April 27, 2022

Q&A with Silvia Cuneo

Author
Silvia Cuneo

www.dbresearch.com

research.db.com

Silvia Cuneo, Online Food Delivery and Marketplaces Analyst, provides insights whether or not food delivery is still popular now that restaurants have reopened, if delivery fee matter and if grocery delivery is a threat or opportunity.

Q: Is food delivery still popular now restaurants have reopened?
A: Very much so. Demand for food delivery looks resilient and ordering frequency remains above pre-pandemic levels. Our recent proprietary survey revealed that users are ordering more than in 2019, despite the return of dining in. Users think ordering food delivery is convenient as it saves time and cooking. Also, a larger percentage says they are likely to order more rather than less in the next six months. The spend on food delivery increased significantly in 2021, driven by higher frequency more than basket size. Frequency of ordering in the most mature market, the UK, has increased 70% since last year to more than three times a month. The US and European countries lag the UK and have much room to catch up.

Q: How much does the delivery fee matter to users?
A: It can be a big deal. High delivery fees are a key reason certain apps are less popular. Post pandemic, more people in the UK are using different apps to order from different restaurants, which could be a sign of greater sensitivity to price. US users appear even more concerned about delivery fees than those in the UK and Germany, and many use multiple apps, making the market competitive. With concerns about higher bills mounting, increasing delivery fees or minimum order values could be major drags on volume growth. Loyalty schemes and subscription programmes are options that might sustain usage.

Q: Is grocery delivery a threat or opportunity for food delivery players?
A: We see it as an opportunity, especially when rolled out in partnerships. User awareness of the growing grocery delivery category is high, particularly in the UK. But usage remains limited and the space is fragmented. On average, users typically look at 3.5 different apps before ordering. Compared with takeaways, groceries are ordered less frequently but benefit from a larger basket size, which makes the unit economics potentially more attractive. For the food delivery apps, we prefer a capital-light approach to scale up, for example via partnerships with supermarkets. That is a quick way

to address user demand for on-demand groceries, increase frequency of ordering and leverage the existing network of riders.