Workshop: the business model and financial performance of food delivery platforms

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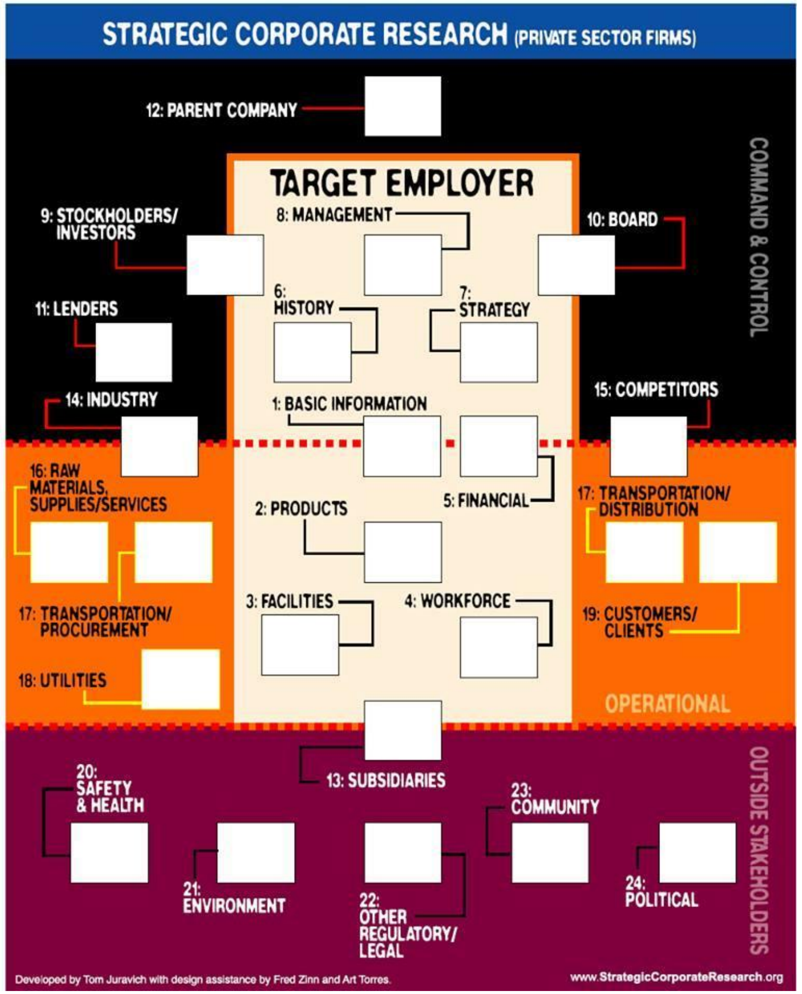
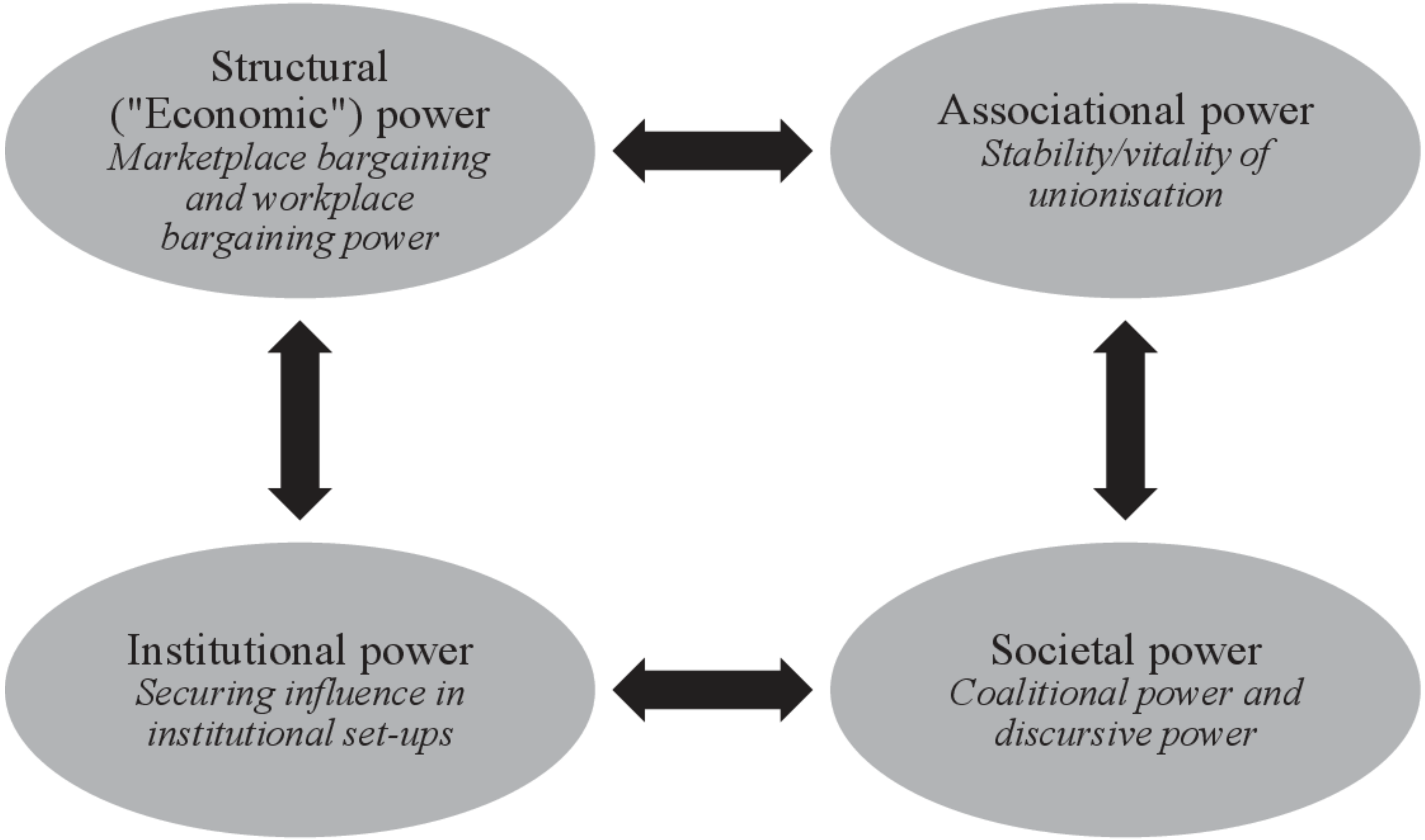
Who has ordered food (or groceries) via a platform company in the last 3 months?

Aims – to help you to understand

- Business model of food delivery platform companies
- Operational and financial performance
- Potential points of leverage for couriers for building power
  - Those are various and can be identified at different levels in the corporate structure
  - Those are partly linked to the business model

Combining strategic corporate research with insights from power research approach

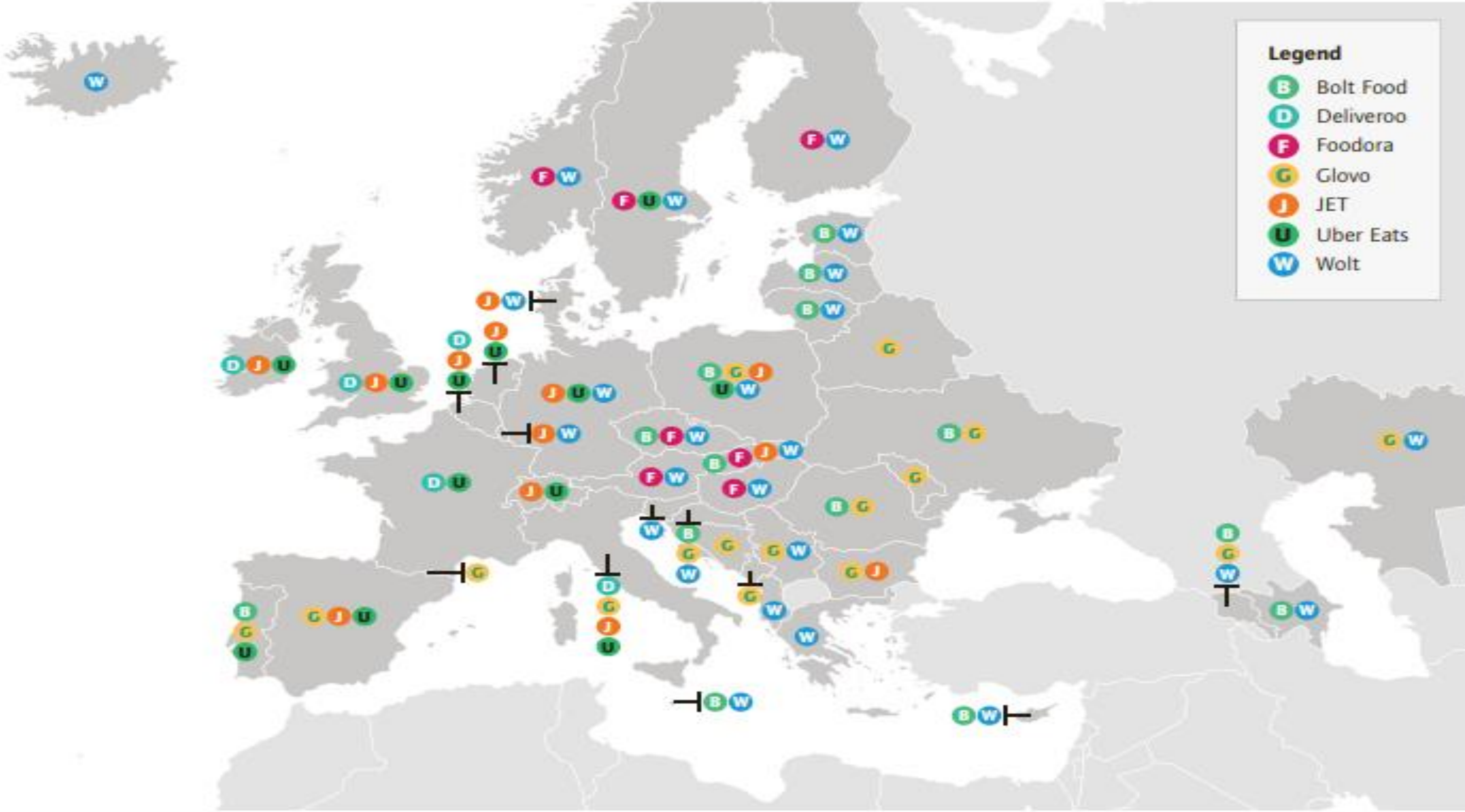




Sources and caveats

- Desk-based research, sources
  - 29 annual company reports; codes of conduct
  - Financial press
  - Academic studies

- Global picture, no country or city dynamics
  - Food delivery platforms ('chameleon-like) adapt to regulatory and institutional context
  - Competitors differ across urban economic geographies
  - Possible variation in demographic profile of couriers
  - Revenue and profit differ


Legend
B Bolt Food
D Deliveroo
F Foodora
G Glovo
J JET
U Uber Eats
W Wolt

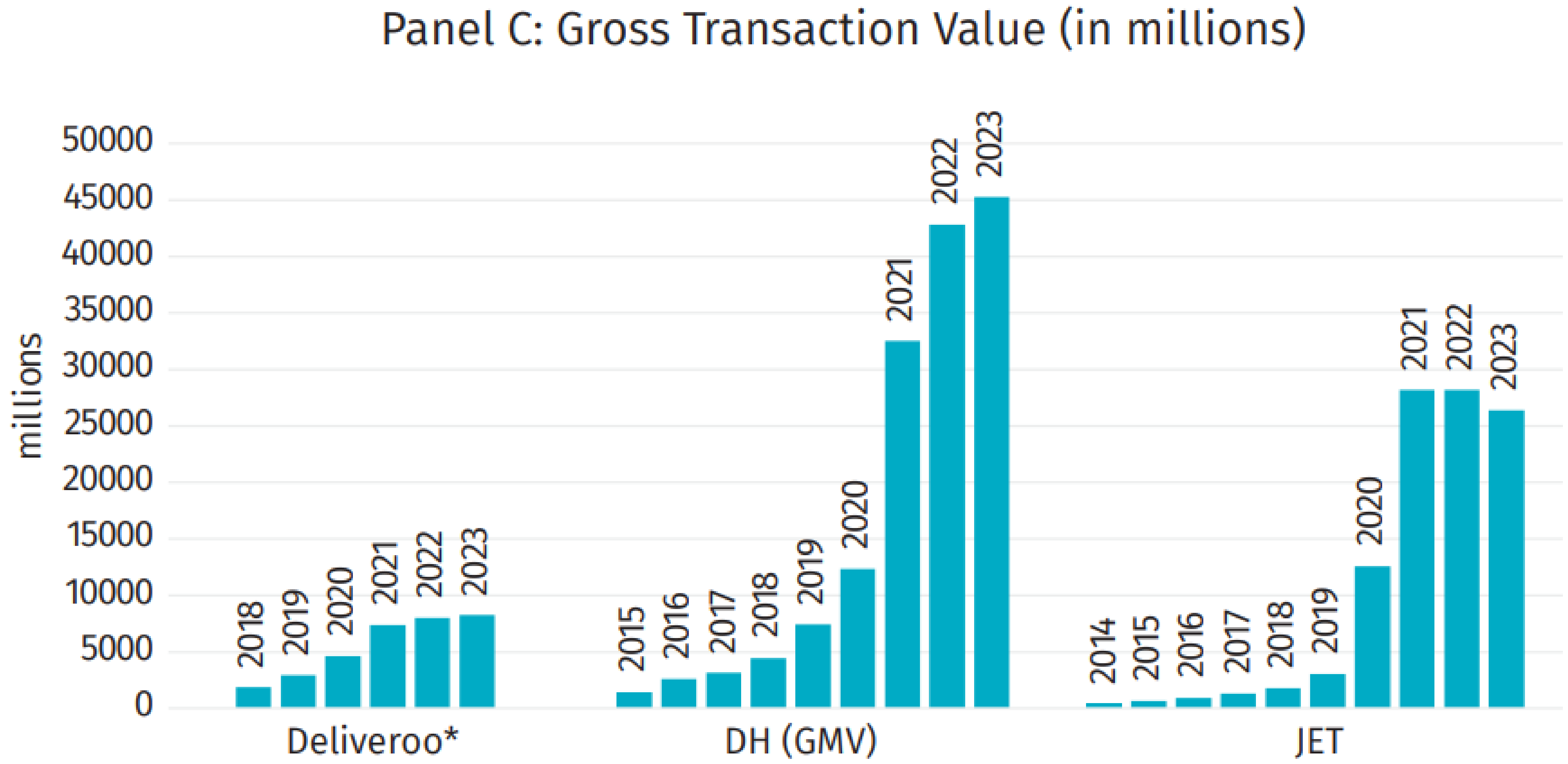
Focus on 3 international operating food delivery platform *companies*

Which food delivery platform company is the largest one in terms of revenue?

Deliveroo

Delivery Hero

Just Eat Takeaway



Note: * exchange rate: £1 to €1.17.

Source: annual reports.

Organic and non-organic growth strategies

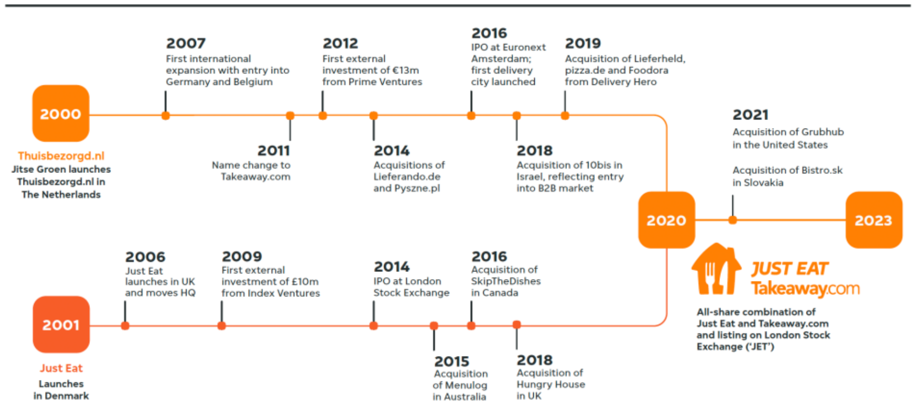
- Organic business growth: Deliveroo (2013); exit from markets in Germany (2019), Spain (2021) and the Netherlands (2022); talks with DoorDash recently stalled

- Delivery Hero (2011): 70 countries in Americas, Asia, Europe (ending activities in Denmark in May 2024), Middle East and North Africa

- Just Eat Takeaway (2000/2001-2020): 19 countries in Americas (acquiring Grubhub in 2021 but trying to sell it), Asia, Europe (exit in France in 2024) and Oceania

- Diversification product offering through ’quick-commerce’

Fig. 2. History of Just Eat Takeaway.com



Business model: regulatory arbitrage and network effects

- Rents coming from
  - Practices of regulatory arbitrage regarding the employment model
  - Digitally matching customers and restaurants (based on network effects)

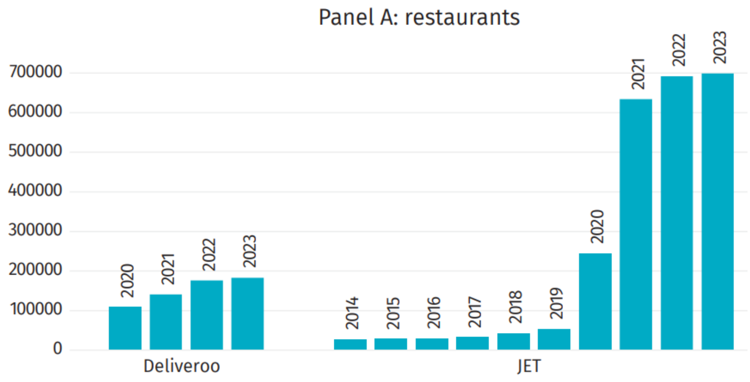
- Network effects = the greater the number of buyers, sellers or users, the greater the value created by the offering
  - Trying to achieve market dominance via below cost pricing
  - Building exclusive and longstanding relationships with restaurants and customers (subscriptions)
  - Limits: need to be build up in every urban local context

What is the first word that comes up when you think about organising food delivery couriers?

Restaurants offering opportunities for building power

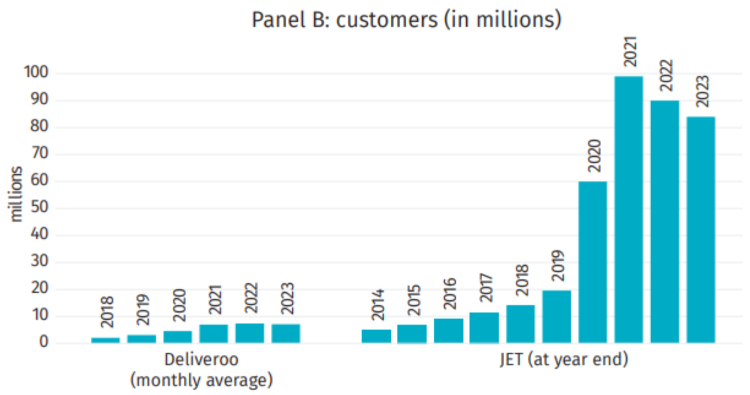
- Coalition-building with individual restaurant owners
  - Commission in Deliveroo: 27.8% in 2023
- Targeting restaurant chains
  - Guarantee network effects
  - Comprehensive campaigning involving other low paid workers
- Targeting delivery-only kitchens: direct impact on platforms
  - 380 ‘Editions’ in Deliveroo in 2022

Figure 4 **Selected performance indicators for Deliveroo, DH and JET**



Are customers an ally? Ambiguous

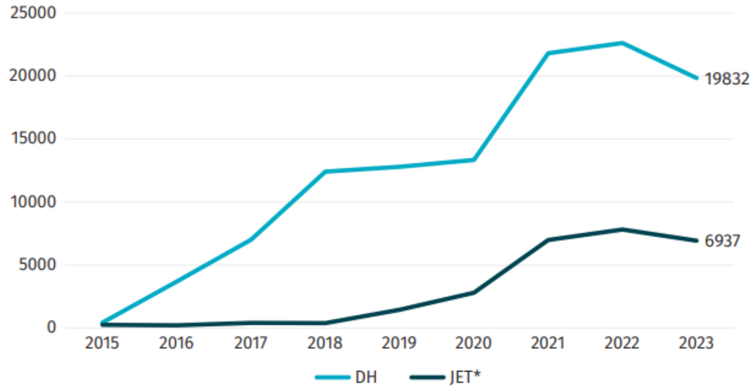
- Passive 'endorsement'; abusive customer behaviour; contribute to surveillance
- Platforms trying to forge alliances with customers for influencing the political field
- Growing consumer awareness / consumer activism
  - Cooperatives (niche markets)
  - Social media campaigns like #cancel_efood in 2021 in Greece resulting in reputational damage and impacting network effects



Couriers themselves, leverage?

- Heterogeneity, turnover, ‘micro-entrepreneur mindset’; disciplinary control; still, social protest occurs
- No direct employment in Deliveroo: 180,000 (2021); 150,000 (2022); 135,000 (2023)
- Very small percentage directly employed other platforms but moving to ‘third party’ contracts if possible
- Direct action + exploiting networks effects by pitting platforms against each other = guaranteeing that couriers work exclusively for one platform

Figure 9 **Directly employed couriers in DH and JET, 2015-2023**



Note: * full-time equivalents; annual averages except year-end data for JET until 2017.

Regulatory arbitrage: solely begin a ‘tech companies’, an outdated narrative

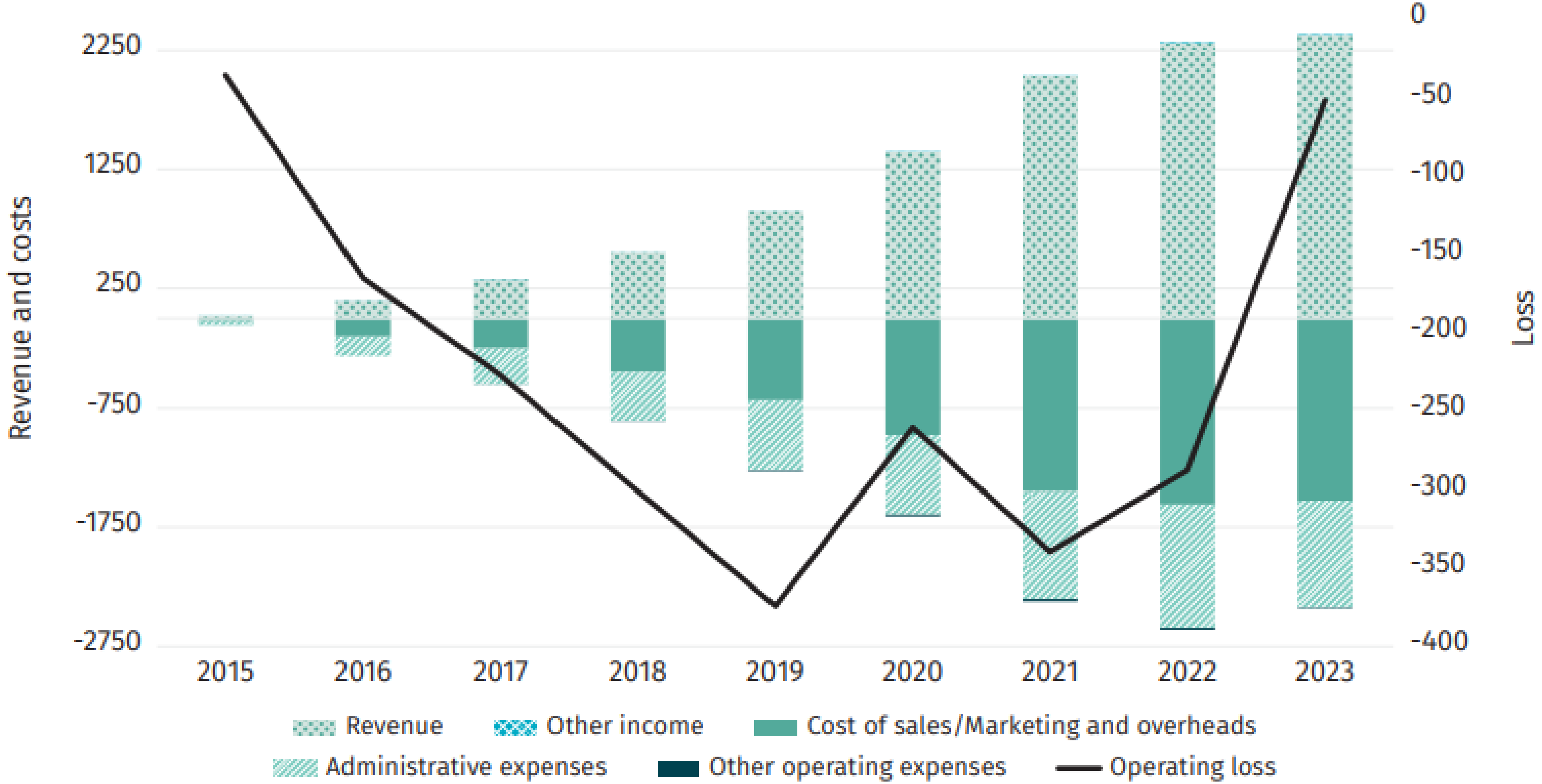
- Building institutional power in the regulatory field via labour-friendly political parties

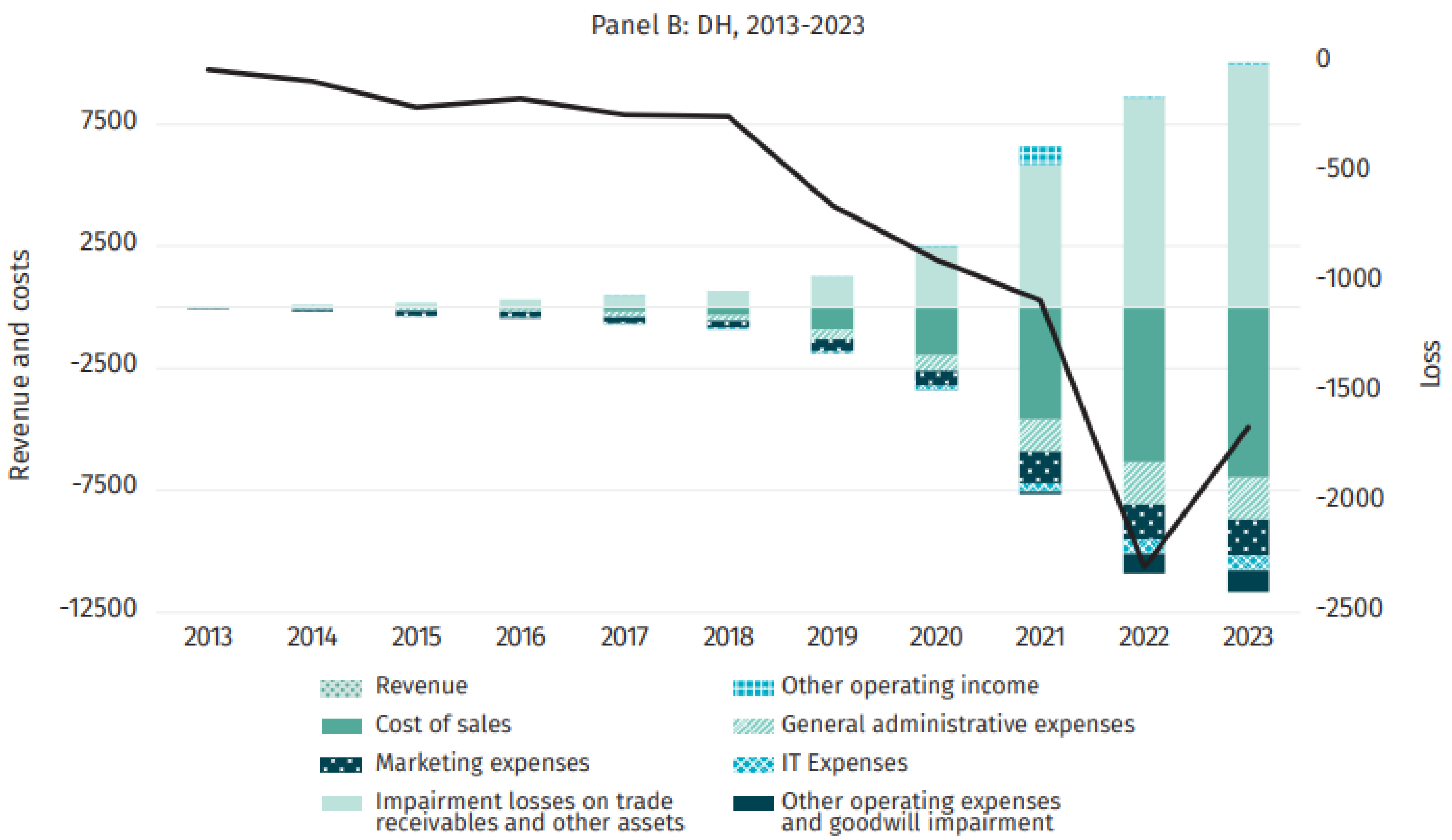
- Coalitional power with societal actors and ideational power both for influencing (local) politicians, regulators, communities and public opinion

- Platforms’ responses
  - Taking some ‘responsibility’ blurring the independent contractor status
  - Agility – recoding – exploring loopholes – court appeals – lobbying
  - Financially (‘war chest’) = legal provisions in 2023 amounted to £113.9m in Deliveroo; €111m in Delivery Hero; and €78m in Just Eat Takeaway
  - Organisationally via own employer associations or otherwise at European level => EU Platform Work Directive

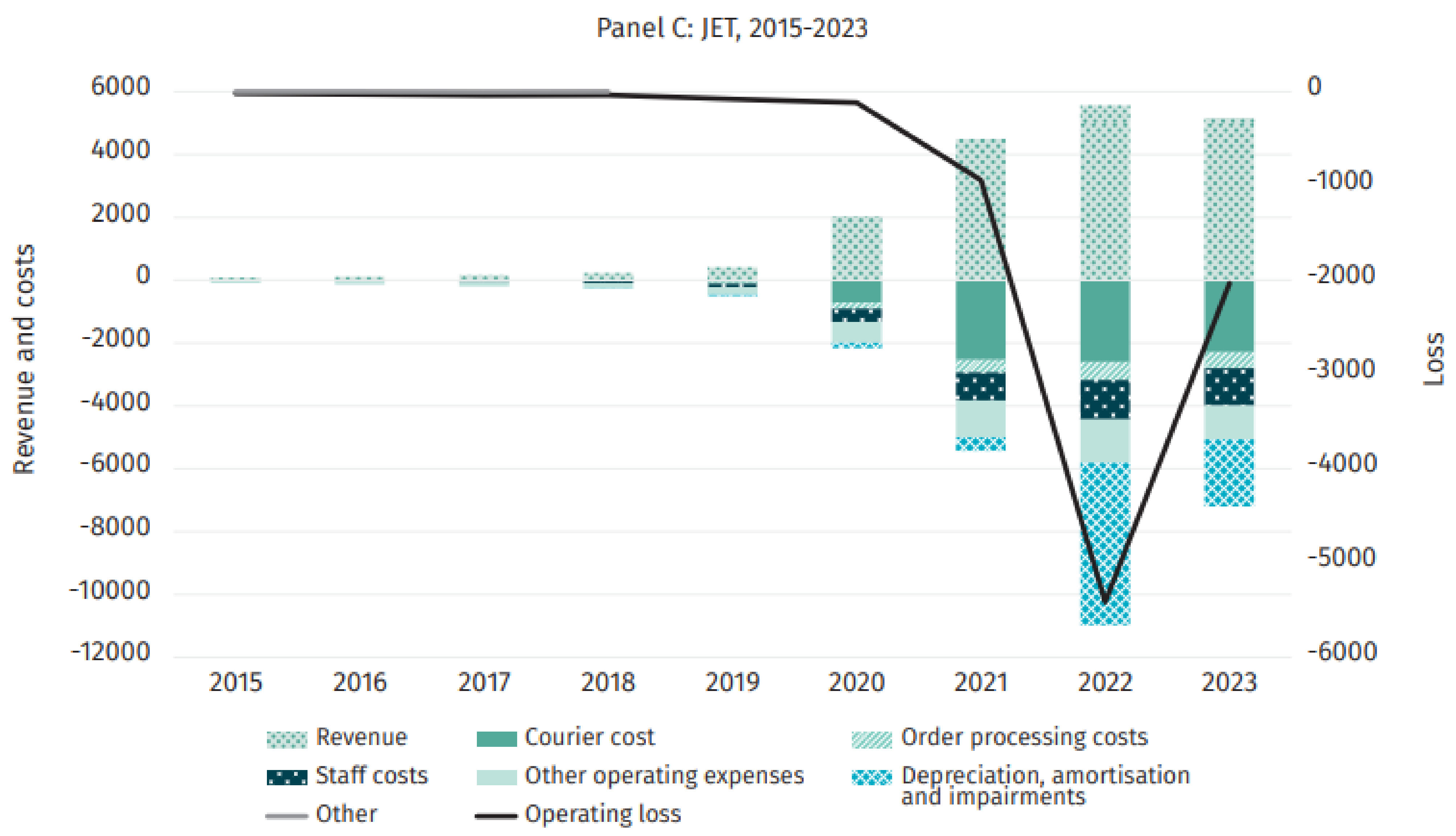
Figure 6 **Income statement and operating losses for Deliveroo, DH and JET (in millions, in euro)**

Panel A: Deliveroo*, 2015-2023



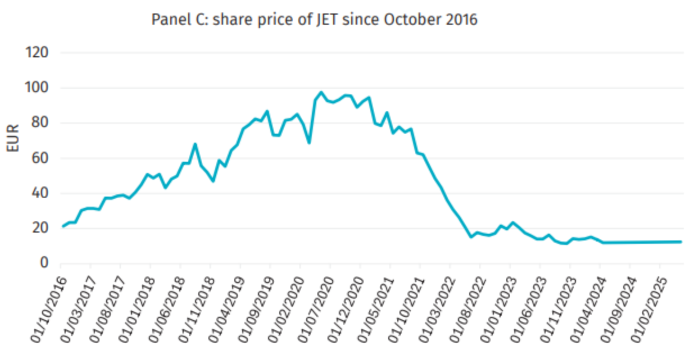


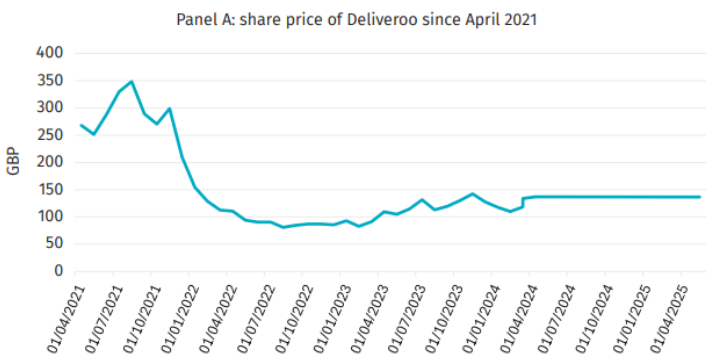
Panel B: DH, 2013-2023
Revenue and costs
7500
2500
-2500
-7500
-12500
0
-500
-1000
-1500
-2000
-2500
Loss
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Revenue
Cost of sales
Marketing expenses
Impairment losses on trade receivables and other assets
Other operating income
General administrative expenses
IT Expenses
Other operating expenses and goodwill impairment

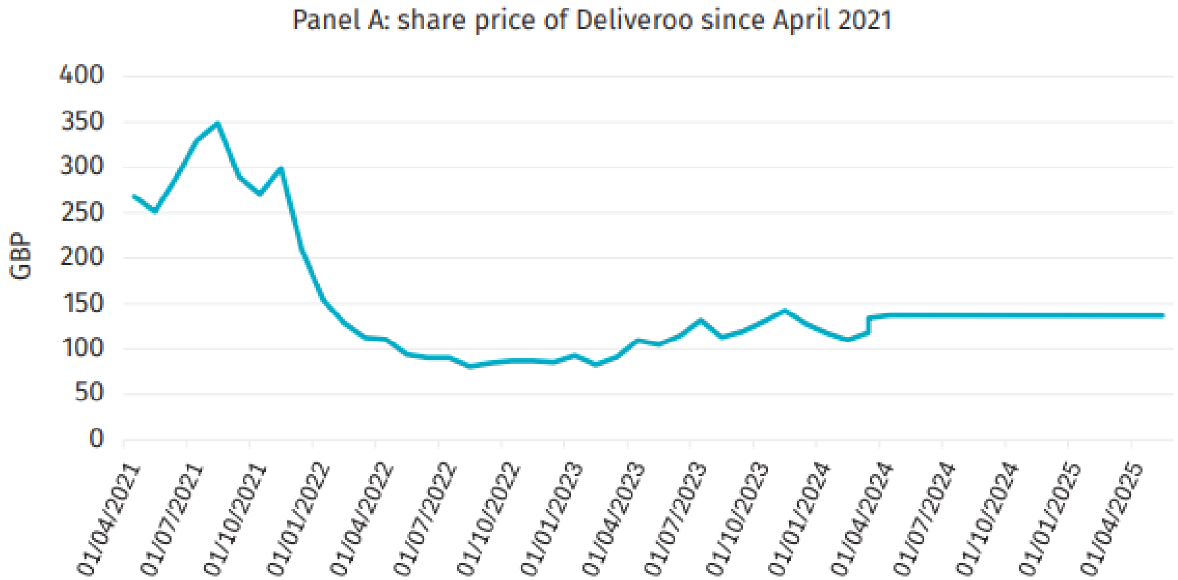


Panel C: JET, 2015-2023
Revenue and costs
6000
4000
2000
0
-2000
-4000
-6000
-8000
-10000
-12000
Loss
0
-1000
-2000
-3000
-4000
-5000
-6000
2015
2016
2017
2018
2019
2020
2021
2022
2023
Revenue
Courier cost
Order processing costs
Staff costs
Other operating expenses
Depreciation, amortisation and impairments
Other
Operating loss

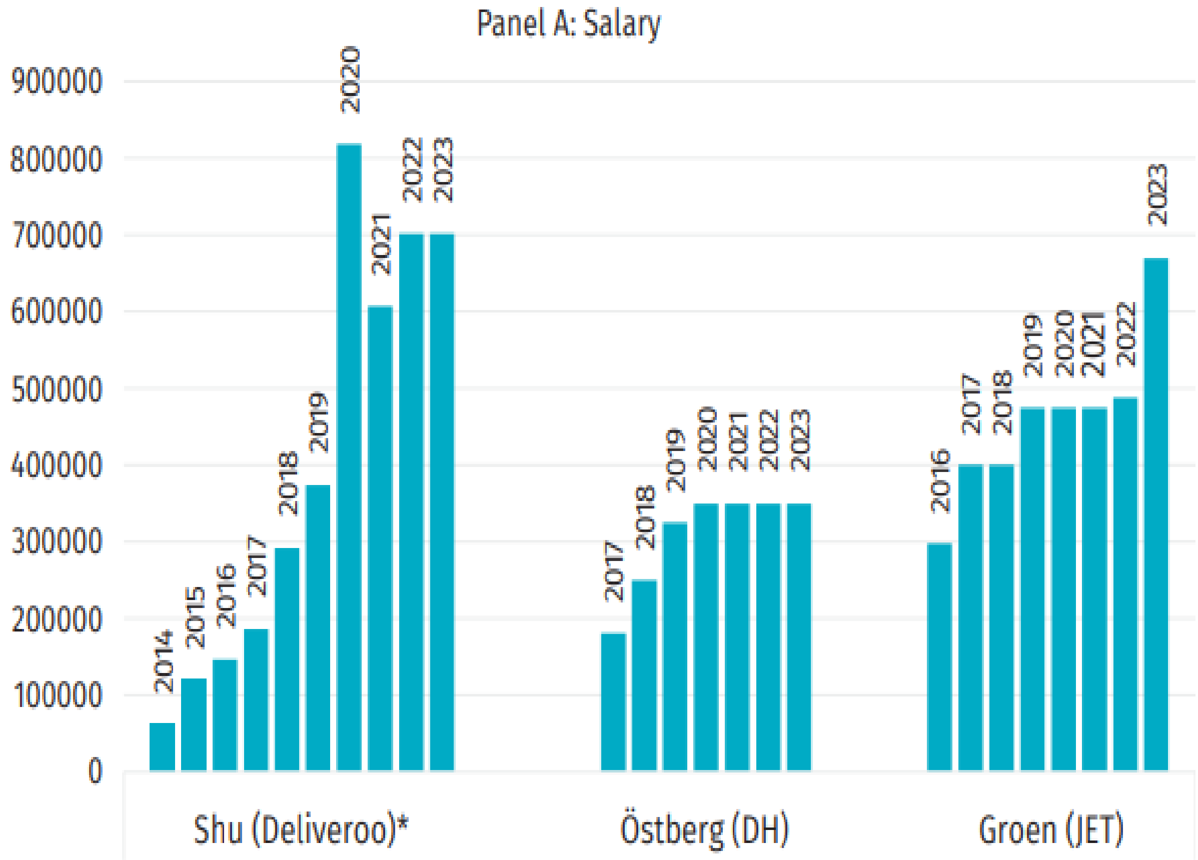
Financing: how long will shareholders be ‘patient’?

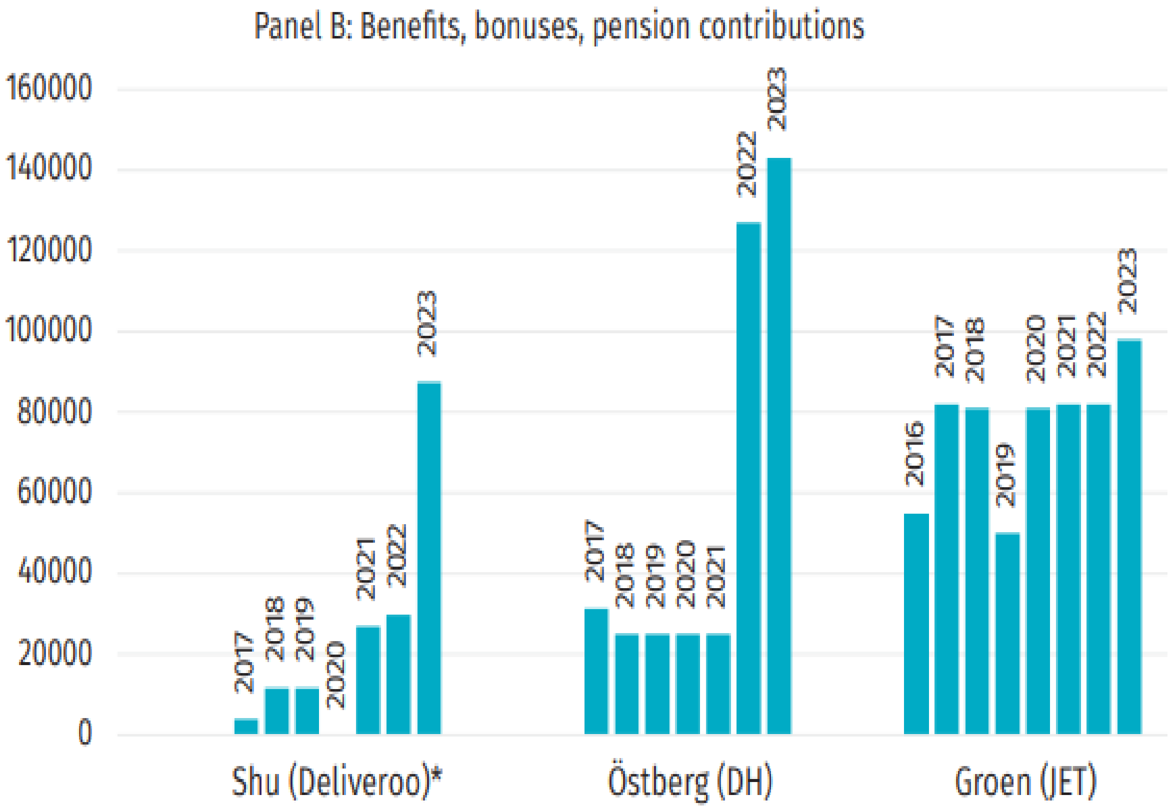






CEO salary, benefits, bonuses and pension contributions





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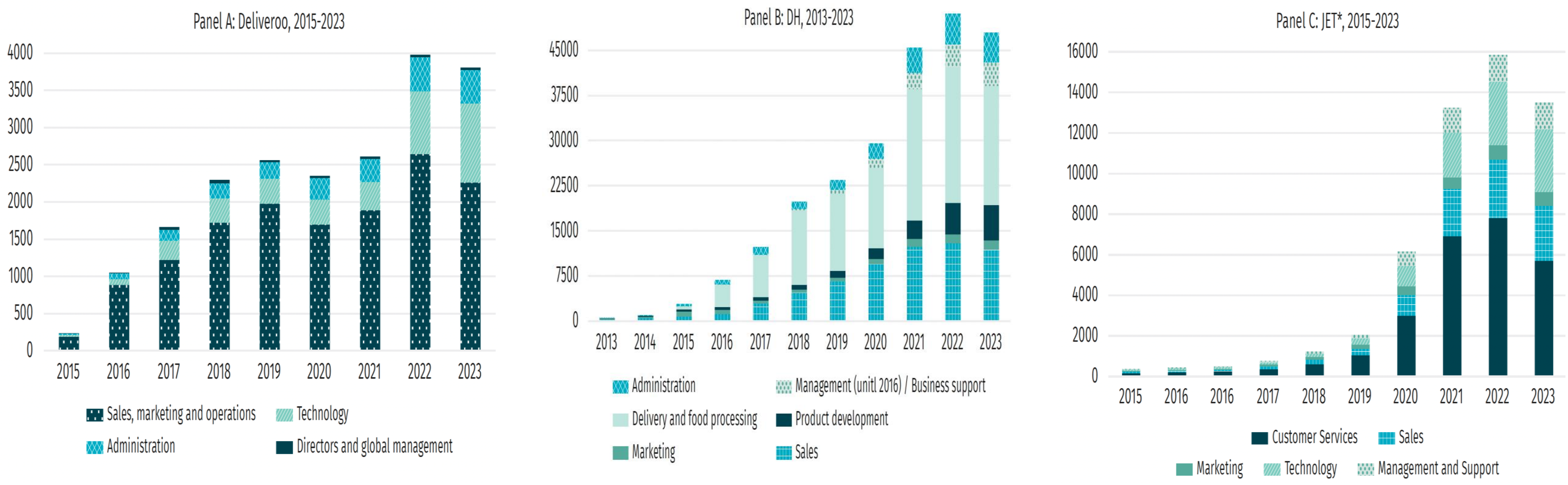
Other points of leverage

- Coalitional power with societal actors and ideational power both for influencing investors and shareholders
- Institutional workplace bargaining power
  - Delivery Hero: works councils already present in, for instance, Austria (Foodora) and Spain (Glovo); campaign to setup works council in parent company (Germany)
  - Just Eat Takeaway: works councils in Germany (Lieferando) and Netherlands; discussion to establish European works council
- Tech worker coalitions
  - Self-identification as 'professionals' but shifting attitudes?
  - Own online communities
  - Often shared migrant background

Workforce


Panel A: Deliveroo, 2015-2023
4000
3500
3000
2500
2000
1500
1000
500
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
Sales, marketing and operations
Technology
Administration
Directors and global management
Panel B: DH, 2013-2023
45000
37500
30000
22500
15000
7500
0
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Administration
Management (unitl 2016) / Business support
Delivery and food processing
Product development
Marketing
Sales
Panel C: JET*, 2015-2023
16000
14000
12000
10000
8000
6000
4000
2000
0
2015
2016
2016
2017
2018
2019
2020
2021
2022
2023
Customer Services
Sales
Marketing
Technology
Management and Support

Takeaways

Command and control level
• Institutional workplace bargaining power • Coalitional power with societal actors and ideational power both for influencing investors and shareholders
Operational level
• Interaction between structural leverage and associational power in the labour market • Coalitional with restaurants and customers in the product market and ideational power for influencing those actors
Outside stakeholders
• Building institutional power in the regulatory field via labour-friendly political parties • Coalitional power with societal actors and ideational power both for influencing (local) politicians, regulators, communities and public opinion

- Potential leverage at various levels that could be exploited by couriers, their collectives and unions
- Variation between platforms in terms of financial performance
- Young sector in flux, moving to consolidation
  - Deliveroo takeover target
  - DoorDash acquired Wolt; Uber buying Delivery Hero shares
  - Just Eat Takeaway struggling with Grubhub

Questions for debate

- What are the developments in app-based food delivery in your country/city?

- To what extent has the mobilisation of couriers – strike actions or otherwise – been successful in your country/city?

- What has been the progress in terms of the unionisation of couriers so far? And regarding the tech workers in the food delivery platform companies?