



Growing Off-Premise Profitability

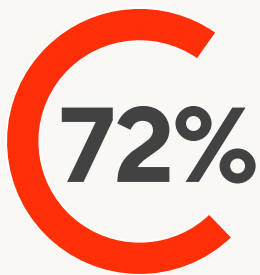
Leveraging promotions to drive incremental delivery sales

Unless otherwise noted, data referenced in this report come from two surveys conducted by Technomic:

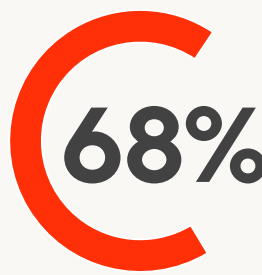
- Survey of 200 limited-service and 200 full-service restaurants that offer third-party delivery, fielded Jan. 29-Feb. 7, 2024
- Survey of 500 consumers (nationally representative sample) who order third-party delivery, fielded Jan. 29-Feb. 5, 2024

Introduction

The food service industry has largely recovered following the pandemic, and although overall sales have begun to normalize, some restaurants—especially independent operators with fewer than 10 locations—continue to face profitability and labor cost challenges. According to Technomic, the food service business grew by \$32 billion last year, but that growth was primarily driven by chain restaurants, as independent restaurants declined by 0.2% in 2023. Further, the typical independent restaurant saw profit margins decrease by 2 percentage points from April 2020 to April 2022. That margin has not been recouped.* However, there is belief among restaurant operators that third-party delivery platforms can help address these challenges and present an avenue toward growth.



of restaurant operators agree that offering third-party delivery frees up employees' time to focus on other core tasks



of restaurant operators agree that offering third-party delivery boosts employee morale

*Source: Technomic 2023 Industry Analysis

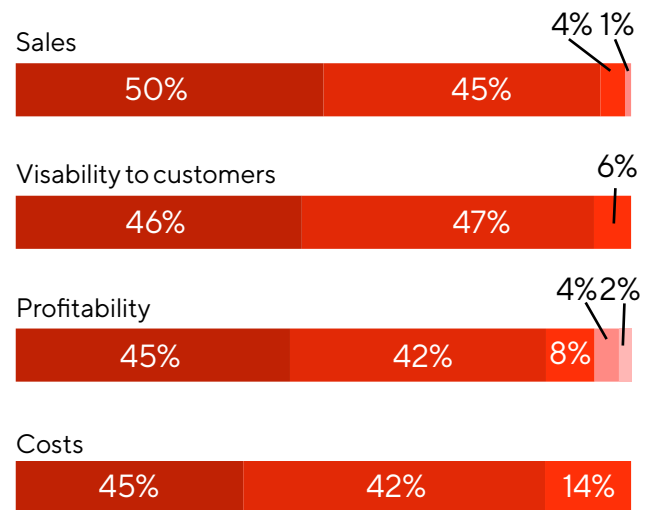
Restaurants partner with third-party delivery platforms for a variety of reasons, led by the desire to increase sales and introduce new customers to their restaurant. Increasing profitability is the next most popular driver, though only 33% of operators cite it as an initial reason for partnering with third-party delivery platforms. That said, 87% of surveyed operators say the partnership has indeed

increased their profitability. This demonstrates that, while most operators may not initially implement third-party delivery with the goal of boosting profits, those that work with third-party platforms tend to realize these financial benefits.

RESTAURANTS' TOP REASONS FOR PARTNERING WITH THIRD-PARTY DELIVERY COMPANIES



IMPACT OF RESTAURANTS' PARTNERSHIP WITH THIRD-PARTY DELIVERY COMPANIES



- Increased significantly
- Increased slightly
- No impact
- Decreased slightly
- Decreased significantly

*Source: Technomic 2023 Industry Analysis

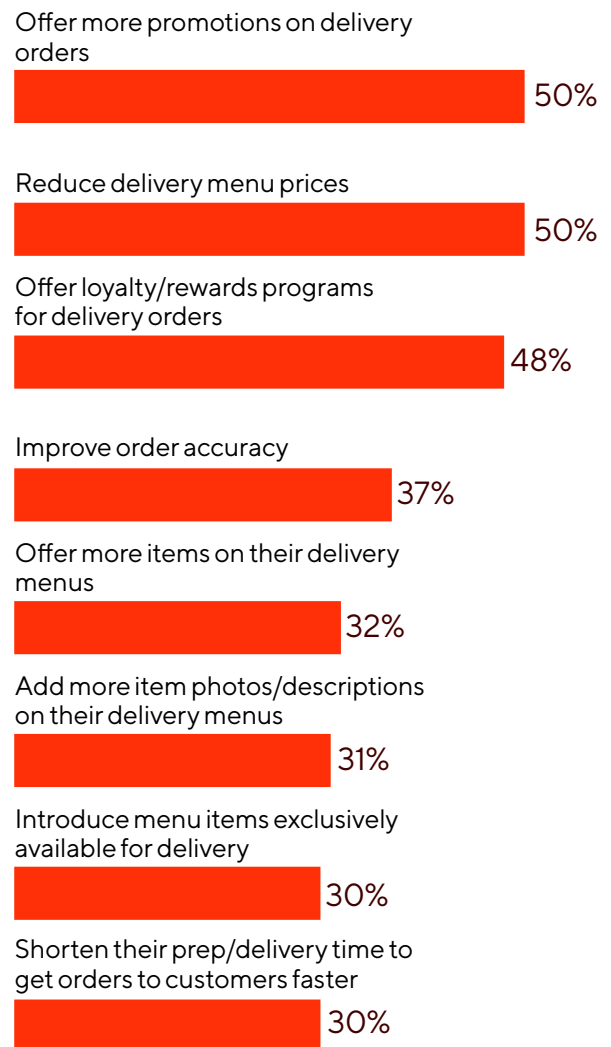
Promotions and Loyalty Programs Can Drive Profitable Growth

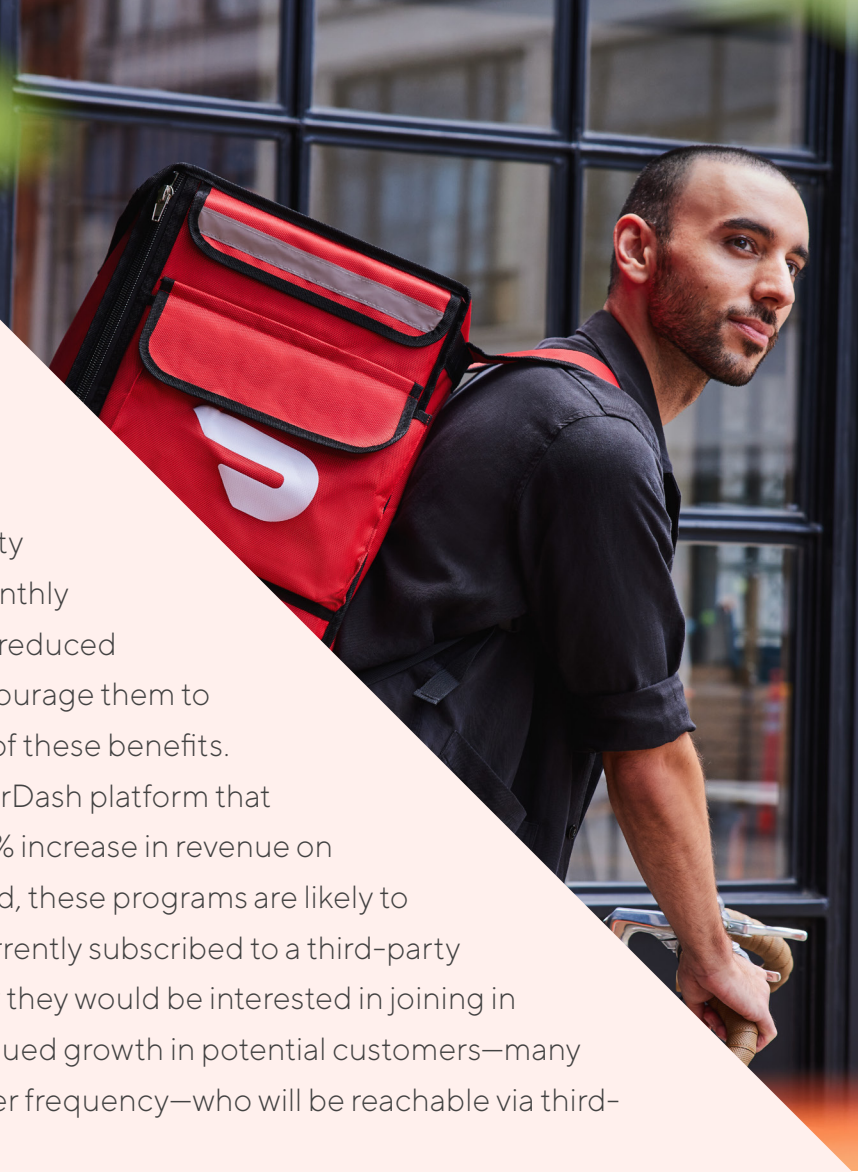
One of operators' primary methods of driving third-party delivery orders is additional marketing and promotions. This aligns with consumer behavior, as consumers say promotions are the leading way restaurants can incentivize them to order delivery more often. Loyalty programs also pique consumer interest, but only 22% of operators have implemented these in their off-premise programs. Restaurants should consider tapping into this opportunity, as redeemable points and rewards can drive repeat orders—and repeat business.

RESTAURANTS' TOP ACTIONS TAKEN TO DRIVE THIRD-PARTY DELIVERY ORDERS

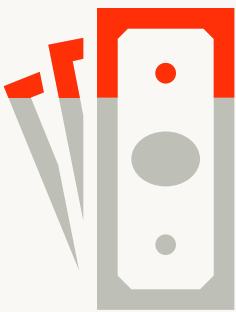


TOP WAYS FOR RESTAURANTS TO IMPROVE THEIR DELIVERY PROGRAMS (ACCORDING TO CONSUMERS)





Membership programs like DashPass can also attract consumers and serve as another way that restaurants can drive more third-party delivery orders. DashPass members pay a monthly rate to receive perks like \$0 delivery fees and reduced service fees on eligible orders, which can encourage them to order more frequently to take full advantage of these benefits. A majority of surveyed merchants on the DoorDash platform that have joined DashPass have seen at least a 30% increase in revenue on DoorDash after the first year.* Looking forward, these programs are likely to grow even further. Among consumers not currently subscribed to a third-party membership program like DashPass, 40% say they would be interested in joining in the future. For operators, this indicates continued growth in potential customers—many of whom have above-average spend and order frequency—who will be reachable via third-party partnerships.



The majority of merchants on DoorDash saw at least a **30% increase** in revenue **after the first year of joining DashPass**



40% of consumers **not currently subscribed** to a third-party membership program **would be interested in joining in the future**

*Source: 2021 study of 200 DoorDash stores

Instead of raising menu prices in hopes of driving delivery sales and profitability on a third-party platform, marketing, promotions, and loyalty programs may be more effective strategies. Operators are also employing tactics like optimizing their delivery menus to only offer the most profitable items, as well as adding high-quality menu photos and compelling menu descriptions to entice customers. These types of actions can positively impact orders, without the need for significant price increases that could deter sales. In fact, a study of more than 4,500 restaurants on DoorDash found that restaurants that mark up their menu prices can see up to 37% fewer sales and up to 78% lower reorder rates.*

Reliability of Third-Party Partners

More than three in five food service operators are satisfied with the promotions offered by third-party delivery companies to customers. Operators who partner with third-party platforms *for longer than a year* are especially likely to give a positive rating on promotions (66%), demonstrating operators' satisfaction and the positive impact of long-term relationships with third-party delivery platforms.

On-time delivery is another area where third-party platforms perform well. While consumers say restaurants themselves are responsible for most aspects of the ordering process—including food taste, price, and order accuracy—on-time delivery is one aspect of the order where third-party platforms are perceived to be more responsible than restaurants. This highlights the importance of delivering food on time, and operators indicate they are largely satisfied with how third-party platforms perform on this attribute.



Final Thoughts

Based on restaurant feedback, third-party delivery may be one key to improving profitability. Third-party delivery can improve restaurants' ability to reach new customers, increase order volume, reduce labor costs, and free up staff time to work on other core tasks. Even though variable costs may increase upon partnering with third-party platforms, operators largely report that the benefits outweigh the expense.

*Source: 2023 study of 4,500 small business restaurants on DoorDash over a four-week period