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Food delivery: an analysis of existing and future business models based on digital platforms

Supervisor

Ch. Prof. Claudio Giachetti

Graduand

Alberto Furlan

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INTRODUCTION

It is pretty clear that the arrival of Covid-19 pandemic has completely changed the world in which we are living. Everything changed in every aspect of people life: social, environmental, political and especially economical one. From this last perspective, two opposite ways of changes can be identified. Some big industries and markets - such as travel, arts and entertainment, physical events and food services - have been deeply damaged by the pandemic emergency. Some other sectors, instead, grew very rapidly at an exponential pace thanks to the restrictions and confinements imposed by governments almost all over the globe. They are mainly related to all e-commerce, digital and internet-related businesses. Coronavirus pandemic even permitted the birth of new trends like distant learning and fostered the growth other ones that were already raising up before 2020. One of them is the protagonist of this research: food delivery. The analysis of this business trend will try to comprehend all the stakeholders involved, with a strong focus on food delivery digital platforms' perspective.

Prior scientific literature about the topic is mainly focused on two perspectives: studies on consumer perception and behaviour towards online food delivery and operational implications for restaurants while joining these kind of platforms. Scholars gave little or no attention to digital delivery platforms' point of view, and this thesis aims to fill this gap. Data about food delivery platforms come especially from online business magazines, consulting firms and data companies, but they lack of operational cues that might be useful for delivery platforms. Furthermore, another peculiarity of this research is represented by the timing: the thesis is carried out during an extraordinary event never happened before that inevitably changes paradigms for the food delivery industry.

The goal of this thesis is not just to explain in details how business models of food delivery platforms work, but especially to understand which are the requisites to survive and win in the "New Normal" environment of the huge food delivery industry.

The perspective of the analysis will be broader and global oriented at the beginning, to be more specific and concrete while analysing case studies then. Direct testimonies of practical case studies permit having also a vision from the inside about food delivery firms. In this way, the research aims to demonstrate which business

models will be able to successfully face the market conditions brought by the pandemic, thus highlighting winning business models' specs.

The thesis will start by showing an overview of the global food delivery's business since the outset, trying to find out which were the factors that permitted the birth and growth of this industry over time. Chapter 1 will also contain useful data about global market conditions before and during Covid-19, in order to underline the size of the outbreak that food delivery had in 2020.

In the second chapter there will be a deep examination of food delivery platforms business models, that are all examples of "Multi-sided platform" configurations (Osterwalder and Pigneur, 2010). In this section, food delivery platforms will be divided in two categories: aggregators and new-delivery platforms, that will be both discussed in detail and compared each other (Hirschberg, Rajko, Schumacher, Wrulich, 2016). For each category there will be an examination of the key players that are competing in the market and how are they operating to be competitive.

Chapter number three will be devoted to marketing and communication strategies of food delivery platforms. This section will start with a change of perspective from companies-oriented to customer-oriented, as it will investigate on consumer behaviour before and during the pandemic. Then, the focus will come back to corporates' side, with a deep analysis of food delivery platforms' marketing operations: mainly represented by communication and data analysis.

The fourth chapter represents the core of the entire research because concrete case studies of food delivery platforms will be analysed. The methodology of the case studies analysis has been crucial for the collection of insightful data and concepts about the cases, and it will be explained in detail at the beginning of the chapter.

The main case study regards CocaiExpress, a digital delivery company born in the middle of the lockdown caused by the pandemic. CocaiExpress is the first and only food delivery company operating in the historic centre of Venice. On the other hand, the example of FUD - a food delivery start-up failed in 2017 - will give some interesting cues about mistakes to avoid to not failing in such a competitive sector. Finally, a brief analysis of Direct-To-Consumer firm Pasta Evangelists will provide useful information coming from a company that plays a slightly different role inside the food chain. The mix of successful attributes and mistakes to avoid provided by the analysis of the case studies will permit to achieve the aim of the research: to grasp which are the key factors

to build a sustainable food delivery platform in paradigmatic change situations. These factors will be explained inside the sections composing the business model of a typical food delivery platform, in order to provide concrete and feasible implementations to companies' operations.

To conclude the empirical analysis, there will be an exploration of intrinsic issues affecting food delivery business and proposed suggestions about how to face those challenges and render more sustainable the whole of food delivery chain.

CHAPTER 1 - FOOD DELIVERY OVER TIME

1.1. Overview and objectives

Year 2020 has been a period in which many business sectors experienced an acceleration in their growth that was expected to happen through several years in the future. Food sector is included in this category of industries, considering that Covid-19 and consequent restrictions and lockdowns upset the whole distribution chains around the world. From one side, brick-and-mortar stores suffered a lot from this unprecedented event, while digital retail channels saw huge increases in demand from customers, fostering trends like food delivery (Casaleggio Associati, 2020).

The whole chapter is data-centric and it will analyse online food delivery under a macro perspective, in order to build the fundamentals for a detailed research on digital food delivery business models and case studies. The aim of the first chapter will be to provide insights about the meaning of food delivery business and especially what “online food delivery” means, a concept that will be treated in a detailed way during the research.

First of all, there will be an important distinction among pure food delivery and take-away food. Then, inside the whole food delivery industry, further specification will be made to finally get through the core topic of the thesis: online food delivery. The other important goal of this section will be to provide insightful data about the drivers that led to a growth of digital food delivery worldwide, understanding the reasons why it is considered far more than a simple business trend. Factors taken into consideration will be divided in three macro areas: technological, social and economic factors.

Given the fact that 2020 can be considered as a “year zero” for the whole human being and especially for businesses, the last part of the chapter will be devoted to an itemized analysis about market circumstances before and after Covid-19 pandemic. A comparison between online food delivery industry before and after the arrival of the epidemic will enable to grasp the effects and consequences that this massive event provoked to the sector. Market conditions will be examined both under a global and Italian perspective, where food represents a fundamental element not only from the economic point of view but also from the cultural one.

Thus, chapter 1 will be essential to understand the state-of-the-art of online food delivery industry, even if it is embedded in an ever changing environment. This section represents the basis that will allow to examine - in the second chapter - the ways in which online food delivery platforms operate.

1.2. What is food delivery: a brief history

1.2.1. Defining boundaries of food delivery

Food delivery is one of the most trending topics nowadays, especially after the pandemic arrival, as it has been conceived as one of the few chances for the food services to survive to restrictions worldwide. But, as a trending topic, there might be the possibility to get confused and generalize the concept of food delivery business. For this reason, it is important to set boundaries and make some important distinctions about the broad expression “Food delivery”, a term that risks to be inflated and not always used properly. The following specifications will be useful to understand the field of the entire research.

First of all, there is the need to make a clear distinction among food delivery and take-away food, two expressions that may erroneously be confused with each other. In Take-away or Take-out food systems, customers can order food by telephone or online through websites or apps and then go to the restaurant or business to pick up the food when it is ready. The main advantages of take-away system are preventing crowds for restaurants and business owners and to avoid time waste for customers (Regaudie, 2020).

On the other hand, food delivery is the system in which the food is ordered by the customer, processed by the restaurant or business and then a restaurant’s or a third-party’s driver delivers the food at the requested location. In this case, no pick up is needed from the customer. As in the take-away service, for food business owners there is the advantage of offering a wider range of solutions to the customers and to avoid overcrowding. The main strength that differentiates food delivery from take-away service is that with food delivery a business can reach potential customers who are not willing to move too far from their houses to pick the food up. In this way, food delivery can potentially represent a way to increase the customer base and thus business volumes for restaurants. Further pro and cons for a restaurant to offer a food delivery

service will be analysed in the second chapter of the thesis. From the other side, customers benefit from the delivery service as they can save time and efforts, just waiting for the order to be delivered wherever they want.

At this point, food delivery edges should be clear but let's see which subcategories can be identified to be more precise in the further analysis. Food delivery ecosystem comprehends both food products from groceries – also called “Home cooking food” – and also ready-to-eat food from restaurants, also called “No cooking food” (Wijngaarde, de Miguel, 2017). Along the thesis - in order to provide consistency with concrete case studies - the focus will be on ready-to-eat food delivery that will simply be called “Food delivery”, but some data about grocery delivery will be specified and showed too. When a restaurant or a food business owner decides to offer a delivery service, it has to choose if outsourcing the service or handling it internally. When the delivery service is completely managed inside the business, in-house delivery systems permit restaurants to receive orders directly through phone calls or online with their own website, app. Then, restaurants are also responsible for the delivery of the products and they have to organize their own fleet of drivers and riders (Regaudie, 2020). In this way, restaurants have a complete control on the entire customer experience and, from the business model perspective, they will respectively have more revenues but also increased fixed costs due to the physical and digital delivery infrastructure.

But what if the business owner decides to rely on an external partner for the whole food delivery service? In that case, restaurateurs agree to collaborate with the key actors of this thesis: online food delivery platforms. An online food delivery platform is a mobile or desktop application that connects restaurants with final customers, working as an intermediate by taking the orders from customers and then delivering the goods to requested destinations, or just by taking orders for restaurants that will take care of the delivery later. Every food delivery app also work as a marketplace, where final customers can discover new restaurants on the basis of their location and food preferences. These platforms are like social networks where diners can browse through, explore all food alternatives close by, and choose where they want to order from, everything in a single place (Regaudie, 2020).

The functioning of food delivery platforms' business model and the consequent implications for restaurants and food business owners will be discussed in Chapter 2.

Now that food delivery business has been clearly defined, it is opportune to explore it. The next subparagraph will briefly explain how these platforms were born and how they attracted more and more attention over time.

1.2.2. Online food delivery over time

Traditional food delivery is not a new concept for either restaurants and consumers, but the birth of online platforms represented a paradigmatic improvement as they simplify the whole delivery process for restaurants and provide consumers more available choice. For consumers, platforms make the ordering experience simple and convenient. They put together the menus and prices of several restaurants beyond the traditional local takeaways, allowing customers to personalize orders, pre order meals, opt for delivery or take-away, verify order' status with tracking systems and pay for their orders without the need for paying in cash at the phase of pick up or delivery (Deloitte LLP, 2019). Two different types of online platforms emerged to compete and try to substitute the traditional ordering and delivery methods which did not comprehend digital tools. Thus, even inside the category of online food delivery platforms, an important distinction must be made, on the basis of the business model adopted.

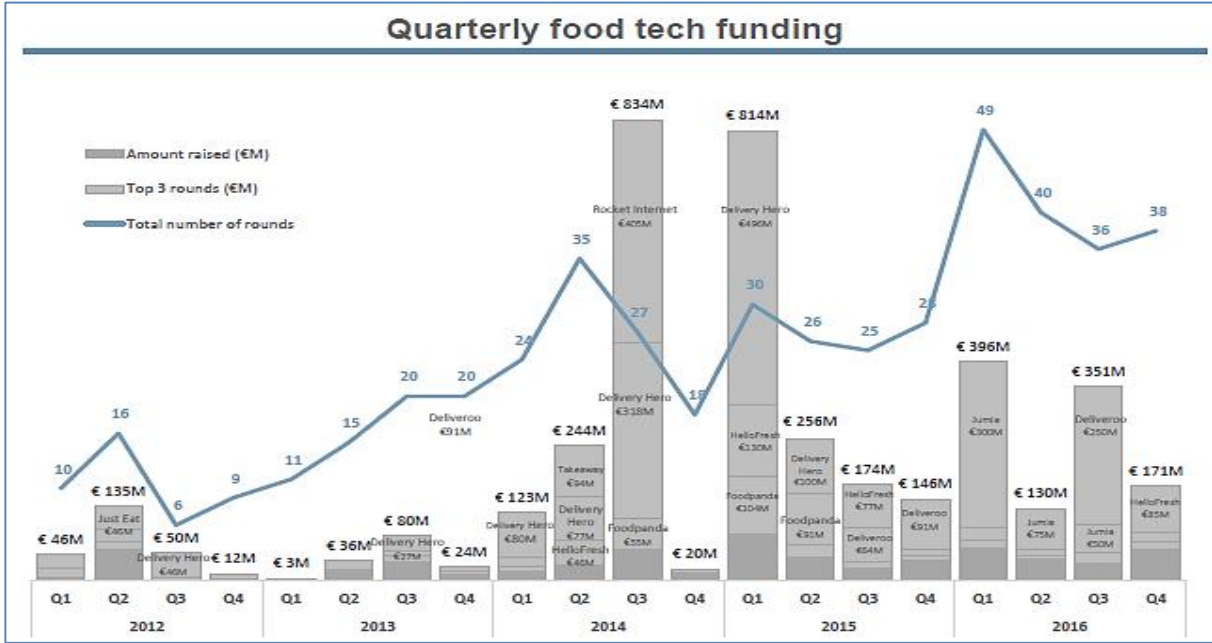
The first typology of online platforms are the “aggregators” - also called “Software only” - which emerged at the beginning of the 2000s. Aggregators platforms work just as a marketplace, collecting orders from customers and routing them to restaurants, which manage the delivery with their own vehicles or riders (Hirschberg, Rajko, Schumacher, Wrulich, 2016). Takeaway.com and Just Eat were the pioneers in the industry worldwide, respectively founded in 2000 in Netherlands and in 2001 in Denmark, followed by Delivery.com and Grubhub in 2004. In Italy, the first aggregator that positioned itself in the Italian food delivery market was Just Eat (Open Box, 2017).

The second group of food delivery platforms appeared in 2013, denominated “New-delivery” players at that time. Today, they are usually called “Logistic models” or “Order and delivery models” (Babych, 2020). As the aggregators, new-delivery platforms permit final customers to compare menus, see and post reviews, and order from a wide range of restaurants with few clicks. But - in addition - these food delivery players build and offer logistic systems to restaurants that do not have their own fleet of drivers or riders. Thus, these platforms are responsible both for the order stage - working as a

marketplace - and also for the delivery service with their own drivers (Hirschberg, Rajko, Schumacher, Wrulich, 2016). Worldwide, most of the new-delivery businesses entered the market in a single hit between 2013 and 2014. First comers in that category were Deliveroo, DoorDash, Glovo, Foodora, Uber Eats and Swiggy in that two years. Nowadays these players are still competing worldwide thanks also to some mergers and acquisitions among them, and their market share and business models will be accurately analysed in Chapter 2. In Italy, first new-delivery actors came in the market in 2015 (Open Box, 2017).

A crucial period for global online food delivery market was the two-year-period 2013-2014, when the foundation of several online food delivery players attracted the interest of mass media and subsequently of worldwide investors. As showed in the graph of Figure 1.1, global rounds of investments on online delivery companies made a staggering jump from \$143 million of 2013 to \$1221 million of 2014, with a growth of more than 850% year-to-year. Then, in 2015 and 2016 the entity of rounds slightly decreased, but always staying over the threshold of \$1 billion in investments per year. Despite that, the absolute number of investments rounds kept growing from 2012 to 2016, proving an increasing attention on online food delivery platforms (Wijngaarde, de Miguel, 2017). This is the reason why the two-year-period of 2013-2014 may be considered as a milestone for the global online food delivery market.

Fig. 1.1: Quarterly food tech funding from 2012 to 2016



Source: Dealroom and Priori Data, 2017

The rationale behind the fact that investors around the world decided to heavily invest on online food delivery sector is partly explained by the article of TechCrunch “A Secular Shift To Online Food Ordering”, where it is underlined the fact that at that time there was an under-penetration of online food delivery compared to the offline traditional method of ordering and delivery. In fact, at the time of the article’s publication – in 2015 - food delivery market value was estimated at \$70 billion, but just \$9 billion was the value attributed to online food delivery. This means that online food delivery represented less than 13% of the entire food delivery market’s pie, as almost 9 out of 10 food delivery orders were still taken by phone (Kim, 2015). Investors saw a huge opportunity for growth in these numbers and they started paying more and more attention to this sparkling business sector.

After seeing these data, a question should arise: what are the reasons for such a massive growth of online food delivery market from the beginning of the last decade? In the next paragraph there will be assumptions on the macro drivers that permitted the rise of online food delivery platform from a technological, social and economic perspective.

1.3. Drivers of online food delivery growth

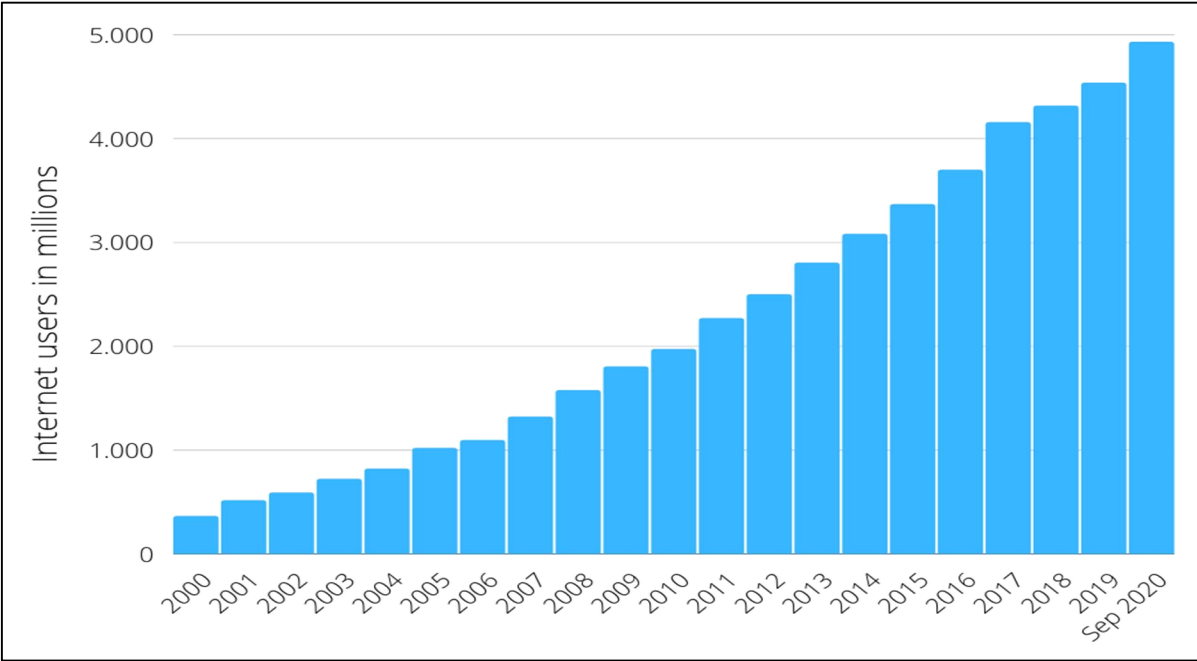
When it comes to analyse and investigate on the growth of a company - or more generally on a particular business trend - it is necessary to start from the macro conditions which are favouring the rise of that start-up or firm. Indeed, to better grasp internal dynamics that regulate a particular business sector, external phenomena should be discussed before. In the case of online food delivery, three macro categories have been identified as responsible for the development of the sector: technological, social and economic factors. These drivers that fostered and are still fostering the exponential growth of online food delivery ecosystem are mainly working since the beginning of the last decade.

1.3.1. Technological factors: digitalization

Digitalization has been a driver that led to paradigmatic changes in almost every business sector and online food delivery does not represent an exception. From a very practical point of view, the birth and rise of digital platforms of food delivery would have

not been possible without digital revolution of 21st century. In particular, there are three main factors that represent the core of digital change and permitted to online food delivery to surf the wave. First of all, online food delivery entails the usage of the Internet. As showed in Figure 1.2, the growth of Internet users worldwide in the last twenty years has been steady, passing from 361 million users in 2000 to almost 5 billion users in September of 2020.

Fig. 1.2: Worldwide Internet users from 2000 to 2020



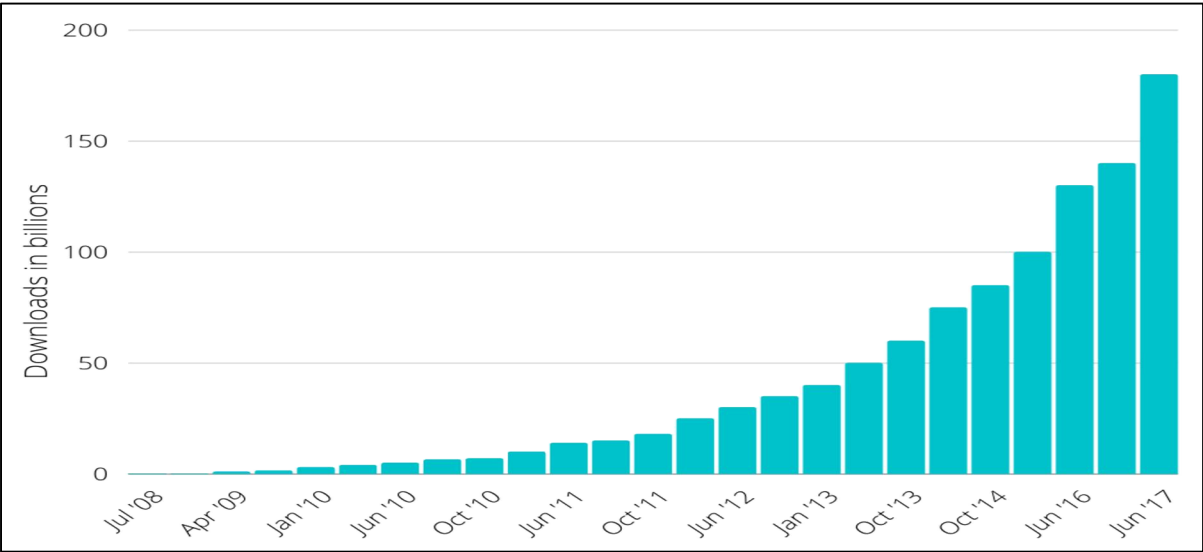
Source: personal elaboration from Miniwatts Marketing Group, 2020

But what is more insightful is the Internet penetration rate, namely the number of Internet users divided by the number of worldwide population. Global Internet penetration rate passed from 5% in 2000 to 63.2% in 2020, with an extraordinary growth of 1266% (Miniwatts Marketing Group, 2020). What is also important to highlight is the usage type of the Internet, where mobile usage plays a key role for the spreading of online food delivery services.

By matching data of Figures 1.3 and 1.4, it is possible to catch the increasing importance of mobile technologies and especially mobile devices. Mobile applications downloads saw an exponential growth as showed in the curve of Figure 1.3 which represents the cumulative number of apps downloaded from the Apple App Store from July 2008 to June 2017, proving a continuous and ever-growing interest by users

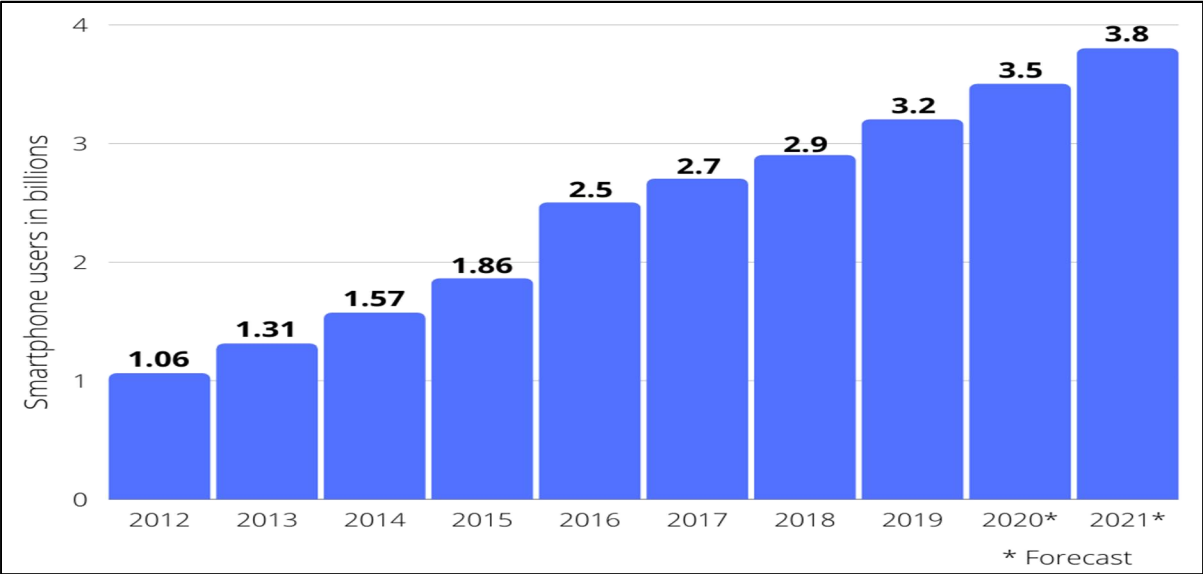
(Clement, 2019). Another useful information that demonstrates the supremacy of mobile technologies is given by the number of mobile devices users worldwide, especially smartphones users. As illustrated by the graph of Figure 1.4, also the number of smartphone users worldwide grew steadily in the last decade. What stands out from the chart is the fact that the number of smartphone users more than doubled from 2012 to 2016, the same period that saw the constitution of the first and most important online food delivery platforms (O’Dea, 2020).

Fig. 1.3: Cumulative number of apps downloaded from the Apple App Store from July 2008 to June 2017



Source: Statista, 2019

Fig. 1.4: Number of smartphone users worldwide from 2012 to 2021



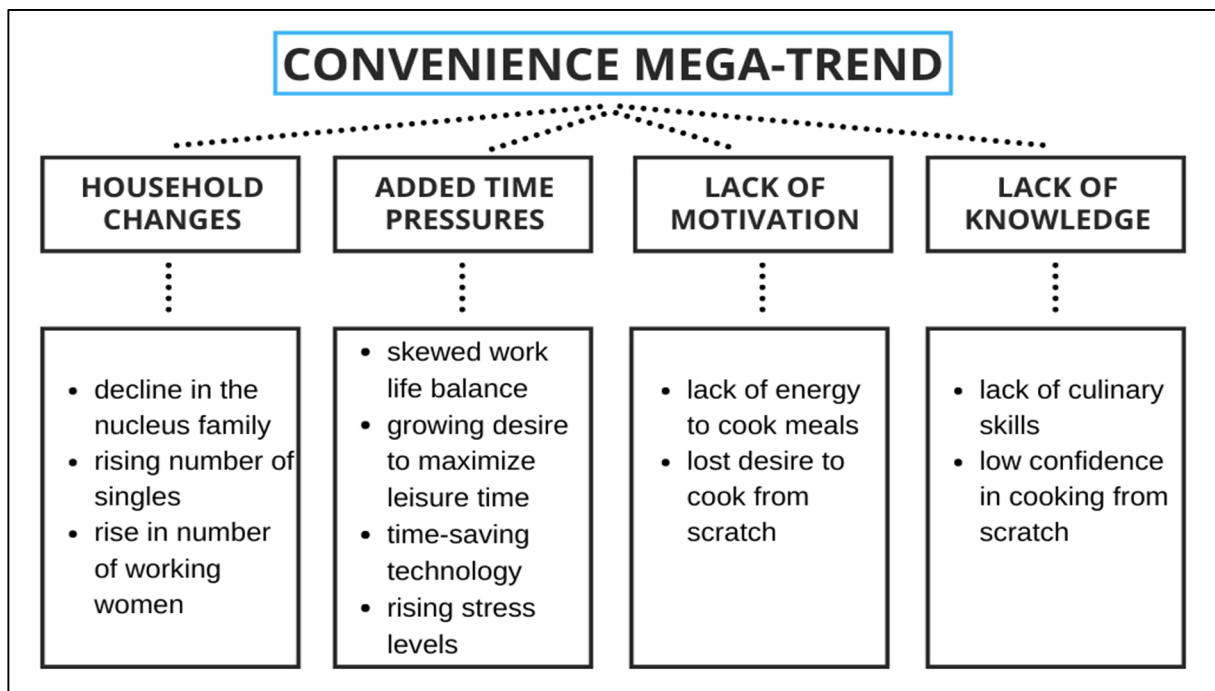
Source: Statista, 2020

These data are illuminating to really understand the essential role that technology and - more specifically – digitalization played to foster the rise of online food delivery platforms worldwide. This is also the starting point to analyse the second category of drivers of online food delivery growth: social factors.

1.3.2. Social factors: the concept of convenience

The second class of factors that facilitated the development of online food delivery market is more focused on people, taking into account that technological changes discussed in the previous paragraph affected society in a deep way. When it comes to associate societal changes with food ecosystem, one of the main trends that must be tackled is convenience. Time has become one of the most precious resources and convenience trend is triggered by the human need to obtain more time to dedicate to own passions, hobbies and rest (Grunert, 2017). In the food background, convenience can be explained as an attempt of reducing time and efforts – both physical and mental - spent by purchasing, gathering, cooking and consuming the food. Convenience is commonly considered as a pivotal feature while determining a consumer’s preference towards a food product together with price, taste and health (Grunert, 2017).

Fig. 1.5: Factors leading to the convenience



Source: personal elaboration from Grunert, 2017

Convenience mega-trend reflects skewed work-life balance issues and a constantly increasing time pressure that consumers are facing, as described in the diagram of Figure 1.5 (Grunert, 2017). In addition, this trend is also related to household changes – with a decline in the number of households members - and lacks of skills and motivation to cook from scratch by consumers. Convenience food is often an obliged choice as people are too often in the wrong place, struggling with problems of scheduling routines (Srinivasan and Shende, 2014). Time pressure is often associated with the fact that real incomes are rising faster than life expectancy, thus causing relative scarcity of time (Deloitte LLP, 2019). To meet consumers' need for greater convenience, food retailers and restaurateurs must provide solutions that guarantee simplicity and ease in the whole food experience, and online food delivery wants to be one of these alternatives (Grunert, 2017). Another social factor that is also strictly related with technology is the familiarity of consumers about using online platforms. In fact, when the majority of online food delivery businesses started to approach the market, consumers were already familiar with digital platforms that connect people and business all around the world: social networks. To realize the intense use of social networks since their inception, just think that Facebook's monthly active users grew from 360 million in the fourth quarter of 2009 to 2498 million in the fourth quarter of 2019 (Tankovska, 2021).

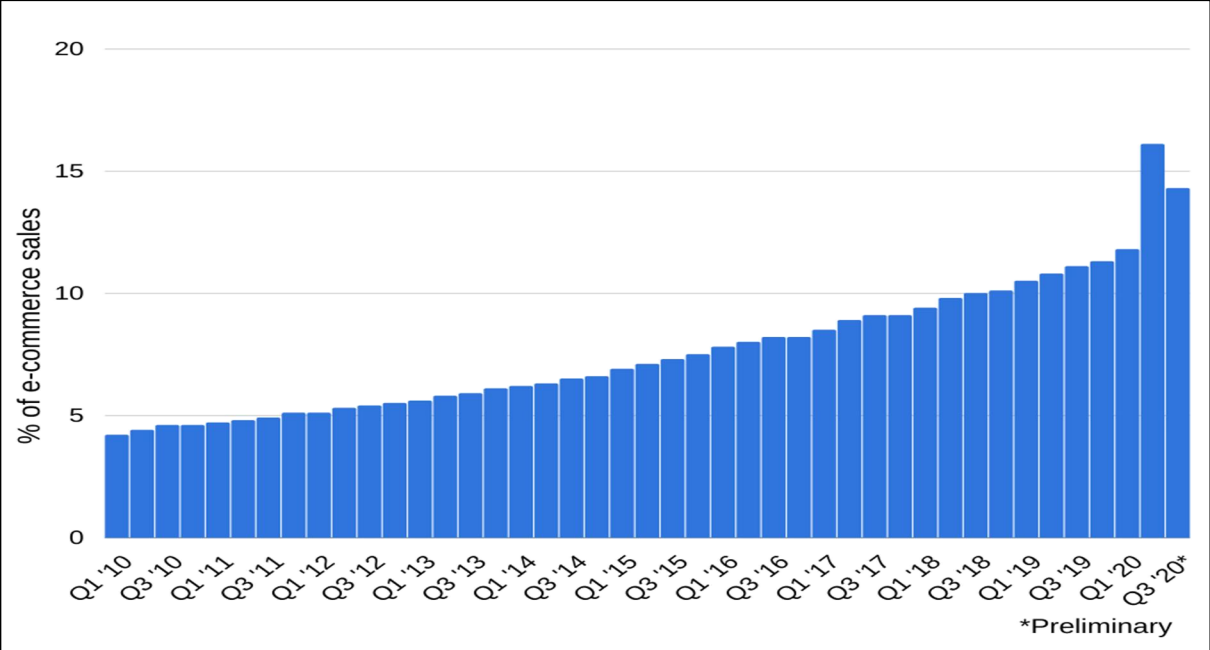
It is therefore clear that social factors like the convenience trend in food and heavy social media platforms usage served as a fertile ground for the ascent of online food delivery players. In the next subparagraph the third causes' category of online food delivery growth will be discussed.

1.3.3. Economic factors: e-commerce growth

It is often a consequence that technological and social factors reflect themselves on the world of business and previously mentioned digitalization and convenience trend are not exceptions. In fact, they constitute the basis for the strengthen of one of the latest business paradigms: e-commerce. Over the last twenty years, from a niche phenomenon dedicated to digital savvy consumers, e-commerce turned out to be a dominant shopping option (Palandrani, 2020). E-commerce sales and penetration followed the spread of digitalization as displayed in the graph of Figure 1.6, where the

percentage of online sales on total US sales grew constantly in the last decade, reaching a peak in 2020 with the advent of Coronavirus (Coppola, 2020 A).

Fig. 1.6: Share of e-commerce sales of total U.S. retail sales from 1st quarter 2010 to 3rd quarter 2020

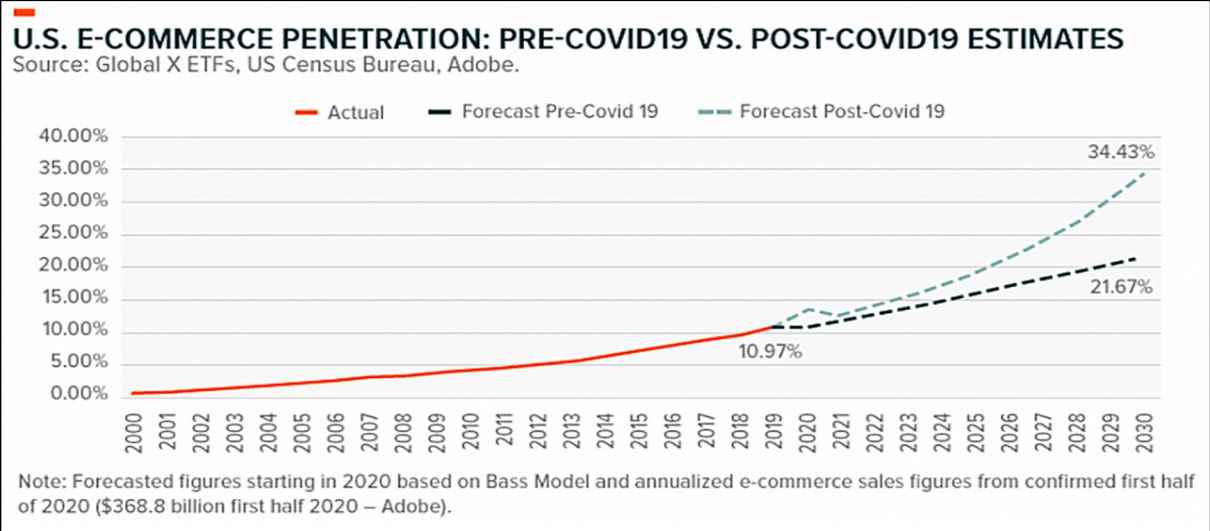


Source: Statista, 2020

The emergency provoked an increasing usage of technology also by older generations, as e-commerce became one of the few feasible options for consumers to satisfy their consumption needs (Palandrani, 2020). The evolution of e-commerce’s growth went through a rapid boost, especially in categories that were not historically developed in online sales, such as groceries and health care products. In a May 2020 survey, the Food Industry Association stated that 49% of grocery customers purchased online, and it was the first time for 43% of them. More than a half of respondents - 56% - made at least one online purchase in the groceries & household (Palandrani, 2020). The difference between forecasted pre-Covid and post-Covid e-commerce penetration is clearly visible in Figure 1.7, highlighting the crucial role played by year 2020 in the exponential growth of e-commerce. The whole online commerce and also food e-commerce were already increasing their penetration even in Europe before the pandemic. The chart of figure 1.8 - representing the share of consumers who bought food or groceries online in selected European countries from 2006 to 2019 - confirms

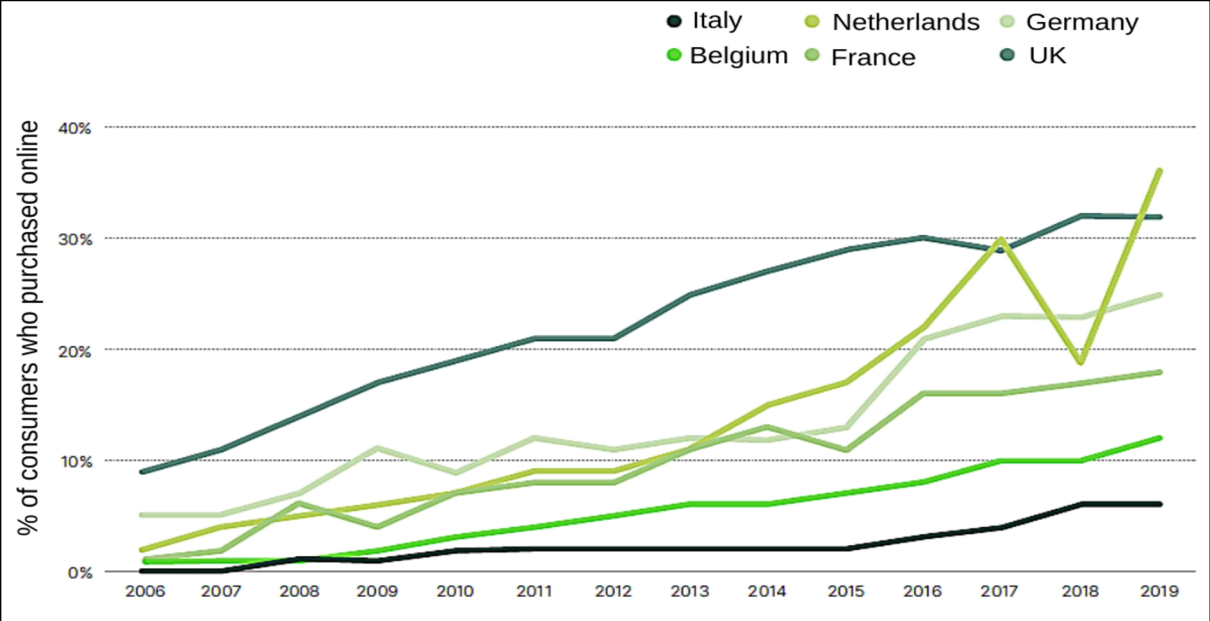
that the general trend of food’s e-commerce was generally expanding through Europe but with some differences between selected countries submitted to the research.

Fig. 1.7: U.S e-commerce penetration: pre-Covid vs post-Covid estimates



Source: Nasdaq, 2020

Fig. 1.8: Food or groceries online shoppers in selected countries in Europe from 2006 to 2019



Source: Casaleggio Associati, 2020

By watching data before the arrival of Coronavirus, it is easy to notice that Italy had a modest growth in food e-commerce development compared to other countries like Netherlands, UK and Germany. But pandemic deeply affected the penetration of the

online food commerce in the Italian market. In 2020, online food commerce counted for 1.5 billion euros, representing 3.1% of the whole e-commerce value of the country. Thus, thanks to food delivery and consumer goods, the growth of online food commerce in Italy was 19% respect to 2019 (Casaleggio Associati, 2020). Considering that these were just partial data, it will be interesting to follow the development of worldwide and Italian e-commerce growth along time, which is going to be even more conditioned by the new consumers habits forced by the sanitary emergency.

After an overview of technological, social and economic factors, for online food delivery business the stage is set. In the next paragraphs there will be a comparison of pre and post-Covid conditions of online food delivery market in Italy and worldwide.

1.4. Global and Italian market conditions before Covid-19

Following a framework that goes from a macro to a micro perspective of the research, paragraph 1.3 aims to focus on the state-of-the-art of online food delivery market before the arrival of Covid-19. As explained in the further sections of the thesis, pandemic and the consequent sanitary emergency turned out to be as a breakthrough for that specific market. Thus, the study of market sizes before and after Coronavirus will bring out the role that this extraordinary event had on the industry. Online food delivery market sizes will be examined both at the global and Italian online food delivery industry, providing insightful data about consumption and penetration rate.

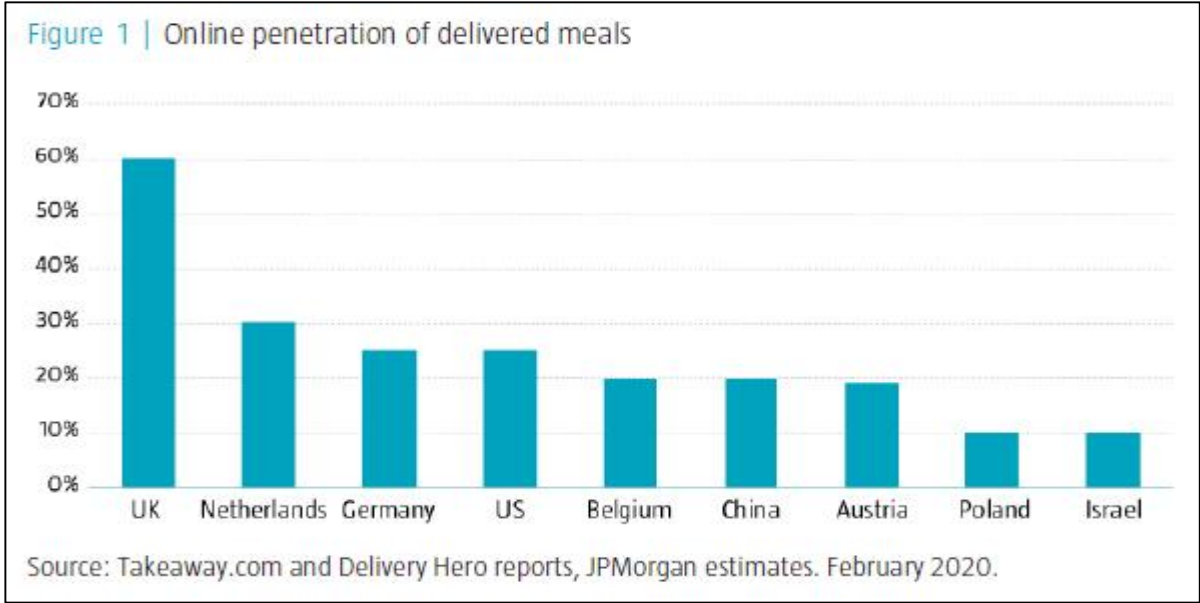
1.4.1. Global market conditions before Covid-19

Technological, social and economic changes that marked the last decade have caused an increase in interest on online food delivery, both by consumers, entrepreneurs and investors. In 2018, a Frost & Sullivan study estimated that online food delivery's worldwide revenues would have risen at a compound annual growth rate of 14%, from \$82 billion in 2018 to \$200 billion in 2025. Asia was the largest market for the industry, with revenues that overtook more than \$45 billion in 2018. Over 73% of that share was attributed to China, which is the uncontested leader of the rank with over \$34 billion in online food delivery revenues, followed by India with a 13.2% of the Asian market. It is worth to highlight the entity of the Chinese phenomenon given that two of its most important players - Meituan Dianping and Ele.me - together made almost 10

billion deliveries in 2018 (Sarwant, 2019). Frost & Sullivan also predicted that Asian market would have surpassed \$100 billion value by 2025, meaning an half of the worldwide forecasted market for that time. Another interesting point is given by the fact that in 2019 the ARPU¹ of Online Delivery Providers was worth \$184, outperforming the one of Restaurant to consumer that was worth about \$121 (Rivera, 2019). With regard to Europe, its online food delivery market was foresaw to grow at a CAGR² higher than any other area: 14.5% between 2018 and 2025 (Frost & Sullivan, 2019).

What would a photograph taken at the beginning of 2020 communicate about the global online food delivery market? Worldwide, the market size was valued around \$270 billion, with an expected average growth of 20% per year until 2022 (Robeco, 2020). According to Robeco’s analysis, the reason behind that rise is not so much an higher demand of meals delivery, but rather a shift from offline to online ordering methods, with the traditional phone call being more and more substituted by digital platforms services. Considering the main markets globally, online penetration of food delivery was evaluated to represent around 20% of the total market, with clear distinctions even among most developed countries, as showed in graph of Figure 1.9.

Fig. 1.9: Online penetration of food delivery worldwide



Source: Robeco, 2020

¹ The acronym *ARPU* stands for Average Revenue Per User

² The acronym *CAGR* stands for Compound Annual Growth Rate

UK is the most mature market of the field in terms of penetration rate, with online food delivery ordering that accounts for 60% of the total. High rate in UK suggested that the percentage of online delivery could rise in the coming years also in other countries, such as US, Germany and Netherlands. At the beginning of 2020 China had a penetration rate of 20%, in line with the average worldwide. This means that Chinese online food delivery market was still the largest one with over 400 million active users, that is two thirds of the entire global market. In emerging markets, instead, online share remains very marginal, from 1% to 5% in developing countries (Robeco, 2020). As said before, in January the American market still had great growth margins in the future. A survey by Morgan Stanley Research and its data division Alphawise unveiled that 65% of respondents ordered food delivery through online platforms in the last six months. In addition, a shift towards digital platforms seemed confirmed also in USA, seeing that ordering food delivery via phone call was forecasted to drop by 3% annually within 2025 (Morgan Stanley, 2020 A).

All these data and insight prove that global online food delivery market was already a trending topic even before the coming of worldwide pandemic, with still lots of space to continue on its road to become a mature market in the future.

1.4.2. Italian market conditions before Covid-19

In Italy, the magnitude of the phenomenon has always been contained but constantly growing in the last decade in terms of consumption. To prove that, just think that in 2009 online food delivery represented 1% of the total online purchases but, in 2016, a research by Osservatorio Nazionale and GfK Eurisko highlighted that 19% of Italians showed interest to purchase in online food delivery platforms by using apps or websites (Meriano, 2017).

This inclination to use online platforms to order delivery meals has been confirmed through the years. In fact, annual report by FIPE - Federazione Italiana Pubblici Esercizi - pointed out that in 2018 the 30.2% of Italians tried an online food delivery service at least one time. According to the same report by FIPE, the drivers behind the choice of ordering through online delivery platforms were - in order - a lack of motivation in eating out, a lack of food available at home and a lack of motivation and time available to cook food from scratch (Federazione Italiana Pubblici Esercizi, 2019). These data are very relevant for two main reasons. The first one is that they confirm

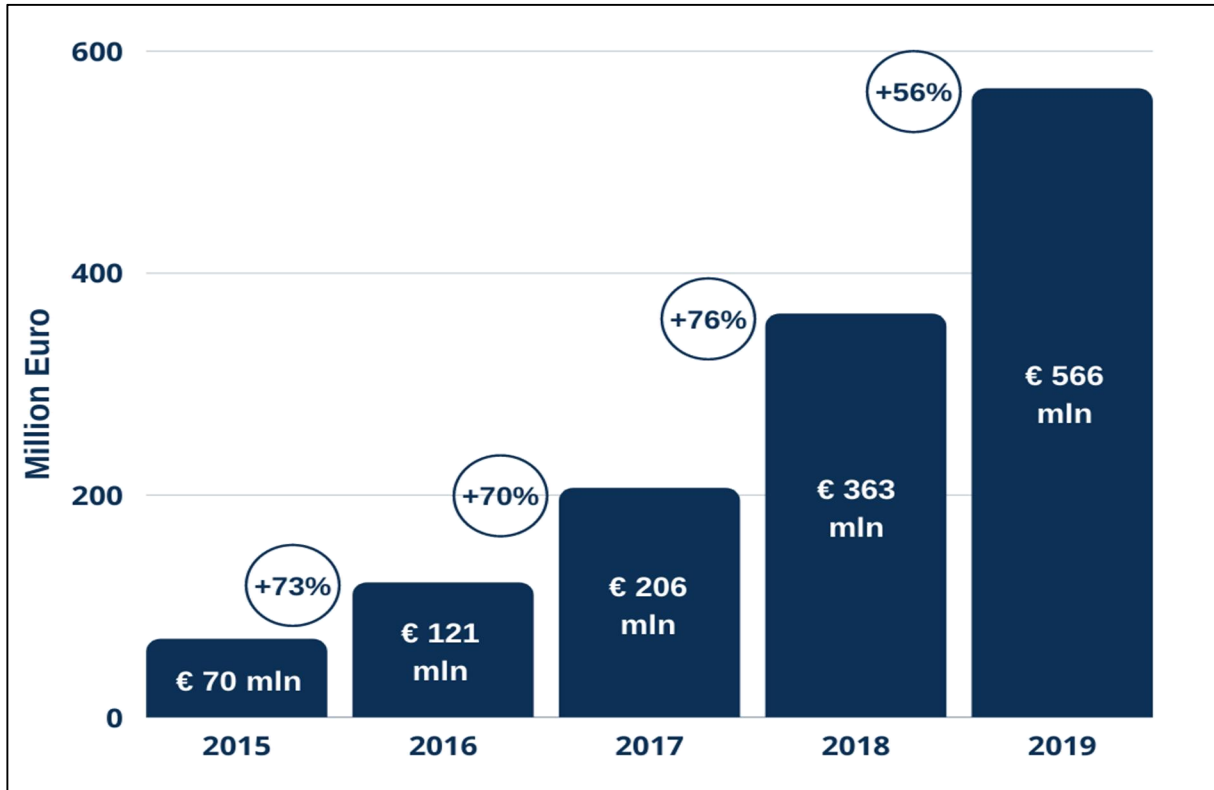
social changes discussed in paragraph 1.2 where the concept of convenience has been brought to light. The second important consideration that emerged from this report is the fact that the choice to order lunch and dinner with delivery option is not only for substituting eating out meals, but also to replace the food normally prepared and consumed at home. Concerning the composition of online food delivery menus, Poke Bowls were the most popular type of food delivered in 2018, followed by hamburger with chips, pizza and sushi. Poke Bowls are bowls of raw fish and mixed salad that represented the most important consumption trend in that year, probably also due to their restrained size which is excellent to manage for delivery operations. There were still lots of opportunities also for Italian traditional food services to enter the market. Concerning consumers' statistics, young people were the most used to order online food delivery and there was not gender gap.

An high difference, instead, emerged from the geographical distribution of the phenomenon which was far more diffused in North regions than in Centre and South of Italy (Federazione Italiana Pubblici Esercizi, 2019).

The growth tendency of Italian online food delivery market has been widely confirmed also in 2019, the year immediately preceding the arrival of the pandemic. From a research conducted by Politecnico di Milano and the Consortium of Italian Electronic Commerce Netcomm, emblematic data arise. In 2019 online Food and Grocery market was evaluated at €1.6 billion, increasing by 39% since 2018, which can be considered a very positive result if compared to the growth of 15% of the whole e-commerce business in Italy. But in spite of the progresses, that sector was still marginal. Given that the whole Italian B2C e-commerce market was worth around €31.5 billion at that time, online Food and Grocery sector represented just the 5% of the e-commerce and 1% of the whole retail sector. According to the same research, inside the broad "online Food and Grocery" category the key piece of the market is constituted by online food sector that does not comprehend Health and Care. Online food value was valued over €1.4 billion, as showed in Figure 1.10. Inside this subcategory, three business classes can be distinguished: online food delivery, grocery delivery and online niche food products delivery, that includes for example wine and cheese products. In 2019 online food delivery constituted the most important part of that division with €566 million of value (40% of the total) and a growth of 56% since the previous year. Then online food delivery was followed by online grocery delivery for a value of €476 million

(33% of the total) and online niche products delivery valued €383 million (27% of the total).

Fig. 1.10: Online food delivery demand in Italy in 2019



Source: Foodweb, 2019

From the point of view of accessibility, in 2019 the 93% of Italian cities with more than 50.000 citizens were geographically covered by food delivery services, compared to the 74% registered in 2017 (Foodweb, 2019).

In terms of penetration, the National Observatory of Food Delivery in Italy edited by Just Eat revealed that in 2019 digital food delivery accounted for almost 18% of the total food delivery market that – including both online and offline options – was valued around €3.2 billion. Online penetration registered an increase of 7 percentage points compared to 2018, with a still promising potential of expansion in the future. According to Just Eat report, market development and strategic growth areas could be found in smaller towns, provinces and less populated cities (Just Eat, 2019). Insights about market segmentation unveiled that in 2019 the most important target segment for

online food delivery were the Millennials³ that registered the major number of online orders. Equilibrium in gender of 2018 slightly decreased in 2019, as 55% of online food delivery customers were men and 45% women, but ladies were those who prefer to vary through several types of cuisine. Pizza surpassed Poke Bowl as the most popular type of food product delivered, while families and adults from 36 to 45 years were the categories who spent more in online food delivery (Just Eat, 2019).

The growing importance of the phenomenon of food delivery before the arrival of the pandemic is also evidenced by an institutional interest. In fact, at the beginning of 2020 the food delivery has been added to the basket used for the indexes of consumer prices developed by ISTAT (Istat, 2020). An analysis conducted by Coldiretti/Censis at the beginning of 2020 underlined that in Italy, food delivery was a market that involved 18.9 million of Italians, with 3.8 million of them who used this type of services very often (Coldiretti A, 2020). Tiredness and lack of motivation in cooking were the most recurrent reasons why consumer chose to use food delivery services. Another important theme was to make a good impression towards friends and relatives with high quality meals.

1.5. Global and Italian market changes during Covid-19

“The increasing penetration of e-commerce has accelerated the rise of the online food delivery industry. The more restaurants that join the marketplace, the more of a network effect it creates and that has pulled adoption forward the past four years. The food delivery category is seeing a secular shift that will prove sustainable post crisis” (Cit. Doug Anmuth in J.P. Morgan Chase & Co , 2020).

1.5.1. Global market changes during Covid-19

The advent of Covid-19 pandemic will remain in history as one of the most revolutionary events ever for the entire human race. The consequent health emergency forced institutional governments around the world to implement special measures to contain the epidemic such as social distancing, quarantine and lockdowns of the population. These isolation periods with people obliged to stay at home constituted an

³ The term *Millennials* refers to the population born between 1981 and 1996.

unprecedented situation which caused a shock on the global economy. The most affected industries have been travel, automotive, art and entertainment, sport and especially physical retail stores of the fashion and food industry. On the other side, new conditions and rhythms of life made consumers change their habits and behaviours. Business sectors that took advantage from these completely new circumstances were the ones tied with digital tools and services because in certain periods they represented the only way to communicate, get informed, work and also purchase products and services. The increasing usage of digital devices and technologies gave a boost to digitalization trend in almost every corner of the globe. The interesting multi-market research conducted by GlobalWebIndex in April 2020 seems to confirm this argumentation. The study's aim was to grasp the change in consumer behaviours and habits after the outbreak in 17 countries worldwide.

Fig. 1.11: Percentage of respondents who spent more time using digital devices since the start of Coronavirus, by country

Device Usage																		
% who say they're spending more time using the following devices since the start of the coronavirus / COVID-19 outbreak																		
	All	AU	BR	CA	CN	FR	DE	IN	IR	IT	JP	NZ	PH	SG	ZA	SP	UK	USA
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Games console	17	13	22	17	15	18	15	20	10	13	17	9	8	9	14	15	17	19
Laptop	45	41	42	46	47	42	33	57	46	47	11	44	50	51	60	48	35	39
PC / desktop	32	24	40	32	33	36	25	37	15	27	53	24	30	23	28	27	18	21
Smart speaker	11	5	3	6	13	5	5	20	6	5	6	1	6	6	6	5	8	6
Smart TV / media streaming device	34	24	48	25	36	16	26	41	22	31	11	23	28	25	27	35	26	30
Smartphone / mobile phone	76	46	78	51	89	56	44	82	54	71	51	55	87	70	79	67	53	52
Smartwatch	6	5	4	4	6	3	3	13	3	3	5	3	2	6	5	4	4	4
Tablet	22	20	11	25	27	17	17	18	17	21	18	19	15	19	20	24	24	20
Other	1	2	2	1	0	2	1	2	1	1	2	1	1	1	0	1	1	1
None of these	5	15	2	10	1	12	20	1	10	2	14	9	1	6	3	3	12	15

Source: GlobalWebIndex, 2020

From Figure 1.11 an undeniable fact stands out: at least an half of respondents of every country included in the research revealed an increase in usage of their smartphone or mobile phone. The same type of survey by GlobalWebIndex proves that a more intensive usage of smartphones does not come just from the younger generations (Generation Z), but also from Millennials, Generation X and Baby Boomers (Mander,

Buckle, Sekuj, 2020). Figure 1.12 also shows that the same trend is spread without substantial differences of gender and income class.

Fig. 1.12: Percentage of respondents who spent more time using digital devices since the start of Coronavirus, by target segment

% who say they're spending more time using the following devices since the start of the coronavirus / COVID-19 outbreak*								
*Using all country data								
	Gen Z	Millennials	Gen X	Baby Boomers	Female	Male	Higher Income	Lower Income
	%	%	%	%	%	%	%	%
Smartphone / mobile phone	84	79	72	50	79	74	78	71

Source: GlobalWebIndex, 2020

As mentioned before, these increased usage in digital technologies simplified the shift from offline to online purchases. Countries lockdowns forced the temporary or permanent closure of many types of brick-and-mortar stores like boutiques, bars and restaurants. At this point, worldwide e-commerce tendency benefitted from difficulties of physical retail sector and saw a push in its already promising diffusion. Among all the product categories bought online since the coming of the pandemic, GlobalWebIndex report highlights the fact that food and grocery products were the ones with the highest percentage of people who increased their online purchases in every country included in the survey except Germany (Mander, Buckle Sekuj, 2020). This data suggests an increasing interest by consumer in trying new ways to get and consume food and, in this new context, online food delivery boom starts.

At the beginning of 2021, marketing agencies We Are Social Inc. and Hootsuite released their Digital 2021 Global Overview Report, a research that is considered as a reference point for digital data. The report displays a picture of digital food delivery sector both at a global and countries-focused base. As shown by Figure 1.13, at the beginning of 2021 the number of online food delivery services' users was estimated at 1.21 billion worldwide. This data results in a total value of online food delivery market that is worth \$136.4 billion, registering an annual growth of 27% if compared to the results of 2019. Another insightful information is the annual ARPU² of online food delivery services that – on a global scale – is appraised at \$112.

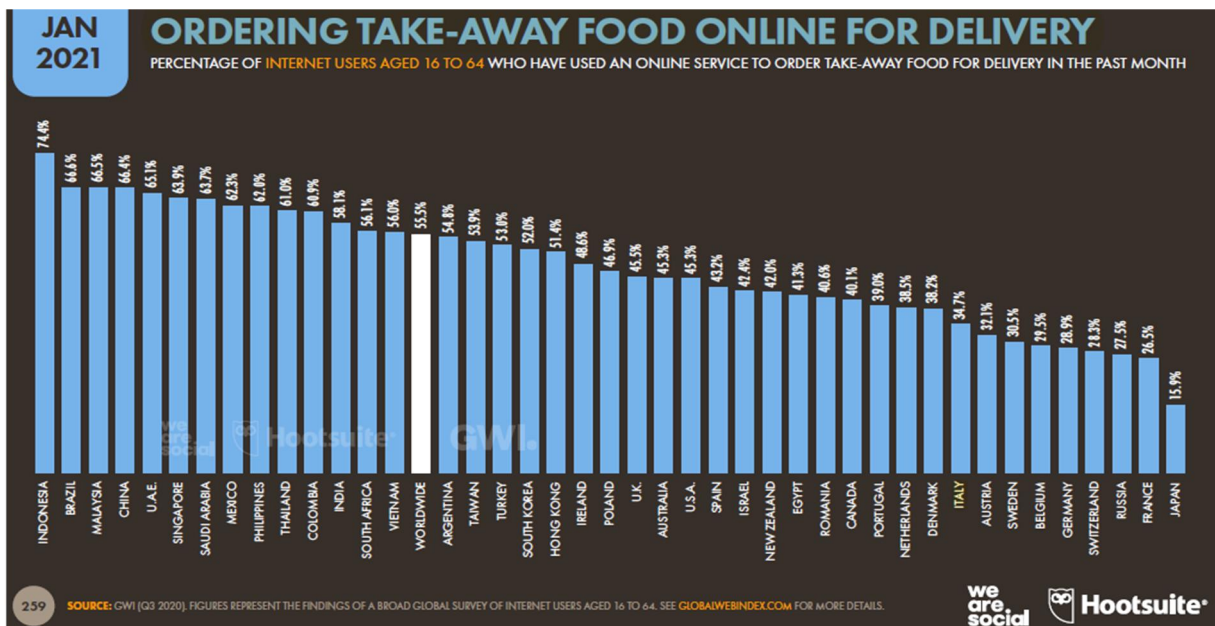
Fig. 1.13: Global online food delivery market overview at the end of 2020



Source: We Are Social Inc., Hootsuite, 2021 A

The highest penetration levels of Internet users who used an online food delivery service have been registered in Asian countries like Indonesia, Malaysia, China, U.A.E and Singapore, while the average worldwide penetration of online food delivery is estimated at 55.5% of Internet users aged 16 to 64 (We Are Social Inc., Hootsuite, 2021 A). All these data are highlighted in Figure 1.14.

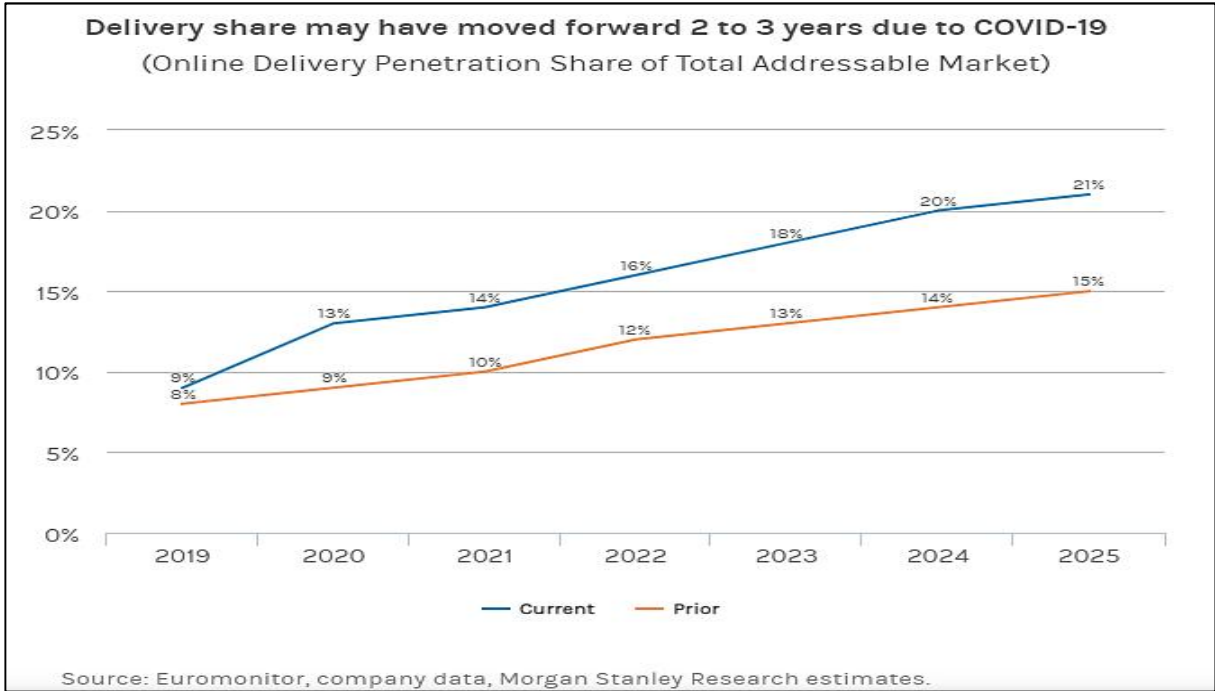
Fig. 1.14: Percentage of digital food delivery services' users at the end of third Quarter of 2020



Source: We Are Social Inc., Hootsuite, 2021 A

One of the most important markets is the American one where digital delivery penetration was already growing before the Coronavirus outbreak. An article by Morgan Stanley explains in a good way the huge impact that this event had on the industry, underlining that a development which was forecasted to take years happened in just few months of 2020. According to John Glass, - lead equity analyst covering the U.S. restaurant sector at Morgan Stanley - total online food delivery of US market was worth \$45 billion in 2020 which is an outstanding amount because the previous data forecasted to reach \$41 billion in 2021. *“That means nearly three years of consumer spend is being pulled forward, led by accelerated growth from delivery platforms”* said Glass (Morgan Stanley, 2020 B).

Fig. 1.15: Growth of forecasted online delivery penetration in U.S.



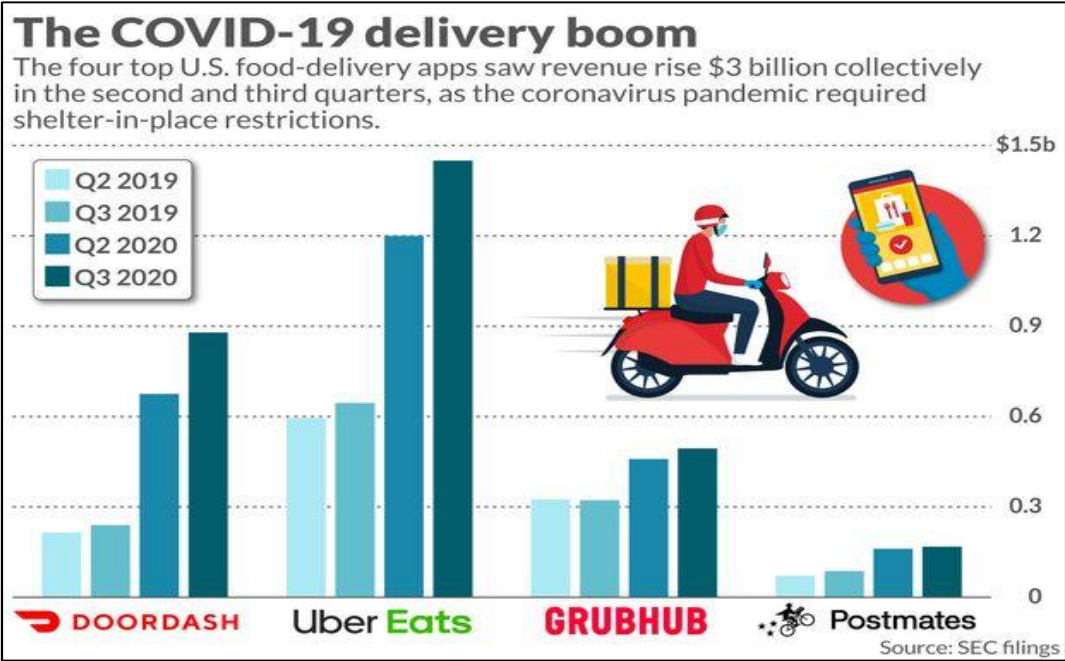
Source: Morgan Stanley, 2020

In terms of penetration, online food delivery in U.S. reached levels that were estimated to be reached in 2023, with 13% of online delivery penetration share of the total addressable market, as showed in Figure 1.15 (Morgan Stanley, 2020 B). In other words, the arrival of the pandemic caused an acceleration of three years on the normal market growth of online food delivery.

The four major US players – DoorDash, Uber Eats, Grubhub and Postmates – collectively earned almost \$5.5 billion in revenues from April to September 2020,

doubling the \$2.5 billion in revenues they had in the same period of 2019 (Sumagaysay, 2020). Graphic of Figure 1.16 makes the difference even more clear.

Fig. 1.16: Changes in quarterly revenues of the four major online food delivery apps in U.S.



Source: MarketWatch, 2020

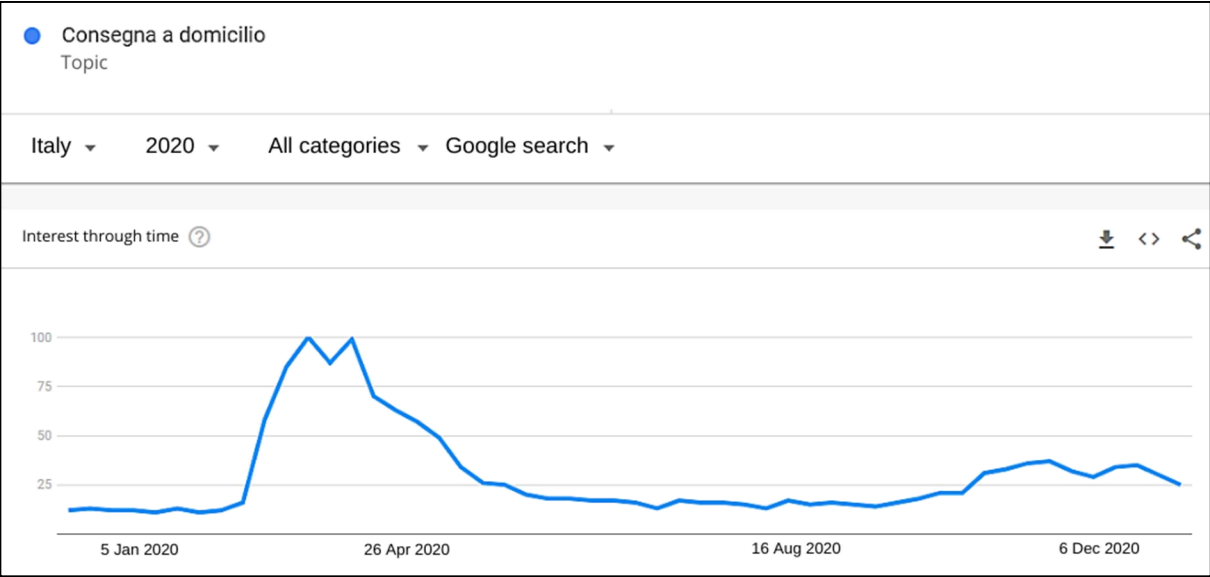
The massive growth of the market was not only referred to third party platforms but to the industry as a whole. According to a research conducted by eMarketer on December 2020, US digital restaurant marketplace was worth \$44.94 billion in sales in 2020, with a jump of 123.8% if compared to 2019, when its value was estimated to be around \$20.8 billion (eMarketer Editors, 2020). Quantitative effects of the epidemic on the industry has been clear, and future studies will be needed to grasp also long term effects. An interesting starting point for further researches is given by a survey by Statista which investigated US retailers' perception of the long-term effects of Covid-19 on foodservice operations in convenience stores. More than a half of the respondents (53%) answered that online ordering and delivery will be more common than brick-and-mortar stores purchasing in the long term (Coppola, 2020 B).

1.5.2. Italian market changes during Covid-19

Paradigmatic shift from offline to online consumption hit also the Italian market. As seen in the previous sections of the thesis, online food delivery market in Italy was

showing large spaces for growth even before the Coronavirus outbreak. Since March 2020, non-essential retail stores were forced to close for several weeks, trying to limit the contagion along the Peninsula. As a consequence, also restaurateurs and bar owners faced a difficult situation in which they could not satisfy customer demand with traditional methods anymore. It is in this scenario that food delivery began to attract a great interest on itself, as a way for restaurateurs to meet customer needs and a way for customers to consume ready-to-eat meals at home. As showed in Figure 1.17, online searches of the topic “Delivery” registered a boom between March and April when restrictive measures by the Italian government were more heavy. Then the interest of the topic slowed down in Summer when the health emergency seemed to be over, but it stabilized itself at slightly higher levels compared to the pre-pandemic context (Google Trends, 2021).

Fig. 1.17: Interest showed by Google searches in the topic “Delivery” in Italy in 2020



Source: Google Trends, latest consultation January 2021

To be more specific on the analysis of digital food delivery Italian market, it is necessary to make reference to the report “Digital 2021 – Italy” by We Are Social and Hootsuite and “La mappa del cibo a domicilio in Italia” by Just Eat: two researches that are considered as pillars for the industry.

Fig. 1.18: Online food delivery in Italy at the end of 2020

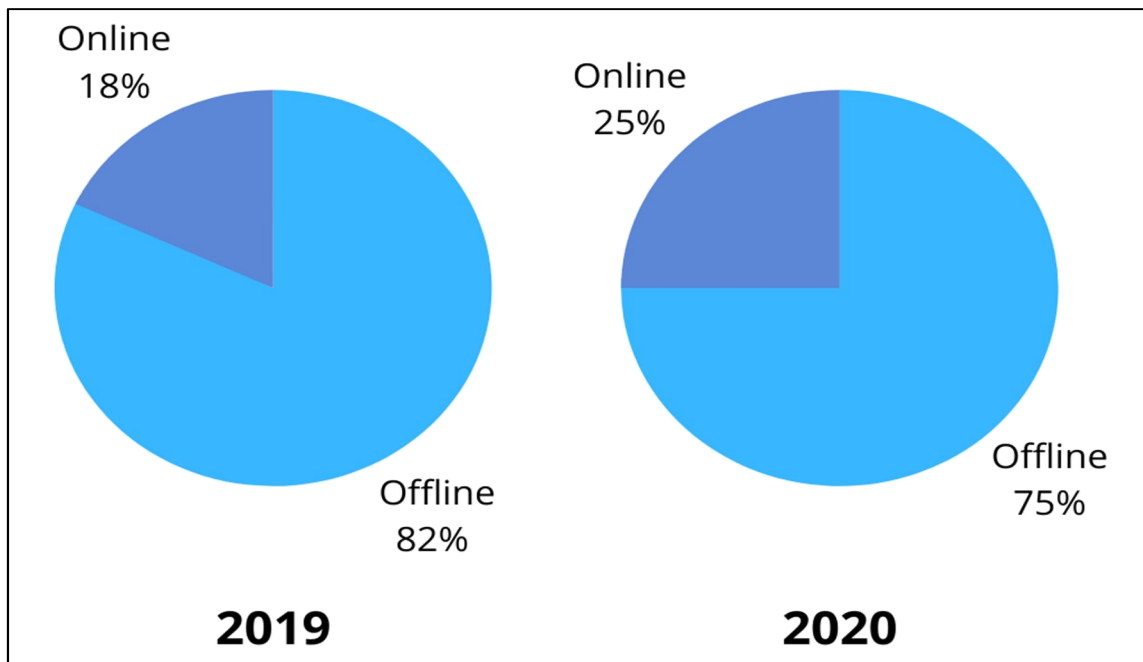


Source: We Are Social Inc., Hootsuite, 2021 B

Figure 1.18 provides insightful quantitative data about the scenario of online food delivery in Italy at the beginning of 2021. In absolute terms, number of online delivery services' users in 2020 was 11.03 million, representing 18.5% of the entire Italian population. Total value of online food delivery market in the Peninsula was worth almost \$858.7 million, with a growth of 27.5% compared to 2019 (We Are Social Inc., Hootsuite, 2021 B). The annual ARPU was estimated at \$78, which is far less than the global average of \$112 (We Are Social Inc., Hootsuite, 2021 A). This data suggests the existence of windows of opportunities for digital delivery platforms, that after their growth stage can suddenly focus on increasing their ARPUs.

The fourth edition Just Eat research describes the state-of-the-art of the Italian market in 2020, underlining the impacts that epidemic had on the sector (Just Eat, 2020 A). One of the most interesting data of the study says that in 2020 digital food delivery phenomena represented almost 25% of the whole delivery sector, with a clear growth if compared to the previous year when it constituted the 18%. Figure 1.19 illustrates graphically the change. The Dutch company also forecasts that the industry in the Italian market will reach €1 billion of value in 2021 (Just Eat, 2020 A).

Fig. 1.19: Online and offline penetration of food delivery in the Italian market



Source: Just Eat, 2020 A

The survey conducted by Just Eat not only provided quantitative data on the Italian market evolution, but also a qualitative one. As a proof of that, 90% of the interviewed sample of customers said that food delivery represented “an important and essential service” both for the convenience of getting food at home (30% of the sample), but especially for helping restaurants, bars and pizzerias facing a business crisis: 66% of the sample (Just Eat, 2020 A). A massive impact of Covid-19 on the Italian online food delivery market is proved by the following data extracted by the Just Eat observatory research:

- One third of new customers interviewed by Just Eat revealed that they had never ordered food delivery online before the confinement at home;
- Among them, over 60% declared that they did not feel the need to order food delivery before;
- 44% of customers who never tried delivery before told that they started as it was not possible to pick food up directly from restaurants (Just Eat 2020 A). This last point suggests that Covid-19 represented an opportunity for pure food delivery to gain market shares to the detriment of take-away services.

Another significant discovery of the research says that 60% of interviewed got used to order food delivery online during the lockdown period, while who did not get used to order explained that the reason was a higher quantity of free time to cook from scratch. This piece of data is fundamental for the future consolidation of the market even when the pandemic will be over. In fact, third delivery platforms can take advantage from two perspectives: they can focus on the retention of customers who got used to order online from one side, and also focus on acquiring new customers who had more time to cook at home but who probably will not have any more when the lockdown periods will end. But that is not all, because the appeal of online food delivery is not only triggered by a need of convenience in terms of time and accessibility. Another interesting point that arises from Just Eat survey is that 62% of respondents feel “positive and in a situation of serenity” and 40% feel excited (Just Eat, 2020 A). This can surely be considered another plus for food delivery platforms like Just Eat. Considering this sentiment analysis, players in the market have another marketing lever to implement in the future, by associating online food delivery ordering with positive emotions and sensations of the customers. Marketing strategies adopted by digital platforms will be discussed in Chapter 3.

In terms of availability and accessibility of the service, Just Eat reported that during lockdown Italian market saw a development of 12% from a geographical perspective, led by Sardegna, Piemonte, Marche and Emilia-Romagna regions. Taking into account Just Eat penetration alone, almost 40 million of Italians are covered by the service, in other words 66% of the population (Just Eat, 2020 A). In 2020 every city with more than 50.000 citizens was covered by food delivery services, while it was available in 93% of them in 2019. Considering single municipalities, in 2020 the 16% of them was covered by at least one service of online meal delivery, against the 6.5% of the previous year (Foodweb, 2020).

Online food delivery growth contributed to foster another broader phenomenon that arose after the health crisis: digitalization of the Peninsula. From the point of view of the merchants, digital food delivery represented a key business leverage to face the difficult moment, with delivery demand even 6 times higher than before. Just Eat alone registered a growth of 30% of new affiliated restaurants that chose this third platform to reach their customers. Contextually to a major digitalization of restaurants and food business, online food delivery also supported the use of digital methods of payment by

final customers. In fact, even to avoid hygienic issues, Just Eat reported a growth of 36% in digital payments by customers while ordering food delivery, with an average spending higher than in cash payments (Just Eat 2020 A).

Talking more generally, during lockdown weeks alone, the appeal of digital methods of payment increased at a rate that was registered in eight years from 2011 to 2019. As a matter of fact, the percentage of spending paid with credit or debit cards passed from 57% of 2019 to 68% of April 2020. This means a jump of 11 percentage points that previously took eight years to happen before the pandemic. During the same period of forced self-isolation of the Italian population, penetration of digital payments in terms of number of transactions grew from 42% to 48%. These data were reported by an analysis conducted by Federdistribuzione and commissioned by Il Sole 24 Ore. The results are coherent with the purpose of this thesis, as the data reported in the article of Il Sole 24 Ore were referred just to the food sector (Larizza, 2020).

Lockdowns that forced people staying at home for several weeks represented a momentum for online food delivery in Italy. The increasing use of digital platforms contributed to change consumer habits and purchasing behaviours, pushing the digitalization process of the country by fostering the adoption of apps and digital payment methods (Just Eat, 2020 A). At this point, companies competing in this trending market must exploit consumer willingness to embrace this type of consumption in order to be profitable and sustainable in the long term.

General characteristic of global and Italian have been analysed under a macro perspective, now it is feasible to go deeper and figure out what are the peculiar features of players. The ways in which digital food delivery platforms operate and try to be profitable are precisely what the next chapter will debate.

CHAPTER 2 - FOOD DELIVERY BUSINESS MODELS

2.1. Overview and objectives

The chapter begins with a general perspective on the explanation of the particular business model configuration of third food delivery platforms. The technical tool of Business Model Canvas will be useful to grasp dynamics that operate behind these models. Then, the analysis of such types of business models will go deeper with the distinction among aggregators and new-delivery models. Even if there is not a strong separation of the two models anymore – as they mainly become blended - it is essential to study the different configurations that online food delivery firms embraced since their birth. After the distinction and comparison between these two models, leading players across the most important markets worldwide will be cited to start giving a more concrete perspective to the thesis. Finally, thanks to an accurate research on prior literature and on food delivery platforms operations, some common traits have been identified in strategies adopted by main players. These action plans regards both corporate and operational level.

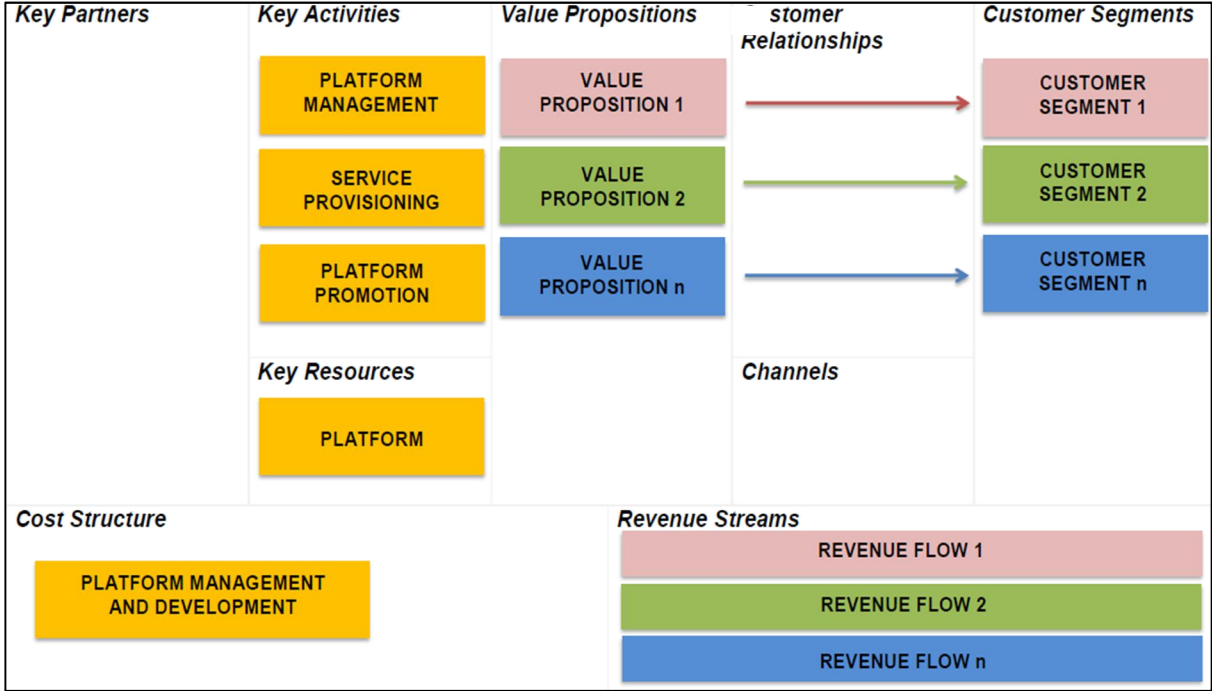
The goal of the Chapter is to explain how do online food delivery platforms' business models work, who are the main players competing in the market and study some emerging strategies that these firms are implementing. This section of the thesis is preparatory both for the further analysis of the third Chapter concerning marketing strategies and for Chapter number 4 comprehending concrete case studies.

2.2. Multi-sided platforms business model configuration

In order to fully comprehend how digital food delivery companies work, it is appropriate to start with an overview of the specific business model configuration adopted by these kinds of players: multi-sided platforms business model. This business model pattern is composed by platforms - almost always digital - that connects two or more separate groups of customers and create value by facilitating relationships and interactions among different types of customer segments. Such type of platforms creates value for one customer segment only if the other customer segment is contextually

present inside the platform’s ecosystem. The key concept behind the functioning of multi-sided platforms business model is what is called the “network effect”, a phenomenon that enables the growth of platforms based on their ability to attract more users inside (Ostelwalder and Pigneur, 2010).

Fig. 2.1: Multi-sided platforms’ Business Model Canvas



Source: Ostelwalder and Pigneur, 2010

As illustrated in Figure 2.1, multi-sided platforms’ business model has a specific basic structure. Business Model Canvas by Alexander Ostelwalder suggests that there are at least two customer segments, each of them connected with its own Value Proposition and Revenue Flow. The main sources of costs are related to the development and maintenance of the platform infrastructure, which is also the key resource inside this type of business model. The key activities that are fundamental for the operations of a multi-sided platform are the platform management and promotion and the provisioning of the service towards different kinds of customer segments (Ostelwalder and Pigneur, 2010).

Multi-sided platforms firms can be classified in three categories: Transaction platforms, Innovation platforms and Hybrid platforms. Transaction platforms work as pure marketplaces that facilitate the exchange of information, products or services among different customer segments. Examples of this kind of marketplaces are Trip

Advisor, Amazon Marketplace and Uber. Then Innovation platforms are digital environments that share technological tools such as APIs with producers of complementary products or services, in order to increase the value of the whole platform. For instance, Apple iOS or Android systems enable app developers to build applications that will enrich the overall app stores. Finally, Hybrid platforms are a merge between Transaction and Innovation platforms, as they offer both services of marketplace and digital tools (Abdelkafi, Raasch, Roth, Srinivasan, 2019).

Previously cited network effects are one of the peculiar elements that make this type of business model configuration unique. These effects can be distinguished in two categories:

- Same-side network effects: a change in the number of members of one customer segment affects the value for the same group of customers. The effect can be both positive or negative. For example, an increasing number of Facebook subscribers will generate more value for users already subscribed, as they have the possibility to discover new contents and connect with more people. This is the case of a positive same-side network effect.
- Cross-side network effects: a change in number of members of one customer segment affects the value for another group of customers (Taipale-Eräväla, Salmela, Lampela, 2020). Even cross-side effect can be positive or negative. Keeping Facebook as an example, a negative cross-side network effect can occur when an increase in the number of advertisers inside the platforms causes a loss on value for the users, who represent a different customer segment for Facebook.

Thus, it is clear how multi-sided platforms must pay attention to keep a balance among all types of network effects that can occur inside the ecosystem. The other two reasons why this type of business model pattern is unique are strictly related among them. While these platforms simultaneously engage with multiple sides of a specific market, they have to solve the so called “chicken-or-egg dilemma”. In such circumstances, platform’s companies wonder which is the customer segment to attract inside the platform at the beginning. A common method used by multi-sided platforms to face this problem is to subsidize a specific customer segment with low-cost or free Value Proposition in order to lure the other customer segment afterward (Ostelwalder and Pigneur, 2010). Concrete examples are given by Uber which at the beginning

subsidised drivers with money to join the platform; and Xiaomi, that attracted consumers inside its platform through flash sales and subsequently got revenue streams from developers of applications published in the Mi Store (Giachetti, 2018). The main challenges for multi-sided platform firms are to choose the right customer segment to subsidise first and to be able to cover these grants with revenue flows by other customer segments. These decisions are crucial especially at the start-up stage of the platform, as they contribute to determine its success or failure in the long term.

Digitalization and the consequent increasing adoption of multi-sided platforms business model permitted the birth of the phenomenon known as Sharing Economy. The concept is described as “a socio economic system enabling an intermediated set of exchanges of goods and services between individuals and organizations which aim to increase efficiency and optimization of under-utilized resources in society” (Muñoz, Cohen, 2018). Multi-sided companies that embrace this ecosystem operate by connecting actors who are willing to share their resources to get revenues back, and other actors who demand and are willing to pay for these resources. Generally, who use and/or who share resources pay a fee to the platform (Muñoz, Cohen, 2018). These new business operations led to unique business models that rely on peer-to-peer interactions and multiple technological inputs to permit the platform functioning. Consumers participating to this model increasingly expect frictionless experiences and extra services rather than mere product consumption, giving birth to benefits-only services (Chammassian, Sabatier, 2020).

Online food delivery services perfectly fit with both multi-sided platforms business model pattern and Sharing Economy ecosystem, given the fact that they create value by connecting different types of customers thanks to the availability of human capital represented by drivers and riders. Next paragraphs will specifically explain how digital food delivery companies operates and how they conceive their business models.

2.3. Aggregators: business model analysis

Digital food delivery platforms - as previously said - embrace the multi-sided platforms business model configuration. As a matter of fact, these companies connect eateries with customers who demand for food delivery; and network effects are easily recognisable, both cross-side and same-side ones. The more consumers will join the

platform, the more restaurateurs will be interested to join too, in order to meet attitudes of their customers and possibly acquire new ones. This is the typical example of positive cross-side network effect in the food delivery scenario. On another perspective, the more restaurants join the platform, the more their competitors will feel obliged to do the same to avoid losing customers. In this case, positive same-side network effects come into play.

As introduced in Chapter 1, online food delivery platforms have traditionally been categorised in two classes, according to the specific business model adopted and the range of services provided. Aggregators platforms were the first digital food ecosystems to enter the market at the beginning of the 2000s, followed by the disruption of new-delivery platforms in 2013.

2.3.1. How does an aggregator platform work

Aggregators platforms - considered forerunners in the digital food delivery business - are marketplaces that connect restaurants with consumers without performing the delivery service, which is managed by the restaurant itself. Thus, the main function of these players is the one of collecting orders from users and communicating them to food business owners (Hirschberg, Rajko, Schumacher, Wrulich, 2016).

These intermediaries, built on websites and/or mobile applications, permit users to browse through a wide range of restaurant options in terms of prices, menus and reviews written by other customers (Karamshetty, Freeman, Hasija, 2020). Such systems provide online menus for each restaurant that joins the platform, with detailed descriptions of food products along with engaging pictures aimed at influencing consumers' purchasing decisions. Applications' interfaces are ad-hoc designed and developed to stimulate consumers' engagement by leveraging on visual elements like graphics, fonts, colours and images (Gunden, Morosan, De Franco, 2020). Thus, the Value Proposition offered by the platform to final customers is given by the easier and quicker method of ordering and by the availability of a great number of alternatives simultaneously. Changing consumer behaviour towards digital delivery platforms will be analytically analysed in Chapter 3.

On the other side of the platform, restaurateurs benefit in joining the marketplace as they can increase their visibility and awareness towards new customers and also

make their food ordering system smarter. In fact, online ordering might be a solution to problems related to phone ordering that may be very annoying for customers, for instance when they are not able to place an order because of the busy telephone line.

From an operational point of view, aggregators' revenue model is mainly based on commissions. From every order, the platform takes a fixed margin which is worth on average between 10 to 15% of the total order value, while restaurants keeps the remaining 85-90% (Babych, 2020). Thus, the final customer does not have any additional cost to pay to the platform, as the delivery fee will be paid to the restaurant own rider. A further revenue source for aggregators is to guarantee the maximum visibility to restaurants by positioning them on the top of the mobile application in return for a commission. This earning method can be implemented especially when the platform has already gained popularity and the number of restaurants is high enough to stimulate major competitiveness among them inside the marketplace.

A research conducted by McKinsey & Company estimated that, thanks to their asset-light business model, aggregators' EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) represents a margin of 40 to 50% of the revenues (Hirschberg Rajko Schumacher Wrulich, 2016). Profitable margins are the consequence of the low level of fixed assets required, as aggregators do not have their own delivery fleet and costs mainly derive from the platform development and marketing expenses to attract users. These elements facilitate platform scalability that is also fostered by network effects.

On the other side, aggregators business model has also some disadvantages which are basically two. The first issue is that with this model, aggregators play just a minor role respect to the whole customer experience and they have no control on the quality of the food and delivery service provided, which is a crucial element to gain customer loyalty. The second and most important problem is given by the fact that since aggregators do not provide a delivery service, they are obliged to attract inside the platform only those restaurants that have their own delivery fleet. This issue strongly decreases the number of potential clients in the restaurant segment. This is also the main reason why - on a global scale - almost every player that started competing as an aggregator pivoted its business model by adding also the logistic service of delivery (Robeco, 2020). Pioneers of the sector like Just Eat, Takeaway.com, Delivery Hero, Foodpanda and Grubhub followed this path. Pure aggregators business model is still

present but just at a local level. Seamless, for instance, is an aggregator platform - owned by Grubhub - that operates in some US cities. The business model that comprehends also logistic services created a brand new category of digital food delivery platforms: new-delivery players.

2.4. New-delivery platforms: business model analysis and major players

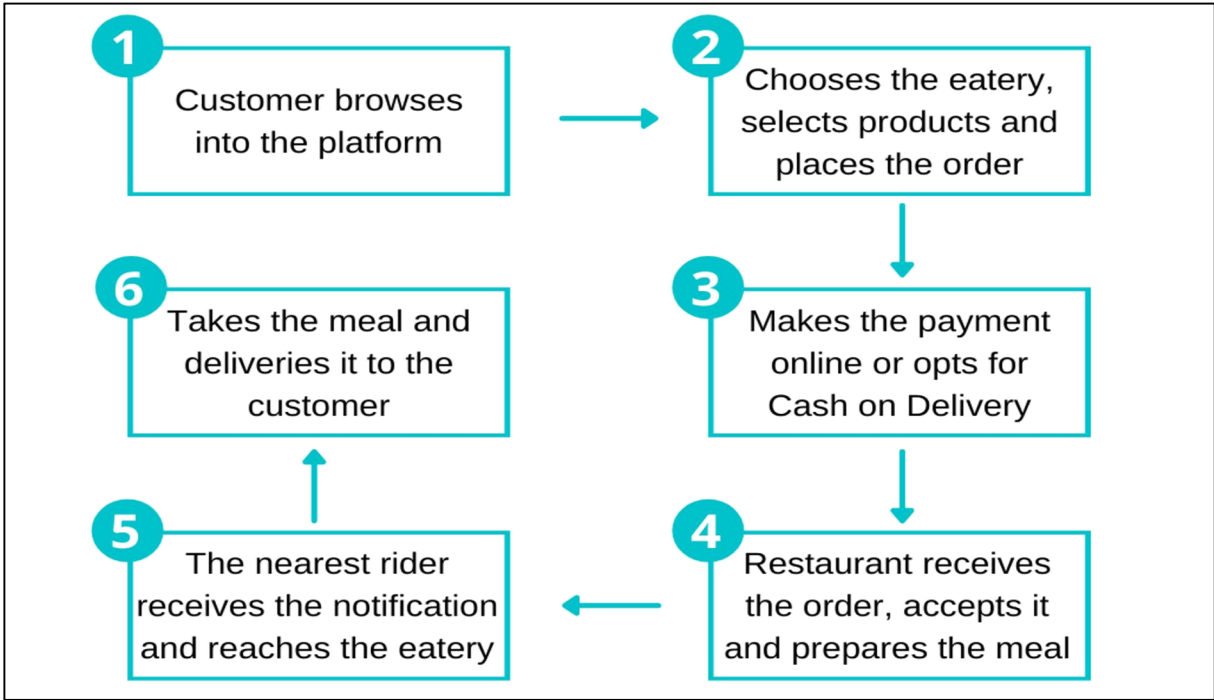
2.4.1. How does a new-delivery platform work

New-delivery players are based on the same principle that characterizes aggregators: they are digital platforms that act as intermediaries between restaurants and final consumers. Indeed, these players allow users to browse into the app or website to compare offerings and delivery solutions by a several number of restaurants. But the key feature of this new type of delivery platforms is the fact that - besides being a marketplace - new-delivery firms also provide the logistic service for restaurants. In other words, new-delivery players manage both the order and the physical delivery through a fleet of riders/drivers, and this represents the core surplus that they have compared to aggregators (Hirschberg, Rajko, Schumacher, Wrulich, 2016).

From a practical point of view, the whole process - graphically illustrated by Figure 2.2 - works as follows. The user places the order through the app or website of the delivery player, selecting meals from restaurants included in the platform. The delivery platform forwards the order to the selected eatery that accepts the request through the application and starts preparing the meal. In the meantime, a courier who is partnering with the delivery firm receives a notification to carry out the physical delivery and - normally - accepts the request. At that point, the rider or driver reaches the restaurant and, once the meal is ready, picks it up and delivers it to the customer. Usually, customers are free to choose the payment method: they can pay with credit or debit card while confirming the order inside the application or they can opt for cash on delivery (Devipriya, Aswath,y Jishnu, Anil, 2020). Couriers are normally independent contractors who can carry out the delivery by car, motorcycle, bike or even by walk. Each delivery courier guarantees its availability for the service during a prearranged working shift (Steever, Karwan, Murray, 2019). Almost every new-delivery player treats

riders and drivers not as employees but as partners, considering them independent contractors and self-employed, as explained by Just Eat Takeaway (Just Eat, 2021). Couriers get usually paid on the basis of the number of deliveries carried out plus some incentives based on performances. Wages, working conditions and the decisions taken by the platforms' algorithms about how to assign riders to orders are arising criticisms towards new-delivery players around the world. But, since this is not the core topic of the thesis, spaces for further researches in the future are left.

Fig. 2.2: Complete delivery process with new-delivery business model



Source: The IUP Journal of Supply Chain Management, Vol. XVII, No. 2, 2020

From the schema of Figure 2.2 emerges the fact that, with new-delivery services, the business model offers an end-to-end experience in which the customer interacts just with delivery firm's touchpoints. New-delivery platforms – that for simplicity will just be called online food delivery platforms in the research – represent the middleman between eateries and consumers. These companies control almost every stage of the restaurant value chain from the ordering phase to the delivery one, except the production process (Rivera, 2019). Through this model, digital delivery firms aim to gain customer loyalty by means of customer satisfaction. To achieve that and to trigger cross-side network effects, these platforms must concentrate on providing a frictionless

experience to the consumer, both online and offline through the delivery. Their mission is to make the life of consumers simpler. For instance, once the eatery confirms the order, the user can check all the other phases like the food preparation time, meal pick-up by the delivery courier and especially the expected delivery time (Devipriya, Aswathy, Jishnu, Anil, 2020).

In return for the order and logistic services, online food delivery players get both a fixed margin of the order value from the restaurants and - normally - a fee from the customer for the delivery service (Hirschberg, Rajko, Schumacher, Wrulich, 2016). Towards restaurants, platforms charge a commission that can vary from 15 to 30% of the total order value for the marketing and logistic service provided (Feldman, Frazelle, Swinney, 2019). In addition, as seen in the aggregators business model, restaurants may also pay the platform to be shown on the top results inside the application or website. From the expenditures perspective, food delivery platforms adopting the new-delivery model face high marketing costs to attract customers, high platform cost to develop and maintain the platform and also delivery costs to pay couriers. Even if delivery costs are not as high as if they would be borne by restaurants - thanks to sharing economy features - platforms have to operate in a low-margin environment. As explained in the first chapter, online food delivery firms benefited from several rounds of investment that enabled them to expand quickly in terms of market share, but to the detriment of short-term profitability (Robeco, 2020).

The new configuration of digital delivery platforms business model offers both benefits but also some weaknesses for every stakeholder inside the system: customers, restaurants and the same delivery company. For customers, this type of business model guarantee an expanded possibility of choice in terms of restaurants and culinary solutions, considering also the eateries that do not have their own delivery service. In addition, the relationship with the service is easier for the user, as he/she get in touch with just one actor which is the platform, and this fact allows the customer to track the status of the delivery in real time too (Hirschberg, Rajko, Schumacher, Wrulich, 2016).

Regarding restaurants, new-delivery model not only provides a marketing platform to increase their awareness and visibility, but also offers them a way to have the additional service of food delivery without investing on their own ordering platform and delivery drivers. In this way, eateries are able to guarantee a solution for customers' demand for convenience with minimal up-front investments and low fixed operating

costs (Feldman, Frazelle, Swinney, 2019). This specific benefit has revealed crucial especially with the arrival of the Covid-19 pandemic. In response to the sanitary emergency, governments around the world felt obliged to impose lockdown periods to the population and to the businesses. In this completely new scenario, restaurants were forced to stop their dine-in services and shift their business model towards takeout and delivery. Digital food delivery platforms have been essential for eateries to continue reaching their customers via food delivery, and they permitted to rapidly set up a delivery service also to those business that have never offered that option before (Karamshetty, Freeman, Hasija, 2020).

During this sanitary, social and economic crisis – when cash flows suffered more than ever - online food delivery platforms enabled restaurants and food businesses to organize their delivery service without facing huge costs for building their own ordering and delivery systems. Another advantage for restaurant is the fact that - thanks to digital delivery platforms – restaurants can intensify utilization rate of their existing facilities, reduce the presence of under-utilized assets and focus just on the core activity of preparing food (Deloitte LLP, 2019). All these features contribute to enhance their efficiency. From the other hand, restaurants might face also some downside if they decide to enter the digital delivery platforms ecosystem.

The first weak point regards profitability: fees on the orders applied by the platform inevitably cut restaurant margins. This phenomenon may potentially be disruptive if more and more customers shift their consumption preferences from more profitable dine-in options to home consumption (Rivera, 2019). At this point, it could be difficult for restaurants to find a balance among increasing demand and decreasing profit margins caused by food delivery platforms adoption (Feldman, Frazelle, Swinney, 2019). Another disadvantage for restaurants might be a higher competition with other businesses, as digital delivery platforms increase the catchment area of restaurants that find themselves to compete also with competitors outside their geographical area (Karamshetty, Freeman, Hasija, 2020). The last main problem that eateries face is the lack or total absence of control over the customer experience and customer knowledge, which is a crucial element to build solid relationship with customers.

Even digital food delivery platforms have specific benefits and difficulties while adopting the new-delivery model. First of all, digital platforms can take accurate decisions on how to stimulate positive cross-side network effects thanks to their level of

knowledge of all their customer segments inside the platform. In fact, by managing the whole ordering and delivery chain, these firms can control the customer experience and get a huge amount of information about eateries too (Rivera, 2019). Another important strength of new-delivery business model is the above mentioned possibility to include inside the platform also those eateries that were not offering delivery service before, including higher-end restaurants. By partnering with high-end eateries, not only the platform increase choice for final users, but it also may get higher commissions on order sizes that are more expensive thanks to premium prices (Hirschberg, Rajko, Schumacher, Wrulich, 2016). In addition, following the intrinsic dynamics under which a multi-sided platform works, an increasing variety of restaurants triggers even more positive cross-side network effects, enhancing the platform growth in a continuous loop.

The fact that – normally - online food delivery firms do not directly own fleets of vehicles and full-time employees is a fundamental benefit especially from a financial point of view, as the initial investment is not too expensive to bear. On the other side, as far as couriers will be treated as independent contractors, third platforms must avoid shortages of drivers by providing them sufficient incentives to carry out the service. This is the crucial issue faced by multi-sided platforms in the sharing economy. Under this circumstances, the toughest challenge for digital food delivery platforms is to find an equilibrium when pricing incentives for all separate actors that constitute the network: final customers, restaurants and also couriers who are essential for the completion of the service (Kung, Zhong, 2017).

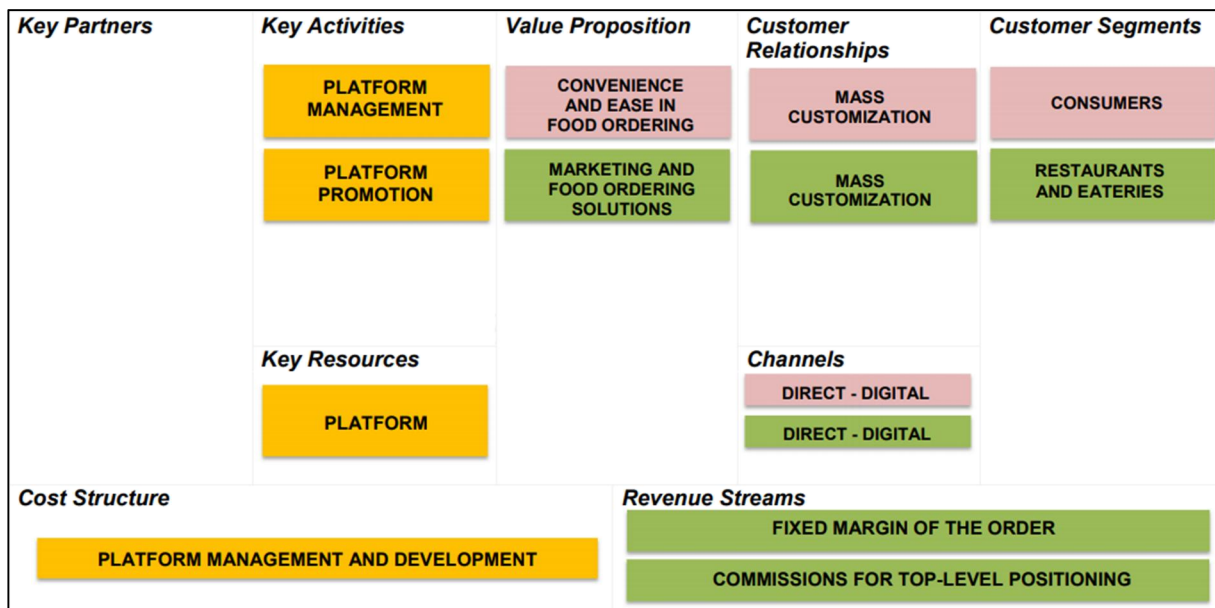
From this analysis on new-delivery business models emerges the concept that high volumes might lead to consolidation of the industry. Marcus Diebel, European Media & Internet Equity Research Analyst at J.P. Morgan, argues that high volumes are mainly triggered by sophisticated technology that permit platforms to control the whole chain. Higher volumes cause economies of scale in which digital delivery firms can cut delivery fees and thus increasing affordability for customers. As Diebel said. *“If affordability goes up, then volume will go up and this is the path to profitability”* (J.P. Morgan Chase & Co, 2020).

The pursuit of higher volumes induced food delivery platforms to not concentrate only on the new-delivery business model but to expand the range of services also with takeout and order-only options, in order to reach the maximum number of consumers and restaurants possible.

2.4.2. Comparison between aggregators and new-delivery models

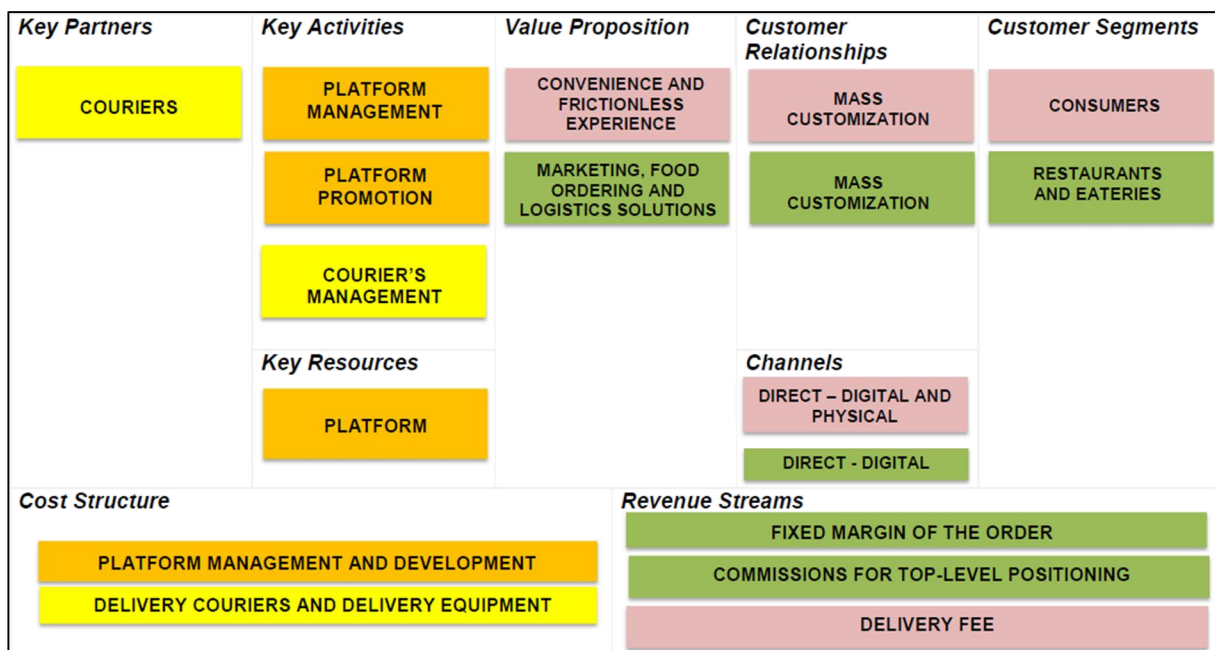
Before seeing which are the main players competing in this tough market, it is worth to highlight the specific configuration and composition of digital food delivery platforms, underlining the differences among aggregators and new-delivery models.

Fig. 2.3: Aggregators' Business Model Canvas



Source: personal elaboration

Fig. 2.4: New-delivery's Business Model Canvas






Source: personal elaboration

By matching the two different Business Model Canvas in Figures 2.3 and 2.4 arises the fact that new-delivery model faces higher fixed and variable costs than aggregators, due to the fulfilment of the delivery. In addition, the digital platform of new-delivery models turns out to be even more structured respect to the one of marketplaces, given the fact that it has also the role of coordination of couriers through an algorithm. Even here emerges the fact that digital food delivery firms need to pursue for high business volumes to reach profitability (Robeco, 2020). As previously mentioned, almost every platform that started with an aggregator business model then shifted towards new-delivery configuration. The most important cases are the ones of Just Eat and Takeaway.com – that suddenly merged together. Despite the higher costs and lower profit margins, these big corporations were forced to implement also the delivery service. According to Bloomberg, Just Eat Takeaway and Grubhub executives state that the aggregator structure is the only model to be profitable, but it is essential to provide delivery services too in order to attract more restaurants and keep customers satisfied (Drozdiak, 2020). Last sections of Chapter 2 and the whole chapters 3 and 4 will study feasible strategies for digital food delivery platform to be profitable and sustainable in the long run.

While discussing about food delivery platforms, it is worth to make a more detailed classification of their business models that goes beyond the simple difference among aggregators and new-delivery. As a matter of fact, their distinction is surely more specific given the fact that the entire food supply chain involves several different stages, from the order phase to the final delivery. Food delivery platforms must choose where to position themselves along the food value chain: they can control a particular phase of the chain, they can manage more than one step, or they can even try to oversee the whole food delivery supply chain. From a general perspective, companies can opt for a *full stack* or *thin stack* set-up inside the value chain. Full stack firms are vertically integrated, offering the total range of services to the final customer. On the other hand, so-called thin stack companies generally manage just a part of the supply chain, focusing mostly on the relationship with both suppliers and customers by means of digital platforms (Apte, Davis, 2019).

Coming back to online food delivery industry, platforms can set their positioning along the value chain by embracing one of the three possible models illustrated by the table of Figure 2.5.

Fig. 2.5: Possible delivery models based on supply chain positioning

	ORDER ONLY	ORDER + DELIVERY	FULLY INTEGRATED
<i>Services</i>	<ul style="list-style-type: none"> • Marketplace • Ordering 	<ul style="list-style-type: none"> • Marketplace • Ordering • Delivery 	<ul style="list-style-type: none"> • Ordering • Cooking • Delivery
<i>Strong points</i>	<ul style="list-style-type: none"> + Low entry investments + High margins 	<ul style="list-style-type: none"> + Broader eateries choice = scale-up opportunities + More control of customer experience 	<ul style="list-style-type: none"> + High revenues + Total control of customer experience
<i>Weak points</i>	<ul style="list-style-type: none"> - Limited eateries choice = limited scale-up opportunities - Low control of customer experience 	<ul style="list-style-type: none"> - Low margins - Dealing with rider strikes - High competition 	<ul style="list-style-type: none"> - Higher organizational effort - Difficult operations coordination
<i>Companies</i>			

Source: personal elaboration

Order only model is a synonym of aggregators platforms, in which the core services offered to partners are the marketplace feature and ordering system. As previously said, this configuration has low entry investments but it is difficult to scale-up, due to the fact that platforms can promote only those eateries which already have logistic systems. This is the main reason why Just Eat and Takeaway.com started with order only model but suddenly had to shift to order and delivery model to meet clients' needs. Order and delivery model - on its part - represents the above-mentioned new-delivery model that comprehends also the delivery service in addition to the marketplace and ordering ones. This model has a high potential for scalability and a higher control over the customer experience but it suffers from high competition, possible riders issues and lower margins caused by higher logistic-related costs. The third model is - at the time of writing - the less used. So-called *Fully integrated* model is pretty different from the other two models as it controls the whole food chain: from the ordering stage, passing from food preparation, to the final delivery. In such a model, the

firm is in charge of cooking meals through dark kitchens or ghost kitchens, which are eateries that does not provide dine-in meals but they are completely delivery oriented. This configuration guarantees that revenues of the whole food chain will be owned by the digital delivery platform, but the initial investment is expensive due to the complex infrastructure (Wijngaarde, de Miguel, 2017).

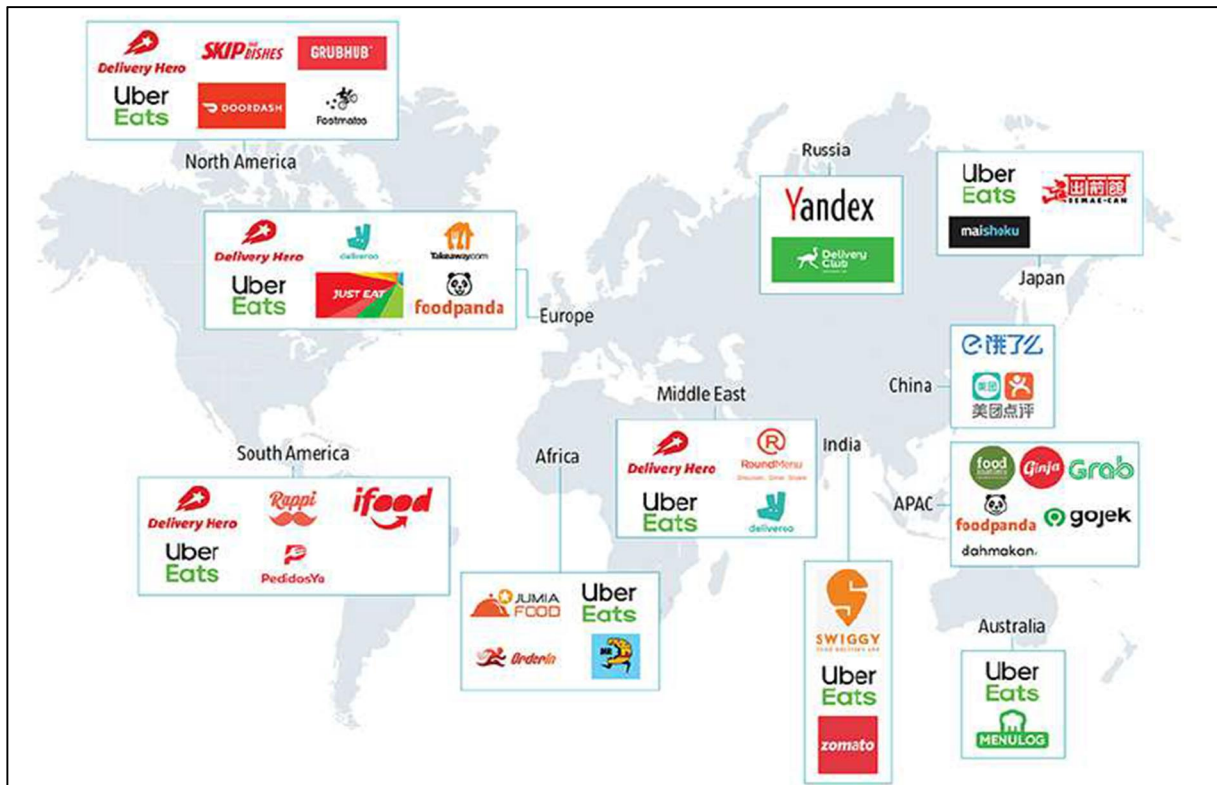
In the years to come it will be interesting to see what strategies big food delivery players will adopt in terms of food chain positioning. Major firms are illustrated in the next section.

2.4.3. Key new-delivery platforms players

In order to have a complete comprehension of specific dynamics of digital food delivery market it is fundamental to find out which are the main players that are seeking for consolidation across most important markets. Figure 2.6 clearly illustrates a snapshot of various markets worldwide at the beginning of 2020. That world map suggests a common situation across almost every market that are more and more characterized by few big players competing to gain leadership. In addition, this path for markets consolidation is even more accentuated by frequent mergers and acquisitions among companies in the industry, as it will be shown in the next paragraph.

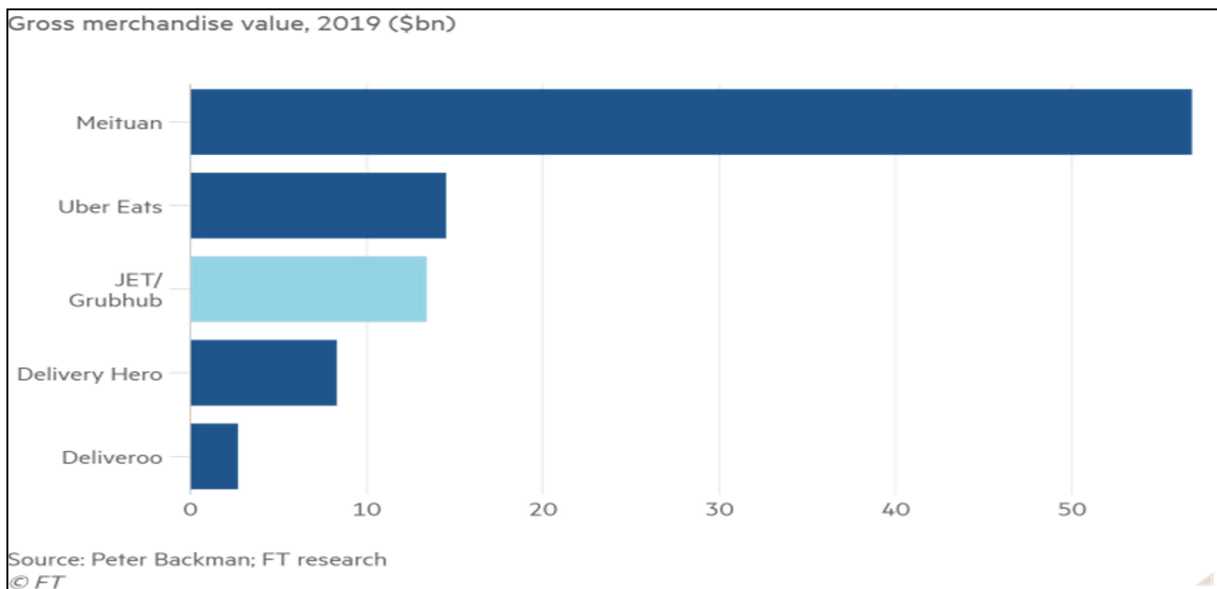
Globally speaking, the largest digital food delivery companies in terms of Gross merchandise value are the Chinese Meituan Dianping, Uber Eats, Just Eat Takeaway merged with Grubhub, Delivery Hero and Deliveroo. Figure 2.7 graphically explains the huge level of gross sales performed by Meituan in 2019.

Fig. 2.6: Main players in selected online food delivery markets



Source: Frost & Sullivan and Robeco, 2020

Fig. 2.7: 2019's largest global players in terms of Gross merchandise value



Source: Financial Times, 2020

In December 2020, US market showed DoorDash as the leader with 46.6% of digital restaurant marketplace sales, followed by Uber Eats with 28.2%, Grubhub with

16% and Postmates with a marginal market share of 5.5% (eMarketer Editors, 2020). Despite growing revenues especially during the pandemic, US firms are all still unprofitable. In 2020, DoorDash lost \$149 million in the first three quarters notwithstanding turning a profit of \$23 million in the second one (Sumagaysay, 2020). Anyway, DoorDash growth in 2020 has been impressive, considering that it reported revenues for \$1.9 billion in the first nine months, up from \$587 million during the same time in 2019 (Lin, 2020). This growth culminated with DoorDash IPO on the New York Stock Exchange in September 2020, with a valuation of nearly \$70 billion (Lin, 2020). Uber Eats is also expanding its revenue sizes. In 2020, it registered \$12.67 billion sales, more than doubling results of 2019. Thanks to the acquisition of Postmates, Uber Eats is expected to exceed 30% of overall digital restaurant marketplace in United States, according to eMarketer Editors (eMarketer Editors, 2020). Even in this case, despite growing revenues, Uber Eats reported a loss of adjusted \$183 million in the third quarter of 2020, an improvement from the \$316 million loss registered in the same period of 2019 (Sumagaysay, 2020). In addition to the acquisition of Postmates, Uber can also count on major network effects deriving from its rides service. Concerning the third American player, Grubhub, it will be interesting how it will perform after its being acquired by Just Eat Takeaway group. A fundamental fact that will inevitably trigger future studies and researches is the decision by some US cities' policymakers of imposing a cap on platform commissions towards restaurants (Marshall, 2020).

Shifting the attention towards Asia, the three most important markets are China, India and South Korea. In the Chinese market, Meituan Dianping is the absolute leader, followed by Ele.me, Koubai, and Daojia (Textor, 2020). In India, the two companies that dominate the market are Swiggy and Zomato which bought Uber Eats' Indian operations, thus removing this competitor from the competition (Devipriya, Aswathy, Jishnu, Anil, 2020).

European market – rather - is the less consolidated and characterized by more competition. Most important players are Just Eat Takeaway, Uber Eats, Delivery Hero and Deliveroo (Robeco, 2020). Focusing on Italy, Just Eat Takeaway is the leading player, covering 1200 cities across the Peninsula and more than 16.500 restaurants inside the platform (Just Eat, 2020 A). In addition to Uber Eats and Deliveroo, then, also Glovo is one of the digital food delivery platform most present in the Italian market, along with

several small players that operates locally like CocaiExpress in Venice and Cosaporto in Rome.

Next section will explain some common activities that worldwide players are performing in order to grow and be competitive.

2.5. Business strategies of digital food delivery platforms

According to McKinsey & Company analysts, global market consolidation was already advanced in 2016 and even with the arrival of Covid-19 it is following its path (Hirschberg, Rajko, Schumacher, Wrulich, 2016). At the beginning of digital food delivery wave there were several different players but through the years almost every market saw the emergence of few major players capturing the main part of market share, as seen in the previous paragraph (J.P. Morgan Chase & Co, 2020). Therefore it is extremely fascinating to grasp which strategies are following the biggest players of the sector in order to gain business volumes and reach profitability. The topic sounds even more intriguing considering that in 2019 the tech giant Amazon has been forced to close down its food delivery service Amazon Restaurant, due to the tough competition of players that were present in the market since years (Dumaine, 2020).

By observing the global landscape of online food delivery before and during Coronavirus outbreak, some common strategic patterns come to light. The first recurrent strategy is financially-oriented, as major players are constantly acquiring and/or merging with start-ups and also direct competitors. The other key strategies that are taken in consideration from digital food delivery platforms concern two building blocks of their business models: Value Proposition with a differentiation of the offer and Revenue streams with subscription revenues on the rise.

2.5.1. Mergers and acquisitions

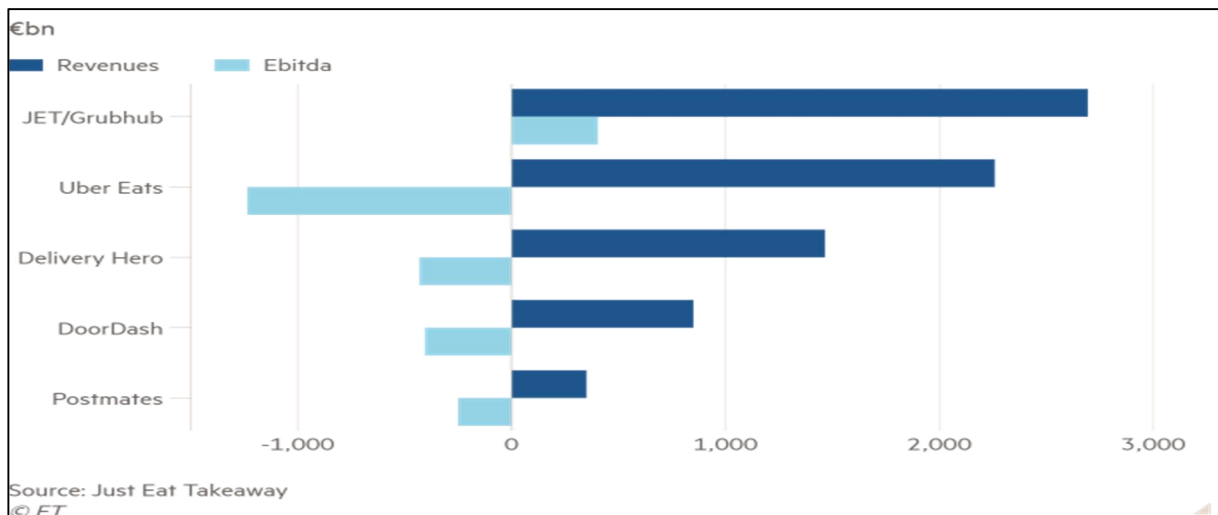
Since the outset of online food delivery market, players competing inside it have been used to seek for market consolidation through a corporate-level strategy: mergers and acquisitions. These operations enable more structured firms to gain authority across markets in several ways. Indeed, a digital delivery platform might opt for mergers or acquisitions with other companies to strengthen its position in a specific market where it was already presence or to enter new markets both from a geographical and an

offer-related point of view. The final purpose, anyway, is always the same: increasing business volumes' size to foster economies of scale that reduce marketing spend, in order to be profitable in a low-margin industry (J.P. Morgan Chase & Co, 2020). The following case studies will testify the frequency, the size and the rationale behind operations of such typology.

Inside the category of mergers and acquisitions aimed at consolidating market positioning and becoming market leader, the most important operation occurred is surely the merger between Just Eat and Takeaway.com. As told before, both players are the pioneers of the industry and started with an aggregator business model at the beginning of 2000s. In 2020 they completed a merge that created a global player working in 23 countries worldwide, with an established leadership position in the European market. The two companies started a branding strategy to join their values and also - according to Just Eat Italy Country Manager Daniele Contini - a gradual app migration to a single global platform (Just Eat, 2020 B). Before the merge, in 2019, Takeaway.com bought Delivery Hero's German assets for €930 million and affirmed its leading status in Germany, thus decreasing marketing and promotions expenditures thanks to its privileged position (J.P. Morgan Chase & Co, 2020). For its part, Delivery Hero made a strategic operation by acquiring South Korean market leader Woowa for \$4 billion at the end of 2019 (Marshall, 2020). Remaining on consolidation-aimed acquisitions, at the beginning of 2020 Zomato purchased Indian operations of Uber Eats and confirmed its primary position in India with Swiggy (Goyal, 2020). Grubhub moves complete the list, as it expanded its presence on the American market by merging with Seamless in 2013 and by acquiring Eat24 that was strong in California area in 2017 (Lee, Bradshaw, 2020).

Grubhub is also the protagonist of the most expensive acquisition so far. In fact, in 2020 the U.S. delivery firm agreed to be acquired by Just Eat Takeaway.com through an all-stock merger worth \$7.3 billion (J.P. Morgan Chase & Co, 2020). The deal, as illustrated in Figure 2.8, enables Just Eat Takeaway.com to enter the huge American market and to officially be considered as one of the most important delivery firms worldwide with Meituan Dianping, Uber Eats, Delivery Hero, Deliveroo and DoorDash (Lee, Bradshaw, 2020).

Fig. 2.8: Global market conditions after the merger among Just Eat Takeaway.com and Grubhub



Source: Financial Times, 2020

Before this large acquisition, in 2016 Just Eat made a similar bargain by buying Canadian player SkipTheDishes to penetrate the market in that area (Lee, Bradshaw, 2020).

The last M&A typology regards the concepts of brand positioning and perceptions. The first operation belonging to the case is the acquisition of Caviar by DoorDash in 2019 for \$410 million. Caviar is known in the US food delivery sector for its selection of high-end eateries that permit DoorDash to add a premium service to its offerings (Griffith, 2019). The other deal of such a type was carried out in the American market too, when in 2020 Uber announced the acquisition of Postmates, the fourth-largest US food delivery player. The operation, worth \$2.65 billion, will enable Uber Eats to diversify its offerings' portfolio in United States with a premium restaurants selection which is the key feature of Postmates value proposition (Klebnikov, 2020).

In this section, mergers and acquisitions have been analysed as a corporate strategy to gain market share and to enter new markets. In the following ones, two further strategies concerning food delivery business models are going to be discussed.

2.5.2. Differentiation of the offer

Overlooking structural strategies aimed at achieving market share in various countries, digital food delivery firms are looking for business model changes as growth drivers. Considering the building blocks constituting Business Model Canvas, the Value Proposition is one of the main areas in which delivery platforms are more focusing on. In

particular, some key players are testing a differentiation of the offer in terms of product typologies, including also the delivery of groceries and essential goods like medicines. Digital penetration of grocery delivery is still at very low levels, roughly 2-3% in the US market according to Doug Anmuth, Head of U.S. Internet Equity Research at J.P Morgan (J.P Morgan Chase & Co, 2020). Many companies are trying to exploit their delivery networks to enter the digital grocery delivery, in order to trigger even more cross-side effects and expand the platform user base. For instance, in 2020 Uber acquired Cornershop, a Chilean grocery delivery service operating in Latin America and started competing also in the US online grocery delivery (J.P Morgan Chase & Co, 2020). Remaining in the American scenario, even the market leader DoorDash launched its grocery delivery service called DashMart, focused on convenience-store delivery (Sumagaysay, 2020). Some European and Italian players are following this trend too. For example, both with Glovo and Cosaporto it is possible to order and get the delivery of a wide range of products like grocery, pharmacy and beauty products and even flowers. It will be fascinating to discover if also the other key players of digital food delivery will enlarge their offer to increase business volumes in the future.

2.5.3. Changes in revenue model: subscription pricing

Another common trend that can be identified across major food delivery players and their plans of action regards their revenues model towards final customers. As seen in the Business Model Canvas, digital food delivery platforms generally adopt a transaction-based pricing method, in which consumers are allowed to join the platform for free, but they pay a fee for every delivery they order (Kung, Zhong, 2017). The most important players instead are testing an alternative revenue stream: subscription pricing. In other many sectors, subscription-based pricing has been a widely adopted solution besides pay-per-usage fees. For instance, streaming services are mainly based on membership programs and, more recently, even online grocery delivery industry is increasing the use of this revenues' typology (Wagner, Pinto, Amorim, 2020).

One of the most popular and successful subscription revenues model is Amazon Prime. With this service based on subscription, members pay a fixed annual sum to take advantage from a wide range of benefits including free deliveries, free e-books and cloud storage space, access to movies and music streaming services (Dumaine, 2020). From Amazon Prime case study it is easy to grasp the simple rationale behind membership-

based revenue model: the customer can enjoy of a wide spectrum of benefits by paying in advance a fixed annual or monthly fee instead of pay per every usage of the service. In the specific case of online food delivery, with such a system customers can benefit from free deliveries, discounts and special offers. These programs generally include a monthly or annual fee in exchange for free deliveries for orders above a minimum threshold. For instance, in 2016 Postmates launched Postmates Unlimited, in which customers pay \$9.99 per month or \$99 per year to have free deliveries. Again, in 2018 DoorDash introduced its membership program DashPass for a monthly fee of \$9.99 in return for no delivery fees and tie-in for Caviar. Uber, inside its subscription plan, offers rewards connected across its food delivery and ride sharing services (Lichtenstein, 2020). This revenue model seems appreciated across worldwide digital food delivery markets, considering that more and more players are introducing their membership systems like Grubhub+, Glovo Prime and Deliveroo Plus.

This growing interest towards this particular type of revenue model inevitably leads to wonder what are the key features that make subscription pricing so attractive for delivery platforms. For these firms, membership-based revenue streams offer advantages that can be related to both financial and marketing perspectives.

As regards to financial aspects, the first clear strength of this revenue stream is an easier cash flow management and revenues forecasting, as the consumer generates recurring earnings and pays in advance for the subscription service. Indeed, digital delivery firms can match data like the number of subscribers with the average *churn rate* to forecast with accuracy the entity of future revenue flows. In such scenario, companies can benefit from cash resources that reduce the risk of financial exposure and give the possibility for higher investments in platform development and marketing operations (Kung, Zhong, 2017). Another advantage linked to the financial management of food delivery companies is the fact that a membership base is perceived as long-term asset with higher entry barriers respect to businesses based on transaction-based purchases. Furthermore, the easier customer lifetime value's measurement and the subsequent revenues forecasting make the firms and start-up based on subscription model more attractive to potential investors and buyers (Bischof, Boettger, Rudolph, 2019). Shifting the focus on marketing perspectives, under subscription-based programs the relationship built with the customer is long term oriented and thus more solid, de-commoditizing the offer and increasing platform loyalty. Therefore, membership

offerings represent also a way to lock-in customers and gain market shares against competitors by reducing multi-loyal consumers' volatility (Bischof, Boettger, Rudolph, 2019). A side effect of subscription revenue model is that the platform will try to guarantee the best service possible to retain the customer subscribed and this represents a good point also from subscribers' point of view.

The last crucial concept related to food delivery subscription revenues is the consumer's price-sensitiveness in order frequency. In a research called "*The optimal pricing strategy for two-sided platform delivery in the sharing economy*", authors assert that - on average - a consumers' expected number of orders under a subscription program increases as delivery fees are removed. In other words, when this is true, users tend to order more frequently if they are committed to a membership service due to the appeal of no delivery costs. As free delivery normally requires a minimum order amount, increasing commissions from restaurants can cover the sums to pay to independent couriers (Kung, Zhong, 2017).

Subscription programs constitute just one of the most common strategies adopted by leading digital food delivery platforms to reach profitability. Their marketing and communication approaches and implementations will be the core topic of next Chapter.

CHAPTER 3 - MARKETING OF FOOD DELIVERY PLATFORMS

3.1. Overview and objectives

Following a logic line of reasoning on the analysis of digital food delivery platforms, the focus of the Chapter is placed on their marketing and communication operations.

First of all, the examination of the topic starts with consumers perspective with an explanation of key drivers that push consumers to opt for food delivery services, their most important attributes of choice while considering different food delivery brands and customer behaviour intended as perceptions towards food delivery. In all these aspects, the role of Covid-19 outbreak will be underlined, in order to highlight key changes in customer behaviour that digital food delivery firms must take into account for their present and future operations in an ever-changing environment.

Then, the Marketing Funnel will introduce marketing strategies and tactics to acquire new customers and retain the present ones, following the journey that a user normally accomplish during his or her relationship with the digital food delivery brand.

The third section of the chapter will be dedicated to communication activities of food delivery firms, which is represented in a large part by digital channels. Before the analysis of the tools, channels and touchpoints available to companies to adopt their marketing and communication strategies, there will be an in-depth study on customers' cognitive responses towards online food delivery firms' communications and promotional messages.

Last part of the chapter will be devoted to an essential marketing task that every food delivery platform must conduct on a daily basis: measuring marketing data about customers, communication and operations.

The aim of the third chapter is explaining how food delivery companies move in terms of marketing and communication, completing the picture composed by digital food delivery business model and the fast changing environment in which companies operate. In this way, the ground is set to analyse concrete case studies in Chapter 4 and figure out which are the key factors to win in this challenging sector.

3.2. Consumer behaviour changes during Covid-19

In order to gather the rationales behind marketing strategies adopted by food delivery platforms, it becomes essential to study consumer behaviour towards food delivery, especially since the arrival of the Covid-19 outbreak. Changes in consumers' attitudes towards food delivery forced companies of that sector to adapt their marketing and communication plans to be successful.

3.2.1. Key drivers and attributes behind food delivery choices

Customer behaviour analysis requires a clear distinction among drivers and attributes behind food delivery choices made by customers. Drivers are intended as those factors which lead consumers to order food delivery as a way of food consumption. In other words, drivers are the reasons why a person feels the need of ordering food delivery. On another perspective, attributes are defined as those elements that are important for the customer while using a food delivery service and that can make the difference among different digital delivery platforms.

Let's start with the first category affecting consumers relationship towards food delivery. As seen in the first chapter, in the last decade the key drivers that led consumers to opt for food delivery were mostly related to the concept of convenience. Thus, causes like lack of motivation in cooking and lack of time available were the most common reasons why people feel the desire to order food delivery, as highlighted in a study conducted by Deloitte in European capital cities in 2019 (Deloitte LLP, 2019).

After the disruptive event represented by global epidemic, in several countries digital food delivery became a pure necessity for consumers as eateries have been forced to close down to contain the sanitary emergency. But necessity is not the only driver that Covid-19 triggered in consumers' mind. As a matter of fact, researches conducted in USA and UK during the first lockdown period by the data company GlobalWebIndex revealed that – in addition to necessity and convenience-related factors – another key driver of food delivery choices is related to emotions and personal feelings. Indeed, according to this research, pursuit of personal wellness is the new reason why consumers opt for food delivery after the arrival of Coronavirus pandemic. In addition, also the desire of trying new cuisines and food typologies emerged as a relevant driver behind consumers choices (Moran, 2020). The same findings resulted

even in Italy, where a large part of food delivery consumers affirmed that since lockdown weeks they started ordering food delivery to treat themselves and to feel better from a personal point of view (Just Eat, 2020 A).

To sum up, in “Covid-19 era” the key drivers that nudge consumers to order food delivery online are convenience, necessity and pursuit of personal well-being. Digital food delivery companies must consider these changes in consumers behaviours and shape their communication to attract new users to try the service.

When a consumer has already felt the need and tried digital food delivery services, choice attributes come into play. As mentioned before, choice attributes are those elements that characterize and differentiate the delivery service of a specific company rather than another one. There is a wide literature about this particular aspect of food delivery business related to the period before the advent of Covid-19, focused on customers perceptions towards various attributes that compose the whole digital food delivery service. The analysis of several scientific articles, studies by consulting firms and researches by scholars underlined some common attributes that were considered as fundamental by worldwide customers while evaluating an online food delivery service.

First of all, the features considered as the most important by customers have historically been speed of delivery and price-related benefits like free delivery options or discounts on the orders (Hirschberg, Rajko, Schumacher, Wrulich, 2016; Gilsenan, 2018). Then, especially from researches conducted in Europe, India and China, pure role of food stands out, intended as quality of food delivered and variety of restaurants and cuisines inside the platform offer (Cho, Bonn, Li, 2018; Modak, Sinha, 2019; Deloitte LLP, 2019). Another group of attributes that resulted essential to drive worldwide consumers choices is technology-related. As a matter of fact, service usability, trust in online food delivery technology and ease of payment methods have been evaluated as very important elements for digital food delivery users (Cho, Bonn, Li, 2018; Deloitte LLP, 2019; Ray, Dhir, Bala, Kaur, 2019). Service usability is defined as the application’s ease-of-use in searching and interacting with restaurants inside the platform (Ray, Dhir, Bala, Kaur, 2019). Trust in online food delivery platform entails a sense of security while ordering food through the app and truthful and updated information inside the platform (Cho, Bonn, Li, 2018). These were the attributes evaluated as the most important while choosing the best food delivery service from customers perspective before the arrival of the pandemic.

As already demonstrated by this thesis, Coronavirus outbreak caused important changes across markets both from businesses side and consumer side. These changes constitute the basis on which food delivery platforms must decide their future marketing and operations decisions in order to survive in this highly competitive market. Scholars' literature related to customer perceptions changes is inevitably poor due to the newness of the event. Anyway, there are some pioneering studies and researches – mainly conducted by consulting firms and data companies – which are bringing to light new key attributes for digital delivery services that came out after the sanitary emergency.

In April 2020, the Global Investment Bank and Financial Services provider Citigroup Inc. - based in New York - conducted a study on the impact of Covid-19 on digital food delivery platforms. The research also included a survey in which it was asked the food delivery consumers in UK, Italy, Brazil, and South Korea which were the most important attributes for the choice of service in that particular moment of pandemic expansion. Answers by respondents confirmed the importance of most of the previously mentioned attributes like price-related elements, speed of delivery, app functionality and variety of restaurants – all highlighted by literature before the arrival of the epidemic. However, the survey reveals also another attribute considered as crucial by consumers of food delivery during Covid-19 outbreak: hygiene and food safety (Pollard, O'Neill, 2020).

Due to the ease of virus transmission, people became more concerned about concepts of safety and especially hygiene of what they use and what they eat. As mentioned before, restaurants and food business were forced to close down to avoid contacts between people and stop the contagion, so food delivery and take-away resulted as the only choices remained for food provision. Even food delivery has been submitted to hygienic evaluations by both food experts and consumers. Donald Schaffner - a specialist in food science at Rutgers University - confirmed that there is no proof that the virus can be transmitted by food, the most important thing is to avoid contacts with other people (Nierenberg, 2020). Food delivery has also been declared as safe by World Health Organization through its "Questions and Answers" related to food safety and nutrition during Coronavirus disease. W.H.O. stated that *"It is safe to have groceries delivered if the provider follows good personal and food hygiene practices. After accepting food/grocery deliveries, hands should be properly washed"* (World Health

Organization, 2020). Thus, the only way by which food delivery could be dangerous in terms of safety is related to possible contacts among customers and food delivery riders and couriers. For this reason, it is essential that riders are provided with personal protective equipment like mask, gloves and hand sanitizer (Nierenberg, 2020). Food delivery firms are trying to reassure customers about service security through their communication channels and - from an operational perspective - they implemented contactless delivery, where riders leave food at customer's door and the payment is done electronically, avoiding any type of touch among humans (Nierenberg, 2020).

With the purpose of figuring out attributes determining consumers' intention to continuously use online food delivery platforms during Covid-19 era, a scientific research has been conducted in China between March and April 2020. From the results of the study - instead of concrete attributes - emerged some crucial perceptions that make the difference in consumers choices towards food delivery platforms in Covid-19 period. The most important factor determining customers' usage intention has been satisfaction. This perception is defined as the sensations felt when individual prior expectations are confirmed by actual emotions triggered by the service (Zhao, Bacao, 2020). Customers satisfaction is the result of a high quality of service provided in terms of both online and offline experience, which must be simple and frictionless for the customer from the ordering stage to the meal receiving, without any type of barrier like delays or application crashes. Then, the research confirmed the essential role played by contactless delivery in convincing consumers about service safety and absence of hygienic issues that in turn increase consumers intentions to use the service (Zhao, Bacao, 2020). A safe service guaranteed by contactless delivery represents a key element to build a sense of trust in food delivery platforms by users. According to the same scientific research, trust - intended as individual faith that influences future decisions towards an institution - significantly affects consumers intentions to purchase from food delivery platforms. The hard thing about trust is that it is a perception that cannot be built rapidly like a discount program, but it needs time and efforts by digital food delivery firms. During Covid-19 emergency and in the future, companies competing in food delivery business must focus on promptness of the service, reliability and personalization of the user experience in order to gain trust and customers satisfaction, to be sustainable in the long term (Zhao, Bacao, 2020).

The major online delivery companies strategies focused on build trust and customer satisfaction will be analysed in the last sections of this Chapter.

3.2.2. Changes in consumer behaviour

In addition to drivers and attributes behind customers' choices related to food delivery, firms competing in the market must consider also changes in the overall behaviour, attitudes and habits of consumers towards this way of food consumption.

According to the wide marketing literature, consumers attitudes are defined as coherent behavioural responses towards stimuli and they can be considered as forerunners of purchase intentions by customers (Kotler, Bowen, Makens, Baloglu, 2016).

Concerning the Italian market, some insightful data have been collected by Cortilia in terms of changes on how consumers purchase food, suggesting that before the first period of lockdown 54% of respondents rarely or never purchased online grocery and that percentage dropped to 13% after lockdown period (Puggioni, 2020). Shifting to changes in food typologies, a research by Coldiretti highlighted the fact that organic food and locally grown food products like Made in Italy dishes were those ones that grew the most during the first wave of Coronavirus outbreak in the Peninsula (Coldiretti, 2020 B). In addition, customer behaviour changes registered some interesting cues also from the perspective of consumers emotions and feelings associated to food delivery after the arrival of Covid-19. As a matter of fact, the study cited in Chapter 1 and conducted by Just Eat during the first lockdown weeks underlined that people tend to associate food delivery ordering with positive feelings like optimism, serenity and pursuit of relax (Just Eat, 2020 A).

Digital delivery firms must know and analyse changes in customer behaviour because they are very likely to remain also when the sanitary emergency will be over. First, some consumers may be hesitant to return to restaurants for the pre-existing concerns about safety and hygienic issues. Second, the huge exposure to food delivery could have accustomed consumers to enjoy its benefits like convenience, thus permanently conditioning consumer behaviour (Karamshetty, Freeman, Hasija, 2020).

Even before the pandemic arrival, other changes have been registered in terms of customer loyalty towards online food delivery platforms. The important study carried on by McKinsey & Company in 2016, suggested that customer loyalty levels were high

with an average of 80% of customers who signed up the service and then have rarely or never left to join another platform (Hirschberg, Rajko, Schumacher, Wrulich, 2016).

More recent studies on the topic – instead - highlighted a fall in customer loyalty towards a single food delivery operator (J.P. Morgan Chase & Co, 2020; Yeo, 2021). Results of a GlobalWebIndex research conducted in 2020 are emblematic to explain the phenomenon, considering that the highest levels of customer loyalty registered have been 73% in UK market and 45% in US market, almost a half of the level registered by the previous McKinsey research (Moran, 2020). Obviously, customer disloyalty may exist where there is competition among different firms like in the US market, while in other markets where there are scenarios near to monopoly of one firm, customer loyalty will inevitably be higher. As a matter of fact, customer disloyalty may exist where there is competition among different firms like in the US playground, while in other markets where there are scenarios similar to monopoly of one firm, customer loyalty will inevitably be higher. Thus, mergers and acquisition strategies studied in the Second Chapter of this thesis are motivated by the fact that major food delivery firms want to overcome competition in order to benefit from loyal customers.

Concrete and less broader tactics to acquire and retain customers are examined in the next section.

3.3. Food delivery marketing: customer acquisition and retention

Thanks to the overview about consumer behaviour, perceptions and attitudes changes towards food delivery, it is now possible to focus on how platforms can respond to this ever-changing environment to pursue long term sustainability using marketing and communication activities.

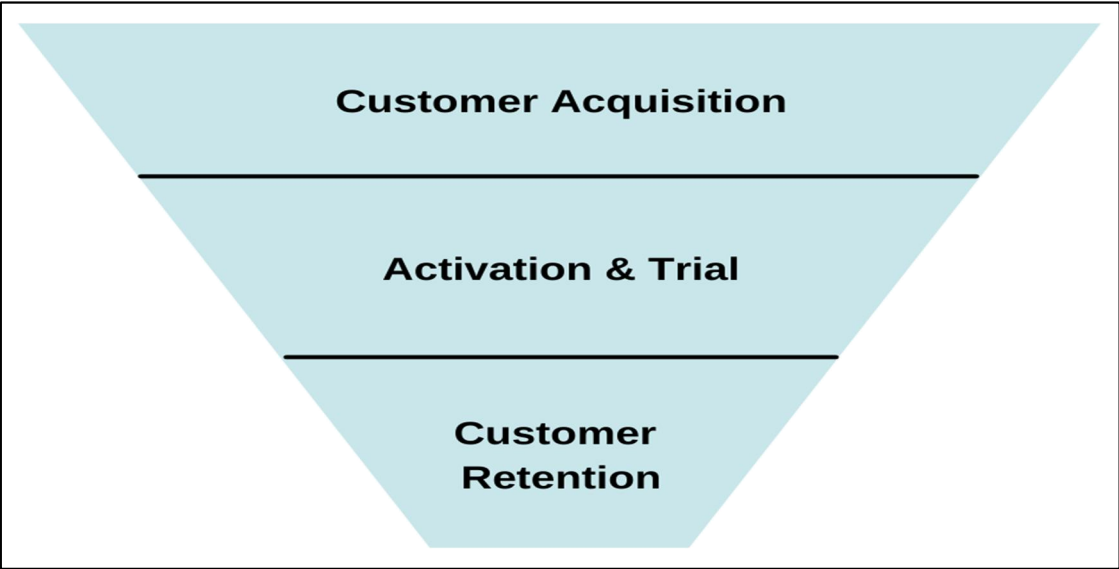
3.3.1. Marketing funnel of food delivery platforms

Digital food delivery platforms, but also start-ups and companies of other industries, normally adopt some strategic tools and marketing models to take advantage from customers data and thus ponder their decisions. Thanks to the availability of a wide range of data about users, online food delivery platforms can track and also make forecasts about the journey that the user cover in its relationship towards the platform. To do that, a traditional model used by firms, marketing agencies and scholars is the

Marketing Funnel. This framework explains the decision-making path that the consumer performs through the various stages of purchasing a product or service, from the first contact with the company to the time of purchase (Camera, 2017). According to the classic configuration of the funnel - called AIDA model - consumers go through the stages of Awareness (knowing the firm), Interest (get interested to firm's products or services), Desire (interest to purchase firm's products or services) and finally Action (purchase of the firm's products or services). This path generally represents a good starting point for consumer behaviour's understanding by companies (Camera, 2017). The model is funnel-shaped because only a fraction of consumers aware of the existence of the product or service will buy it in the end, and the aim of companies is to make this fraction as larger as possible.

In the case of digital food delivery platforms, this model may be slightly different while maintaining the same core concept behind it. Figure 3.1 illustrates the Marketing Funnel specifically tailored for online food delivery platforms, resulted after a personal elaboration of the classic framework. The schema is simpler than the traditional one and it is divided in three main stages: Customer Acquisition, Activation and Trial phase and Customer Retention.

Fig. 3.1: Marketing Funnel of a food delivery platform



Source: personal elaboration from Camera, 2017

In Customer Acquisition stage, food delivery companies wants to persuade the consumer to join the platform, intended as mobile application or website. Generally,

Customer Acquisition marketing tactics have the goal of increasing traffic to the digital platforms, in order to make the consumer aware of the service. Then, Activation and Trial phase has the aim of converting the visitors who joined the platform into active users, encouraging them to try the service by ordering a delivery through the application. It is not rare that Activation moment comes immediately after the Acquisition, so much that the two stages could be unified.

The last part of the path is the Customer Retention, defined as the set of marketing strategies that make the customer coming back to the platform and repeating delivery orders along time. Retention is a fundamental indicator to foresee the economic sustainability of digital food delivery businesses. Concrete examples of tactics adopted by platforms along the various stages of the Marketing Funnel will be explained in the next subparagraphs.

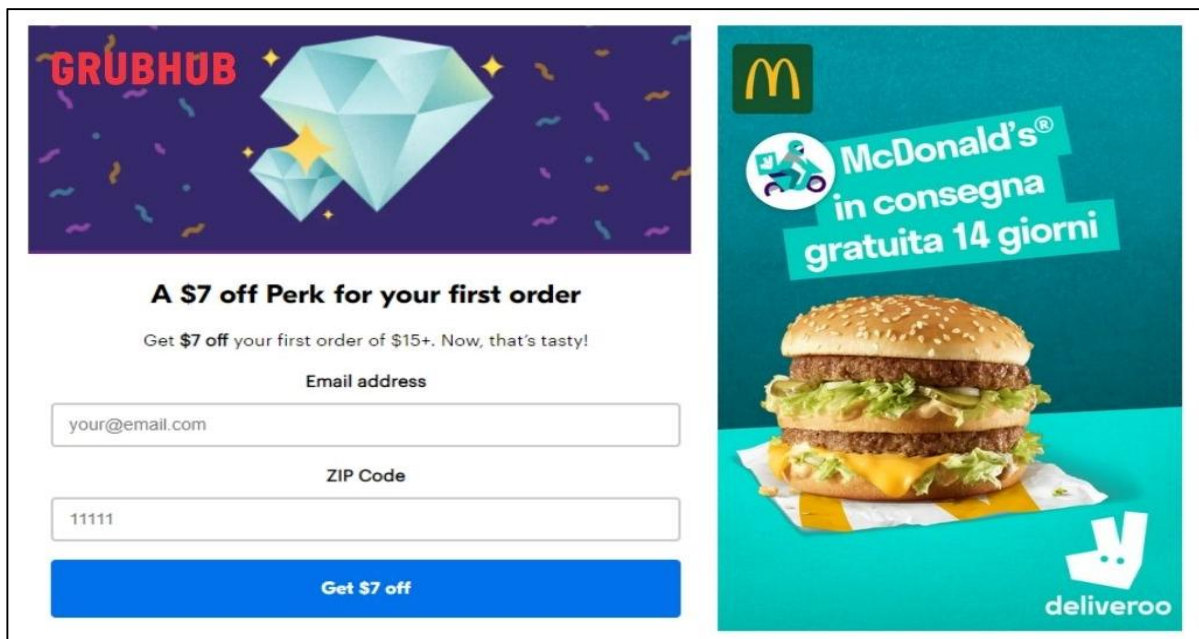
Regarding the Marketing Funnel, an important clarification must be done. It is referred to customers representing the final user segment of multi-sided platforms' business model. The rationale behind this concept is that food delivery companies want to bring more final users as possible inside the platform, in order to take advantage of cross-side network effects and thus attracting also the other customer segment represented by eateries and food businesses.

3.3.2. Customer Acquisition and Activation

Restrictions imposed by worldwide governments in response to contain the sanitary emergency represented a fruitful ground for the acquisition of new customers by digital food delivery platforms. Regardless this extraordinary event that brought a window of opportunity for such companies, there are some strategic customer acquisition and activation methods to attract users inside the platform and start their relationship with the food delivery brand.

Following consumers preferences in terms of importance attributed to service's choice factors, the most used methods adopted by firms to acquire new users are related to the offer of a monetary benefit to users while ordering their first meal, like cashback offers, discount coupon codes or free delivery during the first days after the app subscription (CleverTap, 2019). Figure 3.2 shows two digital advertisements proposed by Grubhub on its website and Deliveroo through Instagram which clearly represent attempts of customer acquisition leveraging on money-related benefits.

Fig. 3.2: Examples of monetary customer acquisition techniques



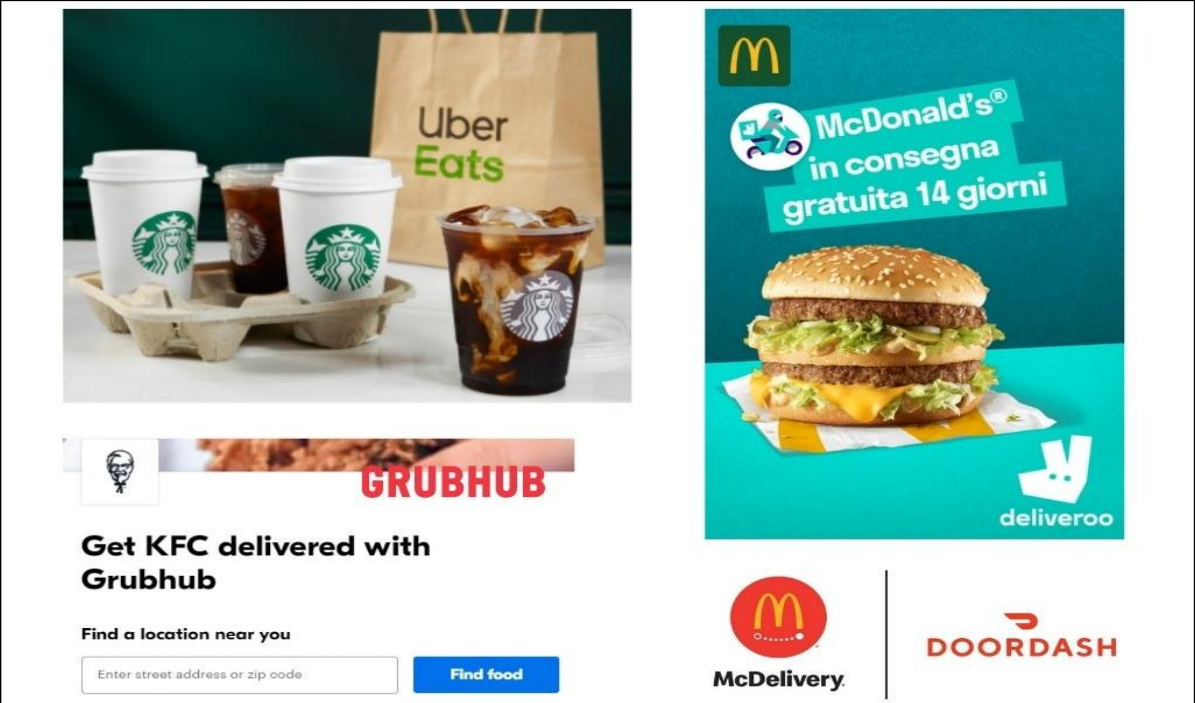
Sources: digital advertisements from grubhub.com and [instagram.com](https://www.instagram.com)

These types of acquisition methods can be connected to the category of marketing operations known as flash sales, in which a product or service is sold at convenient prices during a limited time window. One of the most successful case studies concerning flash sales is represented by the tech giant Xiaomi that - during its start-up stage - adopted such a strategy to increase traffic towards its ecosystem, because even Xiaomi adopts a multi-sided platform business model configuration. On this concrete case, Xiaomi proposed flash sales of its smartphones at very convenient prices for a limited period of time, creating hype and marketing buzz around Xiaomi products (Giachetti, 2018). The key concept behind flash sales is represented by the fact that with these operations, multi-sided platforms can attract new customers with convenient offerings, increasing value of the platform itself and triggering network effects to get value also from the other customer segments.

Discounts and cashbacks are not the only way to attract new customers inside the platform. Indeed, digital delivery platforms can rely on strategic collaborations with important food chains, trying to exploit their large and usually loyal audiences to attract a major number of users. Some examples are the deals stipulated by DoorDash with Wendy's, Chick-fil-A and McDonald's, that has also a partnership with Uber Eats. Postmates has a contract with fast food Popeyes, Grubhub is partnering with Taco Bell

and KFC and UberEats has an exclusive contract with Starbucks (Yeo, 2021). Some visual cues of these examples of collaborations are illustrated in Figure 3.3.

Fig. 3.3: Examples of partnership between digital delivery platforms and global food chains



Sources: delivery.starbucks.com - grubhub.com - corporate.mcdonalds.com - instagram.com

Anyway, these partnership are convenient and strategic for food delivery platforms from a marketing perspective, but they are also tough from an operative point of view, as big food chains benefit from a stronger bargaining power and can get lower commissions on the orders, thus cutting revenues for platforms. In addition, the Average Order Value placed by customers towards big food chains is usually lower if compared with the other restaurants, making profitability more challenging for digital delivery firms (Morgan Stanley, 2020 A).

After attracting the user inside the platform, food delivery firms should focus on converting the passive user into an active customer, persuading him or her to continuously order and interact with the application. In this case, neuroscience studies can help digital delivery firms' marketers and developers by suggesting them the key brain stimuli to leverage in order to nudge a higher rate of orders by customers.

Recent scientific studies highlighted the importance of visual cues both inside and outside the digital platform. Pictures and images are a fundamental tool for digital food

delivery firms in communicating value of the food and of the entire service. Scientific studies demonstrate that purchase intention of food consumers is influenced by pictures of people eating food items, both in dine-in consumption and delivery consumption (Gunden, Morosan, De Franco, 2020). Social presence is a key element that can foster customer intention to purchase, as it is a trigger of human interaction. As a matter of fact, pictures representing other people eating food or receiving a delivery meal trigger a higher interest respect to simple images representing just a food product. Social presence is also a delicate topic in Covid-19 era, but digital delivery platforms can in any case exploit it to their advantage by showing images of people receiving their delivery meal and consuming it at home. This type of communication not only nurture a higher desire in ordering food by customers, but also leads to larger transaction on the average order value (Gunden, Morosan, De Franco, 2020). Another insightful fact underlined by the research "*Are online food delivery systems persuasive?*" is the impact of calories information displayed inside food product sheets of the application. The study demonstrated that a clear and transparent communication of food calories displayed as numbers can increase the average tip granted to the delivery courier of 12%, entailing a higher sense of trust of the customer towards the whole delivery service (Gunden, Morosan, De Franco, 2020).

Clarity, transparency and completeness of information regarding food products, restaurants and service functioning are essential to guarantee a frictionless customer experience inside the platform that is a requisite for converting a passive user into a faithful customer. Mobile application's interface must comprehend products presentation with balanced colour contrast to help a realistic judgement by users (Verma, 2020). Interaction with the platform must be easy for the user, thanks to comprehensive, readable and updated information and to a user-friendly payment method. Reliability and platform authority can be built through the use of customers reviews and feedbacks on the food, on the digital platform, on the courier and on the whole delivery service. Another element that can boost reliability and trust towards the platform is a certification that user's data are safe (Verma, 2020).

The more a digital delivery firm invests in developing an efficient platform, the more it will transform acquired users in active customers and the less it will spend in further communication, thanks to its increasing reliability.

3.3.3. Customer Retention and Loyalty

After the Customer Acquisition and Activation phase, digital food delivery companies must concentrate their marketing efforts in retain customers and make them loyal to the brand. From a very practical perspective, there are some actions to foster customer retention that have been detected as successful by literature and experts of the field.

First, the starting point to keep a customer sticky to the platform is to offer a personalized user experience. The concept of mass-customization is widely known and used by multi-sided platforms with Amazon as a pioneer in this field. It consists in the personalization of the application interface to guarantee a digital experience as satisfying as possible to the user (Dumaine, 2020). Concretely speaking, platforms customize user experience by interacting with recipients calling them by name, referring to their location address, past orders or current events. A wide research conducted by the Mobile Marketing consulting firm CleverTap in 2019 suggests that the Click-Through Rate⁴ (CTR) for in-app notifications containing personalized elements like name and location is significantly higher than the one for not customized notifications, with a positive net impact of 52% (CleverTap, 2019).

With the increasing adoption of technology and digital devices, also thanks to Covid-19 pandemic, users are becoming more and more accustomed to experiences on applications, thus they will become more demanding in terms of customization.

One of the most important points of strength which differentiate online food delivery with the traditional delivery service is the fact that digital platform can benefit from the availability of customer data and insights, essential for the personalization of the service. Online food delivery firms can take advantage both from customer data collected after the subscription and also from user generated contents like feedbacks and reviews (Cho, Bonn, Li, 2018). These feedbacks can regard the app interface, the quality of the food, the couriers or in general the whole delivery service and they are fundamental to build digital profiles of the customers and to forecast which features they like the most to make them loyal. Thus, brand and service listening and monitoring activities become fundamental for digital delivery platforms to grasp information about customers behaviour, perceptions and emotions also from a qualitative point of view. As

⁴ *Click-Through Rate* (CTR) is intended as the number of responses to a particular stimulus divided by the number of people who saw the content in which the stimulus was included.

a matter of fact, monitoring activity consists in tracking mentions of specific words or phrases on websites and social media, while listening is the subsequent stage when data collected are analysed to ponder strategic marketing decisions (Tuten, Solomon, 2018).

Another way to convince customer to remain inside the platform and keep on ordering is to create rewards programs for faithful and more active users, who are also the most profitable (Cho, Bonn, Li, 2018). The concept behind these programs is known as the Gamification approach. This term is used to define the set of strategies that include the adoption of principles which are typically used on games, in order to change users behaviour by exploiting particular game features. A “gamified” product or service entails objectives to reach, challenges, rankings and possibilities to gain rewards and bonuses by interacting with the product or service (Camera, 2017).

An example of Gamification in digital food delivery is represented by Uber Eats Restaurant Loyalty Program, in which customers can earn rewards directly from restaurants on the app, building digital relationship with their regular customers. Users can check on their account how close they are to get a prize like a discount, a gadget or other benefits from the eatery. This strategy is widely used by Uber Eats, considering that the player has another program called Uber Rewards that repay customers activity on the app with recompenses. The rationale behind these Gamification programs is that every order becomes more gratifying and satisfying for the customer if there is a challenge and a prize to win in the future (Baker, 2020).

Other programs aimed at increasing customer loyalty towards the platform are the subscription or membership programs, already examined in the second chapter. These plans, rather than leveraging emotional aspects of customer behaviour, are focused on the pursue of convenience by users, who are willing to pay a monthly or annual fee to benefit from free delivery and other extra features.

When all the previously examined retention strategies fail, the common result is represented by the user unsubscribe from the application. At this point, online food delivery firms can opt for a remarketing campaign. This marketing strategy, called also retargeting, take advantage from the huge quantity of customer data available thanks to the Web infrastructure by sending personalized messages like promotional emails and special offerings to those users who uninstalled the application. The final purpose is to take back those users and make them re-joining the platform (Belch, Belch, 2018).

From a broader perspective, online food delivery firms pursue customer loyalty by ensuring food quality and efficiency of the whole delivery service. Thus, by establishing qualitative standards with partners – intended as eateries and also couriers – food delivery companies can guarantee a satisfying offline experience in addition to the online one offered inside the digital platform, in order to foster customer retention (Suhartanto, Ali, Tan, Sjahroeddin, Kusdiby, 2018).

Next paragraph will be dedicated to the analysis of communication of main digital food delivery firms.

3.4. Communication: how do food delivery platforms communicate?

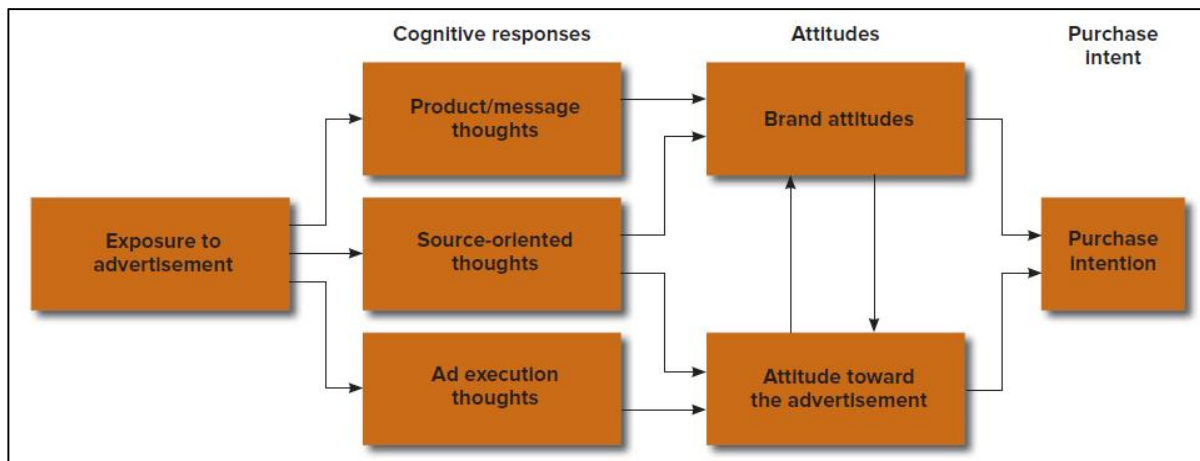
Communication campaigns and methods are the ways in which firms realize marketing strategies elaborated according to the marketing funnel seen before. A communication plan starts from a Model of Cognitive Response and then go through the definition of online and offline touchpoints that constitute every point of contact between the firm and its customers.

3.4.1. Cognitive responses towards communication

As already explained, digital food delivery platforms shape their communication on the basis of consumers cognitive responses, in other words the thoughts that occur to a consumer while getting in touch with a communication. A tool to assess consumer thoughts is represented by the Cognitive Response Model (Belch, Belch, 2018).

The framework is graphically explained by Figure 3.4. Cognitive responses can vary according to the content of the message, its source and the overall evaluation of the communication by the consumer. First cognitive responses might generate positive attitudes both towards the single communication and to the brand sending the message, two essential conditions to ultimately stimulate purchase intention by the consumer subjected to the communication (Belch, Belch, 2018).

Fig. 3.4: Cognitive Response Model



Source: Belch, Belch, 2018

This model has been used and conceptualised in a scientific research conducted in April 2020 in U.S. with the aim of testing the effectiveness of different advertising message combinations in convincing consumers to order food deliveries online during Covid-19 outbreak. To carry on the experiment, DoorDash was selected as the sample of digital delivery platform as it was the market leader and respondents must have ordered food deliveries from one DoorDash, Uber Eats, or Grubhub in the previous two months.

The test has been divided in two parts: the first set of communication stimuli was showed as Centers for Disease Control and Prevention messages. One communication underlined the best procedures to order food delivery, leveraging on the “how” mindset, while the other message stressed the reasons to order food delivery, thus “why” mindset. The second group of communications was disclosed as DoorDash advertising messages. One message was promotion-framed focusing on monetary benefits for the audience, while the other message was prevention-framed aimed at lowering safety risks for customers. The study has been simultaneously conducted in US regions where the pandemic was at high levels like the state of New York and in other areas where the sanitary emergency was not so severe like in Texas, Florida and California.

Results of the researches are illuminating and insightful. First, the study suggests that the how-oriented messages can increase purchase intention of costumers in the context of online food delivery in those areas where the pandemic situation is critical. Thus, concrete communications containing expressions like “wear mask and gloves while receiving the meal” or “the courier will leave the food at the door” or again “wash

your hands after catching the food” can increase consumers purchase desire in the areas most affected by the virus (Cai, Leung, 2020). In addition, the results suggest that concrete or how-oriented expressions perform best when the message is promotion-framed, thus focused on monetary benefits.

From the other side, in regions where the pandemic was not so heavy the why-oriented messages - like “for your safety”, “to support local business”, “social distancing” - performed better than the how-oriented ones. As a matter of fact, when people perceive the pandemic danger as distant from them, the more abstract messages including “why” expressions increase consumer purchase attitudes. Furthermore, responses from customers living in regions where the emergency is not alarming confirm that promotion framed messages are more persuasive than prevention framed ones (Cai, Leung, 2020).

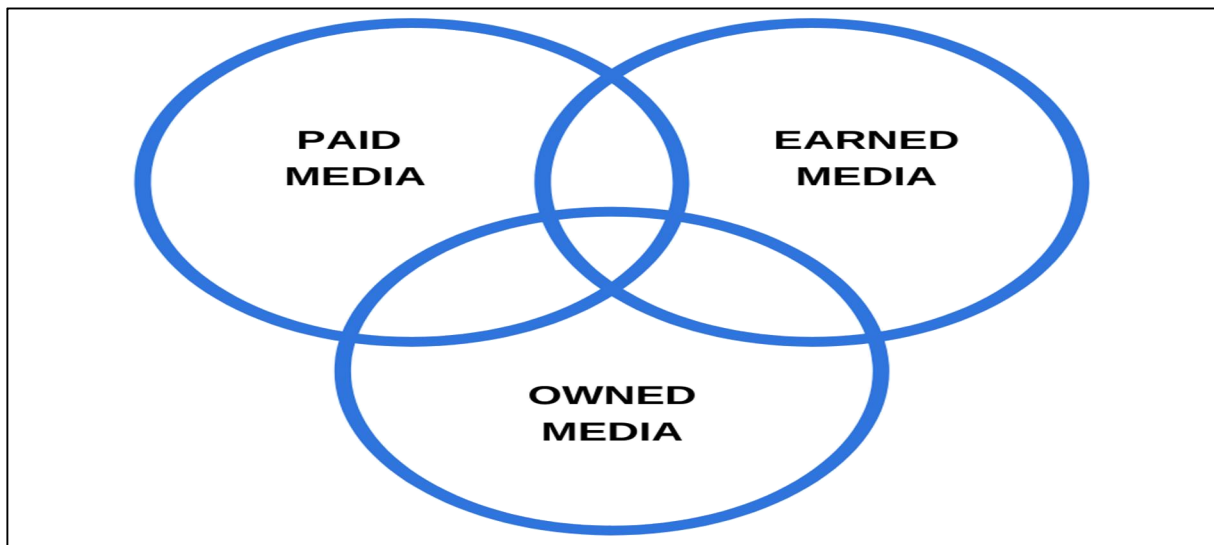
Theoretical and practical concepts of this research might constitute a pillar for marketing and communication strategies of online food delivery platforms during the Covid-19 emergency and for the future. Marketers of these companies have the possibility and the tools to differentiate their communications on the basis of the specific status of the pandemic and sanitary condition of a region, opting for how-oriented messages in severe pandemic regions while preferring why-oriented cues in mild pandemic areas. Moreover, promotional messages must be preferred than prevention focused messages, although it is essential to maintain a balance between these two types of communication; otherwise food delivery companies might be seen as too materialistic and with a low level of social responsibility from consumers. Thus, digital delivery firms may create their advertisements on the basis of benefits for consumers including discounts, speed of the service, safety, accessibility and variety of choices, all elements that represent the key attributes of online food delivery. Other messages’ features that must be included in the communication are related to specific actions that consumers can take in order to avoid potential risks of contagion like hygiene procedures (Cai, Leung, 2020).

Transmitting messages to customers in the right ways can increase Customer Acquisition and Retention, helping food delivery firms to survive in the actual and future uncertain context. The communication channels through which companies might transmit these messages will be examined in the next subparagraphs.

3.4.2. Online and offline communication

All the marketing strategies and concepts just examined can be put into practice by food delivery platforms through three types of media - each containing multiple channels and touchpoints - that constitute the Joint Marketing Plan illustrated by Figure 3.5.

Fig. 3.5: Joint Marketing Plan



Source: personal elaboration from Belch, Belch, 2018

Paid media are those communication vehicles in which companies pay to leverage a particular channel and convey a message. These media are mainly constituted by advertisements on social media, search engines, TV, radio, magazines and outdoor touchpoints (Belch, Belch, 2018).

Owned media, instead, are communication vehicles controlled by the firm for which it does not have to pay to spread its messages. The most emblematic example of owned media for food delivery platforms is their mobile application or website in which users meet eateries and business activities. Other examples of owned media are websites, social media pages, blogs and promotional merchandising. These types of communication channels are strictly related to paid media category that can increase the transmission of messages created via owned media (Belch, Belch, 2018).

The last category of marketing and communication channels that compose the Joint Marketing Plan is the so-called Earned media. These kinds of touchpoints are neither paid nor controlled by the company, as they are mainly produced by consumers.

This typology is made up of word-of-mouth, online reviews and communities about a specific company or topic, social media mentions, comments and reposts (Belch, Belch, 2018). As anticipated in the subparagraph 3.2.3. regarding Customer Retention and Loyalty, User Generated Contents are a potential resource for digital delivery platforms to spread their messages and increase their awareness and reliability. Anyway, messages contained in Earned media could also constitute a potential threat for the firm if they are created by unsatisfied customers. Thus, to maintain the more level of control over the brand reputation as possible, activities of monitoring and listening are fundamental in online food delivery business.

The whole Joint Marketing Plan can be further strengthened by exploiting partnerships with eateries and food businesses inside the platform. As a matter of fact, delivery platforms can build a shared marketing and communication plan with their partners, collaborating together to convey coherent messages that might enhance both platform and partner images. This procedure represents a huge advantage for the platform, as it can use earned media by its partners to spread its marketing and communication messages in an exponential way. On the other side, this processes are tough to implement as they require a high level of coordination, personalization and deeper relationships with partners participating to the platform. Developing a coordinated Joint Marketing Program can make the difference in maximizing marketing efforts for online delivery companies.

Food delivery organizations - in order to reach their customer segments - must distribute their marketing budget and efforts among online and offline communication channels. The advent of Covid-19 outbreak caused a shift also in the worldwide media industry. As explained in the first chapter, with more and more people getting in touch with technology and Internet, online communication channels represent the core vehicle to reach potential customers. To demonstrate that, it is emblematic the news arrived at the beginning of 2021 suggesting that - during 2020 - investments on online advertisements and promotion surpassed investments on TV advertisements for the first time in history (Biondi, 2021).

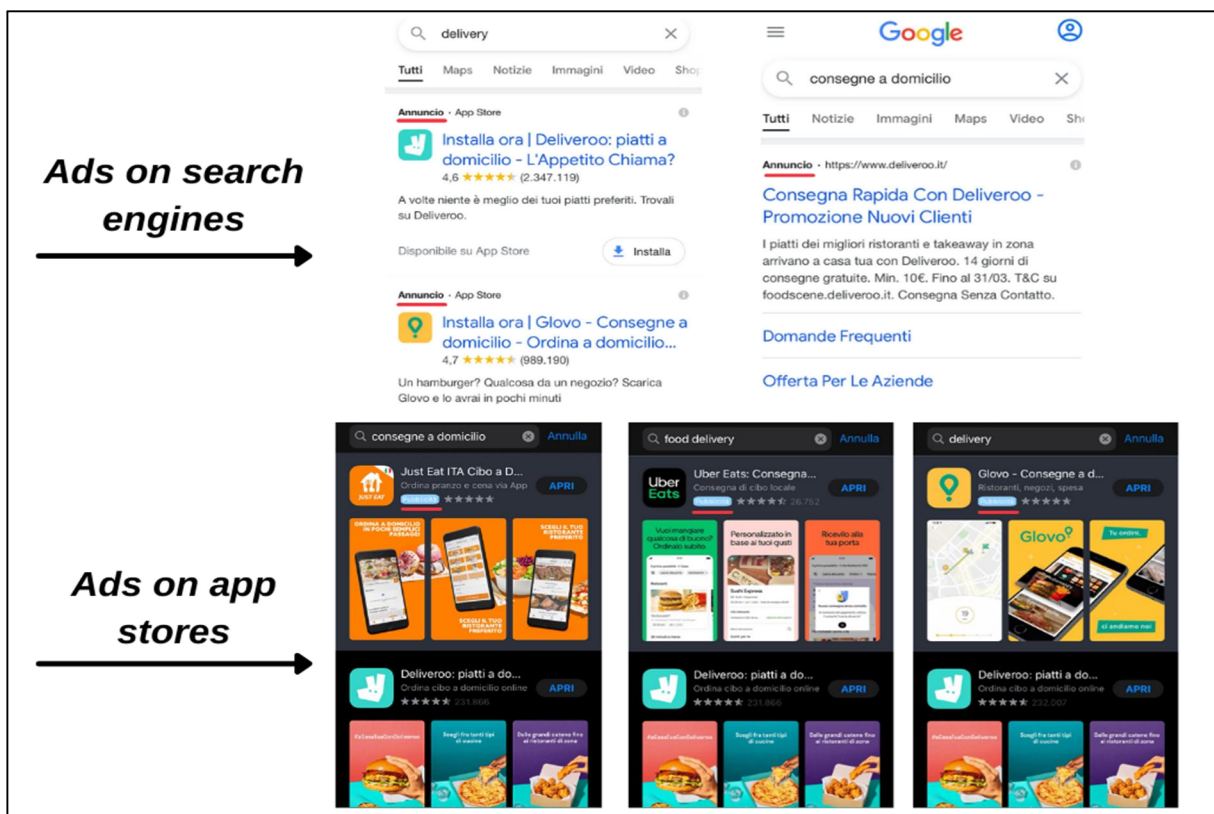
Digital marketing and advertising consist on the use of digital technologies to create targeted, integrated and measurable communications that enable the company to build relationships with its customers from the acquisition to the retention stage (Tuten, Solomon, 2018). The main benefits of digital media are the possibility to target

audiences in a detailed way, the interaction among the sender and the receiver of the message and the high level of creativity that can be implemented into digital communications (Belch, Belch, 2018).

The most important online touchpoints where food delivery platforms can meet their potential and actual customers are search engines, social media and app stores.

Search engines like Google, Bing, Yahoo! and Yandex are the ideal places where Internet users can find information, research how to do things and look for products and brands that might satisfy their problems and needs. This is the reason why a presence on search engines is inescapable for every type of brand, and food delivery ones are not excluded. In addition to registering own websites and links to their app downloads, digital delivery companies also make use of paid results in search engines to assure them the highest visibility on search engines and app stores' SERPs⁵ (Tuten, Solomon, 2018).

Fig. 3.6: Examples of food delivery firms' sponsored results on search engines and app stores



Sources: personal searches on Google and Apple App Store

⁵ SERP is the acronym of Search Engine Results Page, the web page that appear in search engines after a research of the user, it shows the results relative to the keywords written by the user.

Figure 3.6 shows some concrete examples about digital advertisements where food delivery brands pay to be showed on the top of the Google' SERP and App Store's page after the researches of keywords related to food delivery. Thus, SEO⁶ and SEA⁷ activities are vital for food delivery platforms if they want to have a digital visibility at the precise moment when users are asking for information about food delivery.

The other important subcategory that constitute digital marketing mediums is represented by social media. Even this type of communication channel is fundamental for food delivery platforms' marketing strategies. Social media are digital platforms where users get updated with news and current events, entertain themselves, stay in touch with friends and relatives, share own contents with others, research products and service and so on (We Are Social Inc., Hootsuite, 2021 A). To summarize, social media are global digital ecosystems where people pass a large part of their daily time. As a matter of fact, worldwide social media users grew from 2.16 billion in 2016 to 4.20 billion in 2021, with an average daily time spent using social media estimated at 2.25 hours per day. In addition, every worldwide social media user owns, on average, 8.4 social media accounts (We Are Social Inc., Hootsuite, 2021 A).

Food delivery firms must exploit these powerful tools that gather together wide audiences around the globe, the possibility to target specific customer segments, creative tools to create persuasive messages and efficient advertising platforms. Thanks to the wide adoption of social media like Facebook, Instagram, You Tube, Twitter, Snapchat, Tik Tok and Pinterest, food delivery business can reach all sides of their customers segments: final customers and eateries.

The broad amount of data available to social media platforms enables corporations to target their customers on the basis of their geographic and demographic data and on the basis of their interests and their previous interactions with digital contents. In this, way online delivery platforms have the possibility to vehicle their messages to specific target audiences, including also communications dedicated to couriers recruiting, as showed by the central picture of Figure 3.7.

Besides social media advertisements, companies operating in food delivery systems might transmit their messages by publishing organic contents (not sponsored)

⁶ *SEO* is the acronym of Search Engine Optimization, the set of techniques aimed at increasing the authority of a website to make it be showed on first results after a web search, without recurring to advertisements (Tuten, Solomon, 2018).

⁷ *SEA* is the acronym of Search Engine Advertising, the set of techniques to promote a sponsored web result and make it be showed on top of the SERP by paying a sum of money (Tuten, Solomon, 2018).

to inform, educate, entertain and convince people to try their service (Tuten, Solomon, 2018). Again, these companies can opt for another sender of their message: influencers. Influencers are content creators who have a loyal fan base usually related to a specific topic. The third picture of Figure 3.7 shows an influencer who is promoting Just Eat Takeaway.com brand through an Instagram story: one of the most popular content formats of the platform owned by Facebook, Inc.

Fig. 3.7: Examples of food delivery firms' sponsored results on social media

<p>Brand: Glovo Channel: Instagram stories Target: restaurateurs</p>	<p>Brand: Deliveroo Channel: Instagram Target: potential couriers</p>	<p>Brand: JustEat Takeaway Channel: Influencer marketing Target: final customers</p>

Source: Instagram.com

Digital media offer also the possibility to connect all the just cited online touchpoints through remarketing practices, previously explained in the subparagraph of this chapter about Customer Retention and Loyalty. For example, after some online researches about Deliveroo, the company retargeted the author on social media, showing some sponsored posts based on previous researches on Google. This repeated brand's message exposure can tremendously increase brand awareness, consideration and purchase intention.

Even if offline advertising is slightly losing charm to marketers eyes, it cannot be ignored by digital food delivery brands as it can still be useful for their marketing and

communication plans, especially to reach diverse customers segments in terms of demographic data. TV is the most popular media of offline advertising category, and it can be a good resource for communication purposes thanks to its mass coverage, high reach and its cost-effective level of exposure (Belch, Belch, 2018). On the other side, the main weaknesses of TV advertising are the low level of target selectivity and the limited attention paid by the viewer to the commercials (Belch, Belch, 2018). To solve these two issues - in addition to recur to online advertising that has an extreme level of target selectivity - food delivery platforms are increasingly investing their marketing budgets on strategic partnerships and sponsorships.

Figure 3.8 illustrates some of the most prestigious examples of food delivery brands sponsoring or partnering with important organizations.

Fig. 3.8: Examples of food delivery brands sponsoring sports and entertainment organizations



Sources: personal elaboration from Deliveroo Italy on Twitter – Adweek.com - ol.fr - ligue1.fr - uefa.com

For instance, Deliveroo is both official partner of the popular TV program MasterChef which is targeted to food passionate (Deliveroo Italy on Twitter, 2021) and also the major sponsor of Olympique Lyonnais that is one of the most important football teams in France (Olympique Lyonnais, 2019). Then, in U.S., DoorDash has become the

official on-demand delivery platform of NBA: one of the most famous sports championship in the World (Cohen, 2020). Coming back to European market, Uber Eats is the title sponsor of the French football championship “Ligue 1 Uber Eats”, while in March 2021 Just Eat Takeaway.com signed a wide-ranging deal with UEFA to sponsor a multiple men’s, women’s, youth and futsal tournaments, including the iconic UEFA Champions League (UEFA, 2021).

The peculiar aspect that is in common among all these examples is the ecosystem to which food delivery partners belong to: they are all part of the sports and entertainment industry. Food delivery firms are trying to reach their potential customers by building mental associations with events and organizations that can be related to an ideal background for food delivery ordering. Indeed, the presence of food delivery brands during sports and entertainment situations might increase the trial intention of the service by the viewer of the event or program, to enjoy more the moment that she or he is living in real time. These types of marketing activities can guarantee to food delivery platform a balance between online and offline touchpoints, thus increasing the possibilities to reach customer segments.

3.5. Analytics: KPIs tied for food delivery platforms

3.5.1. The importance of data measurement in marketing

Data measurement is a crucial activity for online food delivery platforms both in terms of analysis of strategies along the marketing funnel and in terms of communication channels and messages effectiveness. As already mentioned before in the chapter, digital platforms can benefit from a wide range of data about users and their interactions towards the application and promotional communications. Marketing and communication campaigns must be constantly measured in order to evaluate their performance and absorb inputs that can be useful for future marketing decisions. Measuring the effectiveness of marketing efforts helps food delivery companies to evaluate and compare different strategies implemented and determine if the preset objectives have been achieved (Belch, Belch, 2018).

Measurement operations must be conducted carefully considering what to measure, because analytics provided by digital tools offer an extended set of data that have to be selected on the basis of their relevance. As a matter of fact a simple metric,

without context, is just a meaningless number and it is not useful to drive marketing decision taken by digital delivery firms. This is the reason why it is essential to grasp the difference among metrics and Key Performance Indicators (KPIs), which represent those metrics that are strictly related to a company's objectives (Tuten, Solomon, 2018).

The mandatory condition for a metric to be also a KPI is to have defined specific objectives at the beginning of the marketing and communication plan of every single organization. KPIs are metrics that provide insightful and useful information if compared with the company's best results, its expectation and forecasts, competitors' results. (Tuten, Solomon, 2018).

Following the Marketing Funnel represented by Figure 3.1, there are some KPIs that are fundamental for online food delivery firms' measurements and evaluations.

3.5.2. Measuring what matters

The following set of KPIs and indicators does not want to represent a simple list of metrics to consider in food delivery business, but a reference for firms competing in this tough sector regarding measurement of marketing efforts.

Constant measurement and analysis of marketing insights must be conducted along all the funnel, from the first time the customer gets in contact with the company to its retention. Food delivery brands can track and examine users responses to the platform interface and to marketing activities through A/B testing. This is a method widely used by marketers that consists in proposing to the audience two versions of a message, an advertisement, a graphic or any interface to grasp which is the more effective on the basis of the predetermined objectives (Belch, Belch, 2018). Features of digital application enable food delivery platform to test on a daily basis and adjust their strategies according to the results of the assumption previously made.

While analysing the Customer Acquisition phase and considering that objectives of this part of the Marketing Funnel are oriented to leading more traffic to the platform, KPIs that are fundamental to track for digital food delivery platforms are:

- *Click-Through Rate (CTR)*: this KPI is essential to grasp the effectiveness of a particular communication that has the objective of convincing the audience to click on a specific Call To Action (CTA) which redirects traffic to the platform. In the peculiar case of delivery platforms, CTR is calculated dividing the number of clicks on the CTA's button of the message by the total number of message's views.

In this way, firms can assess and optimize communication content, its time of distribution, its target audience and the overall campaign strategy (CleverTap, 2019).

- *Number of downloads*: in the case of a mobile application, number of its downloads is an important element in Customer Acquisition activities, as it is a signal of interest showed by the target audience towards the food delivery brand. Number of downloads can be translated into traffic flowed into the website in the case of a web application.
- *Customer Acquisition Cost (CAC)*: it is the average sum of money spent in communication to acquire a user inside the platform. It is computed by dividing the total costs dedicated to communication activities by the number of users acquired (Camera, 2017). This is a key indicator also from a financial point of view because it will be matched with the ARPU in order to assess the financial sustainability of marketing efforts and their returns on the investment.

The second stage of the funnel – Customer Acquisition and Trial – generally has the goal of converting a mere user and visitor of the platform into a paying customer. Essential metrics that must be measured to assess this objective's achievement are:

- *Number of activated accounts*: this KPI represents the number of users who, after downloading the application, also create an own account inside the platform, providing personal data to the food delivery brand. It is a demonstration of user proactivity towards the platform.
- *Number of first in-app sessions*: it is the absolute number of users that browsed inside the application or website for the first time. It can be considered as an early cue of trial intention of the service by the user.
- *CTR* attributed to the in-app notifications sent to the user to push him or her at ordering for the first time and thus trying the service.
- *Number of first orders*: this is the most important metric of the Activation phase because it constitutes the number of users converted in real customers who tried the service for the first time. This metric represents also a bridge between Customer Activation and Customer Retention, as the new customers must be encouraged to continue using the service and remain loyal to the platform.

The last and probably the most important step of the Marketing Funnel is the Customer Retention, a stage with the goal of building relationships with customers to keep them sticky to the platform and nudge them to continuously use the service. There are several essential metrics to monitor in order to assess the level of customer retention and thus take actions accordingly:

- *Retention rate*: it is the percentage of users who actively use the platform over a certain period of time since the app installation, typically measured on Day 1, Day 3, Day 7 and Day 30 (CleverTap, 2019). This is a fundamental indicator of a solid or fragile customer base, which is the core concept behind digital food delivery platform sustainability.
- *Session frequency*: it is the average number of app launches over a specific period of time and suggests the frequency on which users enter and use the platform.
- *Daily and Monthly Active Users (DAU and MAU)*: these two metrics prove the app stickiness by customers. They represent the average number of users who used the platform daily or monthly in the last period (Gaito, 2017).
- *Churn rate*: it reflects the rate of abandonment of the platform by the users who stop using the service and uninstall the application. This percentage is computed by dividing the difference of users at the beginning and at the end of the month by the number of users at the beginning of the month (Gaito, 2017). A high Churn rate is an alarm bell suggesting that users are abandoning the platform and thus the customer base size is at risk. To avoid customers to churn, delivery platform might continue to remind benefits for users and provide them value according to their preferences.
- *Customer Lifetime Value (LCV)*: this metric represents the monetary benefit that a customer take to the platform during their relationship. It is computed by multiplying the average monthly customer spending per the average number of months in which the customer remain inside the platform (Gaito, 2017).

These were the KPIs that are fundamental for business analysis of digital delivery platforms. After the examination of their business model configuration and their marketing strategies it is worth to switch to concrete case studies about how to survive in the food delivery landscape.

CHAPTER 4 – SURVIVING IN THE FOOD DELIVERY INDUSTRY: A MULTIPLE CASE STUDIES ANALYSIS

4.1. Overview and objectives

Chapter number four constitutes the core part of the entire thesis, as it contains practical case studies that enable having a real perception of food delivery businesses from the inside. Information and data contained in the chapter have been collected thanks to a methodology of the analysis which is explained in the next paragraph.

The chapter starts with the main case study of the research: CocaiExpress. The Italian start-up represents the first and only food delivery company in the historic centre of Venice, one of the most iconic Italian places in terms of culture, art, heritage and also food. But CocaiExpress is an emblematic example of digital food delivery company not only for the uniqueness of the market in which it operates, but also for the fact that the team started operating in the middle of the lockdown triggered by the sanitary emergency related to Coronavirus outbreak. After an explanation about how the team turned a difficult situation into a business opportunity, the start-up business model will be examined in detail, with the aim of getting the key attributes that enable the company to be economically and financially sustainable. A detailed analysis about this unique case study has been possible thanks to several interviews conducted with CocaiExpress' founders.

The second part of the chapter will be dedicated to another case study of a small Italian start-up who started operating in the early 2010's but it did not succeed. The examination of both its business model and the particular market conditions of that time will underline which are the factors and conditions that led to the unsustainability of the business, thus carrying useful advices about mistakes to avoid in this highly competitive sector.

To conclude the selection of practical case studies, the direct testimony of Direct-To-Consumer business Pasta Evangelists will be reported. This example provides a different perspective inside the digital food delivery business model, as it represents an organization playing a different role along the whole food chain respect to third-party platforms. Also this successful case will be useful to underline key attributes to win in the food delivery industry.

Connecting the dots of the different case studies will permit to achieve the goal of the chapter that coincides with the aim of the entire thesis: to propose a selection of factors to implement in the food delivery business in order to be sustainable in the short and long term, especially after the game-changer event of the pandemic. Successful factors will be suggested both in terms of particular business model configuration to embrace but also in terms of single operations to adopt.

4.2. Methodology of the analysis

During the analysis of the case studies composing Chapter 4, the author adopted a qualitative approach in the form of multiple case studies, with a major focus on the main case of CocaiExpress. Several quotes of food delivery entrepreneurs interviewed have been essential to have a clear and detailed perception of the business models specs behind the sector. Data have been collected from three types of sources: one-to-one interviews and speeches of entrepreneurs, participant observation by the author and secondary sources of data.

The common flow of analysis of the case studies have been the following:

- Presentation of the company with its history since the foundation
- Detailed explanation of the business model adopted by the company
- Findings about key success factors or mistakes to avoid, deduced from the analysis of the case study

4.2.1. Primary sources

Both formal interviews and informal conversations have been conducted during the research, exploiting also a speech made by Pasta Evangelists' founder Alessandro Savelli during an university lesson.

From September 2020 to April 2021, a total of 8 interviews have been conducted with owners of the three companies representing the case studies of Chapter 4. Interviews, speeches and conversations lasted between 30 minutes to 2 hours, producing a total of 10 hours of interview time. Every interview and conversation has been recorded and then transcribed, producing almost 20 pages of written notes and data.

Interviews and conversations with founders of the companies – conducted both physically and through video calls - have been the main source of information to describe the story and the business models of CocaiExpress, FUD and Pasta Evangelists cases. In addition, personal views of entrepreneurs operating in the food delivery business permitted to understand such an industry seen from the inside, in parallel with the external perspective provided by the research made in the first three chapters of the thesis.

The clarity and the concreteness of interviewees’ answers have been fundamental to build an insightful narrative behind the three case studies, especially the one of CocaiExpress. Details about primary data collection are showed in the table of Figure 4.1.

Fig. 4.1: Interviews chart

DATE	COMPANY	INTERVIEWEE	ROLE	DURATION
24/09/20	Pasta Evangelists	Alessandro Savelli	Founder and Managing Director	1.30H
28/09/20	CocaiExpress	Guglielmo Zanini Giovanni Torcellan	Co-founders Head of Business Development Head of Operations	1.30H
12/02/21	CocaiExpress	Guglielmo Zanini	Co-founder and Head of Business Development	2H
31/03/21	CocaiExpress	Guglielmo Zanini	Head of Business Development	1H
01/04/21	CocaiExpress	Giovanni Torcellan	Head of Operations	1H
01/04/21	FUD	Paolo Pesavento	Founder and CEO	1H
07/04/21	CocaiExpress	Guglielmo Zanini	Co-founder and Head of Business Development	1.30H
08/04/21	FUD	Paolo Pesavento	Founder and CEO	0.30H

4.2.2. Participant observation

During the writing of the thesis, the author has been collaborating with the start-up CocaiExpress as a Marketing Specialist in charge of the analysis of marketing data and the definition of marketing and communication strategies. The collaboration started in January 2021 and is still in place as of May 2021.

The author participated to several meetings with the Team Communication of the company but also to general coordination meetings, thus getting in touch even with the other teams of the start-up. A full access on company's data has been provided to the author, but obviously just a part of them can be disclosed in the thesis to not violate the professional secrecy of CocaiExpress.

Participant observation enabled the author to have a vision from the inside of CocaiExpress' ecosystem. It has been fundamental for grasping the processes, dynamics and key challenges behind the start-up venture. Direct observation of the author perfectly fitted with the rest of the data collection, as it completed the information collected through interviews, conversations and secondary data.

In addition, the author even had an experience inside FUD start-up, operating as a courier between 2016 and 2017. This fact permitted to have a deep knowledge about the pure operative part of the food delivery company.

4.2.3. Secondary sources

Data collection process has been enriched with the consultation of secondary sources that completed information and concepts collected through primary research about the three case studies.

Regarding CocaiExpress case study, the consultation of social media pages and posts, the reading of press articles and the listening of interviews made by newscasts represented valid ways to integrate the already detailed data collected via one-to-one interviews, conversations and participant observation.

In FUD case study, useful secondary data have been retrieved thanks to email exchanges with the founder Paolo Pesavento when the start-up was still operating. Even in this case, remaining firm's social media pages provided other useful material especially from the point of view of the firm's communication.

To conclude the set of secondary resources used in Chapter 4, information about Pasta Evangelists – the last case study – have been taken even from digital media like its

website and LinkedIn profiles of the founders but also thanks to a wide range of press releases and authoritative articles talking about the company.

4.3. CocaiExpress: how to turn an emergency into an opportunity

CocaiExpress is the first and only food delivery service in the historic centre of Venice, that started its operations during the lockdown in force in March 2020. Direct contact with founders and the team of the start-up permitted an in-depth analysis of CocaiExpress' operations. The explanation about the start-up case study will begin with its initial story, focusing on the existing market conditions that characterized the city of Venice before the arrival of the pandemic. Then - after seeing how the founders tried to respond to market conditions – every building block of CocaiExpress' Business Model Canvas will be explained in a detailed way. The conclusion of the case study will concern the key attributes highlighted by the Venetian start-up that might be taken as examples of features to implement to be successful in the food delivery market in the New Normal environment triggered by Covid-19.

The large quantity of information about this specific case study have been provided by interviews and conversations with two of the co-founders of CocaiExpress: Giovanni Torcellan and Guglielmo Zanini.

4.3.1. CocaiExpress' story

To illustrate the story of CocaiExpress' beginnings it is necessary to previously grasp the features of the peculiar market context in which the start-up operates. Venice is a reference for the art, culture and tourism in Italy, with millions of tourists from all over the world visiting the city every year. Thus, the main source of economic resources is given by the tourism industry, comprehending above all food and beverage, real estate and cultural businesses sectors. Suddenly, after the coming of Covid-19 pandemic in Italy and all around the world in the first months of 2020, the constant flow of tourists heading towards Venice was forced to stop, to contain the high risks of contagions. In March 2020 the Italian government imposed stringent measures to contain the outbreak, including a national lockdown that forced citizens to stay at home and most of the companies to block their productive activities in order to avoid any physical contact

among people. All eateries were forced to close down and their only way to operate was just with food delivery. Venice and all of Italy were paralyzed.

It is in such a difficult situation of emergency that the idea of CocaiExpress has been conceived. In the middle of the lockdown period Guglielmo Zanini and Giovanni Torcellan – two Venetian guys – were trying to figure out a way to help their city during this extraordinary emergency. Thus, on March 19th 2020 they started helping two restaurants by personally delivering meals to people forced staying at home. The two guys – followed by the other two co-founders Tommaso Ramadoro and Stefano Majocco - offered delivery service for free and they immediately created a Facebook and Instagram page to find other people available in helping restaurateurs and to make aware Venetian citizens of this new possibility. The claim of the first posts said: “We are at the disposal of the city, who needs let’s write us”.

An interesting point to highlight is that the idea of such a delivery service did not come from nowhere. Indeed - as asserted by Giovanni and Guglielmo - even before the arrival of Coronavirus they already acquired the awareness that there was a lack of delivery and digital services in Venice especially for restaurants and eateries businesses. Thus, there already were two clear problems to face in the Venetian context: the complete absence of food delivery services helpful both for citizens and for tourists and a lack of digital touchpoints in the communication towards tourists. From the delivery services perspective, according to Guglielmo there were just four or five pizzerias that made deliveries with their own employees in Venice, nothing else more.

Before the coming of the pandemic, Giovanni and Guglielmo already started to individually test some services for tourists like digital platforms related to the real estate sector that could have worked as an intermediate between real estate activities and foreign tourists. From founders’ point of view, tourists were demanding for a major level of digitalization in Venice and the town was not ready to welcome tourists with digital mediums that could have guaranteed efficient communications and information. With a constant influx of tourists, Venetian food merchants lived on income from the communication perspective, in most cases limiting themselves to promote their presence through offline touchpoints. Giovanni Torcellan said that the majority of Venetian merchants - especially those of food and beverage sector – have never had a 360 degrees approach towards communication, and from this assumption he and Guglielmo became aware of the gap to fill.

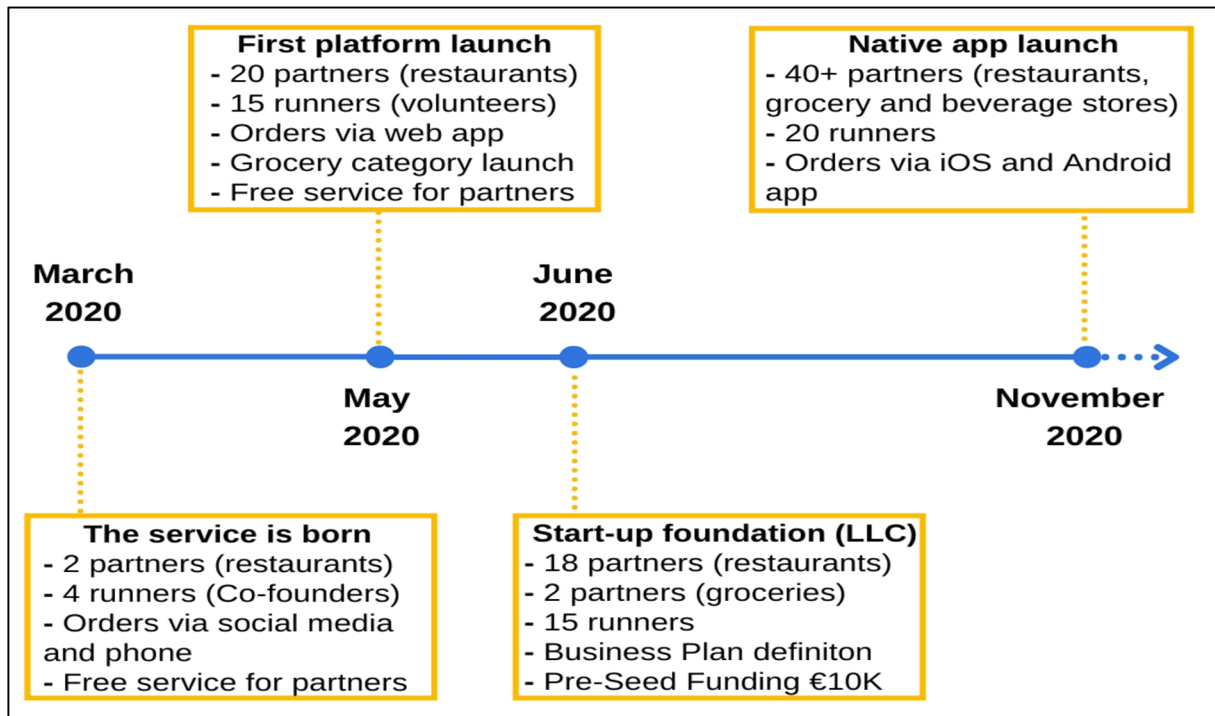
The advent of Covid-19 epidemic and the consequent restrictive measures taken by authorities represented a serious blow for the entire economic system of Venice but at the same time a perfect timing to start filling the lacks of delivery and digital communication services. The lockdown triggered the necessity among restaurateurs of both digital touchpoints to communicate with customers and the need of a delivery service as the new way to distribute meals and food products. This was the beginning of CocaiExpress' idea.

Citizens and eateries welcomed with great joy this new service which represented a real lifeline for the complicated moment that they and their businesses were living. As previously mentioned, the project of CocaiExpress started as a free service for partners during the first three months, when the restrictive measures were more severe. Between May and June 2020, when some productive activities started re-opening and people could start moving outside their homes, CocaiExpress' partners asked to the founders to keep on providing the service even after the lockdown period. Giovanni said that due to the emergency situation, food merchants realized that delivery service did not represent just the only way to reach their customers during forced isolations, but it might had constituted an additional sales channel even after the pandemic. This concept was further strengthened by the assumption that every Venetian who has ever travelled outside Venice faced himself with cities in which food delivery is normally adopted.

During the emergency period, CocaiExpress' founders validated their idea to solve the problems about a lack in delivery and digital service for the food sector in Venice. Their assumptions have also been confirmed by partners' willingness to continue their relationship even if the service would not had been for free anymore. Founders put a lot of effort to study a formal service that might reach the goal of building a single digital touchpoint through which people can access to order food delivery or any other sort of logistic need, while providing a precious resource for partners in terms of distribution of their products and communication with potential customers. Guglielmo Zanini affirmed that *"Who lives in the city must be able to feel at ease and CocaiExpress is a support for those who want to live with serenity the everyday life of the city of Venice"*.

The timeline illustrated in Figure 4.2 shows the most important milestones that occurred during the first months after the birth of the venture, while the current insights about the start-up will be examined later in this chapter.

Fig. 4.2: CocaiExpress' initial milestones



Source: personal elaboration from interviews with CocaiExpress' founders

Since the beginning to May 2020, orders were collected through Facebook and Instagram pages' contacts and via telephone. After the request by customers, a CocaiExpress' operator had to accept the order after checking the restaurants availability, then warning a runner to go to the restaurant, pick up the meal and delivering it to the customer. Thus, during the first times of the project – which was provided for free – the various stages of the entire ordering and delivery process were not automated but performed personally by a physical person and the people involved as runners were just the co-founders. On May 22nd CocaiExpress team launched its first digital platform: a simple landing page working as a web application in which users could browse among 20 restaurants. In addition - with the release of the digital platform - CocaiExpress also launched the category of groceries inside its ecosystem for the first time. At that point, the number of runners (usually called "*CocaiRunners*") needed to make deliveries grew to fifteen, even if they were still operating as volunteers.

However, the big step was made on June 12th 2020, when there has been the official foundation of the start-up CocaiExpress as a Limited Liability Company. The associates who officially founded the company are Giovanni Torcellan, Guglielmo Zanini and Tommaso Ramadoro, while the other Co-founder of the project Stefano Majocco left the start-up at the time of the creation of the registered company. That was the day in which CocaiExpress (henceforth “Cocai”) officially became the first digital food delivery service in the historic centre of Venice.

In a conversation regarding the foundation of the start-up, Giovanni highlighted an element that he considers fundamental about the composition of the board, represented by the three Co-founders. He said that the three Venetians compose a perfect mix among different backgrounds and attitudes, three different worlds.

Guglielmo Zanini, Co-founder and Head of Business Development was a professional rugby player until lockdown and - as previously said - he was already thinking about providing some kinds of digital services in the hospitality sector of Venice. He affirmed that sport values permit him to have the right mentality to relate with people on the basis of the situation, sport taught him how to relate with members of a team and coordinate them and also to have the right attitudes to reach goals.

Giovanni Torcellan is Co-founder and Head of Operations at CocaiExpress. He had a strong experience in the Venetian food and beverage industry, working as bar manager for several hospitality activities like the luxury hotel Palazzina Grassi. Since the outset, Giovanni’s experience in Venetian hospitality and food & beverage sector has been fundamental to grasp which were the real and concrete needs of clients intended both as partners and final customers.

The third Co-founder, Tommaso Ramadoro, is Head of Finance at CocaiExpress. After a Bachelor’s degree in Mathematics and Management at Loughborough University and a Master of Science in Financial Mathematics at King’s College London, he started working as data scientist in the investment funds sector and he is currently covering the same role in a tech insurance company.

To sum up, Guglielmo’s ambition combined with Giovanni’s concreteness and knowledge of the market and Tommaso’s analytical skills reflect the start-up’s starting points.

Funding phase had been conducted just with Pre-seed Fundings of €10000 realized with personal investments of the three Co-founders. Since its birth, the

company did not require further rounds of investments as it managed to be self-financing thanks to revenues coming from operations. Giovanni explained that they will evaluate the possibility of accepting external funds just to make “*a qualitative leap*”, as currently the start-up has a sustainable flow of operations. If they will want to expand their business and scale up they could accept external funds in the future, depending also from the entity and the author of the offer, as “*Cocai’s ultimate goal is not to make an exit but to create an useful and sustainable service for the Venetian community*”, said Giovanni.

Venetian background and roots have been a key resource for the team to start the business and especially to relate with restaurateurs due to particular cultural attitudes of Venetian eateries. This has revealed even more true with the arrival of Covid, when everyone became more uncertain and less ready to join new challenges due to the risks, as Guglielmo affirmed. This is one of the reasons why there are no competitors in food delivery business in Venice, no food delivery player ever managed to enter the Venetian market.

According to Guglielmo, there are two main categories of reasons why there are no food delivery players in Venice: cultural factors and logistic factors. Cultural factors have just been cited. First of all, non-Venetians do not have the right know-how to relate with business owners of Venice, it is not possible for foreign people. A player - to be able to operate in the Venetian market – must own a team who “speak the same language” of merchants. In addition, big players might consider Venetian market as not so attractive, considering that the population is aged and with low inclination to digital services. Guglielmo is sure that sooner or later competitors will come, maybe exploiting the fact that Cocai is trying to educate Venetian people and partners about adopting digital services.

The other important group of problems that every food delivery giant must face in order to compete in Venice is given by the unique logistic infrastructure of the city. There are no roads, just canals and alleys. Circulation across the city is made by boat or by walk, even cycling is forbidden. In such a difficult environment, traditional food delivery firms would have to rethink their business models and operations, being forced to hire local people who must know the city well. Clearly, these big companies thought that it is not worth it to enter the Venetian market so far, due to obstacles to scalability

that are absent in the other cities. It will be interesting to see if CocaiExpress venture will set the ground for a future coming of big players of food delivery.

All these peculiar environmental conditions characterizing CocaiExpress and Venice can trigger an interesting analogy with a famous case study of business model adaptation to unique market conditions: the African online retailing firm Jumia. The firm is the first player that managed to build an e-commerce business in African countries characterized by low levels of online shopping culture like Nigeria, Ghana, Morocco and Kenya (Peprah, Giachetti, Larsen, Rajwani, 2021). Jumia - born in Nigeria in 2012 - had the goal of adapting Amazon business model to the peculiar African environment that prevented the American tech giant to enter the market of that continent. The start-up had to overcome infrastructural voids, cultural obstacles and lacks of regulations that characterized the African background (Peprah, Giachetti, Larsen, Rajwani, 2021).

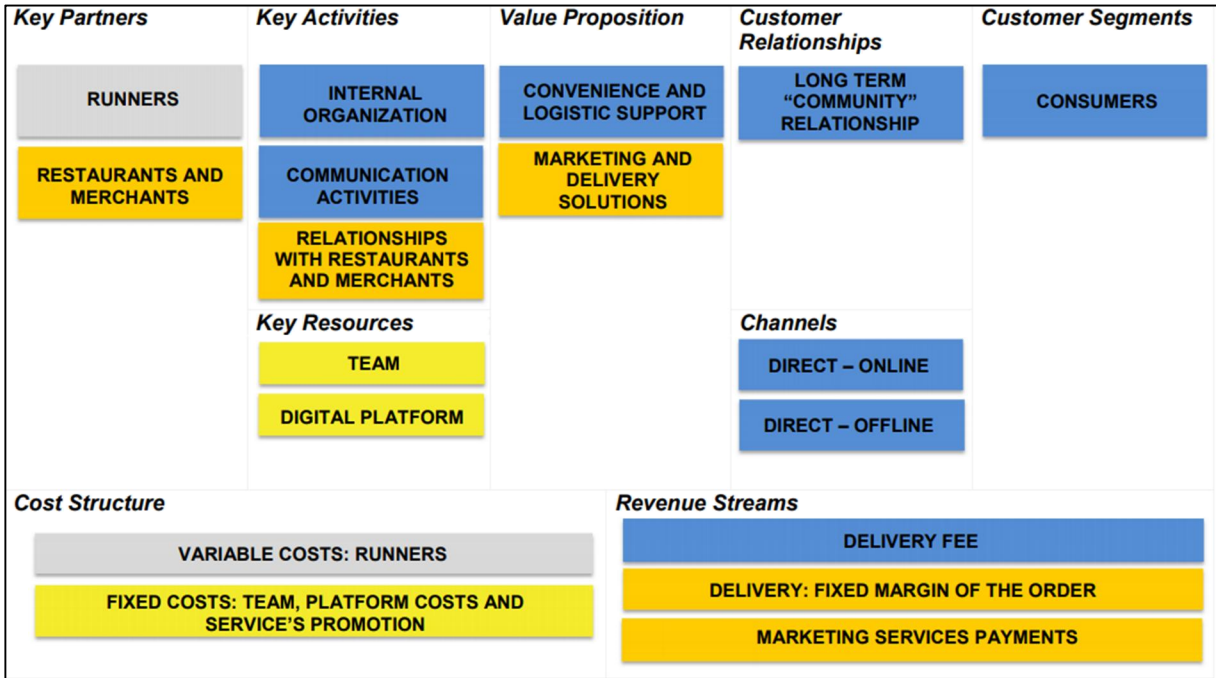
Infrastructural barriers are very similar to Venice's specs, as African logistic infrastructure is marked by poor or absent address system, bad roads conditions, telecommunication and Internet connection problems and a lack of digital payments. Moreover, countries where Jumia wanted to operate had very low levels of trust in online shopping platforms among consumers (Peprah, Giachetti, Larsen, Rajwani, 2021). Jumia managed to go beyond these difficulties with several strategies to adapt the traditional business model of Amazon to the existent conditions. The African company set up pick-up sites close to customers and adopted motorbikes to deliver products in order to solve transportation problems. Jumia used phone communications and landmarks to track houses without address, hiring indigenes and local people as delivery associates to guarantee the right know-how about delivery areas. Finally, to face low inclination of African consumers towards digital channels, Jumia introduced the cash-on-delivery as payment method and developed an efficient customer service team who help consumers placing an order for them (Peprah, Giachetti, Larsen, Rajwani, 2021).

CocaiExpress and its similarity with Jumia case study prove that it is possible to adapt business models and succeed even with unfavourable market conditions. The next paragraphs will be devote to study how Cocai is trying to do so.

4.3.2. Business model configuration of CocaiExpress

According to the founders, the whole Cocai ecosystem is built on three main pillars: CocaiExpress as a service, users of the service and partners intended as eateries. CocaiExpress’ Business Model Canvas can be summarized as in the template of Figure 4.3. Basically, the business model configuration of CocaiExpress is typical of food delivery firms’ multi-sided platforms pattern, a part for a detail. The analysis of CocaiExpress’ business model starts with the building block that immediately stands out from Figure 4.3, as it is slightly different from traditional multi-sided platforms configuration: Customer Segments.

Fig. 4.3 CocaiExpress’ Business Model Canvas



Source: personal elaboration from interviews with CocaiExpress’ founders

CUSTOMER SEGMENTS

Even if restaurants are generally treated as one of the two customer segments in multi-sided platforms business models, CocaiExpress’ founders do not consider eateries and the other activities inside the platform as customers, but rather as key partners. From a very practical point of view there are no differences as even Cocai gets revenue streams from restaurants and merchants joining the platform. But the Business Model Canvas of CocaiExpress has intentionally been designed to accentuate the fact that restaurants and merchants are perceived as key partners for Cocai, not as customers.

This difference respect to the classic model is more related to a conceptual idea, but it plays a fundamental role in the process of value creation performed by CocaiExpress. The rationale behind this concept will be fully explained in the section regarding Key Partners of Cocai's Business Model Canvas.

As declared by the Co-founder and Head of Business Development Guglielmo Zanini during an interview, the one and only customer segment for Cocai is composed by final consumers who might use the service to get deliveries of food products and even more. The whole focus is concentrated on service's users. The primary target audience of CocaiExpress are Venetian citizens living in the historic centre of the city, even if Cocai is planning to reach also people of other islands like Murano and Burano that are part of the Venetian Lagoon. The districts in which Cocai is actually operating count more than 46000 residents aged 15 and over (Città di Venezia, 2021). Elderly people are very important consumers for Cocai because they are more in need of support, especially logistic one. This is the reason why Cocai offers solutions fitting their difficulties, as they can go to the grocery shop and ask for the delivery or ordering some products by telephone thanks to the call center service. The ultimate objective is to minimize their efforts by offering them a reliable support.

As already revealed in the introduction, before the advent of Coronavirus there were just few pizzerias that made deliveries in Venice. Thus, according to Guglielmo, it was necessary to get out of the collective stereotype based on the belief that only the pizzeria's staff could deliver and above all that only pizza meals could be delivered at home. With the birth of CocaiExpress, Venetians realized that also other types of food can be received at home, not just pizza. This has been the starting point for a strong customer relationship building.

CUSTOMER RELATIONSHIPS

Since its first deliveries, CocaiExpress platform became a tool for Venetians to discover activities and products that they were unaware of or had not tried yet. For Guglielmo this step might be considered as a first success in the relationship among Cocai and its customers because it represents a growth for the user's knowledge, *"It is like starting to educate the Venetian people"*, he said. He added that the next step will be to cultivate a digital culture among Venetians who are not inclined to technology consumption, in order to help them getting benefits from these resources.

The pursuit of educating consumers perfectly describes the type of relationship that Cocai wants to establish with them, which must be long term oriented. Users of the service are called “CocaiLovers” to show the willingness to create a faithful community, also considering that Venice is perceived as a tight community by its inhabitants, like a small village hosting an extended family. CocaiExpress wants to develop relationships based on transparency and clarity of communications towards its customers, communicating with them in direct ways and involving them to start useful dialogues. For instance, the team frequently asks users to give feedbacks and evaluations about the service’s state-of-the-art and how to improve it, as Guglielmo claims that *“a service is helpful if it improves the actual situation of its users”*.

To sum up, CocaiExpress’ Customer Relationship building block is characterized by customer retention purposes, long-term duration, mass customization inside the platform and co-creation or co-development of the service with users to deliver the best service’s experience possible. Finally, thanks to transparent communications and to the physical presence of runners, the aim if Cocai is to create personal interactions with users, in order to grow a loyal community.

VALUE PROPOSITION

CocaiExpress’ Value Proposition is divided on the basis of the specific service offered by the start-up and by the stakeholder to which the service is referred to. Today, April 2021, Cocai offers to its customers a unique place to order food delivery and other products of the activities inside its ecosystem, guaranteeing convenience in terms of efforts and time saving. Soon, CocaiExpress will open its logistic infrastructure to the entire city of Venice, becoming the reference for any kind of logistical need of Venetians. Figure 4.4 shows the current and planned Value Proposition features based on the type of stakeholder to which they are referred.

Fig. 4.4: CocaiExpress' Value Proposition features, current and planned

TIME PERIOD STAKEHOLDER	TODAY (APRIL 2021)	FUTURE (SHORT TERM)
CUSTOMERS	<ul style="list-style-type: none"> • Delivery service from restaurants 	<ul style="list-style-type: none"> • Delivery service from restaurants • On-demand delivery service
PARTNERS	<ul style="list-style-type: none"> • Digital Marketplace • Delivery solutions • Communication consultancy 	<ul style="list-style-type: none"> • Digital Marketplace • Delivery solutions • Communication consultancy • Packaging offer

Source: personal elaboration from interviews and conversations with CocaiExpress' founders

To its partners, the start-up offers marketing and sales solutions divided in digital marketplace plus delivery service, consultancy in terms of digital communication and brand image and soon even a branded packaging offer.

Starting from the marketplace and delivery service, Guglielmo Zanini describes the platform as a social network where merchants have their own profile which they can modify and customize as they please by adding products' images, descriptions and prices. The food delivery service offered to partners and to final customers is intended in its broad perspective, as customers might choose among both delivery and take-away options.

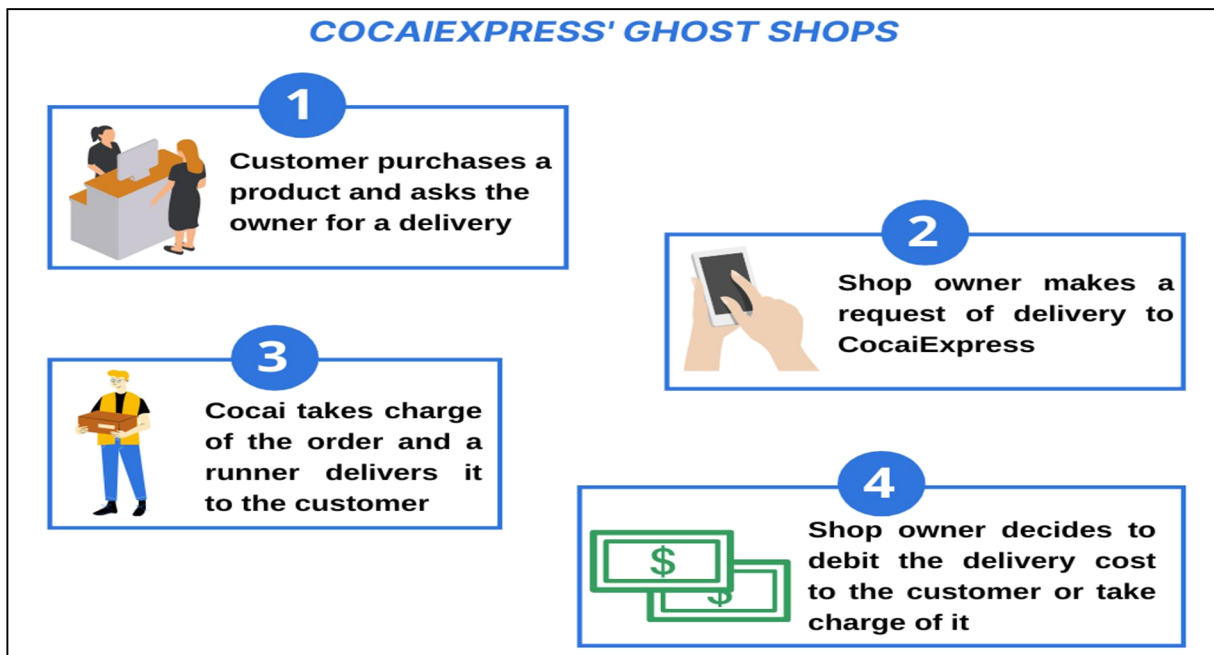
Today, CocaiExpress' delivery offering mainly comprehends merchants of the food and beverage sector, as the products and shops inside the platform are divided in five categories: Restaurants, Fast Food, Grocery, Drinks & Beverages and Desserts & Ice-creams. Concerning grocery shops, the idea of the founders is to provide a range of specific offer as complete as possible: in Cocai platform a user can find a specific product in specialized shops such as the fruit and vegetable counter, the meat counter with butchers and soon the soap shop for detergents. Generally speaking, the range of products offered inside Cocai's platform must be as rich as possible but in terms of quality and not quantity. The differentiation of the proposal must be appropriate for each district of the historic centre. *"If in one area there already are three qualitative*

pizzerias we will not look for another three, maybe it will be rather worth it looking for a sushi or a restaurant specialized in meat meals", affirmed Guglielmo during an informal conversation.

Anyway, during a formal interview the Co-founders Giovanni Torcellan and Guglielmo Zanini anticipated important news about Cocai's value proposition. Indeed, the start-up is going to launch a brand new category of products and activities inside the ecosystem: the so-called "*Ghost shops*". This category will be devoted to all merchants selling products that might benefit from a delivery service like pet food shops, flowers shops hardware stores and so on, also for emergency situations. In this way, the physical and digital logistic infrastructure of Cocai will be opened to any kind of shop who need a delivery service for its customers. The peculiarity of this new offering is the fact that even merchants who does not belong to Cocai's digital platform and does not have a formal partnership with the start-up will have the possibility to request deliveries for their products.

The framework of *Ghost shops* works as follows: a customer purchases a product from a shop that is not inside CocaiExpress' platform and asks the owner for a delivery of the product, or the merchant proposes a delivery to the customer. At that point the shop owner autonomously makes a request of delivery to CocaiExpress. The start-up takes charge of the order and a CocaiRunner delivers it, then the shop owner will decide whether to debit the cost of the service to the customer or to take charge of it. Figure 4.5 graphically shows the whole process of CocaiExpress' *Ghost shops*.

Fig. 4.5: Ghost shops operational flow



Source: personal elaboration from interviews with CocaiExpress' founders

To become the reference of Venetian delivery, CocaiExpress will not open its logistic structure just to businesses owners, but also to all private citizens. Indeed, the company is going to launch another category inside its platform: *“On-demand delivery”*. *“This service will enable Venetians to get delivered any sort of object from a point A to a point B”*, said Guglielmo. By entering the On-demand delivery category inside CocaiExpress' application, users can make a request for a delivery of almost any sort even in emergency scenarios - like forgotten keys, documents, heavy transports. Then, a CocaiRunner will bring the object or product from point A to point B requested by the consumer in the shortest time possible. The gradual implementation of both Ghost shops and On-demand delivery categories surely requires a massive level of internal organization and coordination from an operative point of view, that are two of the key activities performed by Cocai's team.

CocaiExpress is working to differentiate its offerings both vertically inside the delivery business but also horizontally by launching new services that might be collateral to the pure delivery. The initial idea was only to provide marketplace and delivery solutions to partners. However, by dealing with merchants and restaurateurs, the founders realized that a large majority of them suffered from lacks in image and communicative presence and also delivery's operations resources. To fill these gaps

CocaiExpress is evolving and expanding its solutions to partners also by proposing themselves as digital communication consultants and soon as packaging providers.

By using human resources of the Team Communication, CocaiExpress' started providing also consulting in communication of the partners, with focus on their digital presence. In return for a monthly fee, Cocai's partners can benefit from knowledge of the Team to build a solid digital image of their activity, especially on social media platforms.

Concerning packaging solutions for delivery meals, Cocai's founders are in contact with suppliers that deal with paper or recyclable materials or that use sustainable production processes such as ones with scarce use of water. In addition, today Cocai's partners purchase their packaging for deliveries in low volumes because each of them does not need huge quantities of boxes. Starting from these two facts, the start-up is going to start buying large quantities of boxes and re-sell them to its partners, allowing them to save money because of the lower unit price triggered by high volumes. In return, CocaiExpress will get an intermediary fee from its partners for the supply of the packaging. The short-term objective is to offer a packaging made with sustainable materials, branded with Cocai logo or with the logo of the partner. Long-term vision is to create a circular supply chain adopting reusable packaging and eliminating one-shot boxes that represent one the world's biggest sources of waste.

CHANNELS

Distribution channels of the service provided by CocaiExpress are a perfect mix of both online and offline touchpoints. The following explanation of the ordering and delivery framework shows in a detailed way the channels that Cocai adopts to deliver its value proposition to its customers.

- The user creates an account and logs into the platform that is available as a mobile application for Android and iOS devices and as a Web app in Cocai's website. Here the user can browse through the categories of eateries and other shops present inside the platform and can make an order for a delivery or a take-away;
- The user can pay in-app with credit card or opt for cash on delivery;
- When the order is confirmed by the software to the customer, it is virtually doubled and displayed in a dashboard for the partner's interface as "New order"

and in a virtual space for runners who are available at the moment as “Wandering order”;

- When both partner and runner accept the order, the user is notified both in app and via email with a confirmation that the order has been successfully processed;
- At this point the partner changes the status of the order from “Accepted” to “In preparation”, then when the meal is ready it becomes “Ready”;
- When the runner reaches the restaurants he/she signs “Pick-up pending” if the order is not ready yet, or he/she picks up the meal if it is ready;
- When the runner picks up the food and departs from the eatery, the user is notified;
- Among the new features of the latest version of the application that is going to be launched soon, the user will be able to give feedbacks inside the platform evaluating both the delivery service of the runner and also the quality of the food cooked by the eatery.

All these ordering phases have been thought and designed to guarantee transparency in the ordering stage to users. Customers see everything in real time through the platform, so that they can grasp responsibilities of all the actors involved and have a real perception of an eventual lack of service quality or delay that does not reflect the high qualitative standards of the service proposed by CocaiExpress. In addition, if customers need some kinds of assistance they can call the call center available every day from 11.30 to 13.30 and from 18.30 to 21.30. The delivery is performed by foot for two reasons: because it is more flexible rather than using boats and because it is more sustainable for the environment with no impact in terms of emissions.

Concerning communication channels, at the moment CocaiExpress is focusing its efforts especially in online media like its own application, its website and its social media pages. The company is active on several social media platforms like Facebook, Instagram, LinkedIn and Spotify, with the aim of developing a coherent omnichannel marketing strategy to reach potential customers regardless the media they use. Across these platforms, CocaiExpress creates digital contents with a daily frequency by using a direct, clear, funny and above all transparent tone of voice. The objects of the contents published by the start-up go beyond the mere communication about the delivery

service, but rather they vary across several topics that might be useful and that involve, educate, inspire the audience. For instance, among Cocai's social media posts it is common to find contents related to news of Venice, sustainability issues and what is going on behind the scenes of Cocai's world, its partners included. Also thanks to these features, CocaiExpress is creating an online community that counts more than 5000 followers across platforms and that is constantly growing. Another important source of visibility for CocaiExpress is given by Public Relations, as the start-up has been protagonists of several publications and interviews for important local, regional and even national newspapers, TV channels and blogs. CocaiExpress can praise appearances on Il Sole 24 Ore, Rai News, Venezia Today, Il Gazzettino and Dissapore and the Team Communication will increasingly rely on this type of channels.

Guglielmo Zanini said that in the future Cocai's Communication will focus also on offline channels to create synergies with physical activities. Currently there are not enough resources to develop a strong offline presence, for instance by organizing events but presumably there will be soon. To describe CocaiExpress' marketing strategy, Guglielmo affirmed that *"The marketing effect is a consequence of Cocai's starting principle: promoting every initiative that might be good and useful for the city"*. Not by chance, one of the first claims of the start-up said *"From citizens for citizens"*.

KEY PARTNERS

Key partners for CocaiExpress are the business activities inside the platform (simply called "partners") and the runners that physically deliver meals and products. The partnerships among CocaiExpress and merchants must be characterized by equilibrium, one party cannot overpower the other, it must be an equal collaboration. *"If a business does not behave like a real partner it cannot be part of Cocai ecosystem"* said the Head of Business Development Guglielmo Zanini. He added that in Venice there are 1200 food commercial licenses, and if Cocai will reach 150 qualitative partner activities with a coherent and complete overall offer, the start-up will reach an ideal and satisfying market share. *"We do not want to have 1000 partners, we started with 2 restaurants in March 2020, then 20 after two months and today - April 2021 - the platform counts almost 80 partners inside, divided across products' categories. Even the best restaurant with the best menu if it is not organized properly may become a weight more than a plus for Cocai"* he continued. Every partner is responsible for its offering inside the platform, it

manages which products to display, when to publish them and their availability, prices and so on. Partners sign an exclusivity clause which binds them to use only Cocai as delivery company for a certain period of time. Guglielmo added that if there are no conditions to have confidential relationships with a partner it is difficult to collaborate and provide a service together because it is with them that Cocai works, that evaluates the progress of the service, the proposals to develop, the changes to implement in order to improve the experience. *“Being on the same boat”* is a fundamental condition of existence and partners must be committed at 100% to the project.

Cocai’s partners must respect some standards that comprehend clear communications, availability, compliance with deliveries, alerts for any useful communication or emergency and compliance with commitments (*“If a dish is supposed be ready in 20 minutes, it must be so”* said Guglielmo). Anyway, according to him, the general and most important standard to respect for partners is the coherence of the offer. If a product is expensive, its quality must be excellent. If a product is of low quality, then the price must be low: the user must have the perception that the quality of what he/she is eating corresponds to what he/she spent. Guglielmo added that in Venice the problem is that many businesses have a low quality of food but they pretend to be high quality places and starry restaurants. *“This is dangerous for Venice and Cocai wants to fight against these businesses”*, he claimed. For Cocai, high quality means to offer the customer a proposal that is in line with his/her expectations. If a partner meets the quality and efficiency standards of Cocai service then that partner is essential, otherwise not. The ultimate objective for Cocai is to build synergies with its partners to deliver the best user experience possible to its customers.

The other fundamental category of partners is represented by the couriers that are not riders or drivers: but rather runners. When the project started, runners delivering meals were the co-founders as volunteers. Today – April 2021 - there are more than 130 CocaiRunners who collaborate with CocaiExpress. Runners are external partners, occasional collaborators paid by Cocai with a fixed hourly pay plus a bonus depending on the number of deliveries they complete. The Operations Manager Giovanni Ciraldo explained that there are runners who also play the role of area-leaders and they are the reference for runners of a specific zone in the case of need or emergencies.

CocaiRunners are the ambassadors of the company, considering that they are a direct touchpoint that connects CocaiExpress’ brand with users. Thus, CocaiRunners are

a sort of status quo: they must be kind, respectful, and polite people. What matters is the approach with which a person is posed that is an attitude to work that - as in the way of making deliveries - is reflected in every life situation. Obviously, runners must know Venice to complete deliveries in a short time window. *“A person who does not know Venice could not be a runner unless he/she does so running to recover the mistakes he/she makes on the street using Google Maps... but anyway it is not guaranteed that he/she succeeds”*, told Guglielmo during a discussion.

The average age of CocaiRunners is just over 20 years, mainly because there are many young students who work as runners. Cocai tries to convey them the true meaning of work: *“If you are a serious person and you are able to smartly organize your tasks, then good opportunities will come, this is the type of profile that Cocai seeks for its runners”*, said Guglielmo Zanini. The idea then is to have a team of reliable runners that might be soon recommended to internal and external partners and introduce them in the Venetian job environment. A very large part of runners worked on the tourism and hospitality sector before the pandemic, but after the beginning of the sanitary emergency this industry stopped. For them, CocaiExpress represented a way to continue working in the food and beverage sector of the city, with the possibility of increasing their job experience. This fact underlines the positive social impact that a start-up like CocaiExpress brought to the Venetian community.

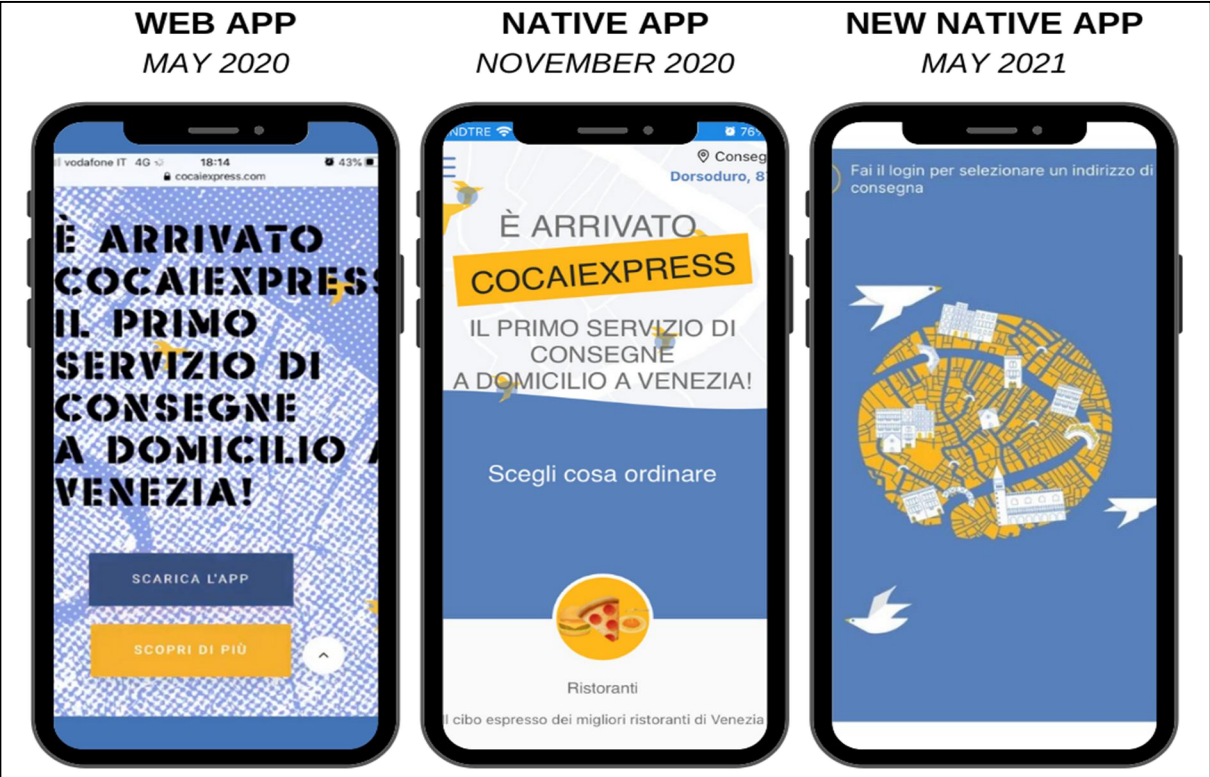
KEY ACTIVITIES

From conversations and formal interviews with Giovanni Torcellan and Guglielmo Zanini some procedures clearly emerged as Key Activities for CocaiExpress. First of all, the basis are represented by a meticulous organization and coordination of the actors involved in the service and a clean and coherent communication, both inside and outside the company. Coordination of internal teams and external partners like eateries and runners is crucial to deliver a qualitative and efficient service. High levels of coordination among stakeholders are possible thanks to structured, transparent and direct communications that are regulated by fixed standards in order to avoid any kind of waste of time, energy and efforts. These are even the basis to build strong and loyal relationship with partners.

In parallel, the other group of fundamental activities for the start-up regards the way in which Cocai relates with its customers. As already mentioned, communications to

customers must be as clear and transparent as possible, involving them to engage with the company and not just receive passively the messages. Guglielmo claimed that *“The platform must provide an adequate experience (meaning excellent) to the user and the products must be delivered respecting the estimated deadline: these are the two key assumptions that determine the effectiveness and efficiency of the service. The whole Cocai’s world turns around these two scenarios”*. A concrete example of the continuous development of the application to improve the customer experience is given by the screenshots of Figure 4.6.

Fig. 4.6: CocaiExpress’ app interface evolution



Source: personal elaboration from www.cocaiexpress.com

A constant optimization of the operability of the service performed by Team Operations and a constant platform development and improvement by Team Technology are two of the most essential activities inside CocaiExpress.

KEY RESOURCES

CocaiExpress’ key internal resources that are fundamental to create value are essentially a competent and responsible team, an excellent digital platform and a strong

know-how and vision of the founders. Guglielmo Zanini is sure that a team composed by serious, skilled, starved and creative people can make the difference for the start-up sustainability. He suggested to his team that *“We do not have to work, we just have to be responsible people”*. During an informal conversation he told: *“When you make a start-up, you immediately understand who has a long-term vision and who has not. Who thinks to the long term will make the difference and if you surround yourself with these people it is hard that things will go wrong”*. CocaiExpress can be seen as a hub for talents, also considering that among the team members there are several students and alumni of Ca’Foscari University of Venice and IUAV University of Venice. Cocai strongly believes in the direct relationship and training with every member of the team, both management members and also runners. The entire management team is composed by 20 members - almost anyone of them is younger than thirty years old - and according to Guglielmo the staff reached its optimum capacity.

Internally, CocaiExpress is divided in three teams, each of them responsible for a key division of the start-up: Team Tech, Team Communication and Team Operations. Team Technology is in charge for the development, the upgrade and any sort of optimization regarding the digital platform. Team Communication is responsible for any kind of touchpoint that involves Cocai and its stakeholders, also the internal ones. How to send an email, how to approach a phone call, how to relate with social media fans are all examples of communications that must be managed by the team to be clear and always coherent among them. Team Operations represents the core of Cocai system, as it is responsible for the coordination of the entire delivery service side by side with the platform and must guarantee the premium quality of the whole customer experience.

The other essential resource owned by CocaiExpress to operate is the digital platform, which is the interface that allows customers to live a frictionless experience and satisfy their needs. The application is made by a complex software which requires an adequate technological infrastructure. Guglielmo suggests that technology is important and convenient because it automates operative processes that were previously performed by people, and it consequently gives the opportunity to employ that team members in other strategic roles. For example, if the platform is easy to use and intuitive for users it is clear that there will be less need of technical assistance by a physical person through the call center.

REVENUE STREAMS

CocaiExpress' revenue streams are differentiated on the basis of the service' type provided by the start-up. Concerning the delivery service, Cocai gets revenues from users who pay a fee for the delivery that varies on the basis of the estimated time of delivery – automatically calculated by the software according to the distance among the address of the restaurant and the one of the customer. The fee charged to final customers goes from €0.90 to €11.90, but the Head of Business Development Guglielmo Zanini affirmed that with the operative efficiency provided by the new App this prices range will be reduced to €1.90-€9.90. On the other side - as every food delivery platform – CocaiExpress holds a commission from its partners, calculated in percentage on the value of the order. This revenue source is related to the services of products distribution (delivery) and promotion through the digital marketplace offered by Cocai to its partners. The exact amount of commissions cannot be disclosed, but Guglielmo guarantees that Cocai's commissions are lower respect to the ones applied by big players of food delivery, in certain cases they are even 50% lower, he said.

The other revenue flows in which CocaiExpress can count are related to its ancillary marketing services: the communication consulting called "MOC" and the packaging's offer project that will be soon proposed to the start-up's partners. Partners who opt for a communication consultancy service by CocaiExpress' team have to pay a fee billed monthly.

Concerning the packaging supply, those partners who will decide to buy the packaging for their products from CocaiExpress will pay a fee for the role of intermediary played by Cocai in the process of packaging supply.

COST STRUCTURE

During an interview, Guglielmo Zanini explained that the major sources of costs for CocaiExpress are the payment of the runners for the delivery – considered as a variable cost – and the fixed costs related to the payment of the team members. As a matter of fact, payments to employees are important fixed costs for the start-up, considering that it is still in an early stage. The other fixed costs that Cocai has to bear are related to marketing activities which are essential for the growth of the company and some expenses for the development and the maintenance of the digital platform. Guglielmo added that costs related to the platform are not so huge because the

application software has been developed completely by Cocai's Team Tech. Externally, Cocai had to pay just the cost of the server for the platform. He stated that by developing internally the platform they spent just 2 or 3 per cent of the average sum that companies pay for an application of that type if they outsource the development to third parties. This can be seen as a sort of philosophy related to the cost management inside CocaiExpress: a competent and flexible team permits to produce and develop things internally, avoiding expensive costs that occur with outsourced activities. *"The more you are competent, the more concepts you know and the easier will be to save money avoiding external services for which you would pay a higher margin"*, this is the modus operandi at CocaiExpress as Guglielmo said. Thanks to this way of thinking and to the fact that most of the costs are variable on the basis of the demand, the financial statements of CocaiExpress are positive: the start-up is profitable as of April 2021.

Furthermore, Cocai founders strongly believe that the development of a technology system that is continuously improved by the team will optimize operative processes that enable a reduction in time of employment of people and therefore reduction of the costs. Concretely speaking, if every stage of the ordering phase is lean and there are no wastes of time between the steps, the deliveries will be quicker and the cost of the runners will be optimized.

In order to face increasing fixed costs related to the staff, Cocai is opting for a progressive differentiation of the services to obtain other types revenue streams. The introduction of the communication consulting service, the future packaging offer and the launch of ghost shops and on-demand delivery are all strategies to differentiate the offer and tackle possible variations in the demand of pure food delivery.

After some interviews and discussions about every aspect of CocaiExpress' business model, Co-founders Guglielmo Zanini and Giovanni Torcellan talked about their vision on the future of the start-up. According to Guglielmo, there will be two possible scenarios: the first one that might happen is characterized by an absence of lockdowns imposed by Governments and a shift to a "New Normal" situation without Covid-19.

Guglielmo suggests that with a possible reopening of the borders and the return of the influx of tourists inside the city of Venice there are possibilities of growth for Cocai business. He added that the end of the pandemic will be an opportunity to propose CocaiExpress' service to the outside world and to people who have already tried

advanced services in their own cities. This scenario will constitute a benchmark for the start-up, to check the state-of-the-art of the service on the basis of foreign people's feedbacks that are accustomed to delivery services by other giant food delivery platforms. Anyway, the goal will be to take tourists as an additional target audience when they will come back to Venice. In the "New Normal" environment modified by the extraordinary event of Coronavirus outbreak, *"Cocai wants to focus even more on its communication activities - especially digital ones - in order to be the digital reference of the city of Venice also towards the outside"*, said Guglielmo.

The other scenario that might become reality in the future is a further continuation of the sanitary emergency with lockdowns, stopping tourists to come back visiting Venice and implicating that Venetian citizens would remain the only customer segments for Cocai. As Guglielmo stated: *"There are almost 50000 inhabitants in the historic center of Venice, 15-18000 of them are accustomed to digital services, the idea is to reach at least 80/85 per cent of that audience and educate the rest of the citizens from a digital point of view"*.

He added that the service must be enjoyable to residents on a daily basis through a frictionless platform's experience and through costs reduction and it must become so for less digitized people too. In this context, Cocai is looking for alternatives to digitize elderly people and those who cannot use smartphones. For instance, by using the knowledge and competences of Team Technology, CocaiExpress is considering the implementation of tablets working with binary and simple choices for the user, thanks to the development of a dedicated software. In this way also these people will be able to benefit of the service in facilitated way.

CocaiExpress' short-term goal for the future is to think concretely by creating a qualitative service within the city. Guglielmo concluded by saying that *"If we manage to create a sustainable business model for those who handle it and for those who work and live in Venice – CocaiExpress as a company, runners, users, partners - then it might be scalable and potentially exportable outside Venice, but we will talk about it later in the future"*.

4.3.3. Key success implications of CocaiExpress' business

CocaiExpress' analysis is extremely useful to reach the goal of the thesis about finding out key elements and features of business models that might determine the

success or at least the survival of a company competing in the food delivery market changed by Covid-19 outbreak. Before highlighting the attributes and the elements that are permitting the start-up to be sustainable in an highly uncertain environment, it is worth it to show some quantitative analytics – most of them are related to KPIs explained in Chapter 3 – that can give a benchmark on the performances of CocaiExpress. An important disclaimer must be done: the major part of the company’s KPIs cannot be disclosed in a detailed way as they represent confidential information, but even some estimations might be good indicators of CocaiExpress’ business status. From the operations perspective, CocaiExpress actually delivers an average of almost 40 meals per day, meaning 280 per week and 1200 per month.

Regarding marketing analytics explained in Chapter 3, CocaiExpress registers the following data that mainly concern app’s performances:

- More than 800 app downloads per month on average;
- More than 3000 active users of the app so far, as of April 2021;
- An average MAU (Monthly Active Users) of more than 1000 users;
- An average number of almost 10000 app sessions every month;
- A CTR of the “Download the App” button in the App Store of more than 50%, meaning that an half of users who see the CocaiExpress’ app in the App stores download the app in their devices;
- A retention rate that varies from more than 60% on Day 1, to an average of 10% on Day 3, 7, 14 and 21.

But probably the most important indicator has economic and financial nature, as the financial statements of the start-up are positive and CocaiExpress after ten months from the foundation is profitable.

Deep interviews and discussions with the founders of CocaiExpress and a direct collaboration with the Team Communication have been useful not only to get the details of the start-up story and its business model, but above all they have been crucial to grasp some elements that might be taken as an example for those businesses that operate in the food delivery industry after 2020. As in almost any business case, successful factors that fostered the sustainability of CocaiExpress can be divided into

internal – depending just on the start-up activities – and external ones – those affected by the external environment.

Starting from external influences, Cocai's founders agreed on the fact that Covid outbreak has been the triggering event that permitted the birth of CocaiExpress and it is still an important growth factor for the business. The main rationale behind this concept is the fact that – according to Guglielmo Zanini - without the pandemic scenario it would have been very difficult to convince restaurateurs to start offering food delivery service, as they did not perceive this need before, still benefitting from the constant flow of tourists. He continued: *“In this period there has been a forced acceleration of all those operating processes that have passed from manual to digital, from online to offline”*. In such a scenario, the key skill demonstrated by the founders and by the team of CocaiExpress has been the flexibility to exploit the perfect timing of this huge window of opportunity that in Venice has never happened before. Founders are sure that this kind of speed in decisions and ability to grasp the perfect timing to enter the market will be useful also for the future of the start-up. For instance, climate change issues will force worldwide governments to provide incentives to sustainability in almost every industry. Again, founders suggest that economic helps coming from European Union to contain the sanitary and economic crisis will force countries to invest and support activities promoting the digital development, thus creating the basis for a future renaissance. Guglielmo claimed that *“CocaiExpress – that is based on digital and sustainable structure – will try to surf these waves to become a pioneer for the Venetian territory in such topics”*.

If external factors might have prepared the ground for the birth and for the growth of the start-up, the key elements that are boosting CocaiExpress are pretty inside the company.

The first key element that represents a strength for CocaiExpress is the constant improvement of the operational processes thanks to a smart use of the technology that enables the start-up to reduce wastes. According to Guglielmo Zanini, a waste is anything that employ more energy and resources in terms of time, efforts and money than what is strictly required to achieve the goal. In the concrete, an optimization of the platform permits more quick and efficient communications among the actors involved in the service – Cocai, its partners and runners – consequently avoiding wastes of time that in turn mean money saving and more customers' satisfaction for the start-up.

Other important features that characterize CocaiExpress' venture are the know-how, the vision and the personal skills of the team in terms of relationships. As already explained, the personalities and skills of the three founders perfectly mixed among them, to benefit from a strong know-how about market conditions in terms of potential customers, partners and products. As a matter of fact, the deep knowledge about specific needs and wants of Venetian people and merchants is fundamental to deliver a personalized customer experience and in turn an efficient service, accompanied by a long term vision that aims to create an organization which must be sustainable under an economic, social and environmental point of view. Relationship competencies of the founders and of the entire team are also fundamental to build strong partnership with Venetian partners and to attract talents to come on board.

The third key activity performed by CocaiExpress - that might be taken as an example from other companies - is the differentiation of the value proposition. Indeed, the start-up started and it is progressively implementing a wider range of its offering's solutions. The services' line is expanding both vertically and horizontally. The horizontal expansion is going towards services that are not strictly related to delivery business but are complementary to it. Horizontal enlargement began with the launch of the communication consultancy offering and will be enhanced with the sustainable packaging supply to Cocai's partners. On the other side, a vertical expansion of the offering regards an increase in the logistic solutions provided by CocaiExpress that goes beyond the pure food delivery business. This strategy - which is going to be implemented soon - regards both the introduction of Ghost shops and On-demand delivery inside the platform, in order to open the logistic infrastructure of Cocai to the whole city of Venice.

These differentiations in the services provided not only guarantee a higher range of solutions offered to customers and partners, but also permit the company to diversify its revenue streams. This concept might make the difference for the future sustainability of the firm, even to face potential variability in demand of food delivery.

The other factors that are making the difference for Cocai business are the communications and relationships both with partners and customers. Trustful relationships with partners are fundamental to deliver an efficient service. Since merchants inside the platform are considered as partners instead of customers, they are placed on the same level of the start-up, increasing their loyalty and commitment

towards the project. On the other side, the way in which CocaiExpress relates and communicate with its actual and potential customers is another key attribute for the company's growth. CocaiExpress' is succeeding in building a community thanks to a constant control over the customer experience and thanks to messages oriented on showing the positive impact that Cocai generates over Venetian community. Cocai communication does not want to deliver just a message of renaissance respect to the difficult moment brought by the pandemic, but it aims to spread the idea that the service is useful to improve the whole development of the city respect to the pre-Covid period.

To summarise, essential elements that permitted the foundation and the growth of CocaiExpress during Covid-19 era are an efficient technology infrastructure, the know-how of the team, the differentiation of the value proposition and the communications activities towards customers and partners.

4.4. FUD: a case study of food delivery service failure

After seeing the operations and successful attributes of a food delivery company born in the middle of Covid-19 emergency, it might be interesting to analyse an opposite case study in which a food delivery start-up – born at the beginning of the new-delivery businesses wave - did not manage to be sustainable in the food delivery environment. This case concerns FUD: an Italian food delivery venture based in Bassano del Grappa that failed in 2017. The explanation of FUD's story, its business model and key mistakes to avoid in the food delivery business has been possible thanks to deep interviews to its founder and CEO Paolo Pesavento.

4.4.1. Story and business model of FUD

The start-up was founded by Paolo Pesavento as a limited liability company on November 2013, and its original name was Buonoacasa. Pre-Seed Funding phase was made with personal investments of the founder who invested few tens of thousands euros. Paolo had a rich background in Marketing and Sales before founding the start-up. After the graduation in Business Administration and Management at Ca'Foscari University, Paolo worked in sales department and then became the Marketing Director of Baxi: one of the global market leaders in the heating sector. He covered the role for

ten years before leaving the company to become the Director of a Business Unit at Clivet, another European leader in the heating and air-conditioning industry.

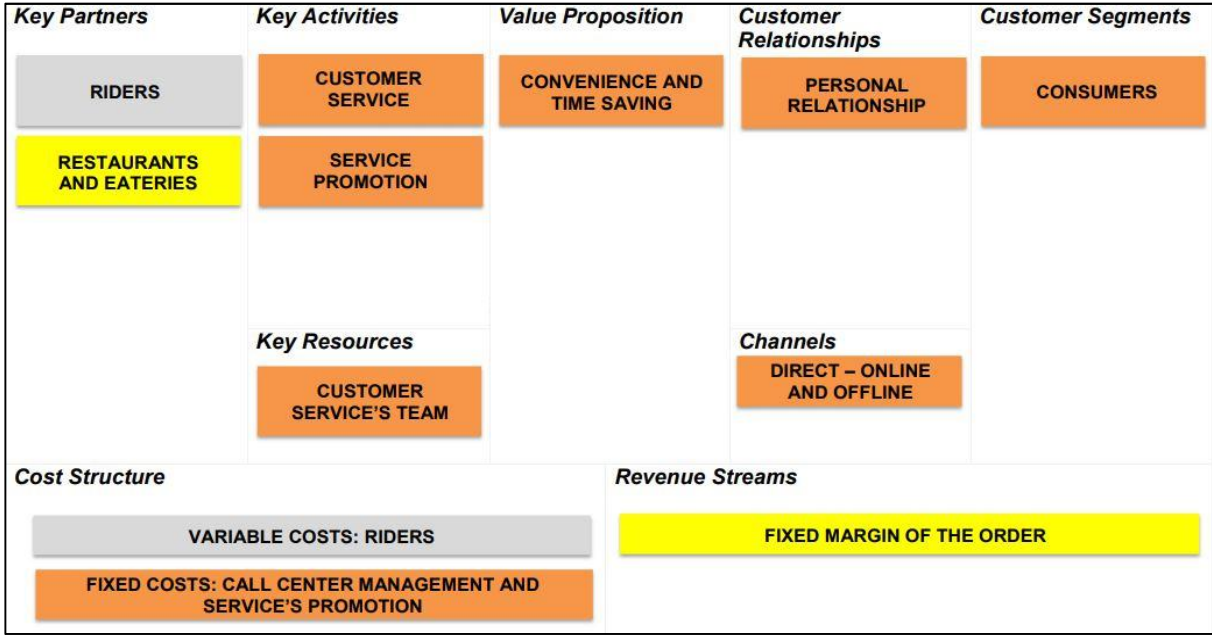
In 2013 Paolo took some time to specifically study the market environment and figure out how to realize his food delivery enterprise. He took as a benchmark Te-le-trasporto Treviso, the first food delivery start-up of Veneto region born in 2013. The company - which at that time made deliveries also of other products rather than just food - in 2015 became "Foodracers", the food delivery company still operating in several provincial capitals and small-medium towns of northern Italy. Paolo followed Te-le-trasporto strategy by not focusing on big cities like Padua and Verona, where there already were big players as Just Eat, but rather to focus on small and medium towns like Bassano del Grappa that counts more than 40000 citizens. At the beginning of 2014 Paolo made a brand restructure converting the name "Buonoacasa" into "FUD" and in the same year he started establishing the first contacts with restaurants of Bassano del Grappa area, finding a promising interest among restaurateurs about a food delivery service.

According to Paolo, the acquisition of restaurants to include inside the business was the most expensive activity in terms of resources and that activity needed a strong sales department. In January 2015 FUD officially began its delivery operations in Bassano del Grappa and in several small towns around it. FUD counted 10 affiliated restaurants in the area with more than 500 dishes to choose. The average number of deliveries was low: among 10 to 30 deliveries per week depending on the period. Every day the average number of couriers employed was from one to three, depending on the day of the week and totally FUD collaborated with 10 couriers. Customer base was around 500 users, with a retention rate of almost 30%. Those "loyal" customers used to order food delivery with FUD for an average of five or six times per year, according to Paolo.

Regarding FUD's Business Model Canvas, an interesting point emerged during the interviews. According to the founder, FUD's Business Model Canvas can be interpreted in two versions that differ for the way in which restaurants are considered. As suggested by CocaiExpress' founders, also Paolo considers restaurants not as a customer segment but as key partners of the company, as the platform buys a product from the restaurant to promote it and deliver it to the consumer, which is the key customer segment of the business model. With this new Business Model Canvas pattern - graphically illustrated

by Figure 4.7 – eateries are considered as partners with which collaborate and create synergies in order to deliver the best service possible to the user. Paolo said that *“The value offered to the consumer is represented by the variety of products offered by a variety of restaurants that are partners in delivering such type of experience to the final customer”*. Under this perspective, the difference with the traditional Business Model Canvas proposed by scholars is conceptual: if restaurants are considered as partners the whole focus on customer segments is oriented just on final users of the service. Paolo added that restaurants can be defined as “opportunity partners” as it is tough to have an exclusivity contract with them. He continued: *“The war between platforms will be won by those players that will be able to cuddle consumers, offer them a perfect experience and stimulate their purchase intention also thanks to the collaboration with restaurants.”*

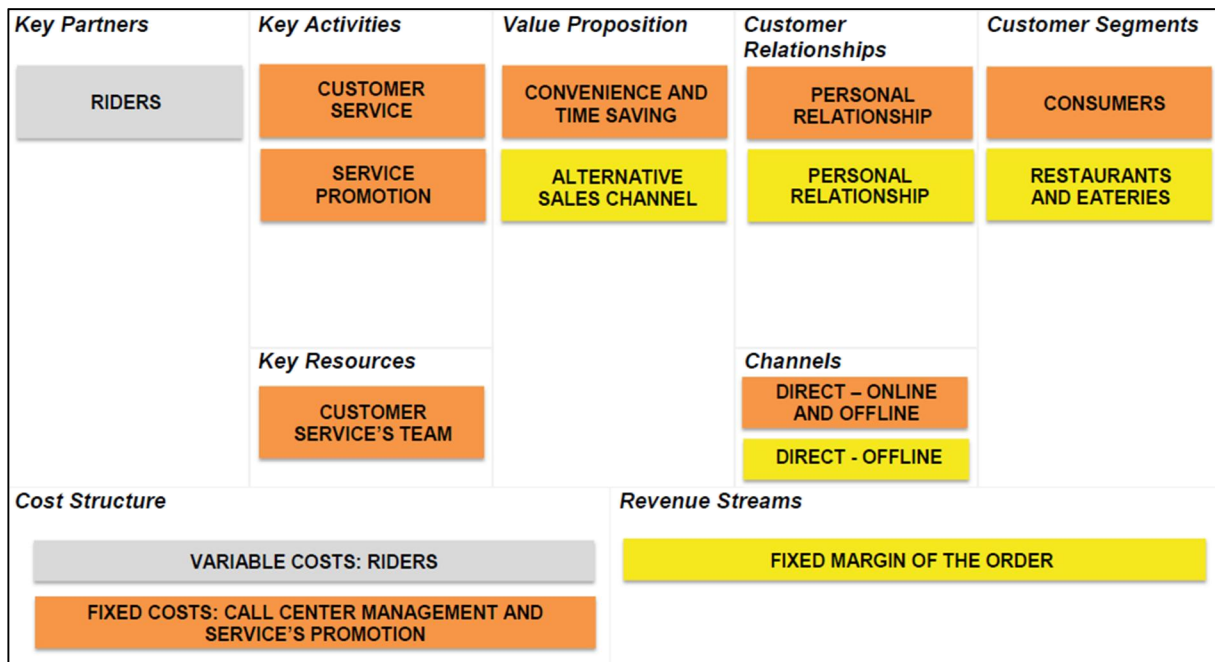
Fig. 4.7: FUD’s Business Model Canvas seen according to its founder’s vision



Source: personal elaboration from interviews with Paolo Pesavento – Founder and CEO at FUD

Anyway, FUD’s business model can also be seen under the “academic” perspective of a classic multi-sided platform – showed in Figure 4.8, where restaurants are treated as a customer segment that generate revenues.

Fig. 4.8: FUD's Business Model Canvas seen under an "academic" lens



Source: personal elaboration from interviews with Paolo Pesavento – Founder and CEO at FUD

Towards consumers, FUD offered a delivery service characterized by benefits in terms of convenience and time saving; towards restaurants FUD constituted an alternative sales channel in addition to dine-in and lunch-in meals. The company had direct relationships with both customer segments. A personal relationship with the user of the service was intended to be the core point of difference among FUD and the big players of food delivery. As a matter of fact, the tool used to place delivery orders was a call center instead of a digital platform for two main reasons: the high costs needed to develop an online application and the still low digitalization level of FUD's buyer personas at that time. The ideal target segment of FUD was composed by people aged 30 to 50 years old who needed a personal and ad-hoc service in 2015. The service was active all days of the week, both at lunch and dinner from Monday to Friday and just at dinner on Saturday and Sunday.

Even the channels to reach customer segments were mainly direct and offline, with just a part of the communication that was conducted online through a Facebook page to promote special offerings. Call center management and the promotion of the service were also the key activities performed by FUD for the continuation of its operations.

To vehicle the best value proposition possible, the internal key resource for FUD was a competent team in charge of managing the orders through the call center, thus being able to offer an excellent and personalized customer service. Externally, the key partners that helped FUD proposing its service were the couriers, who delivered meals by car rather than using motorbikes or bicycles for safety reasons. Cost of delivery paid by customers – ranging from €3.50 to € 5.50 based on the distance - was entirely hold by couriers as part of their reward, thus the only source of revenues for FUD were the fixed margins on the value of each delivery order.

Concerning costs, fixed costs regarded the call center's maintenance and the promotion of the service, while the variable costs were represented by payments to couriers, that suddenly began to constitute a triggering point on the future failure of the start-up. Indeed, in 2016 the Italian government forbid the use of vouchers: the actual system of payment of the time that was good to pay couriers on the basis of delivery volumes. Thus, vouchers were one of the core elements of FUD business model because they were related with the variability of the service. With the removal of vouchers, variable costs related to the payment of couriers became semi-fixed costs, requiring high business volumes to break even. Costs structure became then not sustainable because modest order volumes of Bassano del Grappa were not enough to cover costs.

In the late 2015 Paolo was already thinking about expanding its operations in other towns by merging FUD's service with Cosatiporto, a food delivery start-up born in Vicenza in the same years. With the merger, the two ventures might had mixed FUD's call center with Cosatiporto's digital platform and exploit potential contacts in terms of investors to expand in towns like Mestre, Trento and Jesolo. But the deal did not happened and subsequently Cosatiporto failed in 2016. This was a sort of the beginning of the end for FUD. The first dangerous signals and problems were typical of a classic start-up: the necessity of a huge quantity of money to invest in growth. Paolo realised that he made a mistake to think that few tens of thousands euro could be enough to compete in such a tough market with low marginality. After the news of the vouchers' ban, FUD started reducing its operations and in May 2017 the start-up closed its service.

4.4.2. Causes of failure

During the discussion with FUD's founder Paolo Pesavento, some interesting lines of reasoning arose. He highlighted several possible causes of the start-up failure that

represent precious advices in terms of mistakes to avoid while competing in the food delivery market.

The first key element that must be taken into consideration while facing food delivery market is the substantial level of funding required to operate and grow. Time will tell if the particular case of CocaiExpress – funded with only personal investments of the founders – might represent an exception in that sense. Paolo underlined that food delivery business models need huge quantities of money especially for the Customer Acquisition phase, intended both as acquisition of final consumers through marketing and promotion and acquisition of restaurants inside the ecosystem through an organized sales department, especially in 2015 when the market was not so used to digital delivery services. Covid-19 represented a huge opportunity for actual platforms, as the necessity of food delivery emerged for both customer segments and consequently the Acquisition costs fell down.

The second critical point that led to FUD's decline were the market conditions. Paolo is sure that at that time the market was not ready to massively embrace a service like food delivery the and market size was small, accompanied also by a low level of propensity to consumption of the service by the citizens. Food delivery, especially in 2015, was a semi-latent need and customers must had been continuously stimulated to order with communications, so it was fundamental to use specific CRM⁸ systems to carry on the retention phase. This fact is still true nowadays but it was important especially at the time when FUD operated because the market was not mature.

Another difficult point that FUD encountered in the food delivery market of Bassano del Grappa and surroundings was an unexpected variability in delivery demand. Paolo affirmed that - in addition to predictable changes in demand level caused by weather, seasons, weekend days and sports events broadcasted on TV – often some unpredictable and completely unexpected changes in demand happened. This volatility in demand can lead to overcapacity or inefficient service and it caused difficulties for FUD's team to organize couriers' work. It is true that statistically, variability is high in small samples and more balanced in larger samples, but despite that FUD found peaks and drops in demand that were not explained at all. Highly variable demand required also variable costs of couriers work, but when vouchers could not be used anymore, the

⁸ CRM is the acronym of Customer Relationship Management

cost of labour became semi-fixed and there was not the possibility of further capital's injections to cover the losses.

The last remark that Paolo made about the topic regards the entire business of food delivery. The assumption of food delivery platforms is to reach huge volumes of sales to compensate for low margins and get profits, but there might be the possibility that food delivery market will not grow forever and maybe there is too much competition if compared to the total addressable market. This may be one of the reasons why big players are merging and acquiring themselves, in order to conquer markets leadership and reach profitability. At one point the food delivery environment must become mature and find an equilibrium, time will tell which companies will be able to achieve that equilibrium and be sustainable in the long run. Prerequisites of these companies are suggested at the end of this chapter.

4.5. Pasta Evangelists: delivering premium pasta

The last but not less important concrete case study about food delivery businesses is particular, as the company involved plays a different role along the food chain respect to the third parties delivery firms. Pasta Evangelists' insightful analysis has been possible thanks to the direct testimony of its Founder and CEO: Alessandro Savelli.

4.5.1. Pasta Evangelists' story

Pasta Evangelists is a company based in London that delivers artisanal fresh pasta meals to British consumers' home. It has been launched in 2016 by the Founder Alessandro Savelli and the two Co-founders Finn Lagun and Chris Rennoldson.

Savelli decided to enter the pasta market as it is a sector characterized by no cyclical business volumes, not too much complicated and related to the possibility to get revenues in the short term, in addition to the size of the market that is worth £50 billion globally. United Kingdom is one of the most promising pasta markets at a global level, with the consumption still having high margins for growth. As a matter of fact, 70% of British people consume pasta at least once time per week, and 25% increased its consumption during the lockdown (Barilla, 2021). Beyond the arrival of Covid-19 and the subsequent growth of online food sales, the level of sales through digital channels

have massively rose in recent years, both in the ready-to-eat sector and in the grocery's one and Pasta Evangelists places its operations as a solution for these two business branches. In addition, Savelli said that there is no competition in the UK's premium pasta market, but there is a tough mass competition with ordinary pasta brands distributed in supermarkets. Thus, premiumness of the product is a key element to differentiate the brand and the company respect to the others, and Pasta Evangelists is trying to attest this status by communicating its core values of Italianness, freshness and craftsmanship.

Pasta Evangelists enables UK consumers to prepare premium quality homemade pasta dishes in few minutes by delivering fresh pasta meals and sauces in letterbox-sized boxes. Its core operations are the building of a strong brand and the warranty of an efficient service and a premium customer experience, since Pasta Evangelists outsources the production of its products, as affirmed by Savelli.

Distribution channels are a key part of the company business model, mixing both online and offline touchpoints with the final customer. Pasta Evangelist ready-to-eat meals can be ordered through food delivery platforms like Deliveroo and Uber Eats, with instant delivery coming from dark kitchens. Fresh pasta products can be ordered online through Pasta Evangelists' own website working as an ordinary e-commerce, with the boxes that are expected to be delivered the day after the order. In addition, the brand can count even on an offline presence as Pasta Evangelists products can be found in the physical store of Harrods Food Hall, guaranteeing a premium aura on the customer experience.

Since the beginning Pasta Evangelists experienced a quick growth, disruption and significant funds by investors like a £1.7 million Series A round in 2018 and a £3.5 million Series B round in February 2020. The coming of Covid-19 outbreak further accelerated their business. To give an idea, when the company launched its products on the market in 2016 it sold just 200 portions of pasta, while in 2020 sales saw an increase of 300% if compared to 2019, with an absolute quantity of portions sold of more than 1 million units during the year (Barilla, 2021).

In September 2020 Alessandro Savelli told that Pasta Evangelists' mission is to become an authority in fresh pasta and sauces' premium market. It seems that the company is on its way to accomplish its goal, considering that in January 2021 the iconic Italian food company Barilla acquired a majority stake of Pasta Evangelists in order to consolidate its presence in UK market. In any case, the agreement establishes that the

management of the company continues to be carried by the CEO and Founder Alessandro Savelli and the two Co-founders Finn Lagun and Chris Rennoldson, who still own a significant stake of shares in the company. With this operation Barilla can pursue its desire to invest on digital marketing and sales methods whilst Pasta Evangelists - that continues operating autonomously – will have a strong support for its UK and international expansion plans.

4.5.2. Successful attributes of Pasta Evangelists business

Pasta Evangelists' case study can be very insightful and useful for this thesis even if it represents a perspective of the market slightly different from the pure food delivery platforms' business model, but it is always consistent with the food sector.

The founder, Alessandro Savelli, attributes the success of its company to factors mainly related to marketing decisions and operations, but the first key element that he considers as fundamental is the quality of the team. Since the beginning, Savelli focused his efforts on building a team composed by experienced and competent members.

He himself had a good experience inside the business and start-up world when he launched Pasta Evangelists in 2016. Savelli started his career in the financial sector, working as an Associate for Investment banks like UBS. After obtaining an MBA title at Columbia University, in 2010 he launched his first entrepreneurial venture founding Savelli Genève: a luxury smartphones' brand targeted at women. In 2016 he realised that the business could not be sustainable and he left the company, launching Pasta Evangelists few months later. Two important entrepreneurial advices by Savelli regards the timing and the selling skills. As a matter of fact, he affirmed that *"Everyone has to be good in selling, at every moment, sell anything to everyone"* and *"The right timing is extremely important in entrepreneurship"*. Even the other two co-founders can praise a good experience, as the CMO⁹ Finn Lagun had experiences at Amazon and Rocket Internet while the COO¹⁰ Chris Rennoldson previously worked for London Stock Exchange and Just Eat UK.

A peculiarity of Pasta Evangelists' team is the presence of food celebrities as co-founders, promoters and shareholders of the company, like the Great British Bake Off

⁹ CMO is the acronym of Chief Marketing Officer

¹⁰ COO is the acronym of Chief Operations Officer

judge Prue Leith. Among the investors there are also the food critic William Sitwell and the Times restaurant critic Giles Coren (Evans, 2020).

As previously mentioned, Savelli highlighted some crucial marketing activities to carry on that enabled Pasta Evangelists to grow starting from zero. Following the Marketing Funnel, digital acquisition of customer is essential and can be maximized thanks to digital touchpoints like social media contents (both organic contents and paid advertising) SEO strategies and influencer marketing activities. In the specific case of Pasta Evangelists, food influencers played a crucial role in promoting brand values and features, permitting the company to reach large but targeted audiences.

Also Customer Retention is vital for the sustainability of the business. According to Savelli, in order to guarantee customer retention a firm must build a sense of trust among its customers, which is the result of a communication based on positive reviews of satisfied clients, Public Relations programs and celebrities endorsements. Savelli added that in Pasta Evangelists they are so focused on Customer Retention that they have a specific budget of £3.50 per order dedicated to retain each customer. The Founder and CEO of Pasta Evangelists also underlined that its firm wants to go beyond the simple retention of a client, as they want to transform customers into ambassadors of the brand in order to have a viral spread of its image and values.

Despite the Marketing Funnel's related activities, Savelli is sure that an omnichannel marketing strategy is vital for his company. Indeed, each channel must be related to the others, in order to guarantee consistency in brand communication. For example, every touchpoint of online marketing has to be connected also with offline channels like physical events, Public Relations activities and Out Of Home advertising.

To conclude, Alessandro Savelli added an element that must be present in every marketing venture: creativity. Creativity is fundamental to attract people's attention and to maintain them stick to the brand. A practical example of a creative communication content is represented by "Perfect Pasta at Home", Pasta Evangelists' Cookbook containing traditional Italian recipes to cook pasta from scratch (Pasta Evangelists, 2021).

4.6. Key elements for succeeding in the food delivery business

The deep examination from the inside of three different food delivery case studies completed the analysis over food delivery business, already conducted from a broader and external perspective in the first three chapters of this paper. Thanks to this double sided analysis it is possible to reach the ultimate goal of the thesis: discovering which are the key elements to be sustainable in the food delivery platforms' market considering the "New Normal" environment caused by Covid-19.

Fundamental factors that came to light will be illustrated as single operative attributes that are fundamental to be competitive in food delivery and also as suggestions about the best business model features to implement, in order to be economically sustainable not only in the short term but also in the long run.

Before seeing these findings, it is needed to start from three main issues that are at the base of food delivery business. First, the intrinsic problem of such industry is the low marginality and the necessity to work with huge business volumes to reach profitability. As already underlined in Chapter 2, major food delivery players are trying to avoid this problem with mergers and acquisitions to quickly gain market shares. This strategy might work as long as enormous quantities of capitals are available, but it is not certain that it will always be so. The case of Deliveroo's recent IPO¹¹ is emblematic in this sense. On March 2021 the firm went public in London Stock Exchange and the IPO immediately turned to be a flop, with company's shares that dropped as 30% just in the first day (Browne, 2021). This lack of trust from investors is a proof that probably the big food delivery companies will not always be able to rely on infinite injections of capital, and they will have to find out alternatives.

Profitability of food delivery players is also weakened by cost of labour. Covid-19 caused deep changes among food delivery couriers. The pandemic brought a general increase in the awareness of riders in terms of safety at work, also due to an increase in working rates caused by lockdowns. Ethical issues about riders' job are arising, who are asking for more working rights and food delivery platforms must face this topics that are strictly related to their cost structure.

Concerning riders' contracts issues, an important clarification must be done: the aim of this thesis is not the one of examining also social issues related to food delivery

¹¹ *IPO* is the acronym of Initial Public Offering

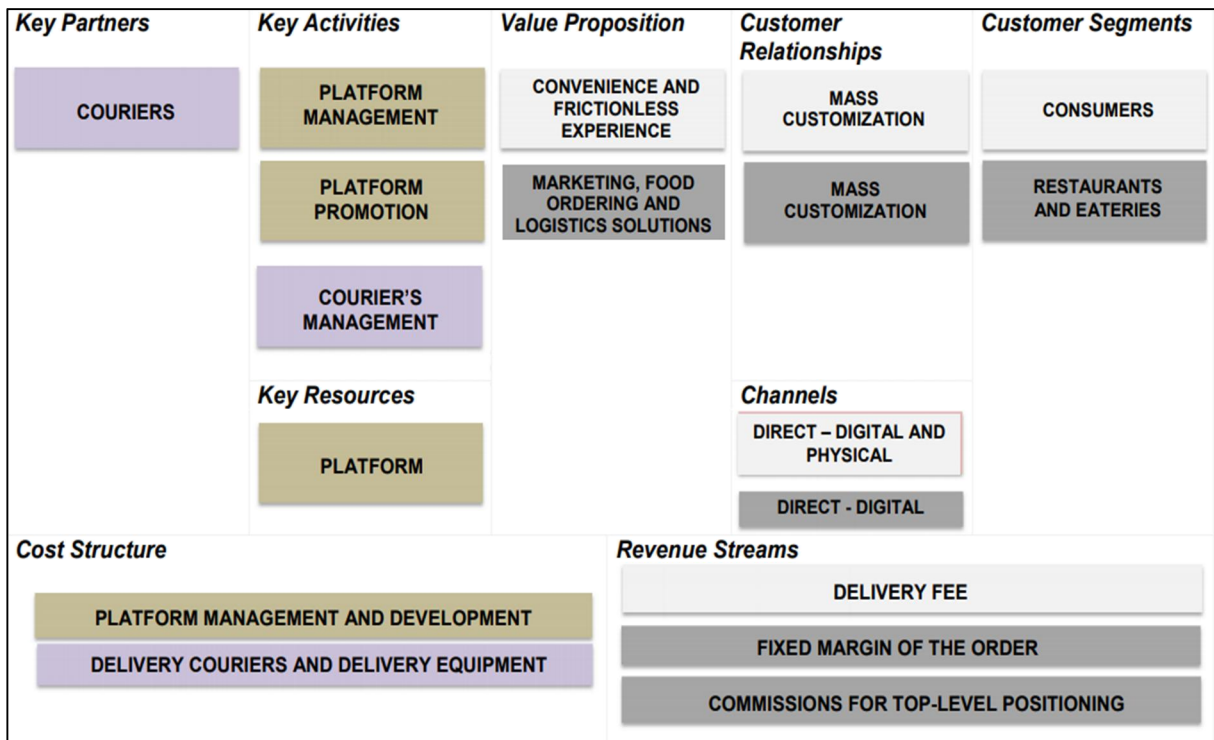
riders, but the focus is just on companies' business models. Analysis and reasonings about social issues concerning food delivery are left to future researches.

The third problem of such a business is the potential variability of the demand. The huge change in demand triggered by the pandemic might recur in the future, maybe caused by other extraordinary events like climate changes issues. Anyway, other important demand fluctuations might happen in negative ways, and platforms could find difficulties in optimizing work flows, which are at the basis of cost optimization. The three problems are strictly linked among them and they represent the major barriers that obstruct food delivery platforms' profitability.

The analysis of market evolution, the business models specs, the marketing strategies of food delivery platforms and the three practical case studies provided the basis to recommend suggestions on how to solve the just cited challenges of food delivery business.

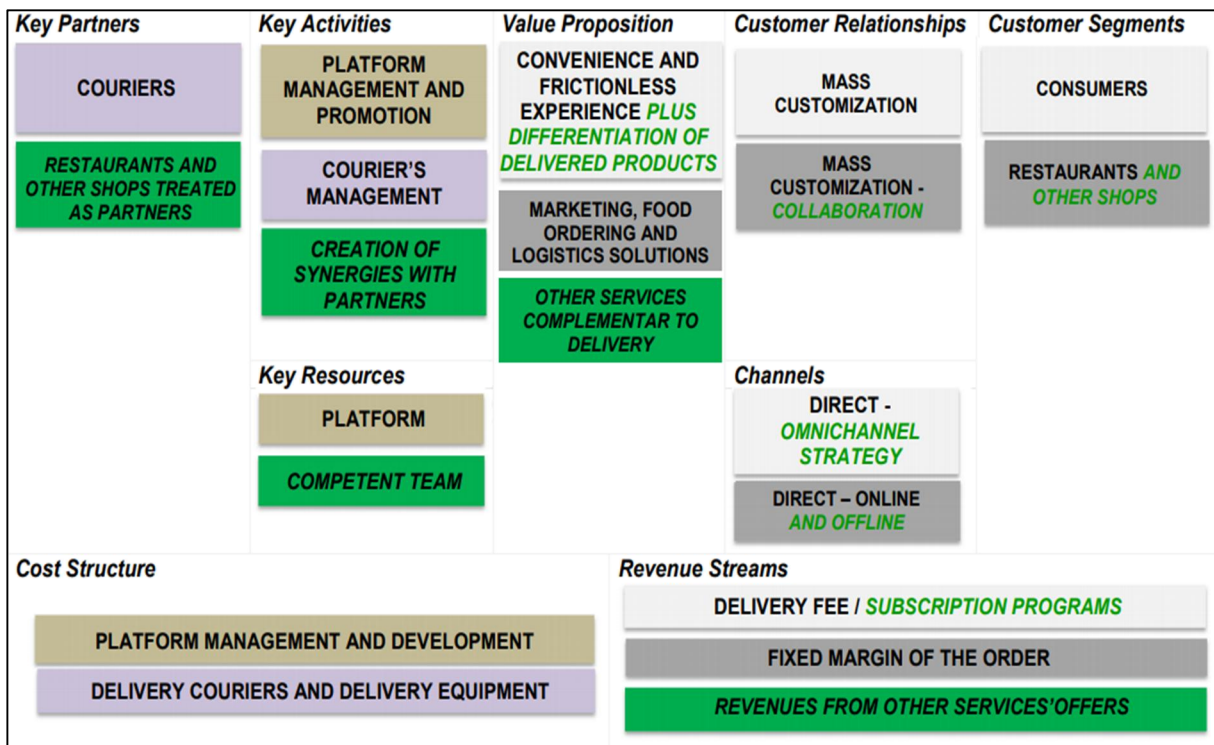
Food delivery platforms can implement some key strategies and tactics that would slightly change their business models and the following concrete suggestions will be organized according to the specific building blocks that compose a Business Model Canvas. Figure 4.9 shows the traditional Business Model Canvas of a food delivery platform that offers services of marketplace and delivery solutions. On the other hand, Figure 4.10 represents the Business Model Canvas that suggests the specific type of configuration which food delivery platforms must adopt to succeed in the market in Covid-19 era and in the future. Elements highlighted and written with green colour are the key differences among the two business models templates.

Fig. 4.9: Traditional Business Model Canvas of food delivery platforms



Source: personal elaboration

Fig. 4.10: Proposed Business Model Canvas for food delivery platforms' sustainability



Source: personal elaboration

The proposed changes illustrated in Figure 4.10 are separately examined on the basis of their business model's categories.

CUSTOMER SEGMENTS

What clearly emerges from the practical case studies of CocaiExpress and FUD is the fact that restaurants and eateries might be treated as partners instead of customer segments. They can be considered so only from a formal point of view, since they generate revenue streams for the platform.

Collaborations with eateries enable the company to focus its efforts on delivering the best value proposition to the real customer segment, represented by final customers. In addition, the formal customer segment of restaurants might be enriched also with other merchants and shop owners, as the range of products delivered might be extended. The concept is explained in a detailed way in the Value Proposition section.

VALUE PROPOSITION

The building block in which food delivery platforms can and must realize the major changes is Value Proposition. A diversification of the Value Proposition offered might be a potential solution to face low margins that require huge business volumes and also to face variability of the demand. The value proposal must be expanded both vertically to benefit final customers but also horizontally towards restaurants and other merchants.

A vertical expansion of the Value Proposition requires that platforms start delivering other products beyond ready-to-eat food. For instance, CocaiExpress is opening its platform also to merchants like grocery stores, florists, hardware stores and Glovo did it also with drugstores. This would imply two important advantages for customer segments: final consumers might find convenience in choosing from a wider range of products delivered at home, whilst also other merchants beyond restaurateurs might benefit from the delivery service, thus becoming customers and partners of delivery platforms.

A horizontal enlargement of the Value Proposition regards the differentiation of the services offered to partners joining the platform. Indeed, food delivery platforms might offer other services that are collateral to digital marketplace and delivery solutions. For example, CocaiExpress already started offering marketing consultations to

its partners and will soon launch also a packaging offer. Other possible proposals that might be offered to partners are technological oriented like the website development or payment methods solutions. To do that, delivery companies must exploit their key assets in terms of technology and human resources, using their capabilities to differentiate the range of services offered. This is the same flow that Amazon followed during its history, creating Amazon Web Services by sharing its internal assets in terms of technology with its partners (Dumaine, 2020).

KEY PARTNERS

As already introduced, one of the most revolutionary concepts proposed by this thesis is the thought that restaurants might be considered as key partners under a practical perspective, and as a customer segment just from a formal one. This idea goes against the classical approach of multi-sided platforms' business model configuration, but the rationale behind it is motivated.

Restaurants and other business owners are responsible for the quality of the products delivered, thus playing a crucial role in the overall value proposition offered by the platform. It becomes essential to treat them as partners to create synergies that permit the delivery of a coherent and efficient customer experience along every service's phase. Trustful relationships would certainly raise the effort by partners not only in terms of the service provided but also in terms of communication. Indeed, food delivery platforms may develop coordinated and shared marketing programs with their partners, in order to spread messages in an exponential way. This would also be a way for the platforms to have major control over their own brand image. In addition, if there is a loyal relationship between the delivery platform and its partners, it is more likely that these will accept other auxiliary services besides the solutions of marketplace and delivery.

Besides restaurants, couriers remain essential partners for food delivery platforms, as they are in direct contact with customers. Thus, it is fundamental that couriers are in line with brand values and this is possible thanks to accurate recruitment and training programs conducted by the companies.

CHANNELS

Channels to distribute the services and to communicate their benefits must be a mix of online and offline touchpoints. In particular, CocaiExpress and Pasta Evangelists practical case studies and big players marketing activities suggest that food delivery platforms have to adopt an omnichannel strategy.

An omnichannel marketing strategy does not only mean that a firm must be present on almost every potential touchpoint that its customers use, but also that all these channels have to be connected each other, organized under a shared program. The brand image must be always perceived in the same way by customer, both online and offline. As underlined by CocaiExpress' co-founder Guglielmo Zanini, communication activities are essential to complete and enhance the value proposition offered by the company and to make it easier to understand for customers. The adoption of multiple communication and distribution channels enables the firm to cover the whole Marketing Funnel with communication initiatives, fundamental for the acquisition of new customers and for the retention of old ones. Thus, marketing programs like advertising, physical events, the creation of original contents and PR¹² plans are essential for Customer Acquisition phase. In addition, co-creation of contents with customers and the use of CRM systems are crucial for the retention phase, permitting platforms to build long term relationships with their customers.

Also the channels used to relate with restaurants and business owners must be reinforced in order to create the synergies already described in the Key Partners section. Food delivery platforms need structured sales departments that take care of the main problems of merchants and carry on trustful relationships with them.

KEY ACTIVITIES

Platform management and promotion as well as an efficient couriers' management remain two of the key activities that a food delivery platform must perform. In addition, the activity concerning relationships with partners intended as restaurants and other shops becomes fundamental too.

As already mentioned, coordinated activities with partners are strategic for the growth and sustainability of the platform, both in terms of service offered and also of communication initiatives. This coordination requires frequent contacts and updates

¹² PR is the acronym of Public Relations

with partners, which must be guided in carrying on shared marketing and distribution plans. The activity of sales department becomes thus essential to obtain a contribution by partners, in order to deliver the best value proposition possible to final customers.

KEY RESOURCES

The platform is going to keep its role of essential resource for food delivery firm. It must be efficient both in the front-end and also in the back-end system, which is essential to optimize and speed up the flow of the delivery service. Front-end interface has to be user-friendly as consumers are becoming more and more demanding in terms of digital user experience, especially after the acceleration of the worldwide digitalization process caused by the pandemic.

But, in addition to technological resources, companies must be aware of the importance of their assets in terms of human resources. As a matter of fact, both Pasta Evangelists and CocaiExpress stories are based on the presence of a competent team full of knowledge and long term vision. Even if the importance of a single team member might be less decisive as bigger as the organization becomes, a dynamic and skillfull team can guarantee to the firm the flexibility to change according to market conditions and the right execution of all the operations of the company.

Furthermore, the know-how owned by the founders and team is really critical in cases of start-ups and firms competing in specific markets like CocaiExpress in Venice.

REVENUE STREAMS

The expansion of the Value Proposition reflects itself also on Revenue Streams of the platform. As a matter of fact, the differentiation of the services and products proposed to customer segments entails a larger number of possible revenue sources. For example, marketing consultation or technology provisions might lead to recurring revenues for the company, for instance as monthly fees.

The concept of ancillary revenues could be crucial in facing the problem of low margins that characterizes the pure food delivery business. Furthermore, these kinds of collateral revenues might represent a parachute in cases of unexpected food delivery demand changes.

In addition, the other important changes that platforms must progressively adopt regards the methods of payment. Indeed, subscription programs might be preferred

respect to fees on delivery, as they are convenient for revenues forecasting and for the creation of long term relationships with customers.

To conclude, after the extraordinary event of Covid-19 pandemic, food delivery platforms must pursue a cross flexibility of their business models, to create an organization which is ready to change directions on the basis of the external and internal market scenarios. In this way they will be able to exploit right timing to benefit from potential windows of opportunities and be sustainable in the long run.

CONCLUSIONS

Food delivery is a fast-changing business that saw a boost in worldwide demand since the coming of Coronavirus outbreak that forced people staying at home to avoid contagion. The ultimate goal of the entire thesis was the one of finding out which are the key elements that make the difference for the success of digital food delivery businesses in an environment affected by the advent of Covid-19 pandemic.

To reach that objective, the analysis started with an overall scenario of market conditions before and after the pandemic. Then, the examination progressively became more specific about food delivery platforms, analysing their business models configurations, their corporate strategies and their marketing operations in Chapter 2 and 3. Chapter 4 enabled a vision from the inside of food delivery business, thanks to the main case study of CocaiExpress and the other two stories of FUD and Pasta Evangelists.

The external analysis of the first three chapters mixed with the internal one conducted in the fourth chapter permitted to highlight some intrinsic challenges that food delivery platforms must face. These issues consequently led to findings and suggestions that represent the key contributions of this thesis to the existent literature.

The main problem that characterizes food delivery industry is the low marginality of its operations, that make profitability very tough to achieve. In addition, firms' profitability can be threatened even by variability of the demand and by costs of labour that must have a variable nature to be sustainable.

The deep analysis of food delivery market from the outside and from the inside – mainly thanks to CocaiExpress case study – permitted the development of possible solutions to solve those problems affecting food delivery industry.

Food delivery firms must change their business models almost in every building block that composes them. First of all, platforms might diversify their value proposition by offering both delivery of other products beyond food and also other services collateral to pure food delivery like marketing services. These expansions in the services offered would trigger also a differentiation of the revenue streams for the platforms, representing a key weapon to face low marginality.

To deliver a better value proposition from a qualitative point of view, food delivery companies might consider restaurants and other shops not as customer segments but as partners, even if they remain customers just formally, as they are

sources of revenue streams. Thanks to the creation of synergies with partners, platforms can have an higher control over their brand image and can exploit the proximity of their partners to improve communication activities towards final customers.

Remaining on marketing activities, food delivery platforms have to spread their messages through omnichannel marketing strategies, comprehending online and offline touchpoints related each other.

In order to implement all these improvements, it is even essential for these companies to own not only an efficient digital platform but also a competent team that might be flexible enough to develop and promote new services.

Differences among the business models' structures illustrated in figures 4.9 and 4.10 of Chapter 4 constitute the key findings of the thesis. They suggest how a digital food delivery platform might change its business model structure to pursue profitability in the long run.

A crucial variable that will affect the platforms' profitability is external to platforms business models: as it concerns the couriers' contract management. The type of regulation about food delivery drivers can affect the cost of the labour and consequently the profitability of the firms. If couriers will be treated as self-employed partners, costs of labour are going to be variable or semi-variable, depending on the business volumes. An important change would happen if riders will be considered as employees, following growing pressures by the same couriers who are demanding for more benefits in terms of working rights.

If riders are going to be employees of food delivery companies, the nature of labour costs would pass from variable to fixed or semi-fixed, requiring even more revenues to cover those costs. The differentiation of revenue streams proposed in the key findings of this thesis represents a possible solution to the higher fixed costs related to riders payments. If these implementations will not be enough, food delivery platforms could be forced to charge major delivery fees to customers, maybe trying to make them perceive a higher value of the service that might legitimate the higher price. Thus, future development of food delivery industry will depend also on the governmental decisions about which type of contracts will be used for food delivery riders.

In the end, food delivery platforms that pursue sustainability must keep their organization and business model flexible enough to answer to potential external or internal market changes.

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