



# Market Research Proposal

TAMID Group at Johns Hopkins University

Prepared By Andi Zhang, David Kleinberg, Mallika Akhtar

# CONTENTS

## 1. SUMMARY

- Who we are
- Overview of the report
- Outline the solutions

## 2. OBJECTIVES & BACKGROUND

- What do we want to accomplish?
- Today's online food ordering market

## 3. RESEARCH METHODOLOGY

- Process for finding and evaluating data
- Specific fields we looked for

## 4. DATA COLLECTION

- Four industry leading companies:
  1. OrderUp
  2. PostMates
  3. UberEATS
  4. Grubhub

## 5. GO-TO-MARKET STRATEGY





JOHNS HOPKINS  
UNIVERSITY

## 1. SUMMARY

We are full-time students at Johns Hopkins University studying Civil Engineering, Electrical Engineering, and Pre-Med. Often times awake past the closing hours of our dining halls, we are faced with the challenge of getting food. A popular solution is ordering out from restaurants or having the food delivered.

We have certainly resorted to this numerous times throughout the semester experienced the different food ordering services in the Baltimore area. Each one has its own set advantages and disadvantages, which we plan to explore to greater detail in this report.

The market research pertains to online food ordering services, mainly in the Baltimore, MD location. Following is a GTM strategy based on what we found through the competitive analysis. The places where the existing (and thriving) food ordering services are doing well, we recommend Say2Eat to incorporate or at least compensate for. As goes the contrary - were we found the popular ordering services lacking, we highly recommend Say2Eat to take advantage of the openings.

Our solutions predominantly suggest targeting locations that are currently unoccupied by the market leaders, partnering with large-chain restaurant brands that are currently unaffiliated with the market leaders, and adopting certain features that give these companies their competitive advantage/success.

## 2. OBJECTIVES & BACKGROUND

Through researching the online (and chatbot) food ordering market, we hope to develop a Competitive Analysis, and Go-to-Market Strategy.

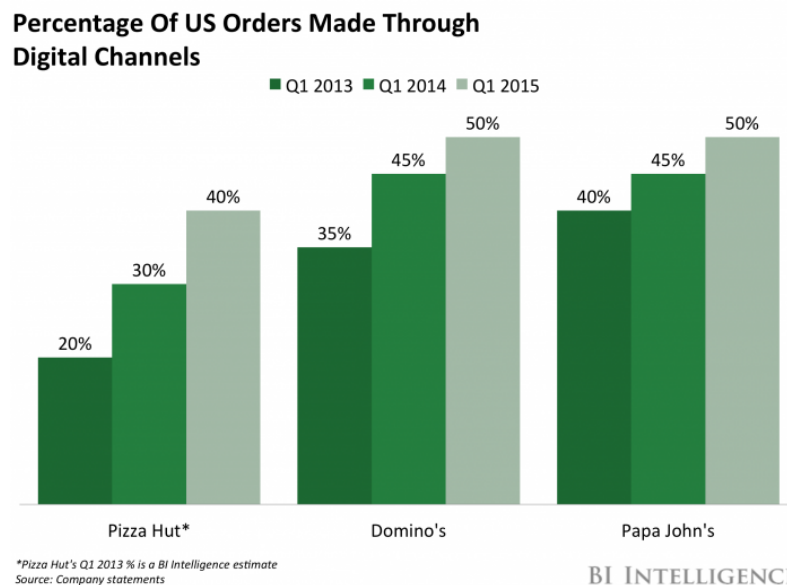
The process should help us answer the following questions:

What differentiates Say2Eat from its competitors?

What does the market demand when it comes to ordering food?

To do it was important to understand the company and the market:

Online food ordering is an emerging market starting with Peapod in 1989 and moving towards companies like Yelp and Grubhub, until recently when this market experienced the growth of several new startups.



Graph based on Business Insider study evaluating the evolution of chatbots in business to consumer relations<sup>1</sup>

From the article referenced above, Business Insider claims that, “Chatbots are particularly well suited for mobile — perhaps more so than apps” due to the more natural experience of conversation.

---

<sup>1</sup> <http://www.businessinsider.com/you-can-now-order-dominos-pizza-through-a-chatbot-on-facebook-messenger-2016-9>

### 3. RESEARCH METHODOLOGY

We gathered information based on the following factors:

1. Business Model
  - a. How does the company make money?
    - Charge per order
    - Monthly/annual subscription (based on number of users)
  - b. What are the profit margins for restaurants using the ordering services?
2. Logistics
  - a. How does food get delivered?
    - In house driver (like most pizza chains)
    - Any authorized driver can pick up (UberEats)
    - Combination of the two
  - b. How do restaurants integrate with the company?
3. Marketing Points
  - a. Is there a trial period?
  - b. First X customers free?
  - c. Other selling features?
4. Current Status
  - a. What apps has the company integrated with?
  - b. In what locations does the company currently exist?
  - c. Are there case studies?

This criteria was also sent to Say2Eat as a self evaluation, so that we could compare side-by-side the competitive advantage that one company might have over another and to find the opportunities where Say2Eat can grow.

The research was primarily conducted online, with input from our own experiences with the services (given the competitors we chose to analyze have locations in the Baltimore area), in addition to the general consensus of students on the Johns Hopkins campus.

Prior to our research, we had not been familiar with the online food ordering chatbots, so we also deemed it important to acquaint ourselves with Facebook Messenger and evaluate our personal experiences with the application (recommendations are outlined in the GTM).

## 4. DATA COLLECTION

### Order Up

(Acquired by Groupon for \$69 million in 2015)

#### 1. Business Model

- a. How does OrderUp make money?
  - \$5 delivery fee to customer
  - Commission per order charged to the restaurant<sup>2</sup>
  - Franchises (offer drivers in certain locations)<sup>3</sup>
    - Initial investment \$42,550
    - Initial fee \$32,500
    - 5 year contract
    - Renewal fee \$20,000
- b. What are the profit margins for restaurants using OrderUp?
  - Unknown, except one case study shows that it increased the number of orders by ~30%

#### 2. Logistics

- a. How does food get delivered?
  - Provides drivers
  - Takeout option
- b. How do restaurants integrate with OrderUp?
- c. clients
  - Chipotle
  - Panera
  - Local restaurants

#### 3. Marketing Points

- a. OrderUp also helps in marketing and branding for the restaurants
  - “OrderUp’s social media campaigns on Facebook, Twitter, and Instagram will generate more buzz and hype about your restaurant and deals”<sup>4</sup>
- b. They have their own applications and website which will allow customers to reach the websites indirectly

#### 4. Current Status

- a. What apps has OrderUp integrated with?

---

<sup>2</sup> <http://www.baltimoresun.com/business/bs-bz-orderup-20141006-story.html>

<sup>3</sup> <http://thefranchisemall.com/franchises/details/14265-0-orderup.htm>

<sup>4</sup> <http://restaurant.orderup.com>

- Has standalone app (android and ios)
- If you order online, you can get texts
- b. Has OrderUp launched in certain areas?<sup>5</sup>
  - **Baltimore (headquarters)**
  - Franchises in 37 cities
  - 23 cities have franchises

The following cities do NOT have OrderUp (GTM)

- NYC
- Philadelphia
- LA
- Boston
- ... other major cities

- c. Are there case studies (other than the statistics of restaurant client acquisition)?

“I would say that around 30% of our orders are from OrderUp... With OrderUp, we do about \$4 more per order than when customers phone in.” - Pennsylvania<sup>6</sup>

“I would say that we get about 15 orders every weekday through OrderUp, and around 50 orders on the weekends.” -Papa John’s Pennsylvania

---

## Postmates<sup>7</sup>

(Raised \$80 million at \$400 million valuation in 2015)

### 1. Business Model

- a. How does Postmates make money?
  - Postmates collects 20 percent of the delivery fee that it charges. The other 80 percent, along with all additional tips, goes to the courier.<sup>8</sup> Postmates also collects a 9 percent fee of the cost of goods. The 9 percent fee doesn’t have a cap.
- b. What are the profit margins for delivery persons using Postmates?
  - According to Postmates, a delivery guy can earn upto \$25 per hour.
  - delivery persons get 80% of the delivery fee and rest 20% is kept by the company.

### 2. Logistics

- a. How does food get delivered?
  - Regular people can become delivery persons, they just have to sign up.
  - More flexibility in terms means of transportation

---

<sup>5</sup> <https://franchise.orderup.com/towson>

<sup>6</sup> <http://restaurant.orderup.com>

<sup>7</sup> <https://postmates.com>

<sup>8</sup> <https://techcrunch.com/2015/03/04/analyzing-postmates-growth/>

- Employs college students
- Allows for walkers, drivers, bikers, etc.

### 3. Current Status

- What apps has Postmates integrated with?
  - Has standalone app (android and ios)
  - If you order online, you can get texts
- Has Postmates just launched in certain areas?
  - Operates the largest on-demand delivery fleet in 40 major US metropolitan markets

#### \* Franchise Partnerships

- Starbucks
- Chipotle
- Chick-fil-A

---

## UberEATS

### 1. Business Model

- How does Uber Eats make money?
  - Takes a percentage of courier's revenue, around 20%
- What are the profit margins for delivery persons using Uber Eats?
  - Pays is ~\$3/delivery, with a minimum of \$10 – \$20/hour
  - During off peak times, drivers earn £3.30 per delivery, plus a mileage payment between the restaurant where food is picked up and the drop location, minus a 25% fee taken by UberEats.<sup>9</sup>
  - During peak times, drivers now earn £3.30 per delivery, plus a £4 “promotion” amount per job between 11.30am and 2.30pm, or a £3 promotion between 6.30pm and 9.30pm, as well as the mileage payment. UberEats then takes a 25% cut.

### 2. Logistics

- How does food get delivered?
  - Regular people can become delivery persons, they just have to sign up.
  - More flexibility in terms means of transportation
    - Employs college students
    - Allows for walkers, drivers, bikers, etc.

### 3. Current Status

- What apps has Uber Eats integrated with?
  - Has standalone app (android and ios)
  - If you order online, you can get texts
- Has Uber Eats launched in certain areas?

---

<sup>9</sup> <https://www.theguardian.com/technology/2016/aug/25/ubereats-drivers-plan-protest-cuts-pay-rate-per-delivery-london-uber>



- Uber eats is available in 53 cities, in 5 continents
  - c. Are there case studies (other than the statistics of restaurant client acquisition)?
- 

## **Grubhub**

### 1. Business Model

- a. How does GrubHub make money?
  - i. Commission on each order
  - ii. Restaurant advertising on GrubHub platform
  - iii. Launched in Chicago in 2004, grubhub takes a percentage of the total order from the restaurant

### 2. Logistics

- a. How does food get delivered?
  - i. GrubHub has its own delivery persons.
  - ii. GrubHub provides restaurants with extended customer base.
  - iii. GrubHub provides restaurants a software to manage their deliveries through GrubHub in an efficient way.<sup>10</sup>
  - iv. The restaurant has the option of setting minimum order fee and delivery fee.
- b. How do restaurants integrate with GrubHub?
  - i. They just have to sign up and GrubHub will put their restaurants online.
- c. Clients
  - i. Local restaurants

### Current Status

- a. What apps has GrubHub integrated with?
  - Main platform is their website
  - Has standalone app (android and ios)
  - When you order online, you can get texts
- b. Has GrubHub launched in certain areas?
  - 45,000 takeout restaurants in over 1,100 U.S. cities and London<sup>11</sup>

## **Contracts Held/Logistics**

Online Ordering systems such as GrubHub, UberEats, Postmates, etc, generally have a contract with the restaurants they are partnered with. The revenue made is largely from a percentage cut the online company receives per order placed. Some applications offer discount codes to initially attract customers.

Specifically, GrubHub holds contracts with the partnered restaurants in the form of appealing to their need to enhance exposure. GrubHub charges the restaurant a small fee for each order they provide to them through the system. Restaurants also pay a commission, which is in the

---

<sup>10</sup> <http://nextjuggernaut.com/blog/how-grubhub-works-business-model-grubhub-revenue-insights/>

<sup>11</sup> <http://about.grubhub.com/about-us/what-is-grubhub/>

form of a percentage the transaction for orders that are processed through the GrubHub platform<sup>12</sup>. GrubHub and Seamless take an average of 13.5% of the transaction order, ranging 5-15% and many restaurants claim their sales went up 30-75% after partnering with GrubHub<sup>13</sup>. Restaurants also have the option to pay more to be featured higher on the platform search list. The revenue generated from solely these transactions was \$137 million in 2013<sup>14</sup>.

---

<sup>12</sup> <http://vator.tv/news/2015-07-24-how-does-grubhub-make-money>

<sup>13</sup> <http://qz.com/182961/grubhub-and-seamless-take-a-13-5-cut-of-their-average-delivery-order/>

<sup>14</sup> <http://qz.com/182961/grubhub-and-seamless-take-a-13-5-cut-of-their-average-delivery-order/>

## 5. Go-To-Market Strategy

### Overview

Based on the trends of the leading brand competitors, we recommend partnering with large chain restaurants and established food delivery services.

Associated with Ordering Services	Currently Unaffiliated
Chipotle (OrderUp & Postmates) Starbucks (Postmates exclusive) <sup>15</sup> Chick-fil-a (Postmates) Pizza Hut (Conversable) <sup>1617</sup> Domino's <sup>18</sup>	McDonald's Panera Subway KFC Taco Bell Burger King Others <sup>19</sup>

Services that Deliver	Services that Aggregate Food Vendors
<ol style="list-style-type: none"><li>1. OrderUp</li><li>2. UberEats</li><li>3. PostMates</li><li>4. Grubhub</li></ol>	<ol style="list-style-type: none"><li>1. Yelp (acquired Eat24)<sup>20</sup></li><li>2. Foursquare</li><li>3. Tripadvisor</li></ol>

Say2Eat does **not** aggregate food vendors on a website platform or application. This has the benefit of simplicity for both the company and the restaurants. It will allow for Say2Eat to grow more readily - as opposed to a company like OrderUp, which requires a franchise be set up in a certain location to provide delivery services - and there is significantly less overhead in the company's business model (site/app maintenance, employees, driving expenses, etc).

Competitors that **do** aggregate food vendors for customers to search from a selection of local eateries have certain advantages, however. Ordering services of this kind offer a comprehensive list of vendor options and menu items. This can often be more intuitive for the customer, as an app with menus and restaurant selections cater to those that know what they want beforehand, as well as those that do not.

---

<sup>15</sup> <https://news.starbucks.com/news/starbucks-postmates-in-seattle>

<sup>16</sup> <http://fortune.com/2016/07/13/pizza-hut-chatbot-twitter-facebook/>

<sup>17</sup> <http://conversable.com/>

<sup>18</sup> <http://corporate.dominos.co.uk/news/'hello-dom'...-it's-me-from-the-other-side>

<sup>19</sup> [https://en.wikipedia.org/wiki/List\\_of\\_the\\_largest\\_fast\\_food\\_restaurant\\_chains](https://en.wikipedia.org/wiki/List_of_the_largest_fast_food_restaurant_chains)

<sup>20</sup> [https://en.wikipedia.org/wiki/Online\\_food\\_ordering](https://en.wikipedia.org/wiki/Online_food_ordering)

When competitors of this type establish relations with large chain restaurants, they benefit not only from the revenue that the sheer quantity of orders these brands receive, but also from the increased traffic to their sites or applications. Site traffic is important to these companies because it serves as an effective form of marketing for smaller, local restaurants. We already saw with OrderUp that they help in bringing more attention to restaurants with social media campaigns.

Customers that use this type of service to order from the big name brands are still likely to discover other food vendors. This is beneficial to the small businesses - they will be more inclined to subscribe to this type of service - and it is beneficial to the service provider because more orders from the restaurant means more commission for the company.

The competitors we analyzed (that aggregate food vendors) also happen to provide delivery. While this incurs significant overhead and management complications, it can often be a selling point for the restaurants.

A good example of these kind of partnerships is Postmates' "Merchant Program". Here is how it works:

1. "Every merchant starts their journey on the platform as anonymous," says Anand Dass, Postmates' director of business development. "It's initially a conversation between a customer who wants food from that restaurant and a Postmate who has the resources and the time to go pick it up on behalf of the customer."
2. The consumer can either search for a certain restaurant or input an address into the system, which uses Foursquare to find the restaurants. However, once an address is in the system, it's in and will be listed within Postmates the next time someone searches for it.
3. As certain restaurants get more and more popular on the app, Postmates then approaches the restaurants, the restaurants can also approach Postmates, to join the "Merchant Program".
4. Postmates then works with the business owners to tweak their presence on the app like featuring their menus under a city's "Featured" page.
5. Postmates then cuts the partner's delivery cost to \$4.99 (originally from \$7 to \$20) and takes a commission off their sales (10 to 20 percent, depending on various factors)<sup>21</sup>.

---

<sup>21</sup> <http://www.eater.com/2015/7/31/9074491/postmates-delivery-problems>

## Where does Say2Eat fit in?

Say2Eat profits in one of two ways:

- a. **Commission per transaction** (small businesses)
- b. **Subscription** (mid-large business that can pay upfront)

Say2Eat is therefore more likely to profit from large food businesses:

Given that Say2Eat is white labeled, it is not necessarily the number of restaurants that integrate with Say2Eat that will drive profit. Instead, it is the number of large chain restaurants that use its chatbot service that will prove its success.

Say2Eat is good when you know what you want to order it fast:

Customers are more likely to use Say2Eat to order from restaurants that they are familiar with and with the menu item they want in mind. It is more common for this to happen with large chain food providers.

Say2Eat's modularity makes it such that it is not location dependent (for delivery services), and it can be integrated across many platforms to utilize what other services already provide without the need for creating a comparable product. While Say2Eat does not offer extensive visuals and a comprehensive user interface that many of the current day applications have, some of the leading names lack the ease of interaction with the restaurants that Say2Eat provides. Yelp is a platform that most consumers are familiar with and use frequently. It would not be in Say2Eat's best interest to make a comparable service to this one that already exists and is popular. Rather, Yelp and similar applications can benefit from the chatbot messaging service by directing its clients to Say2Eat.

Recommendations:

1. Bring more awareness to the Facebook Messenger functionality
  - a. It is unintuitive to text a restaurant until this concept is more widely introduced. This is primary suggestion we offer to Say2Eat, because most people are unaware that this service exists and how easy it is to use.
2. Integrate with aggregator services
  - a. This is one solution for bringing more awareness to the chatbot service.
  - b. Yelp has a call function and now the possibility of ordering (thanks to Eat24) - Say2Eat can add a text function.
  - c. Foursquare and Tripadvisor do not seem to have this type of platform yet.
3. Develop compatibility with food driving/delivery services (UberEats, even OrderUp)
  - a. This solution gives the restaurants more incentive to partner with Say2Eat and it saves Say2Eat the hassle of coordinating drivers and delivery.

- b. It is just another means for the client get to the same outcome. If in fact chatbots are the preferred outlet for ordering, then the client can now do so and still receive delivery.
  - c. More information on which cities UberEats is currently operating in can be found on their website<sup>22</sup>.
- 4. Target areas that are not occupied by the leading services
  - a. OrderUp does not operate in major cities.
  - b. UberEats has not partnered with large-chain restaurants.

---

<sup>22</sup> <https://ubereats.com/cities/>