

# An Analysis of Deliveroo's Operation Strategy and Food Takeaway Industry

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## ABSTRACT

The present study analyses and evaluates the operation strategy and current development status of Deliveroo by using Porter's Five Forces, Industrial Life Circle, SWOT Model, Value Chain, quantitative comparison, marketing and financial analysis to get the risks and future prospects. Although Deliveroo's financial situation is not very good, and it faces risks such as high network dependence, many competitors and legal restrictions, it is entering a stage of rapid development through continuous investment and occupation of the market and may gradually catch up with and surpass some old takeaway enterprises in the future. Additionally, the analysis provides references and inspiration for other food takeaways and Internet enterprises.

**Keywords:** Food takeaway industry, Deliveroo, Strategy, Risks, Prospects,

## 1. INTRODUCTION

The food delivery industry, a major component of the food service industry, has flourished in recent years and has experienced a breakthrough from restaurants delivering in person to the emergence of specialised delivery companies, and from the beginning when consumers were unable to know the process to now when consumers can monitor the delivery location in real time. Recently, advances in technology, particularly cloud computing and big data, have created the premise for the transformation and upgrading of the takeaway industry. Coupled with the fact that millennials have become the mainstay of consumption, they are much more receptive to new things and the accelerated pace of life has forced them to seek out conveniently available food compared to other age groups. This has created a demand for a booming takeaway industry. Impacted by the outbreak of COVID-19 in 2019, most governments have successively taken lockdown, making dine-in food impossible for restaurants and forcing people to opt for ordering food on their mobile phones and having it delivered to their homes. This has provided an opportunity for the takeaway industry to explode. The growing public demand for home delivery and fast food will drive the

growth of the delivery and takeaway food market over the forecast period. According to a study by Statista the online food delivery business generated US\$4,869 million in revenue in the UK [1]. With the business set to grow by 8.3% by the end of 2023, there is no doubt that the takeaway industry is growing unstoppably.

Deliveroo was founded in 2013 by Will Shu and Greg Orlowski in London with the original concept of delivery quality [2]. On March 31, 2021, Deliveroo was listed on London Stock Exchange, becoming the largest technology stock listed, which is of great significance to UK after Brexit. Deliveroo has many characteristics that should be paid attention to and studied. Firstly, Deliveroo is one of the benchmarks in the UK food takeaway industry, and it was also rated as one of the Top 10 takeaway companies by BizVibe in 2020 [3]. Deliveroo is representative for the UK food takeaway industry. Secondly, Deliveroo is a young company, which is still in the growth period of its own development. Studying its development track is of reference significance for the whole takeaway industry. Thirdly, although Deliveroo is a takeaway enterprise, it also has the attribute of an Internet enterprise. For example, in the early stage, it will continue to invest funds to obtain more users and occupy a larger market. The research on Deliveroo also has

reference significance for other Internet enterprises.

According to several reports on Deliveroo, although its revenue is increasing year by year, its net profit is still in a negative state, which is largely due to the continuous investment in expanding market and user scale. Deliveroo may make more profits by adjusting pricing and changing profit strategy after reaching monopoly in the future. Furthermore, Deliveroo's business scope is also expanding. From only delivering food before, it also delivers retail products now [4]. Then it is also expanding other new businesses, such as member subscription and others. Overall, Deliveroo's operation status is still at a normal level, in line with the characteristics of takeaway Internet enterprises in their growth period.

At present, the food takeaway industry is mainly studied from revenue and App usage statistics. And the existing British takeaway industry is mainly studied through the comparison of a series of enterprises and the overall comparison with the global takeaway industry. There are also some studies on individual takeaway enterprises, but they are all relatively mature ones with early establishment time, large scale, such as Uber Eats, Just Eat, Grub hub. Nevertheless, there is little research on the enterprises which are young, still in the growth stage and have growing scales, such as Deliveroo. This analysis of Deliveroo can help understand the growth process of a young takeaway company and provide reference and inspiration for other food takeaway and Internet enterprises.

The paper is organized as follows. Section 2 is about research on food takeaway industry. Section 3 is a company analysis of Deliveroo, including strategy analysis and financial analysis. Section 4 is about Deliveroo's development status by comparing Deliveroo with competitors in the food takeaway industry. Section 5 is a discussion part talking about Deliveroo's future prospects and risks. Section 6 shows the analysis conclusion about Deliveroo.

## 2. INDUSTRY ANALYSIS

### 2.1. Porter Five Forces' s

The threat of new entrants: Although entry into the takeaway industry requires it to develop a specific platform and enter partnerships with restaurants, recruit delivery staff and other upfront preparations, as the industry has only started to boom in recent years, there are fewer government restrictions, lower upfront capital requirements and costs compared to other industries[5], and very low customer switching costs, with customers tending to choose the less expensive platform, which makes the food distribution industry a low barrier to entry.

Bargaining power of suppliers: As an "intermediary" between customers and restaurants, Deliveroo has no limit to the number of local restaurants it can work with

based on the internet. Conversely, suppliers can also sell on multiple platforms at the same time. This two-way choice means that Deliveroo and the supplier are independent of each other. Although there can be some restaurants such as "five guys" that are only available on Deliveroo, this does not mean the supplier has strong bargaining power, as Deliveroo has many other options. Deliveroo can establish its own sourcing channels to gain close commercial ties with suppliers.

Bargaining power of customers: Due to the explosive growth of the food delivery industry, there are not only Deliveroo, but also platforms such as just eat and uber eat that are available for customers to choose from. Moreover, meals are being offered in a variety of styles at clearly marked prices. The result is that customers can choose the best value for money by comparing multiple platforms and it does not cost them anything to switch platforms. However, this does not mean that Deliveroo does not have its own loyal customers. In fact, more than half of customers still choose to use their usual Deliveroo over the cheaper [4].

Threat of substitutes: What can substitute for the convenience of takeaway are frozen cooked meals in supermarkets and food boxes like hello fresh, but either way, they haven't affected Deliveroo's target audience. Because as convenient as they are already, it is still not as convenient as using Deliveroo to order takeaways.

Industry Rivalry: As mentioned above, the takeaway industry has a low barrier to entry, where platforms in addition to Deliveroo, such as uber eats and just eat, can offer their services, making competition extremely fierce, especially in large cities like London. But Deliveroo has carved out a large market share for itself by offering exclusive restaurants, a visible delivery process and subscription membership benefits.

### 2.2. Industrial Life Circle

Relying on the technical support of big data and cloud computing, as well as the millennial generation's increased acceptance of new things and the accelerated pace of social life, the food delivery industry has been able to develop at a rapid pace and grow at a much higher rate. Coupled with the rapid development of technology and the maturing of internet technique, the cost of takeaway delivery services has gradually decreased. As mentioned above, its low market entry barrier, coupled with the maturity of technology, a large number of investors are flocking to the industry and competition is gradually increasing. The food delivery industry has evolved from the Embryonic phase to the growth stage and even the pre-shakeout phase.

### 3. COMPANY ANALYSIS

#### 3.1. Strategy Analysis

##### 3.1.1. SWOT Model

###### Strengths

Deliveroo has well-developed delivery network, which currently operates in 12 countries, working with over 100,000 deliverers and over 140,000 restaurants. Therefore It is completely visible during the delivery process and consumers can track the delivery process in real-time. As it operates on a platform and does not have a physical presence. It can save on facilities, rental expenses and taxes to a certain extent. What is more, Deliveroo has good marketing, which means as a young company, it can clearly identify its target audience. With its humorous advertising and minimalist logo, it attracts and influences consumers in different locations, deepening their perception of Deliveroo and making them subconsciously believe that Deliveroo is the first choice when ordering takeaway. As one of the first companies to pioneer the food delivery industry, Deliveroo has accumulated a certain number of customers through good marketing and excellent service. Moreover, the number of loyal customers such as active users, orders and subscriptions to Plus users on the platform are increasing rapidly every month [6]. Taking advantage of Deliveroo's strong position by partnering with supplier partners to obtain exclusive supply and attract more consumers at a better price [7].

###### Weaknesses

Although Deliveroo's mission is to provide fast, transparent and reliable deliveries from fine dining restaurants, it cannot be denied that some deliveries can be poorly addressed so that the original delivery time will be exceeded resulting in delivery delays hence food problems. Deliveroo relies on the platform to run its business, which means that when there is a problem with the platform, it can lead to negative influence. In 2017 service issues were caused by a server crash that resulted in hundreds of Deliveroo's customers losing orders [8]. Concerns about price are also one of its weaknesses. The delivery fee is relatively high compared to just eat. Contrary to what consumers expect, they are more motivated by cheaper delivery fees.

###### Opportunities

Due to COVID-19, restaurants cannot dine-in during the lockdown, only to take away, which has stimulated Deliveroo's user growth by almost 70% [6]. It continues to innovate its technology on the platform, expanding the capacity of the platform to process more orders more quickly and making consumer applications more accurate and faster [9]. As an emerging company, Deliveroo readily embraces the need to adapt to social

developments and adjusts with them to the needs of its customers. It does not just deliver meals; it can also buy groceries [4].

###### Threats

The food takeaway industry has a low barrier to entry, with not only Deliveroo, but also Just eat, uber eats and other platforms, making competition very tough. Company's share price plunges after IPO, which affect investor confidence to be disenchantment [10]. Deliveroo uses a zero-worker economy, i.e., informal labour through the employment of casual workers, which leaves employee rights unprotected, and the hourly wages of some delivery workers do not even meet the minimum wage, a potential pitfall [11].

This model suggests that Deliveroo is highly competitive. Due to increased competition, they use differentiation and broad targeting to attract and retain potential and current consumers to gain more market share. In addition, to make them more reliable and trustworthy, suppliers are carefully selected and advertised through multiple channels. Meanwhile, they establish partnerships with restaurants to ensure a high loyalty from both sides. As one of the first companies to market, Deliveroo is at a higher competitive edge, but the increased competition has made it difficult to capture new market shares. Consequently, a strategy to convince customers is very important. Thus, the need for them to deliver and maintain their commitment to quality and fast service.

##### 3.1.2. Value Chain

A clear differentiator in the value chain from the competition is its Marketing & Sales and Service.

For Marketing & Sales, Deliveroo highlights the platform's strengths and points of differentiation to make customers choose itself over its competitors. This includes advertising targeted at the youth demographic, a memorable logo and a combination of promotions during the Euros to bring Deliveroo closer to consumers to create an image of "fast food at a great value" to attract more potential customers which is unmatched by the competition.

Providing quality service is undoubtedly an important way to develop loyal customers. Deliveroo has made its delivery process transparent and has placed more emphasis on after-sales service by providing non-obligatory feedbacks at the end of the meal for customers to evaluate and improve. Also, refunds are issued in the form of credit points for incorrect orders, which can be redeemed on the next purchase, meaning that consumers are more willing to make a second purchase.

### 3.1.3. Profitable Strategy

In a highly competitive food delivery industry, Deliveroo has to differentiate itself: service and marketing.

Deliveroo offers consumers a choice of restaurants that cover almost most food varieties, even exclusives like five guys, which is far more than its competitors. Not only that, but its service continues long after the consumer has made a purchase. Based on the map, the delivery process is displayed transparently and updated in real time with minimal time errors, which is much more reassuring than just eat, which only shows “your order is being dispatched.” Due to Deliveroo’s technological innovations, the speed at which lost or incorrect orders are processed (which is usually rare) is also very fast and refunds are often used as credit for the next order. Deliveroo has a large market share through its varied and high-quality food, visible processes and efficient delivery service. It has a wide range of loyal customers, because of its trustworthy service.

Deliveroo adopts a very precise marketing strategy. Brightly coloured adverts are placed on public transport, social media and next to bars to attract the attention of the youth. This does not work overnight, but subtly builds an image in the minds of consumers that “Deliveroo can provide value for money food quickly” which differentiated it from other platforms. By doing so, Deliveroo can capture a pool of potential customers by making them think of Deliveroo first and not the other way around when they want to solve their meal needs.

### 3.1.4. Marketing Strategy

In order to meet the demand of market, Deliveroo’s marketing strategy is gradually changing from 4P model to 4A model.

The 4P Model [12]

Product

Like other companies in the food delivery industry, Deliveroo does not have any physical products. Deliveroo provides services to customers through its own developed applications and websites. Many people are accustomed to take-out meals, so Deliveroo provides a convenient way to connect restaurants, delivery staff, and customers to obtain the food provided by the restaurant to provide the customer with the food delivery service. At the same time, Deliveroo expanded and extended the brand’s services, through provided new service to meet the needs of citizens during the epidemic and enhance customers’ dependence on the brand. Due to the COVID-19, most citizens avoid going out and try to buy all kinds of daily necessities through online shopping. Therefore, Deliveroo launched a grocery delivery service in October 2020, providing products other than food delivery, and

using fast delivery as a selling point to attract customers.

Placement

Since the service provided by Deliveroo is based on the Internet, the company’s product placement is carried out online. Thanks to the spread of the Internet, Deliveroo’s product placement can be ubiquitous. Taking advantage of modern people’s demand for convenience and restaurants’ demand for multi-channel profitability, Deliveroo can easily expand its influence. Deliveroo’s target market is consumers who live in cities; most of them are busy office workers and students. Therefore, Deliveroo’s product placement design is mostly aimed at millennials. Advertising is distributed through multiple channels, such as YouTube, Instagram, Twitter, which can make the unique corporate image is deeply rooted in the hearts of the people.

Price

Deliveroo attracts consumers to register by offering preferential policies and discounts and uses Deliveroo’s app to place orders [13]. Deliveroo launched a preferential policy for subscription members, which is Deliveroo Plus, if the customer recharges on the app, they can enjoy the corresponding free delivery service, and the customer does not need to pay additional delivery fees. In addition to Deliveroo Plus, Deliveroo also provides many discount coupons and coupons, using Deliveroo Coupon Codes to expand its influence and attract more new and old customers to consume.

Promotion

Finding customers is an important part of Deliveroo’s success. Deliveroo launches a free shipping promotion to attract the attention of new users and encourage them to download and use delivery services. New users who register for Deliveroo can get free shipping for 14 days with any product over £12 for their first order. Moreover, this experiential marketing strategy also allows Deliveroo to have a group of long-term supporters.

The 4A Model

Acceptability

Deliveroo’s application and registration steps are simple, and customers have a high degree of service acceptability. Customers can directly use Facebook to register, or use email to register, fill in the required information, and the registration will be completed soon. The operation of the use process is also very simple; customers only need to select or search for their favorite food or restaurant to place an order. Deliveroo also designed a distinctive brand logo to deepen customers’ impression of the company, packaged delivery services, set up a series of marketing strategies such as fast delivery service concepts to gain customers’ trust and expand its influence on customer groups. Therefore, the customer’s psychological acceptability is higher.

### Affordability

Deliveroo's customer base is mostly millennials, most of them are students and office workers. For office workers, their financial affordability is relatively high. Although the student group cannot guarantee the source of income, Deliveroo has launched Deliveroo Promo Codes and various discounts to increase the affordability of customers' orders. Affected by the epidemic, most people choose delivery services to purchase daily necessities and food. They believe that this way will be safer and more convenient, which reflects the high psychological affordability of customers.

### Accessibility

Customers can easily obtain the delivery service provided by Deliveroo, obtain restaurant and food information through their mobile phones, and pay for orders, even if customers change their minds, they can easily cancel orders on the app. Deliveroo has a professional support service team that provides after-sales service to customers online at any time. If customers have any needs or questions about the order, they can

contact Deliveroo's support team. Customers can not only easily obtain Deliveroo's services, but also get corresponding service guarantees. Therefore, customer availability and customer convenience are very strong.

### Awareness

Deliveroo successfully established brand awareness among consumers through its iconic Kangaroo logo and Robin Egg Blue. The origin of the name Deliveroo is the combination of delivery and kangaroo, which represents the delivery service of Deliveroo and the service concept of fast delivery. At the same time, the multi-channel marketing approach also allows Deliveroo's influence to establish brand awareness, loyalty and association among consumers and potential consumer groups. Even people who have not yet used the Deliveroo service can quickly recognize the Deliveroo logo, and these people are likely to become Deliveroo's customers in the future.

## 3.2. Financial Analysis

### 3.2.1. Operating Analysis

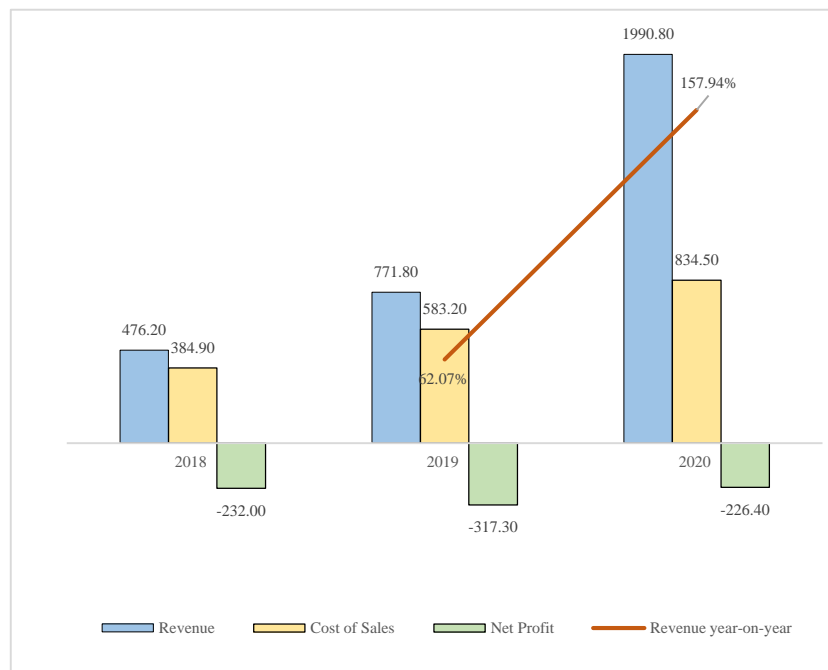


Figure 1. Deliveroo 2018-2020 Operating Analysis (£m)

Deliveroo's total revenue increases to reach £1190.8m in 2020. This is mainly due to the gradual increase in total revenue as Deliveroo's business grows well and its marketing strategy is aligned with its economies of scale. Which means its marketing strategy focuses on capturing a specific target audience, the millennials, through precise targeting and specific advertising and marketing techniques, to attract new users in a highly competitive environment while ensuring user loyalty and maintaining its superiority as a leading company and its monopoly on market share control. Coupled with increased synergies from its new business

(grocery delivery) and membership subscriptions.

Deliveroo's cost of sales has increased year on year, reaching £834.5m in 2020. This was mainly because of increased costs for catering delivery riders as an increase in the number of orders due to the public's preference for ordering takeaway led to the unavailability for dine-in during the lockdown period of COVID-19, in addition to increased expenses such as technology costs due to the development of new businesses and website upgrades. Meanwhile, cost of sales as a percentage of revenue has increased due to increased investment in technology improvements related to gross margin.

Deliveroo's net losses increased from 2018 to 2019 mainly due to the increase in the number of riders so that labour costs increased. In 2020, losses decreased. The main reason is Deliveroo has a significant marketing impact and was being able to reach out to as much market percentage as possible, resulting in significant economies of scale. Also, the company has continued to optimise its operational model (including measures such as increasing the number of restaurants with corresponding ordering systems), which has significantly improved the operational efficiency of the entire process. In addition, Deliveroo's continued investment in digitalisation, intelligence and other technologies has led to a continuous reduction in the management and marketing

expense ratio. Furthermore, Deliveroo plus subscriptions and grocery delivery have grown rapidly and the share of business has increased. In addition to the front-end layout in the early stage of system website upgrade and the launch of exclusive restaurants, although it is not yet able to cover the costs expenses, along with the gradual growth of business volume, the scale benefits will be gradually released and revealed after the future experience climbing, and its net profit will gradually return to a positive value.

### 3.2.2. Dupont Analysis

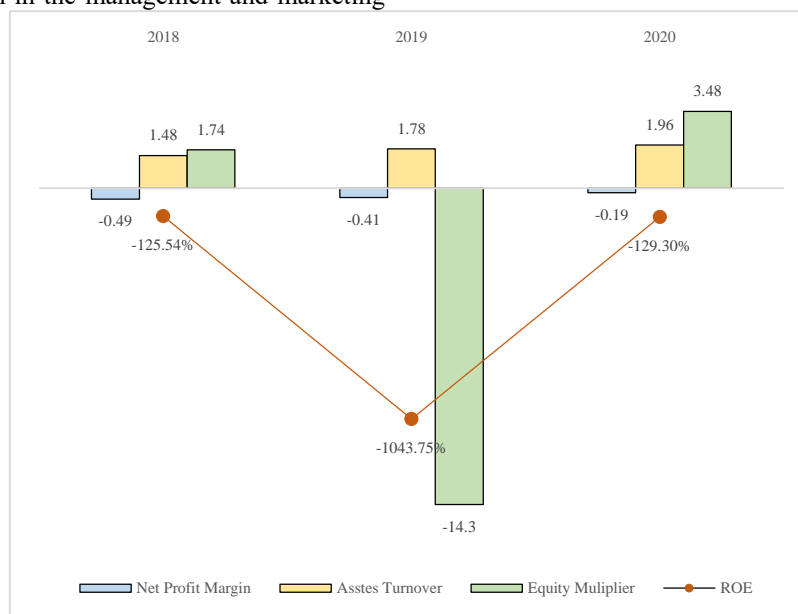


Figure 2. Deliveroo's 2018-2020 DuPont Analysis

Deliveroo's net profit margin is at a low level, with the highest value in the last three years still being negative. This is because Deliveroo's position in an emerging industry and its internet properties meant that it invested heavily in the early stages of rapid expansion to increase its market share, as mentioned earlier. At the same time, as the business grew in scale, monopolies gradually developed in the food delivery industry. The "price war" with competitors has led to a constant squeeze on Deliveroo's margins to ensure timeliness, while new businesses such as grocery delivery are in the early stages of development and costly, resulting in a low or even negative net sales margin for the company overall. Coupled with the black swan event in 2019, the food industry was severely impacted.

Deliveroo's historical total asset turnover ratio is above 1 and remains above 1.5, indicating its high and robust asset utilisation and business efficiency. It reached a new high of 1.96 in 2020, reflecting Deliveroo's strong growth capacity.

Deliveroo's equity multiplier has fluctuated around 2 recently and is generally good except for 2019. The negative value in 2019 is possibly the result of the company starting to optimise its capital structure following its IPO coupled with the impact of the epidemic. It subsequently increased its investment in assets as financial leverage picked up to an overall high level, suggesting that Deliveroo has a strong ability to leverage external assets.

### 3.2.3. Profitability Analysis

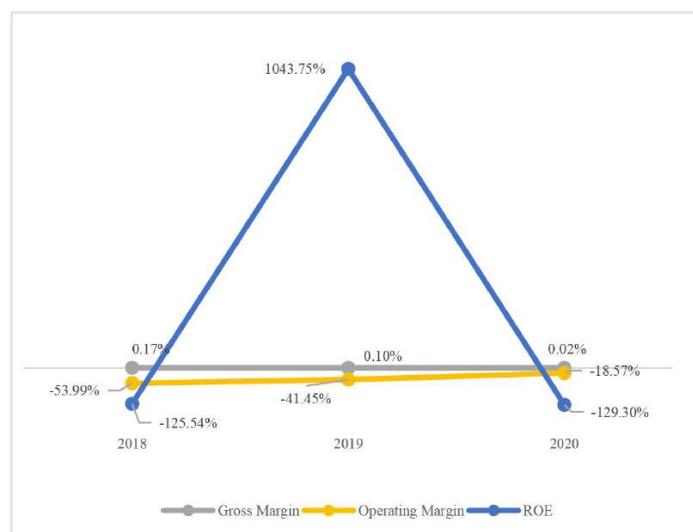


Figure 3. Deliveroo 2018-2020 Profitability Analysis (%)

Deliveroo's gross profit margin is very low and shows a slight downward trend. This is because Deliveroo is a labour-intensive enterprise and requires a large amount of labour costs to maintain its expanding business scale, making the costs constantly higher. Secondly, Deliveroo has been able to compete with Uber eats and others to capture market share thus reduce prices, resulting in lower revenue per bill. Finally, new businesses such as grocery takeaway are at an early development stage with high input costs, resulting in a downward trend.

Deliveroo operating margins have been very low for recently with increased. The low profit generating capacity of the business is since, as a takeaway platform like Deliveroo, low operating margins are to be expected due to its high sales volume but low prices. The negative figure for the last three years is due to Deliveroo being a newly listed company with large initial investment costs, coupled with the fact that the new business is in the early stages of expansion, and as the business capacity is released, it is expected profitability will continue to

increase into positive territory in the future.

Deliveroo's ROE is negative. In 2019, due to the impact of COVID-19 resulting in a significant decline in its non-current assets and other reserves with a significant increase in ROE for the year. Although it has been negative for almost recently, which cannot be said that it has no growth potential. This is because it is losing money as a young company due to early costs such as capital expenditure, advertising expenses and debt payments, but all costs came before the product or service gained market traction, which will continue for several years to come. There is no denying that Deliveroo's free cash flow is relatively healthy. At present it is the expansion of the commercial competition that is making it less profitable. However, commensurate with the company's current state of growth, it could translate into a higher-than-expected ROE within a few years.

### 3.2.4. Solvency Analysis

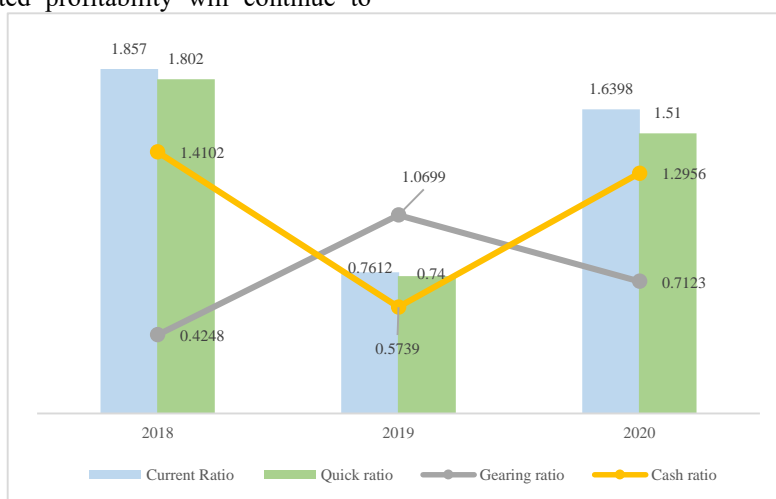


Figure 4. Deliveroo's 2018-2020 Solvency Analysis

Deliveroo's current and quick ratios have been stable at around 1.5 in recent years, indicating good asset liquidity. This means that Deliveroo's own capital is not only able to sustain its daily operations, but also has a relatively substantial debt servicing capacity.

Deliveroo's debt ratio has remained relatively stable in recent years. It increased significantly in 2019, mainly because its total assets grew at a much slower rate than its total liabilities. By 2020, it had decreased, mainly due to a significant increase in total assets and a decrease in total liabilities. However, it remains largely at around 0.7, indicating good solvency and the company's ability to control its loan leverage risk.

Deliveroo's cash ratios are generally at a declining level, with weakening liquidity. During 2018-2019, this is caused on the one hand by increased financing activities, business and earnings growth, and on the other hand by the combined effect of increasing current liabilities year on year, generating reduced cash flows in later years. In 2019-2020, current liabilities decrease, while the ratio reverses.

## 4. COMPARISON WITH COMPETITORS

The comparison of Deliveroo with competitors can illustrate the situation of Deliveroo's current development status with an intuitive and quantitative representation. From these different tables and figures, the App user scale, the revenue, the market capitalization and many other characteristics of Deliveroo can be understood and estimated directly.

### 4.1. UK Food Takeaway Industry

#### 4.1.1. UK Food Takeaway Industry App Users

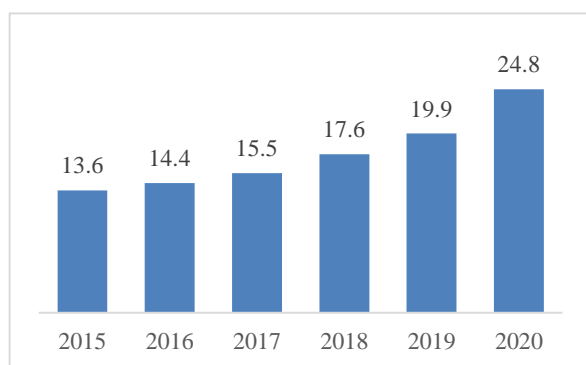


Figure 5. UK Food Takeaway Industry App Users-in Millions [14]

As an emerging industry closely related to people's life, the food takeaway industry has developed rapidly over the past few years. From the bar graph above, the number of UK food takeaway industry app users is in an upward trend and the growth rate is becoming larger. It is obvious that the first 3 years have a quite slow growth rate and very small differentiations between them.

However, the growth rate has become quite sharp over the last 3 years and the differentiations between them are very large.

#### 4.1.2. UK Food Takeaway Industry Revenue

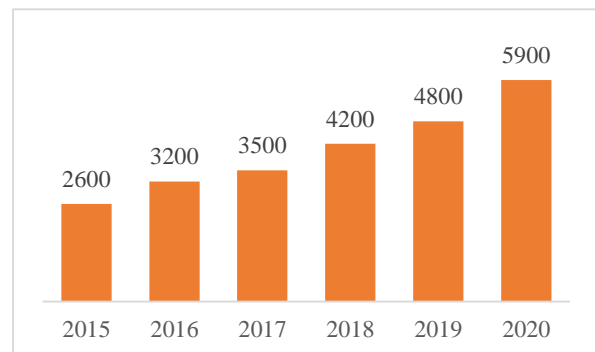


Figure 6. UK Food Takeaway Industry Revenue-USD (\$ in Millions) [14]

This graph illustrates the revenue of UK food takeaway industry from 2015 to 2020. The numbers are also in an upward trend, and the differentiation between 2019 and 2020 is much larger than others from \$ 4800 million to \$ 5900 million.

### 4.2. Deliveroo

#### 4.2.1. Deliveroo's App Users

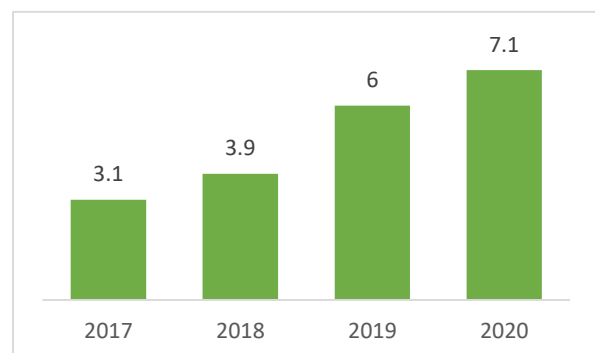
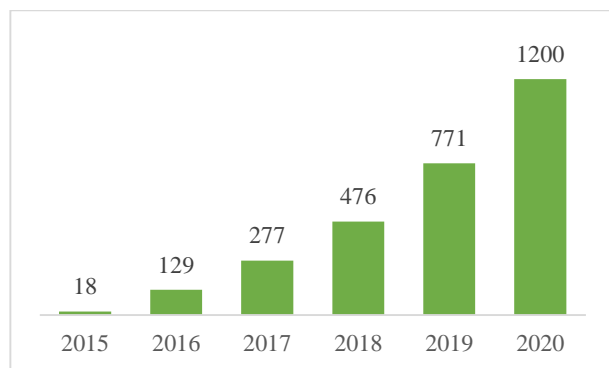


Figure 7. Deliveroo's App Users-in Millions [15]

As a member of UK food takeaway industry, Deliveroo's development track was in line with the development trend of the industry. The number of app users is in an upward trend while growing a little slower in 2020. However, the number of 2020 is more than twice of that of 2017, which indicates that Deliveroo has got a great development over these years.



#### 4.2.2. Deliveroo's Revenue

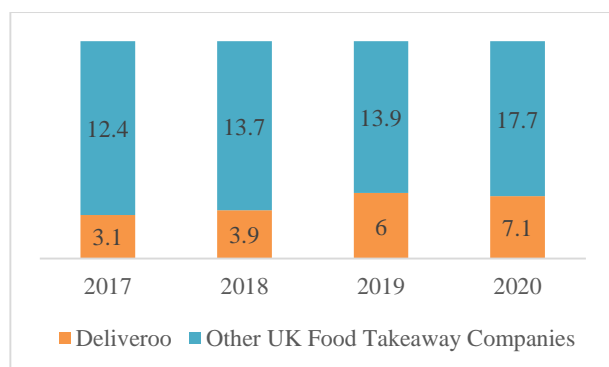


**Figure 8.** Deliveroo's Revenue-GBP (£) £ in Millions [15]

The bar graph demonstrates the growing status of Deliveroo's revenue from 2015 to 2020. The upward trend of these numbers indicates that Deliveroo's operation status has become better over these years. The revenue of 2020 is much larger than 2019, and the differentiation of them is nearly 430 million pounds.

#### 4.3. Deliveroo and the UK Food Takeaway Industry

##### 4.3.1. Proportion for App Users

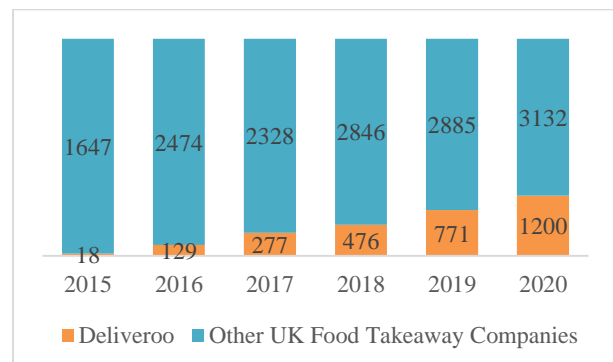


**Figure 9.** Proportion of Deliveroo in the UK Food Takeaway Industry for App Users [14, 15]

Compared with other companies in the UK food takeaway industry, the percentage of Deliveroo to the whole industry in app users increased from 2017 to 2019,

while the number had a little decrease in 2020, approximately from 30% to 28%.

##### 4.3.2. Proportion for Revenue

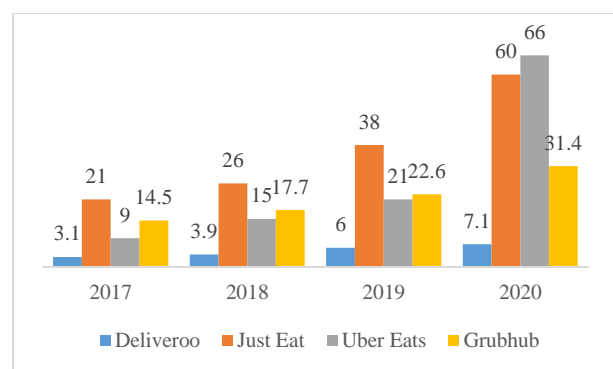


**Figure 10.** Proportion of Deliveroo in the UK Food Takeaway Industry for Revenue [14, 15]

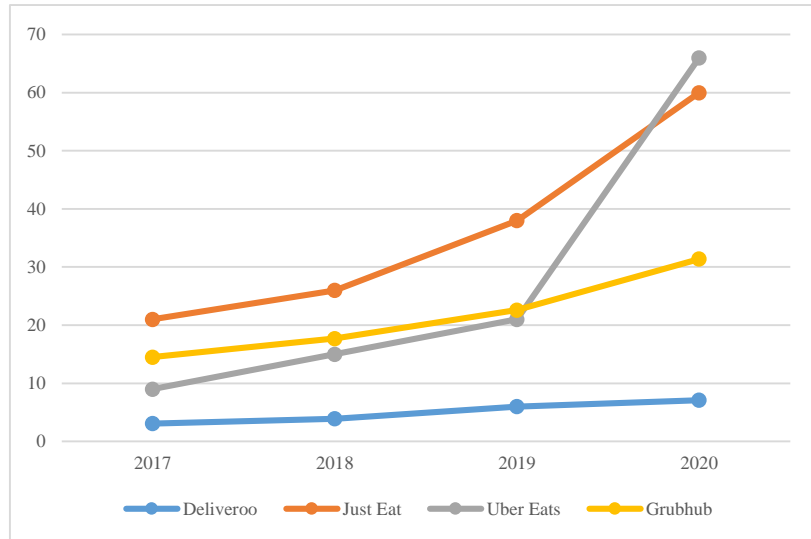
It is obvious that the proportion of Deliveroo to the whole industry in revenue was in a drastic upward trend during the period from 2015 to 2020, approximately from 1% to 28%. The growth rate was also becoming sharper, which indicates that Deliveroo is boosting its development speed.

#### 4.4. Deliveroo and Direct Competitors in UK

##### 4.4.1. Deliveroo and Direct Competitors' App Users



**Figure 11.** Deliveroo and Direct Competitors' App Users-in Millions [15, 16, 17, 18]

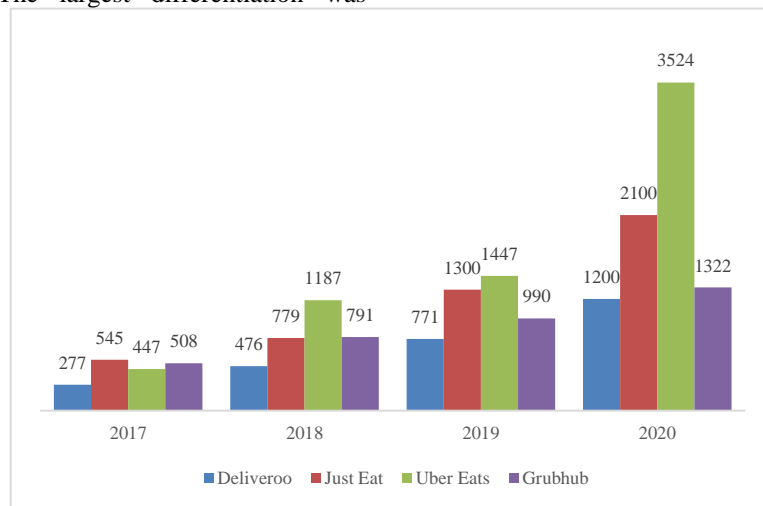


**Figure 12.** Changes of Deliveroo and Direct Competitors' App Users-in Millions

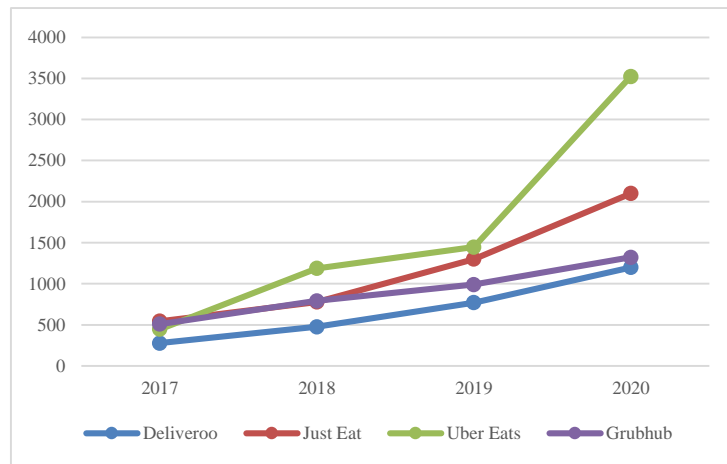
As a young company established in 2013, Deliveroo's scale of app users is much smaller than its direct competitors in UK - Just Eat, Uber Eats and Grubhub. However, these 4 companies were in a great development in app user scale, promoting the development of UK food takeaway industry. The largest differentiation was

happened in 2020, and Just Eat got a large increase in app users, just a little smaller than that of Uber Eats.

#### 4.4.2. Deliveroo and Direct Competitors' Revenue



**Figure 13.** Deliveroo and Direct Competitors' Revenue-GBP (£) £ in Millions [15, 16, 17, 18]



**Figure 14.** Changes of Deliveroo and Direct Competitors' Revenue-GBP (£) £ in Millions

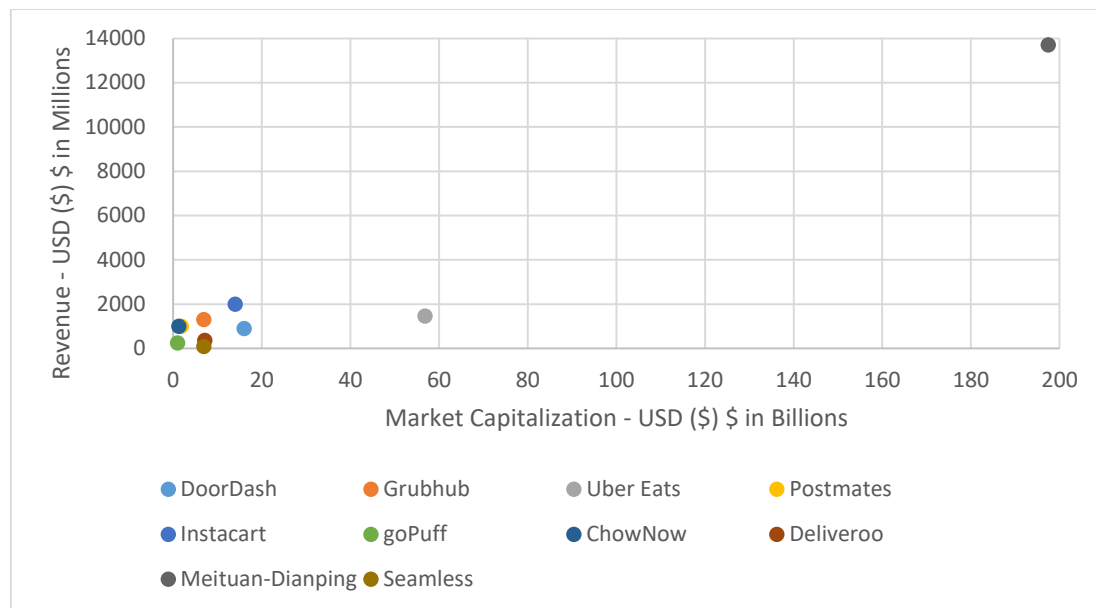
From the figure 13 and 14, Deliveroo had a smaller revenue than other 3 direct competitors, largely due to its later establishment time. However, the future prospects of it may be very great that the numbers of Deliveroo and Grub hub in 2020 are similar, which indicates that Deliveroo's development speed is becoming higher year by year. Uber eats was the most fast-growing company in

revenue over the 4 companies, having a much sharper growth rate than others in 2020.

#### 4.5. Top 10 Food Takeaway Companies in the World

**Table 1.** Revenue and Market Capitalization of Top 10 Food Takeaway Companies in 2020 [3]

2020	Revenue - USD (\$) \$ in Millions	Market Capitalization - USD (\$) \$ in Billions
DoorDash	900	16
Grubhub	1310	6.92
Uber Eats	1460	56.8
Postmates	1000	1.85
Instacart	2000	14
goPuff	246	1
ChowNow	1000	1.25
Deliveroo	365	7.1
Meituan-Dianping	13710	197.44
Seamless	85	6.92



**Figure 15.** Bivariate Scatter Plot of Top 10 Food Takeaway Companies in the World

This scatter diagram shows the situation of the top 10 food takeaway companies over the world in revenue and market capitalization. It is obvious that Meituan-Dianping has the largest market capitalization and annual revenue in 2020, which mainly serves for Chinese market. Uber Eats's market capitalization is much larger than the remaining companies, while the revenue of which is similar. In comparison, the revenue and market capitalization of the remaining companies are clustered in the same range, which indicates that the competition between them may be very fierce since they have similar scales and profitabilities

## 5. DISCUSSION

### 5.1. Future Prospects

Deliveroo has a strong growth profile. Deliveroo's total revenue has been on an upward trend over the past three years. Although Deliveroo's overall profitability has been poor over the past three years due to its status as a newly listed company and significant investment in market expansion, it has gained momentum and as Deliveroo grows and expands into new businesses the company will have the opportunity to achieve greater profitability in the future as scale and synergies are unlocked.

The market is now a monopoly, so Deliveroo is investing in innovation to expand its market share and develop new businesses: membership subscriptions and grocery retailing, etc., so that it can continue to explore new sources of profit growth and greatly reduce the plummeting profits caused by unhealthy competition with competitors

Deliveroo, as a leading company in the emerging industry relying on big data, cloud computing and the

Internet, has certain Internet attributes, i.e., it needs to invest heavily in the early stage to sink into the market to attract more loyal users in order to form a scale effect and make a significant rise in profitability later on. There is no doubt that Deliveroo is in the process of converting from the early stage to the late stage of realisation, and the initial results are relatively good. In the mid to late stages, the synergies and scale effects will be released, and its profitability will be greatly enhanced.

### 5.2 Risks

From the perspective of company nature and industry development, Deliveroo mainly faces three risks: Technology, Competitors, and Gig economy.

Deliveroo's business depends on its network infrastructure. Deliveroo also relies on third-party technology and communications systems to provide access to the platform for consumers, partner restaurants and riders. Technology and Deliveroo's reputation for service are closely related. In the event of attacks on the third-party technologies and mobile networks or natural disasters, consumers' orders will be affected and Deliveroo will inevitably lose business, thus negatively affecting its service reputation. Therefore, Deliveroo needs to spend a lot of money on maintaining websites and applications every year to ensure that the existing technology can make the business run smoothly and users have a good experience.

The British takeaway market share is huge, and huge profits have attracted many competitors to enter the market to participate in the competition. As the forerunner, Deliveroo's position is even more threatened in the face of powerful competitors. Low barriers to entry in the industry have led to a large influx of competitors into the market. The same business model and the

services provided also reduce the differentiation of Deliveroo. The third-party platform does not belong to Deliveroo alone. Therefore, consumers, partner restaurants and riders can switch service platforms at will. The low switching cost also reduces the competitiveness of Deliveroo. At the same time, the bargaining power of partner restaurants and riders becomes higher. Therefore, Deliveroo uses a pricing model to modify its marketing strategy, to provide partners with commission discounts and benefits, and to provide consumers with discounts and promotional activities to stimulate consumers to spend. At the same time, Deliveroo also expands grocery delivery services, cooperating with local chain stores with scale and influence, such as PARKnSHOP in Hong Kong and Sainsbury in the UK.

The risks of the gig economy make Deliveroo face legal restrictions and moral pressure from society. The risk in the gig economy is that self-employed gig workers cannot obtain corresponding labour rights, and there are grey areas in the industry [19]. The outside world also believes that delivery platforms such as Deliveroo cannot protect the labour rights and personal safety of riders, and disputes between riders and platforms will become normal. In response to this situation, Deliveroo uses a third-party insurance mechanism to provide riders with personal accident, illness and public liability insurance. With the improvement of the relevant laws for gig employment in the UK, Deliveroo also actively seeks the help of relevant legal professionals to avoid risks and reduce losses under legal restrictions.

## 6. CONCLUSION

Nowadays, Deliveroo is seeking a balance between interests, business ethics and the law, because the increasingly perfect labor laws and progressive social environment have brought many challenges to Deliveroo. If Deliveroo does not make a complete strategy to deal with changes in the industry, Deliveroo will face a more severe industry environment in the future. And Deliveroo has successfully imprinted its own service and brand awareness into customers' minds and their daily lives and has become customers' first choice in the food delivery industry. Deliveroo, as a start-up company in the internet-based takeaway industry, needs to invest heavily upfront in order to be profitable at a later stage. Although its ROE performance is not good at the moment, this does not make it an unpromising company, and the synergies between the scale of Deliveroo's upfront investment and the completion of its new business expansion could lead to explosive earnings growth in the future. For the time being, its financial position is sound and Deliveroo is not a major risk to itself in the short term. From the comparison of Deliveroo and its direct competitors in the UK food takeaway industry, it is obvious that Deliveroo is still weak compared with the old takeaway companies, though it is in a leading position in the industry. However,

it can be inferred from the growth trend of the market share that Deliveroo may gradually catch up with and surpass in the future with the continuous improvement of its takeout service and the diversification of service content.

In the analysis of Deliveroo, although its financial situation is poor and it may be difficult to improve its revenue and market scale in the short term, Deliveroo still has great rising space and development potential in the long term. However, the financial analysis of Deliveroo focused too much on its financial performance results and to a certain extent neglected the long-term value creation of Deliveroo, without considering in depth the analysis of other factors besides operational performance, such as the impact of customers, COVID-19, etc.

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