Medallia Market Research Suite

The State of Third-Party Delivery

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Session Contents

The State of Third-Party Ordering

- The Restaurant Digital Ordering Landscape
- Blurring of Restaurants and Grocery on Platforms
- Winning through both First and Third-Party channels
- Virtual Concepts
- Pricing Impacts in the Future

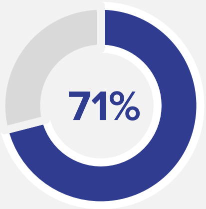
The Restaurant Digital Ordering Landscape

Consumers say inflation is affecting how they think about food delivery

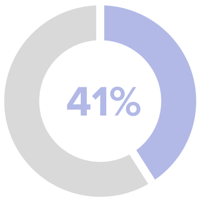
% Agreement: Sentiments on Food Ordering

For each of the following statements, select what best applies to you.

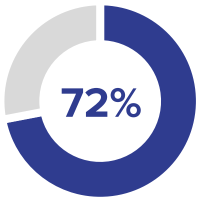
“**Inflation** has caused me to **re-think how often I use delivery** services to get food



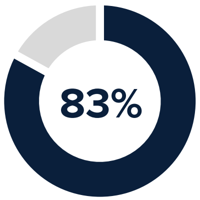
“Even though inflation has caused restaurant prices to increase, I still **use delivery services** for food about **as often as before**”



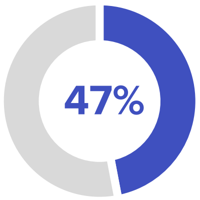
“**Restaurant** operators are **raising prices too much**”



“**Grocery** stores are **raising prices too much**”



“How the **cost of delivery** is incorporated into restaurant prices and fees is **transparent and fair**”



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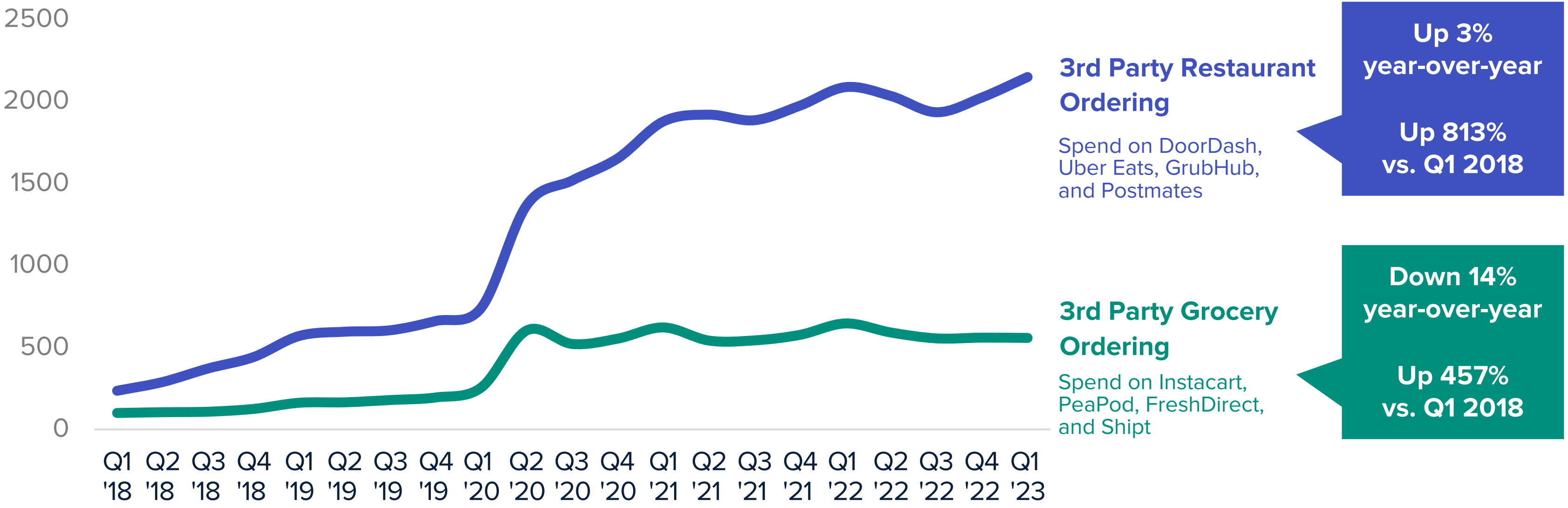
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

However, spend on 3PO is generally holding steady

Restaurant-focused platforms are holding steady, though many now also cover grocery and non-food retailers too. Grocery-focused platforms are only down slightly.

Estimated quarterly spend per person on Third-Party Ordering

US National; Spend per panelist on groups of platforms listed for 90 day periods (100 = on par with Groc. 3PO Q1 '18)



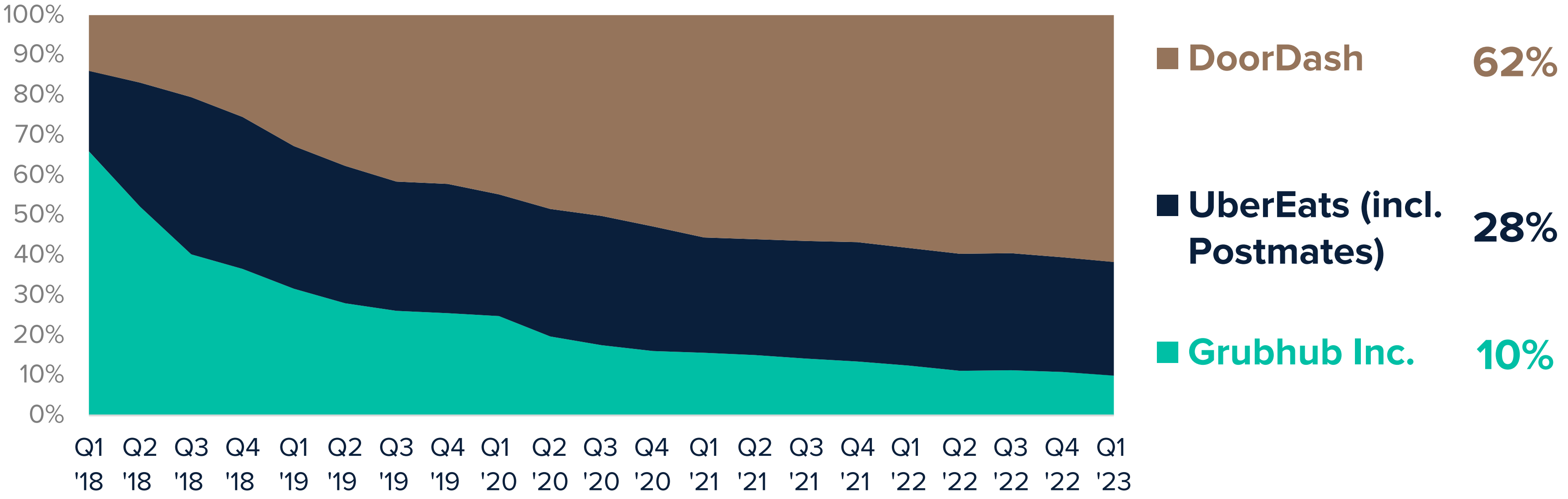
From Medallia Market Research Credit / Debit Transaction Panel of 5M+ US consumers.

DoorDash is growing a commanding share

DoorDash has grown to hold a 60%+ market share among the 3 biggest restaurant-focused platform companies, and the trend continues.

Market Share among leading restaurant Third-Party Delivery platforms

US National; % shown by quarter



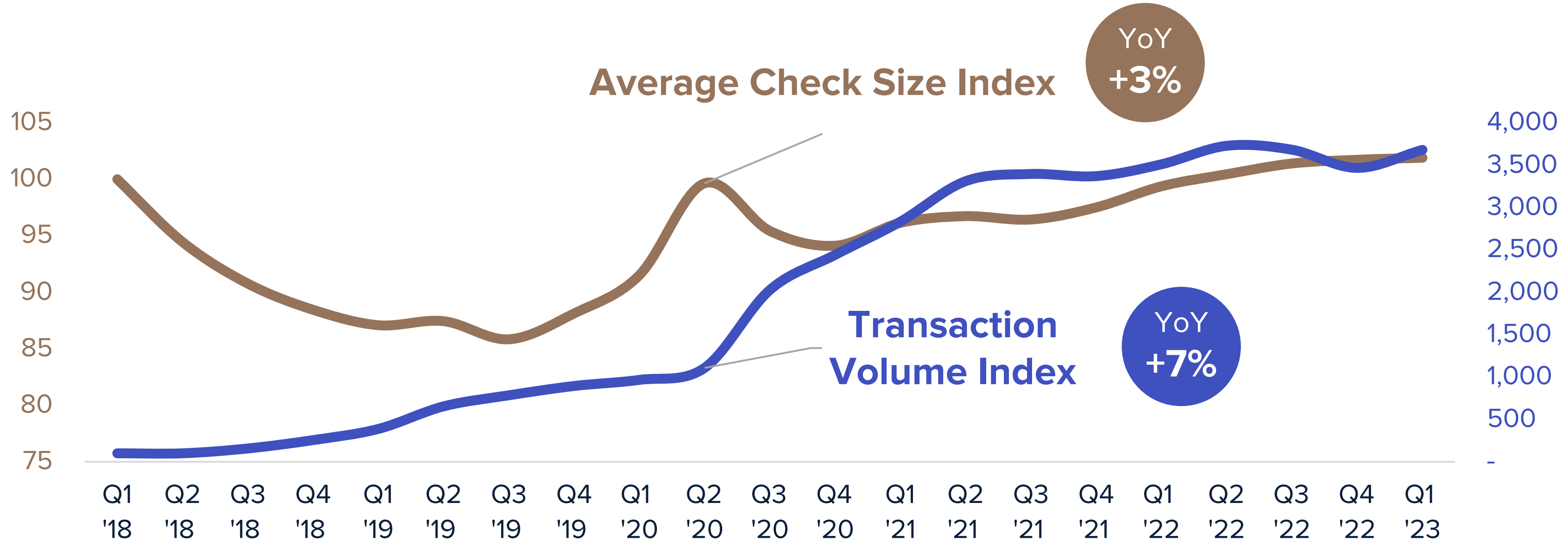
From Medallia Market Research Credit / Debit Transaction Panel of 5M+ US consumers.

DoorDash still growing from Txn, not just Check

DoorDash is seeing only slight increases 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

US National; Index to Q1 '18 (100 = on par for each metric)

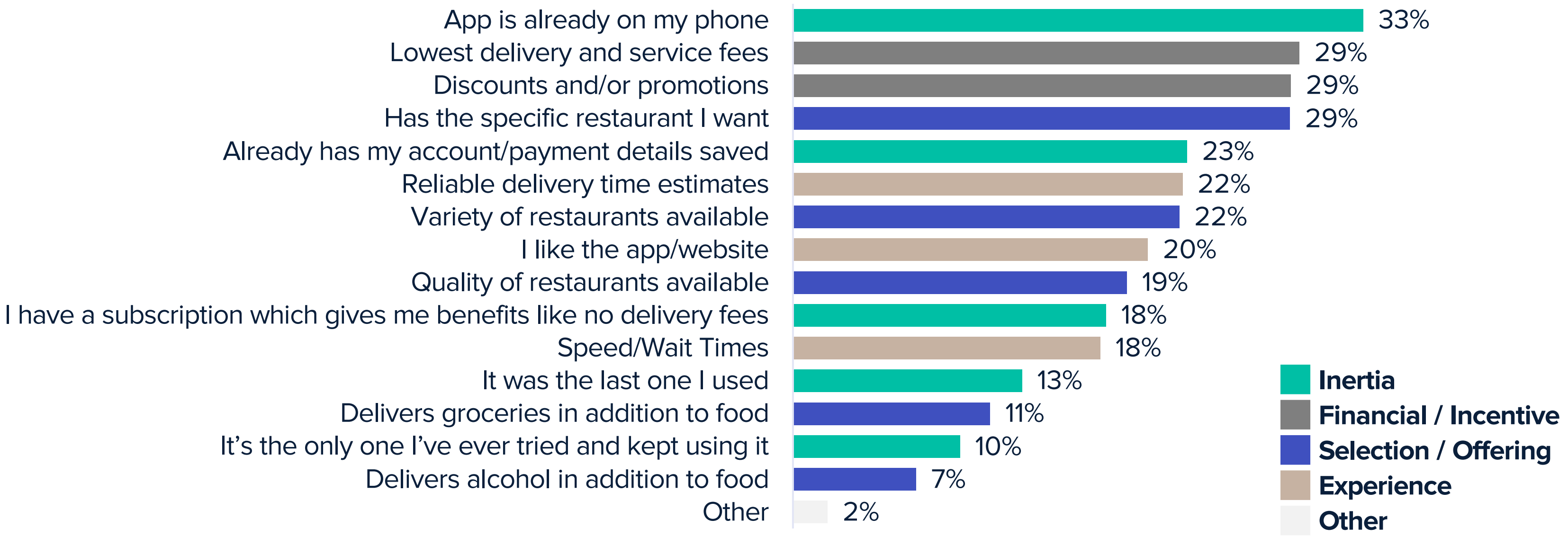


From Medallia Market Research Credit / Debit Transaction Panel of 5M+ US consumers.

Personal habits and promotions / fees on 3PO platforms drive use of one over another

Drivers of Choice for 3PO

How do you decide which delivery service to use on this occasion?



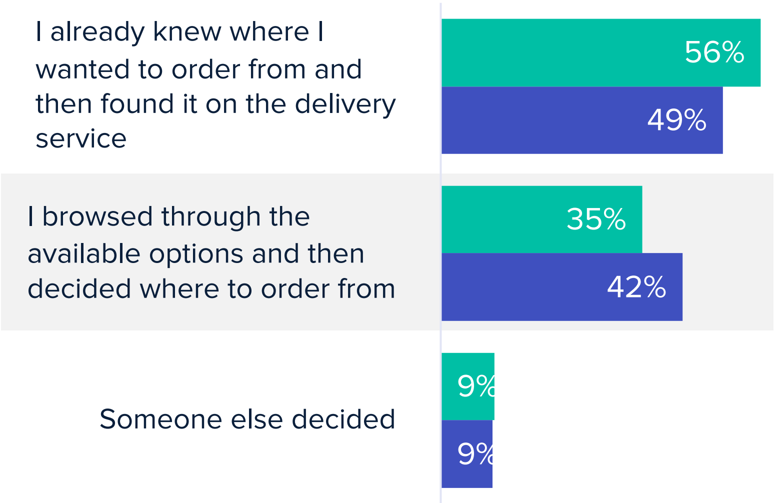
From Medallia Market Research Delivery Survey, fielded April 2023. n = 521 respondents who used 3PO for their last delivery order

Restaurants are being more often selected on 3PO due to browsing and ads

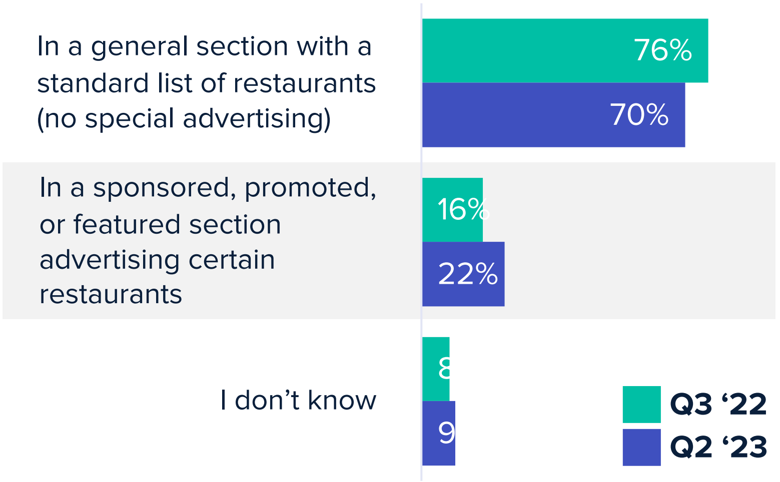
Restaurant selection process, among 3PO users

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



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 Delivery experience?

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

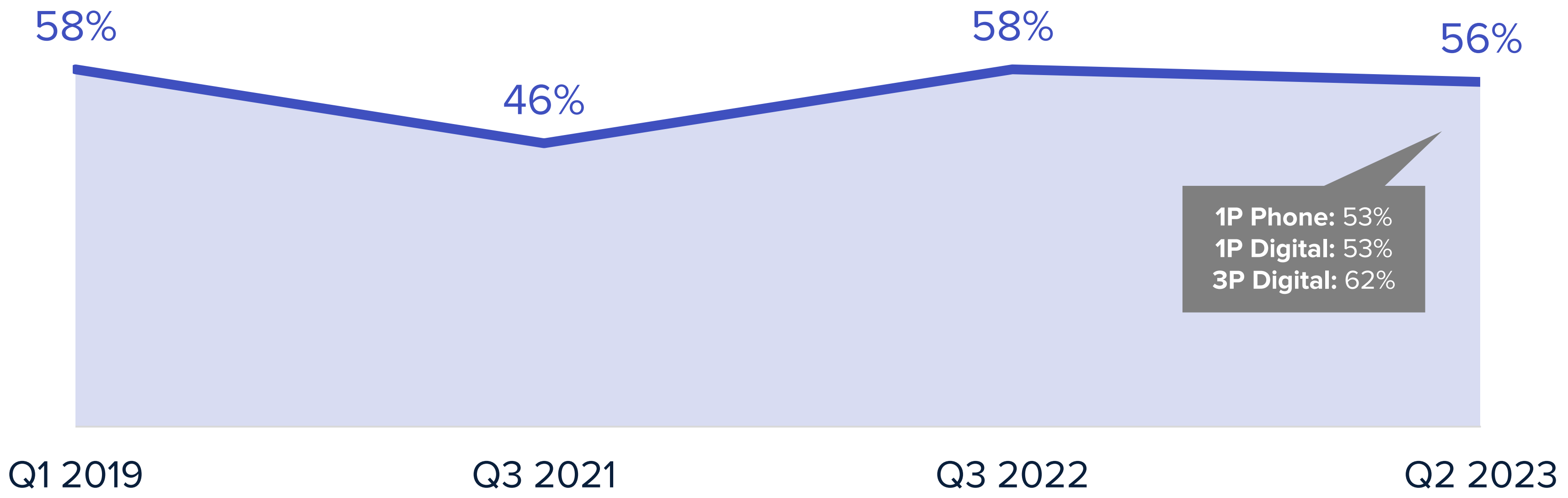
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Smaller party sizes have remained

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?

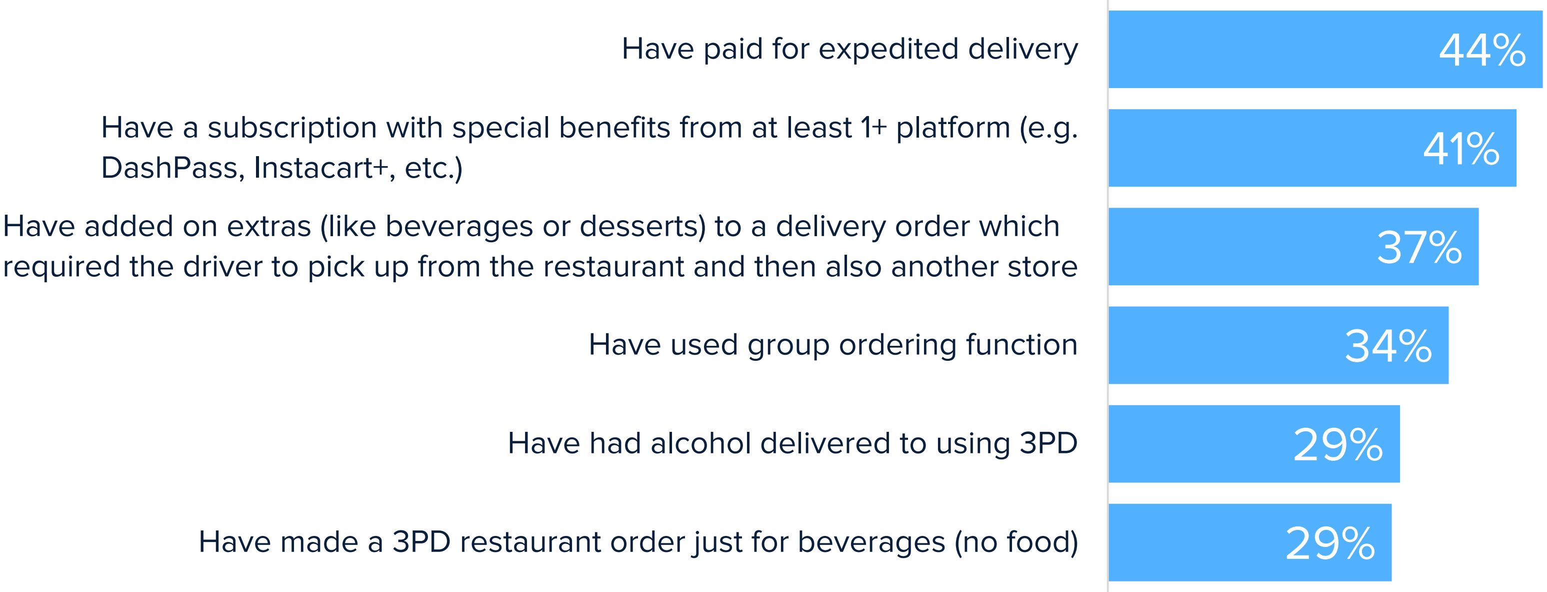


From Medallia Market Research Delivery Survey, fielded April 2023. n = 1,386 prior delivery users

Consumers are exploring the many ways of using Third-Party Ordering

What consumers have done in a Third-Party Order before

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

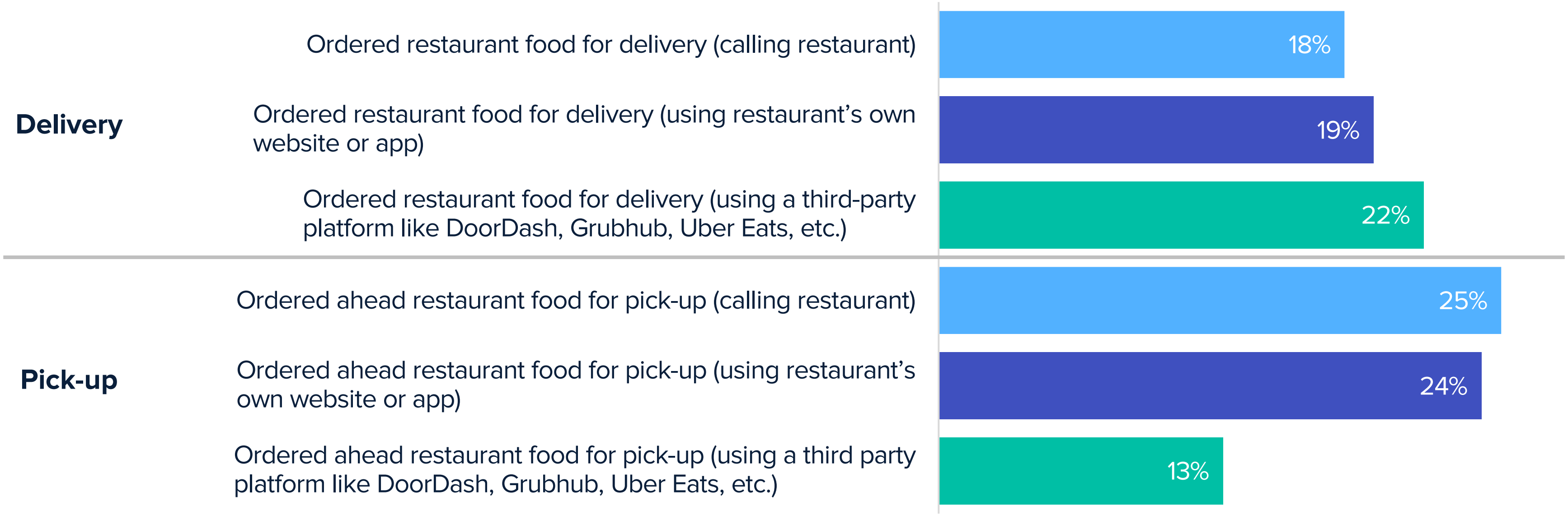


From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Calling on the phone is still a common ordering channel, especially for pick-up

Remote Ordering Incidence: Activities in Past Month

Of those, which of the following have you done in the past month?



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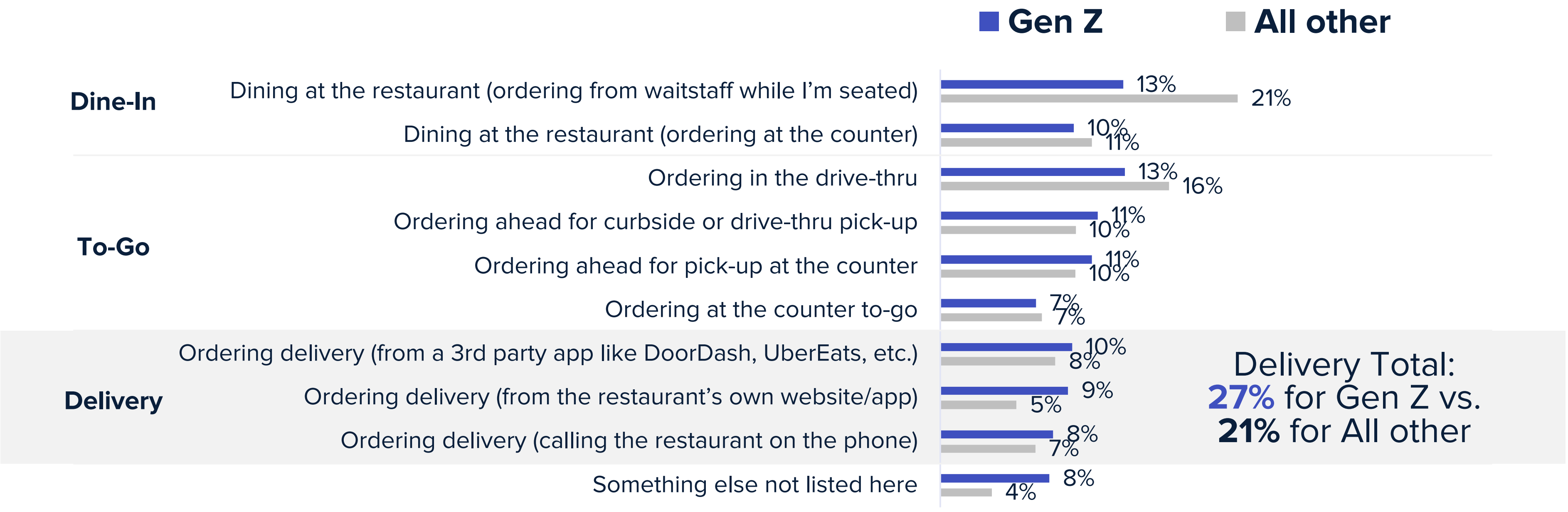
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

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?



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From Medallia Market Research Survey, fielded September 2022. n = 2,010 US general population.
1/2 sample aged 14-26 (Gen Z), 1/2 sample aged 27+. Totals weighted for census age and gender distribution.

Blurring of grocery and restaurants on 3PO platforms

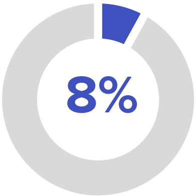
First Party channels slightly more common for non-food same-day orders

Non-food/bev products: Remote Ordering Incidence in Past Month

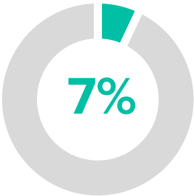
Of those, which of the following have you done in the past month?

First-Party
Third-Party

Delivery

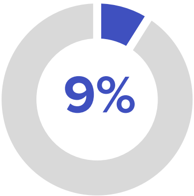


Ordered non-food/bev products for **same-day delivery (using the store's own website or app)**

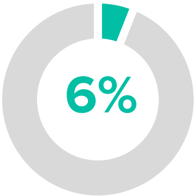


Ordered non-food/bev products for **same-day delivery (using a third-party platform like Instacart, goPuff, etc.)**

Pick-up



Ordered ahead non-food/bev products for **same-day pickup (using the store's own website or app)**



Ordered ahead non-food/bev products for **same-day pickup (using a third-party platform like Instacart, goPuff, etc.)**

From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Household goods are most common

This order is generally unchanged vs. Oct 2022

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** (43%)
- **Personal hygiene** (35%)
- **Pet products** (23%)
- **Medicine** (22%)
- **Cups, napkins, or utensils** (18%)
- **Cosmetics** (15%)
- **Electronics** (12%)
- **Apparel** (12%)
- **Tobacco products** (11%)
- **Office supplies** (11%)
- **Sporting equipment** (9%)
- **Decorative / party items** (9%)
- **Books, magazines, content** (9%)

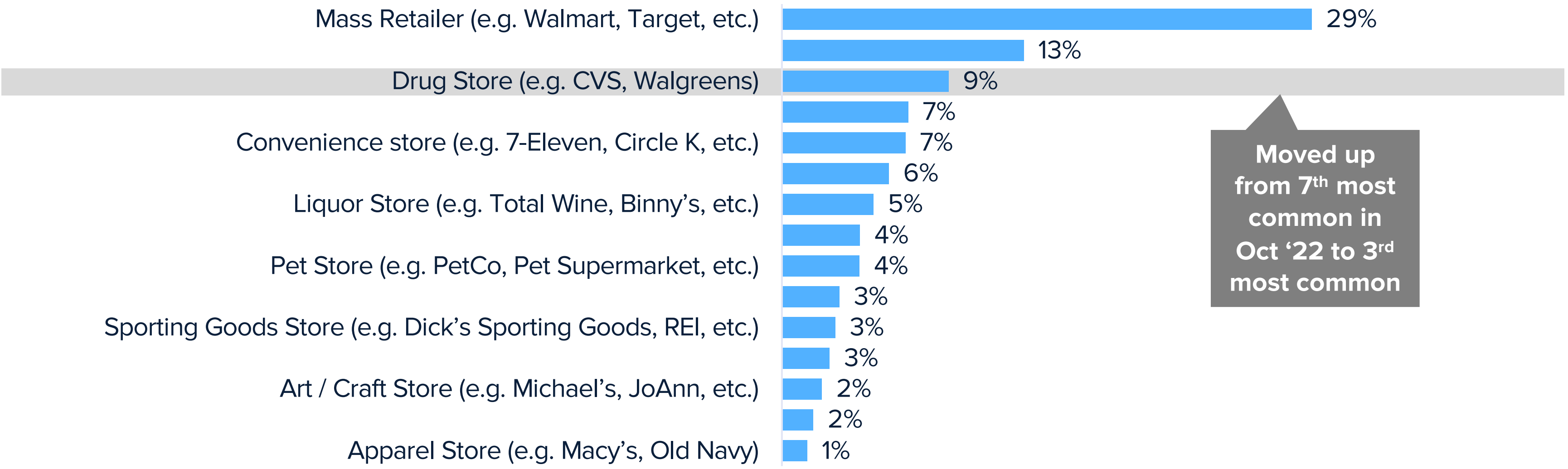
From Medallia Market Research Delivery Survey, fielded October 2022. n = 460 non-food/bev 3PO prior month users

Non-Food 3PD most often from Mass

This is unchanged vs. Oct ‘22, though some other types of retailers are catching up.

Retailers used when making a non-food 3PO

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?



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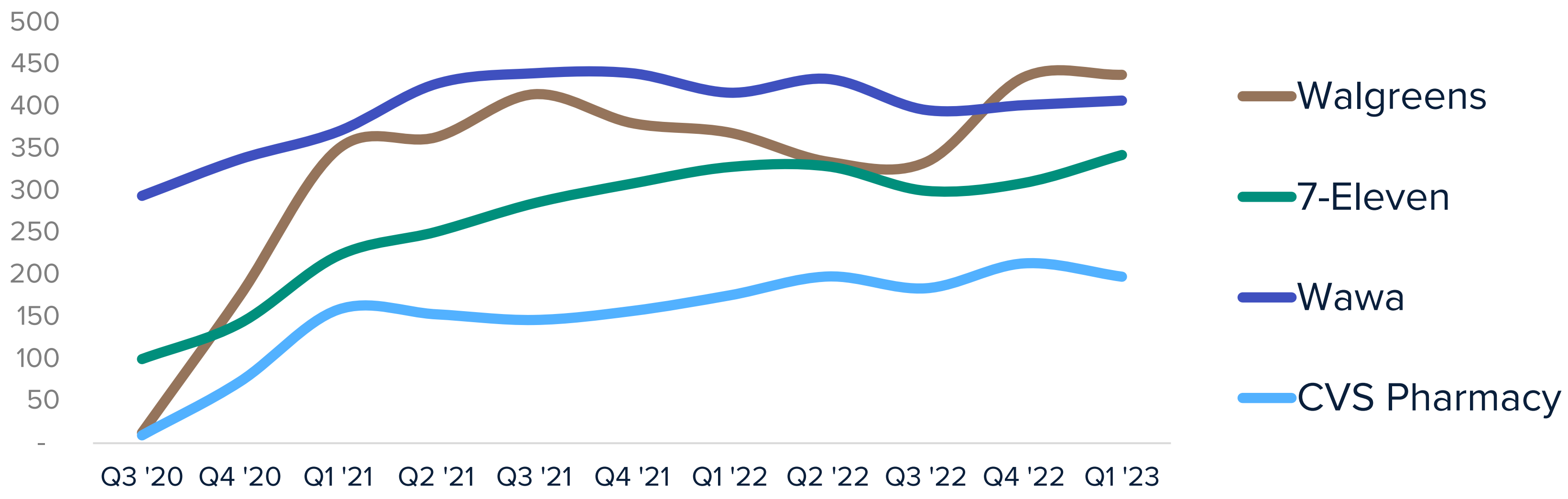
From Medallia Market Research Delivery Survey, fielded October 2022. n = 460 non-food/bev 3PO prior month users

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 restaurant 3PO platforms over the past 2 years.

Third-Party Ordering platform spend index for select retailers

US National; Spend from panel on DoorDash, Grubhub, and Postmates (100 = on par with 7-Eleven Q3 2020)

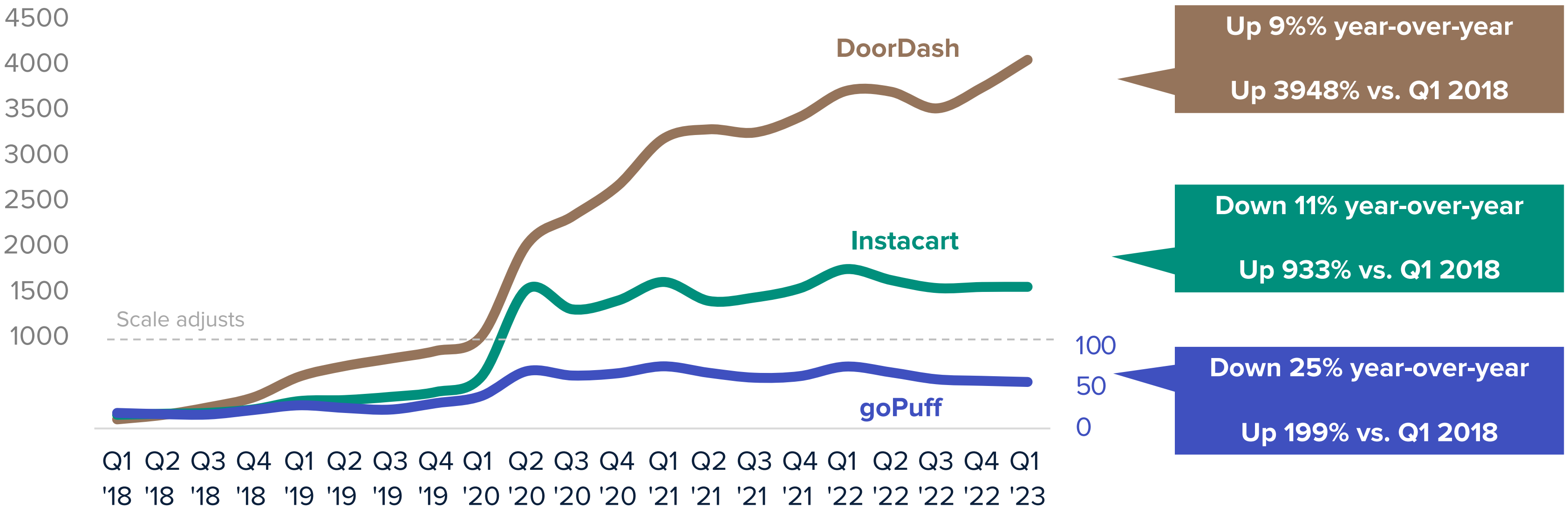


Non-restaurant 3PO is a little less resilient

Platforms specializing in convenience item delivery (e.g. snack foods, household goods, etc.) like goPuff, or grocery store delivery like Instacart, haven't trended as well as 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)

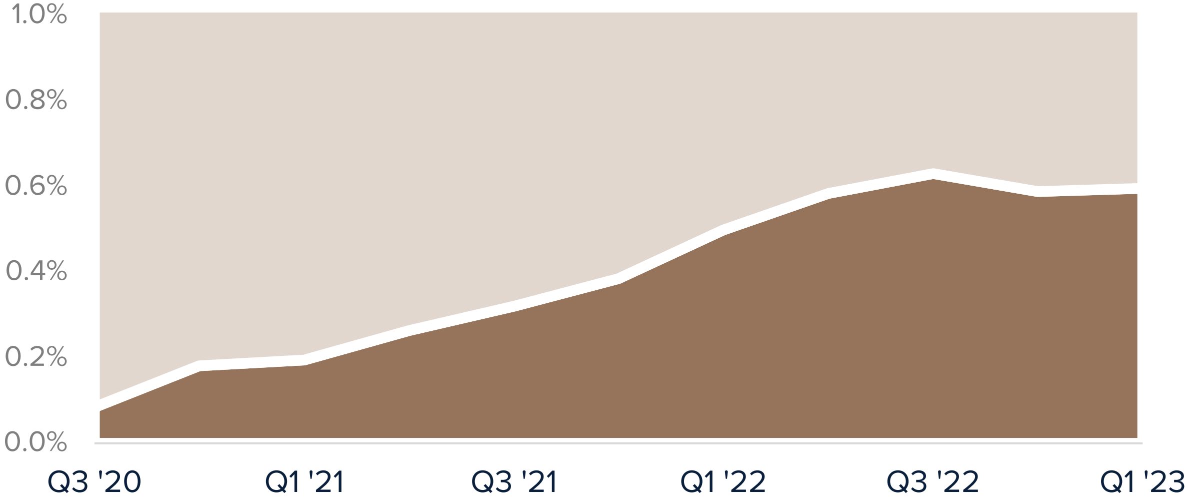


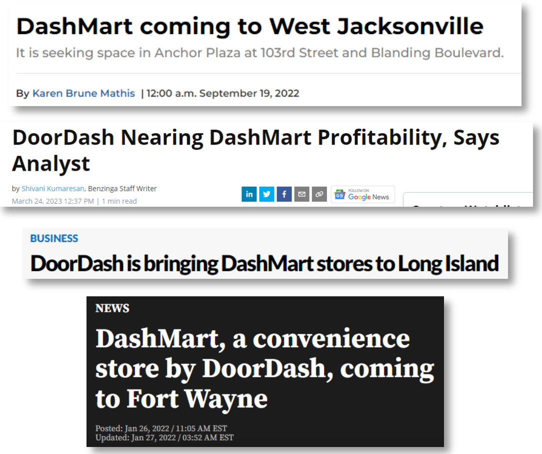
DoorDash is pushing groceries, without the stores

DashMart, with grocery products and home goods warehoused and delivered by DoorDash (bypassing supermarkets or C-stores), is still a small but fast growing part of DoorDash's overall business.

DashMart as a % of DoorDash Sales

US National; % of total by month





DashMart coming to West Jacksonville

It is seeking space in Anchor Plaza at 103rd Street and Blanding Boulevard.

By Karen Brune Mathis | 12:00 a.m. September 19, 2022

DoorDash Nearing DashMart Profitability, Says Analyst

by Shivani Kumaresan, Benzinga Staff Writer

March 24, 2023 12:37 PM | 1 min read

BUSINESS

DoorDash is bringing DashMart stores to Long Island

NEWS

DashMart, a convenience store by DoorDash, coming to Fort Wayne

Posted: Jan 26, 2022 / 11:05 AM EST

Updated: Jan 27, 2022 / 03:52 AM EST

But Instacart and goPuff have advocacy just as strong, or stronger, than DoorDash

Net Promoter Scores by Select 3PO Platform

How likely is it that you would recommend the following delivery services to a friend or colleague? (10 being extremely likely, 0 being not at all likely). NPS = % rating 9-10 minus % rating 0-6

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From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

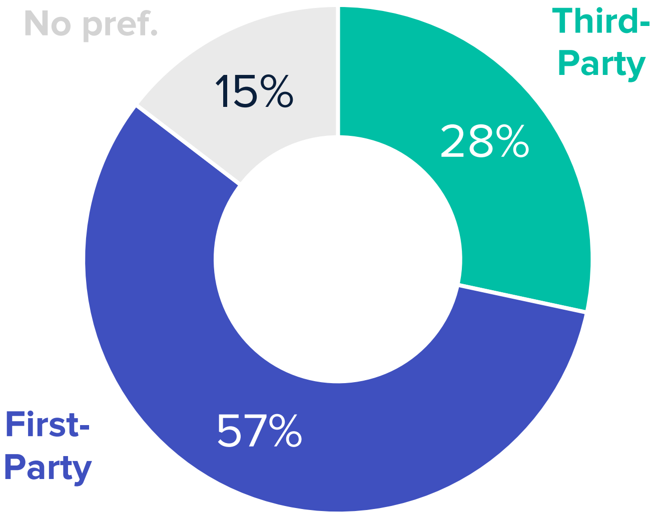
Winning through both First and Third-Party channels

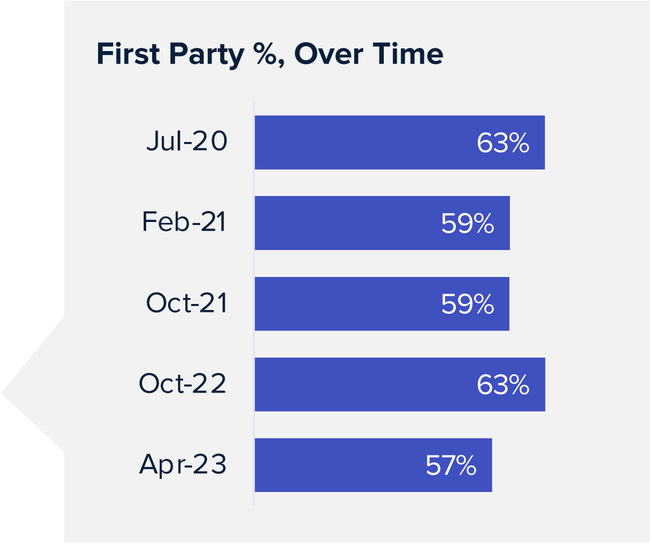
Consumers continue to prefer 1PO when having the opportunity

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.

- I prefer ordering food through 3rd party services like DoorDash, Uber Eats, Grubhub, etc.
- I prefer ordering food directly from the restaurant (via their phone, website, or app)
- I have no preference between these two options



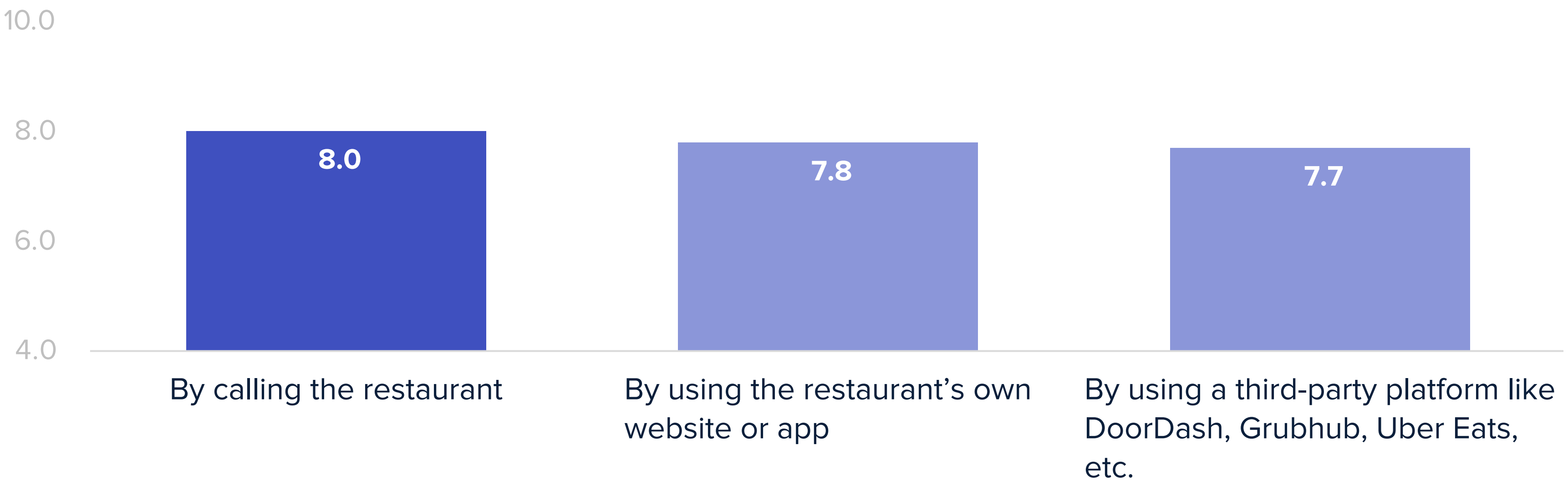


From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

1PO leads to a slightly better satisfaction than 3PO does

Average Satisfaction Score, by How Ordered Delivery

What was your level of satisfaction with your ordering experience, on the scale below? Average from 0-10 scale.



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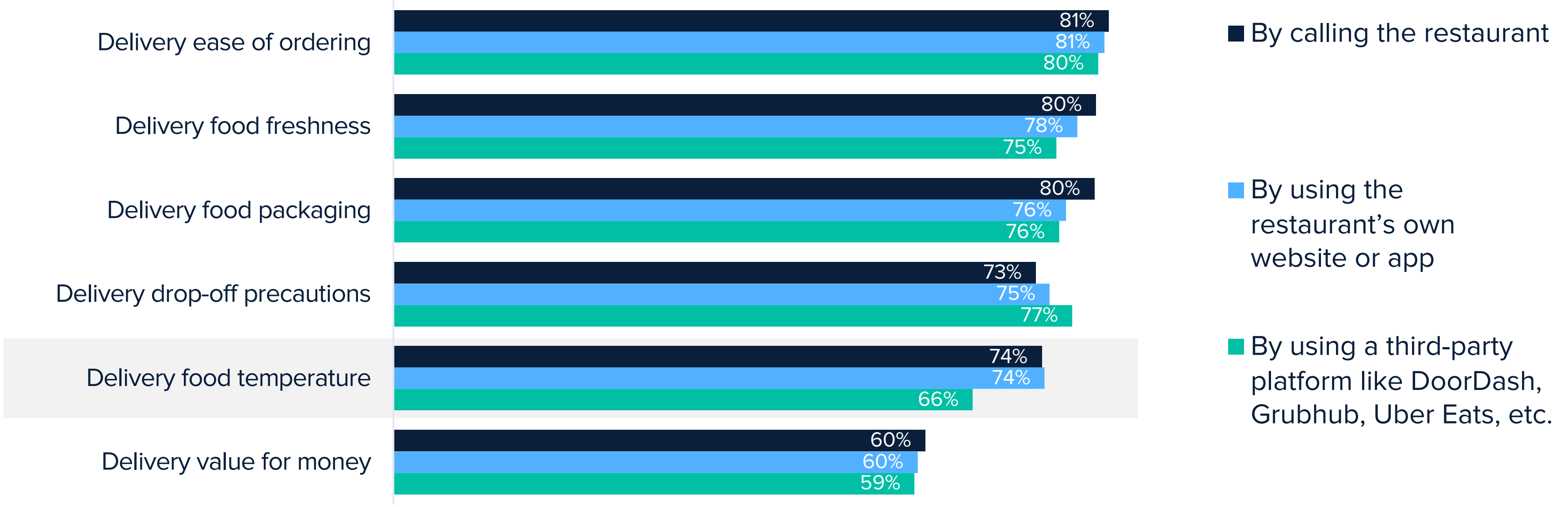
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Food temp is main difference

The biggest area where 3PO falls behind 1PO in customer satisfaction is on food temperature, likely a reflection of delivery speed. Value for Money is lowest across all forms of ordering.

Experience Attributes, by Delivery Order Method

Rate your order based on the following criteria. % selecting 4 or 5 on 1-5 scale.

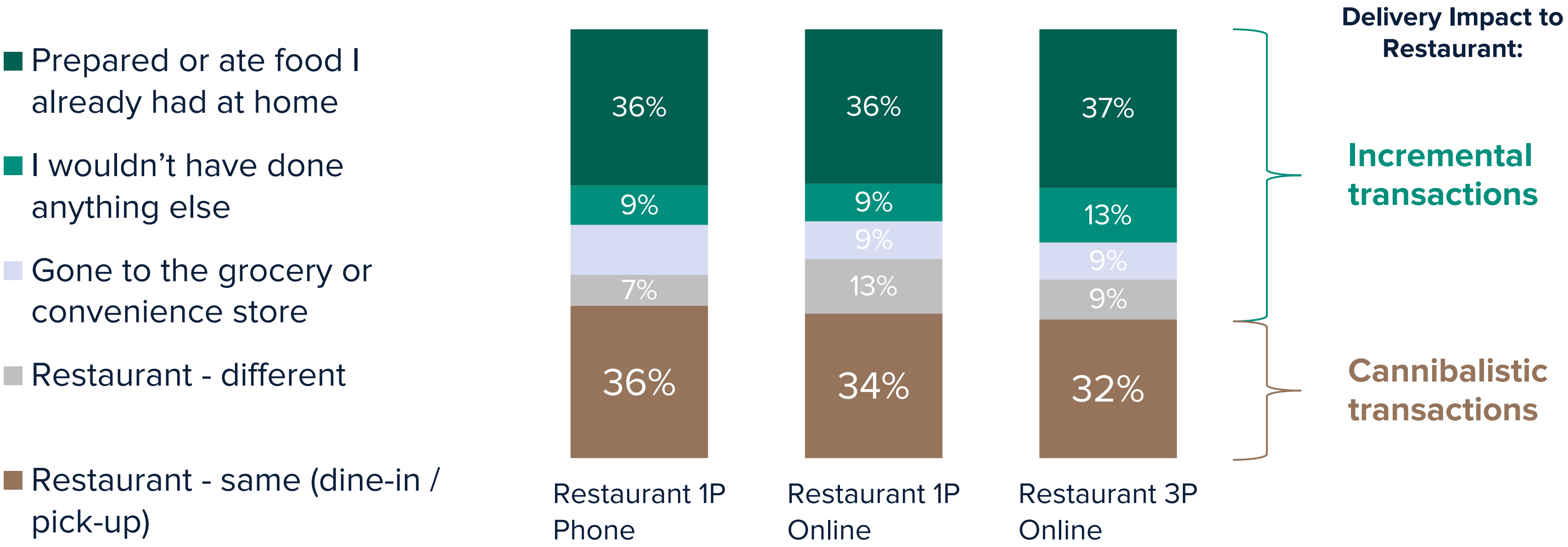


From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

The incrementality of delivery is similar with 1P and 3P capabilities, though margins aren't

What customer would have done if Delivery wasn't an option

If you hadn't made this order, what would you have done instead? Cut by how delivery was ordered

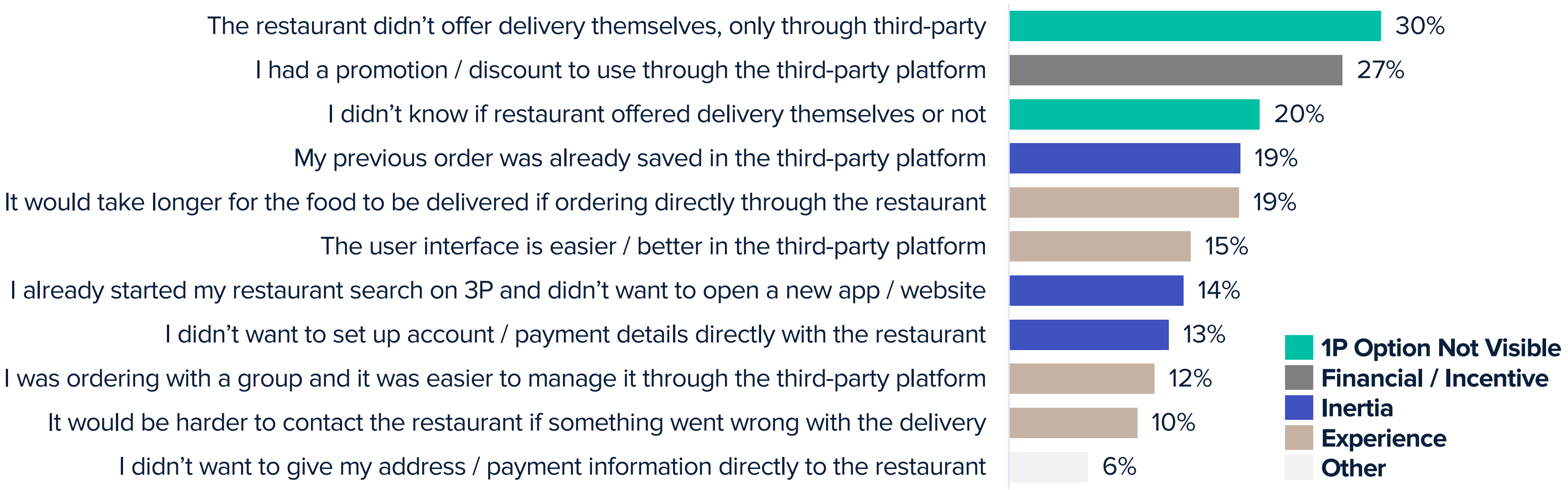


From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

People often use 3PO when they don't see 1PO available, or have discounts

Why last delivery order was done on 3PO instead of 1PO

On this occasion, why didn't you order delivery directly from the restaurant instead of using a third-party service like DoorDash, Uber Eats, etc.?



From Medallia Market Research Delivery Survey, fielded April 2023. n = 512 respondents who used 3PO for their last delivery order

Restaurants have tools to drive to 1PO

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 1PO

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 (32%)

#2 If I am informed they have **fewer fees** when ordering directly through them (29%)

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

#4 If the restaurant leaves a **promotion / coupon in the delivery bag** that needs to be used directly through them (22%)

#5 If I am informed the **delivery would be faster** when ordering directly through them (17%)

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From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

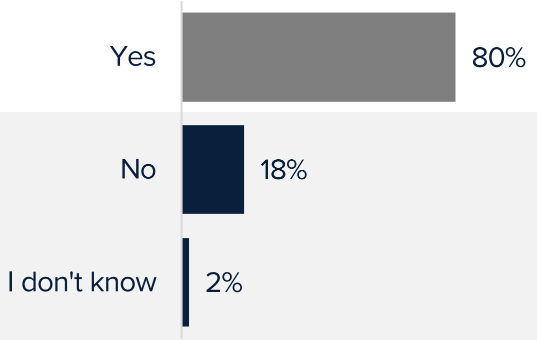
Virtual Concepts

In some cases, delivery users don't even know if the restaurant has a physical presence

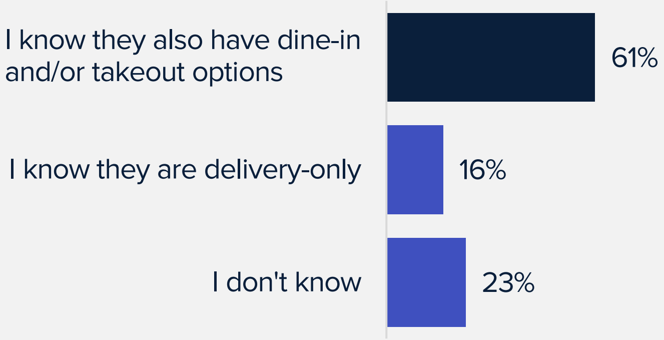
Knowledge / experience with delivery restaurant having physical location

For your most recent order, had you ever also gone to that restaurant in-person (for either dine-in or pick-up)? o your knowledge, does that restaurant offer any dining options other than delivery?

History of also visiting restaurant in-person



If not, knowledge of restaurant having a physical presence or not?



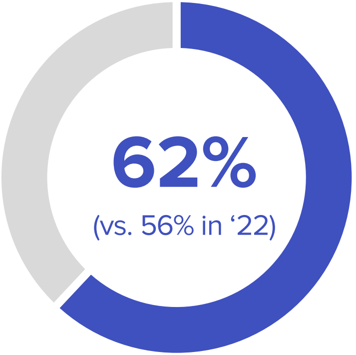
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Perceptions of virtual concepts neutral compared to traditional restaurants

Virtual Concept Sentiments

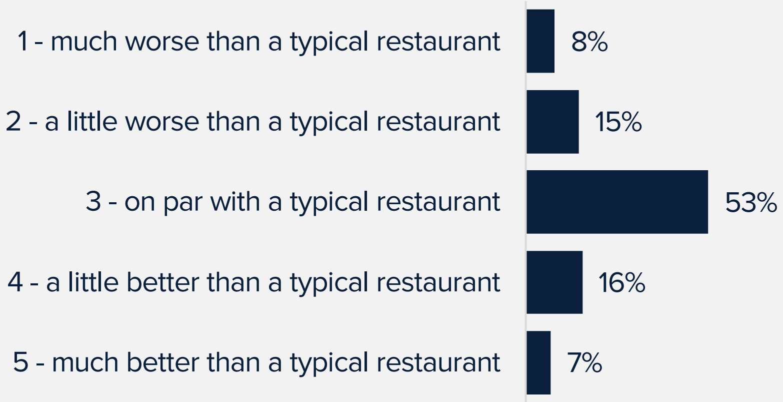
Before taking this survey, how would you rate your familiarity with “ghost kitchens” - restaurants who are available for delivery orders but otherwise have no physical presence for dining-in or picking-up food (i.e. no storefront, no waiters, etc.)? / Based on what you know, what is your perception of the food quality of “ghost kitchens”, compared to regular restaurants?

Familiarity with ghost kitchens / virtual concepts



Perception

(relatively unchanged vs. ‘22)



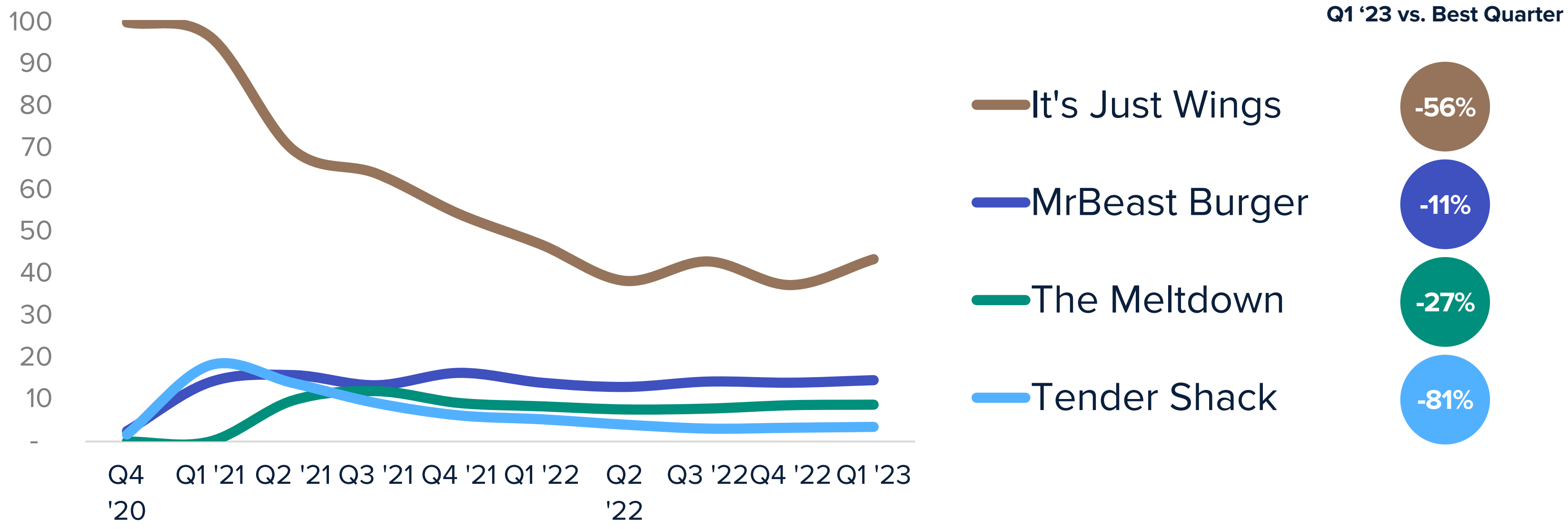
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

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 Ordering platform spend for select Virtual Concepts

US National; Index spend from panel on DoorDash, Grubhub, and Postmates (100 = on par with It's Just Wings in Q4 2020)



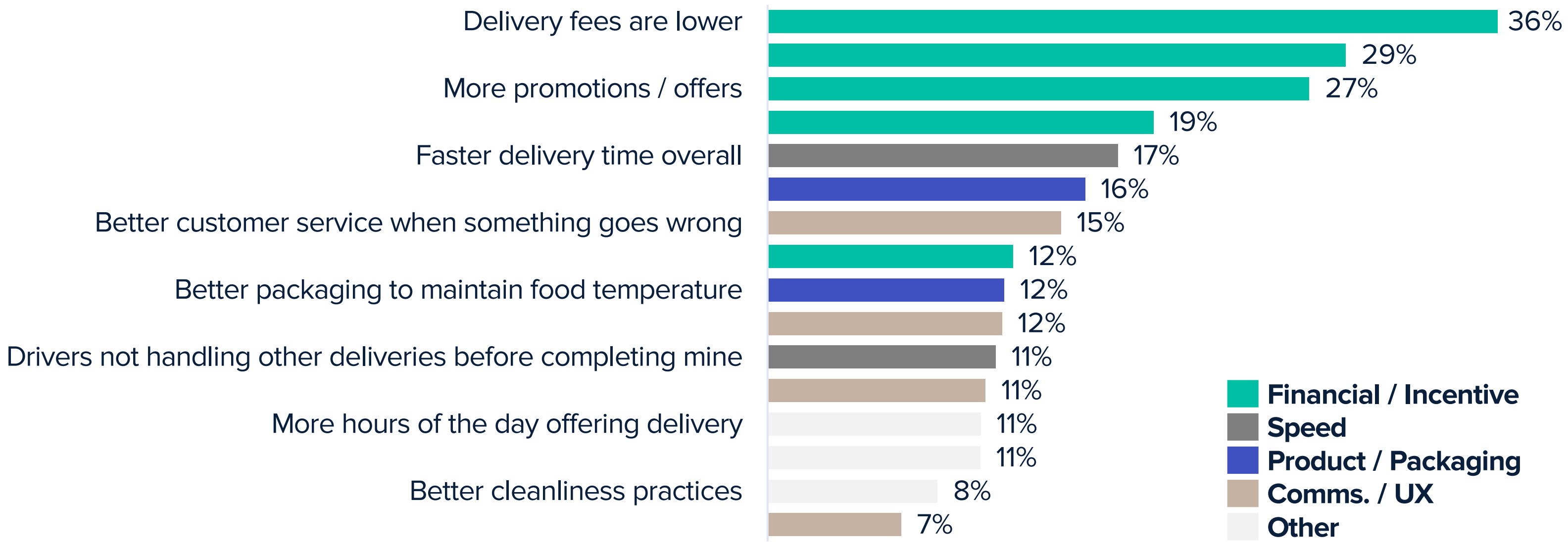
From Medallia Market Research Credit / Debit Transaction Panel of 5M+ US consumers.

Pricing impacts in the future

People want lower costs on 3PO above all else

Third-Party Platform Wish List

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



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From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

If not costs, they want speed and accuracy improved

Wish List (if Cost Cannot Be Changed)

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? Do not select a choice you already selected in the previous question. Top 5 of 12 choices shown.

#1 **Faster** delivery time overall (17%)

#2 **Fewer inaccurate** orders (wrong items) (14%)

#3 More in-person **menu options** also available for delivery (11%)

#4 **Better customer service** when something goes wrong (11%)

#5 **Better packaging** to maintain food temperature (9%)

Medallia

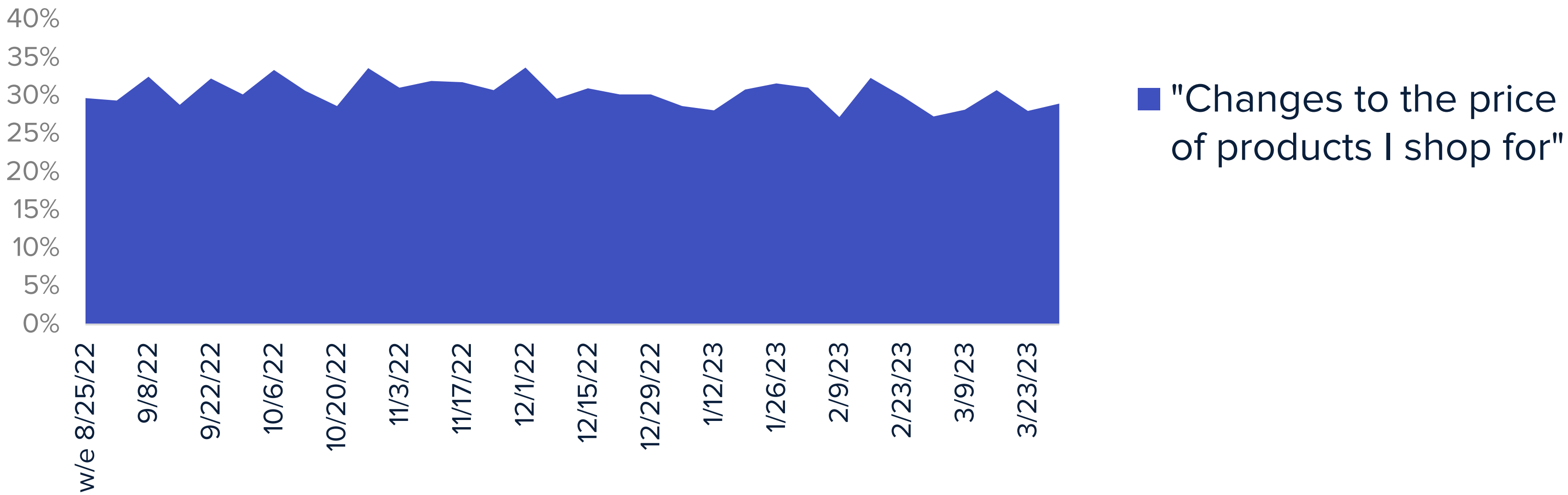
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Inflation still important, but not a growing factor

Consumers continue to cite it as a the top driver in household purchase decisions, but the rate at which it is cited is relatively unchanged vs. Summer 2022 (after growing in 2021).

Top Driver of Household Purchase Decisions

“Which if the following (if any) have affected purchase decisions for your household the most over the past 3 months?”. Top reason of 15 choices.

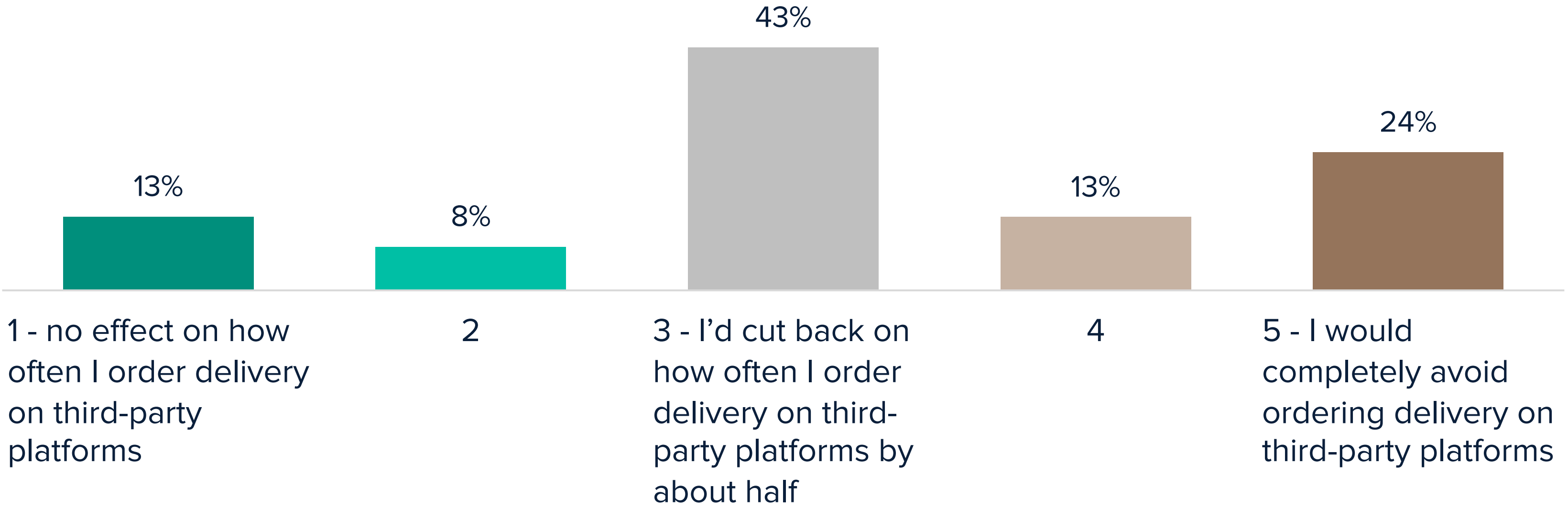


From Sense360 by Medallia Daily Food Diary

Higher fees to compensate drivers could be met with cutbacks by a majority of customers

Stated effect of a $5 fee per order to better compensate drivers

Imagine the government required third-party Delivery companies to pay their drivers more money, and as a result delivery order fees increased by an average of $5 more per order. If this occurred, how would it affect the frequency you order delivery on third-party platforms?



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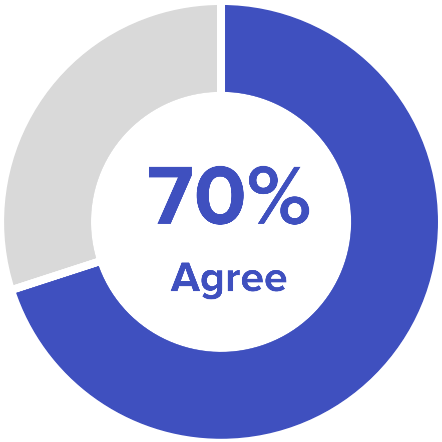
From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

Dynamic pricing could be met with a positive consumer reception

% Agreement: Sentiments on Dynamic Pricing

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

"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)"



From Medallia Market Research Delivery Survey, fielded April 2023. n = 2,016 US general population of prior delivery users (ever).

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Questions?

Contact us at
briefings@medallia.com

Thank You

Recap

The State of Third-Party Ordering

- Despite consumer sentiment that inflation is causing them to re-think how often they use delivery services, the third-party ordering market has largely held steady in consumer spend year-over-year and is maintaining volumes in roughly the same amount as pandemic peaks. One driver is likely the increased purchasing power of Gen Z, who have delivery affinity more than other generations.

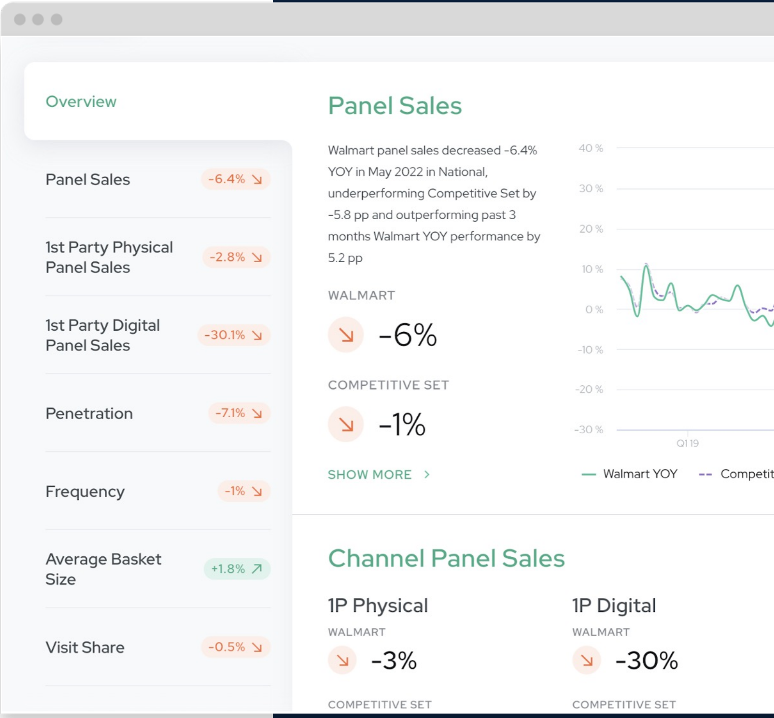
- DoorDash continues to grow market share vs. other restaurant-focused platforms like Uber Eats and GrubHub, but is also outperforming grocery / convenience-focused platforms like Instacart and goPuff. Its growth is due to both $ per transaction and transaction volume, reflective not only of the resiliency of restaurant delivery but also because DoorDash is successfully branching into non-restaurant ordering occasions via increased presence of drug stores and CPG fulfillment through its own DashMart warehousing concept.

- Many ghost kitchen / virtual concept brands have been down in sales year-over-year, which may partially reflect full service restaurant cutbacks on capacity in favor of in-dining operations, and also lack of consumer top-of-mind consideration without advertising support. Some celebrity-driven concepts like MrBeast Burger are outperforming brick-and-mortar parent concepts like It's Just Wings.

- Consumer preference remains towards first-party channels when given the option (and phone call ordering is still surprisingly common), and consumers say they would be more motivated to shift from third-party to first-party more often if better informed about lower prices, discounts, or faster delivery times vs. using third-party. Restaurant brands may consider tactics like information slips or coupons directly in the delivery bag for a third-party order.

- The future of third-party restaurant delivery use may be sensitive to the ongoing effects of inflation, but there is not substantial evidence that more cutbacks may be on the way as perceptions on the effects of inflation haven't changed much vs. Summer 2022. The things more likely to affect use would be increased fees due to proposed government regulations on driver compensation, or more widely instituted dynamic pricing (the latter of which a majority of consumers would be open to in theory, but still to be determined after real experiences).

Real-world behaviors.
One-click analysis.



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