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CLIENT OPTION 1

Project: Food Delivery

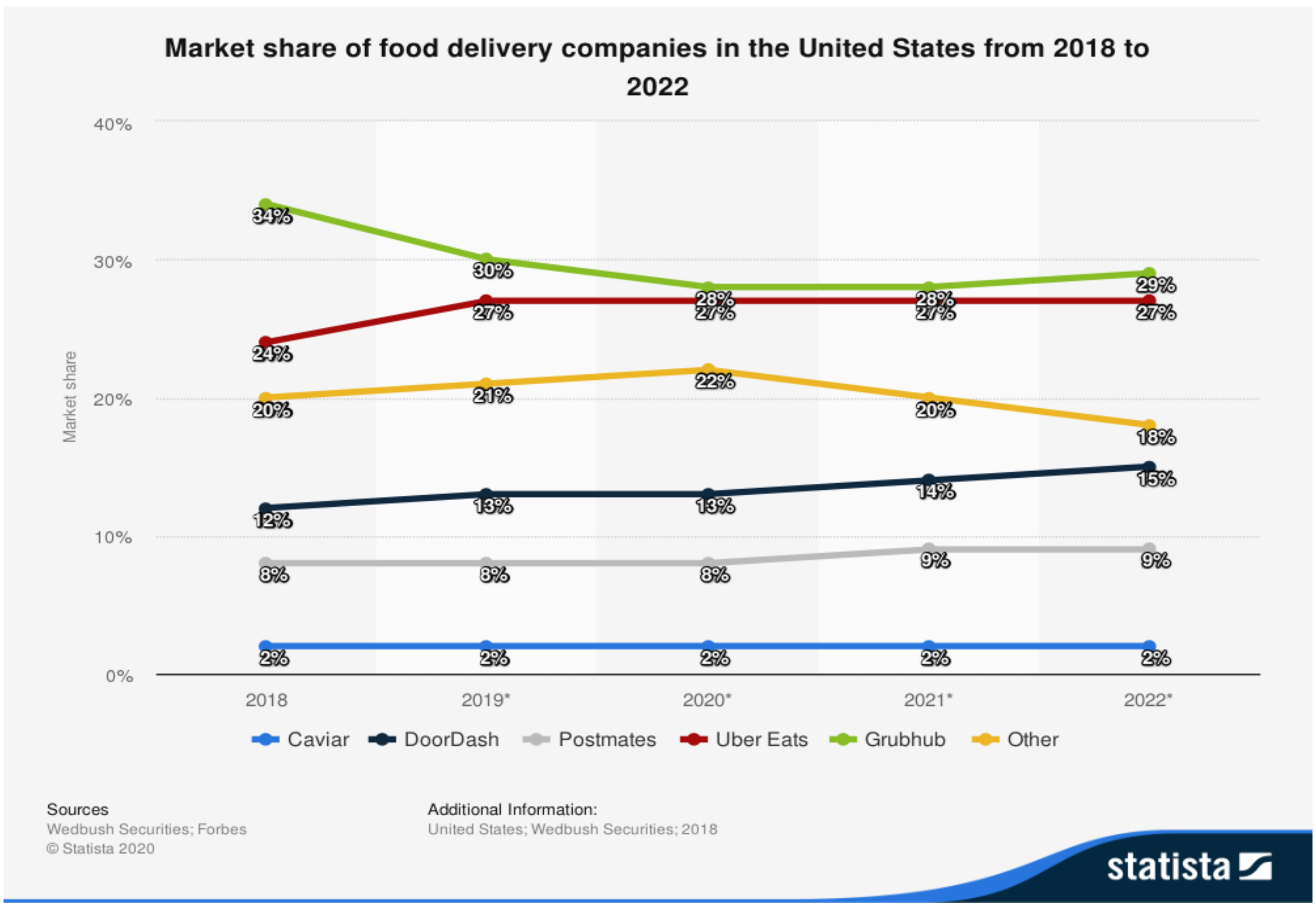
Research Objective: Lyft is considering offering food delivery like Uber eats. **We would like to determine consumer interest in Lyft food delivery and if there is room for Lyft entering the food delivery service market.**

Research Questions:

1. Who are the main competitors in the app/online food delivery service?
2. Is there a huge demand for food delivery?
3. What competitive advantage could Lyft have over the competition?
4. Who is the target market/ buyer persona/ market segments for this new service?
5. What we can expect consumers to pay for such a service.

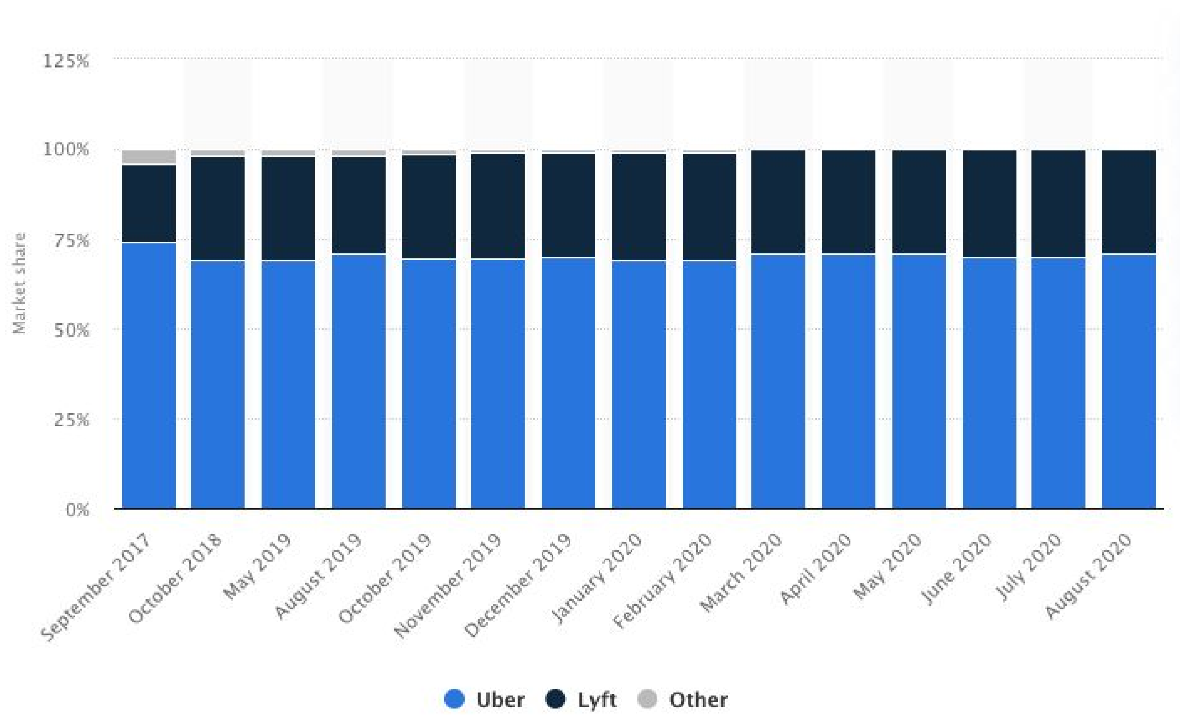
1. **Who are the main competitors in the app/online food delivery service?**

The current major competitors in food delivery service via applications are Uber Eats, GrubHub, DoorDash, Postmates, and Caviar. As of early July of 2020, Uber acquired Postmates in a "2.65 billion all stock deal" according to a Fox Business article "Most Popular Food Delivery Apps"(A). This acquisition further feeds into the strength and market share Uber and their subsidiary, Uber Eats, have on the food delivery service scene. The breakdown of market share in the food delivery app industry is quite interesting. The chart below shows the past, 2018-2019, as well as the present and a glimpse into the projected future up until 2022 in the United States. In this graph (B), Postmates and Uber Eats are still considered separate entities but they are under the same ownership as aforementioned.



The graph above predicts Grubhub and DoorDash will slightly increase their market share by 1%-2% over the next few years while Uber Eats, Caviar, and Postmates will essentially maintain their current market share as of 2020. The yellow line on the chart dictates the other companies that do not have substantial market share. These companies are predicted to see a further decrease in market share due to food delivery giants such as Grubhub and Uber Eats catching the overall highest levels of consumer interest and business. The companies that are the most recognizable, those in consumers' considerations sets, maintain the largest market share of the food delivery service industry.

The graph listed below (C) shows the two most popular companies providing ride-hailing services in the United States, Uber and Lyft. When Uber decided to start their subsidiary company, Uber Eats, Uber was already established and consumers could easily recognize the name. Consumers feel more confident in trying a new product or service if the name is recognizable and has previously established trust.

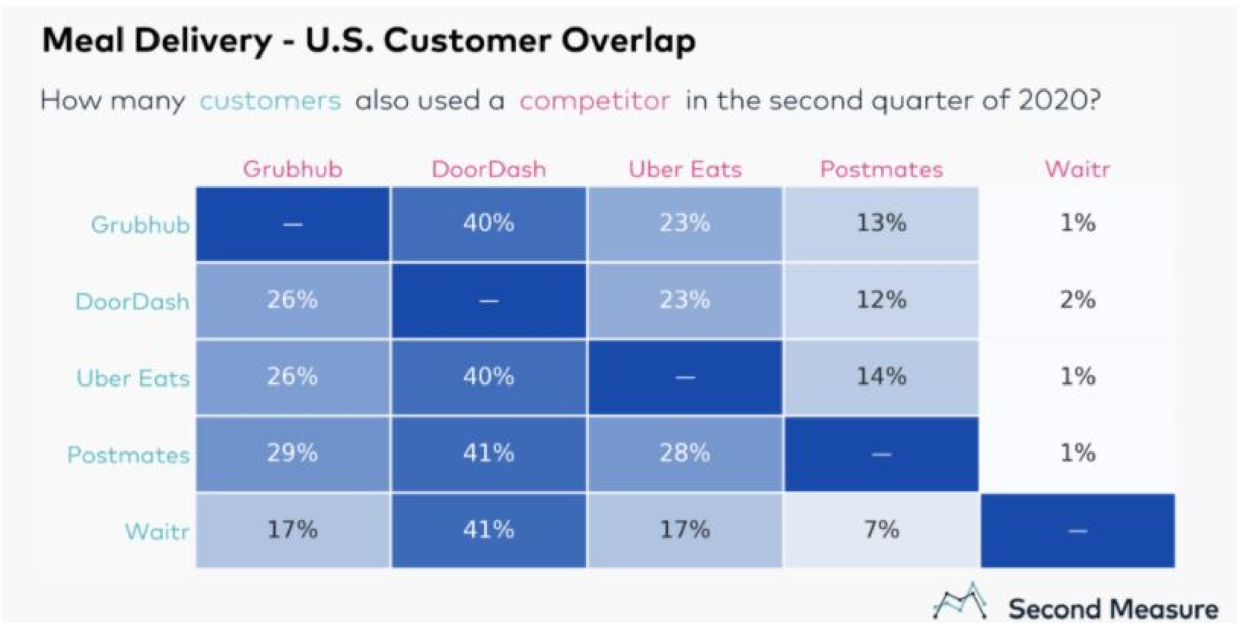


Based on the graph above, Lyft is an established company that is in many consumers' consideration set when it comes to using ride-hailing services since at least 2017. Uber has a larger share of the ride-hailing market and has experienced great success with the subsidiary, Uber Eats. Due to Uber's success, it is probable Lyft will experience similar success when introducing a food delivery app to the market, "Food Lyft". It is likely that the current trend of Lyft falling second to Uber would continue in the food delivery service market, Lyft would most likely see lower market share than Uber. Lyft could potentially beat out other competitors such as DoorDash or Postmates if Lyft can establish itself as a consistent food delivery app service at a high quality standard. There are many competitors in this landscape, but Lyft could make a powerful entry into the market and see great success during this challenging pandemic ridden climate.

2. **Is there a huge demand for food delivery?**

During the Coronavirus pandemic, many industries have experienced substantial declines in sales and have gone as far as to go through foreclosure and completely close their doors. Food delivery service is one of the few industries to survive this challenging time and even see an increase in sales over 2020. According to "Which Company is Winning the Restaurant Food Delivery War?" sales for "meal delivery services grew 158 percent year-over-year collectively" as of September 15, 2020 (D). The consumer demand for food delivery is high and expected to continue to grow. The article "Fighting for Share in the $16.6 Billion Food Delivery App Market", written in June 2019, estimates that "global online food ordering will expand to $365 billion by 2030… 20% growth each year from the current $35 billion reality (E). The demand is high and consumers are open to trying new companies.

A very important insight into the food delivery service industry is many consumers are not specifically loyal to one company, users switch from one platform to the next depending on which restaurants are partnered with each respective app. Other reasons consumers switch between apps is wait time, service delivery fees, and varying subscription service offerings. The chart (D) below highlights the percentages of users that remain loyal or switch between apps for Grubhub, DoorDash, Uber Eats, Postmates, and Waitr.



Meal Delivery - U.S. Customer Overlap

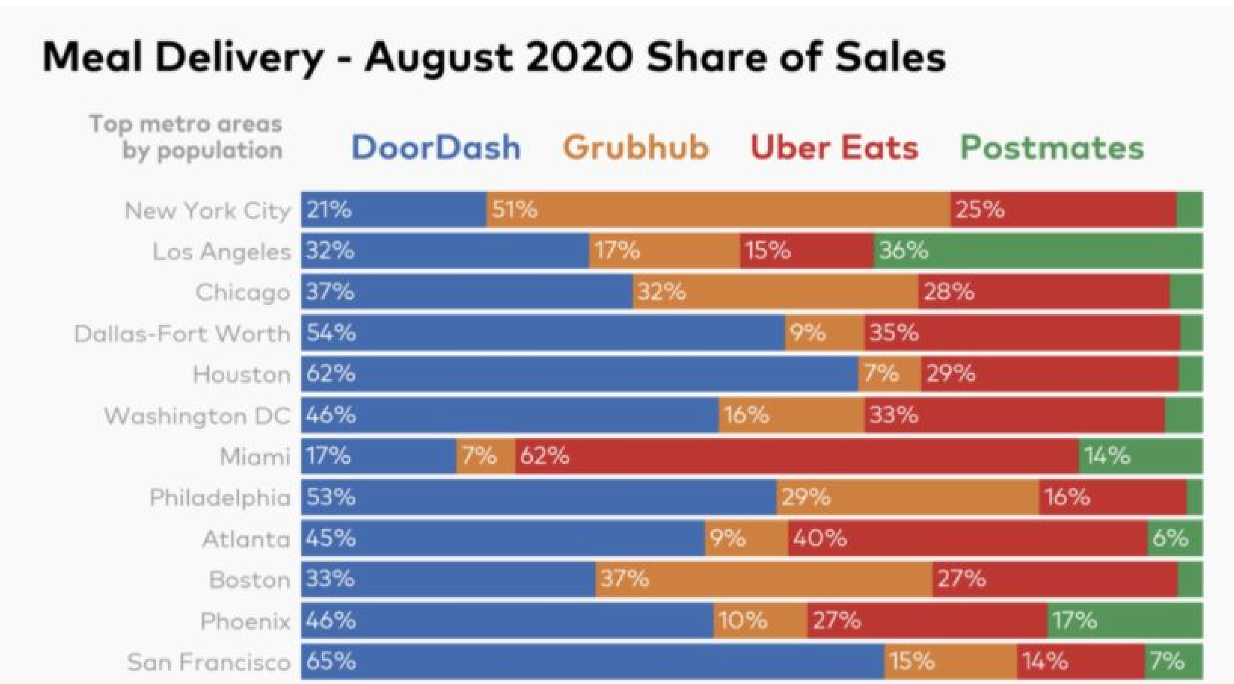
How many customers also used a competitor in the second quarter of 2020?

	Grubhub	DoorDash	Uber Eats	Postmates	Waitr
Grubhub	–	40%	23%	13%	1%
DoorDash	26%	–	23%	12%	2%
Uber Eats	26%	40%	–	14%	1%
Postmates	29%	41%	28%	–	1%
Waitr	17%	41%	17%	7%	–

Second Measure

In the chart above, it is visible that very few customers stay loyal to one app, there are many instances of users switching apps depending upon needs. For example, 26% of Uber Eats customers used Grubhub, 40% used Doordash, 14% used Postmates, 1% used Waitr. Based on the calculations, only 19% of Uber Eats users remained loyal to Uber Eats and did not use any of the other food delivery platforms listed. This is a fairly low customer loyalty rate and is a common trend amongst food delivery service consumers. In the food delivery service competitive landscape, it is fairly easy for a company to enter into the market, but there is a high turnover rate due to low customer loyalty. Companies have to fight for consumer attention and attempt to retain business to the best of their ability in order to stay relevant in the marketplace. Lyft would be able to enter the market for food delivery service and experience success as long as Lyft can keep up or surpass other companies in the industry.

The overall demand and competitor breakdown changes depending on which part of the United States consumers are in. The graph below shows delivery sales and company popularity in August 2020 across major metropolitan cities in the United States (D).



From the graph above, DoorDash had the highest percentage of sales in these specific markets out of the listed competitors (Grubhub, Uber Eats, Postmates). In order for Lyft to enter the market and make the best impression in these major metropolitan cities, it is important to analyze the competitors and determine the reasons behind their successes and failures. Lyft analyzing DoorDash's success could provide insight into why demand for DoorDash service is high and what Lyft could do to outperform them. Lyft should enter the market, the demand for food delivery service is extremely high and is expected to continue to grow in coming years.

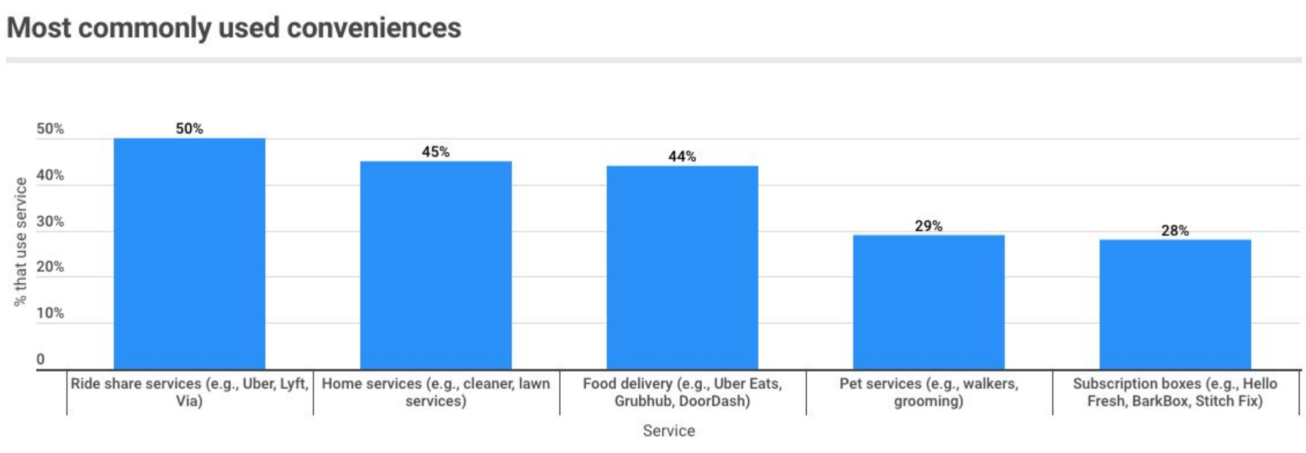
3. What competitive advantage could Lyft have over the competition?

Lyft entering the food delivery service industry at this stage would be beneficial because Lyft is able to study the current competitive landscape and see what strategies were successful and which were failures for competitors. Lyft is already an established household name in the ride-hailing app service industry and is trusted by many. The food delivery app industry, as previously mentioned, is not dominated by one company, many companies have significant market share. Due to customers shifting between apps due to varying services, partnerships, subscriptions, etc… it is less difficult for Lyft to enter the market and become a major competitor. Consumers are likely to try Lyft as a food delivery service since customer loyalty to other apps is relatively low, and give the service a chance. If Lyft is able to provide quality service that is at least comparative or better than competitors, Lyft will be able to establish itself as one of the core delivery service apps. This is one of Lyft's competitive advantages over other companies trying to enter this industry, Lyft has a long established name and is simply branching out. Lyft already has consumer trust and acknowledgment, this is a big component in being successful in a competitive market landscape.

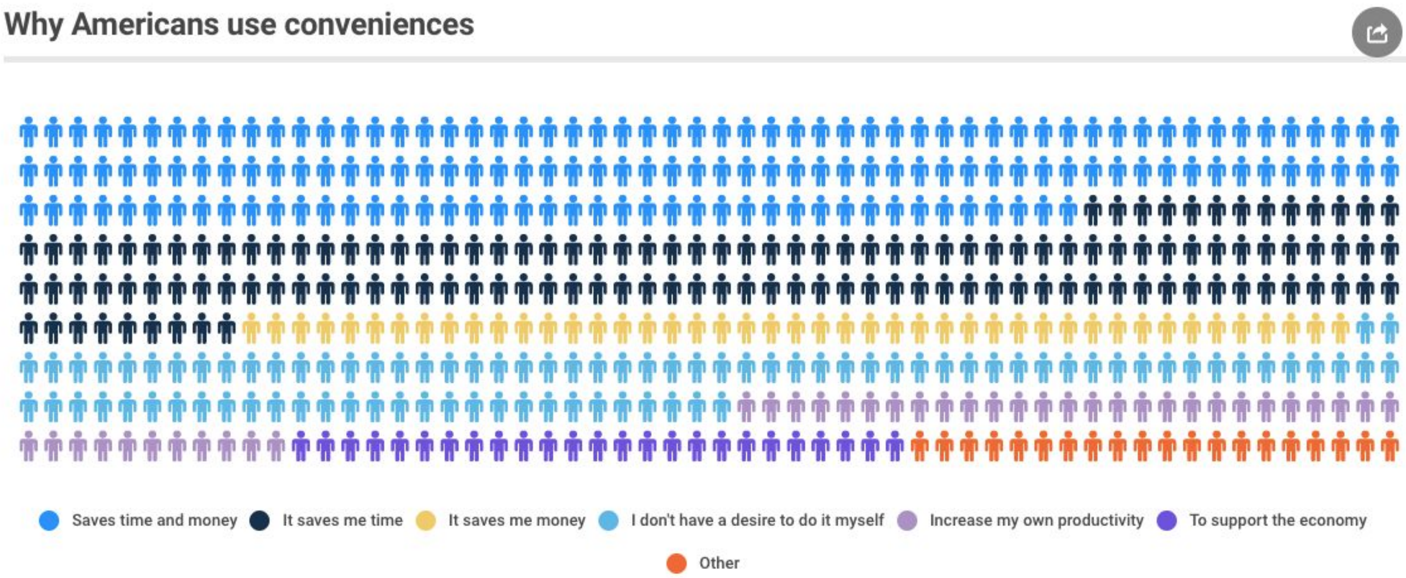
Another advantage "Food Lyft" will have is their competitive pricing. Pricing is heavily discussed in section five, but "Food Lyft" will have no surge pricing, a standard delivery fee between $2-$7, no minimum order rate, and a service fee charge ranging from 10%-25%. This pricing strategy allows for "Food Lyft" to have a competitive edge over the competition who require minimum order rates and have surge pricing. The service fee and delivery fee are slightly below market average, which is yet another advantage. Consumers who are cost conscious will take these attributes of "Food Lyft" into consideration and give the platform a try. "Food Lyft" will make an impactful entrance into the food delivery service application industry.

4. **Who is the target market/ buyer persona/ market segments for this new service?**

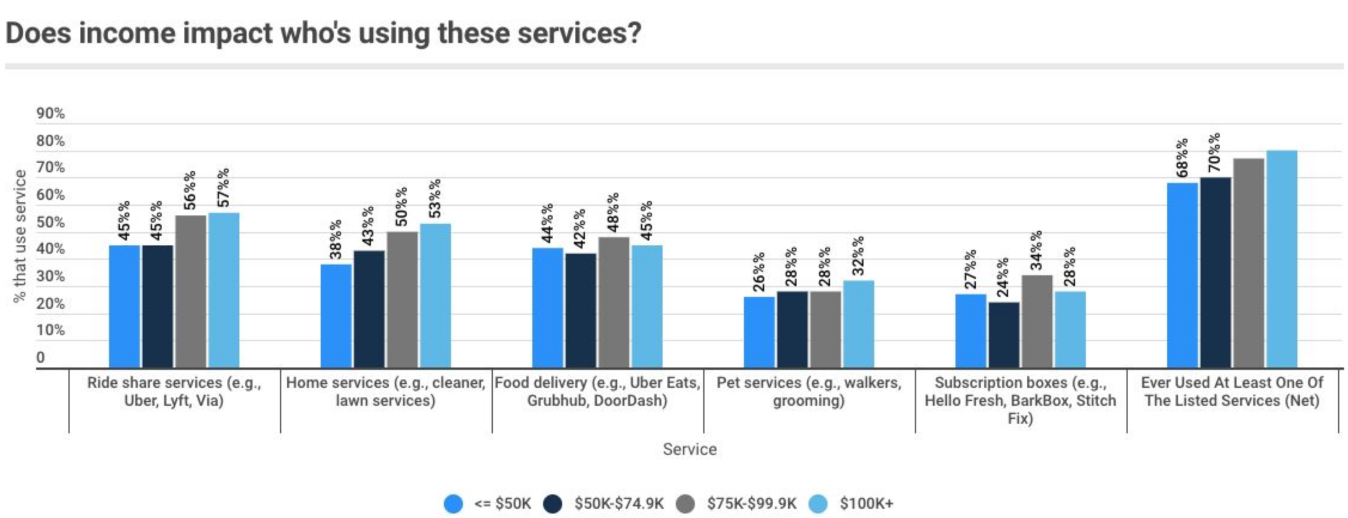
The food delivery service falls under the category of convenience services such as monthly subscription boxes, pet caretaking services, rideshare services, and home services. The table below highlights the percentages of the United States population who use convenience services, 44% are said to use food delivery methods such as Uber Eats, Grubhub, and DoorDash (G).



People often seek out convenience services because they do not think the time, money, or overall effort required to complete the task is worth the perceived benefit. Consumers sometimes consider the pros and cons of their decisions and act based on how they feel they will benefit the most. When food becomes the topic of discussion, people can throw rationality to the wayside and act differently than they would normally. For example, a target for these apps is a person sitting in an apartment in Manhattan and starts to become hungry, the person is about to go get food and realizes the weather is terrible. This person will most likely order from a food delivery app in order to avoid the hassle of walking to get food in the rain. During storms, these convenience services often experience heightened levels of orders, surge pricing will occur and consumers will be spending more money. Consumers weigh convenience, cost, and their perceived level of need and act accordingly. These convenience services prey on consumers who do not focus solely on cost but allow inconvenience or self-interest to take control of their wallets. The graph below highlights the reasons often use convenience services (H).



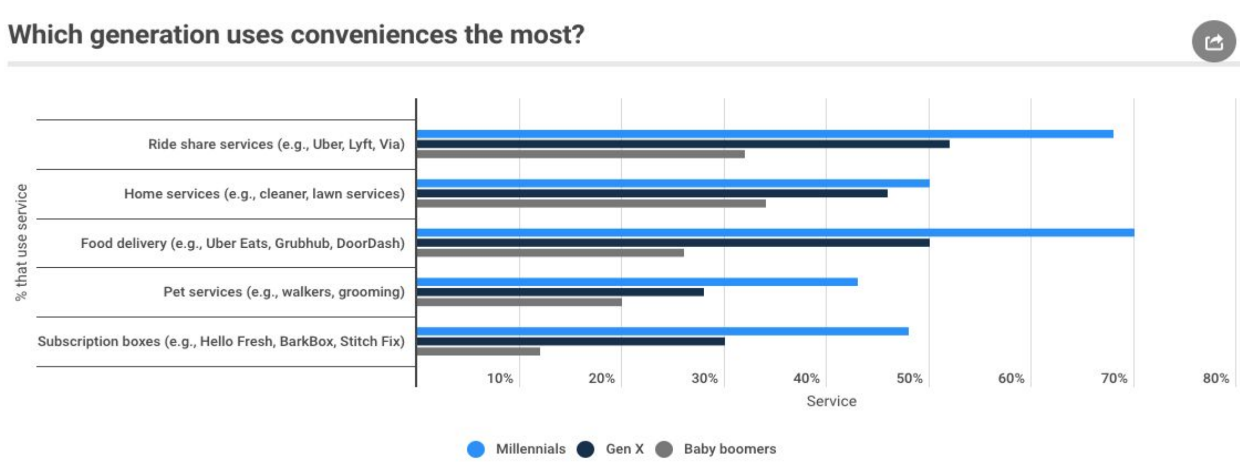
The physiological need to eat is often put off to the side in order to keep getting work done at the office, or getting the last part of a project turned in before midnight. The convenience of ordering food via food delivery apps allows for consumers to continue doing what they find to be the most important tasks while having their physiological need, food, being delivered directly to their door. These apps allow people to take care of themselves with minimal effort, consumers value services that make life easier, save time and money, and increase productivity.



The incredibly interesting part about the food delivery service industry is that there is very little discrepancy between the percentage of people who use these services and their respective incomes. The chart above indicates the percentages of consumers in four different income brackets who use food delivery services (H). The largest percentage of consumers who use food delivery service fall into the $75 thousand to $99.9 thousand per year bracket at 48% of the population using food delivery apps. The lowest percentage is 42% with an income of $50 thousand to $74.9 thousand per year. Ranging from 42% to 48%, food delivery apps have an appeal to all of the income brackets, meaning the potential customer base is extremely large.

As there are differences in food delivery service spending in relation to income, the same can be recognized in spending patterns between males and females. According to the article "The Cost of Convenience" Males account for 48% of the user base while females only account for 41% of food delivery service sales (H). This is important to account for when honing in on a target customer persona.

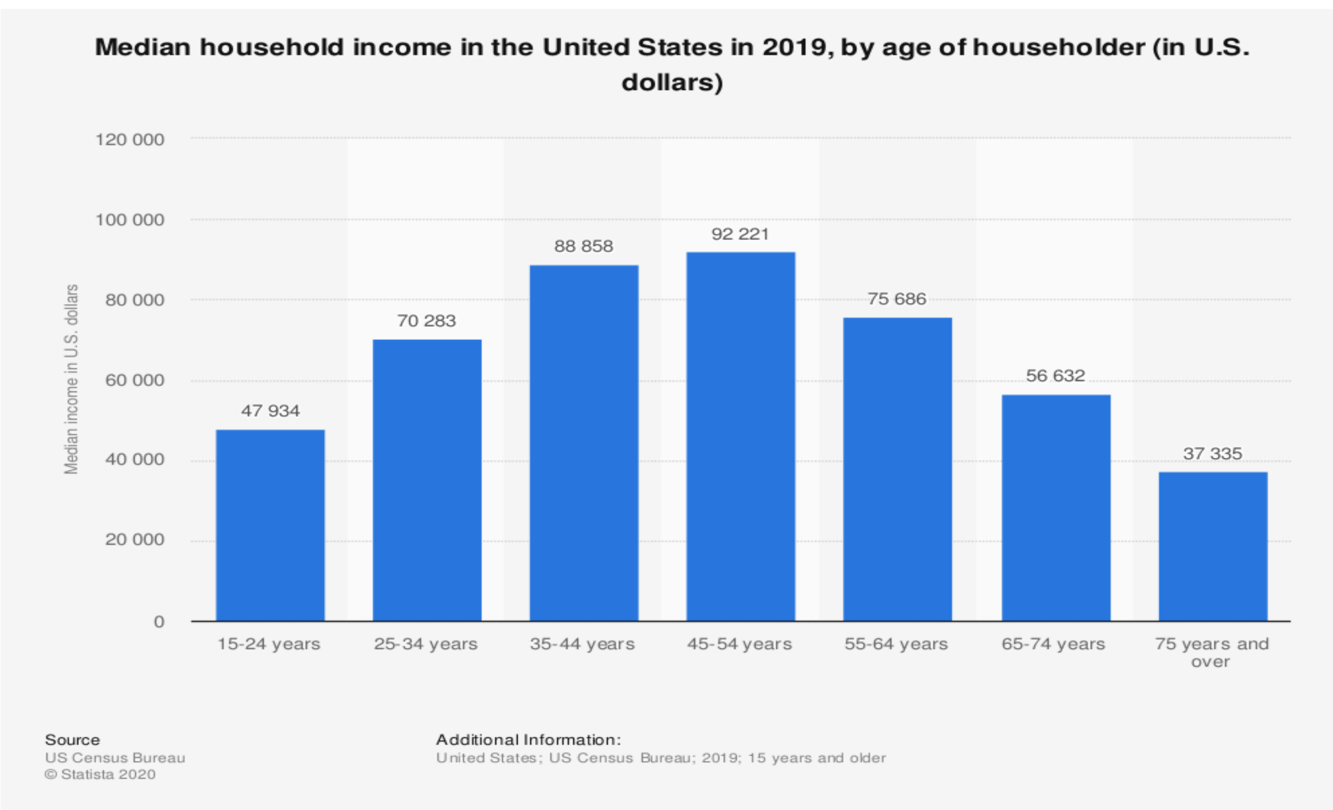
Income, gender, and reason behind using food delivery services has been established, the last component to deciphering the target customer is age demographic. According to the graph



below, Millennials are the highest percentage of the population using food delivery services at 70%.

The next largest generation percentage using these apps is 50% of Gen X followed by 26% of Baby boomers. The correlation between using this service and age is most likely linked to the level of comfortability with technology as well as Millennials' desire to “want everything handed to them” and their increased likelihood to “outsource tasks” according to “The Cost of Convenience.”

Millennials are defined by Pew Research Center as the age group born between 1981 and 1996 (I). The Millenial age group in 2020 is around 24 to 39 years old plus or minus a few years depending on different classification of Millenial birth years. In order to find the optimal target client for Lyft’s new food service delivery it is crucial to see income distribution of Millenials. The graph below displays median incomes for varying age groups in the United States (J). Millennial income is roughly between $48 thousand to $89 thousand per year based on the graphic below.



Based on thorough research of consumers, convenience services, income earnings, and more, the target consumer profile has been established. The buyer persona is Sam Watson from West Palm Beach, Florida. Sam is a 30 year old male with an income of $80 thousand annually. Working as a commercial real estate appraiser, Sam spends many nights and weekends working in the office getting tasks completed. Sam is often hungry and orders food via Lyft delivery service to his office lobby. Lyft's service is not only convenient, but leads to heightened levels of productivity at work. Sam is able to avoid the time, hassle, and energy required of going out to get food.

On a less specific scale, the target market is Millennials with the annual income ranging between $50 thousand to $100 thousand. The Millennials are busy working or doing side hustles and prefer to outsource tasks rather than spend the time doing it themselves. These consumers are not worried about delivery fees or wait times but are solely concerned with the food arriving at their doorstep.

5. **What we can expect consumers to pay for such a service.**

In the realm of food delivery service applications, it is standard for the company to charge a flat rate delivery fee that is typically $1.99 to $3.99 per order (F). In addition to this charge, there is a service fee that varies greatly depending on the consumer's order. The service fee is generally a percentage of the overall order total ranging from 10% to 30% according to the Food Boss article "What is the Cheapest Food Delivery App?" To give an example of the calculations, "if you order $30 worth of food from a restaurant, you could be charged an extra $7.50 fee on top of the $1-$3 delivery fee" (F). The chart below highlights comparisons between each of the major food delivery service apps and if they have surge pricing or mandate minimum orders (K). These findings allow "Food Lyft" to create an optimal pricing strategy to outperform existing competitors in the market.

How 5 popular food delivery services set their prices

	Standard Delivery Fee	Surge Pricing? (Raising rates during busy hours)	Minimum Order?
GrubHub	Lets each restaurant decide.	No	Lets each restaurant decide.
Postmates	$3.99 for Partner Merchants. All other merchants range between $5.99-$9.99.	Yes	Not for standard orders. $20 minimum to qualify for free delivery with Postmates Unlimited.
UberEats	Usually $2 – $8 (depending on your distance from the restaurant)	Yes	No
Caviar	$1.99 – $8.99, (depending on your distance from the restaurant) +18% service fee.	No, but does increase minimum orders during busy hours.	$15 – $25
DoorDash	99 cents to $7.99 plus a service fee of 7% to 15% on every order.	Yes	No

Based on the research and current competitors in the market, “Food Lyft” should enter the industry with a standard delivery fee between $2-$7 (based on distance from the restaurant), have no minimum order mandate, charge a service fee between 10% -25%, and not have surge pricing. These attributes will allow consumers to have a greater perceived benefit of using Lyft over other competitors that require a minimum purchase such as Caviar, Grubhub, and Postmates. The other two main competitors in the industry, DoorDash and Uber Eats, do not require a minimum order and have experienced great success. Another way that Lyft will stand out from the competition is by not charging surge rates during busy hours of ordering. Consumers will be more likely to order from Lyft if there is less of a perceived financial risk, this will get consumers familiar with Lyft as a food delivery app. The new name, “Food Lyft” will distinguish the new services from the existing ride-hailing services, but all the functions will be available in the Lyft app. Having “Food Lyft” and the original Lyft all in one app will convince existing Lyft customers to give the new services a try due to convenience and familiarity. With these attributes, “Food Lyft” will make a great market entry and take away market share from the existing competitors. Lyft is a familiar and well established name that consumers are happy to associate themselves with. Users of food delivery service applications are rarely loyal to one app, so the transition to “Food Lyft” will be seamless.

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