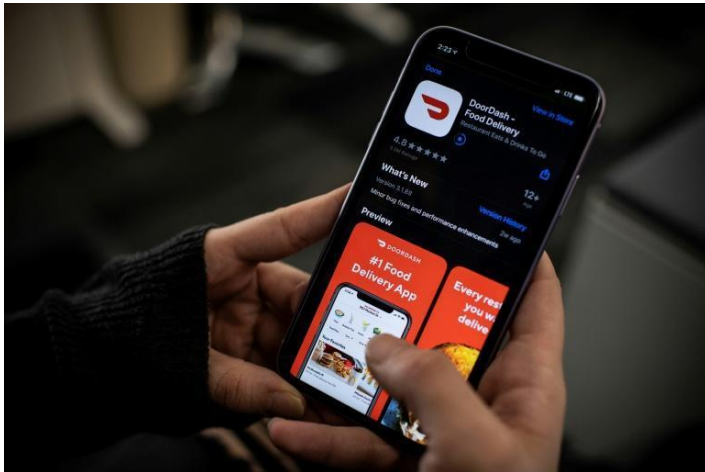




# DoorDash Strategic Review

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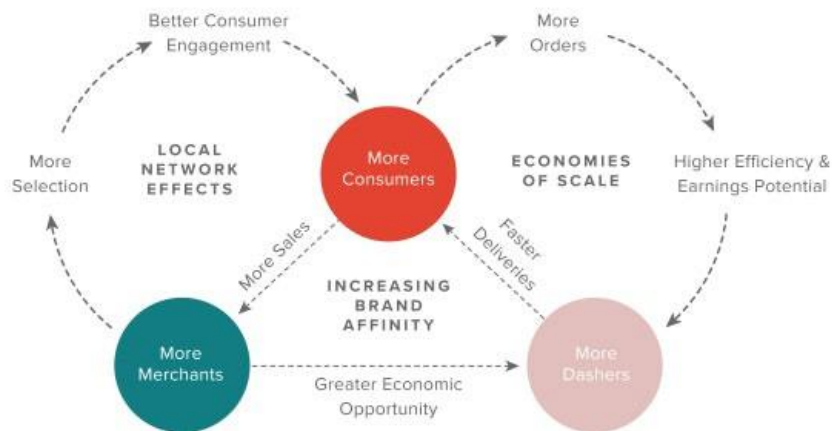


# History

- In 2013, DoorDash was born – a San Francisco based startup, specializing in food delivery, that invaded a highly competitive market
  - Vision: on-demand logistics-based startup
- Non-Food Items: 2016 - DoorDash Drive
- Self-Driving Cars: Jan 2019 - General Motors partnership
- June 2019 - Largest market share of food delivery in the United States
- Ghost Kitchens: Oct 2019
- Food Prep Automation: Feb 2021 Chowbotics
- Expands Globally: April 30, 2021 (Europe and Japan)

# DoorDash's Strategy & Operating Model

The DoorDash Flywheel

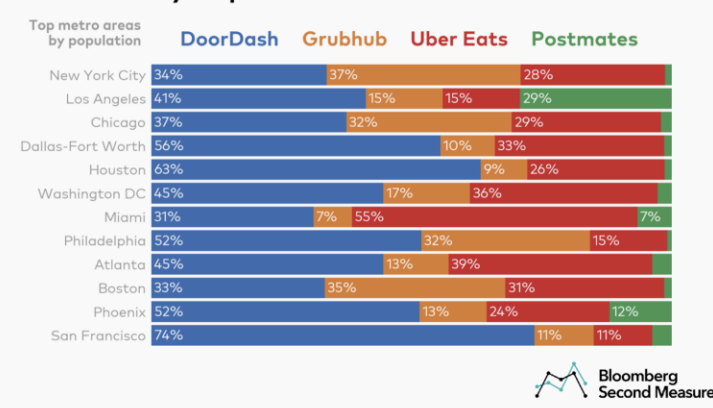


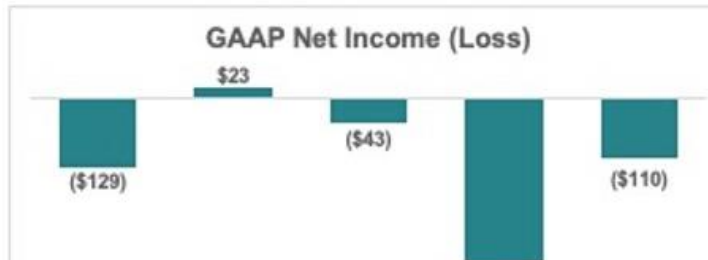
## More order volume = Everybody wins

- Creates economic uplift for all marketplace participants
  - acquire more **merchants** and empower them with more merchant services that help them grow their business.
  - acquire more **customers** and offer them a restaurant selection and services that drive up engagement and retention.
  - empower **dashers** with an efficient delivery process so they can deliver more orders per unit of time, with a predictable, transparent way to earn money.

- Initial target market: suburban markets and smaller metropolitan areas
  - lower customer acquisition cost, as there's less competition in these markets
  - higher GOV on a per order basis, as families spend more with more mouths to feed.
  - higher retention, as customers don't have an alternative to switch to (and actually enjoy the service)
  - historically underserved by merchants and platforms that enable on-demand delivery
  - Lighter traffic and easier parking also mean that Dashers can serve these markets more efficiently

Meal Delivery - April 2021 Share of Sales





# Financial Assessment

- The only time DoorDash generated profit was the second quarter of 2020 with profits of \$23 million.
- In the first 9 months of 2020, the company increased its revenue by 241%, from \$587 million to \$1.92 billion. Even so, they kept losing money.
- After going public on December 9, 2020, DoorDash showed a surge in revenue growth as stock prices opened at \$182, 80% above its Initial Public Offering, providing the company with a \$60 billion market cap.
- Customer loyalty is a critical factor in providing the company with a steady stream of revenue growth.

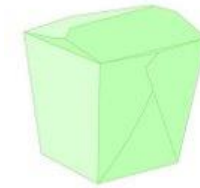


# High Customer Acquisition Cost

- In the first nine months of 2019, the company lost \$534 million of the \$587 million in revenue and its total annual revenue was \$885 million.
  - DoorDash spent 101% of its revenues on marketing in the first quarter
- In the first nine months of 2020, DoorDash increased its revenues to \$1.9 billion, but lost \$149 million due to hefty costs such as sales and marketing expenses.
  - In the third quarter of 2020 DoorDash paid \$290 million in marketing expenses. That's 30% of their revenues. (Healthier rate of spending would be 10%)

## Feast or Famine

An average DoorDash order during the pandemic\* cost the customer almost \$36, out of which the delivery company made less than \$1 in profit.



### CONSUMER PAYS

Food:	\$24.04
Tax:	\$1.82
Tip:	\$3.54
Fees:	\$6.15
<b>Total:</b>	<b>\$35.55</b>

### The restaurant receives:



### RESTAURANT

Food:	\$24.04
DoorDash commission:	-\$4.07
<b>Total:</b>	<b>\$19.97</b>

### The delivery person takes:



### DELIVERY PERSON

Delivery fee:	\$5.37
Tip:	\$3.54
<b>Total:</b>	<b>\$8.91</b>

### After paying the restaurant and delivery person, DoorDash is left with:



### DOORDASH

<b>Remaining:</b>	<b>\$4.85</b>
Refunds:	-\$0.49
Promotions:	-\$0.55
Advertising:	-\$1.01
Other costs:	-\$1.90
<b>PROFIT:</b>	<b>\$0.90</b>

\*Average order price during Q2 of 2020  
Source: company reports via Deutsche Bank

# There's Light at the End of the Tunnel

- In Q2 of 2020, DoorDash made a small profit of \$23 million, which gave them a 3% net margin.
- DoorDash increased its revenue by 241% in 2020, from \$850 million to \$2.9 billion
- In 2020, DoorDash had a loss of \$461 million, or \$7.39 a share, on \$2.89 billion in revenue. That's down from its loss of \$667 million in 2019. (Decreased its losses by 30%)
- The first 3 months in 2021, 19.4% contribution margin – showing that food delivery orders can be profitable.
- The first quarter 2021 financial results nearly tripled its quarterly revenue to \$1.08 billion, increased its gross order volume to \$9.9 billion and saw average order rates that were well above pre-COVID averages as the company narrowed its quarterly net loss to \$110 million.
- 2021, Year over year ("YOY"), total orders grew 219% to 329 million, which was driven by improved retention, increased average order frequency and new consumer growth, according to its S-1 Filing.



## GAAP Net (Loss) Income (\$ in million) and Net Margin

	2018	2019	2020
Net Loss	\$(204)	\$(667)	\$(461)
Net Margin	(70)%	(75)%	(16)%

# Strategy: Improve Customer Satisfaction

## The issue: Lack of Loyalty causing high customer acquisition costs

- Customers are not loyal to a particular food delivery brand (high competition, low product diversification)
  - The average 6-month customer return rate amongst all delivery platforms is 21%
  - In the first quarter of 2021, 25% of DoorDash customers also used GrubHub

## Tactic: Offer a Satisfaction Guarantee

- DoorDash currently does not have a satisfaction guarantee
  - DoorDash's current terms and conditions states "No Refunds. Charges paid by you for completed and delivered orders are final and non-refundable. DoorDash has no obligation to provide refund or credits, but may grant them, in each case in DoorDash's sole discretion."
- DoorDash can use a satisfaction guarantee logo for advertising of the program

## Benefits of offering a satisfaction guarantee:

- Higher customer satisfaction
- Increased customer trust to DoorDash
- More repeat customers
- Improved customer loyalty

## Possible Implementation Issues:

- Staffing for the satisfaction guarantee department
- Customers taking advantage of the program by constantly trying to get money back and promotions

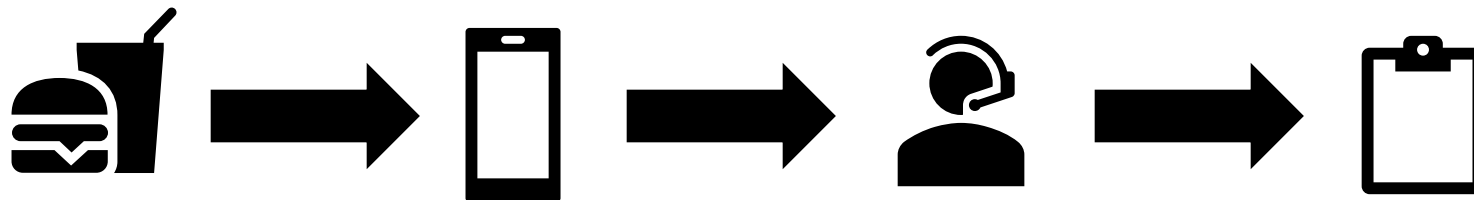
## NPS Score Comparison

DoorDash 5	GrubHub -7	Uber Eats 14
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# Measuring the Impact: Improved Customer Satisfaction

Customers will receive a survey on their device after each meal is delivered

- Surveys will include questions to measure the customers satisfaction with their order. (Our primary success metric going forward)
- If the customer indicates they are not satisfied, they will be given the contact information for DoorDash's Satisfaction Guarantee Department (phone, email, chat option). When the customer contacts DoorDash, the Satisfaction Guarantee representative will work with the customer to develop a solution.
- After communicating with the DoorDash Satisfaction Guarantee representative, the customer will be sent a follow-up survey to gauge if they were satisfied with the solution and their likelihood to use DoorDash in the future.





# Strategy: Grow Market Share through Improved Relationships with Suppliers

DoorDash keeps 15-30% of the food portion of an order as a commission.  
DoorDash keeps 100% of all other order fees

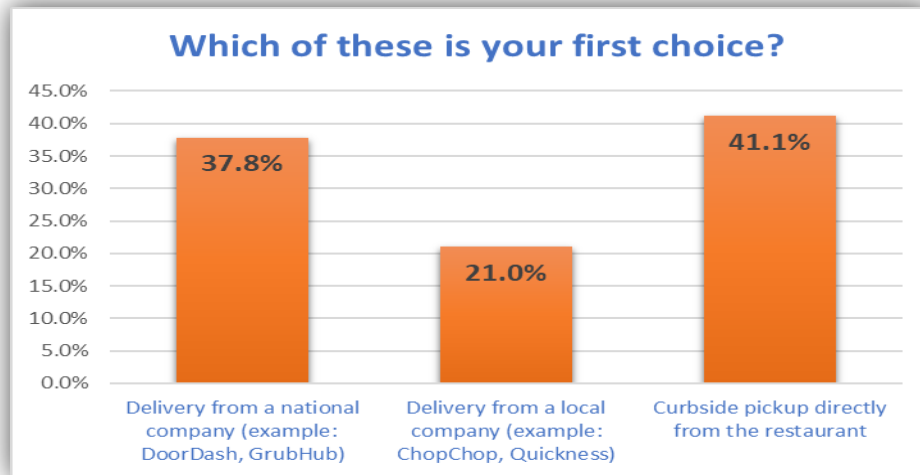
- Basic: 15% commission. Restaurants get a very limited delivery area and do not get to participate in the DashPass subscription service.
- Plus: 25% commission. Larger delivery area and participation in DashPass. More visibility with the extra commission supplementing lower fees to consumers
- Premier: 30% commission. Larger delivery area, more visibility, even lower fees to consumers
- Restaurants pay a lower commission on orders that consumers pickup in person.

70% of consumers say they'd rather order directly from a restaurant, preferring that their money goes straight to the restaurant and not a third party (Upserve, 2021)

68% of consumers say they are more likely to purchase takeout from a restaurant than before covid. Even after dine-in fully returns, they will pickup more orders directly than they did pre pandemic. (NRA survey)

From March-May 2020, over 60% of people ordering food through a website or app did so directly through a restaurant vs through a 3<sup>rd</sup> party service (Stratista, 2020)

The 333 Metro Richmond residents who were surveyed showed a similar preference for local with 41.1% choosing curbside pickup and 21% choosing a local delivery company.



~70% of restaurants added curbside pickup and ~40% added online ordering in 2020.

## Top Reasons they Prefer Curbside? (131 Surveys)

- Less Fees/Cheaper – 76
- Better for Restaurants – 47
- Quicker – 25
- Food Quality/Temperature – 15
- Don't Trust 3rd Party – 7
- Easy – 6
- Better Service – 6
- Less Contact – 6

## Top Reasons they Prefer a Local Delivery Company? (69 Surveys)

- Support Local – 61
- Better for restaurants – 11
- Better Food Quality – 4
- Better Service – 3
- Convenience – 3
- Less Fees – 3
- Treat Drivers Better – 1
- Restaurant Recommended - 1

Restaurants can be listed on multiple delivery sites. They can also be listed without their permission, though laws are cracking down on this practice

Strategy Goals:  
To gain share from the  
“Buy Local” consumer  
segment, shift share  
from other delivery  
services, and reduce  
the odds of new local  
competition entering  
the market

## Monthly Cash Back, “DashBack,” program for restaurants

- Rewards restaurants for increasing the number of orders through DoorDash by returning a growing portion of their commissions monthly, based on order volume
- Motivates restaurants to support DoorDash without removing their ability to get exposure, and additional orders, from other sites
- Reducing commission on the front end could easily be duplicated by competitors and lead to a price war. A “race to the bottom” with other 3<sup>rd</sup> party delivery services
- A check at the end of the month is more impactful than a reduced commission up front
- Now that many states are making it illegal to list a restaurant without their permission, the relationship with suppliers is more important. DoorDash needs to act quickly to keep restaurants on their site
- DoorDash forming strong relationships with restaurants, and adding value to their business proposition, could prevent a new local delivery service from entering the market or prevent restaurant owners from forming a local coop food delivery service

## Implementation

- Benchmark the restaurants current order volume by month adjusting for an annual percentage increase. Maintaining this order volume will not earn them cash back
- Set thresholds for receiving cash back and improving the percentage of commissions returned to the restaurant. (example: if July benchmark is 400 orders, then processing 500 orders this July will earn them 1 commission point back whereas hitting 600 orders will earn the restaurant 3 commission points back at the end of the month)
- Goals will be set and distributed to restaurants quarterly
- Marketing the program to restaurants along with a best practices document on how to increase order volume through DoorDash. Supplemented by restaurant visits, or phone calls, in critical markets and PR targeting restaurant industry publications
- Additional marketing to the restaurant industry after initial rounds of cash back checks have been distributed including restaurant industry publications
- Marketing campaign to the public about the support DoorDash gives to the local community and to the restaurants in their community. Build loyalty
- This program will not be available for restaurants participating in the Basic program

# Success Metrics and Implementation Concerns

- Key Success Metric: Same store order count growth
  - Secondary Metrics
    - Number of restaurants enrolling in the program
    - % of restaurants enrolled who have increased their order count
    - Average order count increase, # and %, of restaurants enrolled
    - % Market Share growth in the restaurant segment (key markets and overall domestic market share)
    - \$ and % Revenue growth in the restaurant segment (key markets and overall)
    - Maintaining or reducing the number of competitors in markets
- A restaurant's revenues, ranking, and success are highly tied to their customers' satisfaction. DoorDash would be an extension of the restaurant
  - DoorDash's current customer service could be a concern to restaurants. If they are going to recommend just one delivery service to their customers, then they need to choose a partner they trust. This will be especially true if another 3<sup>rd</sup> party replicates their program.
  - DoorDash will need to be reliable, quick, and possess good customer service.
  - Dashers can currently turn down orders which could leave food sitting ready, and getting cold
  - DoorDash will need to address these concerns and prioritize service to restaurants on this program

# Strategy: Diversification of Services through Increasing Retail Partnerships

**Door Dash's mission:** Allow any local merchant to offer delivery

- 41% of consumers are willing to pay a charge for same-day delivery while nearly a quarter (24%) of shoppers said they would pay more to receive packages **within a one- or two-hour window** of their choosing.
- Just over 50% of retailers offer same-day shipping
- In the first quarter of 2021, DoorDash's non-restaurant orders climbed more than 40% from the fourth quarter of 2020.

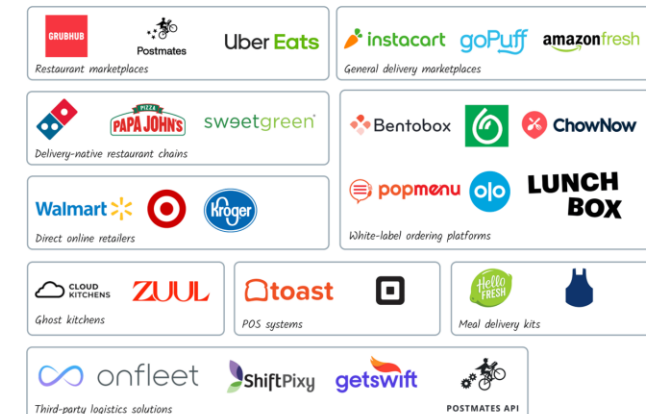


- **Opportunity:** Expand DoorDash Drive to partner with retailers to offer **1 hour delivery** on their website (depending on location) - Delivery of **all retail items**
- Leveraging core competencies to improve current market position
- Target market: Retailers offering pickup (Department stores, retailers in malls, Lowes, Home Depot, Petco, Dick's Sporting Goods, Ellwood Thompson, etc.)
- Could be extremely beneficial on the holidays
  - 60% of consumers reported they have decided not to purchase from a retailer due to slow delivery speed.

**Interest in the Grocery Market expands:**

- **Walmart** Partnership - First move into grocery delivery
- June 21, 2021: Offering 1 hour delivery from Albertsons grocery (almost 2,000 stores, among them some branded Safeway, Vons and Jewel-Osco locations)
- High volume DoorDash markets: San Francisco, Houston, Fort Worth, Philadelphia, DC etc.

*DoorDash's various competitors*



• **What's next?**

It's underpenetration of local merchant e-commerce that provides the biggest tailwind for the company - COO, Payne

"Every product that we consume will most likely be delivered at some point in our lives in two hours or less; the first manifestation of that is food." - Toby Espinosa, Head of Business Development at DoorDash

# Implementation Tactic: Last Mile Delivery in High Volume Areas



## Last Mile Delivery-

A fleet of delivery robots that coordinate delivery with customers via an integrated app and return to base when done. Last mile delivery robots have a limited delivery circumference and typically utilize sidewalks as a way to navigate the delivery limits.

**Improve efficiency:** In congested areas where parking and traffic may be an issue, starship robots would be a great alternative to allow for dashers to focus on further and larger order that allow for dasher to make more money.

## Starship Robots

- When an order is placed the Door Dash algorithm in real time figures out if it makes more sense for a robot or human to pick up the delivery.
- The Starship Robots have a 2 mile radius within city limits that it would work from based on the availability of sidewalks for it maneuver on.
- Robot works in straight line movements across the 2 mile map and moves at 4mph.
- Robots work on sensors and cameras to maneuver the city and potential objects in its path.
- Both restaurants and consumers are pinged when the robot has arrived.
- Security measures like locking mechanisms and alarm sounds are used to fight off vandalism or kidnapping.
- 30 minutes was the average travel time from time of order to delivery.

## Implementation:

- Focus on states that allow autonomous delivery robots on sidewalks and focus on major cities and college/work campuses within those states.
  - PA, VA, ID, FL, D.C., NY, CA, AZ, WI, WA, TX
- Invest in the robot technology and system - each robot is an estimated investment of \$5,500/unit
- Train merchants in delivery area on how to utilize the robot for delivery
- Marketing in implementation areas is needed to familiarize the population on the robots
- Update technology and app features to recognize the robot as a potential driver in delivery areas.

## Potential implementation issues:

- Ensuring that their software can handle sidewalks, pedestrians, and a number of unlikely situations they may occur
- To accommodate demand, cities will need to develop the necessary infrastructure to facilitate these
- Robots could end up stuck on unidentified objects and need repair as well as be vandalized.



# DoorDash Drive: 1-Hour Delivery

## Implementation

- Start with an in depth analysis on products needing to be delivered within 1 hr as well as companies interested in offering 1 hr delivery and dense cities capable
- Experiment in one of their 7 zones/regions, with an experienced implementation team, having them deliver themselves to see how it goes (everyone in the company already does this)
- Increase partnerships with department stores, malls, and other retail that is interested
- Work with business to setup the system, include training for “embedded shoppers” to have orders ready to bring out to the Dashers
- Seamless technology integration: “Our innovative logistics platform easily integrates with your existing technologies, such as Square, Toast, Olo, Bringg, Redcat, NCR, 9Fold, and more.” - DoorDash
  - Development and implementation team need to work with merchants on implementing system to determine the range capacity before implementing to a particular store
  - Incentivize its customers with free stuff and (at least initially) be part of the \$9.99 monthly DashPass subscription (this already happens with groceries)
- Drivers are already able to register their vehicle information. This tells them how large the car or truck is, and how many bags and boxes they’ll be able to deliver. Continued use of with tips for Dashers will also help get them on board for delivering more items
- Like every other plan they’ve rolled out, success will be greatest in their most popular cities such as San Francisco Bay area, L.A., Sacramento, Chicago, Cincinnati, Milwaukee, Detroit, Indianapolis etc.
- DoorDash has been know to provide extreme amount of support to merchants on everything from performance to customer loyalty
- Utilize Starship Robots in high volume areas to have the capacity with human dashers to focus on other merchants outside of robots radius.

## Success Measures

- Customer ratings for non-food items
  - Avoidable wait time (time driver waits for merchant to bring products out to car)
  - Order Error rate
- Measure the number of non-food items sold
  - For example (In the first quarter of 2021, DoorDash’s non-restaurant orders climbed more than 40% from the fourth quarter of 2020.)
- Profitability
- Measure # of Non-Food retailers partnering with (with white label service or DoorDash Drive)
- # of repeat customers
- # of new customers
- Increase in orders from merchant
- Brands will eventually start treating intermediaries as customers to win visibility on these platforms

## Potential implementation issues

- Dasher Pushback (Tips on % of order will help)
- Software App implementation (currently don’t offer DoorDash Drive products on the app, they do white label ordering which is without their branding on the website, just fulfilling the order for the merchant that needs it)
- Retail store’s inventory system must be updated (so item is in stock)
- Retail stores will need to have employees readily available to pull items off the shelf for DoorDash to pick up.
- High seasonality (ex: holiday shopping)

# Growth Strategies



Improve Customer Satisfaction



Grow Market Share through  
Improved Relationships with  
Suppliers



Diversification of Services  
through Increased Retail  
Partnerships



Questions?



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