

out for Delivery

NEW OPPORTUNITIES FOR THE
FOODSERVICE INDUSTRY



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Foodservice delivery



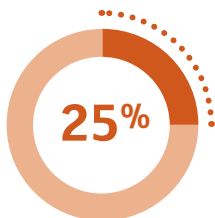
America is the land of epicurean dreams. Its foodservice landscape offers consumers a blend of convenience, creativity, and comfort. Despite this, the U.S. restaurant industry has been suffering from sluggish traffic¹.

In an era of **'hyper accessibility and hyper convenience,'** Americans don't have to leave the comforts of their home to find information, employment, entertainment, or food. Convenient solutions for at-home meal preparation have empowered consumers' need for quicker meal solutions. Americans have started to eat out less often and eat at home more.

82% of meals are eaten at home, rising from 75% a decade ago²—but only 31% are completely homemade meals

As a result, restaurants are competing for “share of mouth” not only with other players, but also with the rising success of perimeter grocery, meal kits, e-subscription boxes, and home cooking. The playing field has expanded.

With digitally-enabled third party services, restaurants can now move past geographic limitations and extend their reach. Staying relevant in this virtual marketplace is important as consumers have open access to the entire foodservice landscape at the tap of an app.



Online foodservice delivery represents **25%** of all off-premise orders in 2017³

This translates to 1.7 billion visits in 2017⁴

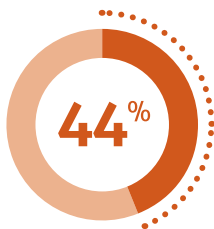
Delivery: a growth opportunity for all



With opportunities emerging out of shifts in customer loyalties, delivery is a growth opportunity for all. Our research discovered Americans, on average, place five delivery orders per month, and order typically for two people. Furthermore, they spend almost \$30 per delivery order⁵. The higher the frequency of delivery orders per month, the more they spend on delivery per order.

On average, consumers spend \$154 per month on typical two person delivery orders⁵, and \$117 per month per capita on dining out⁶

The scale of the opportunity for chains is staggering: with 68% of all delivery orders, and same store growth of 15% or greater. However, local operators dominate delivery orders for Asian/Chinese, fresh salads and hot appetizers and have an opportunity to take market share by offering higher quality, shorter turnaround time, and more unique menus.



of online delivery orders cannibalize from other restaurants⁷

“Consumers are moving online more and more; you have to deliver to stay relevant with the consumer of the future and sustain your business. If you are not delivering, you are out of the consideration set”

Influencer, brand and culinary innovator at a national fast food chain



ooo

Four big insights for the future of foodservice



Four big insights for the future of foodservice



Our research revealed important consumer insights for restaurants offering or intending to offer delivery, via traditional or third party services—with four key findings to drive restaurant growth in the future:

Deliver on sensory expectations

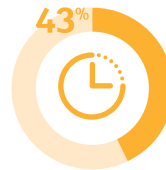
Boost check size with menu differentiation

Win by catering to new dayparts

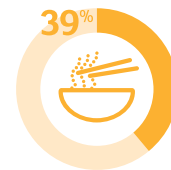
Target the ideal delivery consumer



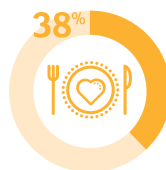
“I want delivery food to be more affordable”



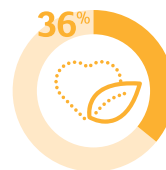
“I want my delivery orders to arrive more quickly”



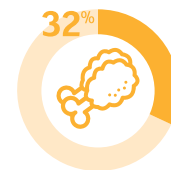
“I would like to be able to order a greater variety of foods for delivery”



“I would like more healthy food delivery options”



“I wish I could get in-store/in-restaurant quality meals at home via delivery”



“I wish restaurants could figure out how to deliver fried foods that stayed hot”



“My time is more valuable than money”⁹

Younger millennial female

FUTURE OF DELIVERY, CONSUMER RECOMMENDATIONS

Deliver on sensory expectations

43%

of consumers believe it's the restaurant's fault when third party delivery services fall short⁵

Exceeding consumer expectations of delivery food quality ultimately makes or breaks consumer loyalty. A significant challenge in delivery is **maintaining food quality**. Consumers want the ideal dine-in experience replicated at home, from look and feel, to texture and temperature, without compromise. For instance, consumers expect the texture and crunch-ability of food items to be maintained via delivery.

Temperature of the menu item delivered is the most strongly identified area of dissatisfaction, followed by texture

Moreover, despite the method of delivery, consumers hold the restaurant accountable for the items delivered. Delivering the ideal quality within 40 minutes poses a significant challenge to the restaurant operators.

Consumers today rationalize the deterioration of temperature, texture, and overall experience with the food and/or beverage when ordering via delivery. Most consumers feel that delivered food meets their expectations offering a convenient meal solution to their cravings and lack of time. Exceeding consumer expectations on food quality and sensorial characteristics could secure consumer loyalty.



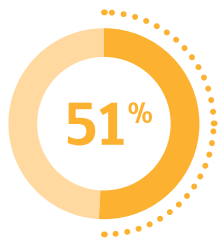
“There is little control over quality via delivery, especially with third party, and we don't want to deliver food that is lower quality. One bad Yelp review can kill a brand. It is really difficult to renew lapsed consumers after a bad experience”⁵

Influencer, culinary innovation and R&D at casual dining

Boost check size with menu differentiation



Beyond fixing the delivery menu, wooing consumers with a unique offering via delivery can strengthen brand relevance. While almost 80% of delivery orders are for typical menu items, **consumers indicated that 20% of orders were for new menu items they had never tried before**, implying desire for variety and menu exploration for delivery. Offering unique and on-trend menu items will be key in capturing these consumer requests.



of consumers indicate high interest in ordering food from a “delivery-only” restaurant, with a high level of interest indicated by millennials and younger Gen X consumers⁵

39% of consumers would like to order a greater variety of foods for delivery⁵

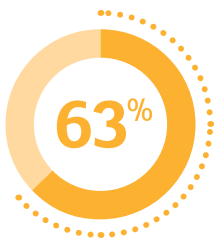
With the rise in ghost restaurants, targeting the ‘craveability’ drive of consumers with unique, delivery-only concepts can also potentially bring operators the consumer attention they desire.

While variety in food options is relatively high, consumers have less faith in a restaurant’s ability to deliver specialty hot and cold beverages. Therefore, focusing on a beverage platform and developing deliverable specialty beverages, both hot and cold, is an opportunity to establish superiority and increase check sizes.

Win by catering to new dayparts



While traditional delivery, directly from the restaurant, has been archetypal of pizza and Chinese take-out dinners, delivery channels have opened up new day parts and occasions for restaurants and consumers. Dinner continues to be a big occasion for delivery, however the **breakfast and lunch day parts are experiencing faster growth, especially on weekdays**⁴, representing an emerging opportunity for new menu items and foodservice platforms beyond pizza.



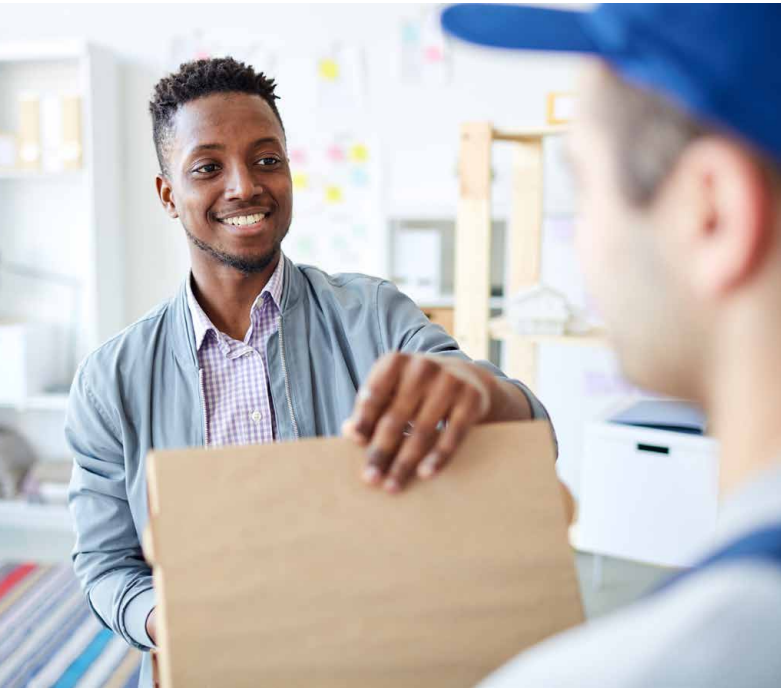
63% of delivery orders are spur of the moment⁵

While 60% of all delivery orders are placed after 5pm, typically for dinner, over 37% of delivery orders are placed between 11am and 5pm⁵

Furthermore, **late-night snacking orders placed after 8pm have also experienced delivery interest** among younger consumers. Exploring menu items for delivery during breakfast and lunch will especially capture the Millennial consumers and younger.

Finally, there is an increase in consumers seeking delivery alternatives at work during the week with 6% of the consumers ordering food via delivery in the past month.

Target the ideal delivery consumer



Millennial males aged 22–37 years and married with children emerge as the highest frequency users of delivery

The delivery consumers differ considerably in size, share of spend, frequency of delivery usage and their opinions and expectations from delivery. For instance, while the light users of delivery—*traditionalists*, seek delivery less often, they do so out of pure need and make spur of the moment orders. *Followers* use delivery as a time saver for items they cannot make themselves. *Frontrunners*, heavy users of delivery, order more frequently and are more planned than the rest of the delivery consumers.

THREE TYPES OF DELIVERY CONSUMERS⁵ BASED ON FREQUENCY OF THEIR DELIVERY ORDERS PER MONTH



Frontrunners

Heavy users of delivery

order delivery more than six times a month and are frontrunners of adopting and assimilating restaurant delivery into their lifestyle. They order across all menu items and dayparts, seeking variety and high volume delivery engagement.

6 times per month



Followers

Moderate users of delivery

indulge in delivery at an average of three to five times a month. Delivery is currently a time saver, and they often indulge in items they cannot make themselves.

3–5 times per month



Traditionalists

Light users of delivery

dip in and out of the delivery world, ordering delivery one or two times a month out of sheer lack of time, or are driven by a deal or discount.

1–2 times per month

Changing consumer priorities



Changing consumer priorities



Americans find delivery a means to satisfy their cravings and order menu items that are a treat. Delivery services enable this emotion, and restaurants grab consumers' attention with an appeal to their nostalgic cravings and interest in exciting new menus via delivery.

78% of delivery orders in the past month were for habitual orders, while 20% were menu items ordered for the first time⁵

With a growing number of people, referred to as the **“Indoor Generation,”**⁸ spending a vast majority of their time indoors, digital delivery is a welcome disrupter. Today, consumers would rather find a quick fix to a weekday meal and spend time watching TV, socializing, or hitting the gym. Already a tablestake, delivery's association with convenience continues to grow as more consumers find it a hassle-free alternative to cooking at home, or stepping out to pick up food.

TOP 5 REASONS FOR ORDERING FOOD & BEVERAGES FOR DELIVERY⁵



Satisfy a craving



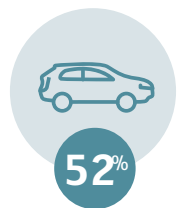
Treat myself



Make my life easier



Too tired to cook



Avoid the hassle of picking it up

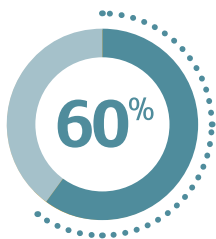
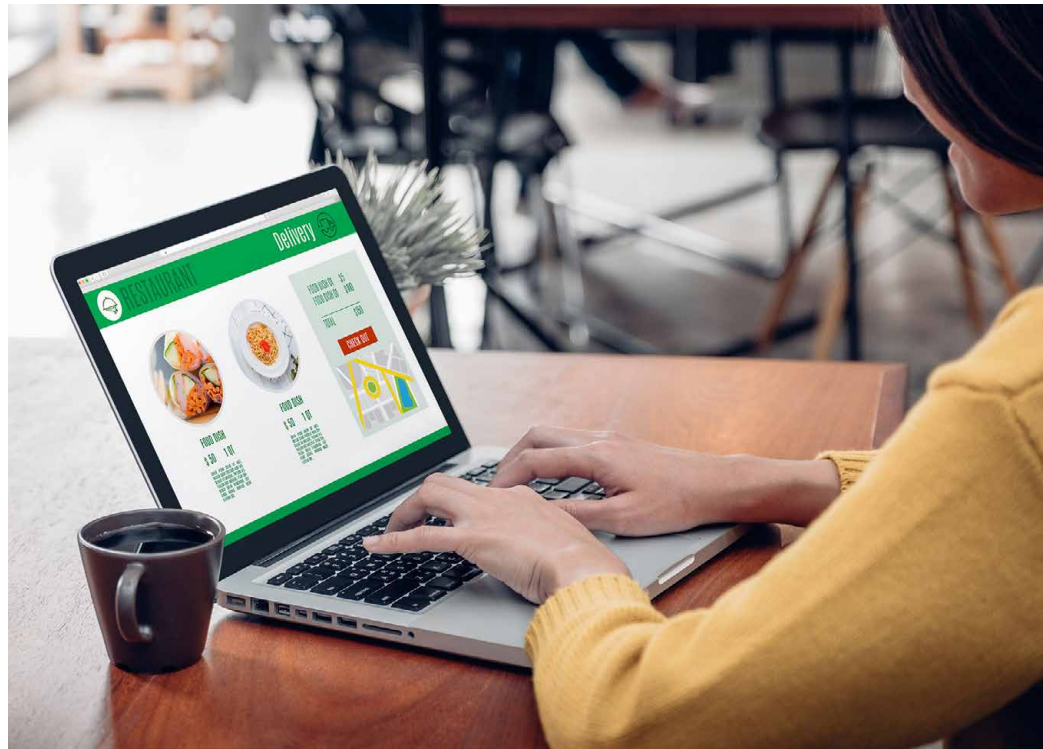
“When ordering for my son and myself I spend almost the same amount of money as if I were to cook, but because I don't have much time, I'd rather order and spend that time with my son”

Gen X mom

kerry.com

Kerry Proprietary Consumer Research 2018

Americans demand convenience & craveability



of delivery orders in the past month, were placed on the weekday versus the weekend⁵

Delivery continues to be spontaneous, spur-of-the-moment, and a largely unplanned behavior. However, millennials and Gen X consumers showed stronger inclination toward planning their meals and pre-planning their delivery orders, hours and days in advance. With a large share of delivery orders placed during the work week, delivery is an effective mid-week problem solver.

50% of older millennials compared to 40% of all consumers were strongly interested in ordering delivery meals days in advance⁵

In the future of delivery, consumers seek affordability, speed, variety, quality, and nutrition/health from delivery.

The delivery order



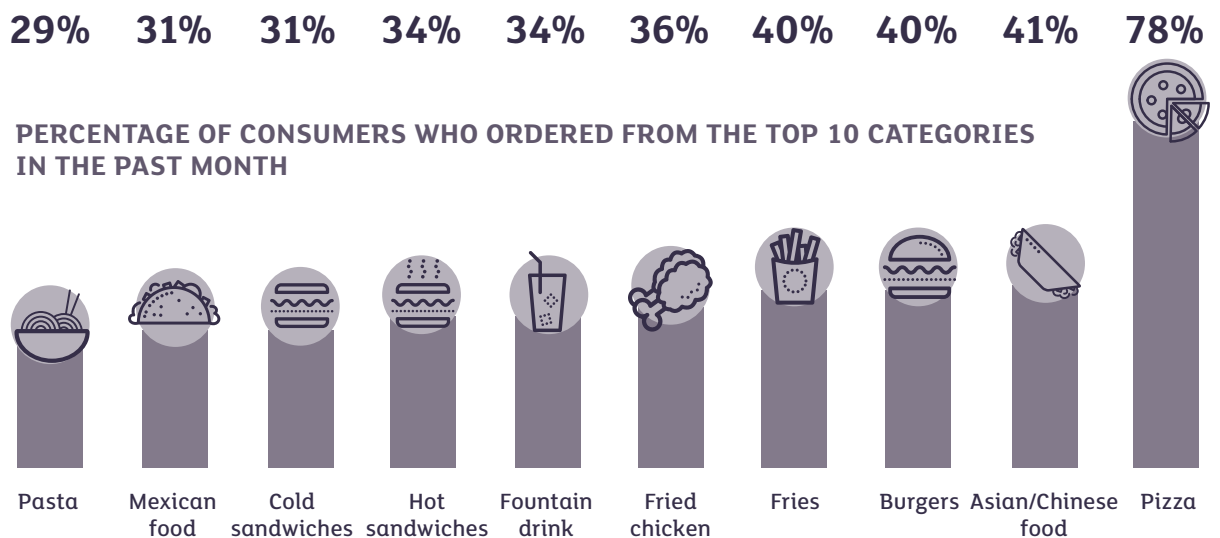
Delivery paves the way for total menu engagement



Kerry’s research reveals top menu categories and menu items for delivery among consumers today by demographics, frequency, and order type.

Reflecting the trends in the overall industry, Americans are exploring new menu items for their delivery orders. Long-standing powerhouse menu items—pizza and Chinese/Asian food, have experienced declining menu importance in the past five years. **Rising in importance are burgers, fries, fried chicken, sandwiches, pasta, and other hot appetizers, which have experienced consistent growth over the past five years⁴.**

Pizza captures the attention of most consumers for delivery, more strongly with baby boomers and Gen X consumers. Younger consumers, particularly Gen Zs and younger millennials, gravitate toward fries, fried chicken, and burgers, significantly more than other consumers.



Delivery opens up new occasions for restaurants



The virtue of delivery has extended to unlimited menu options, wider network of restaurant segments, and across all eating occasions—beyond dinner, and beyond pizza!

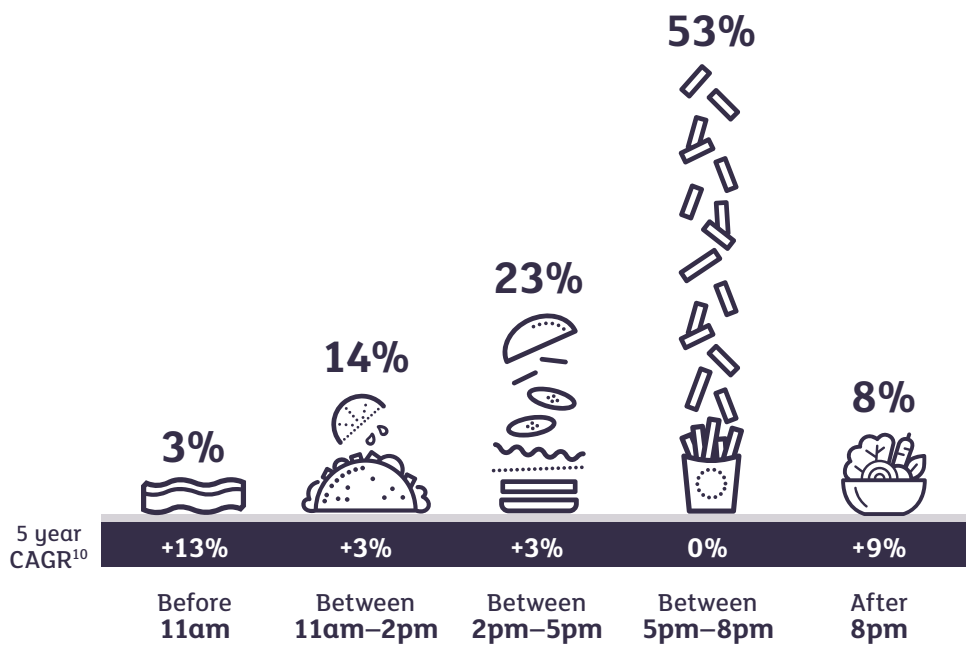
Dinner remains the most dominant, and also the most mature occasion for delivery with tough competition from pizza and Chinese restaurants.

Despite the size of the occasion, dinner via delivery experienced flat traffic growth in the past five years⁴

Dinner continues to be a dominant occasion for Gen Xers and baby boomers, however millennials and Gen Zs have begun to explore delivery beyond dinner.



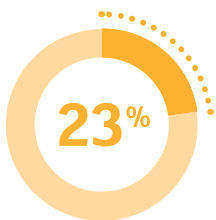
85% of orders are placed at home⁵



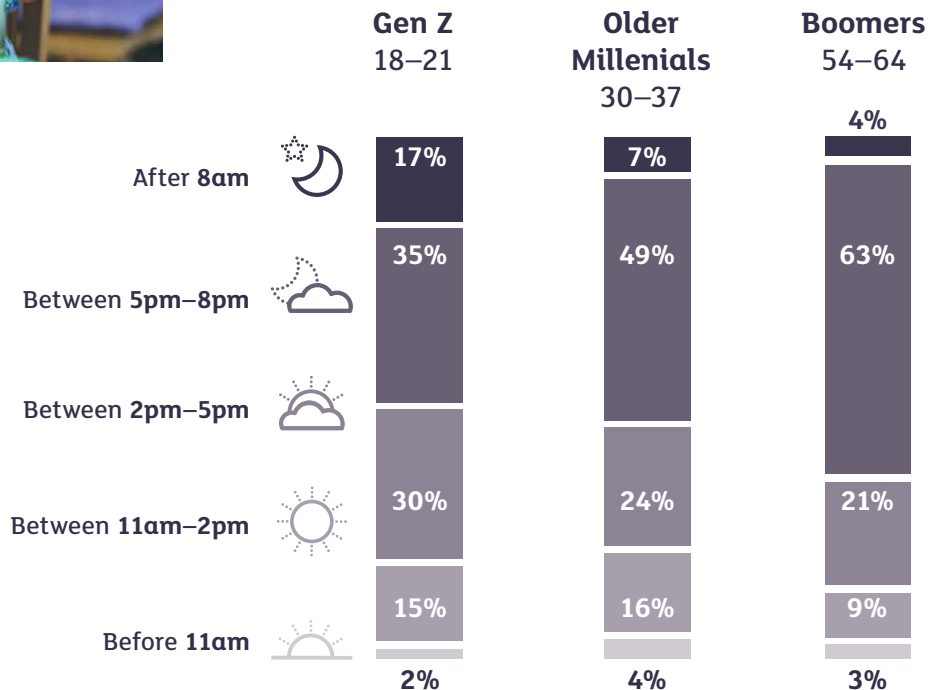
DAYPARTS OF DELIVERY AMONG PAST MONTH DELIVERY USERS



The lunch and post-lunch occasions have experienced remarkable growth in the past five years and represent 29% of all delivery traffic today⁵. Gen Zs and millennials are most active during these occasions, ordering delivery significantly more than baby boomers and placing the order typically from work. Gen Zs are also very active after 8pm, ordering delivery significantly more than any other generational group. Furthermore, the “all-day” status of breakfast has started to extend into delivery orders as well.



23% of Americans buy prepared food from a restaurant or foodservice location for breakfast¹¹

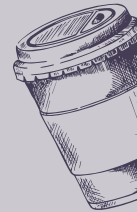
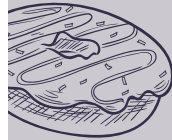


DAYPARTS OF DELIVERY AMONG PAST MONTH DELIVERY USERS BY GENERATION

The consumer-designed delivery menu

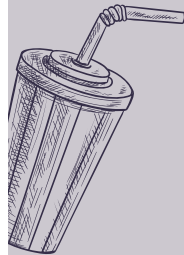
Breakfast

- Breakfast Sandwich
- Breakfast Burrito
- Pancakes
- Hash Browns
- Specialty Coffee
- Baked Goods
- Breakfast Bowl



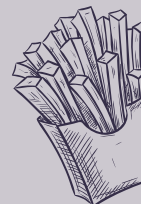
Lunch

- Burgers
- Fries
- Soups
- Pasta
- Mexican Food
- Fresh Salads
- Specialty Beverages



Dinner

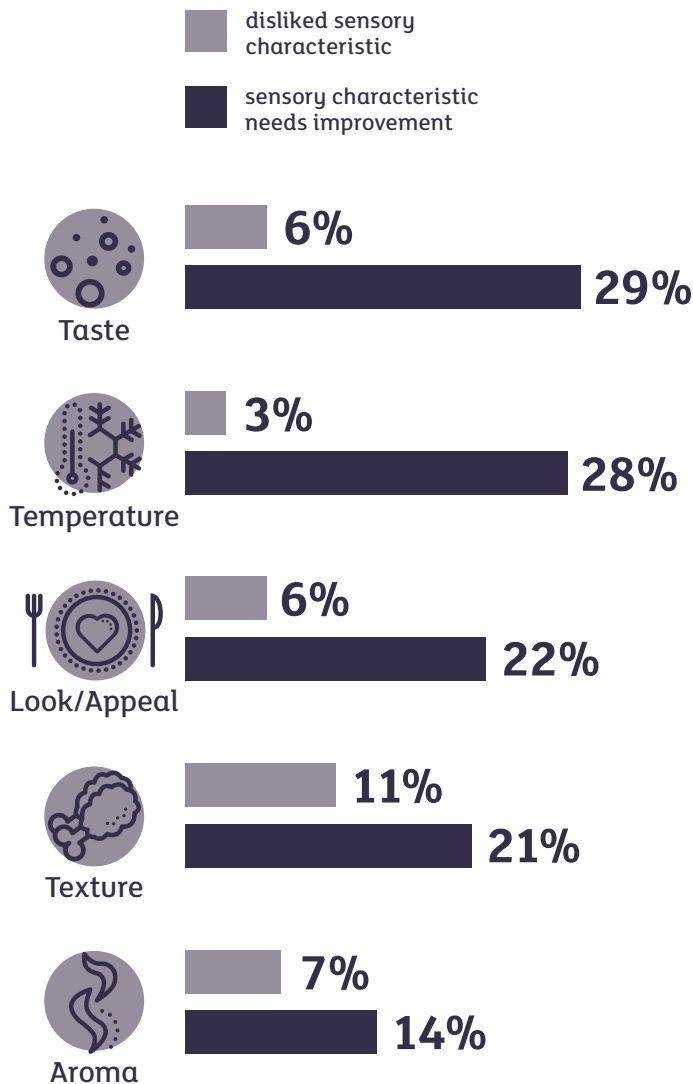
- Burgers
- Cold Sandwich
- Chicken Tenders
- French Fries
- Fountain Drinks/Soda
- Chicken Wings
- Fried Rice & Egg Rolls



From a list of over 100 menu items, we asked consumers which specific foods and beverages they wanted to order for delivery



Room to improve: sensory functionality



While consumers want delivery orders to mimic restaurant quality taste, variety, visual appeal, and overall experience, there is an understanding among consumers that they are trading down a dine-in experience for the convenience of delivery. However, with this current belief, consumers want to push the boundaries of sensory satisfaction.

Improvement in quality of food delivered could result in four additional orders placed per month—equivalent of an additional \$133 per month⁵

The taste of delivered food ranked above consumer expectations, while temperature and texture of delivered food, compared to other sensory variables, was most below expectations. Even among consumers who felt that the sensory characteristics of delivered food met expectations, 28% mentioned temperature of food delivered could be improved upon.



Beyond the challenges of packaging for delivery, solving for the sensory shortfalls in temperature, texture, taste, and visual appeal can encourage consumer loyalty and increase orders.

32%

of consumers strongly believe restaurants should figure how to deliver fried foods that stayed hot

Ensuring the order is placed, prepared, and delivered under 40 minutes further stresses the importance of back of house efficiencies, supplier partnership, and packaging innovation

Moreover, as consumers start to order more than five meals a month, their tolerance for waiting reduces. In a recent time-use study, consumers spent more time eating and drinking (71 minutes per day) and less time preparing food and cleaning up (36 minutes per day)¹².

31%

of consumers want delivery food to look as appetizing as it does in a restaurant when delivered home

The delivery consumer



Delivery consumers: diverse and dynamic



Delivery adoption is certainly faster among the younger consumers, with millennials, Gen Zs and younger Gen X consumers opting for delivery at a faster rate than baby boomers. The younger consumers are also most likely to order delivery via digital services, such as third party delivery.

67%

of 18–21 year old consumers ordered delivery digitally⁵

45%

of 54–64 year old consumers ordered delivery digitally⁵

55% of delivery visits are sourced to 18–34 year old Americans⁴

Despite a lower share of total delivery orders, baby boomers are a significant opportunity, controlling 70% of disposable income in the U.S.¹³. They appreciate convenience, nutritious solutions, and menu items geared to older consumers.

Delivery orders and behavior varies across age groups, genders, and ethnicities. However, what differentiates delivery consumers most is the frequency with which they order each month.

The frontrunners offer big opportunity



The *frontrunners* are more likely to be older millennial men with children, who are most likely to experiment with food and order new items to explore the menu. Capturing attention of the *frontrunners* will be tougher as they have a relatively established delivery behavior and tend to plan their delivery orders more so than the other delivery consumers. Appealing to their adventurous spirit, targeting them with **new and unique menu items**, will encourage trial. They are most receptive to future concepts such as **delivery-only restaurants, hot and cold specialty beverage delivery, assembled-at-home meal options**, among others. Capturing the *frontrunner's* attention can secure loyalty.

74% of frontrunners order more often from a specific restaurant now than before due to third party delivery

24% of frontrunners ordered a new menu item for the first time in the past month versus 16% of traditionalists



Frontrunners are **25%** of the delivery consumer population, and control **60%** of the total food delivery spend. They also order delivery more than six times a month and spend over \$368 a month on delivery

Appeal to the followers



Followers are just shy of being a high frequency delivery consumer. Ensuring deliverability of key millennial trends and menu items is key to staying top of mind. *Followers* have broken out of their conventional shell, using delivery beyond the traditional pizza and Chinese food orders. They extend across various demographics, spanning across gender, lifestage, and marital status. Opening up new dayparts, occasions, menu variety, and customizable solutions could boost delivery orders with this consumer.



29% of **followers** want customizable solutions for their delivery orders versus **24%** of **traditionalists**

The traditionalists want customized solutions



Least swayed by digital transformation, or third party services, *traditionalists* continue to place their orders directly with the restaurant and via telephone. They are also most distrustful of delivery services and their ability to handle food safely, (21% versus 13% overall trust delivery services to handle food safely) and in the same breath are also less likely to blame the restaurant for delivery errors. They are not adventurous eaters and stick to what they know and like. Hence, pizza is their go-to order. They tend to cook more at home and therefore blended meals that enable their cooking may initiate and attract use of delivery orders and drive restaurant engagement.

Millennial and Gen X parents took anywhere between 10 and 59 minutes to prepare and cook a family dinner¹⁴. A majority of these meals were blended meals, and not entirely made from scratch



71% of **traditionalists** prepare most of their meals at home versus **60%** of **frontrunners**

Looking ahead



Beat today's expectations on sensory and quality



As delivery gains more traction with operators and consumers, meeting and beating consumer expectations from delivery and menu differentiation will be critical to sustained success. While the industry tackles packaging innovation, restaurant operators must also focus on food quality and menu variety.

We recommend tackling delivery challenges in a two-part approach—fix the problems of today, and exceed the expectations of tomorrow.

Traditionalists would spend 140% more on delivery, from \$44 per month to \$108 per month, if food delivery met their expectations

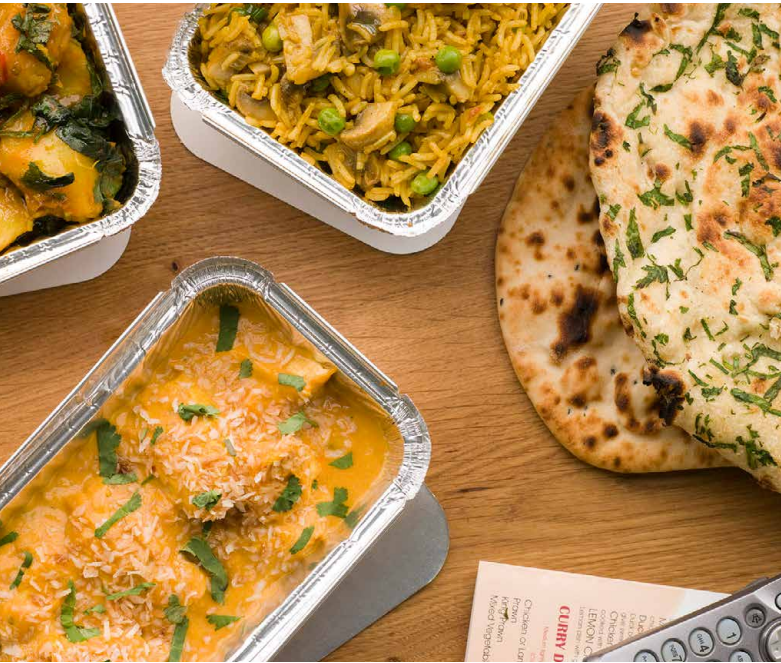
Wowing consumers with quality and superior sensory attributes will be pivotal in urging consumers to order delivery at a higher frequency. Matching quality perceptions will not just boost orders from *frontrunners*, but also urge *followers* and *traditionalists* to order more, thereby expanding the overall consumer base for delivery.

Solving for the biggest pain points with delivery, texture, and temperature, will be key in establishing a loyal consumer base and ensuring higher frequency of orders. With increasing orders of fries, burgers, sandwiches, and other breaded appetizers, solving for texture will be critical.



of average users of delivery would definitely order more delivery if it met restaurant quality food⁵

Lead the future with variety



31% of the high frequency delivery consumers stated they would order across the board when considering delivery versus **23%** of **followers** and **17%** of **traditionalists**



Over **90%** of consumers strongly believe they will order food for delivery in the next month⁵

Tomorrow, as all players try to fight for consumers' delivery attention, differentiation in menu offering will be key. Consumers will soon demand better quality and variety from delivery. Exceeding consumers' expectations on variety, nutrition, and replicating restaurant experience at home will drive substantial consumer interest. Furthermore, offering solutions unique to the restaurant, or unique to delivery, will help capture consumer interest when deciding where to order.

A couple of areas to explore for delivery in the future are:

Delivery only menu items

Nutritional, clean label focus

Hot and cold specialty beverage delivery

Breaded and fried appetizers that stayed crispier and warmer for longer

Delivery specials for lunch, breakfast, and late night snack

Delivery should offer convenience across dayparts and occasions, offer a variety of craveable menu items that are unique and differentiated, and focus on health and nutrition, as well as cater to the different consumer personas.

Methodology

Kerry partnered with Brand IQ, GFK, and NPD to deep dive into the impact and influence of delivery on the foodservice landscape of America.

Conducted in 2018, this study is based on 2500 consumers across United States of America. We conducted a series of qualitative and quantitative research studies to explore the foodservice behavior, and reveal specific menu items that consumer order today and will not order in the future. The goal is to understand the strengths and shortfalls of delivery to help deliver innovation solutions to our customers.

Additionally, we spoke to several foodservice industry experts, influencers, and thought leaders to gain their perspective on the possibility and potential of delivery in the foodservice industry.

The research considered specific demographic breaks: gender, age, ethnicity, and lifestage. All differences across life stages highlighted in the research are at a 99% significant difference level.

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- ⑭ The NPD Group's "Future of Dinner" Study, 2018

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Kate leads the Beverage business in North America. Prior to Kerry, she was CEO of a venture-backed food startup that targeted older adults with fresh, personalized nutrition. She also led strategy and consumer insights at McKinsey & Company where she focused on consumer packaged goods, agriculture, and sustainability.

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Elizabeth leads the strategy, marketing communications and consumer insights functions for Foodservice and Direct-to-Retail channels in North America. She focuses on developing winning growth strategies for the channels by identifying key marketplace trends, white space opportunities, and innovation platforms—and then communicating the identified growth opportunities to Kerry customers.

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Susan Bond | Regulatory

Susan leads Regulatory & Scientific Affairs in North America. Prior to Kerry, she led regulatory science for two fortune 500 companies and spent nearly two decades in the U.S. Food & Drug Administration culminating in her role as Senior Advisor to the Commissioner. She also led food safety public affairs for the International Food Information Council.

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About Kerry Foodservice



With out-of-home dining and on-the-go snacking on the rise, foodservice operators need fresh ideas. You need customized or branded solutions for your business that keep consumers coming back—morning, noon, and night.

From fast casual to fine dining establishments, foodservice teams work with Kerry to set the trends in food and beverage. Whether a specialty entrée or a seasonal LTO beverage, our global culinary team helps you drive the next food revolution. Plus, our branded solutions enrich your menus with specialty beverages, rich dairy, fruit creations, and battered and breaded indulgences.

**Innovate delicious.
Transform authentic.
And create a better out-of-home
dining experience with Kerry.**

At Kerry, we mix insights with product development. We sit our scientists next to our chefs, mixologists, and baristas. We work with our customers behind the kitchen counter, experimenting and adjusting to deliver the taste experiences your consumers demand and nutrition that can be consumed with confidence. And, we take pride in understanding your back-of-house operations to ensure that the solutions we deliver are efficient and appropriate for your stores.

Sustainability in Foodservice

At Kerry, sustainability is at the heart of our business. As the world's leading Taste & Nutrition company, we are committed to the highest standards of business and ethical behavior, fulfilling our responsibilities to the creation of long-term value on a socially and environmentally sustainable basis. In a holistic approach to new foodservice product development, we seek to balance our customer requirements with consumer insights and leverage our portfolio of technologies and solutions to deliver on consumer demand for sustainable products without sacrificing taste.