



Growing the Pie

Delivery apps bring \$2.6 billion of trade to the Australian restaurant industry, of which 70% is incremental

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This report has been commissioned by Uber Australia and prepared by AlphaBeta Australia, part of Accenture.

AlphaBeta Australia is a research firm with offices in Sydney, Canberra and Melbourne. AlphaBeta specialises in combining advanced analytical techniques and innovative data to generate new insights and fresh perspectives on the challenges facing business and government.

The results in this report have been compiled from consumer transaction spend data from calendar year 2019, business intelligence data, public data and a survey of consumers in Sydney and Melbourne. All figures are in AU dollars and refer to the Australian market unless otherwise labelled.



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Executive summary

This report shines a new light on the impact of 'App Delivery' on the restaurant market using data on more than 17 million restaurant and delivery transactions

- 'App Delivery'¹, whereby consumers order from restaurants through third-party delivery services, is one of the fastest growing segments of the restaurant market.²
- Despite its rapid growth, relatively little is known about the impact of 'App Delivery' on the restaurant market.
- The evidence we do have tends to be based on either anecdotes or surveys – both of which suffer from sample biases and reporting errors.
- This study is the first Australian study to use actual spending data from the anonymised bank accounts of more than 700,000 Australians across 17 million restaurant and delivery transactions – providing confident results from a large sample that is not subject to misreporting.

'App Delivery' has brought \$2.6b of trade into the restaurant market

- In 2019 there were around 70,000

restaurants across Australia with a total turnover of \$47b.

- App Delivery accounts for 5.6% (\$2.6b) of restaurant trade (excluding fees)³ and is growing very strongly at 86% p.a.
- The success of App Delivery has helped total restaurant spending in Australia grow strongly at 4.5% p.a. while grocery spending has been growing at just 3.0%.
- The introduction of delivery apps in Australia hasn't had any significant impact on the success rate of Australian restaurants.

\$7 in \$10 of all 'App Delivery' spending is incremental

- Evidence from transaction data shows that around \$7 in every \$10 spent on delivery apps is incremental in the sense that it would not otherwise have been spent in a restaurant.
- Restaurant customers who also use 'delivery apps' don't reduce their direct spending on restaurants – the average delivery app user spends 41% more directly in restaurants than other customers

- Delivery apps also raise average order value – App Delivery orders are 11% higher than other orders (not including fees).

'App Delivery' is changing consumer behaviour and creating opportunities for restaurants

- Delivery apps lead customers to visit the restaurants they discover through the app because they create better opportunities to sample.
- 75% of people who discover a restaurant through a 'Delivery app', and like the food, are likely to visit the restaurant in the future
- Delivery apps raise the profile of independent restaurants because they are better targeted and easy to access marketing channels
- Delivery apps help to create restaurant trade on 'quiet' nights such as Sundays, public holidays or day of inclement weather. People use delivery apps 32% more on Sundays, 27% more on Public Holidays and 12% more on rainy days compared to ordering from a restaurant directly.

1. 'App Delivery' refers to platforms that provide delivery services between customers and restaurants including Deliveroo, Uber Eats and Menulog.

2. Restaurants includes restaurants, cafés and takeaway food services.

3. All figures in this report exclude service and delivery fees.



1.

‘App Delivery’ has brought \$2.6b of trade into the restaurant market

Australian restaurants fulfilled 2.3 billion orders in 2019

In 2019 there were around 70,000 restaurants across Australia with a total turnover of \$47b.

These restaurants together served around 2.3 billion orders in the calendar year. App Delivery accounted for 120 million of these orders.

Australian restaurants in 2019 ...



2.3 billion
orders in restaurants



\$20.10
average order value

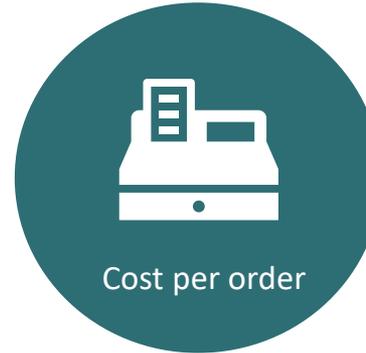


\$47b
total restaurant turnover

... of which 'App Delivery' contributed



120 million
orders in restaurants



\$22.20
average order value
excluding fees



\$2.6b
total restaurant turnover
from App Delivery
(excluding fees)

Note: Restaurants include cafes and takeaway food services.

Source: ABS, Illion, AlphaBeta

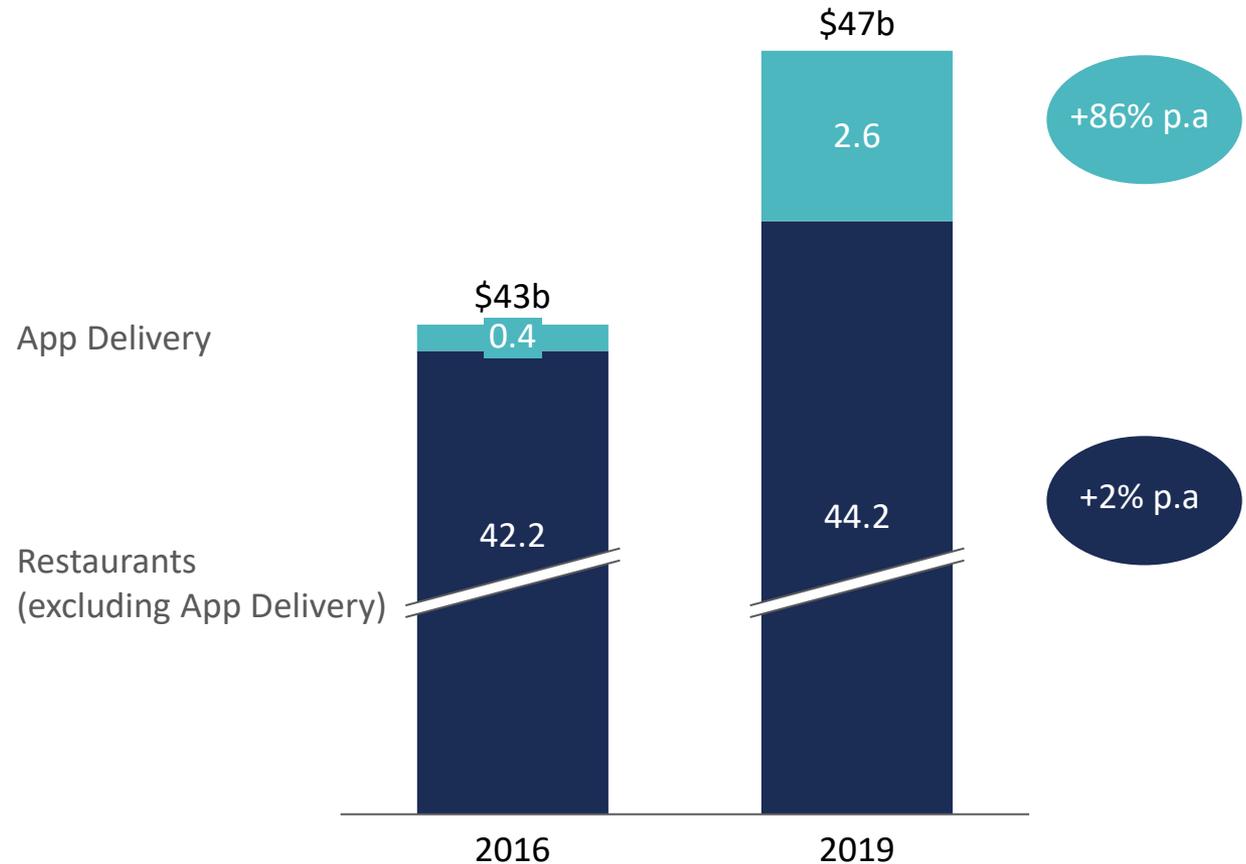
'App Delivery' now accounts for \$2.6b in restaurant spending

App Delivery accounts for \$2.6b of \$47b total restaurant turnover, or 5.6% of restaurant trade. This excludes service and delivery fees.

While it remains a small part of total restaurant trade, sales from App Delivery have grown at a much faster rate compared to direct restaurant sales.

App Delivery accounts for 5.6% of total restaurant revenue

Total restaurant revenue from App Delivery and direct customers, \$b



Notes: Revenue from App Delivery doesn't include delivery & service fees charged by platforms

Source: AlphaBeta analysis, ABS, IbisWorld

App Delivery has supported strong growth in restaurant spending

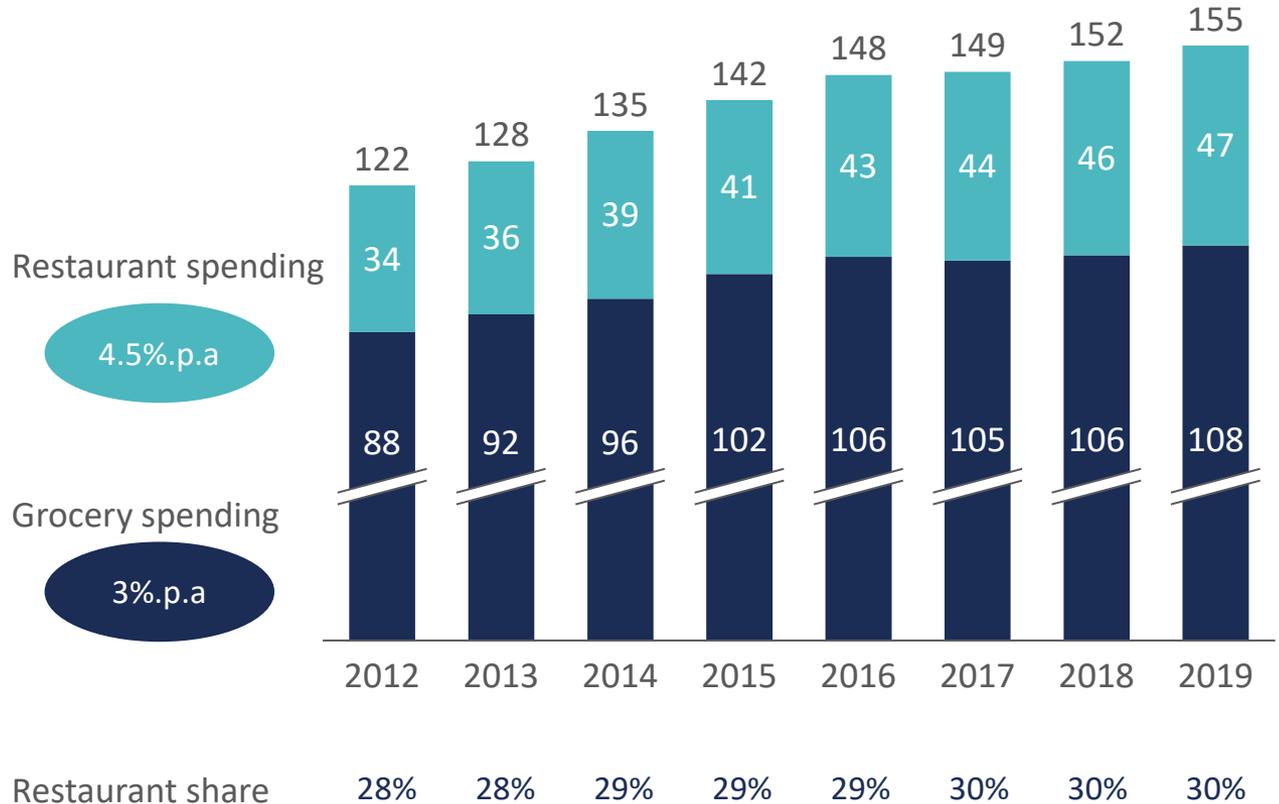
The rapid growth of App Delivery has supported restaurant spending to grow rapidly at 4.5% p.a. while grocery spending has been growing at 3.0%.

Australian restaurant spending has grown from \$34b in 2012 to \$47b in 2019.

Retail trade (of which grocery spending is the major component) has been generally affected by weak household spending on discretionary goods due to limited wage growth and decreased wealth effect from falling home prices.

Shifting spend growth on food: slowing on grocery and rising on restaurants

Total Australian food spend, \$b



Note: Restaurant spending is inclusive of App Delivery spend (without delivery and service fees)
Source: ABS, AlphaBeta, IBISWorld

Restaurant success has not been impacted by delivery apps

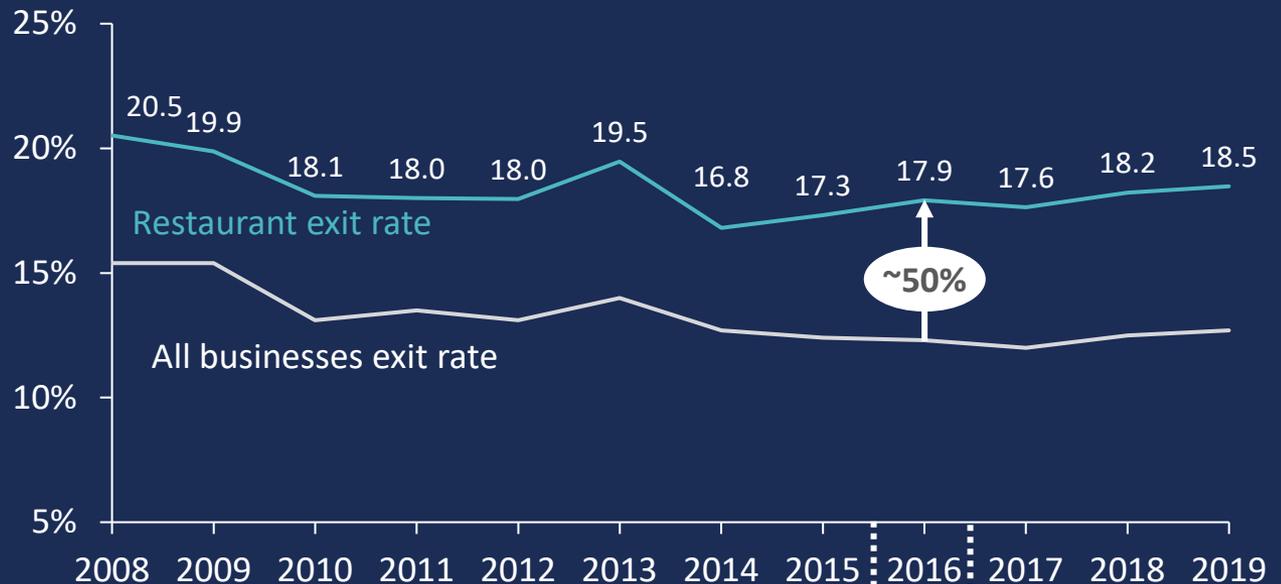
The introduction of Deliveroo (Nov 2015) and Uber Eats (April 2016) in Australia hasn't had any major impact on the exit rate in the restaurant industry.

Historically success in the restaurant industry has followed a similar trend as the general economy (all Australian businesses). This continues even today during the era of Delivery Apps.

The restaurant industry has also always been highly competitive with an exit rate ~5ppt more than the national average.

Restaurant failure rate has not changed much in the era of App Delivery

Business exit rate - restaurants and all businesses in Australia, % p.a.



Entry of delivery apps





2.

\$7 in \$10 of all 'App Delivery' spending is incremental

70% of delivery app spend is incremental to restaurants

Total delivery app spending is \$2.6b in Australia (not including app fees).

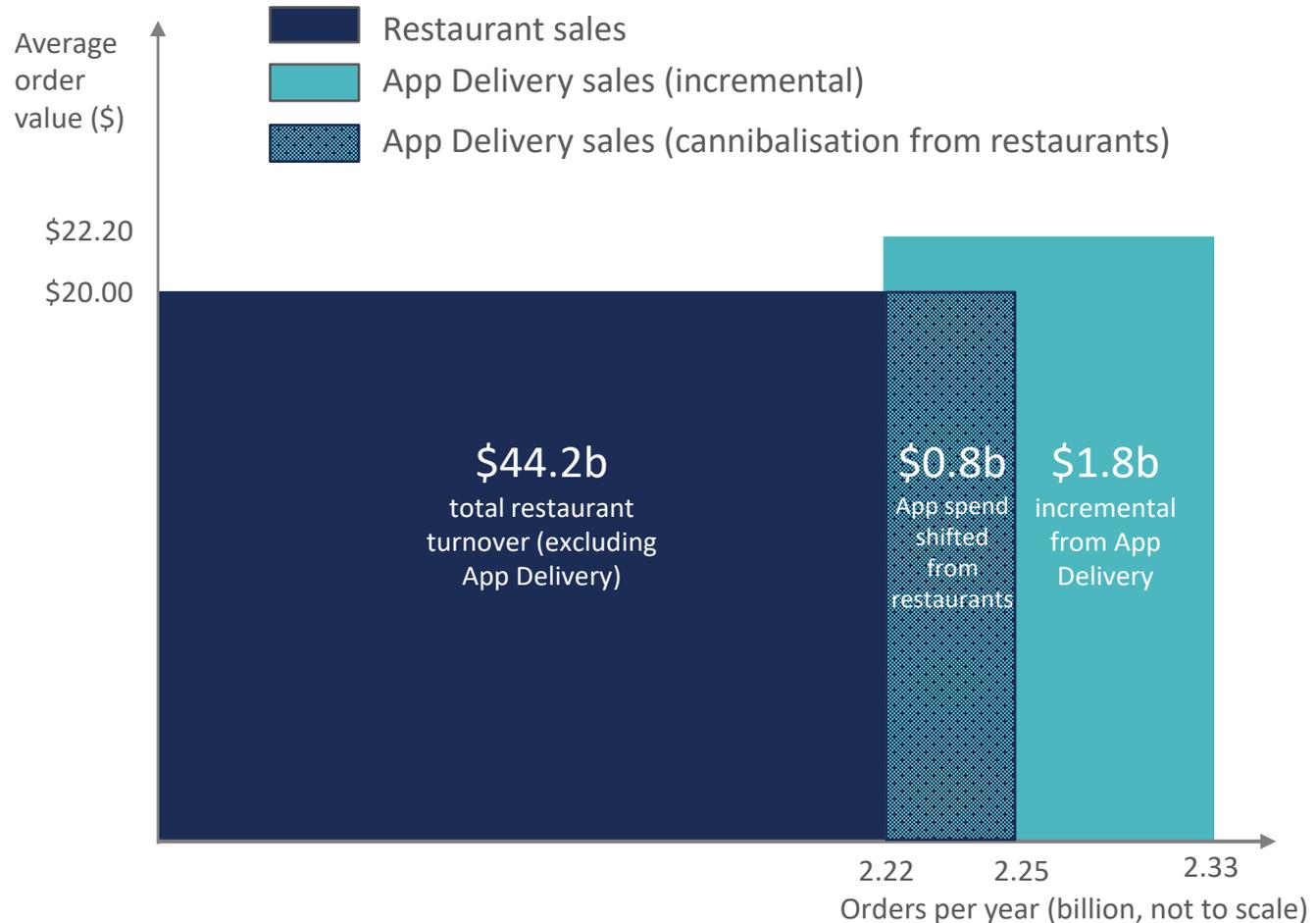
70% of this (\$1.8b) is incremental to the industry and 30% (\$0.8b) is spending on delivery apps that would have otherwise occurred in restaurants.

Delivery spending has created incremental value because it has raised the average order value by 11% (excluding service & delivery fees).

Also App Delivery has increased the total number of orders by 80 million.

Delivery apps have added \$1.8b to the restaurant industry excluding delivery and service fees

Restaurant turnover in Australia, average order value (\$) and total orders (billion)



Note: Chart axis not to scale. Spend per order for delivery excludes delivery and service fee charged by App Delivery providers

Source: AlphaBeta analysis, ABS, AlphaBeta survey of 600 consumers, illion

Delivery app users don't spend less in restaurants ... they spend more

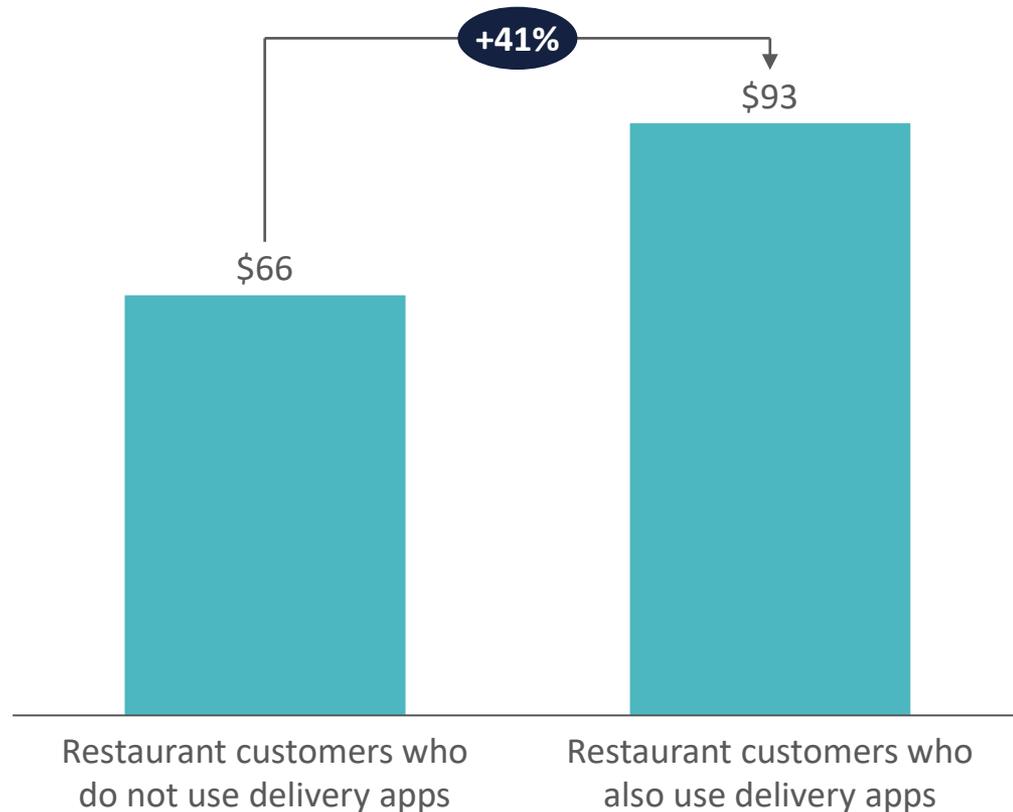
There is considerable evidence that delivery apps are incremental to restaurants.

Transaction data of nearly 700,000 individuals shows that customers who also use 'delivery apps' spend 41% more in restaurants than other customers who do not use delivery apps.

To ensure the comparison is 'like-for-like' we chose a sample of delivery app customers that was matched for demographic factors like age, income and geography to the non-users sample.

Restaurant customers who also use 'delivery apps' spend 41% more directly in restaurants than other customers

Average weekly spend on restaurants (excluding App Delivery), \$



Note: The sample of delivery app users is matched on age, income and geography to non-users. Restaurant spend does not include spend via delivery apps

Source: AlphaBeta analysis, illion.

Delivery app spending appears to reduce grocery and non-food spending

Delivery app spending does not reduce restaurant spending on average.

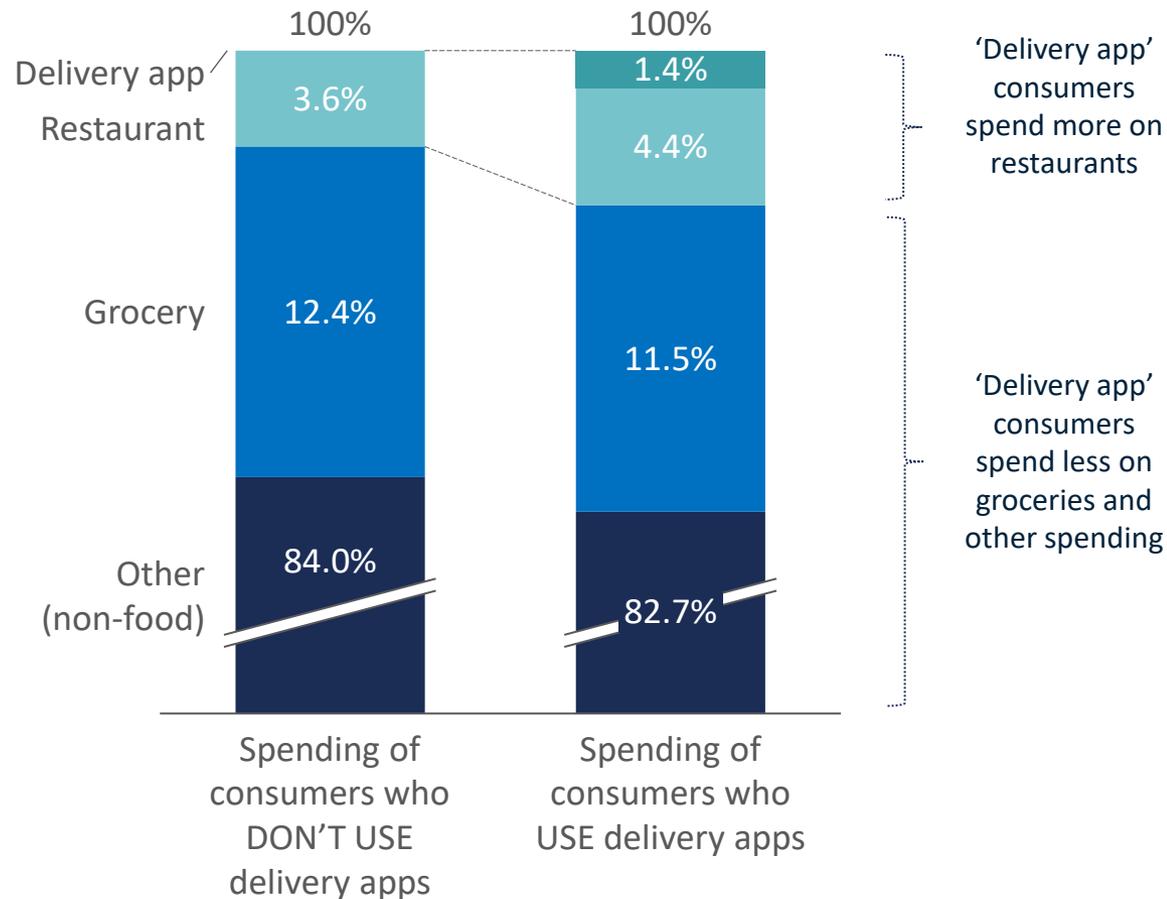
In a sample of nearly 700,000 Australians we found that delivery users spend 4.4% of their total expenditure on restaurants directly while non-delivery users only spend 3.6%.

This implies that on average the expenditure by users on food delivery apps is incremental to their restaurant spend.

Grocery and non-food spending is lower among delivery app users, suggesting that delivery apps divert spending from supermarkets rather than restaurants.

'Delivery app' spending comes from groceries and other purchases; it does not reduce restaurant spending

Total consumption shares, %





3.

‘App Delivery’ is changing consumer behaviour and creating opportunities for restaurants

Delivery apps lead customers to visit the restaurants they discover

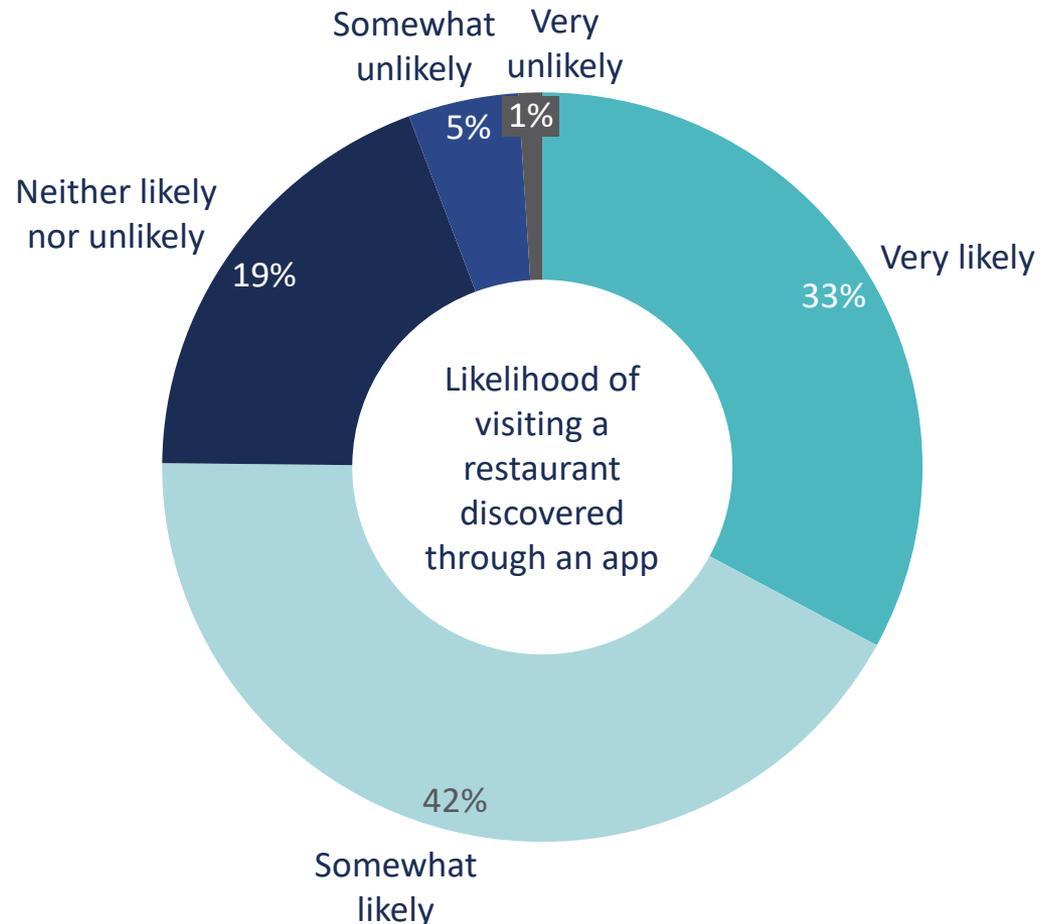
Delivery apps can introduce new customers to restaurants. Sometimes these customers will order through the delivery app, but often they will also visit the restaurant directly.

Survey respondents were asked: "After ordering food from a restaurant using a food delivery app, how likely are you to visit the restaurant if you had enjoyed the food?"

The results showed that 75% of respondents said that if they order from a 'Delivery App', and like the food, they are likely to visit the restaurant in the future.

75% of people who discover a restaurant through a 'Delivery app', and like the food, are likely to visit the restaurant in the future

Survey question: After ordering food from a restaurant using a food delivery app, how likely are you to visit the restaurant if you had enjoyed the food?



Delivery apps do not make people less likely to visit restaurants on average

Some people are more likely to visit restaurants since they started using delivery apps.

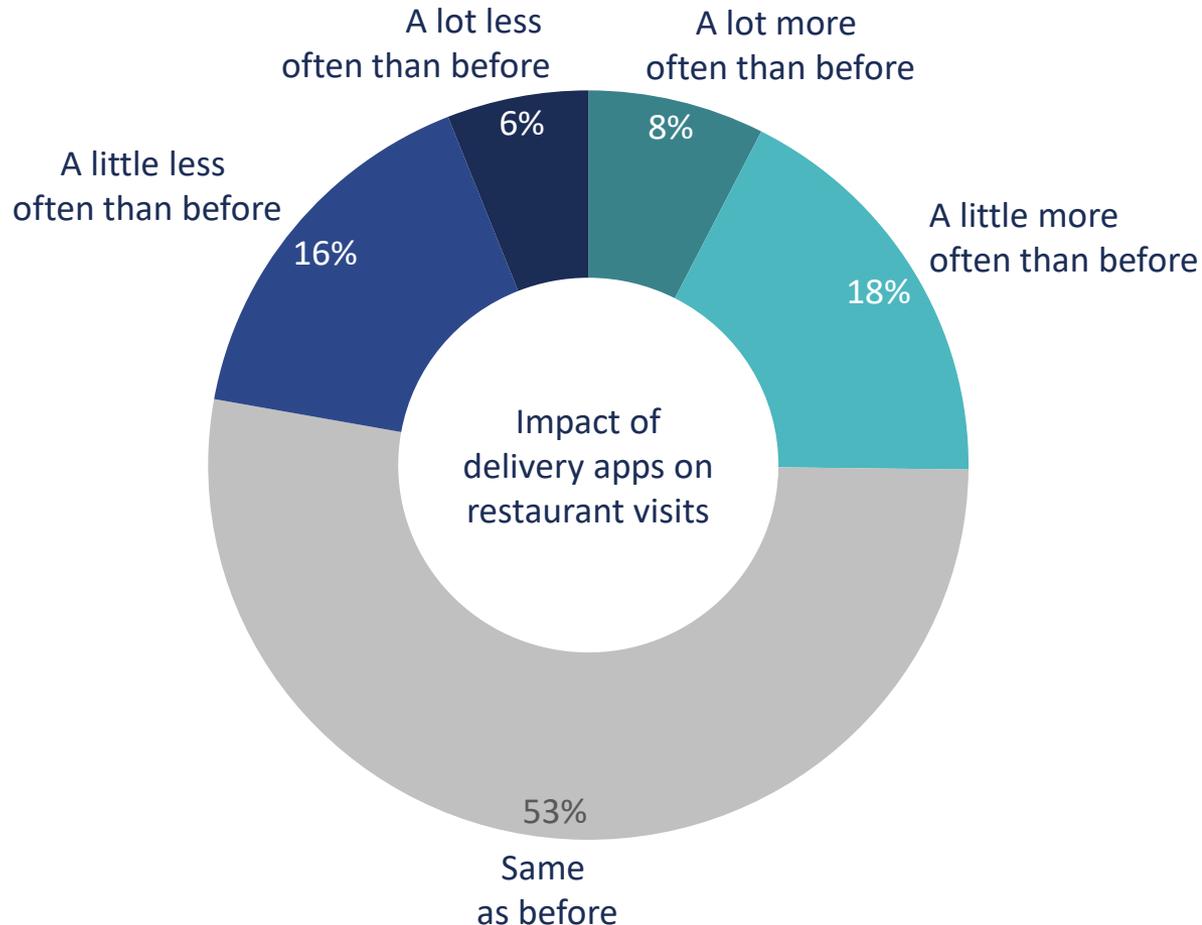
Survey respondents were asked: "Since starting to use food delivery apps to order food, how often are you ordering from restaurants directly as well as dining in at restaurants?"

8% said 'A lot more often than before'; 18% said 'A little more often than before'; 53% said 'About the same as before'; 16% said 'A little less often than before' and 6% said 'A lot less often than before'.

Overall more people said that Delivery Apps made them more likely to visit restaurants.

26% of people say they visit restaurants more since they started using delivery apps; only 22% say they visit restaurants less

Survey question: Since starting to use food delivery apps to order food, how often are you ordering from restaurants directly as well as dining in at restaurants?



Delivery apps raise the profile of independent restaurants

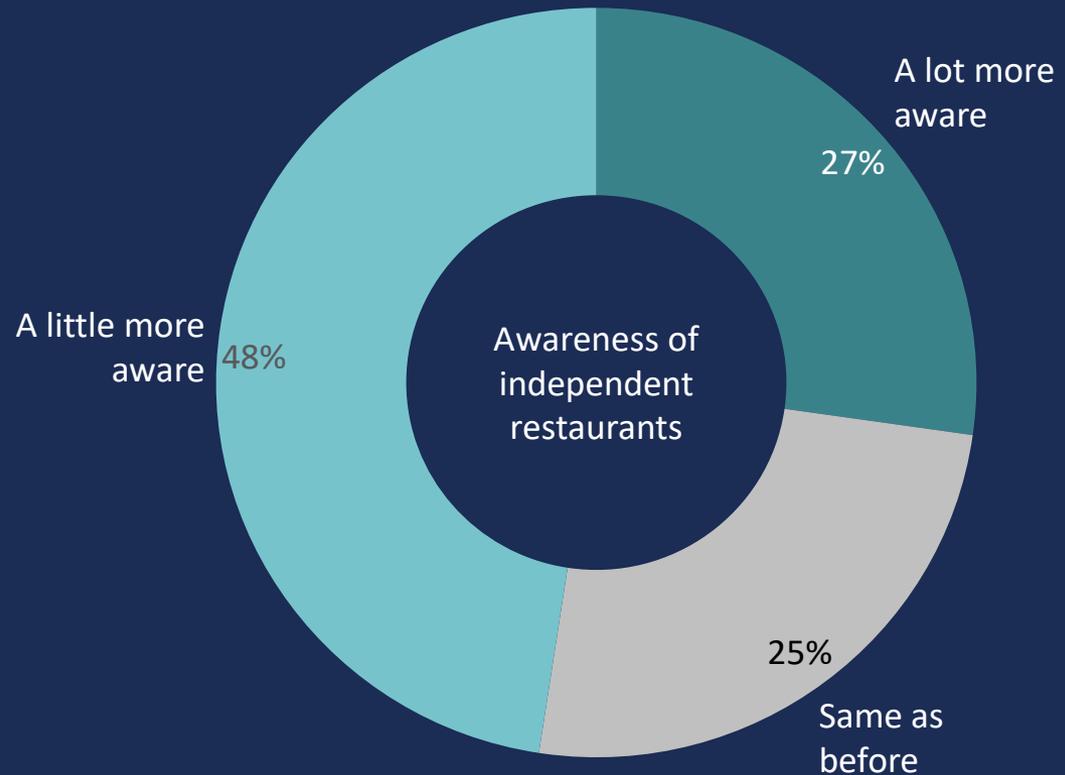
Delivery apps highlight smaller and independent restaurants that customers may not be aware of in their local area.

The survey asked respondents: 'Since starting to use food delivery apps to order food, would you say you are more aware of independent restaurants, as opposed to larger chains, in your area?'

Nearly 75% of respondents said that their use of delivery apps raised the profile of independent restaurants.

75% of people said that delivery apps made them more aware of independent restaurants

Survey question: 'Since starting to use food delivery apps to order food, would you say you are more aware of independent restaurants, as opposed to larger chains, in your area?'



Delivery apps create regular customers

Many consumers like to try new and different restaurants. Fewer of us go to the same restaurants over and over again.

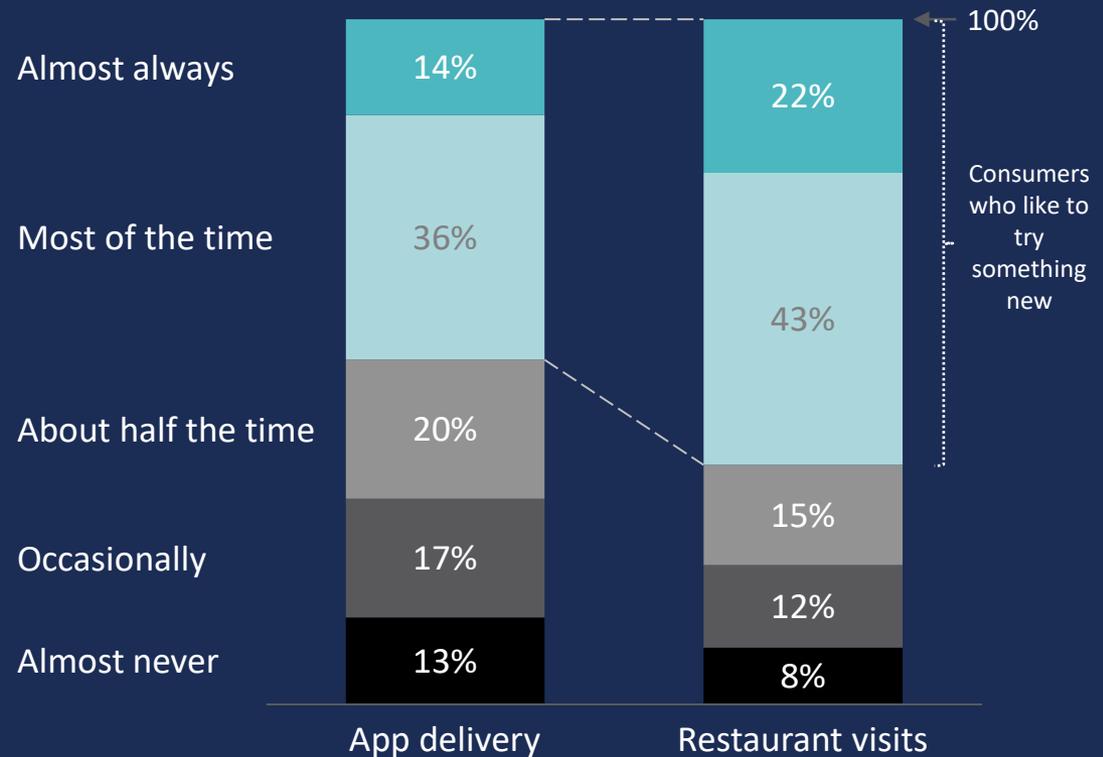
The survey conducted as part of this report shows that customers using App Delivery tend to be less fickle than customers visiting restaurants.

Consumers are more likely to choose App Delivery for routine purchases and more likely to go out to restaurants to try something new.

Two thirds of respondents said they like to try something new when they visit a restaurant.

Two thirds of customers like to try something new when they visit a restaurant, but only 50% said they try something new when they purchase from an app

Survey question: 'How often do you order food from restaurants you haven't ordered from or been to before when a) using delivery apps and b) ordering directly from restaurants'



Delivery apps help to create restaurant trade on 'quiet' nights

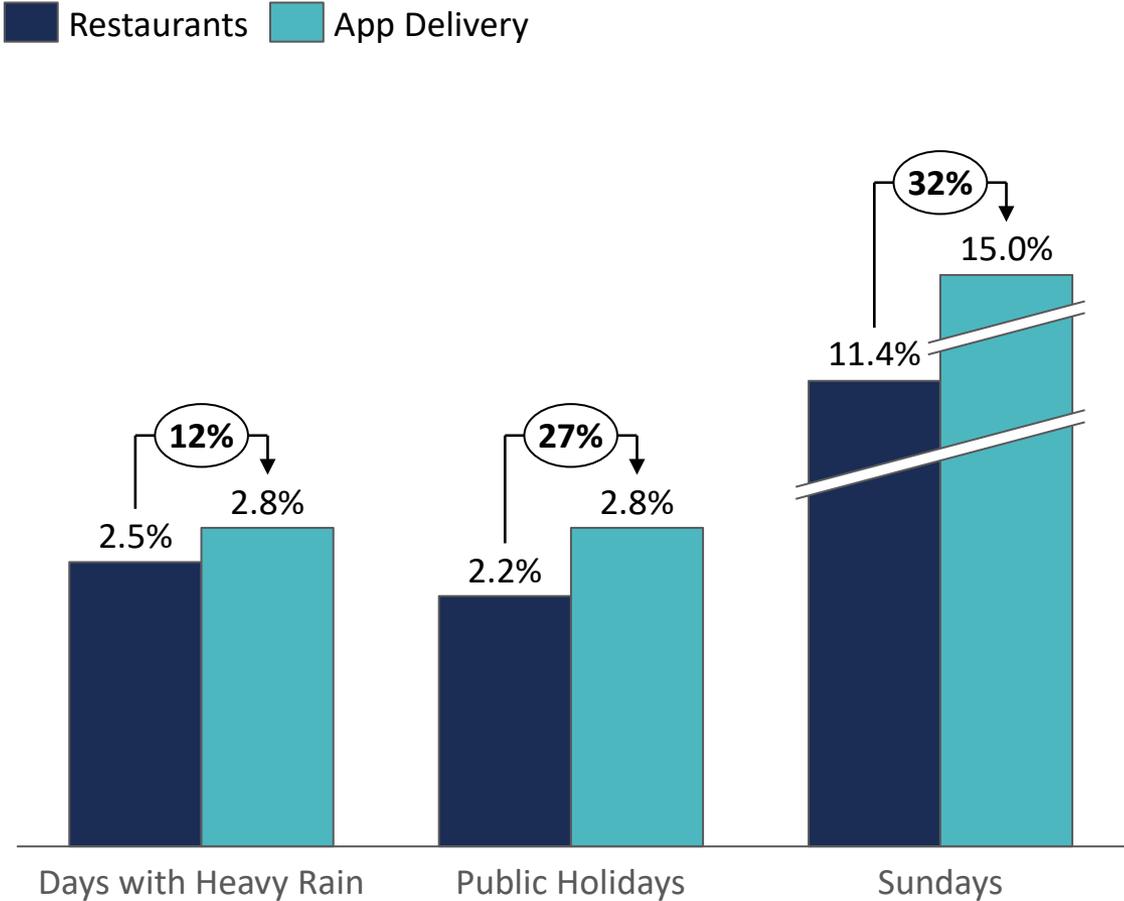
Delivery apps enable restaurants to continue serving customers who are 'staying in' on particular days of the year.

On Sundays, public holidays and rainy days people usually prefer to stay at home rather than go out to eat.

Daily transaction data of nearly 260,000 individuals shows that people use delivery apps 32% more on Sundays, 27% more on Public Holidays and 12% more on days with heavy rainfall compared to ordering from a restaurant directly.

People tend to use 'Delivery apps' more on Sundays, public holidays and rainy days

Share of total orders, %



Note: Heavy rain is 15mm or more rainfall
Source: AlphaBeta analysis, illion, data.gov.au, bom.gov.au.

Methodology: Data sources used in this project



Combined data sources



million
data

Source:

Consumer transaction data

Information:

- Delivery and non delivery users spending behaviour
- Average spend per order
- Daily spend behaviour

Sample size: 700,000
individuals
17 million transactions



Uber

Source:

Uber

Information:

- Total number of Uber Eats orders in 2019



AlphaBeta
survey

Source:

Survey of consumers

Information:

- Delivery and Restaurant users behaviour and preferences
- Percentage of delivery orders cannibalised from restaurants

Survey size: 600



Secondary
research

Source:

Public data and business intelligence data

Information:

- Exit rates
- Total industry revenue
- Service and delivery fee charged
- Public Holidays
- Daily Weather data

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