



Putting in the Legwork for Food Delivery

In-depth analysis and insights to inform your decision-making.

March 2019

KEY INSIGHTS

While visiting a food delivery company in London, T. Rowe Price investment professionals saw a unique opportunity to go the extra mile in their research and gain a deeper understanding of the company's potential to deliver growth for investors.

Several of our investment professionals focus on identifying early-stage companies that could disrupt their respective industries through technological or business model innovations.

Meal delivery from restaurants has traditionally been a very manual, phone-driven process, and it remains so even today amid the growing number of applications available to mobile users. But the food delivery industry appears to be on the cusp of a technology shift.

Delivery is the fastest-growing channel in food service and is forecast to grow 51% between 2016 and 2021.¹

From Brewery Parking Lot to Concept Kitchens

Our investment professionals go beyond the numbers when analyzing companies, heading out into the field to interview top managers and observe operations firsthand. Their research led them to a

London-based food delivery company that had recently unveiled an innovative concept to complement its traditional delivery model: a decentralized network of satellite kitchens from which to launch bike deliveries in a congested urban environment.

The kitchens were essentially converted storage containers with modern equipment and a lean staff. This concept is a fully integrated model, in which orders are accepted, the food is prepared, and delivery people and vehicles are at the ready to transport prepared meals to customers.

The visit illustrated the detail-oriented approach of the company's leadership team and their use of technology to improve speed.

The logistics of running this sort of enterprise are complex due to myriad factors that must be taken into account, such as traffic flow, the weather, and the ebbs and flows of customer orders.



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¹ Source: Euromonitor International, 9/17.

We really viewed the concept as durable, and differentiated, and it was the first time we had seen someone try to do this at this scale.

The company uses machine learning to predict the time it will take to prepare a meal and ensures that delivery riders arrive at the right time and aren't waiting for food to be prepared. Its algorithm evaluates the most efficient way of distributing orders based on the location of restaurants, riders, and customers, which has led to a 20% decrease in delivery time.

Our professionals were particularly impressed by the CEO's leadership and understanding of the intricacies of running this business.

Gathering Data From the Delivery Seat

One of our investment professionals decided there was more he could learn about the company's efficiency. So, to get the full story, he hopped on a bike to see for himself.

He'd never biked through London before. And while it was intimidating, it provided the opportunity to talk to the restaurants and understand their relationship with the delivery company.

Through a combination of observations while delivering orders himself, meetings with company management, and thorough quantitative research, he was able to get the full story on the company's potential to deliver for investors.

Optimizing Both Sides of the Delivery Business

Today's consumers are more inclined to eat at home and are becoming more comfortable using smartphones and tablets to place their orders. That's making delivery the fastest-growing channel in food service, which is forecast to grow 51% between 2016 and 2021.²

To be a successful innovator in the food delivery industry, companies need to do two things very well. First, they need to entice customers to select their business by providing the right selection of meals at a competitive price. Second, on the delivery side, they need scale. Only a steady flow of orders per delivery will be economical.

This research is critical to understanding the economics of food delivery. And an important part of that research is being able to go into the field to see for ourselves whether a company can deliver—in this case, on a bike.

² Source: Euromonitor International, 9/17.

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