SAY ADIOS TO THE $30 BURRITO

GetQuik Saves Customers Up to 65% over Traditional Restaurant Ordering Services

THE ANATOMY OF A $30 BURRITO

To illustrate the point of the high cost of the restaurant delivery aggregative service model, we present the "$30 dollar burrito."

Restaurant Name: **Baja Fresh**

In Store Price for Steak Baja Burrito: $6.95 + tax.

Sample Order Calculation for a Waiter.com delivery service order[*]:

> Steak Baja Burrito —$8.99
>
> Tax (9.25%) —$.83
>
> Subtotal—$9.82
>
> Delivery Charge—$8.95
>
> Fee for Order Less Than Minimum Delivery Amount —$10.00[**]
>
> Driver Support Charge (15% Of Order)—$1.35
>
> ## TOTAL—$30.12

*Source: 2009 Waiter.com menu catalog.
**Source: http://waiter.com/wwwsys/bajafresh/bajafresh68.location.html (circa 8/2009)

THE TROUBLE WITH RESTAURANT DELIVERY AGGREGATION SERVICES

For consumers, it is often difficult to discover which restaurants offer delivery service and the delivery parameters of these restaurants. This problem has lead to the introduction of the aggregated restaurant delivery service. An example is the San Francisco Bay Area company – Waiters on Wheels (waiteronwheels.com). Waiters on Wheels was founded in 1987. Restaurant delivery aggregation services enroll a network of restaurants and publish a menu catalog for people to order from. The Waiters on Wheels service gained attention and popularity as busy Silicon Valley residents paid for the convenience of home delivery from a large variety of restaurants.

RESTAURANT DELIVERY AGGREGATION MEETS THE INTERNET

Prior to the Internet, restaurant delivery networks operated via phone and fax order customer requests. The restaurant aggregator distributed menu catalogs for customers to order from. With the rise of the Internet, much of the menu viewing and orders are now handled on-line. The Internet offers superior method for menu viewing, as well as a greatly streamlined order experience. Restaurant delivery aggregation networks have greatly benefited from the introduction of Internet technologies.

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CHALLENGES WITH RESTAURANT DELIVERY AGGREGATION

The physical nature and time sensitive nature of food delivery creates unique challenges for delivery aggregation services. The bulk of orders are requested for delivery during the lunch (11:30-12:30pm) and dinner rush (5:30pm – 7:00pm). Unlike package and mail delivery services where an employee can distribute deliveries through the course of a standard work shift, a food delivery aggregator has to staff for rush capacity. Additionally, the routing of the delivery personnel can create major inefficiencies. Unlike a restaurant delivery employee, a restaurant delivery aggregator needs to travel to the restaurant, reach at the time when the food is to be ready for delivery, and then delivery to the customer destination.

COLD FOOD/LATE FOOD

A common disappointment for those ordering through restaurant aggregators is the issue of cold food or late food. If the delivery aggregator driver reaches a restaurant where an order has been sitting for some time, the food will often reach the customer in less than ideal status. On the other hand, if the delivery contact reaches early, they can be held up while the food is being prepared. This can then create delays in the driver's other pick-up and deliveries.

MARGIN CONSIDERATIONS

Due to the high labor intensity of managing a fleet of drivers to handle order deliveries, restaurant aggregation delivery services need to incorporate significant service, delivery and transaction fees to maintain a working profit margin.

INFLATED RESTAURANT PRICES

The fees and surcharges imposed by restaurant delivery aggregation services can rapidly inflate the cost of a customer's order.

In addition to the revenue collected from customers, restaurant aggregators also charge their restaurants fees to participate in their networks. This can be in a form of monthly maintenance fee, typically $25 to $200 per month. In addition, transaction fees of anywhere between 20% to 30% of total sales are common. Due to this high fees structure some restaurants opt to pass on the additional cost burden to their customers by uplifting their prices shown in the restaurant network. From a customer standpoint, this means an even more expensive meal because they have to purchase food at inflated prices on top of the delivery charges imposed by the restaurant delivery aggregator.

Exhibit 1

different pricing models of restaurant networks

Customer Pricing Model				
Type	Restaurant Delivery Aggregation Services			Internet Restaurant Marketplace
Name	Waiter.com	Waiters on Wheels	Restaurant on the Run	GetQuik
Delivery Charge	$6.95-$8.95	$8.00	$9.99	Variable**
Driver Support Charge	15%	12%-15%	15%	None
Service Fee	None	None	5%	None

*Sources: http://getquik.com/ , 2009 Waiter.com Menu Catalog , http://www.waitersonwheels.com/ , http://rotr.com/

**Prices based on currently distributed 2009 Waiter.com menu catalog and pricing from GetQuik.com (8/2009)

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Exhibit 2 gives an overview of the price uplifting of Waiter.com delivery-based orders. Waiter.com is an online delivery aggregator and restaurant order network.* Using the 2009 Waiter.com menu brochure, we took a sample size of 93 menus. The methodology of the data collection for the chart is available in the end-notes[a] of this document. The chart demonstrates that 40%[a] of the restaurant menus we sampled from the 2009 Waiter.com menu catalog uplift their prices. Further, a quarter of the restaurant menus we sampled charge more than 20%[b] when compared to their retail prices.
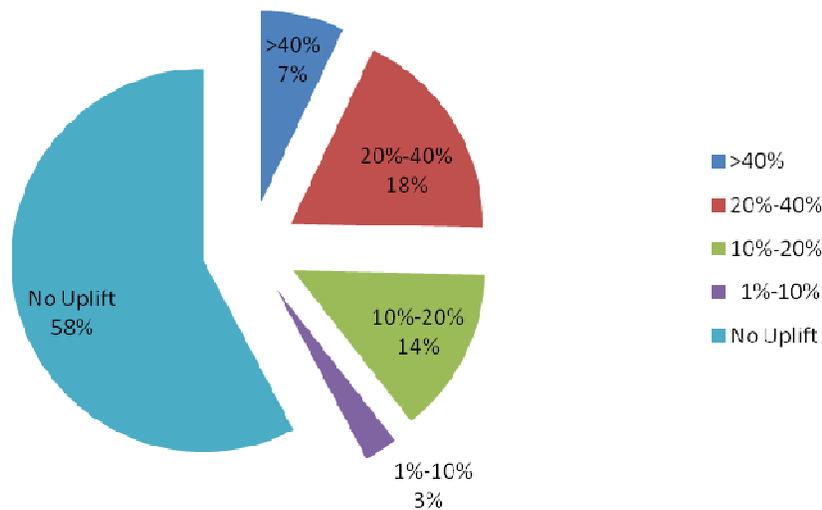
* Waiter.com does offer customers to option to order restaurant-direct deliveries for certain restaurants in their network. The data reflected in this study are based on their menu prices for Waiter.com delivery orders.

Exhibit 3 shows a comparison of different cost structures for a sample order from Annapoorna restaurant. This order compares a GetQuik order versus a Waiter.com delivery order. In this sample order, the different cost structures of GetQuik and Waiter.com along with the inflated prices for the Waiter.com delivery order resulted in a difference of 47%[c] in the total expenditure of the customer.

Quantity	Description	Unit Price		Extended Price	
		GetQuik	Waiter.com	GetQuik	Waiter.com
6	Onion Pakora	$3.99	$4.75	$23.94	$28.50
6	Veg-Fried Rice	$6.49	$8.50	$38.94	$51.00
20	Plain Naan	$1.25	$2.00	$25.00	$40.00
4	Paneer Butter Masala	$6.49	$8.95	$25.96	$35.80
4	Malai Kofta	$6.49	$8.95	$25.96	$35.80
6	Chicken Tikka Masala	$6.99	$8.45	$41.94	$50.70
10	Carrot Halwa	$2.49	$2.99	$24.90	$29.90
	Subtotal			$206.64	$271.70
	Tax (9.25%)			$19.11	$25.13
	Delivery Surcharge			$0.00	$8.95
	Driver Support Charge			$0.00	$40.76**
	Tip			$10.00*	$0.00
	TOTAL			$235.75	$346.54

* Tip is user's discretion. ** 15% Driver Support Charge for Waiter.com.

*Sources: http://getquik.com/; 2009 Waiter.com Menu Catalog

** Prices based on currently distributed 2009 Waiter.com menu catalog and pricing from GetQuik.com (8/2009)

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Exhibit 4 shows a comparison of different cost structures for a sample order from World Wrapps. In this sample order, both GetQuik and Waiter.com list the same retail store prices but the sheer different cost structures between the two companies resulted in a difference of 12%[d] in the total expenditure of the customer.

Exhibit 4
sample order
from World
Wrapps

Quantity	Description	Unit Price		Extended Price	
		GetQuik	Waiter.com	GetQuik	Waiter.com
9	Steak Burrito (Regular)	$6.99	$6.99	$62.91	$62.91
9	Chicken Burrito (Regular)	$6.39	$6.39	$57.51	$57.51
	Subtotal			$120.42	$120.42
	Tax (9.25%)			$11.14	$11.14
	Delivery Surcharge			$0.00	$8.95
	Driver Support Charge			$0.00	$18.06**
	Tip			$10.00*	$0.00
	TOTAL			**$141.56**	**$158.57**

*Tip is user's discretion.   ** 15% Driver Support Charge for Waiter.com.

*Sources: http://getquik.com/ , 2009 Waiter.com Menu Catalog
** Prices based on currently distributed 2009 Waiter.com menu catalog and pricing from GetQuik.com (8/2009)

Exhibit 5 shows the price uplifting behavior of the restaurant partners in networks operated by Waiter.com[a], Waiters On Wheels[c], Restaurants On The Run[d] and GetQuik[e] based on samples taken for the purpose of this paper. See the End-Notes for the sample size and methodology for this data. Price uplifting is a common practice in the restaurant aggregator industry due to the reasons mentioned previously.

Exhibit 5
percentage
of
restaurants
with uplifted
prices
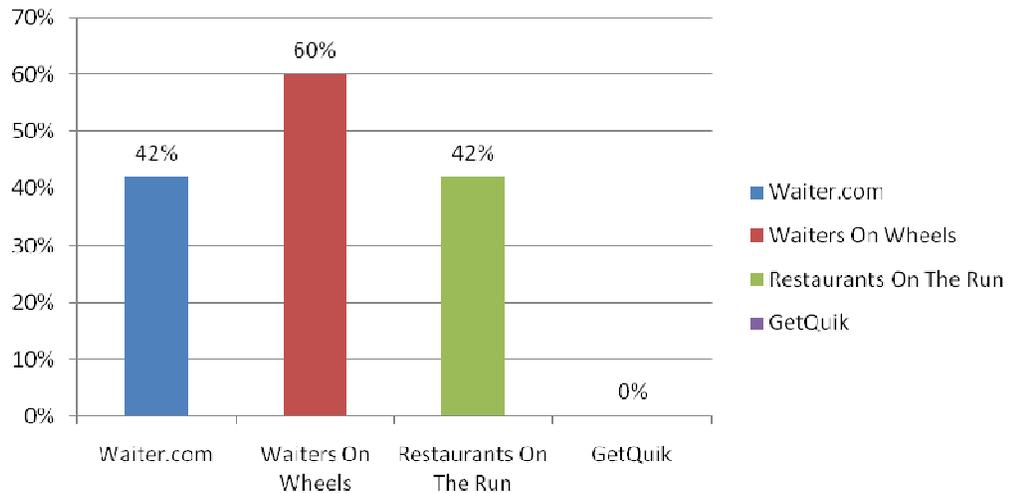
*Sources: http://getquik.com/ , 2009 Waiter.com Menu Catalog , http://wow.com/ , http://rotr.com/

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BETTER THAN COOKING

Despite the above challenges, restaurant delivery aggregation services have experienced success. Enough customers are willing to pay a premium to receive a delivery food order.

ADVANTAGES OVER AGGREGATED RESTAURANT DELIVERY SERVICES

In the GetQuik network, restaurants manage their own delivery orders. With the aggregated delivery networks, a driver may need to stop at 2-3 different restaurants and 3-5 different customer destinations during a 90 minute to 2 hour rush hour period. During that time, a customer's order may be delayed or suffer from the long time between order preparation at the restaurant and the ultimate delivery at the customer's location. With restaurant direct delivery, the food is delivered immediately after the kitchen completes the order. Many times, the orders are delivered directly to the customer without any other deliveries to take.

FREE TO CUSTOMERS

Due to the efficiencies of the restaurant direct model, GetQuik can offer the service free to its customers. As with credit card fees, the restaurants can easily absorb the GetQuik transaction fees without needing to artificially increase prices on the GetQuik network. In fact, as a standard policy GetQuik does not list restaurants who are not willing to honor their standard restaurant prices. As a result, a GetQuik customer can save up to 65% over an identical order placed through a restaurant aggregation service.

SOLVING THE DEMAND ISSUE

By aggregating hundreds of restaurants at one site, GetQuik is able to use the network effect to drive exponential traffic to the GetQuik site over a restaurant's stand alone web-site.

DELIVERY PARAMETERS

GetQuik uses novel technology to provide restaurants with control over numerous variables in regards to their delivery service. Restaurants can control delivery variables including minimum order size, lead times, and delivery territories. The control of these variables allows restaurants to match their service levels to ensure they can successfully fulfill a customer's delivery requests. Over time, as the volume and transaction velocity increases for orders, a restaurant will often increase their delivery infrastructure and in turn provide more aggressive delivery services.

VARIETY WITHOUT LIMITS

By the nature of the delivery aggregation service, it is much easier for a driver to pick up multiple orders at one restaurant and then distribute the orders to various customer locations. If a restaurant aggregator can stop at one burrito restaurant for three orders, instead of 3 burrito locations (one per customer), the driver can be much more efficient in his route. Therefore, at a certain point, the restaurant aggregation network will limit the number or restaurants in the network to avoid this problem. With a restaurant direct delivery network such as GetQuik, the service is motivated to add as many restaurants to the network to increase the variety and options for their customers.

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RESTAURANT DIRECT DELIVERY SELECTION PROCESS

Though restaurant self-service delivery networks benefit from increased numbers of restaurants in the network, the network must vet the participants in the network to ensure that only competent restaurants are represented in the network. Restaurants who are unable to provide popular meals, timely deliveries, and a high level of customer satisfaction can damage the reputation of the restaurant ordering network. Therefore, prior to initiating a new restaurant, the network needs to query the interested restaurant before approving them on the network. As well, if a restaurant is continuously receiving customer complaints, remedies including delisting the restaurant must be considered.

LAST STEPS TOWARDS RETIRING THE DELIVERY AGGREGATION SERVICES

The trends are clear. The superior economics and technological innovations of Internet and mobile technology will lessen the dependence on delivery aggregation services. Currently, these restaurant aggregation networks provide a viable value-add proposition, though significantly less now that restaurant self-service networks such as GetQuik have emerged. As consumers become more aware of restaurant self-service options such as GetQuik, the demand for restaurant direct deliveries will increase.   In turn, restaurants will be able to justify a higher level of delivery service capabilities.

CONCLUSION

Although restaurant delivery aggregators have proven to be popular and have created a nice premium service industry, the cost and capital inefficiencies limit their market impact. The intelligent restaurant ordering networks such as GetQuik are not encumbered by these limitations. Therefore, as with other industries that have been transformed by the internet such as movie rentals, book-stores, music, and classified sales; the Internet will also transform restaurant ordering.

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ENDNOTES

[a] *Figures based on a sample size of 93 restaurants in the Waiter.com network. The restaurants selected are according to the order of restaurants shown in the Waiter.com catalog, 2009 issue. Only restaurants who have their menu prices listed on their own website or a third party menu website i.e. menuism.com, menupix.com, spoorq.com are used. The first 93 restaurants with sufficient data for comparison are used in this research.*

[b] *When compared to the prices listed on their own website or a third party menu website.*

[e] *Figures based on a sample size of 15 restaurants in the Waiters on Wheels network. The restaurants selected are according to the order of restaurants shown in the Waiters on Wheels magazine for the South Bay, May/ June 2009 issue. Only restaurants who have their menu prices listed on their own website or a third party menu website i.e. menuism.com, menupix.com, spoorq.com are used. First 15 restaurants with sufficient data for comparison are used in this research.*

[d]*Figures based on a sample size of 15 restaurants in the Restaurant On The Run network. The restaurants selected are Restaurant On The Run's restaurant partners in South Peninsula. Only restaurants who have their menu prices listed on their own website or a third party menu website i.e. menuism.com, menupix.com, spoorq.com are used. First 15 restaurants with sufficient data for comparison are used in this research.*

[e]*GetQuik only accepts restaurants who are willing to honor their retail store prices for GetQuik orders.*