Lumina Intelligence

March 2024

Lumina Intelligence Food Service Delivery Report

Brochure

Executive Summary

- **The foodservice delivery market is expected to grow +2.8% to a value of £14.1bn in 2024F, stabilising following the pandemic boom.** Market growth will be supported by inflation, continued expansion and innovation targeting increased transaction value and additional missions. It is expected that the market has stabilised following huge pandemic-driven growth and subsequent volume decline. Aggregators are continuing to expand reach and scale with London's share of delivery occasions falling back by -2ppts.

- **Market growth excluding VAT and delivery service fees fell to -3.3% and +1.6% in 2022 and 2023, hindered by reduced volumes as consumer delivery behaviours shifted post-pandemic and cost-of-living pressures restricted frequencies.** Reduced customer frequencies (-0.9%) and a lack of growth in new customers (+0.2ppts) restricted the market in 2023 with a weaker performance versus the total eating out market. Key demographics dropping delivery occasions were families, with these households more exposed to weaker finances.

- **Fast food is forecast to lead share growth in the market, underpinned by developments around white label services and investment.** Company's own delivery services and Uber Eats saw a +2.9ppt and +2.4ppt rise in share respectively in 2023 – the only two to see growth. Aggregators and operators are focusing on improving the user experience through AI and expanding partnerships.

- **Pandemic-driven delivery behaviours including a wider variety of day-part and weekday occasions have reversed, there is more to be done to cement habitual delivery behaviours in UK consumers.** Dinner increased its share of occasions to 63.5%, with treating missions growing in importance and routine missions declining. There is an opportunity to capitalise on growth in solo and sporting delivery occasions in 2024 with the UEFA Euros and Paris Olympics.

- **Foodservice delivery is forecast to reach a value of £15.7bn in 2027F, a compound annual growth rate (CAGR) of +3.1% from 2024F-2027F.** Opportunities around day-parts and ranges must be realised to unlock further growth in delivery. Increasing customer order frequency through encouraging a wider repertoire of occasions will be a key lever of growth. Optimisations in delivery platforms and services including artificial intelligence-driven order assistants, to prompt additions and drive transaction value will be another market bolster.

Source: Lumina Intelligence, March 2024

How to use this report

Report section:	Market Insight	Competitive Landscape	Consumer Insight	Future Outlook
Relevant teams	Commercial, finance, data and insight, holding company, board	Commercial, finance, data and insight, holding company, board	Brand, creative, data and insight and marketing	Commercial, finance, data and insight, holding company, board
Operator Questions answered	What does the market look like and how will changes impact my business case and forecast? What are possible gaps that can be capitalised on?	What can we learn from how brands and operators are innovating? How are our business efforts impacting our market share?	How are consumers interacting with the foodservice delivery market? What are their motivations? What are the opportunities to be exploited?	How will the market change across the next three years and what are the threats and opportunities?
Supplier/ Wholesale Questions answered	What does the market look like and how will changes impact my customers? What factors will need to be priorities for supporting customers?	Who are the winners and potential customers in the market?	How are operators having to adapt to deliver against changing consumer needs? What can we do to support our customers?	How will the market change across the next three years and what are the threats and opportunities?
Investor Questions answered	What is the landscape and the opportunity for growth in the market?	Who are the key players in the market and how are they performing?	What are key consumer behaviours and considerations that a prospect needs to be prioritising?	How will the market change across the next three years and what are the threats and opportunities?

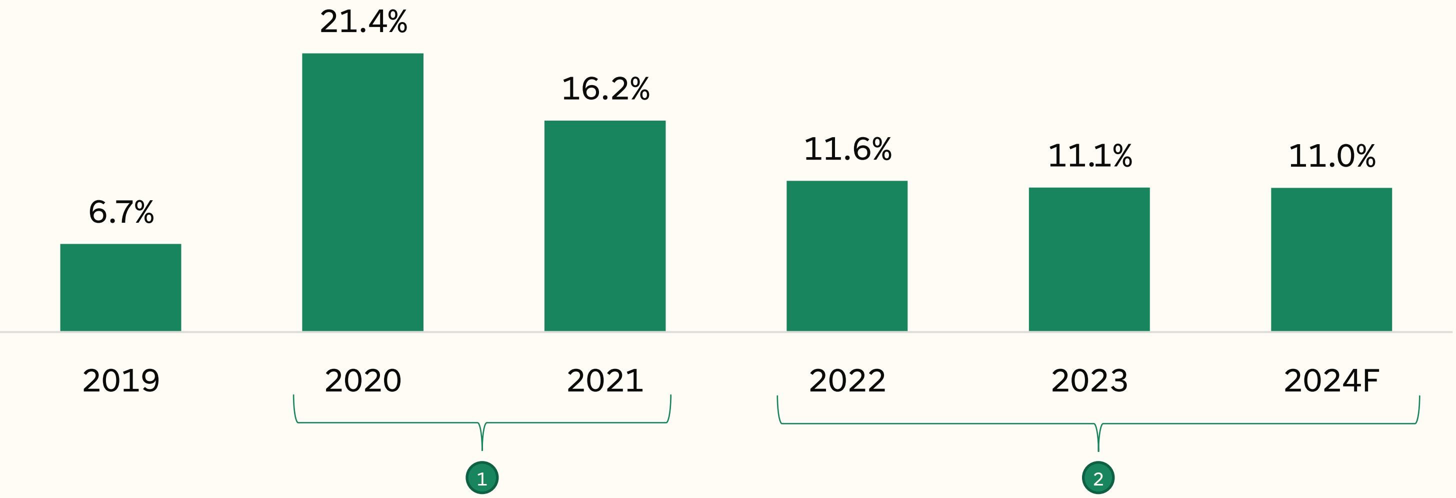
Source: Lumina Intelligence, March 2024

Sample Slides

Delivery market share stagnates following re-alignment post-pandemic

The foodservice delivery market is forecast to hold a 11.0% share of the total eating out market in 2024F, +4.3ppts up from 2019.

UK foodservice delivery market share of total eating out market, 2019-2024F



1. The foodservice delivery market had a higher share of a dramatically smaller pie across 2020 and 2021. The total eating out market saw steep declines whilst foodservice delivery market turnover surged throughout the coronavirus pandemic.

2. Total eating out market recovery from 2022-2023 suppressed foodservice delivery market share with consumers returning to out of home visits at a higher frequency.

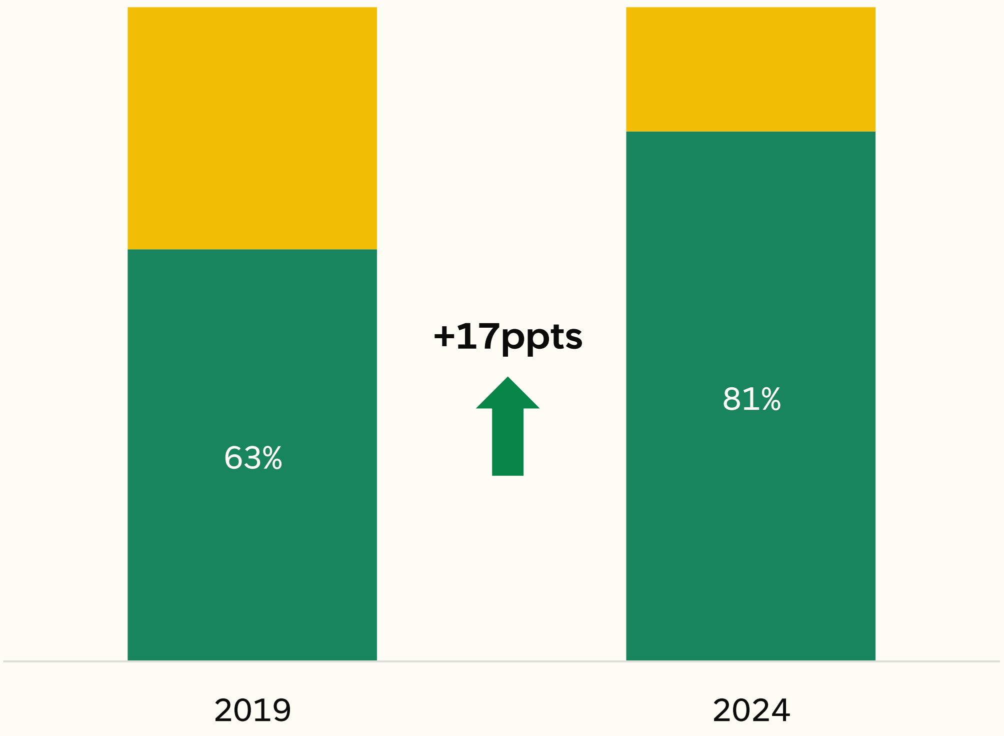
Source: Lumina Intelligence Market Sizing Insight & Analysis, March 2024

Casual dining brands continue to increase delivery services

Four in five casual dining brands offer delivery services, with exclusions mainly brands within the pub and bar segment. Brands offering delivery are increasingly turning to digital channels to connect with customers. Operators including German Doner Kebab, Pizza Express and McDonalds have launched or upgraded apps to allow consumers to order food directly, opening channels for more effective consumer interaction.

GDK recently launched its online ordering app in 130 stores across the UK. The platform streamlines in-venue ordering and provides customers with a centralised hub for placing orders for table service, collection or delivery.

Proportion of casual dining brands which offer delivery, 2019-2024



Source: MCA, German Doner Kebab, Lumina Intelligence, March 2024

Pub & bar delivery services triple versus pre pandemic

Pub and bar delivery availability has increased by +36ppts to 54% in 2024 versus pre-pandemic, yet delivery services under-index versus other channels. Operators are employing a multi-faceted approach to ensure they continue to capitalise on opportunities in the at-home channel without cannibalising on-site sales.

Brewdog looks to engage consumers in non-traditional settings with its park delivery service. The offering taps into outdoor socialising trends by targeting park goers during warmer weather showcasing the brands adaptability.

PARK DELIVERY

Looking to pimp your picnic? BrewDog Now makes the perfect park companion.

MINI KEGS

Say goodbye to picnic interruptions. With five full litres of delicious craft beer the whole gang can focus on enjoying the great outdoors and leave shop runs behind.

2024 delivery availability by channel, vs 2019

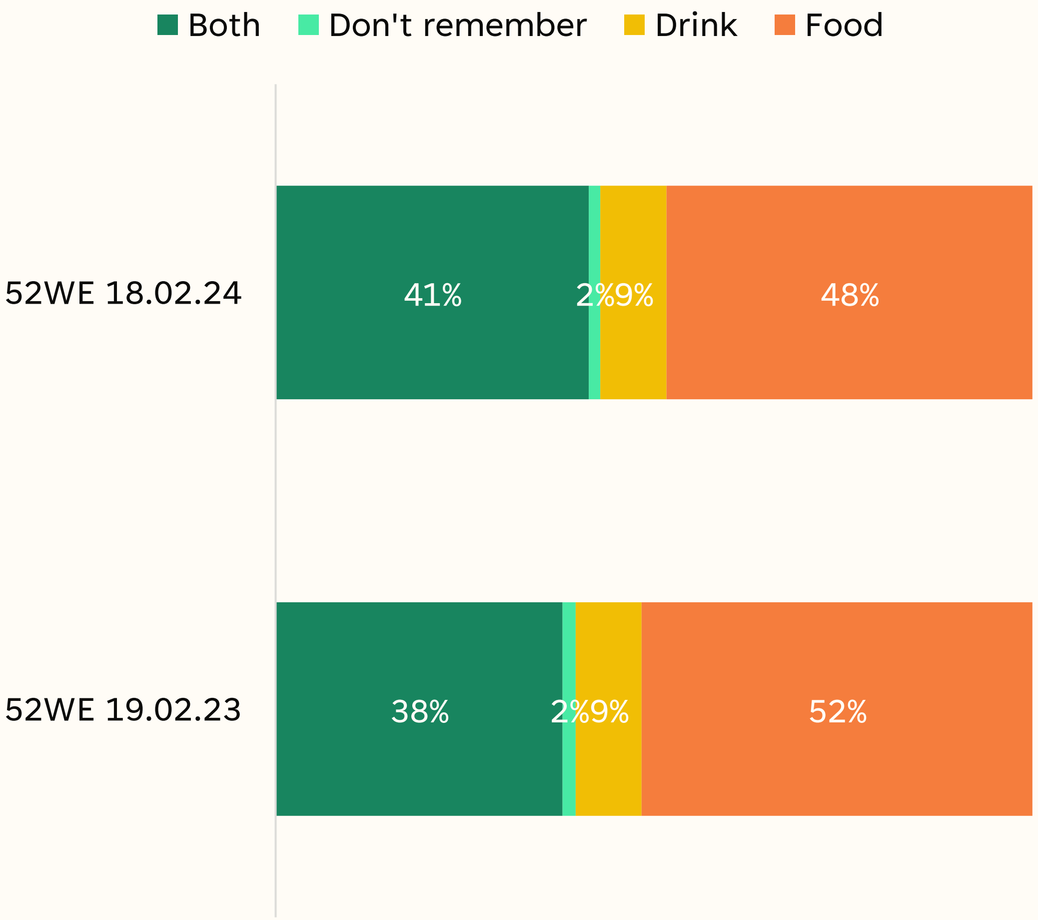
Channel	2024 availability	Change vs 2019
Traditional fast food	100%	0ppts
Contemporary fast food	94%	+13ppts
Branded restaurants	88%	+12ppts
Pub/bar restaurants	54%	+36ppts

Source: Brewdog, Morning Advertiser, Lumina Intelligence, March 2024

Meal deals and aggregator prompts drive a rise in purchases of food and drink together

Consumers are increasingly purchasing food and drinks together on delivery, with a +3ppts rise year on year. This indicates demand for delivery meal deals, which can be a simple and effective way to deliver value to consumers and stand out from other brands.

Food or drink purchases, delivered occasions



Chik Box Uber Eats meal deal selection

Source: Lumina Intelligence Eating and Drinking Out Panel, data collected 52WE 19.02.2023 and 18.02.2024

Foodservice delivery growth inhibitors, 2024F-2027F

A lack of healthier options is restricting customer ordering frequencies in the market, inhibiting growth.

Higher importance

Internal

- ↑ **Lack of healthier alternatives** restricting customer ordering frequencies
- ↔ **Reduced operator profitability and margins** with consumers reducing spend on delivery versus on-site
- ↓ **Reduced brand awareness** when creating virtual and delivery-only brands from dark kitchens
- ↔ Reliance on and **cost of third-party aggregators** with a threat of increases in commission costs
- ↔ **Poor experience threatening brand perceptions** through packaging and/or transit mishaps
- ↓ Threat of persisting **delivery strike action** impacting delivery aggregator profitability

External

- Annual changes in legislation surrounding **legal minimum wages** driving up staff costs ↔
- Stronger **return to pre-pandemic lifestyles** driving out of home on-site occasions reducing delivery demand ↔
- **Growth in competition** from meal boxes, “makeaway” kits and gourmet ready meals in grocery channels ↑
- Increases in bills, tax and high inflation **dampening consumer appetite** for non-essential spending ↓
- **Consumer concerns around health** exacerbated by mandatory calorie labelling at point of sale ↔
- Ongoing **perceptions of delivery as an occasional ‘treat’** restricting order frequencies ↔

Lower importance

↑ Growth in importance ↓ Decline in importance ↔ Retain importance level

Source: Lumina Intelligence, March 2024

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Future Outlook

Methodology

Eating & Drinking Out Panel

Lumina Intelligence's UK Eating & Drinking Out Panel tracks the behaviour of 1,500 nationally-representative consumers each week, building up to a sample of 78,000 every year, across all eating out channels and day-parts (including snacking)

2020-2024

Market Sizing & Operator Data Index

Market sizing data tracking the performance of hospitality and grocery operators, based on turnover and outlet numbers

Extracts from Operator Data Index and wider synthesis with total Eating Out market sizing

Lumina Intelligence Operator Data Index tracks and forecasts outlet and turnover information for over 400 brands across the eating out market

2018-2027F

Top of Mind Business Leaders Survey

Lumina Intelligence Top of Mind business leaders survey - targeted at industry professionals across the eating out and grocery retail markets, to understand the trading environment, challenges and growth opportunities

July 2021-2023

Secondary external sources

Lumina Intelligence also uses external sources including desk research, GFK Consumer Confidence Index and EY Item Club economic indicators

Source: Lumina Intelligence, March 2024

Report Details

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Access

Corporate Access

To learn more about how Lumina Intelligence can support you, please get in touch using the contact details provided below.

Get in touch

Holly Franklin

Head of Sales

Holly.Franklin@lumina-intelligence.com

www.lumina-intelligence.com