

Singapore Productivity Centre **Research and Business Insights**

FOOD DELIVERY OPERATOR STUDY: **HEAR FROM THE F&B OPERATORS**





Hear from the F&B Operators

Before the Covid-19 pandemic, F&B operators could attract dine-in customers by delivering unique dining experiences, or by setting up shop in busy office districts or retail malls.

Since the pandemic, many F&B operators have seen a sharp decline in dine-in business, as more people work from home and dine out less often.

To survive, many F&B operators have turned to food delivery services, which have become more popular during the pandemic.

With the introduction of food delivery services, food businesses face new challenges, such as higher costs due to delivery commissions, logistical coordination of drivers and managing the volume of orders.

Singapore Productivity Centre (SGPC) and revenue management expert Professor Sheryl E. Kimes, a visiting professor at National University of Singapore (NUS) Business School, set out to gather insights from 146 F&B operators on their perceptions of food delivery services between October 2020 and April 2021. This report summarises the results from the survey and two previous studies on customer perceptions of food delivery.

The insights from the consumer study in the following paragraphs were cited from the Food Delivery Consumer Studies conducted together with Professor Sheryl E. Kimes in February and July 2020. The aim is to provide insights on food delivery services to help F&B operators optimise and refine their operations.

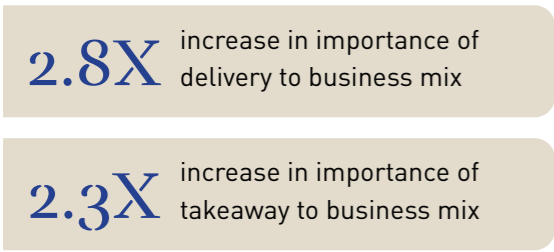
INSIGHTS FROM FOOD DELIVERY OPERATOR STUDY:

The need for delivery services and its challenges

Importance of delivery and takeaway orders for operators

More operators view delivery and takeaway orders as important channels that contribute to their overall sales.

Changes in business composition due to the Circuit Breaker (CB)*:

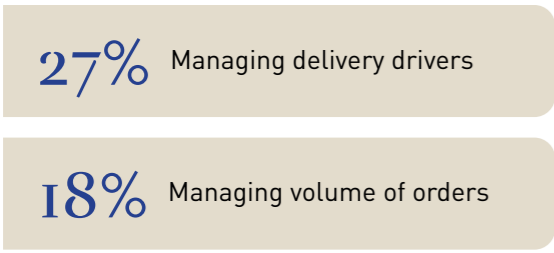


Tip Get listed on a delivery platform. Prepare your business for deliveries and takeaways.

However, increased deliveries also created new challenges for operators.

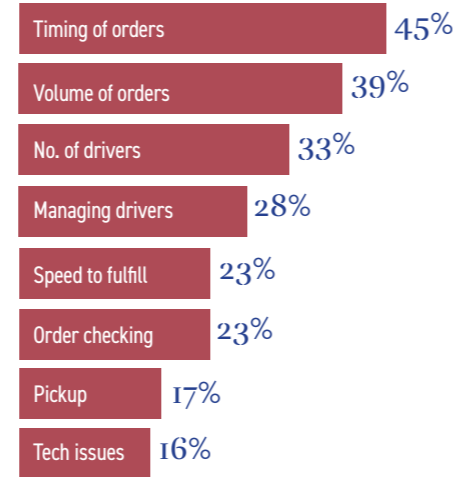
Post-Circuit Breaker, the key challenges were slightly different for operators. The following were top issues plaguing operators:

TOP 2 CHALLENGES FACED BY OPERATORS POST CIRCUIT BREAKER



Tip Optimise your delivery operations by redesigning your processes to manage delivery drivers and volume of orders.

TOP CHALLENGES FACED BY OPERATORS DURING THE CIRCUIT BREAKER



*Circuit Breaker (CB): Partial lockdown in Singapore from 7 April to 1 June 2020 due to COVID-19 pandemic.

INSIGHTS FROM FOOD DELIVERY OPERATOR STUDY:

Delivery menu

68% of operators used the same menu for delivery and takeaway/dine-in.

The top 3 factors that affected the operators' choice of menu items were:



Percentage of surveyed operators that indicated the choices

Tip Create a different menu for deliveries and takeaways. Consider bundle deals such as meals-for-two for special occasions.



Most operators have same number of or lesser menu items for delivery and takeaway.

Tip Delivery and takeaway menus should be smaller and comprise items that retain their taste and texture well after factoring in delivery time.

COMPARISON OF MENU SIZES FOR DELIVERY AND TAKEAWAY



INSIGHTS FROM FOOD DELIVERY OPERATOR STUDY: Delivery menu pricing

Food Delivery Menu Prices

48% of operators charge higher prices for delivery due to higher costs of delivery, which consumers find acceptable, of which

67% of operators charge between 1% to 5% more for delivery

93% of operators hardly experienced complaints about the price difference



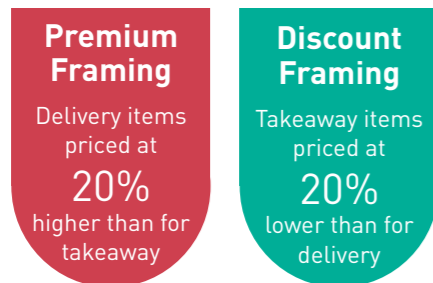
Some operators charge the same price for delivery or takeaway items. Main reasons include:

- I. Delivery operators do not allow charging of different prices for menu items
- II. Did not think of setting different prices for delivery and takeaway
- III. Worried about how customers would react to different pricing for delivery and takeaway

INSIGHTS FROM FOOD DELIVERY CONSUMER STUDY¹:

Takeaway Price Framing Strategy

To find out how customers and operators perceive the price difference between takeaway menus and delivery menus, respondents were asked to compare two price framing strategies and choose the "fairer" pricing option.



Again, operators have a different perspective from customers. Pricing framed as a discount was more likely to be viewed as fair and justified by customers according to the Food Delivery Consumer Study in 2020, whereas operators thought there would be no difference.



Tip Position your takeaway menu as being less expensive than your delivery menu.

1. Food Delivery Consumer Study conducted with Prof Sheryl E. Kimes, 2020.

INSIGHTS FROM FOOD DELIVERY OPERATOR STUDY: Delivery methods

Delivery Methods

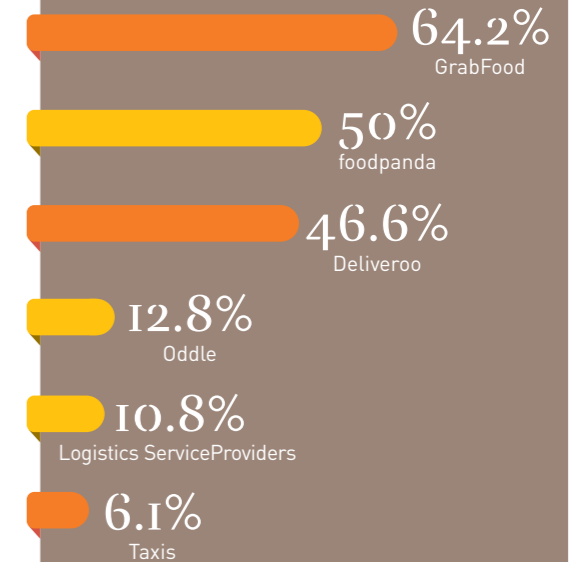
F&B operators utilise different methods to deliver food to their customers. Operators could be onboard third-party delivery platforms such as GrabFood, foodpanda, Deliveroo or work with logistics service providers and taxi companies.

More than half **paid commission rates of more than 20% for every order** to GrabFood, Deliveroo and foodpanda

Chain stores may have **more negotiating power** over commission rates compared to smaller outlets

Logistics service providers and taxi companies are substantially **less expensive**

Percentage of operators using respective delivery methods (Operator may choose 1 or more options):



Tip Consider alternative delivery channels for cheaper or more profitable options.

INSIGHTS FROM FOOD DELIVERY CONSUMER STUDY¹:

Delivery fees

A previous Food Delivery Consumer Study conducted together with Prof. Sheryl E. Kimes in 2020 on delivery fees showed that customers found paying a \$5 fee on a \$30 order to be acceptable.



86% of operators charge delivery fees for food deliveries.

Delivery fees on a \$30 order

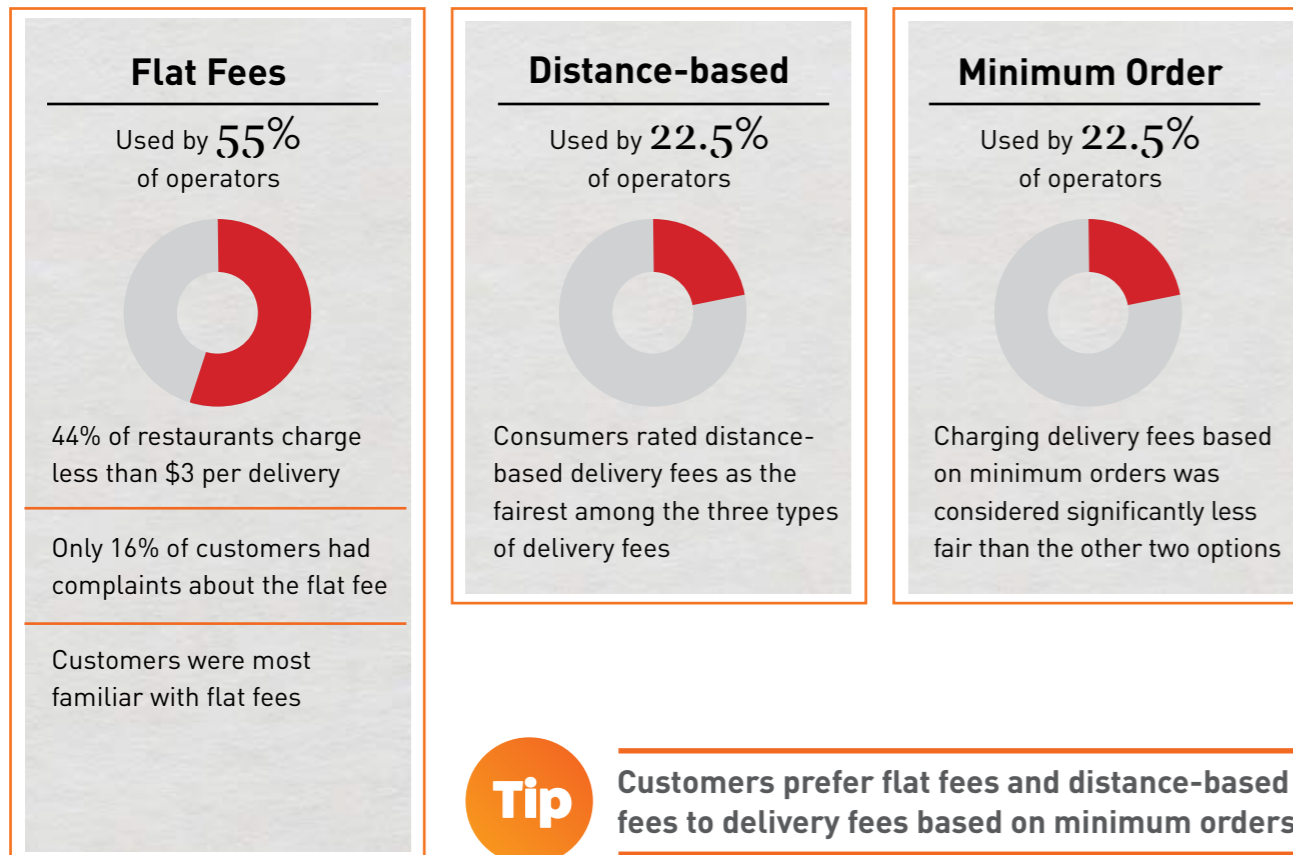


INSIGHTS FROM FOOD DELIVERY OPERATOR & CONSUMER STUDY:

Delivery fees



How F&B operators calculate delivery fees

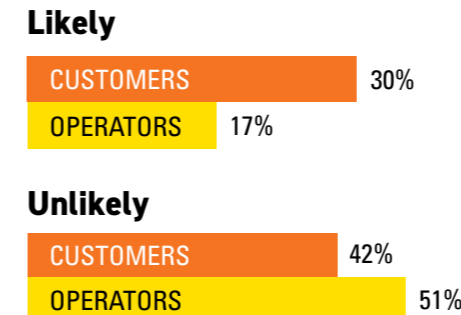


INSIGHTS FROM FOOD DELIVERY OPERATOR & CONSUMER STUDY:

Operators' perception about consumer behaviour

When the restaurant is not listed on the delivery app

If a restaurant isn't listed on the app, would the customer (you) still purchase from the restaurant? (Customer Perception vs Operator Perception)



Tip Even if you are not listed on a particular platform, actively market your services to reach out to your target audience.

Many F&B operators were pessimistic about customer behaviour and few believed consumers would go the extra mile to purchase the food they want when the restaurant was not listed on the food delivery app they preferred.

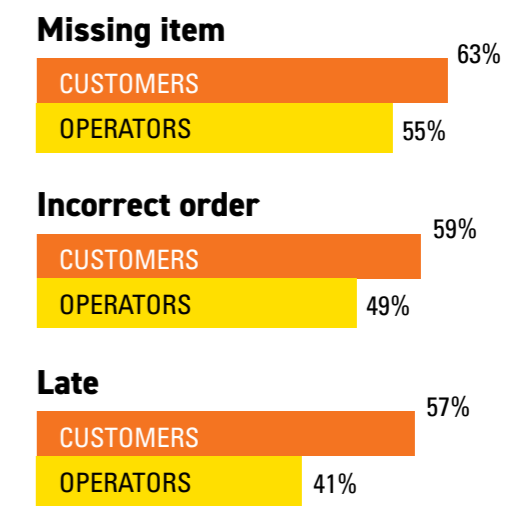
Problems with food delivery services

68% of operators in the Food Delivery Operator Study said customers experienced a problem with deliveries while only 41% of surveyed customers from the Food Delivery Consumer Study conducted together with Prof. Sheryl E. Kimes indicated that they experienced a problem.

Operators tend to focus on areas in which they failed to meet customer standards, leading to overexaggerated perceptions of poor performance and customer dissatisfaction.

Tip Streamline your delivery processes to make it simple for your employees. This leaves room for them to double-check the orders.

TOP 3 PROBLEMS WITH DELIVERY ORDERS (CUSTOMER PERCEPTION VS OPERATOR PERCEPTION)



Conclusion

Food delivery services are here to stay.

Prior to the Covid-19 pandemic, some F&B operators did not consider food delivery to be a necessity due to the additional costs and risks associated with third-party delivery services, which charge high commission fees.

Food delivery services are now deeply embedded in the Singaporean culture, thanks to the convenience and user-friendliness of food delivery apps. Thus, it is critical for F&B operators to incorporate or consider incorporating delivery service into their business model.

Consider factors such as preparation time, delivery radius, and order density when planning deliveries. Operators can begin by optimising kitchen operations and selecting delivery menu items that are easy to prepare, popular, and can be delivered in good condition. Consider serving set meals or combo meals with low-cost sides to maximise your earnings.

Having a presence on the internet is critical for the success of F&B operators who wish to provide food delivery services. It may be difficult for F&B operators who are new to food delivery to fully realise the potential of delivery services, but there are numerous ways to optimise delivery services and streamline business processes.



The findings in this publication are the results of a survey conducted together with Prof. Sheryl E. Kimes.

Sheryl E. Kimes is an Emeritus Professor of Operations Management at the Cornell University School of Hotel Administration and a Visiting Professor of Analytics and Operations at the Business School at the National University of Singapore. Prof. Kimes is a globally recognised leading expert in Revenue Management for the hospitality and service industries. She has been teaching, conducting research and providing consulting services in this area for over 25 years. She has published over 100 articles and book chapters and has received multiple awards for her research including the Lifetime Achievement Award by the College of Service Operations of the Production and Operations Management Society and the Industry Relevance Award by the Cornell University Center for Hospitality Research in 2010, 2012 and 2014.

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Companies can tap on SGPC's comprehensive range of solutions targeted at boosting productivity and building capabilities. Together with Enterprise Singapore, we offer assistance schemes in areas such as service design, digital transformation, workflow redesign, job redesign, automation, central kitchen implementation and shared services.

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11 Eunos Road 8, #08-01
Lifelong Learning Institute,
Singapore 408601
Tel: 6745 5833

www.sgpc.sg



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