



By: *Tomorrow's Affairs Staff*

# The food-delivery industry has survived the pandemic, but anyone who wants a piece of the growing market will have to change



Despite numerous predictions that the food delivery industry would experience a drop after lifting lockdowns brought on by the COVID-19 pandemic, this industry has continued to expand, although more slowly.

Enough time has passed to confirm the vitality of this industry because customers have not given up the habits from the lockdown era, so the multibillion market continues to grow.

However, growing competition forces companies to innovate as the only way to maintain growth. We are witnessing a series of new development solutions, which combine traditional industry with digital and management innovations.

Spectacular growth from the pandemic period, for example - in the US of 162% year-over-year from 2020 - will not be repeated. But the industry has stabilised at satisfying estimates of around 10% in Europe. For example, for the period up to 2027, it will grow to around \$65 billion.

All regions globally have been experiencing enviable growth and are attractive to investors because the market size is estimated at to be as much as \$165 billion by 2029.

## Changed consumer habits

Consumer habits have changed dramatically during the lockdown and will not return to pre-pandemic frameworks.

Restaurants and eating out made it through the dark lockdown days with the help of the food delivery industry. However, they paid a high price.

Pandemic fees that delivery companies took from suppliers (restaurants and supermarkets), often up to 30%, have been decreasing at the same time as the recovery.

The period of at least 3 years of the crisis brought many new cyber solutions, which only encouraged our habits of staying at home or at work and ordering food through an application

instead of eating out.

## Changes in the application market

The market for food ordering apps had fantastic growth percentages during the pandemic. From around 730 million downloaded apps in the pre-pandemic period, the number of users has grown to close to 900 million in 2021 (20% growth).

However, during the last year, growth stopped and began to decline to the pre-pandemic level. Installing an app for ordering food or groceries from a supermarket is a one-time event and has reached the limit of the number of users, but this does not mean that the growth of traffic through apps has stopped.

Users, therefore, do not turn their backs on food delivery but search for new services, faster, cheaper and safer delivery. It is a challenge in which competition is now looking for space for its growth, where only innovative technological and business models could achieve success.

Additionally, the food delivery industry faces growing competition from its partners, restaurants and food stores.

Despite the investments in online platforms, marketing, and courier services, they are interested in organising their own delivery and bypassing the service of delivery companies.

## Trends for the future

Delivery companies have been increasing the safety standards of their shipments, thereby responding to the ever-increasing demands of their customers to receive health-safe orders.

As a positive consequence of the pandemic, the customer's request for contactless delivery remained widespread (the delivery person is not in direct contact with the customer but leaves the package in front of the door and

takes a photo as proof).

Given that a large part of the food delivery market consists of people under 30, the demand to receive orders in environmentally sustainable and acceptable packaging has also been increasing.

This year could be a turning point in introducing drone service for food delivery companies. This method is still developing, bound with many limitations (investment and reliability), but it is undoubtedly a trend that the biggest players in the market will turn to.

Only one food delivery company in China, the largest food delivery market in the world, made 100,000 deliveries via drone in just one city, Shenzhen, last year.

Investing in technology will be a significant investment requirement for companies. Calculations show that it will achieve savings because it will reduce costs for employee wages and transport and, at the same time, drastically shorten delivery time, which is another widespread demand in the market.

There is a great demand for the "meal-kit" service, where the ingredients are delivered to customers for a meal they prepare at home.

This service will be one of the biggest growth generators for delivery companies, as the demand will grow by 15% in the next 7 years.

The post-pandemic food-delivery market wants to get its favourite meal at a lower price than in a restaurant and prepare it at home, in controlled conditions regarding hygiene.

There are various levels in the fight for the market, but the principal ones are technological and organisational. Companies will need to make significant investments to participate in the share.

The motive is significant because the food-delivery industry has already convincingly shown that it will remain in the game even after the pandemic as a sector with stable growth, at least during the next decade.