

Aggregators

How food delivery
marketplaces
reinvented their niches
to bring us everything
in the neighbourhood,
and more

Aggregators

*How niche marketplaces in
takeaway, grocery,
clothing and homewares
evolved into
local commerce
and fulfilment engines*

*Why these online marketplaces
used their networks, built for
small business merchants and their
consumers,
to service big brands
and cross over into
new product categories*

Introduction

Aggregators is the story of the reinvention of an e-commerce industry. It is an account of how the early and substantial financial and brand-building achievements of online food marketplaces were tempered by a range of challenges which led on to big changes in how the online takeaway and grocery industry operates and succeeds. It starts from the point at which these marketplaces were already household name brands (after years of successful scaling up), in 2019, and brings us up to the present in early 2023.

I use independent analysis of public domain data to shed light on the market landscape in a way that I hope adds to the insights and offsets the boosterism have been provided so far by the leading competitors and their backers.

At the beginning of this period, a number of takeaway online marketplaces were already well-established in their home marketplaces, high-valued by either public or private investors, and projecting high sales growth for a number of years ahead. What followed did not play out as these companies expected, and there have been many adaptations and changes of strategy – which what I think makes this account interesting.

It was written in real time over the last two years as I absorbed the performance of the key marketplace players, the service they provided to their merchants, the habits of customers, the stance of regulators, and the returns to investors in this industry. At the same time, I was observing the evolution of online marketplaces in other sectors like fashion and homeware, and how they were handling the common challenges of delivery logistics, regulatory oversight and dependence on *Google* and *Apple* for finding new customers. At certain junctures those cross-industry factors have a critical influence on the story, and I break off from the food delivery narrative to take in these cross-industry reflections.

I spent some time as a finance leader and strategist with one of the key players in online takeaway in the period leading up to 2019. Up until then, takeaway meals from independent restaurants had emerged as one of the perfect niches for the export of the online marketplace idea out from the giant mass marketplaces run by *eBay* and *Amazon*. There was enough demand from which to carve out a new marketplace aggregator niche to bring together local takeaway choices onto a single ordering website and app - but the practicalities of this rather informal sector foxed the generic marketplace giants. Independent restaurants valued their membership of the specialist marketplaces as a means of acquiring customers to complement their base trade, but bridled at the ongoing commission fees, even for repeat orders.

2017 to 2019 was a pivotal time in the industry because it marked the moments when delivery of meals by the marketplace platform, rather than leaving delivery to the restaurants, hitherto thought by many as a loss leader, began to be seen as a serious option to bundle with marketplace services, and one which could actually make money.

Investors were divided, some seeing delivery services as essential for capturing the substantial prize of fast food chains, others believing that the economics of running delivery services at scale would be suicidal. Even among shareholders of the same company, the absence of consensus slowed down rollout of delivery services at a time when 'land grab' was a key competitive strategy.

From 2019 onwards, organic expansion of marketplace and delivery services accelerated greatly, complemented by almost continuous corporate acquisitions and disposals as the leaders consolidated and shaped their preferred international spread.

During the COVID pandemic the takeaway aggregators did not halt but accelerated the expansion of their footprint on our cities, towns and even villages. These marketplaces were a lifeline for restaurants unable to serve dine-in and seeing their 'collection' trade fall off. This was a second round of land grab investment by the leading platforms.

With the reopening of physical commerce, demand fell back towards (but not below) pre-pandemic levels. This was also the time when investors started to insist on the aggregator platforms accelerating their journeys towards profitability being accelerated. The platforms had been getting more efficient with their delivery logistics and more selective about the profitability of the locations that they expanded into. But they started to face increasing regulatory pressure on compensation of delivery staff and on fees charged to restaurants.

These takeaway experts started to expand their footprint into grocery and convenience, shown the way by new 'quick commerce' platforms exploiting demand from younger, time-poor, urban dwellers in the world's biggest cities. At first this was opportunistic, then it became more strategic, with supermarket chain partnerships, proprietary 'dark stores', and collaboration between competitor platforms. The extra supply of willing merchants outside of takeaway reduced the time that delivery staff would spend idle, leveraging down unit delivery costs and speeding up that existentially critical move into profit.

By the start of 2023, almost all of the leading marketplaces, now calling themselves 'food delivery' or 'local commerce', had made it to profitability on the standard measures that exclude costs like depreciation and interest. This despite post-pandemic and war-induced inflationary pressures on their costs and lost sales as customers have traded down to save money in the face of escalating meal and grocery prices.

Meanwhile, a new set of e-commerce technology vendors had emerged to help restaurants manage all the orders coming to them from different channels. Restaurants were becoming more focused on developing multiple demand channels, and on reducing their dependence on the high-charging marketplaces. A new generation of point of sale and order management tools had been rapidly adopted by both independent and chain restaurants. Their fixed fees often looked

friendlier than variable commissions and this is largely why these tools now handle as much order volume as the marketplace aggregators.

This is what the food delivery landscape looks like today. It has been fast-evolving over the seven years that I have been following it as a strategist, analyst, consultant and commentator. The end games that are coming into view now are certainly not the ones I had in mind when the events I've described first started to unfold.

Aggregators tells the story of how the industry evolved through this period, from my vantage point, after my time inside a food delivery marketplace, as a consultant, financier and writer on and in online marketplaces, with a special focus on food delivery.

As I recount the story of how this marketplace niche became more than a niche, I switch perspective between customers, merchants (both restaurants and grocers), fast food chains, supermarket chains, marketplace companies (public and private), investors and regulators. At different times, different players amongst this cast have had the controlling influence. It continues to be a high-stakes drama, affecting the future of workers, small businesses, investors (and therefore savers), governments, and e-commerce founders.

Contents

PART ONE Restaurants & neighbourhoods

Cross-industry Marketplace curation
Does a restaurant P & L benefit from a marketplace?
Local population profiles impact marketplace viability
City distributions make some countries ideal, others not
What the top UK delivery neighbourhoods look like

PART TWO Customers and brands

Customer acquisition and retention challenges
Which age groups use delivery marketplaces most?
Cross-industry Online customer tracking challenges
Contrasting brand advertising strategies
World Cup 2022: new vibes in takeaway TV adverts

PART THREE Unit Economics

Wage differentials impact marketplace profitability
Food delivery costs: controlling the escalation
Delivery costs per order trends
Delivering for the fast food chains
Uber drivers: are they getting their rights?
EU gig economy workers' rights rulings

PART FOUR Supply spread

The expansion into grocery delivery
Rapid grocery customer characteristics
Grocery delivery investments – a cost that pays off?
Merchant spread: new local delivery categories
How the local food supply footprint expanded
Merchant footprint broadened further
Convenience store delivery partnerships

PART FIVE Restaurant e-commerce technology

Restaurants are now adopting a fuller technology stack
Building the restaurant operating system
The 'Restaurant Tech' ecosystem of suppliers
Restaurants are pursuing more control over their orders
Cross-industry Brands seeking control of online demand

PART SIX Pandemic and inflation

Post-pandemic sales and costs trends
Cross-industry A permanent delivery driver shortage
Fee caps: ongoing pressure on delivery commercial models
Takeaway restaurants' response to inflation
Cross-industry Is stagflation impacting online luxury goods?
Inflation mitigation by restaurants and their marketplaces

PART SEVEN End games

Cross-industry Niche curation & fulfilment in fashion & home
Cross-industry Logistics as a product
Delivery platform endgames
The journey to profit
Technology consolidation can be put off no longer
Delivery Hero's geographical route to profit
Dark kitchens
Marketplaces getting creative with their fees
Ancillary services from food delivery platforms – any upside?
Marketplace advertising stepping into the 'cookieless' gap

Predictions

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