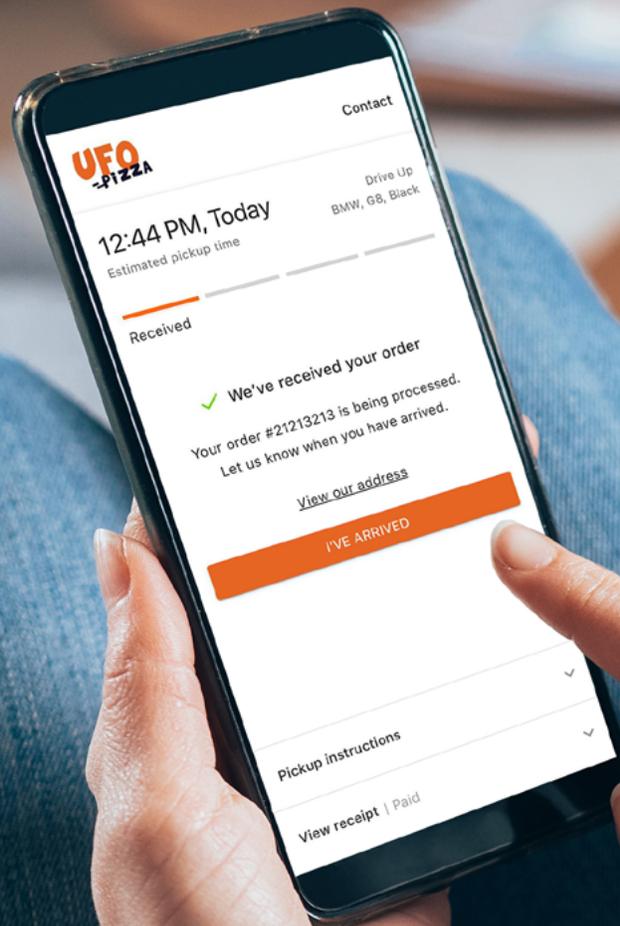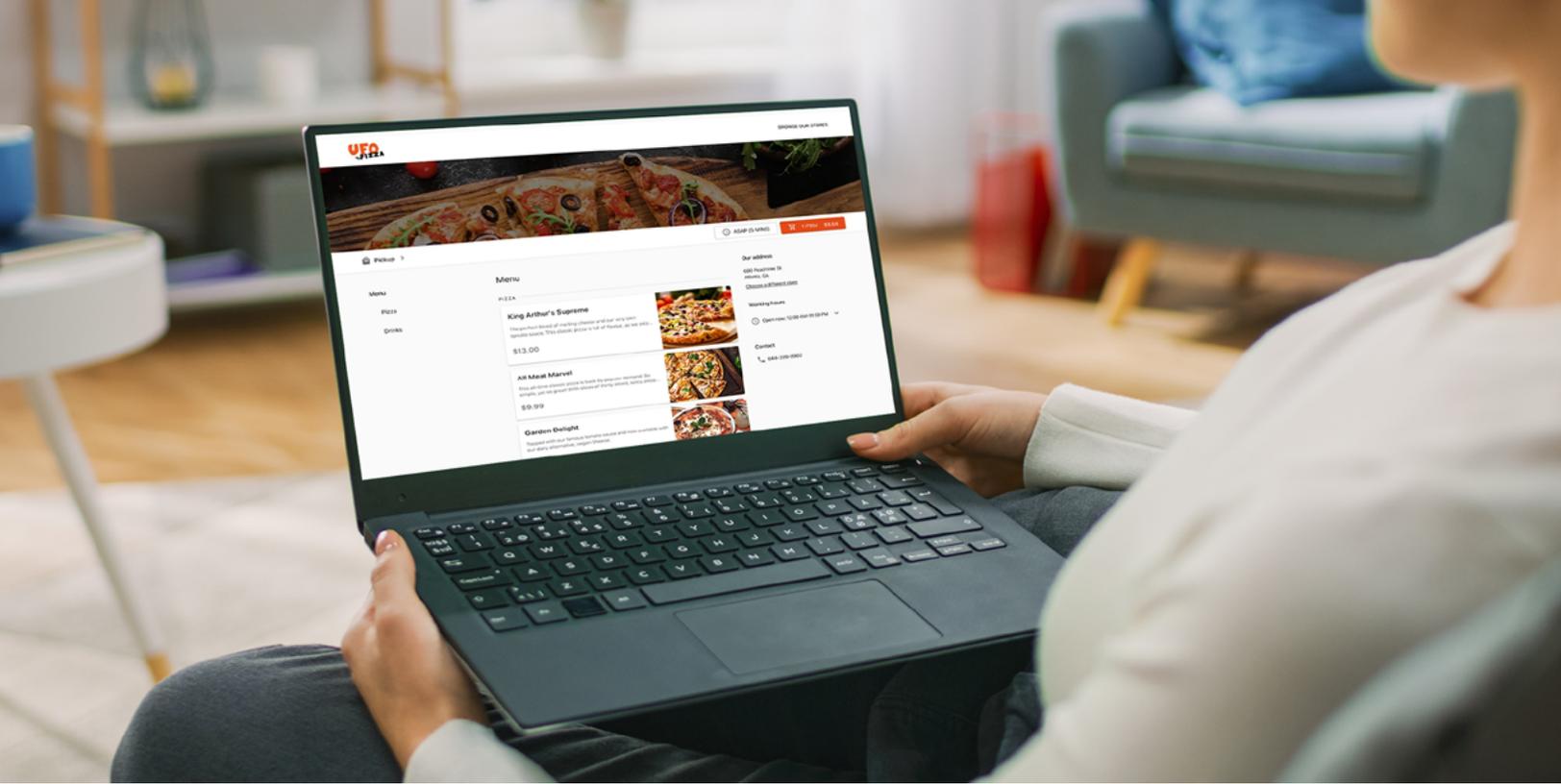# Online Ordering:
A Business Survival Guide

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The Inception of Online Ordering

In 1994, a customer placed an online order for a pizza from Pizza Hut, marking the first ever online order recorded in the United States.[1] And while online ordering methods have diversified and become more widely available since, the general premise remains the same. Consumers wanted—and today crave—a convenient way to access goods and services from the comfort of their home. And in today's digital-first world, consumers want to order from anywhere, at any time.

Since the first online order was placed in 1994, massive industry digitization and demand for intuitive online ordering experiences have led to swift innovation in online ordering technology. By 2015, the rise of online ordering began to overtake phone ordering, and by 2016, three percent of the 61 billion U.S. restaurant transactions were attributed to online orders.[2] This technology continued to evolve alongside smartphones and

increased access to on-the-go ordering methods, creating a pool of eager investors all hungry to capitalize on the demand.

In this whitepaper, we walk you through the evolution of online ordering, a transformation most recently impacted by the emergence of a global pandemic. We also share more about the differences between native online ordering solutions and third-party aggregators, and how they each benefit consumers and operators in different ways.

Read on to decide which type of solution makes the most sense for your business in order to maximize revenue and enhance the customer experience.

[1]Huffington Post, [2]The Columbian

Steady Growth in Online Ordering Demand

600% growth in Google searches: "Can I buy for online and pickup?" or "Is it near me?"

Delivery sales projected to rise 20% YoY worldwide by 2030, from $35 billion to $365 billion.[3]

Google

Digital restaurant orders grew 23% annually since 2013 and are expected to triple in volume by 2020.[4]

Online Ordering Today

Ordering food and goods online or via a mobile app has gradually taken off in recent years, but the emergence of COVID-19 in 2020 generated meteoric growth in online ordering and direct-to-consumer delivery and pickup options. COVID-19 unexpectedly revolutionized the in-store experience in a matter of weeks, and online ordering became the primary revenue source for many restaurants and retailers.

Prior to COVID-19, consumer habits were already trending towards digital-first means of making purchases. However, in May of 2020, U.S. eCommerce sales jumped by 92.7 percent, and consumers spent more than $53 billion via eCommerce in the U.S. in April and May.[5]

Gourmet breakfast concept Eggslut noticed a significant shift in customer behavior when COVID-19 struck the restaurant industry. Delivery orders jumped from 25 percent of their business to 90 percent in a matter of weeks. Retailers are experiencing a similar trend in 2020; they're reporting a 68 percent increase in online year-over-year (YoY) revenue growth as of mid-April.[6]

Whether operators pivoted through third-party aggregators or enabled native online ordering through their point of sale (POS) solution, the need for flexible, digital-first solutions is more important than ever before to meet, and exceed, today's consumer preferences.

[3]Forbes, [4]Restaurant Dive, [5]Mastercard Content Exchange , [6]CC insight

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Changing Consumer Purchase Preferences

While in-store traffic has long been a component in how merchants do business, COVID-19 forced retail giants like Zara to rethink their store footprints and even close locations entirely in order to focus on digital sales.[7] More than ever before, businesses are investing in resources to help translate a positive in-store experience to an online ordering and delivery experience.

"For years, merchants have been working to extend their brand experience off-premise," explains Chris Lybeer, chief strategy officer at Revel. "The effects of the virus are fast-tracking that goal, and many of our clients have expressed that they're allocating resources to compete digitally."

As businesses continue to adapt and rethink how they operate, a pervasive question remains: which adaptations and investments will outlive COVID-19 and still meet consumer demands?

Increased Demand for Contactless Experiences

Even before the sweeping effects of COVID-19, contactless payments comprised a heavy percentage of modern retail purchases. As once shuttered businesses begin to reopen and adapt to more germ-conscious customers, contactless payments have emerged as an essential solution for operators.

[7]Retail Dive

As recently as 2019, limited merchant adoption and high insurance costs resulted in timid contactless payment adoption in the U.S. However, adoption is slowly rising as the barriers weaken and support increases from powerhouse processors like Visa.[8] In 2020, demand skyrocketed as restaurants are entertaining contact-free options across all components of their business, not just payments. Mastercard reports that contactless payments increased 40% in the second quarter of 2020 alone, and some markets are generously increasing tap-and-go limits to support usage.[9]

40% increase in contactless payments in 2020 alone

Other technological advancements—such as integrations that allow customers to receive updates about their order status from their car, home, or socially-distanced location via SMS texts—are driving contactless capabilities in the market. Users are also looking for features that give them an option to request contact-free delivery during their online ordering experience.

The heightened demand for a contactless buying experience will likely have a substantial impact on how businesses pivot their in-store experience moving forward. Likewise, demand will increase for POS solutions that offer contactless technology.

Thriving Despite A New Normal

When the effects of COVID-19 became clear, verticals with thriving online ordering and delivery-based business models found themselves more resilient to changes in consumer buying habits than others. Pizza players, both big and small, unknowingly had a leg up on fast-casual competition due to years of heavy investment in both digital applications and delivery. Despite year-over-year sales dropping 20 percent in March of 2020 for the entire quick-service segment, pizza chain sales only dropped 5 percent.[10]

Many of the major pizza chains already had unique mobile applications in the early 2000's, and started doing 20 to 30 percent of their business online.[11] This is a stark comparison to other fast casual giants who only began rolling out native online ordering via mobile applications in the last five years.

Armed with a familiar, inexpensive, and deliverable product, pizza chains are the vertical to beat. And while the pizza vertical isn't pandemic-proof, it highlights the importance of investing in technology as consumer behavior continues to shift to digital-first buying experiences.

[8]Forbes, [9]CNBC, [10]Nation's Restaurant News, [11]Ad Age

The Emergence of Third-Party Aggregators

With increased smartphone penetration in the early 2000's and the growth of Uber and other mobile-first services, food delivery startups began to take off with consumers. Today, major third-party players such as Uber Eats and DoorDash make up 40 percent of the 20 most-used apps.[12]

Third-Party Online Ordering Solutions Today

With third-party online ordering, operators choose from a number of different apps for a solution that integrates with their POS. A perk to this approach is instant access to the app's network of delivery drivers. Additionally, this approach exposes a brand to customers who already browse these apps regularly. However, the downside to this approach includes the fees and commission costs that can grow pretty quickly with every order. In some cases, aggregator fees are larger than the cost of goods sold (COGS) and labor for many merchants.

In 2020, Uber and Postmates announced a $2.65 billion dollar merger, narrowing the third-party delivery market down to three major players.[13] While DoorDash still remains the largest competitor, the merging of Uber and Postmates will make them the second largest.

Outside of mergers and clear growth, third-party delivery providers are also evolving their business models as consumer sentiment evolves. DoorDash quietly entered the first-party ordering market with the launch of its own online ordering system in 2020, allowing restaurants to build native websites and apps.

[12]Restaurant Dive, [13]QSR Magazine

Integrating Third-Party Aggregators with Native Solutions
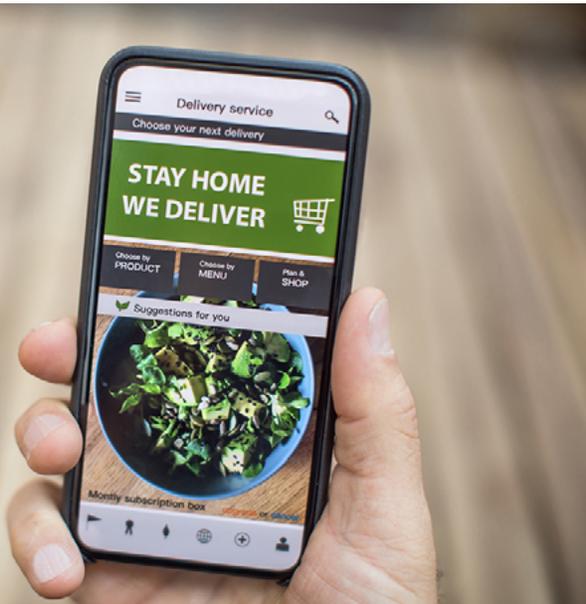
While third-party restaurant aggregators were already a popular online ordering option, the COVID-19 pandemic resulted in a surge of new downloads. In fact, spending on meal delivery services was up 70 percent year-over-year in the last week of March, 2020.[14] Knowing delivery was only going to increase in popularity and that they wanted to increase exposure through third-party applications, Eggslut sought an integration with COFE through Revel's open API.

COFE is a coffee-focused marketplace, similar to major players like Deliveroo and UberEats. The integration allows Eggslut to push orders from the application directly into the Revel ePOS, and COFE's rewards system is fully integrated with Eggslut's loyalty data. When an order is placed through COFE, customers automatically join their rewards program. The Eggslut team can then create and deploy highly targeted marketing messages based on their transaction data and contact information.

Through a point of sale's open API, third-party aggregators can build on a business's existing infrastructure and extend their offering, especially during a time where flexibility is required to survive. And because COFE is directly integrated into Eggslut's POS, the process is seamless and reporting is made easy.


[14]Barrons

Native Online Ordering at a Glance

Native solutions offer online ordering that's built directly into the POS. Opting to use native solutions gives businesses optimal control over their offering by eliminating third-party regulations and growing fees associated with their programs. Native solutions also enable merchants to control the customer experience. The ability to customize the user interface and create a fully-branded customer experience can drive increased loyalty and encourage return visits.

Takeout or curbside pick-up are made easy with native solutions. However, businesses do need to consider how they will manage delivery logistics if delivery is a service you want to offer. Many point of sale platforms, including Revel, integrate seamless delivery management facilitated through software that helps operators manage orders from both owned platforms and third-party aggregators.

In light of the initial effects of COVID-19, 1,200 clients downloaded Revel's native online ordering solution. Chris Lybeer explains that as a company, "we're seeing many rush to update their POS systems to help process online orders." Knowing Revel experienced a 5-7 percent increase in online ordering volume via its native offering, there's been a swift shift in product roadmap focus.
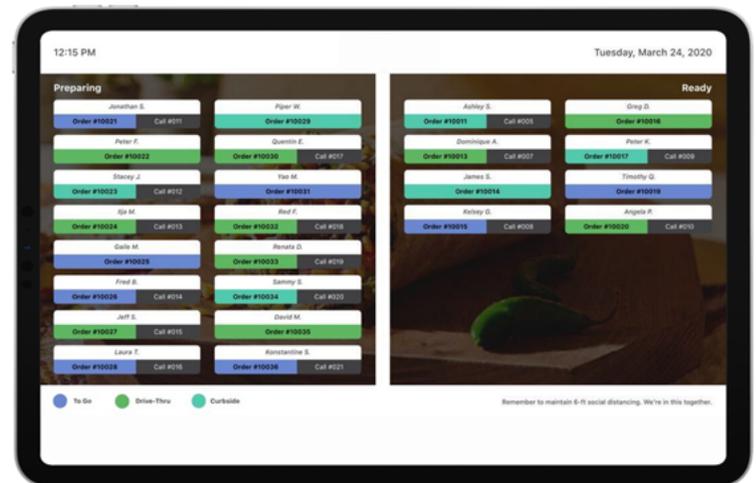
"For our part, Revel is further developing our POS software with updates to help all restaurants with curbside and home delivery," Lybeer notes. "We're adding variations such as driver fleet management and contactless payments that, for many, weren't previously part of the digital landscape."

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A Desire to Order Natively

Delivery in general has emerged as a must-have during the COVID-19 season. Despite the popularity of third-party providers, new data illustrates a consumer lean towards native online ordering channels.

The rationale behind these consumer preferences is likely due largely to fees associated with third-party providers. On average, 30 percent of an online order placed through a third-party application can be attributed to fees incurred by the customer and restaurant. But regardless of these fees, third-party providers have seen massive spikes in pandemic sales. While consumers may prefer to order natively, accessibility and brand recognition resulting from large marketing budgets often leave customers defaulting to third-party delivery.

In a recent study done by Service Management Group, 70 percent of respondents said they prefer to place an online order via a mobile app or website. Further, nearly 32 percent responded that using a restaurant's native mobile app was their most preferred ordering channel, and a chain's website was the second most preferred channel with 26 percent of responses.[15] When managing online ordering through your POS, making ongoing edits to your menu is as easy as pushing a button. This ensures traffic to your native channels sees your most up-to-date offerings.

70% of consumers prefer to place an online order via a mobile app or computer

As consumers become increasingly dissatisfied with third-party fees and first-time digital consumers enter the market, restaurants and retailers alike are presented with a big opportunity to get their native online ordering and delivery channels in front of customers.

Added Benefits of Native Solutions

Merchant autonomy:
Make data-driven decisions on the fly and keep more of your profits.

Brand identity incentives:
Insert your brand voice into your online ordering platform.

Customer connections:
Maintain customer stickiness with integrated loyalty programs.

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Adapting Online Ordering to COVID-19

An added benefit to running online ordering operations through native POS solutions is the ability to pivot and customize the customer experience. With third-party solutions, you're often limited in your ability to offer promotions, edit the user interface to highlight certain items, and make the online ordering experience reflect a natural extension of your brand.

Maple Street Biscuit Company, a Revel client operating in locations across the southeast United States, was thankful to have Revel's online ordering solution up and running in a matter of days when COVID-19 took the restaurant industry by storm. The team leveraged online ordering to temporarily operate as a general store in response to closing their doors. They even added a philanthropic component to their offering through their Biscuits for Heroes initiative. The initiative allowed customers to order various menu items online, and Maple Street's staff delivered the orders directly to healthcare heroes.

**"Revel's platform** is flexible and lets us do some unusual things," Moore says. "Early on, we wanted to offer a pantry to our guests with hard-to-find items like toilet paper because we had access to it."

The result of Maple Street's efforts was a 200 percent increase in online orders during the pandemic. In total, 98 percent of the nearly 8,000 Biscuits for Heroes purchases were made through their in-house online ordering solution.

> " We needed to communicate to our guests that we had items they might never think to order from us. Communication about the pantry through the online ordering platform was so successful that for one week toilet paper was our top-selling item."
>
> — Scott Moore, CEO,
>   Maple Street Biscuit Company

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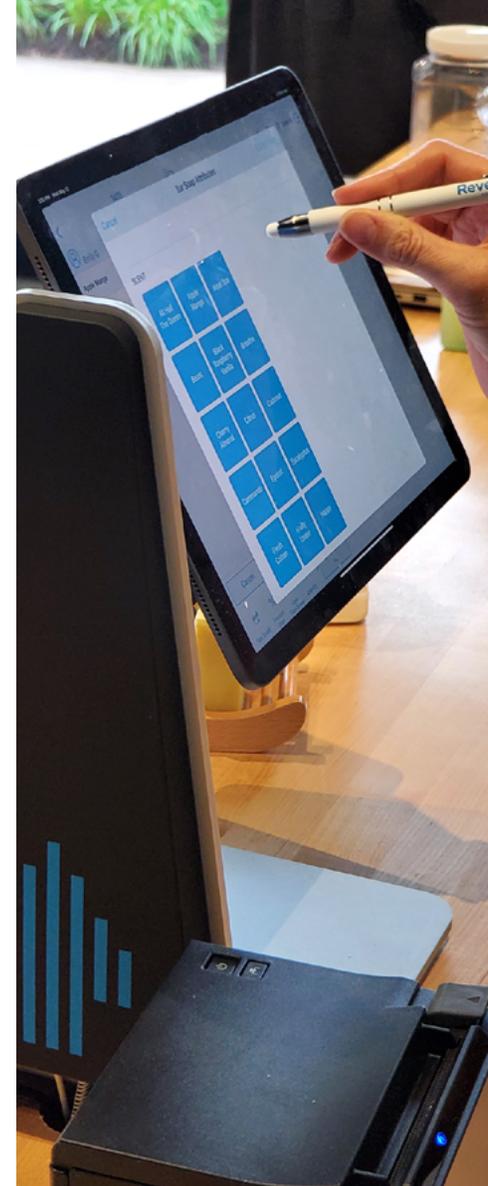
The Future of Online Ordering

Nearly 95 percent of the U.S. population was affected by stay-at-home orders in 2020, causing a massive shift towards an already growing mechanism for buying and selling goods.[16] Industry experts argue that COVID-19 has forever changed the consumer experience, and that the 72 percent of consumers already using mobile devices to mimic their in-store shopping experience is only expected to rise.[17]

Technology will play an increasingly larger role in how consumers execute on remote shopping experiences. From increased courier service options, to home assistant and voice ordering optimizations, to the maturation of tools that help place orders through social media—online ordering isn't going anywhere. As investment dollars flood the online ordering space, it will be interesting to watch how on-demand ordering continues to evolve.

[16]Forbes, [17]Pymts.com

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Empower your business with an online ordering solution

The ability to order food and goods from the comfort of home was already skyrocketing in demand prior to COVID-19, but the global pandemic resulted in an even greater demand for digital-first ordering methods. And that demand is accelerating the industry's evolution alongside consumer trends. Restaurants and retailers have already begun to rethink their brick and mortar operations, focusing on drive-thrus, contactless ordering, and of course, seamless online ordering experiences.

Whether online ordering is set up through your POS solution or a third-party aggregator, it's critical to be able to reach consumers through remote channels. Understanding the online ordering options that exist today will help you decide what's best based on the size, set up, and budget of your business.

With the right solution in place, you'll be equipped to meet and exceed your customer's on-the-go ordering experiences.

Looking for a new POS platform that offers the latest online ordering and delivery technology? Visit revelsystems.com to learn more about how our team and platform can help your business meet your customers where they are.

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