A Restaurateur's Practical Guide to Online Marketplaces and Ordering Systems

01

Introduction

Major shifts in the restaurant industry were occurring even before the recent pandemic.

According to *LE.K consulting*, projections stated that delivery sales were to grow at more than three times the rate of on-premise revenue through 2023.[1] Studies also showed that 86% of consumers order from restaurants for take-out or delivery at least monthly— and demand was projected to increase even further.

Why? Generational shifts. Technology-first Millennials are becoming a larger portion of the consumer population. Nearly half of them prefer eating from home[2] and want to be able to order and pay for their favourite restaurant foods with a click of a button. Another report indicated 63% of North Americans agree that it is more convenient to order online and get delivery than dining out with the family.[3] In addition, 1 out 4 consumers say that they spend more on off-premise orders than when dining out at a restaurant.

And then COVID-19 came into the picture—and changed the entire game. Online ordering, which includes delivery, curbside pick-up and takeout, are skyrocketing as restaurant patrons are not only looking to have some sense of normal but also wanting to encourage local businesses.

Restaurants that will thrive in both "normal" and pandemic conditions will be the ones who clearly distinguish themselves against the competition.

Already, many restaurants have turned to online marketplaces, such as Uber Eats and Skip the Dishes, to accelerate their foray into online ordering.

But is that the only solution?

Let's take a look at what online marketplaces are, their pros and cons, and how they differentiate themselves from online ordering platforms.

[1] https://www.qsrmagazine.com/restaurant-operations/how-ace-third-party-delivery-pandemic?utm_campaign=20200608&utm_medium=email&utm_source=jolt

[2] https://www.restaurantbusinessonline.com/consumer-trends/stats-are-consumers-are-upping-restaurant-delivery

[3] https://www.mintel.com/press-centre/food-and-drink/9-in-10-us-food-delivery-service-users-say-it-makes-their-lives-easier

"From the consumer perspective, there's nothing more convenient than having the restaurant comes to them.

The off-premise component has been primarily responsible for industry growth over the past decade, and it won't be decreasing into 2018 and beyond."

- Hudson Riehle
  SVP of Research and Innovation Services for the National Restaurant Association

"But what about food delivery services, like *Uber Eats* and *DoorDash*?" you ask. "Aren't they the same thing as an online ordering system?" Not at all.
Head on over to the next page!

02

What is the difference between an online marketplace and an online ordering system?

An online marketplace is where products are offered from multiple sellers. As a brick-and-mortar comparison, a marketplace is like a shopping mall. Online examples of a marketplace in the hospitality industry are *Expedia.com*, *Hotels.com* or *Booking.com.* The juggernaut of all online marketplaces for consumer goods, for example, is *Amazon.*

If restaurant owners don't have their own online ordering platform or food delivery service, an online marketplace can be an option to provide customers with a convenient means to order in and get their food delivered. Examples of online marketplaces in the restaurant industry include *Uber Eats* and *Skip the Dishes.*

There are also online ordering systems. These systems enable restaurant owners to integrate online ordering features right on their websites and seamlessly operate with their POS systems and loyalty programs.

UEAT is a type of online ordering platform. It is an entirely white label and customizable solution, which means restaurants can give the impression that they

built the platform themselves as it features their brand image, their different menu types, their unique promotions, etc. In addition, they can keep their invaluable data on customer information and online behaviour.

Restaurants that use UEAT can offer a wide range of contactless order types, including delivery, take-out and curbside pick-up, table ordering, room delivery, office delivery, in-seat delivering and skipping the line.

Now that you understand the fundamental difference between an online marketplace and ordering platform, let's look at how restaurant owners can determine if they want one platform versus another—or leverage the potential of both.

03

Different business models of online marketplaces and online ordering systems

Online marketplaces and ordering systems are meeting the needs of time-strapped restaurant patrons looking to enjoy good food at home and quick service—before, during and after the pandemic. Even before COVID-19, online ordering and delivery were already on a path to become a $200 billion market by 2025.[4]

However, for restaurants to thrive, it is important for them to understand the different business models between online marketplaces and online ordering systems.

4 https://www.forbes.com/sites/sarwantsingh/2019/09/09/the-soon-to-be-200b-online-food-delivery-is-rapidly-changing-the-global-food-industry/?sh=6745fe2fb1bc

Here are the pros and cons of each type of service:

	Marketplaces*		Online ordering systems*	
	PROS	**CONS**	**PROS**	**CONS**
Investment and margins	Little initial investment to set up	Commissions of between 20 and 35% are charged on each order; customers are also charged an ordering fee[5]	No commission fees; a flat monthly fee is charged regardless of sales volume	Restaurants may have to factor in a setup time
Delivery	Restaurants don't need to set up or manage any delivery service	The commission fees on each order may cost more annually than an in-house or third-party delivery service	Depending on the provider, some have partnered with a third party, while some integrates with your in-house service	Need to set up a delivery service or partner with a third-party provider
Discoverability and differentiation	Marketplaces invest in marketing to draw potential new customers in	Restaurants are all presented in the same manner, regardless of competition and alternatives; discoverability and differentiation are limited	Restaurants promote their own brands and control the customer experience without the "noise" from competitors or alternatives	Restaurants must invest in marketing initiatives to drive customers to the online platform
Customization	Some marketplaces allow restaurants to customize "storefronts" with very basic branding and offer promotions	Limited or lack of customization features for different menus, multi-level promotions, loyalty programs, etc.	Complete customization: number of menus, promotions, loyalty programs, etc.	Requires a little bit more setup and maintenance to take full advantage of customization features

[5] *https://www.nrn.com/sponsored-content/restaurant-takeout-and-delivery-are-taking-bite-out-dine-traffic*

	Marketplaces*		Online ordering systems*	
	PROS	CONS	PROS	CONS
Upselling	Some marketplaces provide basic upselling features for a few items	Limited capacity to fully customize upselling features based on high-ticket products or menu items	Non-intrusive upselling features to increase average bill size with high-ticket products and menu items; artificial intelligence also enables the platform to "suggest" other items based on customer preferences or past orders	Requires a little bit more setup and maintenance to take full advantage of upselling features
Customer data	Marketplaces allow customers to create profiles and, in some instances, add preferences	Restaurant owners do not ever have access to customer data; marketplaces keep the data for their own marketing purposes	Restaurant owners have complete access to their customers' data for remarketing, nurturing, promotions, loyalty points, and better understanding customer preferences and trends	Customers' data is only good if you use it; restaurants must therefore invest time and months to maintain their clientele
Accountability	Marketplaces are accountable for the online ordering process	Restaurants have zero control over the delivery experience and are held accountable in customers' minds	Restaurants are accountable for the online ordering process as well as the delivery experience when they offer their own service or work with a third-party partner that agrees to minimum service-level agreements	Restaurants must manage their own service personnel and/or monitor third-party service levels.

If you would like to learn more about the difference between online marketplaces and online ordering systems, read this blog post.

A restaurant's app or website can represent 70% of digital orders and the remaining orders, through third-party apps or other types of apps or websites.

- NPD's recently released Delivering Digital Convenience Report

70%

of consumers prefer to order directly from restaurants and not third-party marketplaces, preferring that their money goes straight to restaurant owners' pockets.

Hospitality Technology [6]

30%

"30% [commission]on the very extreme end barely pays for your food. You still have to keep the lights on, still have to pay for the labour."

Giuseppe Badalamenti, Restaurant owner [7]

43%

of professionals said they believe third-party apps - many of which withhold data - interfere with the direct relationship between a restaurant/bar/pub and its customers.

Hospitality Technology [8]

**Now you know the overall differences between an online ordering system and marketplace.
Let's give you a rundown of the benefits of an online ordering system.**

[6] https://hospitalitytech.com/70-consumers-prefer-order-direct-restaurants-not-third-party-services-changing-the-global-food-industry/?sh=6745fe2fb1bc
[7] https://www.washingtonpost.com/technology/2020/05/13/small-business-third-party-apps/
[8] https://hospitalitytech.com/70-consumers-prefer-order-direct-restaurants-not-third-party-services

04

Top 20 advantages of using an online ordering system

There are many advantages for restaurant owners to offer online ordering capabilities on their websites or within an app. The benefits of online ordering platforms are standard, regardless of the type of restaurant being operated.

Benefits of an online ordering platform

1 An additional revenue stream to fuel your top line

2 While your seating capacity may be limited (or temporary shut down), with online ordering, you can cater to a much larger clientele without additional infrastructure costs

3 Access to customer data for marketing purposes

4 An online and/or app ordering system that is completely branded to your restaurant's image

5 Integration with your POS and rewards program solutions

6 Integration with in-house or third-party delivery systems

7 Automatically offer a solution on your website and a mobile-friendly version for smartphones and tablets Complete control over the

8 customer experience and no competition during the discoverability and ordering process

9 A wide range of customization options for multiple menus (ex.: seasonal, themed, du jour, etc.), promotions, discounts, coupons and more

10 Features to provide mouth-watering, yet non-intrusive upselling options to increase total sales value per order

11 Simple upload and changes to menu images for maximum impact

12 Easy configuration of customer deals based on the time of day, month or year, or even on menu offerings to purge excess inventory, slow-moving items, or ingredients with short shelf lives

13 A user-friendly interface for customers to order quickly

14 Customers can save their profiles, preferences and allergens for faster and safer repeat orders

15 Artificial intelligence is often built into an online ordering platform to offer customers highly personalized recommendations based on their past purchases and preferences

16 Less costly than building and maintaining an online system yourself, which can cost thousands of dollars in both capital and operational expenditures

17 No costly commissions to a third-party marketplace

18 Increased staff efficiency: less time spent on the phone explaining, clarifying and taking orders or dealing with undecided customers

19 Less customer confusion and frustration: orders are specified directly by customers

20 Decrease the costs associated with human error when staff

But wait! There are even more benefits of an online ordering platform for restaurants.
Next page, please!

05

The numbers don't lie: Success rates with online ordering systems

According to some statistics, third-party marketplaces can contribute to raising sales volume by 10 to 20%.[9] And that's great news for restaurateurs! However, when factoring in the commissions, which can vary between 20 and 35%, many restaurant owners and operators find that they experience a deep cut to their margins on each order with an online marketplace.

With an online ordering system, apart from the aforementioned benefits, restaurateurs can achieve a new level of performance based on several Key Performance Indicators (KPIs). On the next page, you'll find some interesting statistiques about UEAT online ordering.

But first, let's clarify some stats.

% Average ticket increase: Increase in the average value of each transaction made during a month of using UEAT.

% Increase number of sales: Increase in the number of monthly transactions when using UEAT.

% Increase in transaction value: Increase in the total value (in $) of monthly transactions when using UEAT.

Loyalty rates: Number of times the same user orders on a restaurant's UEAT system.

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[9] *https://www.nrn.com/sponsored-content/restaurant-takeout-and-delivery-are-taking-bite-out-dine-traffic*

Here are just some examples of how UEAT, a white-label online ordering platform can help different types of restaurants improve their bottom lines:

	Average ticket increases	Increase in number of sales	Increase in transaction value	Increase sales (during the 1st lockdown)	Loyalty rates	
					Nb of orders/ customers	Nb of customers
Fast casual restaurant	25%	174.95%	191.88%	191.88%	2.34	143 558
Pizzeria	15%	278.11%	351.57%	361.6%	1.97	52 739
Chicken restaurant	32%	96.91%	79.07%	96.66%	3.32	254 934
Sushi restaurant	25%	222.43%	272.29%	284.67%	2.19	155 482

Did you know that orders placed online are, on average, 20% larger than in-restaurant purchases?[10]

[10] https://www.usfoods.com/our-services/business-trends/increase-profits-in-2020-with-online-ordering.html

06 The business case for an online ordering system

Online ordering systems, like UEAT, can be either an alternative or a complement to any popular marketplace. Many restaurants start off with an online marketplace to reach more customers in the short-term and then add a white-label online ordering platform for a more personalized customer experience. Others prefer circumventing third-party marketplaces altogether to maintain close contact with their clienteles.

Here is a comparison between a restaurant that initially only used an online marketplace and then added UEAT's white-label ordering platform to its website. It compares the investment restaurateurs make for takeout and deliveries when they use an online marketplace versus their own online ordering system. In the following scenarios, we used UEAT as the online ordering platform and a typical online marketplace.

It is important to note that UEAT does not take a commission percentage on each online order that is placed. UEAT charges a small fixed monthly fee and a few cents per transaction. The percentages you will find below have been calculated based on an example of a $69.95 monthly fee and a dynamic per-transaction fee that goes down the more orders you have each month.

Important! Online ordering systems, such as UEAT, do not charge steep commissions on each order that is placed.

Scenario 1: Savings a restaurateur makes with a white-label online ordering system for takeout orders.

	Average order	Number of orders	UEAT % on each order	Marketplace % on each order (estimate)	UEAT SAVINGS
Fast casual restaurant	$39	145	6.06%	25%	$1 071.05
Pizzeria	$66	163	4.48%	25%	$2 216.54
Chicken restaurant	$28	1130	4.16%	25%	$6 593.78
Sushi restaurant	$44	122	5.95%	25%	$1 022.60

Scenario 2: Savings a restaurateur makes with a white-label online ordering system and a delivery partner.

	Average order	Number of orders	UEAT % on each order	Marketplace % on each order (estimate)	UEAT SAVINGS
Fast casual restaurant	$39	145	14.94%	25%	$568.90
Pizzeria	$66	163	9.76%	25%	$1 639.52
Rotisserie restaurant	$28	1130	16.64%	25%	$2 645.10
Sushi restaurant	$44	122	13.94%	25%	$593.70

A restaurant's app or website can represent 70% of digital orders and the remaining orders, through third-party apps or other types of apps or websites.

– NPD's recently released Delivering Digital Convenience Report [11]

On the next page, you will find a practical checklist of key features you should scout out when shopping for an online ordering platform.

[11] https://hospitalitytech.com/70-consumers-prefer-order-direct-restaurants-not-third-party-services-changing-the-global-food-industry/?sh=6745fe2fb1bc

Your GO-TO checklist for choosing the right online ordering platform

Convinced you should look into getting an online ordering platform? Here is a handy checklist for some of the most important things to keep in mind when shopping for the best platform.

✓	Must-have online ordering features	Comments
	Interface	
	User-friendly customer interface	
	User-friendly admin panel and reports	
	Responsive design for computers, smartphones and tablets	
	Multilingual interface and other data tracking	
	Operations	
	POS integration or stand alone solution	
	Facebook pixel integration and other social media integration	
	Integration with your loyalty, rewards and/or gift card solution	
	Integration with delivery management tools	
	Safety platform with PCI certification that offers frequent updates	
	New features	
	Solid and predictable pricing structure	
	No strings attached contract	

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✓	Must-have online ordering features	Comments
	Frictionless upselling capabilities • Additional menu items • Higher-tick menu items • Additional complementary products	
	Differents methods and types of payment: • Credit card/debit card • Mobile payments • In advance • Upon pick-up	
	Menu management capabilities: • Different menus • Customization based on season, time of day or week, theme, etc. • Nutritionnal information, allergies, etc.	
	Options for customers: • Delivery • Take-out • Curbside pick-up • Hotel room delivery • Venue seat delivery, etc.	
	Promotional management capabilities • Discounts, coupons, promo codes • Featured items or menus	
	Platform training provided by online ordering platform team	
	Proactive support team available 24/7	
	Contingency plan for bugs or system downtime	
	Community and/or resources center available	

Administration (left vertical label for upper section)
Support (left vertical label for lower section)

UEAT provides state-of-the-art online ordering solutions to thousands of restaurants all over the world.

We are dedicated to helping restaurant owners and operators increase their revenue, optimize their operations and improve the overall customer experience.