

The Rise of Digital Dining

By John Carroll

Over the last decade, the emergence of third-party food delivery companies has grown exponentially around the world. Driven by the internet, mobile payments and consumer demand, stay-at-home diners are increasingly ordering restaurant food through apps on their smartphones and paying in-app.

There's Doordash in San Francisco. Delivery Hero in Berlin. Just Eat in London. Takeaway in Amsterdam. Grubhub in Chicago and iFood in Brazil. In India, two of the biggest food delivery apps are Swiggy and Zomato.

There are roughly 200 third-party food delivery companies just in the United States, according to Barry Friends, a partner and consultant at Pentallact Inc., a food research firm based in Chicago. Some are small, some are global. Some regional apps include Waiter on the West Coast and Waitr in the East. There are also niche apps like Tapingo for college students and Square-owned Caviar for fine dining to go.

"It's a huge industry and growing fast," says Friends. "And it's just getting momentum as the industry is still in the early adoption stage for consumers and restaurants."

The food delivery business, which was once the domain of pizza, has changed dramatically since the introduction of smartphones, food apps and digital dining. More people are ordering food online like never before. In fact, 58 percent of all food delivery orders will be online by 2020, up from 11 percent in 2013, according to a research report by McKinsey & Company.

Disruption and opportunity in the food-delivery industry has caused some restaurants to redesign their physical locations to better accommodate delivery channels. Other eateries have modified menus to focus on food that holds up well during travel.

"There's a shift away from visiting a physical restaurant," says Friends. "Growth in the restaurant industry is coming from those who are dining at home. People are staying at home and ordering food on their phones."

Restaurant revenue up

Restaurants that have partnered with third-party delivery companies are seeing a lift in revenue and profit, according to most reports. In the last five years, revenue from restaurant food deliveries has jumped 20 percent, according to the NPD Group, a market research firm based in Port Washington, New York.

Other research reveals an industry on the rise. In 2017, the number of food orders placed via mobile apps skyrocketed by 50 percent in the U.S. By 2025, 30 percent of all restaurant revenue is expected to be generated through digital channels, according to a [study](#) by Kount and PYMNTS.com.

"The power of convenience and smartphone enabled technologies are driving the food delivery market," says Friends.

Only 13 percent of consumers have used a third-party food delivery app in the past month, according to Pentalllect. But that number should rise, says Friends, as awareness increases.

In the meantime, third-party food apps are building brand loyalty with consumers by providing great delivery service and quality food in a timely manner, and also by offering rewards programs, incentives and discounts.

At least that's the plan. With so much competition, not all of the apps will survive. Many have already gone out of business, says Friends, and more will. And others will be acquired like Grubhub bought Seamless in 2013.

"We will see more consolidation in the market," says Friends. "In time we will see a shakeout. Companies are already buying each other."

Hooked on Grubhub

A younger generation tends to lean more toward ordering food through a third-party app, according to Friends. Smitten by smartphones and motivated by convenience, the millennials (roughly age 23 to 37) and Generation Z (22 and below) are changing the food delivery sector, he says.

"Most were raised in a digital world and they're at home watching Netflix or some type of streaming media," says Friends. "Grubhub is their restaurant or some other app."

Grubhub, one of the largest food delivery companies in the U.S., had \$1.1 billion in annual food sales in 2017. Traded on the New York Stock Exchange, the online and mobile food-ordering company has more than 85,000 restaurants connected in more than 1,600 U.S. cities and England.

The company has been in the news recently. In July, Grubhub announced that it was acquiring mobile ordering and payment company LevelUp for \$380 million. The LevelUp app allows users to securely link their debit or credit card to a unique QR code displayed within the app. To pay with LevelUp, users scan the QR code on their phone at LevelUp terminals located inside restaurants.

Grubhub also recently aligned with Yum Brands to deliver its food from restaurant chains such as KFC and Taco Bell.

Clash of the titans

Other tech giants, such as Amazon and Uber, also have a stake in the food delivery sector. Uber Eats recently aligned with McDonald's to boost the chain's business, especially at late night. And Amazon Restaurants has a slice of the crowded culinary courier market.

Other food and beverage titans, such as Starbucks and Chick-Fil-A, have their own successful mobile order and pay systems. The Chick-fil-A app allows guests to customize their order, pay in advance and skip the line when picking up their meal. It also offers a rewards program and allows customers to save and reorder favorite items.

Starbucks is an industry leader when it comes to digital ordering and pay. Mobile and other digital payments make up nearly a third of the coffee chain's sales, and they account for even more of the company's sales growth. The Starbucks app allows users to order drinks and food in advance and pay for purchases via the app.

Growth of mobile groceries

The other growth area of food delivery involves groceries. Instacart is one of the largest third-party grocery delivery companies in the U.S. Instacart's service is mainly provided through a smartphone app.

Elsewhere, Kroger, the nation's largest supermarket chain, recently said it was entering the grocery delivery business.

And in March, Walmart announced that it would expand its online grocery delivery service to 100 U.S. cities by the end of 2018. Customers place their orders online at Walmart.com or on the Walmart grocery app. Groceries can be delivered to customers as soon as the same day.

"The grocery delivery business is big too but there's a much lower adoption rate with groceries than restaurants," says Friends.

There's no doubt food delivery is on the rise around the world. Online food-delivery platforms are expanding choice and convenience, allowing customers to order from a variety of restaurants with a few taps of their mobile phones. Although they don't actually make the food, these middlemen provide speed, ease of use, convenience and customized offerings.