

4 things every restaurant needs to know about third-party delivery

[report]



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(and why)?**

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in the space?**

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Background

The sudden rise of third-party delivery

Life is hard—dinner shouldn't have to be. That's the basic principle that's been driving the convenience economy in the restaurant industry for decades. Today's consumers order through mobile apps, purchase subscription meal plans, and get groceries delivered to their doorsteps.

For restaurants, the biggest shift may come in the form of third-party delivery services like Grubhub, Uber Eats, and Postmates—which work with independent contractors to deliver food from restaurants directly to the customer.



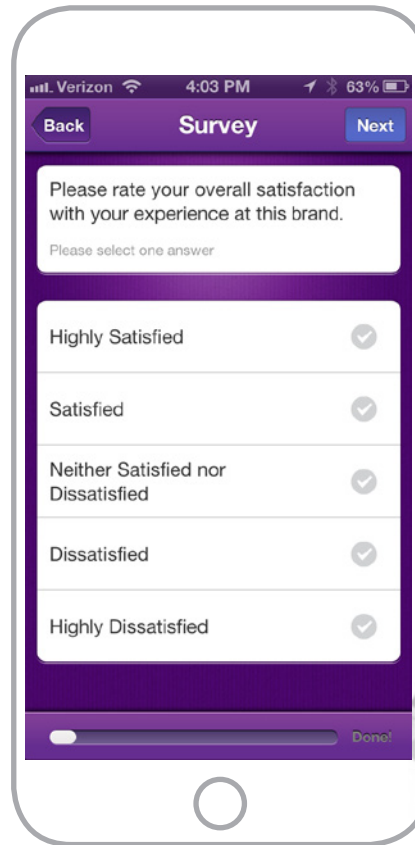
Prepping your brand

To help brands understand what to expect (and what's on the line) with these services, we used SurveyMini®—SMG's consumer mobile research app—to trigger a custom survey to more than 60,000 users across the largest DMAs in the U.S. about their experiences.

Methodology

How we got the data

SurveyMini uses precise mapping technology to trigger visit-detected surveys to an active user base of more than 140,000 respondents. In addition to receiving competitive data on more than 6,500 brands across 650,000+ locations, SMG clients can trigger custom surveys like this to get a quick read on changing market dynamics—down to the DMA level.



1  custom survey*



11  targeted questions

60,000+  respondents

30+  U.S. DMAs

14  key takeaways



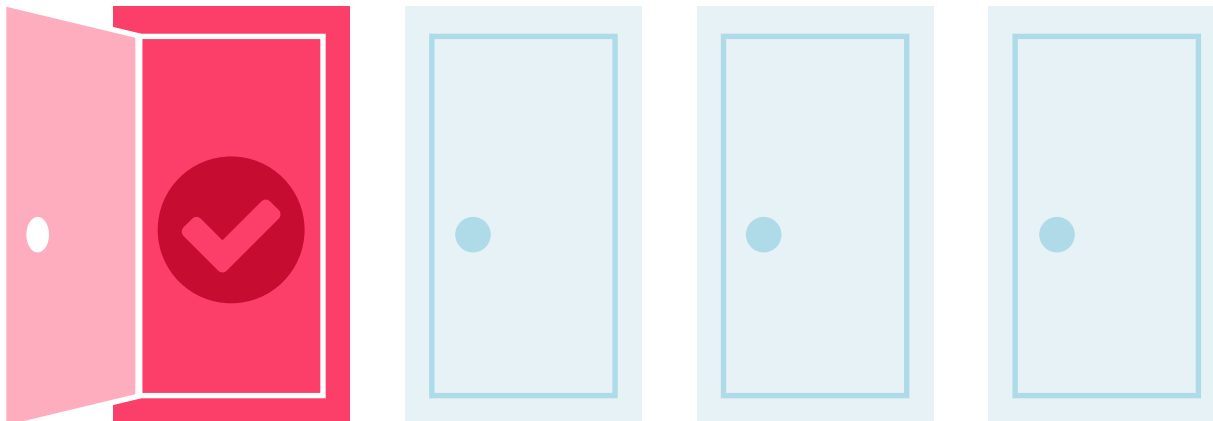
Who's using third-party
delivery (and why)?

1

Awareness + usage are rising rapidly

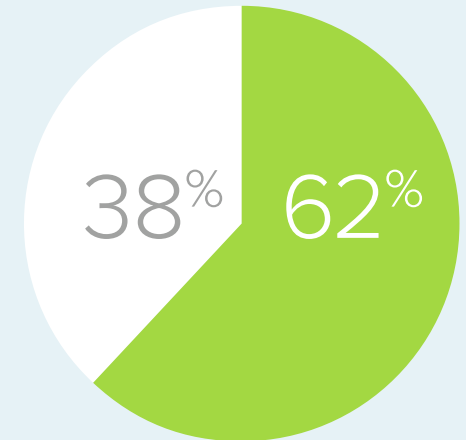
1 in every 4 respondents reported having used third-party delivery in the last 3 months—doubling from 12% in a 2016 study.

Of 60,000 total respondents, **25%** had used a third-party delivery service



Aware of Third-Party Delivery

● No ● Yes



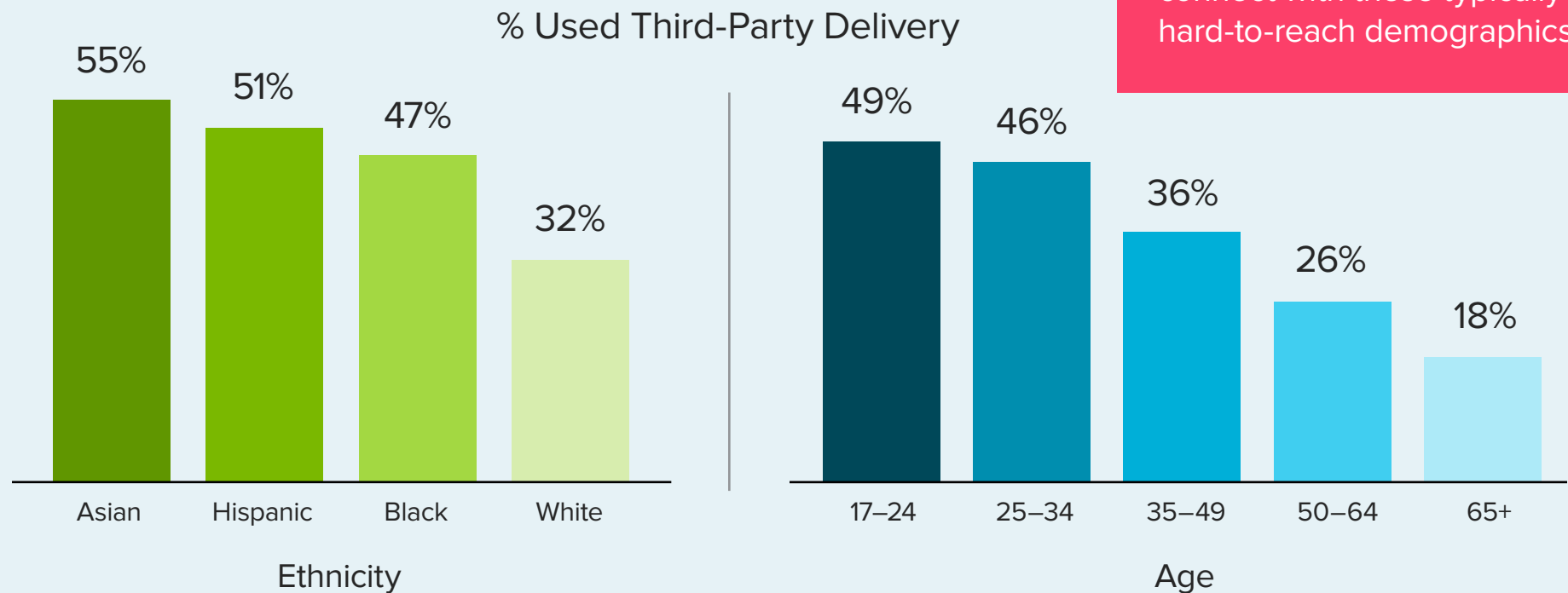
Takeaway

Third-party delivery is growing at a breakneck pace—and brands that fail to act quickly risk falling behind in the eyes of the customer.

Third-party delivery customers skew younger and more diverse

Takeaway

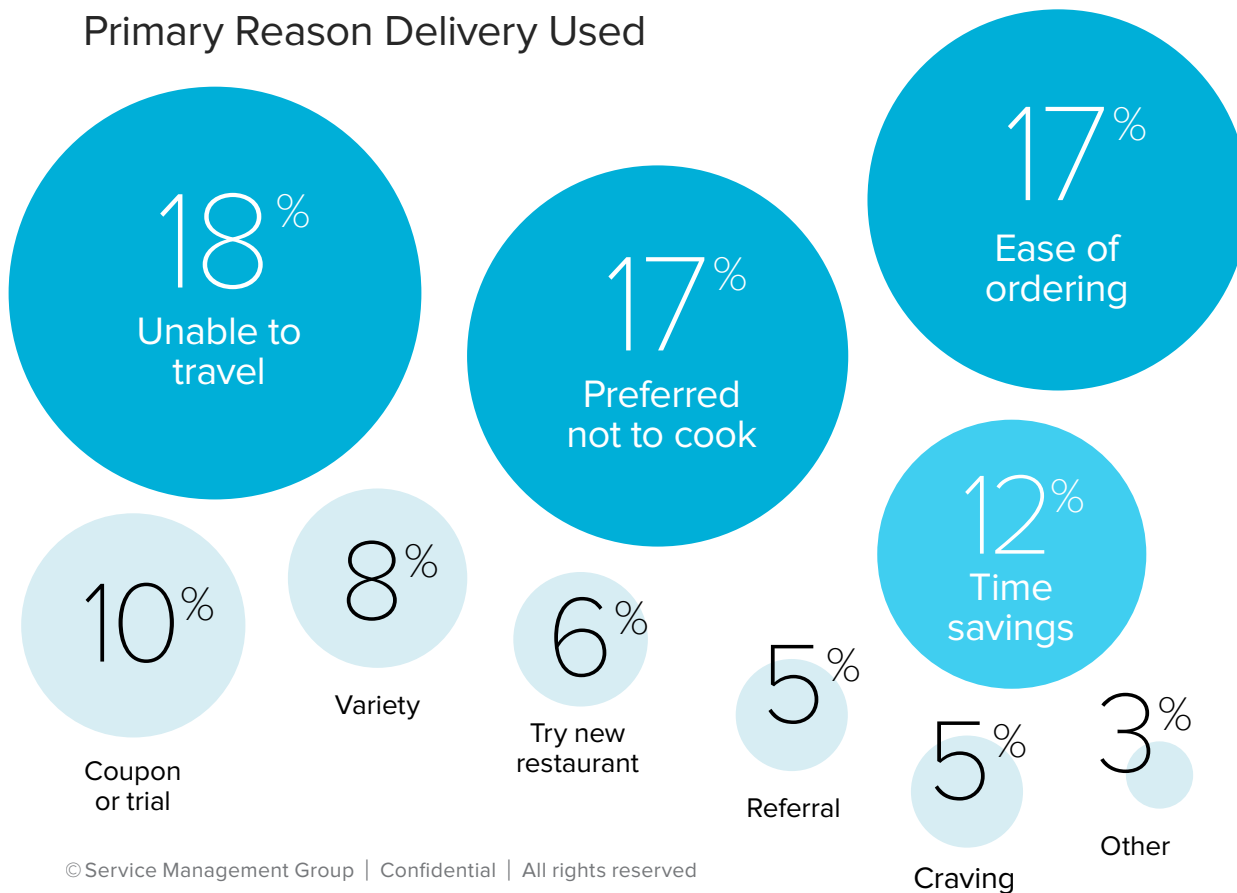
Here's one industry millennials aren't putting at risk. In fact, third-party delivery presents an enormous opportunity to connect with these typically hard-to-reach demographics.



Convenience continues to drive adoption

The data also revealed customers aren't price-sensitive to delivery surcharges — only 14% of respondents cited delivery fees as the primary barrier for usage.

Primary Reason Delivery Used



Only **14%** of consumers said they didn't order because of high costs

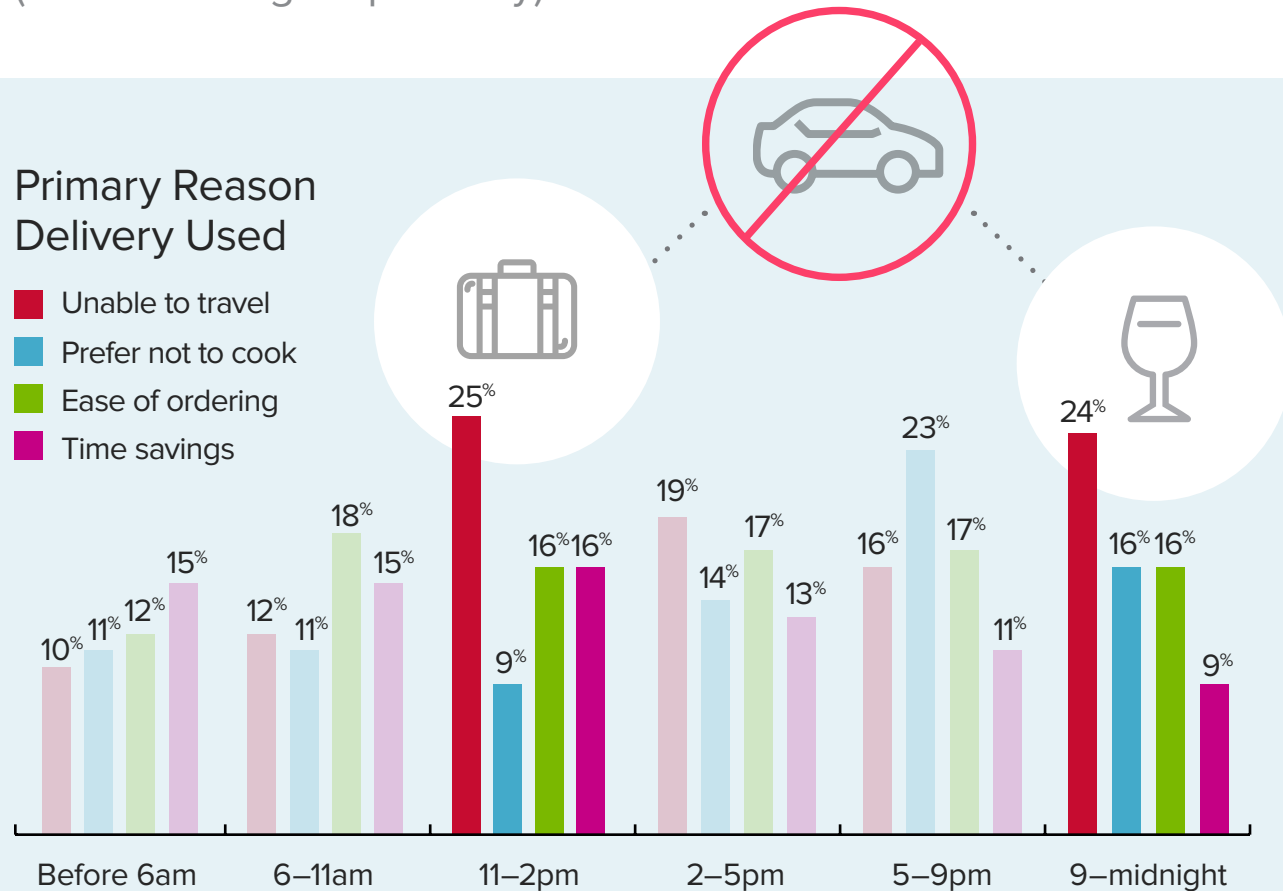


Takeaway

The top four motivators of third-party delivery all relate to convenience—indicating customers are mostly looking for something quick and easy (even if it means paying more).

Motivations vary across dayparts

While the convenience of home delivery drives dinner time orders, customers turn to third-party delivery when they can't travel during lunch (read: at work) and late at night (read: drinking responsibly).



Takeaway

Taking every variable into account can help brands build more targeted marketing strategies. Knowing how preferences vary—not just customer to customer, but hour to hour—can be the difference between understanding the market and owning it.

Late adopters beware: Third-party delivery isn't going anywhere

It's not just a fad or some distant-horizon consideration for your brand—it's an immediate business challenge. With the rapid increase in usage among key demographics and DMAs, brands have to build customer-centric strategies to avoid disruption.

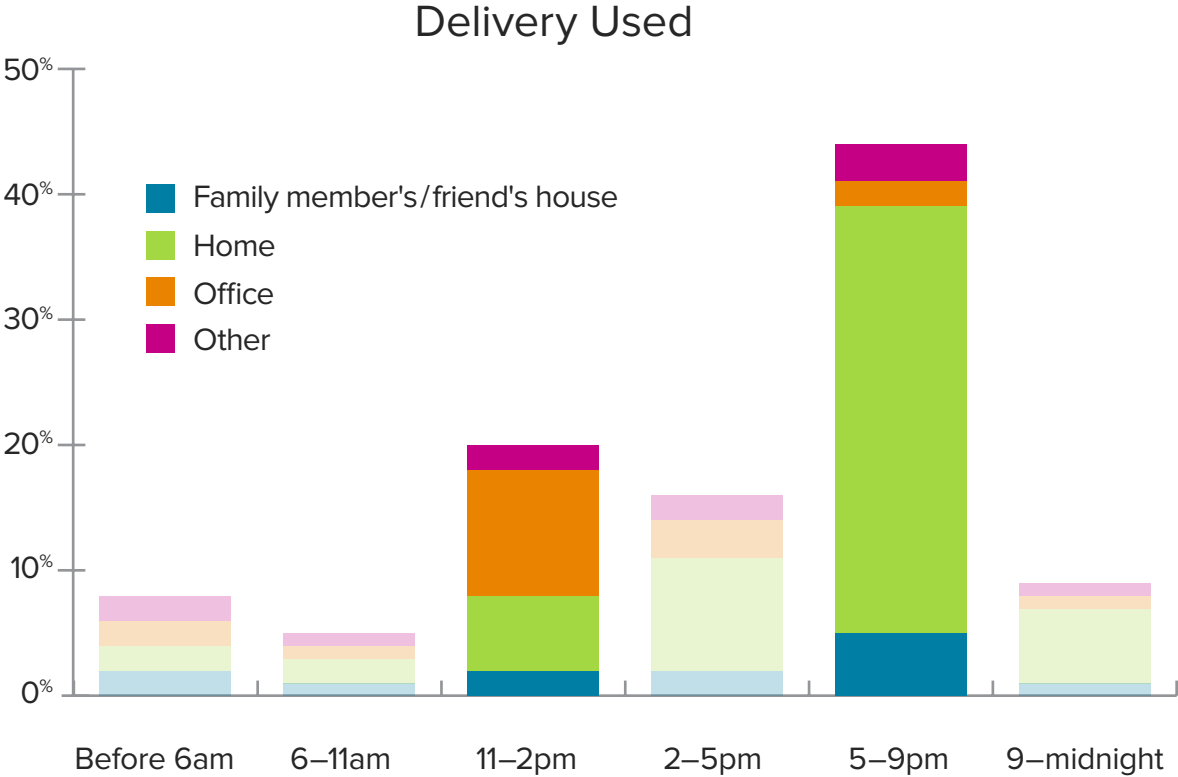


How's third-party
delivery being used?

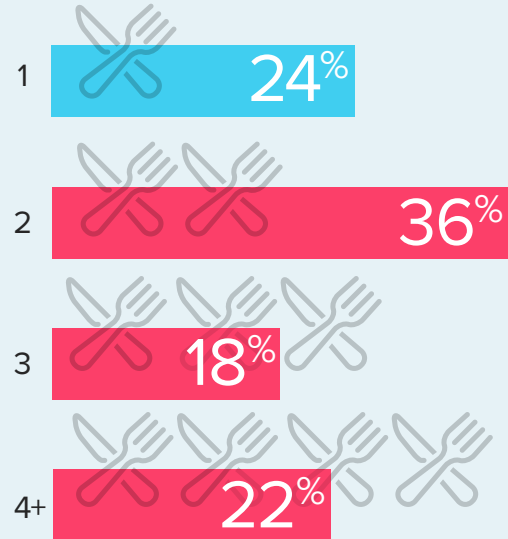
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Restaurants get hit hardest during peak hours

Dinner at home and lunch at the office account for 44% of third-party delivery orders—and 76% of all orders include 2 or more people.



of People Included in Order



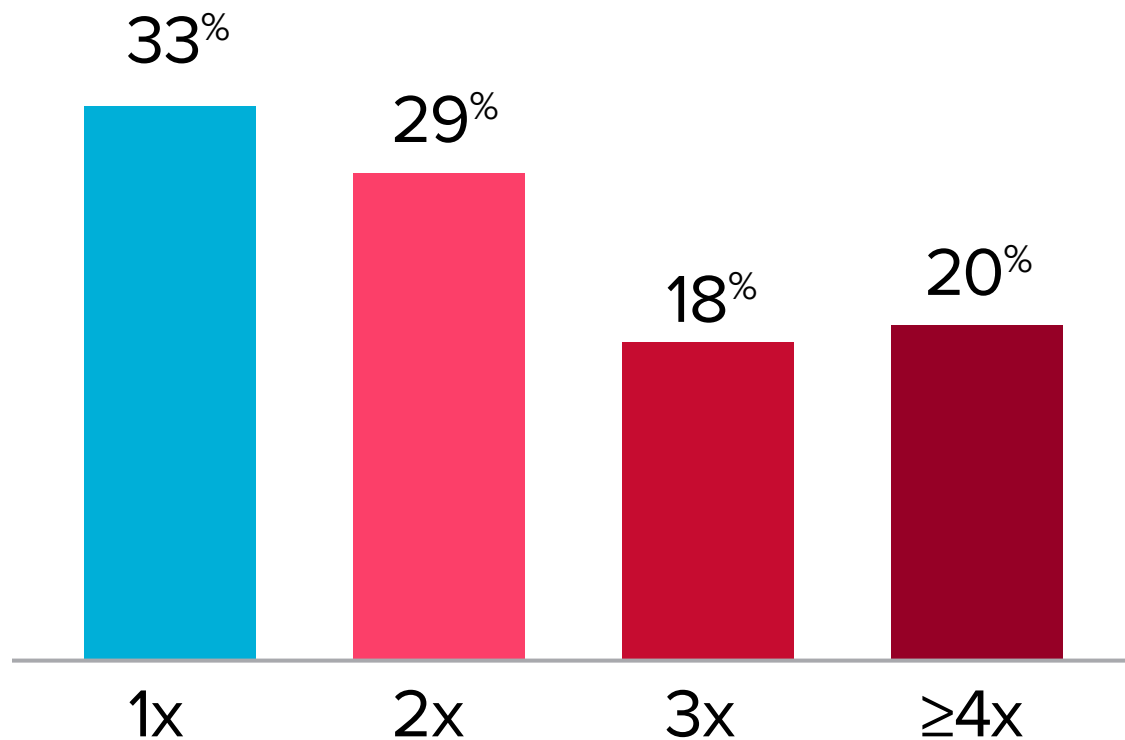
Takeaway

The sudden influx of large orders could present a huge strain on your teams—be sure restaurants with a high volume of third-party delivery orders get staffed accordingly.

The majority of users are repeat customers



Frequency of Third-Party Orders
in Past 3 Months



Takeaway

Brands that can provide a differentiated third-party delivery experience stand to gain the loyalty of frequent users—and that could have a big impact on the bottom line.

Keep tabs on usage trends to overcome obstacles + capitalize on opportunities

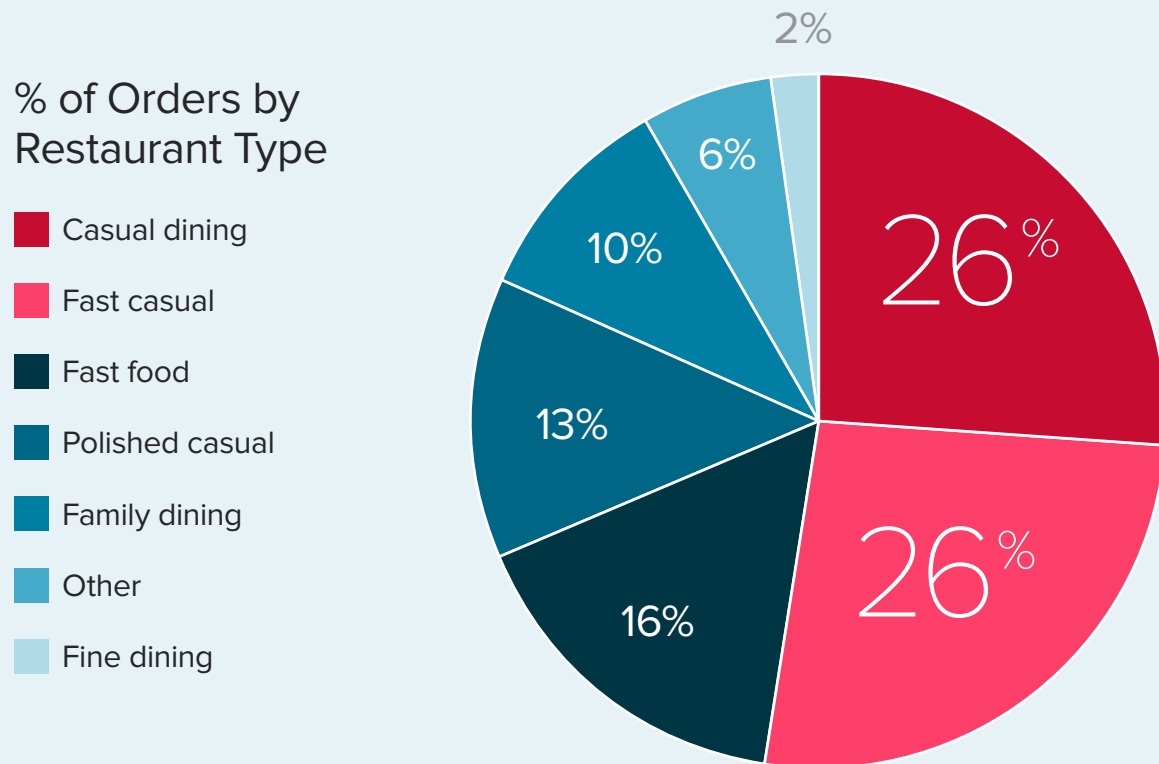
There's no question the rise in popularity of third-party delivery services offers an enormous opportunity for brands to connect with new customers in new ways. But if those restaurants aren't operationally equipped to deal with the demands of high-volume delivery services, those opportunities can quickly become brand hazards. It's also important to remember the increase in traffic is invisible for your dine-in guests—which means if service drops off, your brand reputation may take a hit.



Who's winning
in the space?



Casual dining and fast casual concepts receive more than half of third-party delivery orders



Takeaway

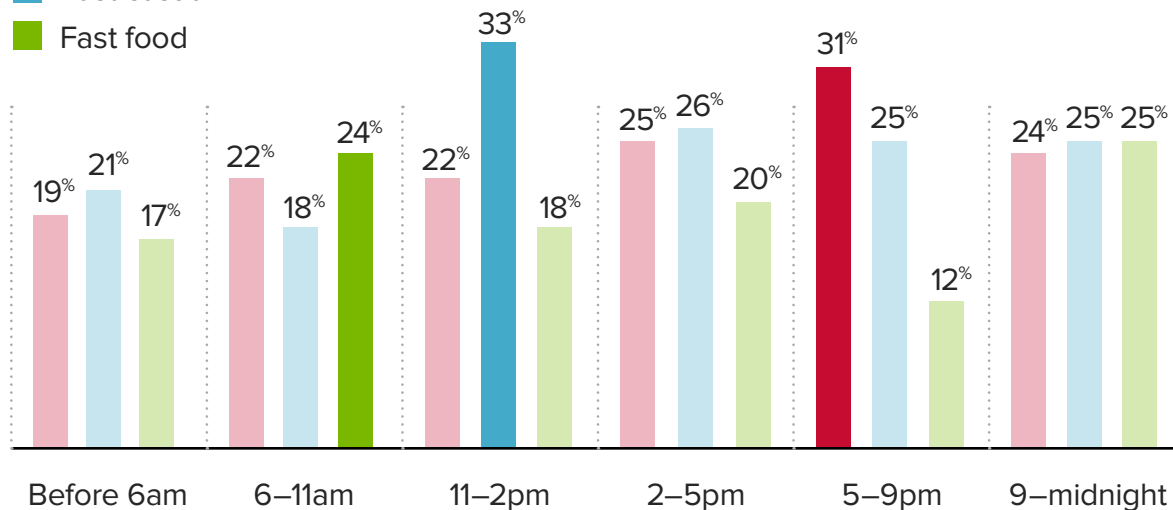
Not all brands stand to gain equal ground—knowing how your segment fares in the third-party space can help you assess the opportunity potential and avoid costly missteps.

Casual dining wins at dinner, while fast casual takes lunch

Across almost every daypart, customers prefer casual dining and fast casual brands, with QSR making gains during late-night and breakfast hours.

% of Orders by Restaurant Type

- Casual dining
- Fast casual
- Fast food



Fast Food
wins Breakfast



Fast Casual
wins Lunch



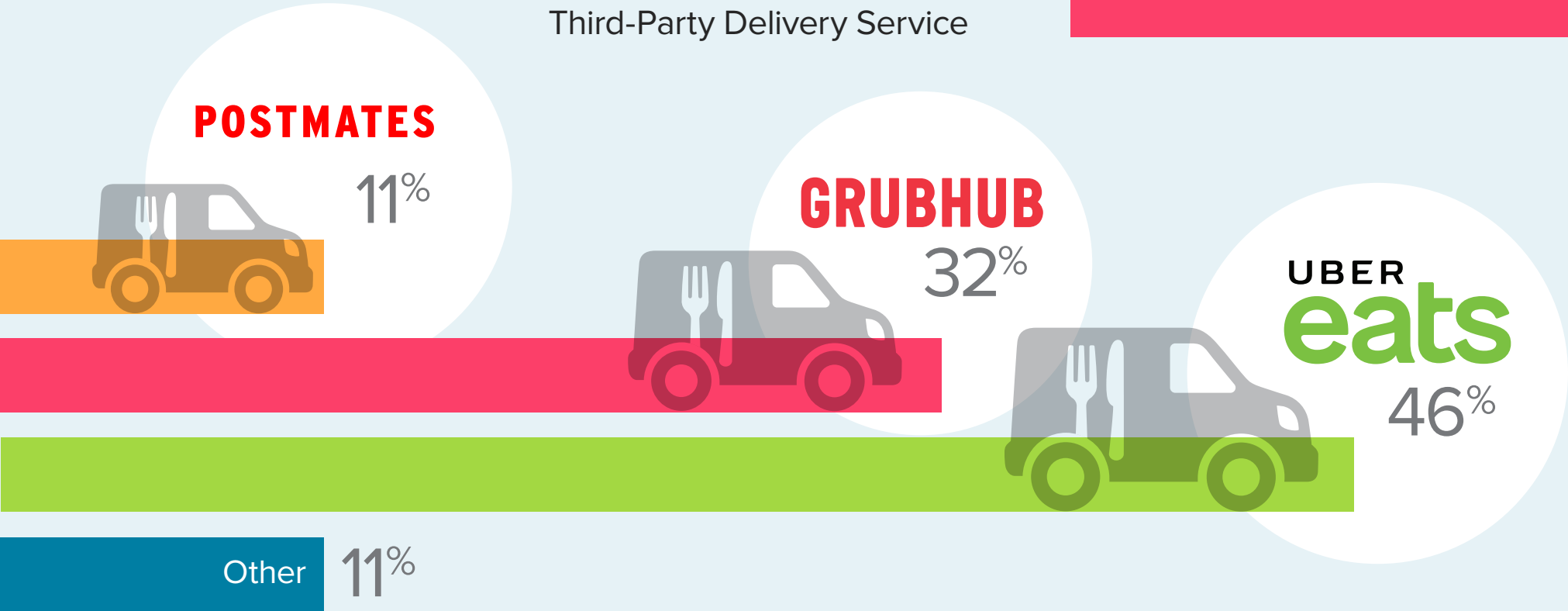
Casual Dining
wins Dinner

Takeaway

Quick, reliable fast casual concepts may serve as lunchtime favorites at work, but home orders during dinner time shift toward casual dining concepts with menus that offer something for everyone.

Respondents prefer Uber Eats




Preferred Third-Party Delivery Service



Takeaway

It's not just restaurants competing for orders—competition is fierce in the third-party delivery category, and vendors have to differentiate to earn a spot on customers' phones.

Market share varies by DMA, with Grubhub leading the pack

	U.S. cities	Top delivery service in:
 GRUBHUB	1,600 ⁺	Boston, Chicago, Columbus, Denver, El Paso, Jacksonville, New York City, Philadelphia, Washington, D.C.
 DOORDASH	500 ⁺	Fort Worth, Indianapolis, San Antonio, San Diego, San Jose
 POSTMATES	250 ⁺	Charlotte, Los Angeles, Phoenix
 UBER eats	100 ⁺	Austin, Dallas, Houston, Miami
 caviar	21	San Francisco
 amazon restaurants	20	Seattle

Takeaway

While some brands are rushing to form partnerships with third-party delivery providers, you need to understand how the respective market share matches up with customer preferences and your geographical footprint.

Evaluate all angles before making a move

If you're thinking about testing the third-party delivery waters, take into account who's winning and which vendor partner is right for you before diving in. Should you venture into the space, forming an exclusive vendor partnership may help your brand cast the widest net and avoid issues by syncing up operational systems.





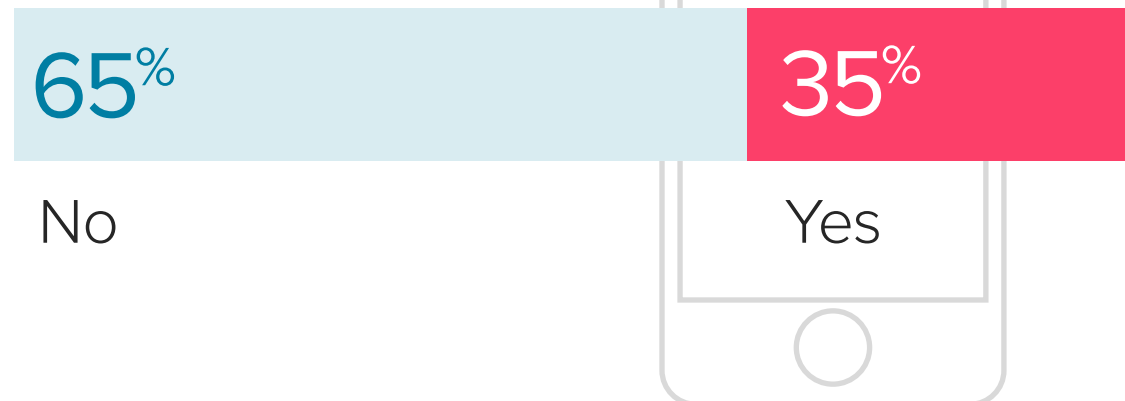
What's at stake?

4

It's not just your food out for delivery—it's your reputation

35% of respondents who used third-party delivery reported that they experienced an issue—more than 3X the restaurant industry average for traditional orders.

Experience a Problem?



Takeaway

Off-premise issues are notoriously hazardous for restaurant brands—when problems happen outside your locations, customers may give your competitors their next order before giving you a second chance.



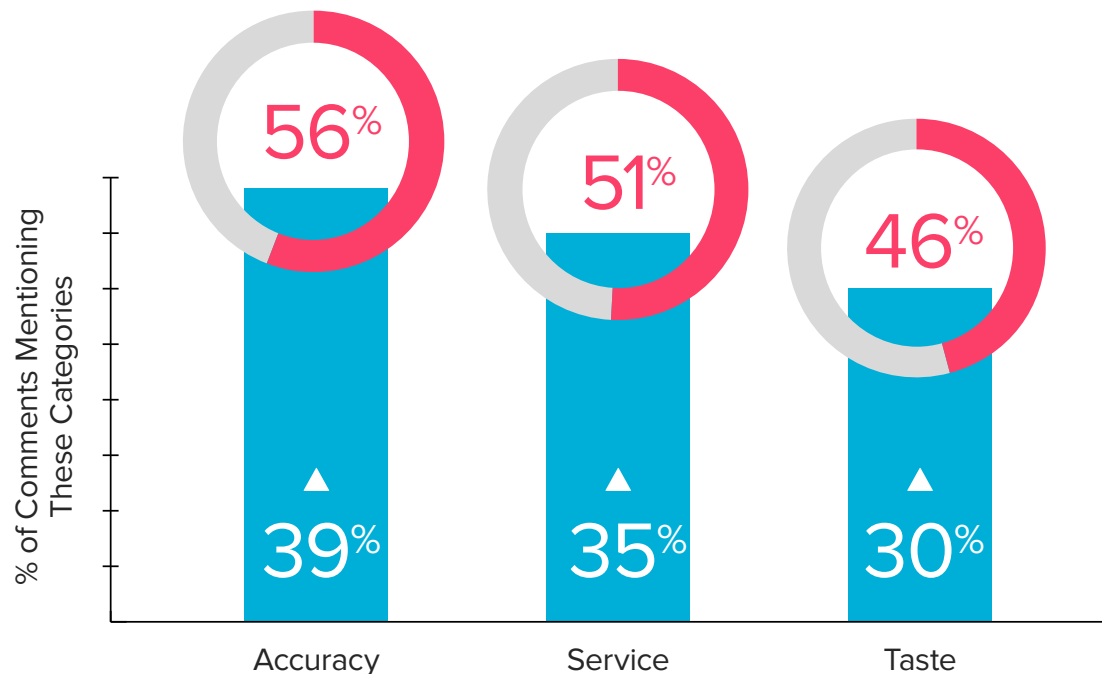
10%

Average Problem Occurrence Rate Across SMG's Restaurant CX Benchmark

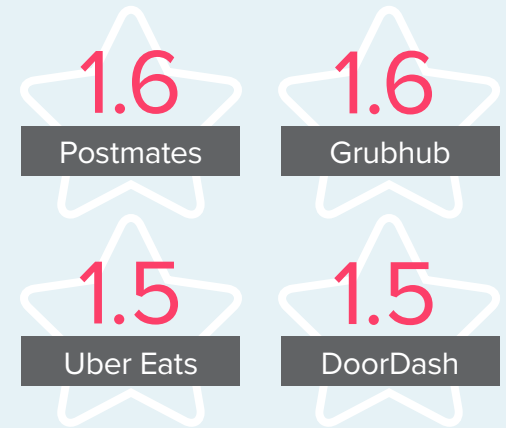
When customers take to social, your brand could suffer

Frequently Cited Categories in Reviews Mentioning a Third-Party Delivery Vendor:

■ % of Comments with Negative Sentiment




Average Rating for Restaurant Reviews Mentioning Third-Party Delivery



Takeaway

Third-party delivery services rarely have a presence in the polarized world of online ratings + reviews—which means customers will turn to *your* pages if all else fails.



I went through **Postmates** and the entire order was ice cold, missing ranch, and the fries were limp. **Never going back!**

Restaurant was closed but I didn't know.

Restaurant never checked orders from Grubhub so it was over 2 hours and didn't answer calls. I called and cancelled and it took a week or two to get my money back.

Some prices are different on website than at **restaurants**. Sometimes it takes hours.

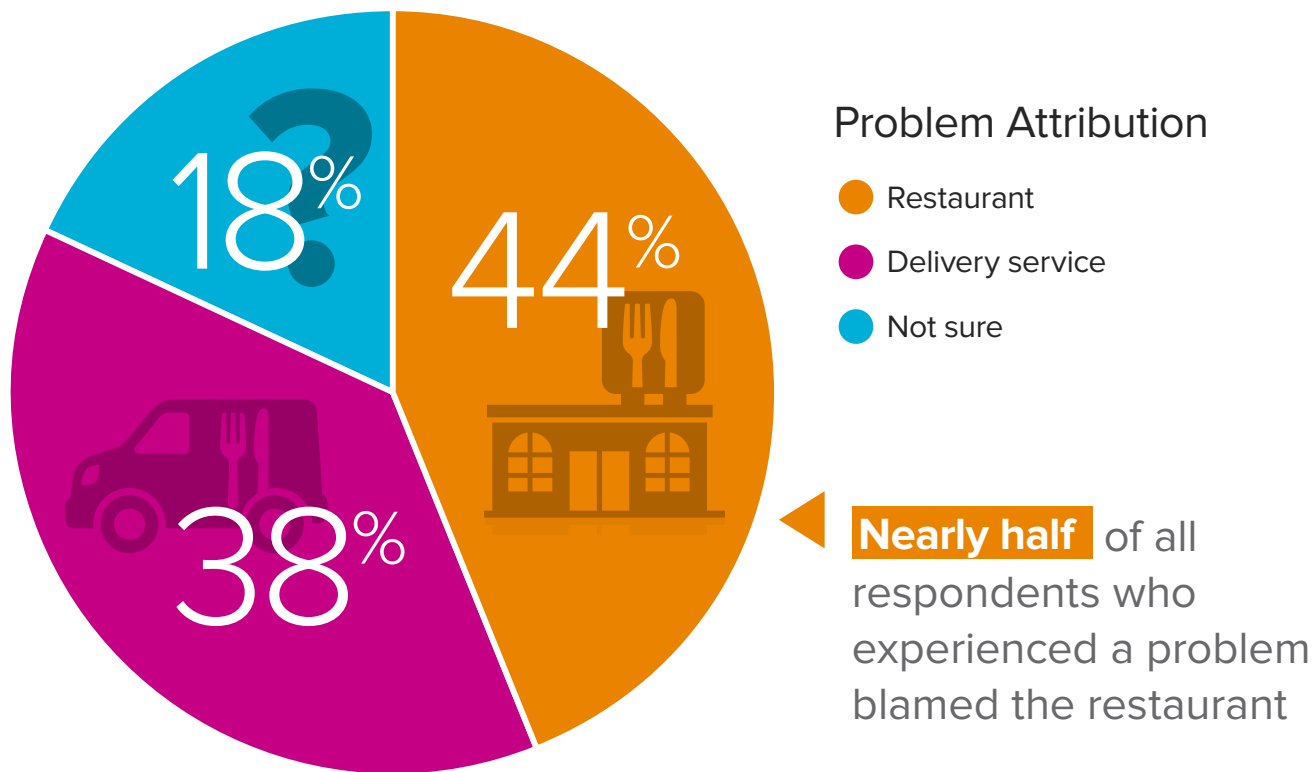
Love this place, but every time I order from **DoorDash** and ask for specific things, I never get it. **How hard can it be to read the order?**

I've ordered here, picked up the order, and had a pleasant experience. This time we ordered through **Grubhub** and waited two hours. **We will never eat here again and will highly discourage others.**

A **driver** had to deliver someone else's food before giving me mine and he mixed up the food.

Restaurant took 4 hours to make food. Made my **Uber Eats** lady wait the entire time.

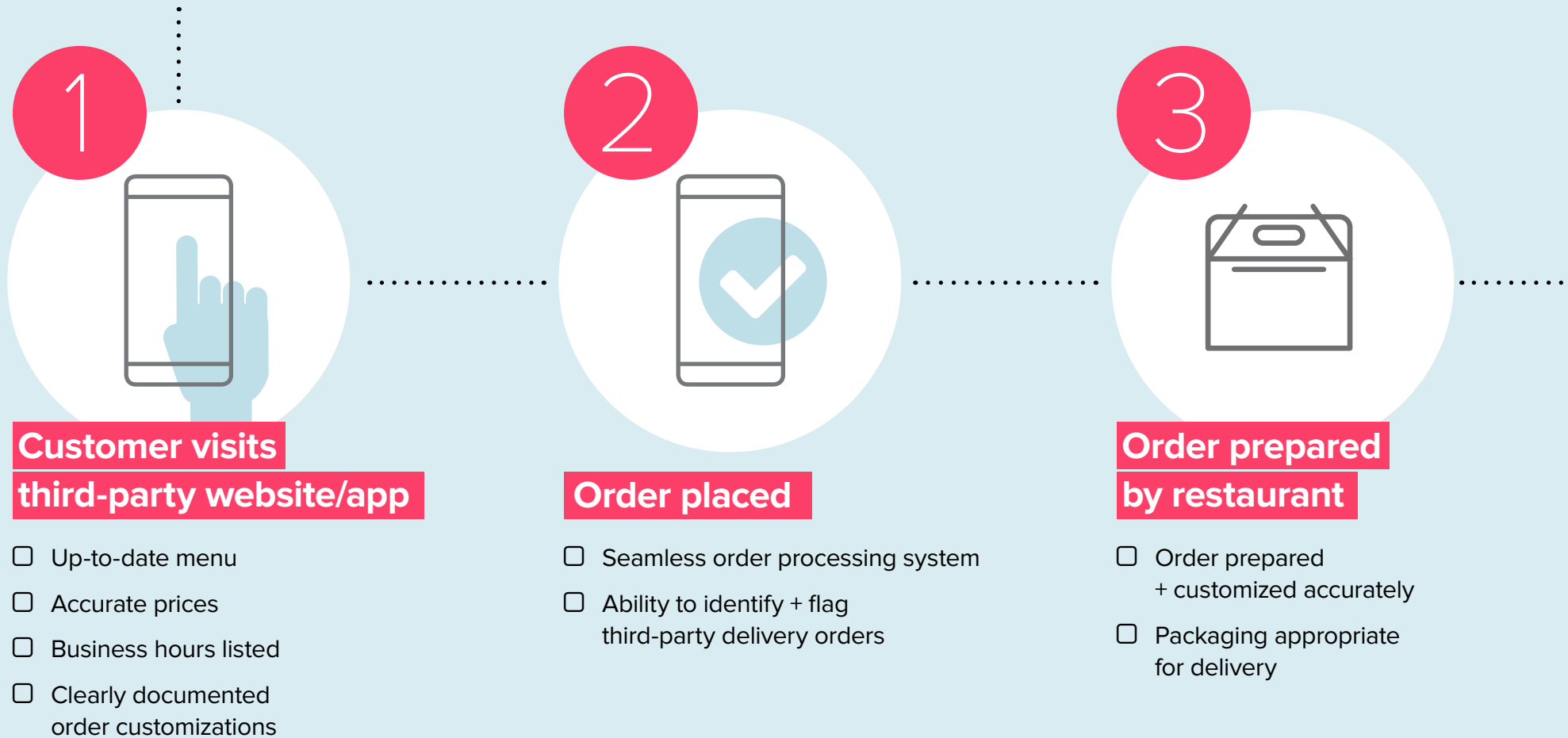
Even worse: Customers aren't sure who's at fault when problems arise



Takeaway

It's anyone's guess who customers blame and who they reach out to when problems occur (if they reach out at all). Make sure feedback systems are in place and equip your restaurants and contact centers to handle issues as they arise.

Breaking down the process (and where it might break down)



Breaking down the process (and where it might break down)



Tackle the issues you can control

Problem Type



Accuracy of order



Freshness



Friendliness of driver



Appearance of food



App or website

Takeaway

Customers may not always know who's at fault—but they'll be more forgiving if it's clear you're doing everything possible on your end to deliver a great experience.



Don't leave your reputation to chance

Put systems in place to double-check order accuracy and revisit product packaging to ensure it's suited for typical delivery wait times. Most importantly, experience the third-party delivery process yourself, so you can understand what it looks like for your customers—and your brand.

Consider:



Is third-party delivery right for your brand?

Understanding the consumer demand both in general and for specific restaurant segments can help you make the right choice when it comes to entering into the space.



Which vendor makes the most sense for a possible partnership?

Before you ink the deal, consider customer preferences, the respective market share across geographies, and the ability to interface with different platforms.



Can you put systems in place to avoid potential pitfalls?

Third-party delivery may bring significant opportunities for revenue growth, but it also adds operational complexity. Revisit the systems you have in place—from how restaurants are staffed to how you collect customer feedback—to ensure you're set up for success.

Know more. Do better.

Few industries are more prone to disruption than the constantly evolving restaurant space. While adapting to trends as they happen is critical to long-term success, it's not easy for global, multi-unit organizations to maintain that kind of brand agility. That's why today's leading brands use customer experience (CX) programs to collect and act on customer feedback in real time. **SMG partners with 50% of the 2017 NRN Top 100 list—including 9 of the top 10 brands**—helping them use real-time customer feedback to adapt to changing market dynamics and tackle complex operational challenges.

About SMG

SMG (Service Management Group) partners with more than 450 brands around the globe to create better customer and employee experiences, which drive loyalty and performance. SMG uniquely combines technology and insights to help clients listen better, act faster, and outperform competitors. Strategic solutions include omniCX™, Brand Research, and Employee Engagement. SMG evaluates 200 million surveys annually, across 130 countries.

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