



Coffee (F&B) Comparables Market Research

2 case studies of best-in-class
engagement apps in F&B

APRIL 2020



Emerging digital trends in the F&B industry

- D2C distribution e.g. Birch Benders¹
- Voice commerce e.g. Amazon
- Blockchain-based supply chains e.g. Alibaba, Walmart, Nestle etc.²
- Inventory Management Robots
- IOT packaging e.g. Pernod Ricard³
- ML usage to personalise food production
- Ecommerce and packaging
- Technology in service (e.g. touch screen kiosks, online ordering system) e.g. Adamo Digital⁴

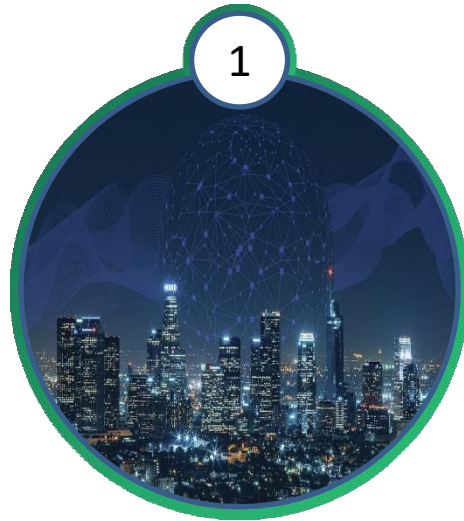
Sources:

1. Grow Wire: <https://www.growwire.com/food-and-beverage-trends>
2. CB Insights: <https://www.cbinsights.com/research/food-beverage-trends-2019/>
3. Sharp End: <https://wearesharpend.com/work/trialling-technology-in-new-markets/>
4. Adamo Digital Blog: <https://adamodigital.com/blog/what-are-fb-technology-trends-in-2019/>

Examples



Company Breakdown Agenda for Chipotle and Domino's Pizza



Company **background** and **challenges** faced by the company



Key **features** of the app and how these differ from **competitors**



Why they introduced the app and their **objectives**

Chipotle background and challenges faced by the company

- Chipotle's **same-store sales growth had been decelerating**, with pre-app implementation growth at 4% in q1 2015 vs 10% and 16% in the previous two quarters respectively. While **revenues continued to grow**, there was an increasing danger in the falling same-store sales growth speed that the company's expansion could result in **overextension**
- With a **tightening labour market**, due to the strengthening economy and growing demand for restaurant meals, Chipotle was facing challenges in attracting and retaining employees. Despite hiring 4,000+ new employees in just one day, bringing up their total workforce by 7%, Chipotle was struggling with high employee staff turnover
- Despite the company's **significant buying power**, due to the company's strict standards for how animals should be raised and fed, Chipotle stopped serving pork at **hundreds of restaurants** in 2015. Only **ten months after the shortage began**, had the company restored pork to 90% of its suppliers. As Chipotle expands such supply chain shortages could worsen and even extend to other menu items.
- Despite Chipotle's popularity with consumers, it has **attracted a lot of criticism**, especially on the topic of healthy food, where critics have accused Chipotle of deceptively marketing food as healthy and free of added hormones. Such attacks from critics pose a **significant challenge** to the company's future expansion and public reputation.

Key features of the app and how these differ from competitors



Analysis and quick reorder of favourites or recent orders for each customer

- First and foremost: Building an own company culture that celebrates concrete business impact from AI and data science
- Actively sharing business impact stories externally (e.g., recruiting website)



Implementation of digital payment methods

- Building a company analytics culture that shuns the "my model is stronger than your model" approach to development and that celebrates diverse collaboration
- Encourages cross-platform app adoption with Android and Apple app compatibility



Streamlined user experienced

- More user-friendly store locator helps to direct more consumers to Chipotle stores
- A streamlined interface, complete with an enhanced design ensures high satisfaction with the app, securing a 4.2 star rating on the App Store
- Gamification using a feature called 'Chipotle Scarecrow' to draw consumer attention to the use of fresh vegetables and ethically source meats - successful gamers can earn a free burrito
- Building a clear, simple onboarding process that lays out the benefits of the app increases use

Why they introduced the app

- A streamlined mobile ordering process has obvious advantages for the customer as that allows them to avoid queues
- Physical stores can accrue more business when they open online ordering facilities, with estimates suggesting Chipotle locations with mobile ordering available get up to 130 extra orders per hour¹

Sources:

1. CNBC, “Here’s Chipotle’s plan to win customers back”: <https://www.cnbc.com/2017/02/02/heres-chipotles-plan-to-win-customers-back-this-year.html>
2. CNBC, “4 things Chipotle CEO Brian Niccol is most focused on”: <https://www.cnbc.com/2019/01/15/4-things-chipotle-ceo-brian-niccol-is-most-focused-on-in-2019.html>
3. Nation’s Restaurant News: <https://www.nrn.com/fast-casual/chipotle-mexican-grill-aims-reach-customers-quarantined-during-coronavirus-pandemic>

Their objectives

1. Add \$2 million worth of additional labour to stores to deal with influxes in mobile and digital orders.
2. Reshape Menus without bringing in new materials not already found in restaurants
3. Drive online orders (already at 11% of all Chipotle’s sales by 2019) to 15%²
4. Interact with customers through new strategies like Tik Tok³

Domino's Pizza background and challenges faced by the company

- The wider casual dining sector has seen falling performance and a surge in closures across 2018-2019, including Jamie's Oliver's UK restaurant chains. With too many restaurants, rising costs and consumer wariness kicking in, this has slashed operating margins and has reversed the sector's boom to a near-bust status.
- Online penetration in the food market broke 30% in 2016. With penetration rates rising as the market matures, Domino's will need to capitalise on this to become a popular online F&B service and are facing increasing threat from competitors.
- Data suggests speed of delivery is the biggest variable in customer satisfaction with an average 60% of consumers across markets citing as a key factor for pizza orders online, with the optimal wait time at no more than 60 minutes.
- Platforms are sticky. With 80% of customers never or rarely leaving for another platform, there is a winner-take-all dynamic to the online ordering scene, which differs from the traditional pizza customer.

Source: The Guardian, "Domino's struggles as rival delivery services threaten to topple it":

<https://www.theguardian.com/business/2019/oct/13/dominos-pizza-rival-deliveries-consumer-habits-changing>

McKinsey Global Institute, "The changing market for food delivery": <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-changing-market-for-food-delivery>

Key features of the app and how these differ from competitors



All-encompassing cross platform connectivity

- Domino's have focused on **maximising app compatibility** to ensure consumers can order from anywhere, trying to **displace the dynamic of home-only orders**.
- The app is now compatible with **all major smartphones across** Apple and Android, with additional compatibility with the Ford SYNC, the Amazon Echo, the Samsung TV via Chromecast, and at least two smartwatches, ensuring that consumers can engage with Domino's Pizza **from any location**.

Novel Mobile Messaging Strategy



- Domino's use of emojis in its marketing is a **market-leading** in leveraging these to capture customers' attention and **reinforce your brand identity** in all communication.
- Customers can now order by tweeting an emoji or **simply by opening the app**
- Pizza Tracker leverages rich push notifications' support to **boost push outreach** and keeps customers up to date on the status of each order using a series of push notifications



Easy streamlined ordering UI

- Quick and easy checkout with PayPal payment options reduces payment difficulties and secures transactions
- Pizza profiles **capture customer preference** to accelerate ordering speed

Source: McKinsey Global Institute, "The changing market for food delivery": <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-changing-market-for-food-delivery>

Domino's, "App Features": <https://www.dominos.com.au/inside-dominos/technology/android-app>

Braze, "QSR Brands Mobile Engagement": <https://www.braze.com/blog/qsr-brands-mobile-engagement/>

Why they introduced the app

- A streamlined mobile ordering process has obvious advantages for the customer as that allows them to avoid queues
- Keep customer engagement with the app high by live updates on the status of each order using push notifications
- Develop an image of a technology-savvy app while building the brand, to secure a loyal customer base
- Drive sales (37.5%+ of orders already placed from app)

Sources:

1. PYMNTS, "Mobile app drives dominos sales": <https://www.pymnts.com/news/2015/mobile-app-drives-dominos-sales/>
2. Forbes, "How dominos plan to gain even more market share": <https://www.forbes.com/sites/aliciakelso/2019/01/22/how-dominos-plans-to-gain-even-more-market-share/#77bf796f5132>
3. CNBC, "Domino's CEO: We need 25,000 stores": <https://www.cnbc.com/2019/04/24/dominos-ceo-we-need-25000-stores-by-2025-to-reach-our-goals.html>

Their objectives

1. Promote Domino's 'AnyWhere' programme
2. Expanding to 25,000 stores in order to cut down on delivery times and provide better services to customers
3. Reach US \$25bn in annual sales globally by 2025
4. Bring down total delivery time to <25m by taking drive time to 5-6m
5. Become the lowest cost delivery provider in the US via fortressing₁

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