

Disruption on the Menu

While online restaurant ordering platforms are in their nascent stage, users of the technology are steadily climbing and there is reason to believe that these platforms will continue to take share from take-out and dine-in purchases. Given the transformative nature of online food delivery, investors may want to closely watch its proliferation.

Use of Online Restaurant Ordering Platforms Has Surged Over 150% in U.S.

Market Size (\$ Billions)



Source: Alger estimates.

- Since 2017, online restaurant ordering platforms, such as Uber Eats, GrubHub and Doordash, have grown over 150% in usage in the U.S.
- These platforms are growing because they are more convenient for customers and dramatically expand restaurant selection by offering customers broader choices. By reducing the cost of delivery operations, these platforms have expanded delivery options from just pizza or Asian restaurants to nearly every cuisine imaginable. As a result, online restaurant ordering platforms are becoming a habit for many consumers.
- Online restaurant ordering platforms are also amassing significant amounts of data about ordering trends that they can potentially use to create virtual restaurants. These “ghost kitchens” have no real storefronts and can be created inside empty warehouses near urban centers; they can change menus daily to adapt to customer tastes. Equipped with ripe data from the platforms’ ordering history and flexibility to constantly change menus, virtual restaurants could become serious competitors to traditional restaurant locations.
- It will be interesting to observe how the dynamic between traditional restaurants and online restaurant ordering platforms plays out as both increase their business at the hands of technology.

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