grubhub's losses have been notably pronounced in markets like New York and Philadelphia where it once had a stronghold.
- Non-Food orders are also becoming a big part of the delivery scene, with third-party sales volumes at retailers like drug stores up heavily in the past 2 years and consumers also regularly selecting mass retailers (e.g. Walmart, Target, etc.) for products like household goods / personal care items for delivery.
- What may be more sluggish over the past year is the performance of virtual restaurant concepts, following heavy attention and growth in 2020 and 2021. Consumer recognition or recollection of purchasing from a virtual concept / “ghost

Medallia

Questions?

Contact us at  
[briefings@medallia.com](mailto:briefings@medallia.com)





Thank You



# Market Research Suite

1

## Quantitative Analysis

Tap into consumer insights at scale with massive panels, real-time data, and unblinded visibility on competitors.



Transaction  
panel



Foot traffic  
panel



Visit-based  
surveys



Syndicated  
surveys



One-click  
analysis

2

## Qualitative Analysis

Capture video surveys and uncover trends with AI-powered analysis tools.



Video  
surveys



Capture  
anywhere



Transcription  
analysis



Filter &  
categorize



Easily edit  
and share

3

## Self-Serve Surveys

Create, edit and distribute your own surveys. Analyze results with powerful reporting tools and dashboards.



Survey  
builder



Distribute  
anywhere



Powerful  
reporting



Easy-to-use  
dashboards



Expert  
support

Harness richer insights at scale so you can take action with confidence