

## Expanding the Restaurant Value Chain through Digital Delivery: A Significant Disruptor in the U.S. Restaurant Industry

Mark Traynor, Andrew Moreo, Shaniel Bernard & Sorcha O'Neill

The food industry has experienced enormous growth in the use of food delivery in recent years. More specifically, digitally enabled food delivery has emerged as the most disruptive force in the foodservice industry today. Increased consumer demand for convenience and variety in conjunction with the rapid pace of technological advancements are believed to be the driving factors for the emergence of this phenomenon (Carsten et al., 2016). Foot traffic at traditional dine-in establishments has dwindled as customers opt for online delivery instead, resulting in an altering of the restaurant value chain (Huang, Kohli and Lal, 2019). In particular, the emergence of third-party delivery aggregators (TPDA), such as Grubhub and Uber Eats, present traditional, brick and mortar foodservice operators with a multitude of both opportunities and challenges. Opportunities range from lower financial and logistical barriers for marketplace entrance, to accessing new and more extensive geographical markets, as well as the opportunity for increased sales volumes (Maras, 2019). However, it has been reported that large commission and services fees (5 to 40% on each delivery order) paid to the TPDA's by restaurants are consuming already narrow profit margins (Fisher, 2019). Other reported challenges include operational issues and a lack of consistency of food and service quality (Maras, 2019). On the consumer side, the added convenience of dining at home can come at a premium expense through delivery charges and higher-priced menu items.

Therefore, the decision to offer food delivery services provides foodservice operators with a genuine enigma, whether to use in-house delivery over contracting out the services to a TPDA. While there is an ever-growing number of industry publications highlighting the disruptive nature that TPDA is having on the foodservice industry, there is a noticeable gap in academic literature. Therefore, this study aims to address this literature gap by exploring how the emergence of TPDA has impacted the restaurant value chain from the perspective of foodservice operators. The findings from this study will support foodservice operators in the decision-making process for selecting the most suitable form of food delivery.

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### Methodology

#### *Data collection*

A qualitative research approach is being used to address two central research questions in this work in progress; 1) what are the motivations for foodservice operators to use or not use TPDA, and 2) what are the positive and negative

impacts of TPDA on the foodservice industry. Data is being collected with a convenience sample of managers and owners at restaurants in the southeast of United States that offer three distinct types of services are the target subjects to be interviewed; 1) non-delivery, 2) in-house delivery, and 3) TPDA. Participation involves in-person 20- to 30-minute semi-structured interviews. The interview questionnaire was developed through a preliminary review of relevant and prominent industry literature on the topic of TPDA. The questionnaire topics include questions regarding TPDA service features, motivations for using or not using, impacts and challenges of use, financial, operational, and service quality implications, and the opinion towards the emergence of TPDA. A pilot test of the questionnaire wording and question order was carried out with 3 participant restaurant managers. Following only minor adjustments to the questionnaire, a further 6 interviews with participants have been conducted to date. Data collection will cease once data saturation has been achieved.

#### *Data analysis*

Each interview is being audio-recorded then transcribed verbatim. Then each member of the research team (four in total) independently read, analyse, and code the data using inductive thematic analysis (Braun and Clarke, 2006; Creswell, 2007). First, each researcher reads the interview transcripts in their entirety to establish familiarity with the data. Then, segments of the text are labelled with codes that described their content or meaning. Next, the researchers compare their independently derived codes and come to an agreement on broad themes into which each of the codes could be collapsed; common themes are identified and overlapping codes are combined into themes using agreement between each of the members of the research team. The finalisation of the themes is reached once all the researchers agreed in entirety (Creswell, 2007).

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### Results and Discussion

From the 9 participant narratives, thematic analysis segmentation produced 185 excerpts that represented the two research questions of the study. Once analysed, several preliminary emergent themes were apparent, which are listed in Table 1. Across the three different subject groups, the growth of TPDA in recent years, driven by consumer demand for convenience, was a common emergent theme. Operational issues and concerns with the costs associated with TPDA were common themes across all subject groups. Conversely, an interesting finding to date is that the

Themes	Subthemes		
	Type of Participant		
	Non-Delivery (n = 3)	In-House Delivery (n = 3)	Third-Party Delivery (n = 3)
Consumer demand for TPDA	TPDA growth is driven by consumer demand for convenience	TPDA growth is driven by consumer demand for convenience	TPDA growth is driven by consumer demand for convenience
Potential to increase revenue	There is a desire to adopt TPDA; it must make financial sense	In-house is delivery is profitable, so TPDA is expected to also be profitable	TPDA increases exposure to new customers and expands business resulting in increased sales
Service quality issues	Concerns regarding the quality of service	Concerns regarding the quality of service; In-house delivery provides face-to-face contact with customers	TPDA driver related issues
Operational changes and issues	Current staffing limitations preventing adoption of TPDA	Current staffing limitations preventing adoption of TPDA	Operations have been altered to accommodate TPD
Issues with TPDA commission and service fees	The fees for TPDA are significantly high	The fees for TPDA are significantly high which is a barrier to adopt TPDA	The fees for TPDA are significantly high; there is a need to renegotiate with TPDA in relation to cost
Liability concerns resulting in damaged reputation	Concern and barrier to adopting TPDA; the liability lies with the restaurant		The liability and rectification of delivery issues lies with restaurant not TPDA
Impacts on industry as a whole	TPDA has had positive impact on industry	TPDA has had positive impact on industry	Negative impact on industry: TPDA reduces footfall in restaurants and facilitate consumer behaviour change

Table 1. Summary of emergent themes from semi-structured interviews conducted with managers and owners of restaurants that use: (i) non-delivery, (ii) in-house delivery, and third-party delivery (n = 9).

non-delivery and in-house delivery subjects, stated that overall, TPDA has had a positive impact on the industry. In contrast, TPDA subjects stated the TPDA has had a negative impact on the industry through reducing footfall in restaurants and facilitating consumer behaviour change.

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