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ClickDishes: Serving New Cities

Professors William Wei, Lei Jin, and Etayankara Muralidharan wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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The lengthy drive between Alberta’s two largest cities, Edmonton and Calgary, gave drivers ample time to think. Alec Wang, principal owner and chief executive officer of ClickDishes Inc. (ClickDishes), was no exception as he drove patiently behind a long line of cars on the icy highway. It was November 2017, and Wang needed to consider the strategic direction of his company and, in particular, the company’s most recent start-up.

ClickDishes’ main product was a food service mobile application (app) that management hoped would revolutionize the way people ordered food and looked for new places to eat. Although Wang had high hopes for the app, he was also acutely aware that the food app space was extremely fast moving, and that after entering the market, similar services would pop up almost immediately. As such, ClickDishes had chosen its first Canadian focal cities carefully in order to maximize its first-mover advantage; the product was launched in Vancouver (where ClickDishes had an established presence based on another product line launched there), Edmonton, and Calgary. As of November 2017, the firm had signed up more than 350 restaurants and had 12 full-time staff managing its technology and marketing functions. Wang was considering how to position the food app and further develop ClickDishes’ marketing mix to achieve growth so that the company could reap the full benefits of being the first mover in this market. To do so, he would need to overcome ClickDishes’ limited capital and brand awareness.

THE FOOD SERVICE INDUSTRY

The global and North American food service industries were expected to grow at compound annual growth rates (CAGRs) of 5.9 per cent and 2.5 per cent, respectively (see Exhibits 1 and 2). As of 2016, the restaurant industry was worth US$75 billion[[1]](#footnote-1) in Canada and $738 billion in the United States. One-third of the U.S. food dollar was spent on eating out and restaurant services. The demanding and competitive nature of the restaurant industry ensured its sustainability. Moreover, in comparison to virtually all other industries, the restaurant industry had the highest level of direct, frequent, and personal connections with consumers.

The Food Service Industry in Canada

Like the overall food service industry, the Canadian restaurant industry had experienced strong growth from 2011, which was expected to continue. This growth was further enhanced by the changing lifestyles of Canadian consumers: busier lifestyles (and less time for cooking at home) made consumers increasingly likely to choose food service options for their meals. Canada’s food service industry showed revenues of $52.5 billion in 2015, and a CAGR of 4.9 per cent between 2011 and 2015 (compared to U.S. and Mexican CAGRs of 3.4 per cent and 3.9 per cent, respectively, for the same period). While full-service restaurants represented the largest segment in the Canadian food service industry (at 38.9 per cent), quick-service restaurants and fast food accounted for 38.8 per cent of the market. Overall growth was expected to follow a CAGR of 5.5 per cent, to reach $68.5 billion by 2020.

Yet despite its impressive growth to date, in 2016, the Canadian food service industry suffered a drop in pre-tax profit to 4.2 per cent (compared to 5.8 per cent in 2011), mainly due to increasing labour, food, and beverage costs. Under these circumstances, large multinational corporations such as McDonald’s Corporation and Doctor’s Associates Inc. (owner of Subway) were able to take advantage of economies of scale and negotiate better terms with their suppliers to offer competitively priced options to their customers.

In view of the potential risks to human health involved, the food service industry was subject to very tight hygiene regulations. In Canada, these standards were enforced by the Canadian Food Inspection Agency. The industry was also labour intensive, relying on large numbers of unskilled—and, in many cases, temporary—workers. Despite barriers to entry such as the minimum wage legislation in Canada, the likelihood of new entrants in this industry was high.

The Food Service Industry in Alberta

Alberta was an ideal incubation space for food-related start-ups like ClickDishes. In June 2015, the province had a gross domestic product (GDP) of over CA$326.4 billion and a GDP per capita of CA$78,100.[[2]](#footnote-2) These figures confirmed that Alberta had the third-largest provincial GDP in Canada (behind those of Quebec and Ontario), and Albertans’ higher incomes were reflected in their spending habits. In 2015, the average Canadian household spent 14.3 per cent of its budget on food (an average of CA$8,629), of which CA$2,502 was spent at restaurants. Households in Alberta spent only 13.3 per cent of their budget on food, but had the highest average expenditure amount, CA$10,171 per year.[[3]](#footnote-3) As a further incentive to stay headquartered in Alberta, ClickDishes’ parent company, Meta-universe Technology Inc. (Meta-universe), had received several tax breaks from the provincial government.

CLICKDISHES

ClickDishes was a food service app that acted as a platform for customers to order and pay for food from their favourite restaurants. Headquartered out of the Meta-universe offices in Calgary, Alberta, the app had two services, “Grab&Go” and “Dine-In.” Both services were completely free for users, and there were no on-boarding costs (e.g., equipment or licensing fees) for partner restaurants. The company’s business model was based on hybrid fees charged to restaurants once they started making money from the platform. The lack of financial risk for restaurants to join the platform was a key factor in ClickDishes’ aggressive market expansion plan and made the app unique among its competitors.

ClickDishes targeted consumers aged 16–40 living in fast-paced, urban settings. The company’s restaurant partners ranged from coffee shops to food court counters to dine-in restaurants, with a focus on franchises. Operating as an intermediary between restaurant merchants and consumers, the ClickDishes mobile app and ordering platform was developed by Meta-universe, which had also developed and operated an app called Nomme. ClickDishes was intended to revolutionize the practices of ordering food, processing transactions, and managing restaurant operations by leveraging self-service technology to streamline the consumer dining process and optimize labour efficiency with comprehensive solutions to handle both in-restaurant and takeout services.

The app strived to empower partner restaurants by enhancing their hospitality, providing experiential dining for their customers, and providing mobile ordering solutions for restaurants that did not have the resources and capital to develop their own apps. Using ClickDishes’ technology enabled restaurant partners to focus on their operations and become more competitive. For consumers, ClickDishes consolidated a variety of different restaurants, ranging from small restaurants to national chains, into a single app. The key product applications included the following:

* The ClickDishes consumer app, available for free on Apple and Android devices, allowed consumers to pre-order and pre-pay their meal in advance to avoid peak dining times at quick-service restaurants.
* The ClickDishes merchant app, available for free to restaurant partners on Android devices, provided real-time order-handling functions, including accepting orders, delaying orders, indicating sold-out items, and reporting services.
* The ClickDishes merchant tablet was a two-in-one printer-tablet device available for free to restaurant partners so they could run the ClickDishes Merchant App.

By November 2017, ClickDishes had been in operation for four months and had signed more than 350 restaurant partners in Vancouver, Edmonton, and Calgary in that time. These partners included brands such as Fat Burger, Burger Priest, and La Prep. The firm had also partnered with large commercial real estate companies to have its app used in their food courts. However, challenges remained for ClickDishes: the company had limited capital compared to most established technology firms, and as a start-up, it also lacked reputation and brand awareness in the food service industry.

Business Model

ClickDishes had structured its revenue to come from three main streams: commission, fees, and subscriptions. The company’s Grab&Go service worked completely off commission; ClickDishes collected a small commission from each restaurant on the cost of goods sold through the platform. This model was far less expensive than substitute services. Contrastingly, the Dine-In function worked on a fee structure where the restaurant was charged a dollar amount for each table processed, regardless of the value of the transactions at that table. For restaurants that registered a large volume of transactions through the ClickDishes app, there were several subscription options that allowed for a larger number of transactions for a flat monthly fee (not unlike upgrading a chequing account to allow a greater number of transactions each month without incurring additional bank fees).

Importantly, ClickDishes was completely free for consumers; there were no add-on fees or additional costs for them to order through the app. Because consumers paid for their food through the app, the restaurant did not immediately receive compensation for the goods sold. Instead, ClickDishes accepted payment on the restaurant’s behalf. ClickDishes would then take the appropriate fees from that amount and pay the restaurant the balance on a weekly or bi-weekly basis, depending on the restaurant’s preferences. This system was widely used and accepted in the food app industry.

Response to Market Opportunities in the Restaurant Industry

Wait times were a constant concern for those ordering food or dining in restaurants. For many busy students and professionals, the time required to order and receive food was enough to make them avoid going out for meals entirely, especially in busy downtown areas. According to a 2014 Consumer Reports survey of American customers, the most common restaurant complaints included poor customer service (impolite or condescending service, 72 per cent) and inaccurate orders (62 per cent).[[4]](#footnote-4)

Due to market saturation, the restaurant industry was highly competitive and fast paced. Restaurants faced mounting pressure to satisfy consumer demands and increasingly high standards, all while navigating high labour and food costs. Their additional concerns included menus (presentation, updates, and menu sizing), marketing, hiring and training staff, and general management. These pressures often led to inefficient operations management within restaurants.

ClickDishes considered the many challenges facing restaurant managers to be market opportunities. To address these challenges, ClickDishes developed two services within its app: Grab&Go and Dine-In.

Grab&Go

Grab&Go allowed users to order food from local restaurants and pre-pay online, then simply pick up their meal in an express line. In this way, long waits in lines were completely bypassed. As the simpler of ClickDishes’ two services, Grab&Go had several substitutes. The service was designed for people who were in rush and people who lived a generally busy lifestyle. It replaced the traditional way of ordering at a quick service restaurant (i.e., approaching the restaurant ordering counter, deciding what to eat on the spot, dealing with payment, and waiting for the food to be prepared before collecting it). Instead, a customer could open the ClickDishes app and choose the Grab&Go service. The app would then use the geo-positioning capability of the user’s phone to recommend partner restaurants in the vicinity. After choosing a restaurant, the user would select food items and add these choices to a “cart.” Once they were satisfied with their selections, users could add requests or notes to their order (e.g., notes regarding allergies) and pay using a credit card attached to their ClickDishes account.

After payment for the food had been processed, the ClickDishes merchant tablet in the partner restaurant would alert staff that an order had been placed. Staff members could then choose to either accept or decline the order (with the understanding that they should only decline the order if they did not have the capacity to prepare it). After accepting the order, staff would choose a timeframe for its preparation (ranging from 5 to 20 minutes), and the app would relay this information to customers so they knew when to arrive. At this point, a receipt would be printed in the restaurant’s kitchen that would outline the order, the expected time of arrival, and the customer’s name and phone number.

When Grab&Go customers arrived, they could ask for their order using their name or phone number. The service was ideal for consumers that were between obligations or had strict timetables because it was extremely fast and easy to use. For restaurants, Grab&Go allowed their staff to spend less time taking orders, provided a new platform for advertising, and relieved bottlenecks that occurred during busy periods (e.g., long lines during the lunch hour).

Another feature that distinguished ClickDishes from other food-ordering apps was its unique social feature, “Grab&Go +”. Grab&Go + was an invitation function that allowed users to invite friends to place orders with them. This innovative feature not only enabled users to extend a favour to their friends or colleagues by offering to pick up food for them, it also brought incremental sales to restaurants. The invitations could be activated at any time during the ordering process. When the initial customer decided to order, or had already placed an order, then an invitation could be extended to one or more contacts by text message or through an in-app push notification. If the invitation was accepted, the invitee would then order and pay at the same restaurant. All the initial customer needed to do was to pick up the order on behalf of other invitees.

In this way, Grab&Go + made the initial customer a kind of incidental—but ideal—delivery person of other customers’ orders. Unlike a designated or regular delivery person, the Grab&Go + “delivery person” did not need to wait in an office building’s lobby or pass through security, and knew exactly which area or desk the orders had to be delivered to, because this person also worked in the building. These features made Grab&Go + an excellent near-distance delivery solution.

Dine-In

ClickDishes’ other function, Dine-In, enabled users to complete the entire in-restaurant process within the app without having to wait on a server, from placing orders to processing payments, and all requests in between. Key features included group ordering in real time and splitting payment options. The intention behind Dine-In was that time traditionally spent seeking out or engaging with a server could instead be spent enjoying the dining experience and communicating with friends and family.

Although Wang believed the Grab&Go function to be a significant improvement over what was offered by competitors, he felt that Dine-In would truly make ClickDishes a game changer in the restaurant industry. Ultimately, the function could supplement or replace the traditional method of ordering through a server at a restaurant. In each group of customers, one person would elect themselves as the table’s “host,” and this host would invite the other customers to join the table.

Once everyone in a group had joined the same table, they could browse through the restaurant’s menu and select what they wanted to order. Selections would be added to an open tab that could be seen in the app, with all items sorted according to who had ordered them. After everyone had made their selections, the table’s host would send the group’s order to the kitchen. If anyone wanted to add to the tab during the meal, this process could be repeated, making the function extremely well suited to multi-course-orientated restaurants.

When the group was finished, the host could choose how to split the bill (e.g., everyone could pay for what they individually ordered or pay equal portions, or maybe the host would pay for everyone’s meal). After the table’s balance was cleared through the app, the group would be ready to leave. The entirety of the ordering pipeline could be monitored by restaurant staff through a “Server’s Portal” set up on the same tablet as the Grab&Go function. This companion app let staff know if customers were using ClickDishes, if they had ordered, and when they had paid.

Depending on the needs of the individual restaurant, there was a great degree of flexibility regarding how the app could be used. Restaurants that were volume oriented would likely see the platform as an opportunity to maximize the efficiency of their staff by assigning larger table sections, while speeding up table turnover by removing ordering and payment processes as bottlenecks. Other more quality-oriented restaurants would see the advantage of having serving staff spend more time helping patrons through their selections and waiting on them because less time would have to be spent running to and from a point of service.

For customers, the benefits of Dine-In were speed, consistency, and convenience. As mentioned earlier, in the 2014 exit study of restaurant patrons, slow service (51 per cent), incorrect calculation of bills (48 per cent) and feeling rushed by the server to finish (61 per cent) were important irritants. The Dine-In function hoped to address these concerns, creating a win–win scenario for both restaurants and patrons.

Competitors

ClickDishes’ competitors were split according to their product offerings.

Grab&Go

The main competition for the Grab&Go function was Grabb, an app providing online ordering, launched in Toronto in 2014. Grabb only targeted the Toronto market, whereas ClickDishes had a larger target market comprising several major cities in North America (which ClickDishes hoped would generate greater market share and growth opportunities).

Another competitor was Ritual, which also provided a similar service to Grab&Go in Toronto, Chicago, and New York. Although Ritual’s app was user friendly and had a large selection of restaurants, its menus did not include images. ClickDishes’ menu featured high-quality images, which provided users with an aesthetic visual of their orders. The Grab&Go + feature was still patent pending as of November 2017.

Dine-In

Wang knew of no direct competitors for the Dine-In function in North America. ClickDishes was a pioneer in offering this particular dining experience. Wang believed the firm’s competitive edge lay in its exclusive features of group ordering in real time and splitting payment options effortlessly.

The X applications could not be copied easily since they contained different components (e.g., the consumer app, merchant app, administrator portal, and sophisticated backend system that integrated the whole system). Nevertheless, ClickDishes would face stiff competition from Grabb and Ritual if they decided to enter Vancouver, Calgary, or Edmonton with substitute applications. There was also the possibility that large restaurant brands with deep pockets could enter these markets with investments in substitute applications.

Financial Forecast and Options

ClickDishes had compiled financial forecasts in terms of its projected profits and revenue (see Exhibits 3 and 4). As Wang saw it, there were four possible market growth strategies that ClickDishes could use to pursue its financial goals: (1) aggressively market the app within its existing markets (i.e., Vancouver, Calgary, and Edmonton); (2) launch the app in other Canadian markets, such as Toronto and Montreal; (3) launch the product in international markets, such as the United States and China; and (4) develop additional features in the app.

Plans for Future Expansion

The ClickDishes team was cautiously optimistic that its app would be a disruptive force in the markets that it entered, due to the platform’s extensive value proposition and the fact that it had few competitors. However, other apps had served as cautionary examples of how quickly the market could adapt to new concepts. For instance, with the creation of Uber Technologies Inc. came large competitors such as Lyft, as well as myriad local competitors like TappCar in Edmonton, eCab in Ottawa, and Gett in New York. With the explosion in Uber’s value came a further rush of local competitors that sought to differentiate themselves by addressing niche, area-specific needs, or by establishing themselves in their native markets *before* Uber could enter, raising significant barriers to entry in these markets.

The food service industry had seen a similar situation in 2001 with the creation of Just Eat in Denmark. This food delivery app connected restaurants to consumers and provided a fleet of drivers that facilitated delivery from the partner restaurants to paying patrons. Just Eat was extremely successful and expanded to various international markets rapidly, but it was met with resistance in the Canadian market, largely due to the existence of a Saskatchewan-based competitor, SkipTheDishes, founded in 2012. The local firm had already penetrated the major Canadian economic hubs, and there was not enough to distinguish between the two apps to motivate restaurants to leave SkipTheDishes for Just Eat. This situation culminated in Just Eat purchasing SkipTheDishes for $110 million in 2016.

Wang and his team did not want to enter a region only to be forced out or bought by a competitor. Yet, as a start-up, ClickDishes had limited resources—both financial and human—to invest in launching its products in new markets. Given the stage that the company was in, which marketing strategy should Wang adopt in order to grow and secure ClickDishes’ position?

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Exhibit 1: Annual Growth in the Global Food Service Industry (2015–2020)

(US$ BILLIONS)

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| --- | --- |
| Year | Growths |
| 2015 | 2,850 |
| 2016 | 3,006 |
| 2017 | 3,177 |
| 2018 | 3,364 |
| 2019 | 3,569 |
| 2020 | 3,794 |

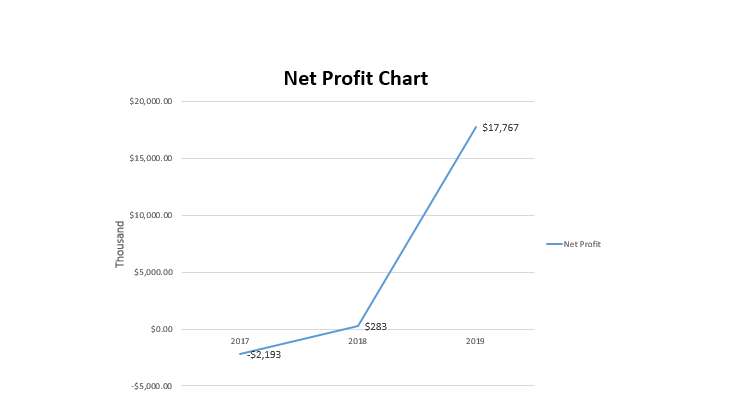
Source: Created by the authors.

Exhibit 2: Annual Growth in the North American Food Service Industry (2015–2020) (US$ BILLIONS)

|  |  |
| --- | --- |
| Year | Growth |
| 2015 | 683 |
| 2016 | 708 |
| 2017 | 736 |
| 2018 | 764 |
| 2019 | 796 |
| 2020 | 830 |

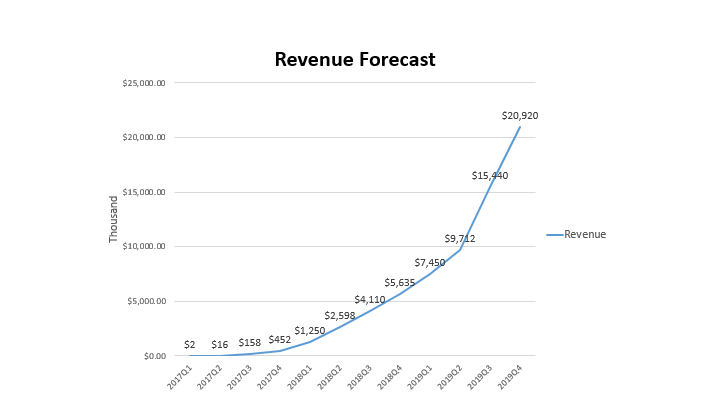
Source: Created by the authors.

Exhibit 3: ClickDishes’ Projected NET PROFIT (In US$)



Source: Company documents.

Exhibit 4: ClickDishes’ Projected REVENUE (In US$)



Source: Company documents.

1. All currency amounts are in US$ unless otherwise specified. [↑](#footnote-ref-1)
2. CA$1 = US$0.80 on June 1, 2015; Statistics Canada, “Gross Domestic Product, Expenditure-Based, Provincial and Territorial,” Canada.ca, accessed April 26, 2017, www5.statcan.gc.ca/cansim/a46?lang=eng&childId=3840038&viewId=3; Statistics Canada, “Estimates of Population by Age Group and Sex for July 1, Canada, Provinces and Territories,” Canada.ca, accessed April 26, 2017, www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0510001. [↑](#footnote-ref-2)
3. Statistics Canada, “Survey of Household Spending, 2015,” Canada.ca, accessed April 28, 2017, www.statcan.gc.ca/daily-quotidien/170127/dq170127a-eng.htm. [↑](#footnote-ref-3)
4. “Americans’ Most Common Restaurant Complaints Go beyond a Fly in Their Soup,” *Consumer Reports*, July 2014, accessed January 29, 2018, www.consumerreports.org/cro/magazine/2014/08/most-common-restaurant-complaints/index.htm. [↑](#footnote-ref-4)