



STRATEGIC CASE STUDY

# INDUSTRY ANALYSIS

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STRAWWHEEL

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# CHAPTER 1

## HOW TO USE THIS ANALYSIS

### 1. What to expect from this analysis

***“An awareness of the industry that the business is in will help you to think of the wider issues that might impact on decisions that you could be asked to comment on.”***

#### **- Examiner's Report**

The examiners expect you to have excellent knowledge of the pre-seen industry and to demonstrate this in the exam. As the examiner says, the case study is designed to test your application in the real world, and not to test your theoretical knowledge. This industry guide is designed to help you to meet that expectation and maximise your marks in the exam!

This requirement links directly into your role. In the pre-seen, you are told:

**“You are a senior manager in Snakwheel’s finance function. You report directly to the Board and advise on special projects and strategic matters.”**

You are expected to provide logical business advice as if you were an employee working in this industry, and as if you know this industry inside out. If you know the types of issues in the real world and the types of decisions that real world companies are making, the chances are that your own logic in the exam will be better and producing a logical, well rounded report is key to passing this exam.

One key way of maximising your marks in the SCS exam is to have sound knowledge of the relevant industry and to demonstrate that knowledge throughout. However, the industry is large, and there is a lot of information. You have to make sure you have the right information about the industry.

**That's where we come in. In this industry analysis, we've scoured the web, journals and magazines for the most relevant information relevant to your exam. We do the difficult job of collecting the right information for you, so all you have to do is read this report, learn the key points and then use them in the exam.**

# CHAPTER 2

## INTRODUCTION TO THE ONLINE FOOD DELIVERY SERVICE INDUSTRY

### 1. History

#### Introduction

Online food delivery services mean users can quickly receive food from their favourite restaurants or takeaways with just a few clicks. The user-friendly applications and convenience of food delivery platforms, such as UberEats and Deliveroo, contributes to the industry being valued at a whopping US\$213 billion in 2021, with growth expected to reach US\$465 billion by 2026.

Online food delivery services are available in most large cities and towns across the world. Delivery Hero, one of the dominating platforms, now operates in around 50 countries worldwide.

#### Industry origins

Whilst we typically see food delivery service as a relatively modern industry, it can actually be traced all the way back to the 1880s! On a visit to Naples in 1889, King Humberto and Queen Margherita, the king and queen of Italy, requested a mozzarella pizza be



delivered to them at their accommodation, making this the first recorded pizza delivery in history (and where the name Margherita pizza comes from!).

At a similar time, but on the other side of the globe, Indian Dabbawalas, or delivery men, delivered meals to workers in busy, metropolitan areas.

## 20<sup>th</sup> Century

The 20<sup>th</sup> Century saw the invention and widespread distribution of the television. The **growth of TV meant more and more people opted to stay at home and enjoy their meals whilst watching the television instead of dining at a local restaurant.** To mitigate this, many restaurants began offering takeaway and delivery options, which was the start of the popularisation of this new idea.

## Industry growth in the early 2000s

The rise of the internet was the catalyst for the exponential growth of online food ordering services in the 2000s. The subsequent creation of internet banking further facilitated the industry's success, allowing restaurants or takeaways to accept payment from customers online.

**JustEat was one of the first online food delivery services, launching in Denmark in 2001.** By the late 2000s, Just Eat had relocated to the UK and expanded by making 7 acquisitions, seeing it operate in 10 countries worldwide. During this time, many pizza chains created their own online platform to facilitate home delivery, therefore eliminating the need for a 3<sup>rd</sup> party courier.

## Industry growth in the 2010s

However, the early 2010s saw a worldwide surge in smartphone and tablet usage, providing an opportunity for online delivery services to operate via mobile app. This is when the industry really begins to take off. The pioneer of this type of service, Deliveroo, launched in the UK in 2013, **and the current leader in online food delivery in the US, DoorDash.** The growth of transport providers, such as Uber and Lyft, meant online food delivery services associated with transportation network companies, such as UberEats and Bolt Food, rapidly began to gain traction.

**By 2016, online ordering overtakes over-the-phone ordering and the online food delivery industry has generated more than US\$10.4 billion in the USA alone.** By 2020, this figure rose to US\$26.5 billion.



By 2025, online food delivery is expected to grow to a 21% share of the total restaurant market, a staggering statistic considering the online food delivery industry as a whole will have only begun about two decades prior. **The industry's growth is expected to increase at a compound annual growth rate of 10.3% until at least 2027.**

The industry's success has led other businesses, such as supermarkets and pharmacies, to enter the market, using online platforms to take small orders for essential items from customers.

## Application to the pre-seen

**Snakwheel was founded in 2007, making it one of the first companies to enter the online food delivery market**, as supported by the fact that it was Westaria's first independent home delivery platform. The late 2000s and early 2010s was a period of huge growth in the industry, so it is relatively unsurprising that Snakwheel was able to benefit from this growth and become a quoted company (listed on Westaria's Stock Exchange) in 2016.

Snakwheel only services users in Westaria, whilst other companies founded around the same time or later capitalised on the industry's rapid growth and expanded beyond their country of origin to other countries and continents. For example, though having started out in the UK, Deliveroo now operates in 11 countries worldwide. Since its conception in the USA, UberEats has expanded to serve over 45 countries from Australia to Costa Rica.

Snakwheel should consider following this trend and look to expand abroad. Specifically, **Snakwheel may consider expanding into the Asia-Pacific market due to the growth potential of online food deliveries in the region.**

## 2. Services

### Product/Service

The primary service offered by companies in the online food delivery service industry is the delivery of pre-ordered meals, drinks or snacks from restaurants, cafes or shops that are local to the customer.

Online food delivery platforms, just like the pre-seen's Snakwheel, match riders of pedal or motorbikes, or drivers of private vehicles, to customers who have ordered

food or drink from a local restaurant or takeaway via the platform's website or app. The courier collects the food on behalf of the customer and delivers it to the customer's chosen location, which is often their home or workplace.

**A delivery fee and often a service fee, is charged to the customer, and there is the opportunity for them to leave a tip for the courier. Delivery fees for the service generally range between £0.99 and £2.99.** Service fees are often charged at a percentage of an order total, usually at around 5% (service fees often have a minimum of £0.50, and are often capped at around £2).

Some online food delivery providers also offer a monthly subscription service where users pay a set fee every month to then receive free delivery on any order they place. This subscription model is aimed at frequent users of online food delivery platforms.

## On-demand grocery deliveries

On-demand grocery delivery app development has seen a spike in recent years. So, to remain competitive, rather than solely delivering ready-to-eat meals to customers, **many online delivery platforms such as DoorDash and Deliveroo allow customers to order individual household items or cooking ingredients from supermarkets.** By the end of 2021, grocery deliveries accounted for 8%, by value, of orders placed on Deliveroo's app, and the company had more than 11,000 grocery partner sites live across its markets.



The option of on-demand groceries means customers can cook a meal of their choice, have their favourite supermarket snack or have emergency supplies of household essentials, such as nappies or antibacterial spray, delivered to their home in minutes. **Online food delivery companies who offer on-demand groceries are widening the ordering options for customers** and do, therefore, have an advantage over restaurant only online food delivery services, such as Snakwheel.

## Aggregators v. platform-to-consumer operators

Although online food delivery services all have the same objective (to quickly deliver tasty to customers), they follow different business models. Aggregator and platform-to-consumer operators are two of the most popular models of online food delivery service.

## Aggregator

**Aggregators are essentially like catalogues or market places of all takeaways and restaurants available for delivery within a certain area** that are presented to the customer to choose from.

The **platform takes the order (aggregate) and sends it to the operator (the restaurant or takeaway)**, who would then prepare the food and take care of the delivery.

The most well-known aggregator in the industry is JustEat.

## Platform-to-consumer operator

**Platform-to-consumer operators display all of the available outlets the customer can choose to order food from.** The customer would place the order with the operator, who would send the order to the outlet, but would deliver the order to the customer themselves.

Popular platform-to-consumer operators are Deliveroo and UberEats.

## Direct competitors

### Major companies

	Company	Services
1	Deliveroo	Multinational organisation that delivers fast food, restaurant meals and groceries. Customers order and pay for their items on Deliveroo's website or app.
2	UberEats	Multinational organisation that delivers fast food, restaurant meals and groceries. UberEats was launched by Uber – the ride-hailing company. Customers order and pay for their items on UberEats's app.
3	Just Eat	Delivers food from takeaways and restaurants to customers who have ordered via the JustEat app or website.

	Company	Services
4	DoorDash	USA based food delivery service which operated in the US, Australia, Canada, Japan and Germany. It is the largest food delivery company in the USA.
5	Foodhub	UK based food delivery service which markets itself as being more affordable than its competitors as it does not charge users a service fee.
6	Bolt Food	Bolt Food is a facilitated by hail-a-ride company, Bolt. Estonian company which operates in approximately 45 countries across Europe, Africa, Asia and Central and South America
7	Foodpanda	Online food and grocery delivery service owned by Delivery Hero. It is the largest food delivery platform in Asia, outside of China.
8	Grubhub	American online food ordering and delivery platform that is owned by JustEat. Customers order and pay for their items on Grubhub's app.
9	Foodstuff	UK based food delivery service with an ethical focus: emission- free deliveries, couriers paid a living wage, only independent restaurants are hosted by the app – no chain restaurants are serviced. Currently operating in 6 UK cities but looking to expand.
10	GrabFood	Singapore based food delivery service owned by Grab – the cab hailing service. GrabFood operates across South East Asia.



# CHAPTER 8

## INDUSTRY EXAMPLES

### Using industry examples in the case study

This industry analysis has given you a lot of useful information on the case study industry. The key though, is using that knowledge in the exam. It's no good knowing all this, yet not using it – it won't earn you marks!

The easiest way to gain marks with your knowledge is to quote relevant industry examples, and explain how what is happening in the industry affects the issues in your exam. As such, in this section, we give you 25 examples relevant to key issues in the case with a view that you can learn these and use them to gain marks.

Do pay attention to the styling of each of the 'example paragraphs' we've created for you too. This is the style you should use in the exam where you both give your example and then relate it to the issue in the unseen. Without relating it, you won't score marks, so that really is key.

Here goes then, a list of great industry examples for you to learn and use!

## 2. Poor performance of online food delivery service IPO

### Example

Deliveroo was London Stock Exchange's biggest IPO since 2011 and was presumed to be a success. However, Deliveroo actually provided London with the worst IPO in history as stock plunged on the opening performance day with shares closing 26% below their listing price, wiping almost £2 billion off Deliveroo's initial market capitalisation. Deliveroo stock lost another 1.9% when markets re-opened the next day.



Deliveroo's listing on the LSE came just two weeks after Uber re-classified its ride-hail drivers as 'workers', but its UberEats couriers remained self-employed.

Deliveroo is still yet to make a profit.

### Relevance to the pre-seen

Snakwheel is a quoted company that is also profit making, despite Deliveroo's poor IPO performance

### Unseen issues on which to use this example

IPO, Funding, WACC, market valuation

### Sample exam paragraph

Our share price has never dipped below W\$25 per share and has seen a top price of W\$37 per share. Our beta value of 0.7 also indicates our stocks are of low volatility. This performance, compared to our peer in the industry, Deliveroo, who had a disastrous IPO and have yet to make a profit, means we are more likely to be supported by an investment from venture capitalists who have been attracted by our growth and future prospects.