REPORT 2020

THE SIFT

The future of on-demand food delivery

Restaurants are fighting back, dark kitchens are heating up and some are giving grocery a go.

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Contents

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Introduction

Europe is home to some food delivery giants: Just Eat, Takeaway.com, Delivery Hero, Deliveroo, Glovo and Wolt have all slipped into the everyday lives of millions of customers across the continent — and are bringing in sizeable revenues as a result.

But it's easy to forget that many of these companies have been around for less than a decade — London-based Deliveroo is just six years old and Barcelona-based Glovo just four and US giant Uber Eats arrived in Europe only in 2016 — and the sector is still young.

There's still a whole lot of room for growth, plenty of space for new contenders and many a hurdle in the way of their ultimate goal: to conquer Europe's stomachs.

Revenue for online food delivery in Europe is experiencing double-digit growth rates and could reach $25bn by 2023, according to Deloitte. Meanwhile, VCs continue to have a healthy appetite for the sector: over €1.6bn was invested in European food logistics and delivery businesses in 2019, according to Dealroom data.

€1.6bn

Over €1.6bn was invested in European food logistics and delivery businesses in 2019

Just three on-demand food delivery platforms account for the majority of that funding in 2019: Deliveroo (€523m), Glovo (€319m) and Helsinki-based Wolt (€118m). Meanwhile several other "hot" sectors are emerging at earlier stages — delivery-only food brands such as Berlin-based Keatz

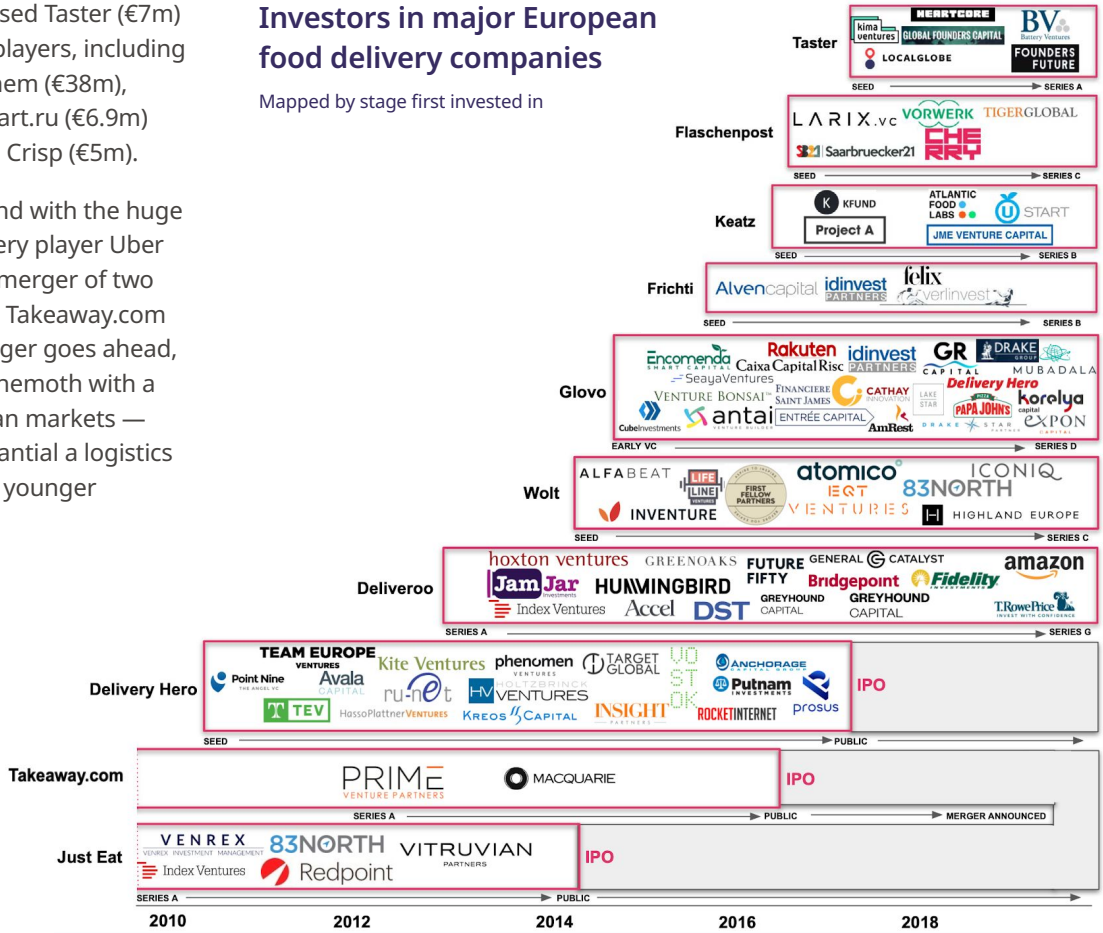
European startups in the on-demand food sector

(€12m) and London-based Taster (€7m) — and online grocery players, including Stockholm-based Mathem (€38m), Moscow-based Instamart.ru (€6.9m) and Amsterdam-based Crisp (€5m).

All are having to contend with the huge might of US food delivery player Uber Eats and the potential merger of two food delivery veterans: Takeaway.com and Just Eat. If the merger goes ahead, it will create a $9bn behemoth with a footprint in 17 European markets — albeit without as substantial a logistics network as some of its younger competitors.

Investors in major European food delivery companies

Mapped by stage first invested in



Source: Dealroom

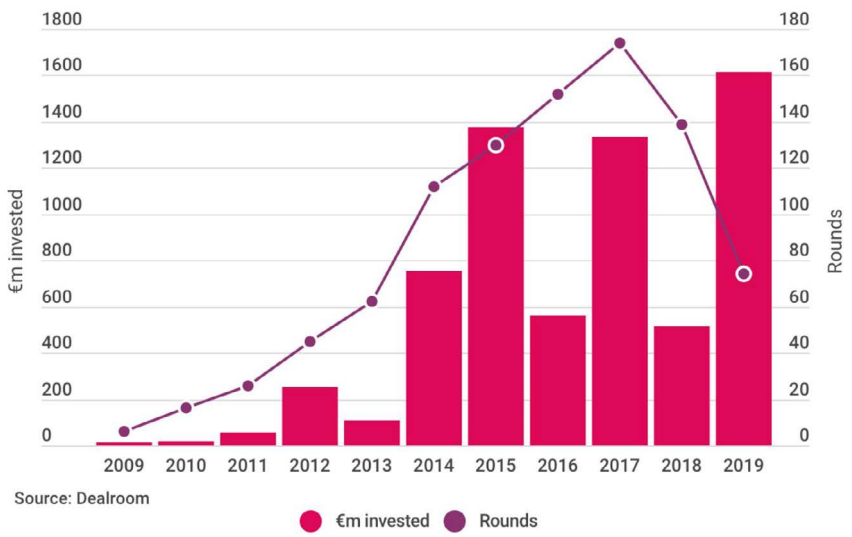
Outside of Europe, there are plenty of other food fights going on, between companies all attracting sizeable cheques from investors. Indonesia's Gojek (currently raising a $2bn+ round) and Singapore's Grab are vying for the southeast Asian market; in the US, Postmates raised $225m in September to keep up with Grubhub, the leader in the market, and fend off newer rivals like Doordash, which raised $600m in May. SoftBank-backed Rappi, dominant in Latin America, raised $1bn in April.

Some are so bullish on the sector that they think that in a few years' time it just won't make sense for some city dwellers to cook at home; it will be far cheaper — and tastier — to always get delivery.

We're not so sure.

Investment hit an all time high in 2019

Funding into food logistics and delivery



Source: Dealroom

Uber Eats

Founded: 2014

Founders: Travis Kalanick, Garrett Camp

Team size: 20k+ worldwide

Launch in Europe: 2016

Markets: 40 countries (14 in Europe)

Why interesting: the only global player, Uber Eats is present in 500+ cities (over 250 across Europe)

Each on-demand food delivery platform is a hugely complex logistics operation. It's hard to get that core proposition running smoothly, efficiently and cost-effectively; it's not something Europe's younger players have cracked outside of their core cities yet. The ones that have, Deliveroo and Glovo, know they need to do more: both are running "dark kitchens" (delivery-only food preparation spaces), Glovo is expanding into grocery delivery and Deliveroo is moving into supply chain.

But they need to be careful. At the same time as those platforms expand sideways, smaller startups are focusing on specific verticals: running rental kitchen spaces; designing delivery-only food brands; offering on-demand grocery delivery; building ordering software for restaurants; and running courier services.

Where will real value be created? Which companies are pioneers? Which models will fall by the wayside?

We've spoken to people in the know at Uber Eats, Glovo, Deliveroo, Taster, Keatz and Karma Kitchen as well as investors at Felix Capital and EQT Ventures, amongst others. We've dug into the numbers from Dealroom and big market reports. And as a result, we think there are three areas to pay close attention to over the next year: dark kitchens; restaurants going it alone; and on-demand grocery.

1 Who's best positioned to win the dark kitchen game?

Dark kitchens are going to continue to attract investment, attention and controversy; that much is clear from what's going on in the US and Asia, and from the reception they've received in Europe so far. But where is the value? Will they scale as fast as initially anticipated? And will customers embrace them?

2 Brands are going to go it alone. But how many?

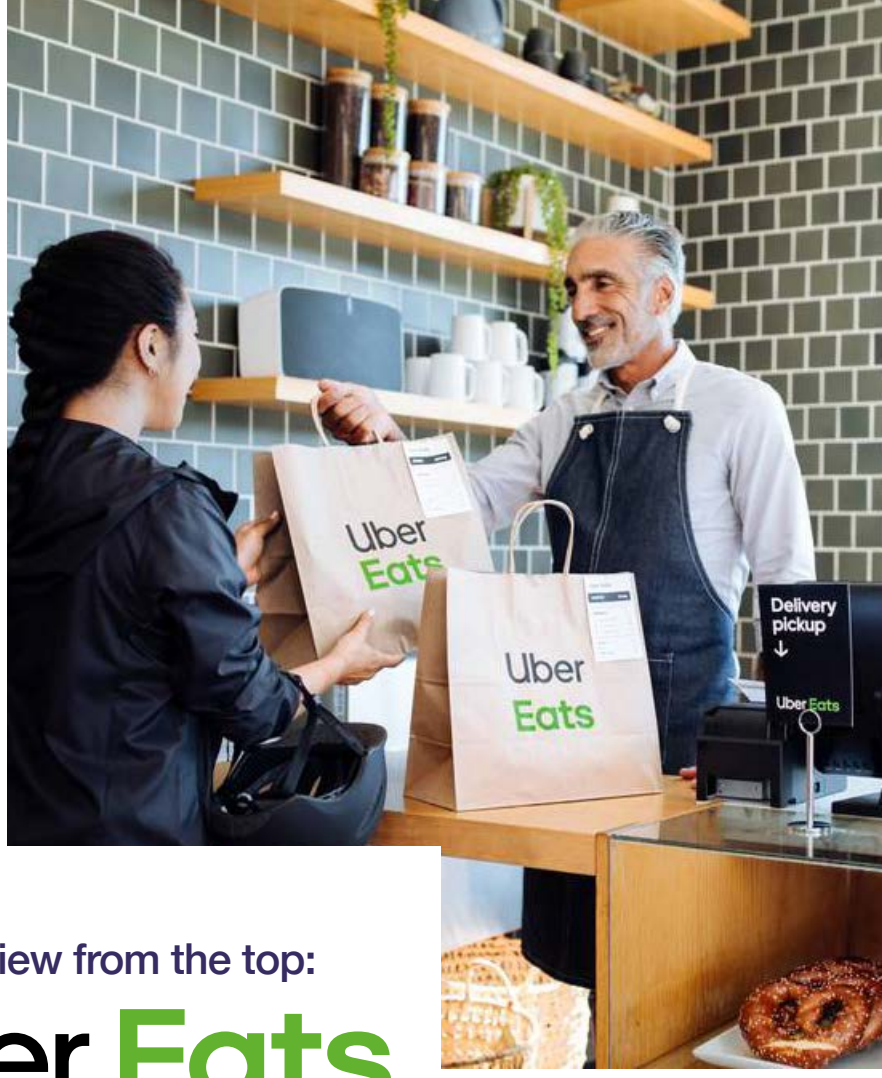
Restaurants might feel like they've done a deal with the devil, trading relationships with their customers for increased revenues. Some are choosing to jump ship and run their own delivery operations or ordering systems. But will they do it in significant numbers?

3 On-demand grocery is the big experiment. But do customers want it?

On-demand takeaway food and on-demand grocery goods might soon be offered by one and the same provider. But is this really what customers want? And which brand is best positioned to take advantage of this?

Read on. This is what you need to know about the future of the food delivery sector in Europe. →

Raj Beri
Head of Asia Pacific, Europe, Middle East and Africa at Uber Eats



The view from the top:

Uber Eats

on the future of food delivery

It's the largest food delivery app in the world (outside of China) and one of Europe's mightiest players — available in more than 250 cities on the continent with over 80,000 restaurants onboard. So what's Uber Eats' view on where the sector is heading? Sifted sat down with Raj Beri, head of Asia Pacific, Europe, Middle East and Africa at Uber Eats, to find out.

You've spoken a lot about taking a data-driven approach to food delivery. But what data are you actually looking at?

Our average delivery time across Europe is under 30 minutes. The reason we can do that is because we know how long it takes for a specific menu item to be prepared: that's the data driven approach.

When someone orders food, you want to dispatch the delivery partner to get there right when the food is ready to be delivered. If they get there too early they're waiting around, and it's not the best experience for them [or the best way to] maximise their earnings. If they get there too late, then the food gets cold. The data helps us take input from restaurant partners on how long it takes for dishes to be prepared, but then the data also learns what the actual preparation time is as well. So someone may say, 'This chicken is going to take 15 minutes', but in reality, we know it took 11 minutes on average, and we're able to dispatch the courier accordingly.

Data [also] really drives us on innovation. So, for example, we work with over 2000 virtual restaurants in EMEA. When our restaurant partners are thinking about how to utilise their kitchen space to drive more incremental revenue and profit, they'll come to us. We'll provide data to them around popular cuisines or searches in their area, where we're seeing unmet demand, and help them think through brands that they can launch only for delivery and how to best market that.

Sometimes those are extensions to what a restaurant is already offering, and it's part of their expertise. Then there are pizza places that also want to sell chicken wings, so they'll create a whole new brand that is not associated with their pizza brand, that really focuses on chicken. Another example could be someone wanting to sell more desserts, so they'll spin out something selling cupcakes.

When we've launched virtual restaurants it's really helped increase average sales for those restaurants by up to 50%.

Plenty of your competitors are running shared kitchen spaces for virtual restaurants. Why hasn't Uber Eats taken this approach?

We believe the best approach is partnering with existing restaurants and commercial kitchen owners to launch and have these data-driven meal options. Where we've seen initial success, and where we've seen restaurants really want to work with us, is on these different types of virtual restaurant models. And so that's really where our focus is.

We want to be kind of an operating system for restaurants. Part of that is doing delivery of meals from their restaurant to the home. But there's a lot

of other ways restaurants want to work with us — some on virtual restaurants, some on delivery-only kitchens down the road.

We've introduced things like dine in and pickup as well: there are a lot of restaurants that want help driving demand in their storefronts. Someone driving home from work in the suburbs might want to pick up some food for the family on the way — or someone at work might want to pick up something because they want to get out of the office. We're seeing really great traction, not only with customers but with restaurants, in just a short time.

We're growing very fast; we've grown over 25% in just the last two months alone in Europe. Overall food delivery is still addressing a very small part of the overall potential market. Close to 70% of 18-39 year olds order food delivery once a week, according to Deloitte — but that still represents probably 1% of the potential food delivery market.

We want to be part of every eating occasion — from when someone wakes up in the morning to when they go to bed at night. Food delivery from a restaurant is part of that, but it's still maybe 10-15% maximum of how people consume food.

You're moving into grocery now too. What kind of grocery goods does it make sense for Uber Eats to deliver — and is there a limit?

We are starting to work with grocery store chains across the world: we're working with Coles, with Costcutter in the UK and we're starting to work with convenience stores on our platform as well. Earlier in the year we announced a deal with a player called Cornershop, and in 2020 we'll start to build out even more grocery technology. We think grocery will be a large part of what we're doing.

We're seeing that there are a few different kinds of grocery occasions. One is the stock up: someone is looking for their weekly grocery menu and they come to some of the partners on our platform and order their full grocery compliment for the week.

But what we're actually seeing a lot more of is the top up: people opening it up and ordering things every other day. The power of it is the ability for orders to arrive on demand, which is different from most typical ways grocery chains do their deliveries, which may be scheduled for tomorrow or two days later. What we're seeing is more, 'Hey I'm having dinner tonight, I have this and I need these other items. Can they arrive very quickly for me?' We're seeing that use case across the pilot we're running now across the world.

Would you ever go into wholesaling yourself? If millions of people are ordering Coca Colas from convenience stores via Uber Eats, why wouldn't you do a direct deal with them?

We do work directly with brands like Coke, brands like Unilever, with cinemas — so yes, there's definitely an opportunity there. We've seen really strong appetite from some of these global brands to work with us.

You're also moving into increasingly smaller cities. How small can you go?

A lot of times people think about food delivery as being something that is really big in metro areas, but maybe not as applicable in smaller cities or suburbs. But suburban areas or non-metro areas are actually even growing faster than metro areas. It's about three times over what it was last year, and it accounts for, in our case, close to 40% of the volume.

I expect growth in smaller cities over the next 12-18 months to continue to outpace larger cities.

We're live in Europe with cities as small as 10,000 people, so we know our platform and marketplace works there. Some of them are a mix between our platform connecting to courier partners, as well as restaurants that have their own delivery partners.

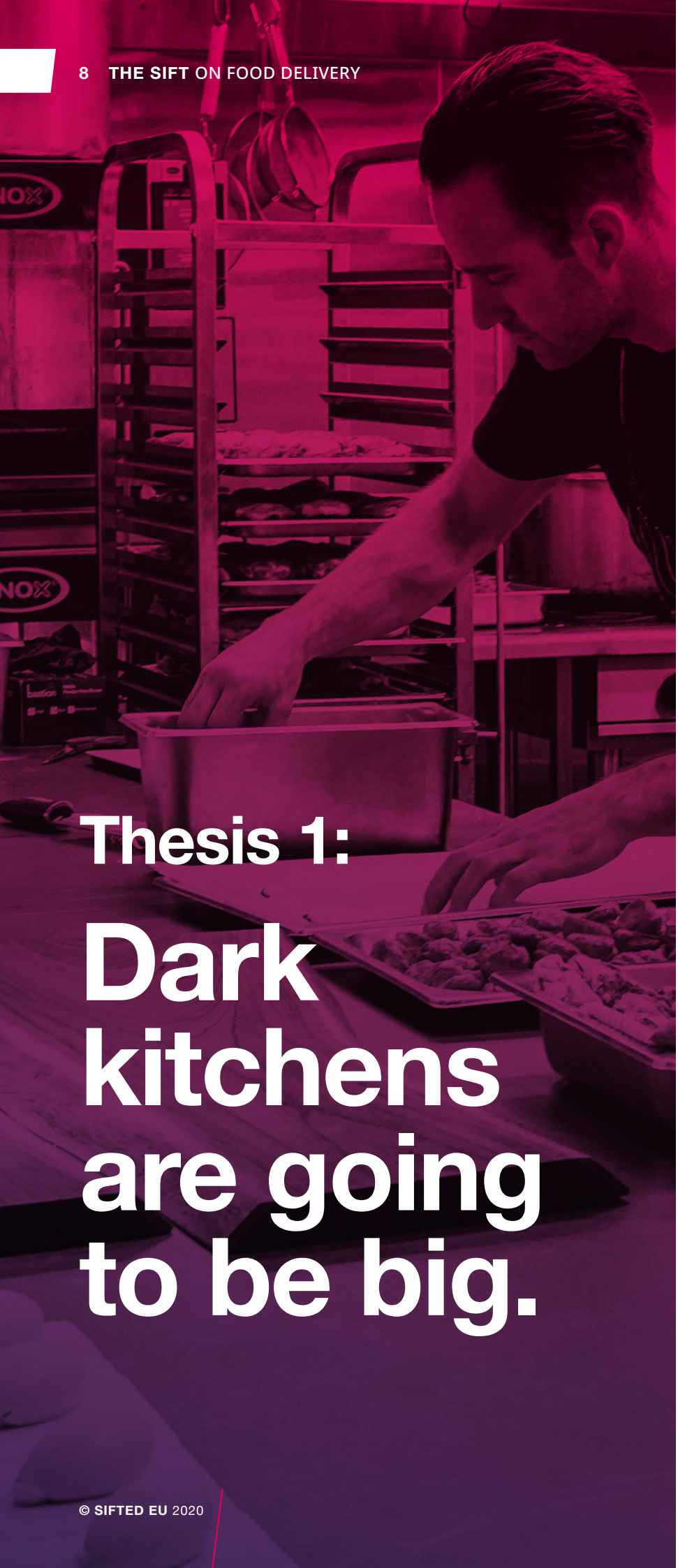
There's a big demand for food delivery in small cities. We're in over 80 cities in EMEA where our Uber Rides business is not. Most cities in the markets that we're in are ultimately going to be a good candidate for food delivery; even if people are not ordering food by app, the behavioural change is not very large for people to go from ordering food by calling a restaurant to switching to an app.

What interesting things can start to happen once all of Uber's services — Rides, Eats, etc. — get more interconnected?

We're probably the only player globally in the food space that is not just a food delivery platform. We have a large rides business, we've started adding things like transit and other modes of transport including scooters and bikes. Uber is becoming that operating system for the city; in hundreds of cities across Europe, you can open up the Uber app and see the Rides, Eats and other options side by side. Globally, we have over 95m monthly active platform consumers and right now around 15m use Eats.

Let's take an example. You wake up in the morning and you say, 'Hey, I'm going to pick up my coffee for work.' You order your Uber, you see that it's going to get there in seven minutes, and you have it drop you off near your coffee, where you placed the Uber Eats order, you go in and you pick that up and you walk to work. At lunchtime, you want to have an order for your office, and someone on your admin team does a group corporate order that's delivered to your office. On the way home, you say 'Hey I'm going to take an Uber to a transit stop.' And on the way home, you decide to place a grocery order that arrives when you get home so your family can cook a meal together.

Being integrated into the everyday life of our customers — there's a lot of opportunity there in Europe.



Thesis 1:

Dark kitchens are going to be big.

Running a restaurant is hard. Margins are tiny, customers are flighty, staff costs are high, business rates can be a killer.

Along came the delivery platforms with a promise to boost restaurant profits through online orders. In reality, many restaurants have seen their profits simply shift from offline to online orders, with little overall increase in sales.

Then along came another bright idea: what if restaurants could stop dealing with customers, do away with front-of-house staff and more than halve their rent by opening "dark kitchens"?

The delivery platforms would, of course, facilitate this: renting kitchen space to food businesses struggling to make it work on the high street, to food entrepreneurs with a big idea and a need to test it out on real customers and to restaurants with need of an overflow prep space to cope with an influx of online orders.

Dark kitchen startups operating in Europe

Customers would also have a wider selection of food a courier ride away, and might just order more often.

This is now one of the biggest trends — both in Europe and globally — reshaping the food delivery industry. The question is: who's benefiting from it?

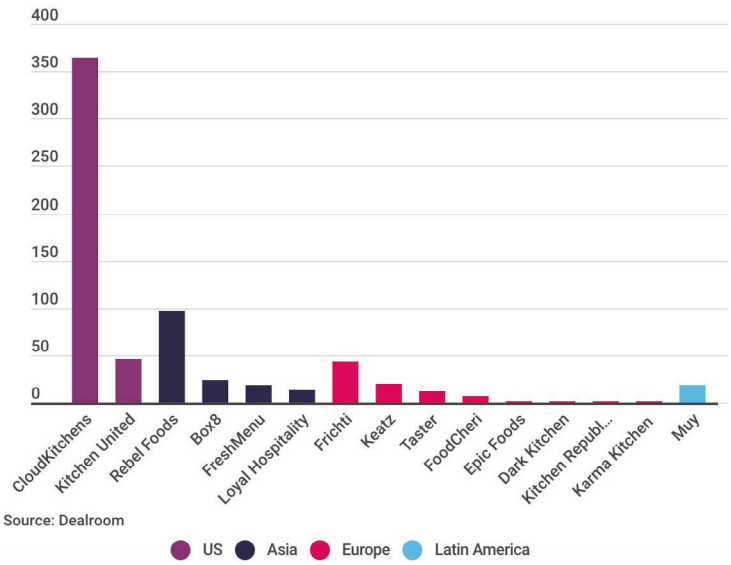
Deliveroo launched the first "Editions" — a pop-up kitchen in a portacabin — in 2016, Glovo followed suit with its "Cook Rooms" in 2018, and then in 2019 Uber cofounder Travis Kalanick took a controlling stake in a US dark kitchen company (aptly named CloudKitchens) after being ousted from the ride-hailing giant. Uber itself started working with French startup Kitchn' Box in March 2019, to deliver customers in Paris meals from shared kitchens.

It hasn't been a smooth ride for dark kitchen pioneers however: working conditions inside have been criticised in the press, while many customers would still prefer to get their takeaway from a kitchen attached to a restaurant.

Under the "dark kitchen" banner sit a range of businesses. First the model of Kitchn' Box, which leases kitchen space to food businesses. Second, there are delivery platforms such as Glovo, which leases kitchen space from the likes of Cooccio (a kitchen space in Barcelona), and then sub-rents that to food businesses on its platform. Finally, the coolest kids on the block are the virtual restaurant startups designing delivery-only food brands — including Taster, Keatz and Honest Food.

Dark kitchen startups around the world

€m invested



Source: Dealroom

Deep dive.

Let's look at them each in turn — and see what the value proposition really is.

→

1. Kitchen space rental

STARTUPS TO WATCH

Kitchen Republic

Founded: 2015, Amsterdam

Founders: Bart-Jan Veldhuizen, Emma Veerhuis

Money raised: €900,000

Number of kitchen sites: 2

What it does: Offers communal and private food production space.

Why interesting: Kitchen Republic's main focus is on building out the services it offers to its community of food producers, co-packers, distributors and investors to help accelerate the growth of young food businesses.

High street restaurant kitchens are designed to serve customers sitting 10 metres away; not a 10 minute bike journey away.

Dark kitchens, however, are "optimised for delivery": their sole purpose is to help food businesses make takeaway food, and get it out of the door, fast.

CloudKitchens is the big global player here. It rents commercial kitchen space to food businesses in the US; some are chain restaurants in need of extra prep space, others are people trying out a new food business idea. It promises to help its clients get more orders via delivery platforms, save on operational costs and become "smarter" kitchens using its technology.

In Europe, there's a smattering of smaller players playing this real estate game. FoodStars, a London-based commercial kitchen startup which was founded in 2015 and acquired by CloudKitchens in 2018, has six sites — and is opening two more.

But for Sifted, the basic kitchen rental model isn't where there's most potential for growth (although there's clearly potential for scale). Instead, the most interesting operators are those building a broader offering.

Take London-based Karma Kitchen, which has one operational shared kitchen in east London and has plans to open two more sites this year. Karma has around 80 residents, which are a more eclectic mix than those at the typical dark kitchen: ranging from small food producers to corporate catering companies to virtual restaurants. It also, uniquely, runs a shift system, whereby customers can book kitchen space for the early morning, daytime or evening, depending on the requirements of the business. This makes space rental cheaper for everyone.

In early 2020, Karma Kitchen will host a three-week accelerator programme for small restaurants looking to reach new customers, run by Uber Eats. The idea is to take them through a crash course on things like photography, branding and HR, and help them launch on Uber Eats to test out their offering with real customers.

Uber Eats

Gini and Eccie Newton, Karma Kitchen cofounders

VC VOICE

There's definitely an opportunity here to build a differentiated proposition. The key will be to prove scalability: What is the true value proposition to your members? Who are your members — and do you have to attract bigger brands in order to properly scale? And can these entrepreneurs scale very fast via your kitchen? As much as the community element is important and exciting, you need to sort out a pain point and these brands will have options."

Antoine Nussenbaum
Partner, Felix Capital

Karma Kitchen has also recently launched a marketplace with Uber Eats, where customers can order items from a range of its tenants — takeaway food from several virtual restaurants, grocery goods from small producers and desserts supplied by Unilever — and receive them in a single delivery.

With these additional offerings, Karma Kitchen becomes a brand, not just a white box space. As a result, it hasn't suffered from the same negative media coverage or consumer sentiment that's plagued Deliveroo's dark kitchen sites. It's currently raising a Series A round to fund further sites in London — and is considering further expansion in the UK and Europe.

STARTUPS TO WATCH

Karma Kitchen

Founded: 2018, London

Founders: Eccie Newton, Gini Newton

Money raised: £750,000

Number of kitchen sites: 1

What it does: Karma Kitchen provides shared and private kitchen rental space to a variety of tenants, from restaurants to virtual food brands to market stall producers.

Why interesting: Karma Kitchen is launching an accelerator programme with Uber Eats for local restaurants to test out delivery-only food production. It's also opening two new sites early next year, and raising a Series A round to fund further expansion.

Takeaway

Snapping up cheap, conveniently-located real estate to transform into dark kitchens seems like a smart game to play; there's appetite for more kitchen rental space from both food delivery players and restaurants — although this is a capital-intensive business. But creating a brand around rental space seems even smarter: it worked for WeWork for offices (for a while); will it work for kitchens?

2. Delivery platform dark kitchens

In Europe, Deliveroo rents by far the most dark kitchen sites. It has 21 "Editions" (16 in the UK), which house a total of 140 individual restaurants. Glovo runs two dark kitchen sites in Spain. Uber Eats, by contrast, doesn't run any of its own dark kitchens, but it does deliver from more than 2000 "virtual restaurants" in Europe.

Expansion hasn't been quite as speedy as these businesses first hoped. When news came out about Deliveroo's plans to open dark kitchens, it seemed as though it might open hundreds of sites within a year. Three years on, it has a fraction of that.

"Deliveroo pioneered this concept before any other company," says Yannis Alivizatos, general manager at Deliveroo Editions. "It's obvious this model is very attractive, and is going to become one of the main ways consumers receive food in the future. But it's a challenging and fairly capital intensive model to roll out, and is taking longer than initially expected."

Thuisbezorgd.nl

Glovo, Deliveroo and Uber Eats are all attracted to dark kitchens for the same reason: it's cheaper to produce food in these spaces — and therefore it's easier to entice customers to order more food, more often.

> "It's a challenging and fairly capital intensive model to roll out, and is taking longer than initially expected."
>
> **Yannis Alivizatos**
> General manager, Deliveroo Editions

"The number one reason why people don't order more food delivery is because it's expensive," says Glovo founder Oscar Pierre. "In Spain, you're paying €12 per person, more or less, which is expensive. And the reason it's expensive is because we're still paying the prices of running a restaurant — which has nothing to do with delivery.

"If you look at the P&L [profit and loss] of a dark kitchen, the cost is massively different. So, because of how competitive a dark kitchen is in terms of cost, all delivery will move into dark kitchens because with time, more and more stores and partners will start offering food delivery for €7-8, which is really exciting."

> "Then you start thinking, is it really worth cooking at home?"
>
> **Oscar Pierre**
> CEO, Glovo

Glovo currently has one dark kitchen site in Madrid and another in Barcelona, which it offers to restaurants on its platform in exchange for 5% extra commission on orders taken; they're all full. Taking a commission, rather than charging a flat monthly fee, keeps the platform and the restaurants' incentives aligned, says Pierre; it's in everyone's interest to get more orders.

Glovo

Founded: 2015, Barcelona

Founders: Oscar Pierre, Sacha Michaud

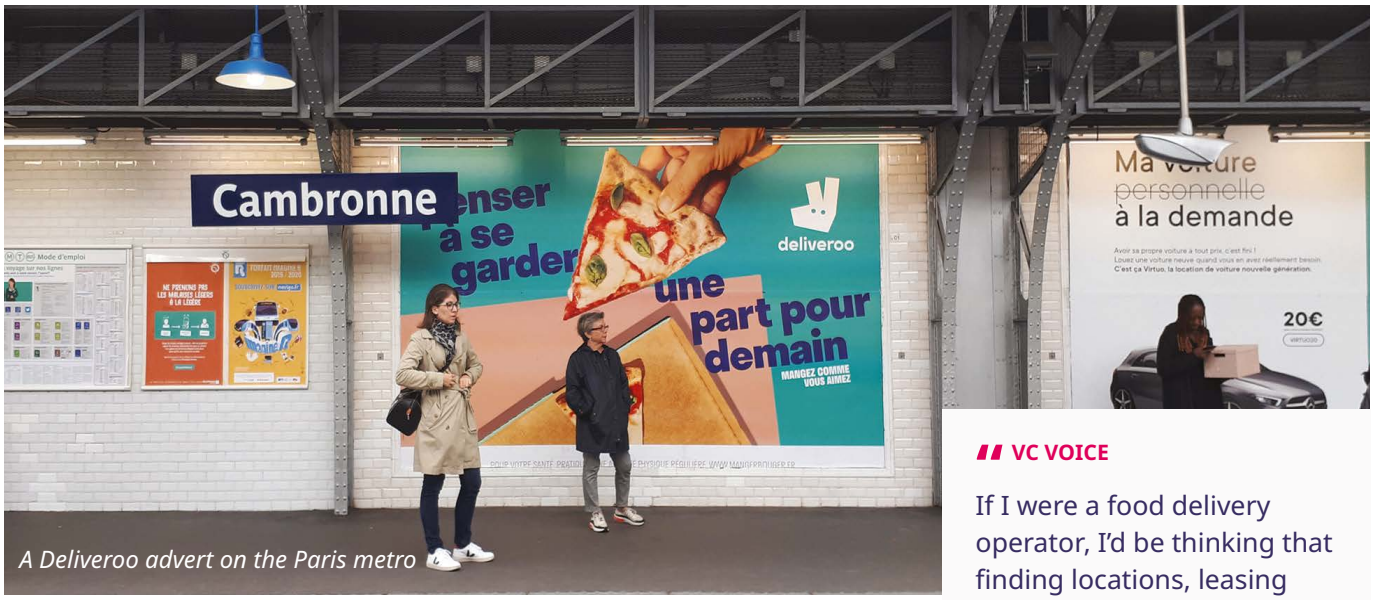
Team size: 1,300

Money raised: €460m

Markets: 26 (11 in Europe)

Number of kitchen sites: 5 (two in Europe, three in LatAm). Glovo plans to open more in Milan, Tbilisi and Kiev.

What it does: Glovo is the "everything app": it delivers not only takeaway food, but also groceries and clothes.



A Deliveroo advert on the Paris metro

Deliveroo runs its kitchens somewhat differently. It doesn't charge tenants rent, but reportedly takes up to 40% of the turnover of restaurant brands based in its "Editions" kitchens, which have to deliver exclusively through Deliveroo. ("Every market has a different commission structure," says Alivizatos. "It's a function of a lot of different things: how many locations a restaurant has, what locations it's in, what type of restaurant it is.")

"We do the logistics; they cook. We help them find the right go-to-market strategy and find the best way to grow and we run the sites for them — dispatching orders, handing them to riders, maintaining and cleaning the site," says Alivizatos. "That's the benefit we offer back."

Alivizatos claims that many restaurants in Editions' sites are seeing incremental revenues of 30% "without increasing fixed costs by a penny".

It's also been working with restaurant brands to help them develop new concepts, to be produced in its kitchens. "In a few instances we have been more involved, but our objective is not for us directly to be a content creator," says Alivizatos. (There has been some concern among restaurateurs that Deliveroo will start using the data it has on customer demand to cut out food businesses completely and fill the app with its own virtual restaurants.)

VC VOICE

If I were a food delivery operator, I'd be thinking that finding locations, leasing them or buying them, equipping them, making the food, getting the supplies, safety, health, accessibility... that's an expertise. It's a whole industry in itself, with very different margins and return profile on invested capital. Sure, we can do this — but are we the best people to do this?

The verdict is still out. Dark kitchens are going to be a big industry, period. But will food delivery companies operate them, or new players coming up who only do that?"

Johan Svanström
Partner at EQT Ventures and board member of Finnish food delivery platform Wolt

Deliveroo

Founded: 2013, London

Founders: Will Shu, Greg Orlowski

"Editions" team size: 100+ globally

Money raised: $1.53bn

Markets: 7 (in Europe)

Number of kitchen sites: 31 (globally)

What it does: Deliveroo is growing into a "full-stack" food service business, with an extensive logistics network, dark kitchens and supply chain service.

Why interesting: It's Europe's big shot — but it might be overstretching itself.

Takeaway

Deliveroo has lead the way with dark kitchens — but it hasn't been a smooth ride so far. It can't expand this business line at lightning speed, like its delivery platform, and it's proving to need more localisation than initially thought. Still, both Glovo and Deliveroo remain convinced that this is the route to bringing down the cost of deliveries. Will that play out?

3. Delivery-only food brands

And finally, the most exciting dark kitchen operators: the delivery-only food brands.

Some restaurant food just does not deliver well — chips get soggy, burgers fall apart, pizzas go cold. So startups like Taster, Keatz and Honest Food thought instead of settling for middling meals, why not design food specifically for takeaway?

"Deliveroo, Uber Eats and Glovo — these guys are good at logistics; we really want to focus on making the food," says Paul Gebhardt, cofounder of Keatz, which has designed six takeaway brands specifically for delivery. "We usually say it's restaurant food prepared for now: from the beginning, we look at foods that travel well."

Taster currently has three food brands, covering Korean, Vietnamese and Hawaiain cuisine, and is in the process of designing three more, also with an "Asian touch". The "creation phase" is lengthy; over a few months, Taster develops a brand, figures out a menu and gets a supply chain in place. That, says Taster founder Anton Soulier, is "one of our biggest challenges". Consistency is key: Taster's Korean Fried Chicken needs to taste the same in London as in Paris as in Madrid.

Once all that is in place, Taster gets cooking. It trials the new brand in one of its kitchens, gathers customer feedback and A/B tests recipes for a few months more, before finally rolling it out to other kitchens.

"The beauty of this concept is that we can act more like a digital company," says Gebhardt: Keatz's model is similar to Taster's. "We can iterate and check which brands attract more demand."

Since starting in 2016, Keatz has dropped some of its brands; there was a pizza brand, which was in too competitive a space, and a ramen brand, which was hard to deliver and quite seasonal. Now Keatz has six brands which is, says Gebhardt, "already quite a stretch."

Honest Food runs a somewhat different model; its seven food brands are franchised to restaurant partners that are keen to extend their delivery offering without having to create a new menu in-house. Honest Food's meals are prepared in a large industrial kitchen in Vienna, and then shipped, frozen, to restaurant partners. Restaurants then do the final stages of cooking and deliver to customers.

STARTUPS TO WATCH

Honest Food Co

Founded: 2017

Acquired: 2019 (Delivery Hero)

Founders: Robin Steps, Sebastian Klein

HQ: Berlin

Team size: 80

Money raised: >€10 (exact amount undisclosed)

Markets: Germany, Austria, UK

Number of restaurant partners: >100

Number of food brands: 6

What it does: Honest Food has created delivery-only food brands which it distributes via partner restaurants, which prepare and deliver the meals.

Why interesting: Honest Food can scale faster than Keatz or Taster because it doesn't need to find and kit out its own kitchens, resulting in better margins.

STARTUPS TO WATCH

Taster

Founded: 2017

Founder: Anton Soulier

HQ: London

Team size: 25

Money raised: €11.6m

Markets: France, Spain and the UK

Number of kitchen sites: 12

Number of food brands: 3

What it does: Taster has designed three "virtual" food brands specifically for takeaways, each with a vibrant presence on social media but no restaurants. These meals are prepared in dark kitchens and delivered via third-party platforms.

Why interesting: Taster wants to prove that by combining the skills of great chefs with data insights into what customers really want, it can create takeaway meals which are tastier and less wasteful than the average restaurant — and which prove popular across the continent.

STARTUPS TO WATCH

Keatz

Founded: 2015

Founders: Paul Gebhardt, Dimitrios Ploutarchos

HQ: Madrid & Amsterdam

Team size: 25

Money raised: €19.4m

Markets: Spain, Portgual and the Netherlands; expanding to Germany and the UK.

Number of kitchen sites: 6

Number of food brands: 6

What it does: Keatz has created six virtual food brands, all designed to travel well.

Why interesting: Keatz is pivoting away from running its own kitchens to focus on franchising its food brands to existing kitchen operators. This could be a sign that operating full-stack virtual restaurants is challenging.

This model, argues Elmar Broscheit, an angel investor in Honest Food, works especially well in places where there are limited cuisines on offer from local restaurants. "The value proposition is probably higher in mid-tier to more rural cities," he says: it's an easy way for a small Italian restaurant to double up as a Mexican takeaway, for example.

Smooth operators

But it's not just the food itself which these companies think they can do better than their competitors; it's also the production process.

From quickly handing over the grub to the driver, to forecasting demand based on data and ordering supplies accordingly, Taster and Keatz are aiming to make their kitchens as efficient as possible.

"It's not a robo kitchen yet," says

Taster

Gebhardt; there are still stoves and chefs, but there are also wifi convection ovens and other tools which cut down on labour costs. "The entire management of the kitchen is digitised; staff planning, staff training, demand forecasting and reducing waste."

Inside the Taster kitchen in Paris' 15th arrondissement, the six members of staff use an assortment of tech tools built in-house, including Trail, a checklist app. When orders come in and items are sold, they're tracked in real-time — and over time, Taster hopes to be use this to forecast how many ingredients to order on any given day, or time of year, or ahead of a big sports game, to minimise waste and maximise profits. To help with that in the more immediate future, in the 15th arrondissement kitchen there's also a newly-installed set of weighing scales from Winnow, a UK startup which helps kitchens measure and cut down on food waste.

"Initially my ambition was to create a food business; little by little that's shifted to a food tech business," says Soulier, an early employee at Deliveroo. "We have a team dedicated to building tools that can help the supply chain, operations, forecasting, efficiency in the kitchen. With tech, we think that we can really ensure consistency by providing the right information to the right people."

Restaurant groups are already approaching Soulier, he says, interested in licensing this technology.

Brands without buildings

"Building brands is a challenge; it's more an art than purely science," says Gebhardt. Unlike restaurants, these delivery-only brands can't rely on customers wandering past and taking a peak at a menu, or catching a whiff of something tasty and heading inside.

"The storefront is the biggest advertising space," says Gebhardt. "We need to invest much more into social media, word-of-mouth and digital marketing than just a nice interior and service."

Taster has found a middle ground: four of its kitchens in Paris are on busy streets, so customers can see where they are, they just can't walk inside. "It's super important to have a physical presence," says Soulier, pointing to other brands, like direct-to-consumer eyewear company Warby Parker, which started online and later opened physical stores.

Also out of the direct-to-consumer playbook, Taster has been working with influencers to grow an online community for each brand. "A lot of customers' journey [looks like this]: find restaurant on Deliveroo, check Google reviews, check Instagram

presence. Having a strong Instagram presence gives them confidence in the brand; it's how to win this game."

"The goal is to build household delivery brands — like the go-to healthy salad brand — and that takes time."

Paul Gebhardt
CEO, Keatz

Not everyone is convinced, however. Antoine Nussenbaum, partner at London-based VC firm Felix Capital, which focuses solely on digital lifestyle brands, thinks it won't be quite so easy to provide a really distinct offering. "They're in the early days of proving customer love," he says: can delivery-only food brands provide excellent meals and a superior customer experience, solely via a social media presence and some sustainable packaging?

Gebhardt recognises it's a long game: "The goal is to build household delivery brands — like the go-to healthy salad brand — and that takes time."

Nussenbaum thinks another challenge for the delivery-only food brands will be their dependence on the delivery platforms. The key, he reckons, isn't to get customers onside; it's to get the platforms onside.

This is especially crucial in Europe because there are fewer food delivery platforms than in other markets, like the US, and so they hold more influence, adds Borscheit. "It's more important for virtual restaurant chains and cloud kitchens to convince marketplaces they really add value to their offering," he says.

Keatz itself discovered the dangers of relying too heavily on third-party delivery platforms; when Deliveroo pulled out of Germany earlier this year, Keatz closed down four kitchens in the market. In Spain, it has tried to mitigate the risk by running its own web shop, Keatz.es, where customers can order its brands directly, and is pivoting to a model closer to that of Honest Food.


Inside a Taster dark kitchen

Regardless of these hurdles, Taster is expanding fast. Its big goal is to be able to deliver its three brands to the whole of London; right now, it covers about 30% of the city. It also wants to open more kitchens in Paris and Madrid, and move into secondary cities. In October 2019, it also expanded into Brighton, a small, densely-populated city in the UK with a big student population.

Honest Food, meanwhile, was acquired by Delivery Hero in December 2019. Glovo also acquired a Spanish dark kitchen startup, Instamaki, late last year.

In a few years' time, it's feasible that there could be a dark kitchen in every urban neighbourhood in Europe. What's holding back an explosion of growth in this sector is real estate, not consumer demand. But growth is coming — and any of the companies mentioned here could make serious money out of that.

Takeaway

Dark kitchens are proving a great way to cater for consumers' endless appetite for convenient food, at a lower cost than the traditional restaurant model. It's not yet clear who will be the big winners in the still-young sector; the complex world of real estate makes it hard to build dark kitchen networks quickly, while there's still some work to be done educating customers — both restaurants and eaters — about the benefits of dark kitchens.

Thesis 2:

Brands are going to go it alone.

Restaurants — big and small — are getting fed up of third-party delivery platforms.

There are plenty of pros to working with third-party delivery platforms. They're excellent marketing platforms, for a start. They deal with tricky logistics so restaurants can focus on making food and serving customers. And they promise to drive extra customers to restaurants, via the platform.

But many restaurants aren't so sure the numbers work in their favour after all.

"If you look at all the big chains, Deliveroo and Uber Eats have been promising incremental revenues — but only a small number have seen this," says Paul Gebhardt from Keatz.

85% of orders on third-party delivery platforms come from loyal customers, according to Flipdish, a Dublin-based startup which makes white-labelled ordering systems for restaurants: platforms might be helping fewer people "discover" new restaurants than it seems.

"[Third-party platforms] take customers from you, then sell them back at 25% [markup]," one industry insider told us. Even if a customer searches for a particular restaurant online, it's highly likely that its listings on third-party

The biggest food delivery apps in key European geographies

Ranking of the most popular apps by download rates in H2 2019

Rank	France	Germany	UK	Spain	Poland
1	UberEATS	McDonald's	UberEATS	UberEATS	McDonald's
2	McDonald's	lieferando	Just Eat	McDonald's	UberEATS
3	Too Good To Go	Burger King	Deliveroo	Burger King	Pyszne.pl
4	Deliveroo	Too Good To Go	McDonald's	Just Eat	Mój Carrefour
5	Just Eat	kfc.de	Wetherspoons	Too Good To Go	Twoja Biedronka
6	TheFork	Chefkoch	Costa Coffee Club	TheFork	Kupony do McDonald's
7	Burger King	REWE	Too Good To Go	Deliveroo	Costa Coffee Club
8	Marmiton	Cookidoo	Domino's Pizza	Domino's Pizza	Kupony do Maka - Lite
9	Vivino Wine Scanner	flaschenpost	Burger King	Telepizza	Cookidoo
10	Mon Cookeo	EDEKA	KFC	Fosters Hollywood	Burger King

Source: App Annie

delivery sites will appear above its own website on the results page. Some platforms also insist on exclusivity agreements — even going so far as discouraging restaurants from running their own ordering portals. "There's a fear culture," the insider added.

85%

of orders on third-party delivery platforms come from loyal customers, according to Flipdish

Understandably, there is growing resentment within the restaurant sector against the delivery players. Restaurant operators are worried about what role they have left to play in a future where the likes of Deliveroo control nearly all aspects of the food chain — from supply chain through to food production and delivery.

Going it alone

"A lot of big chains are trying to become independent — deliver themselves, or work with [a logistics firm like] Stuart," says Gebhardt. "There's an entire industry developed around this use case; it's quite a big threat for Deliveroo and Uber Eats."

It might seem counterintuitive, but well-known brands remain extremely popular with customers ordering takeaway, even via apps like Deliveroo offering them a world of choice. That means those brands, like McDonald's, are customers that delivery platforms really don't want to lose (McDonald's recently revealed that its exclusive partnership with Uber Eats is responsible for 10% of its business in the UK — and opened its own dark kitchen in London to cater for demand).

Yet some large brands are wriggling out of the exclusivity deals they once had with one of the big platforms. Gourmet Burger Kitchen, a UK-based burger chain, took orders solely through Deliveroo until last year; now it's listed on Deliveroo, Just Eat and Uber Eats. Others are taking orders in-house; Nando's is slowly rolling out home deliveries across the UK.

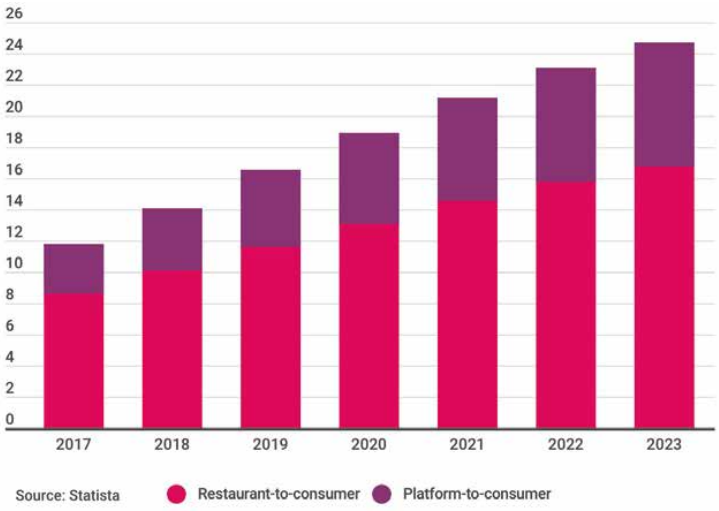
"More brands are increasing the number of platforms they use also, with two fifths that offer delivery now partnering with more than one third-party delivery operator," says Katie Prowse, insight manager at MCA Insight, with reference to top UK restaurant brands.

That could become a problem for the on-demand delivery platforms very soon.

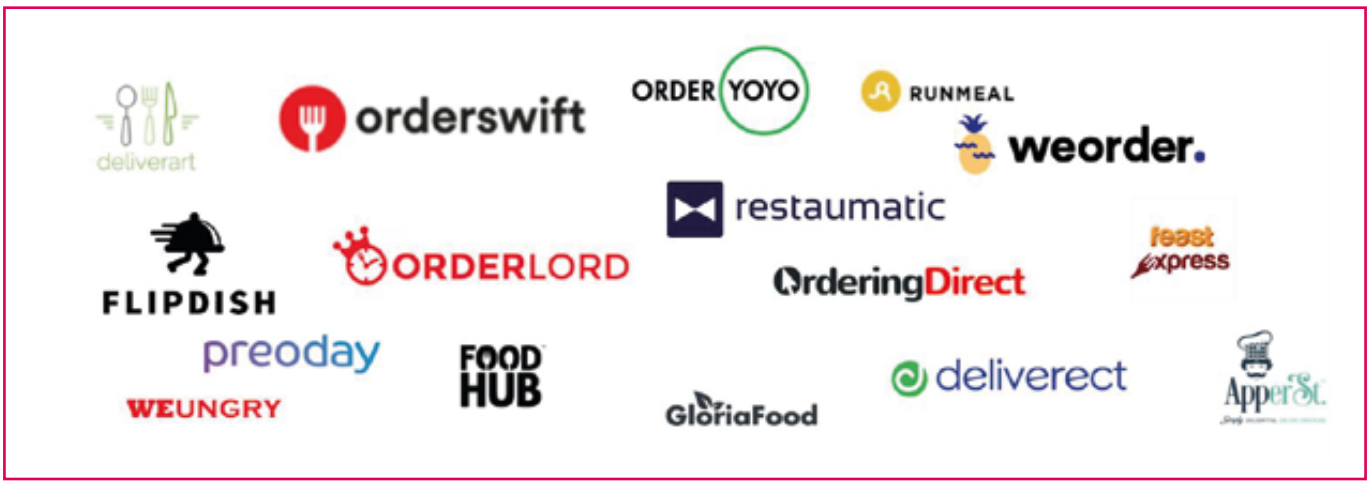
Restaurants of all sizes are choosing to go it (almost) alone. With greater control of their own orders, brands

The money is in restaurant-to-consumer delivery

Projected European market size, $bn



Software startups based in Europe working in food logistics and delivery



save on commission fees, build loyalty with customers, and release themselves from the (some say) tyrannical grip of the delivery platforms.

And there's a startup (or several) to help them with that.

One is Flipdish, which sells a white-labelled ordering system to restaurants and takeaway joints to take and manage online orders. When Conor McCarthy cofounded the business in 2015, he wanted to make an alternative to Just Eat — but when he spoke to restaurants, he realised what they wanted was their own app instead.

For many of Flipdish's customers, the end goal is to leave the third-party delivery platforms, says McCarthy. Over 50 of Flipdish's customers — ranging from individual restaurants to chains with up to 10 stores — have left Just Eat so far.

"They're saving €30,000 per year in fees," claims McCarthy. Flipdish takes a 7% fee on cash orders; half that of Foodhub, a UK-based food ordering portal, charges restaurants 0% commission and markets itself to customers as a way to support local restaurants. It also encourages restaurants to offer FoodHub users exclusive offers.

Taking their own orders, restaurants are also able to build more customer loyalty. They can entice customers to download their app with discounts, encourage them to order regularly

ANALYST OPINION

Deliveroo and Uber Eats can offer branded restaurants a full package of software and delivery logistics, so that they can just keep focus on the food and in-store diners. Further to this, delivery third-party operations are becoming increasingly advanced in the data analysis and insight that they provide to restaurant partners, becoming almost strategic partners in how restaurants can drive sales through delivery, who their consumers are and what sort of dishes they want. Taking the commission 'hit' for big operators is almost not a negative, as they are still seeing increased orders, and boosting revenue that they otherwise would not see."

Katie Prowse
Insight manager at MCA Insight

"The battle is over commission"

Antoine Nussenbaum
Partner, Felix Capital

STARTUPS TO WATCH

Flipdish

Founded: 2015, Dublin

Founders: Conor McCarthy, James McCarthy

Team size: 85

Money raised: €7m

Markets: 11, including UK, US, Ireland, France, Germany & Spain

Number of restaurant clients: >1500

What it does: Flipdish's software helps restaurants take and manage their own online food delivery orders.

Why interesting: It's partnered with courier firm Stuart to also fulfil delivery, offering an alternative to third-party delivery platforms.


Image: Pexels

with offers like "Buy 10 get one free" and run retention campaigns — for example, messaging customers who haven't ordered for 28 days with deals.

These software startups can't, however, help fulfil deliveries. Flipdish has partnered with courier firm Stuart to solve this problem; Flipdish takes orders, Stuart delivers them.

But restaurants don't always need to offer delivery; customers are increasingly choosing to pick orders up themselves. Matt Gilbert, cofounder of Orderswift, a London-based startup which makes ordering software for independent and chain restaurants with up to 200 sites (such as Prezzo and Pizza Pilgrims), says click-and-collect has "a lot of room for growth". Deliveroo and Uber Eats both introduced collections in 2019, hoping to entice new restaurants onto their platforms as a result.

There is, of course, an alternative way to woo restaurants: third-party platforms could cut their fees. "The battle is over commission," says Nussenbaum, an investor in Deliveroo.

"The risk of growing very big and very fast is that you typically start slipping on customer centricity, in this case restaurant centricity," says EQT Ventures investor Johan Svanström. "If you have 15,000 restaurants, they're probably not all seeing the same kind of benefit — and perhaps shouldn't all have the same commission."

Nussenbaum admits that in its six-year existence, Deliveroo has "scaled so fast it hasn't done everything perfectly": now, he says, is a "new era of doing things better".

With new offerings like supply chain management and dark kitchens, Deliveroo has clearly been trying to position itself as the partner of choice of restaurants — although these moves have been met by scepticism.

Takeaway

As some third-party delivery platforms have been in a hurry to entice more and more customers to use their apps, they've been neglecting another set of customers: restaurants themselves. As competitors continue to crop up (such as ride-hailing firm Bolt, which now offers food delivery) and a combination of software and logistics startups (such as Flipdish and Stuart) provide restaurants with an alternative way to serve customers ordering online, the biggest delivery platforms might need to tweak their offerings and, perhaps, cut commissions.

Thesis 3:

On-demand grocery is going to get interesting.

On-demand delivery platform Glovo was a latecomer to the European delivery game. It launched in Barcelona in 2015, and has a smaller team and less funding than the likes of Deliveroo and Delivery Hero.

But what it does have is a seemingly smart strategy.

Glovo does not enter markets where there are already two strong players. It chose not to fight with Deliveroo, Uber Eats and Just Eat in London; it avoided Mexico, where Colombian competitor Rappi (backed by SoftBank) is slugging it out with Uber Eats.

It is also aggressively expanding into services which its European competitors do not (yet) offer, such as grocery — which Glovo founder Oscar Pierre thinks could be a big, big business. He plans to launch more than 100 "dark stores" in the next 18 months.

Glovo currently delivers store goods – milk, alcohol, toilet paper, nappies, ready meals — to customers in Barcelona, Madrid, Buenos Aires and Lima. Couriers pick items up from "dark stores" (like convenience stores, but without any customers) and deliver them speedily. It's not the cheapest way to get hold of items, but it can save customers a car trip or a walk in the rain, and at certain

times of day, might be the only way to get hold of those things.

British tech company Ocado pioneered this on a big scale two decades ago, building a huge online grocery business without owning any actual supermarkets. The next step is to create a similar service, on-demand.

"The opportunity is so massive that I expect more competition," says Pierre, who plans to launch dark stores in Milan and Lisbon in early 2020. "But I think we're going to be leading the way, for sure."

He's not wrong about the competition.

66%

Europe's online grocery market will grow by 66% by 2023, according to IGD

In October 2019, Uber bought a majority stake in Cornershop, a Chilean on-demand grocery startup. It also has a partnership with convenience store chain Costcutter in the UK, and is in discussions with supermarkets across Europe. Deliveroo has also been trialling various partnerships with supermarkets and convenience stores, such as Co-op, Sainsbury's and Shell petrol stations in the UK and Albert Heijn in the Netherlands. If the UK's Competition and Markets Authority clears Amazon's investment into the company, it's likely that Deliveroo will start delivering grocery goods on behalf of Amazon. (Although, says Deliveroo Editions general manager Yannis Alivizatos: "My focus is not on convenience or supermarkets. I don't believe that's the best use of our infrastructure; it's a fundamentally different model.")

LISEK

STARTUPS TO WATCH

LISEK

Founded: 2018

HQ: Warsaw, Poland

Team size: <10

Customers: N/A - Lisek is in pilot mode

Markets: Poland

What it does: Lisek delivers groceries and household essentials in 10 mins.

The delivery players are all on a mission to become customers' go-to app. Uber talks about becoming "the operating system for everyday life"; Glovo talks about being the "everything app", echoing Amazon, the "everything store" (while takeaway food counts for 80% of its business, it has always delivered other items too, from clothes to pharmacy goods to flowers). Rappi is a good example of the end goal; it delivers grocery items, takeaway food and packages; it also lets users transfer money and rent scooters.

"The opportunity is so massive that I expect more competition"

Oscar Pierre
CEO, Glovo

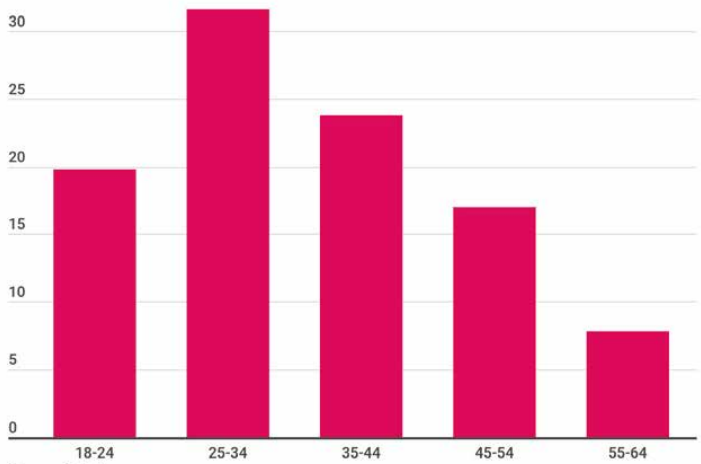
Pierre thinks this positions the company well to expand into grocery delivery. "I don't think users will go to Just Eat to order groceries, or Deliveroo. They would need to rebrand to be top of mind for that," he says. "But we've always been telling our users that we are the 'everything app'. That opens up a lot of options."

Expanding into new services (theoretically) means existing customers return more frequently and spend more money on the app, new customers are introduced to the app (enticed by, say, grocery delivery but not by takeaway food) — and with more things being couriered through the platform, the delivery logistics network can become smarter and more efficient.

It's also, say the sceptics, a sign that the delivery players have far from solidified their core business models; they're on a hunt for services with healthier margins.

"Deliveroo's core model is not entirely proven yet; there are a lot of markets

Millennials are the biggest market for food delivery
% share of market by age group



Source: Statista

Grocery delivery startups based in Europe

VC VOICE

Dark stores as a concept make so much sense. Many food delivery companies struggle with profitability, and dark stores depending on the type of SKUs [Stock Keeping Units] should in theory have high margins when they hit a decent volume of orders. It's not just about people getting coke and crisps while watching Netflix; it could be a way to make grocery delivery more convenient for people who can't plan when they'll be at home 24 hours in advance. But the business model has not been properly proven at large scale yet — and the competition for customers is heavily increasing from large players like Amazon, the delivery companies that are either partnering with supermarkets or building their own dark stores, or the supermarkets themselves."

Magda Lukaszewicz
Investment Associate,
Balderton Capital

where it's losing a hell of a lot of money," says Keatz' Gebhardt.

Grocery giants quaking

At the same time, big grocery firms are trying to figure out how to play their cards.

"They're all starting to freak out," says Pierre, who recently partnered with French supermarket Carrefour to deliver larger "baskets" to customers. "I don't understand why there's a lot of noise now, and not two years ago."

The Carrefour partnership, which is live in Spain, Italy, France and Argentina, might seem counterintuitive, given that Glovo is also doing its own grocery deliveries. But the two services fulfill different customer needs, says Pierre.

Carrefour is there for "bigger shops" and to attract a more risk-averse customer. "A lot of people are not going to trust a supermarket called SuperGlovo, but most will trust the Carrefour brand," says Pierre.

SuperGlovo is there for customers wanting speed and convenience, at any time of the day. Glovo is pushing hard to guarantee deliveries within 15 minutes; Pierre reckons Glovo needs six strategically located dark stores in Barcelona to make that a reality in the city (it currently has two, but is building three more) — and hopes to have all six operational by end of year.

Both grocery services still have a way to go, though. "We're not yet ready to do the €100 basket," admits Pierre (the holy grail of grocery delivery). "If in SuperGlovo people are buying on average seven items, through Carrefour they're buying maybe twice as much. But that's still more like €25-30."

STARTUPS TO WATCH

Getir

Founded: 2015, Istanbul

Founder: Nazim Salur

Team size: 340 (head office)

Money raised: Undisclosed

Markets: Istanbul

Customers: 1.3m

Number of restaurant partners: 2000

Number of distribution centres: 108

What it does: Getir (which means "bring" in Turkish) delivers 1000+ items to customers in Istanbul, 24/7, from ice cream to phone chargers to pet food. It also launched a takeaway food delivery service in 2019.

Why interesting: With an average delivery time of 10 minutes, Getir claims to be the fastest on-demand delivery player in the world. It's expanding into new cities in Turkey and has international ambitions.


Image: Pexels

It also remains to be seen whether Glovo can stand for food quality as well as convenience — or if it even wants or needs to. There are plenty of new online grocery players with strong brands already targeting customers who care about the provenance of their food, such as Farmdrop in the UK and Crisp in the Netherlands; would Glovo ever see itself as their competitor?

Brand sampling

Glovo has, however, hit on one potential goldmine: sampling.

Brand houses like Danone, Unilever and Reckitt Benckiser are showing interest in using SuperGlovo for testing out new products.

"Sampling is a tough thing for any FMCG [Fast Moving Consumer Goods] company," says Pierre. "And we're the best at it — because we not only have the [reach], but we also have the data."

"Say Danone launches a new yoghurt, and wants all the people in the north of Madrid to receive one sample — they pay pretty well for each of these samples," he adds.

Glovo is still ironing out the details of the service, but Pierre thinks it could be a healthy boost to the business. All big brands are trying to find new ways to reach customers — and willing to put money behind it. If SuperGlovo is only going to offer two brands of beer, there will be competition for those listings. "Brands want to be the brand that we have."

Tech trajectory

Glovo's four SuperGlovos in Madrid and Barcelona aren't yet as technologically advanced as they could be. Glovo is yet to develop any tools for the stores; staff are using a picker app from a third-party.

"We're really behind, in terms of the number of engineers that we need," admits Pierre. "It's probably the number one mistake we've made — we should have started hiring a lot earlier."

To help solve its "tech debt", in November 2019 Glovo bought a Polish food delivery startup, Pizza Portal, in order to open a tech hub in Warsaw. "I think the toughest moment of launching a tech hub is starting it — we're not a brand, or a leader [locally] — so [acquiring] a tech team is a great way to kick off," says Pierre. He hopes

STARTUPS TO WATCH

FRICHTI

FRICHTI

Founded: 2015, Paris

Founders: Julia Bijaoui, Quentin Vacher

Money raised: $48.2m

Markets: France

What it does: Frichti delivers all kinds of food: pre-prepared meals made in-house, takeaway meals from restaurant partner, meal kits and a select range of grocery goods. The brand focuses on the quality of its food, while also trying to make it super convenient.

Why interesting: Frichti has an extremely complex logistics infrastructure; rather than pick up and deliver one order at a time, its couriers collect and drop off numerous orders at once, to make the whole system more efficient.

to hire around 90 people in the tech and product team by mid 2021, and eventually hit the technical heights of the likes of Deliveroo.

> "The P&L of Deliveroo doesn't have that much incremental; they're already at three orders per hour."
>
> **Oscar Pierre** CEO, Glovo

"[Deliveroo's] two years older than us so we're a bit behind, but they've achieved this amazing efficiency," says Pierre. "[Couriers] do more than three orders per hour. That's amazing."

Tech aside, finding goods wholesalers and suitable properties for dark stores is also slowing down SuperGlovo's growth at the moment but, says Pierre, if Project900 (as the push to get to 15 minute deliveries is known internally) is a success, Glovo plans to launch six dark stores in each of its top 10 cities, and several more in other locations.

Are these shortcomings off-putting to investors?

"There are two things investors care about: Are you winning? And how big is this going to be?," says Pierre.

"We are [one of the top two players] in 24 out of 26 markets where we operate, either in volume, or growing the fastest. And that's exciting for investors, because it's like wow, in a market which is going to grow 20-30% year over year, they want to bet on leaders. And then they look at the model: Is this going to be cash burn forever or is it profitable? And the reality is our numbers are good. In Spain, we are EBITDA profitable, Italy's almost there and we have a lot of countries where we moved in first, and will lead for sure."

"The P&L of Deliveroo doesn't have that much incremental; they're already at three orders per hour."

An Uber Eats courier

Summary

Glovo thinks it might have hit on a smart way to increase the efficiency of its logistics network, get customers ordering on its app more often and bring even more convenience into their lives: grocery delivery. It's tackling this in two ways: via a partnership with global grocery player Carrefour and by setting up dark stores to fulfil smaller orders itself. But will it be worth it? Setting up this service takes Glovo into the slow and unscalable world of real estate and fresh and dry goods supply chains. Grocery is also a notoriously low margin industry. Yet online grocery has massive scope for growth in Europe, and represents a big opportunity for innovative new players, especially those like Glovo with logistics networks already in place.

Interview with **Glovo**

What Glovo's learned running on-demand grocery delivery

1. **It's easier to cut out the retailers**
   Working with supermarket partners is more hassle than it's worth. "You never have good visibility of the stock, which means that every now and then the user will order something that you can't find, which is very painful for the user," says Pierre, adding that checkout and delivery times are also longer with a third-party involved.

2. **But finding wholesalers and suitable properties slows things down**
   Running dark stores alone means Glovo has had to find wholesalers to buy goods from, which takes time. It's also not possible to move as fast with a service that relies on real estate; it can be hard to find suitable properties in the right location.

3. **Dynamic pricing is an option**
   "It's clear the user is less sensitive at 1am than at 7pm," says Pierre, who is considering altering product prices depending on the time of day, much in the way ride-hailing firms like Uber run surge pricing at times of high demand. "At 9pm, there are very few open stores in any city, so price sensitivity is low."

4. **Speed is key**
   Customers order from SuperGlovo in part because it's the fastest or most convenient way to get hold of items, so those items have to come quickly. "We want to guarantee 15 minute delivery time," says Pierre. "Our biggest competitor is the user themselves going to the store."

5. **Customers want range rather than choice**
   Recurrent users are asking for a broader range of items on SuperGlovo — but not more options within categories. They also want fresh produce as well as long-life goods.

6. **Brands want in**
   "We have a very limited assortment; this is generating a lot of interest from brands," says Pierre. "All brands are thinking about direct-to-consumer, finding new channels and avoiding the retailers. They want to be the brand that we have."

Glovo

Summary:

Food for thought

Who's going to make money?

Landlords
Few dark kitchen operators own real estate; most lease their spaces. But which landlords will capitalise on this trend? Dark kitchen and dark store spaces currently occupy a range of locations, from shipping containers in car parks to converted high street stores (two of Glovo's dark stores previously belonged to supermarket chain Día). Will a particular type of location become commonplace?

Investors (but which ones?)
Food delivery platforms are cash-guzzling startups; Deliveroo's valuation is thought to be more than £2bn — but it has raised £1.34bn to date. Wolt has raised just £156m and is active in far more European countries (albeit smaller ones) than Deliveroo. The Finnish company has always had a policy of "unit economics obsession" and focused on operational efficiency, while Deliveroo has used its treasure chest of funding to follow a very ambitious growth strategy to grab a leading position in many markets. Will the (slightly) slower but steadier players show a better return on investment?

Facebook and Google
Customer acquisition is expensive: food delivery platforms spend a vast amount on advertising.

Go niche or go full-stack?

The big food delivery platforms are all expanding sideways in the value chain — into dark kitchens, into dark stores, into supply chain and software — perhaps unwisely. Delivery companies are logistics experts, but can they also compete in specialist areas like real estate and is it an efficient use of their capital to do so?

A different expansion strategy is to deliver more things; to move beyond takeaway food into retail, mimicking Glovo's initial offering, or as Uber did (and Bolt has followed) adding food delivery to a ride-hailing business. This has the benefit of making more efficient use of the existing logistics network and driving customer usage of the app.

Can anyone do quality as well as convenience?

Customers turn to food delivery platforms for convenience. They don't use them to feel better about themselves; the sector is riddled with controversy, from the working rights of couriers to plastic waste caused by packaging. Will a dark kitchen operator, virtual restaurant startup or delivery player jump ahead of their competitors by positioning themselves as a more ethical brand? Will any company be able to nail both food quality and logistical expertise?

How significant will business customers be?

Corporate customers are a big source of business for food delivery platforms. Could they be even more significant sources of income? Glovo, Deliveroo and Uber Eats all cater for business customers (Glovo recently partnered with French business bank Qonto in an effort to gain more corporate clients) but should they be doubling down on this? Just Eat wants a bite; earlier this year it bought corporate catering startup City Pantry.

Will commissions go down?

If delivery platforms are serious about treating their restaurant partners better, they will need to drop their commission rates. But what would that mean for their bottom line?

Final food for thought

The battle for Europe's stomachs will be won by the most efficient players. Whether that's thanks to a super-smart logistics platform, by running an almost waste-free kitchen, or by reaching massive scale with deliveries, the companies with the tightest operations will be winners. The best brand builders will also do well, especially in the nascent delivery-only food brand and on-demand grocery sectors. This is a fast-developing space; it's all to play for.

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