

Deep Dish #4:
Food Delivery: The 2020 David vs. Goliath Story
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Restaurants have been one of the hardest hit sectors of Ontario's economy by the COVID-19 pandemic. Uncertainty around public health directives, restrictions on indoor dining, and changing consumer perceptions and spending behaviours have caused many restaurant owners to pivot their entire business models to stay open. One of the most common pivots is to focus attention and resources on offering delivery.

Interview Insights: An employee in the restaurant industry in London stated that he knows of many restaurants that were not as reliant on food delivery in the past but started taking advantage of it once the pandemic hit.

Common third-party food delivery services in Canada include Uber Eats, DoorDash and Skip the Dishes. These delivery services take around a 30% commission on each order, decreasing already tight profit margins for many restaurants (4). The province has requested third-party delivery services to eliminate commission rates for cities in Ontario that have been forced into a red or gray designation, but so far there has been no formal response (3).

Interview Insights: The owner of an artisanal bakery in London noted that switching from making deliveries himself to using a third-party delivery service was a hard decision. He stated that he wanted to reach a wider audience, especially young people, but Uber Eats takes a big chunk of his sales – 20-30%.

Many of the third-party delivery platforms have offered restaurants some form of 'financial break' during the pandemic (2). Uber Eats has announced that they have lowered their delivery-only fee to 7.5% until the end of the year for restaurants that are able to process the order themselves and only need the delivery service (4). Additionally, DoorDash waived delivery fees in Toronto, Mississauga and Ottawa from October 10th until November 6th and Skip the Dishes announced that they will be offering a 25% rebate program to help local businesses (4). However, these offers of 'financial breaks' to restaurants are of marginal help in the overall landscape of pandemic-based delivery services.

Thus, it is no surprise that the industry is slowly shifting away from being 'third-party dependent' to being more self-sufficient (6). There is a clear shift in consumer attitudes towards third-party delivery services as many people would prefer to order directly from restaurants so that the restaurant receives 100% of the profits (6). Additionally, several new local delivery alternatives have been popping up all over Canada. *Ambassador*, known as the 'Shopify for restaurants', was an app recently developed to empower restaurants to accept online orders for pick-up and delivery with zero commissions or fees (1). Instead of taking a commission on every order, *Ambassador* charges a flat rate fee of \$99.00 per month (4). The service has been successful so far with more than 150 restaurants signing up in Toronto, Montreal, Calgary and Winnipeg (4).

Radish is another example of a local delivery app that was created in Montreal with the intention of eventually replacing the third-party model controlled by the existing food delivery giants (6). The cooperative model of *Radish* seeks to develop more equitable relationships between local restaurants, drivers, and consumers. Additionally, the Ontario Restaurant Hotel and Motel Association and a partner are in the process of creating a delivery service that takes only 9.5% commission fees and pays drivers as employees rather than independently contracting out drivers, who make marginal wages without benefits (7). This service was another one that was created out of the frustration with the third-party delivery model.

Interview Insights: A London-based restaurant manager explained that they created their own app for pick-up and delivery. She noted that although it is experimental, it has been working well with employees delivering the orders instead of contracting it out.

Restaurant owners in Ontario have enough on their plate right now without the added pressure of food delivery services eating away at their profits. Although unhappy with the third-party delivery model, many owners feel as if they have no other options. However, the introduction of small-scale local delivery services could be the challengers needed to upend the perceived dominance of the third-party delivery giants, in serving customers during the pandemic.

References

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