

Doing Business in the New Economy: Allo Resto Takes on the Challenge of Delivering Food Fast in France

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The French reputation for culinary excellence and love of upscale dining experiences do not seem to provide a setting ripe for the growth of fast food or delivery. Yet, such a service was offered by Allo Resto in France as early as 1998. The popularity of takeaway meals has since been growing rapidly as lunch breaks are getting shorter and work days longer and customers can choose to order from many new online delivery providers.

Allo Resto provides a centralized online directory of participating restaurants and takes meal delivery orders for customers through its website (www.alloresto.fr) or its mobile application. By taking orders from individual customers and forwarding them to restaurants which will prepare and deliver the meals, Allo Resto serves both customers and restaurants. It is well established in nine large French cities and 40 towns, works with over 4,000 restaurants, and keeps increasing the number of restaurants and locations it offers. Allo Resto is registered as S.A.S EAT ON LINE. With a revenue topping 100 Million Euros, Allo Resto is considered the market leader of online food delivery services in France. In 2016, it is on-track to achieve a 40% growth.

Company History

A promising but challenging start

Created in 1998, Allo Resto is the brain child of Sébastien Forest, a college student at the time. It experienced a very quick growth as it was the first online provider of delivery services and was boosted by France's hosting of the world soccer cup which resulted in many online fast food meal orders. To its online order and delivery services, Allo Resto added online table reservations in 1999. Allo Resto attracted investors, raised 3 Million Euros between 1999 and 2001 and grew to thirty employees in a few years. It incorporated a loyalty program and rating of takeaway services as early as 2002. However, by 2002, like many e-businesses, it faced significant challenges: Internet was still slow and costly in France and Allo Resto did not generate sufficient volume to cover its operational costs. Faced with profitability and solvency issues, Forest, Allo Resto's CEO, managed to keep the firm alive by laying off all but 3 employees and operating with limited staff. He also decided to focus on its core service: meal orders and delivery and backed away from table reservations. In 2004, Allo Resto benefitted from asymmetric digital subscriber line technology (ADSL) that provided broader, faster, and cheaper access to the internet and facilitated customers' online orders. Allo Resto bounced back, became quickly profitable, and finally offered a mobile application in 2010. It grew by 50% in 2014 and doubled its revenue in ten years.

Collaboration and growth

In 2012, Allo Resto partnered in a joint venture with Just Eat which committed to invest 20 Million Euros in the partnership over the next three years. Allo Resto also gained recognition and won several awards:

Sébastien Forest earned the Small Business CEO 2013 Silver award and Allo Resto was ranked in the top twenty French e-commerce companies in 2013 and 2014 by E-Commerce Magazine. The partnership with Just Eat was further strengthened on April 3rd 2014 when Just Eat acquired 80 percent of Allo Resto's shares. Sébastien Forest, Allo Resto's founder, remained its CEO until 2015 when Giles Raison stepped in.

Headquartered in London, Just Eat, the “world's largest online takeaway service,” is present in fifteen countries as detailed below. After starting in 2001 in Denmark, it grew to be traded on the London Stock Exchange in 2014 and was valued at about 3 Billion Euros in 2015. It employs close to 2,000 individuals, works with over 60,000 restaurants and generates £157 Million revenue. It prides itself on having 13.4 million active users who placed 96 million orders worth £1.7 Billion to restaurants. Importantly, local customer care teams manage orders in each country and the company aims to “empower customers to love their takeaways experience”.¹ Just Eat's vision is to create the world's greatest food community.



Global Presence of Just Eat¹

See Appendix A for 2015 company details.

Operational Model

Customer Experience

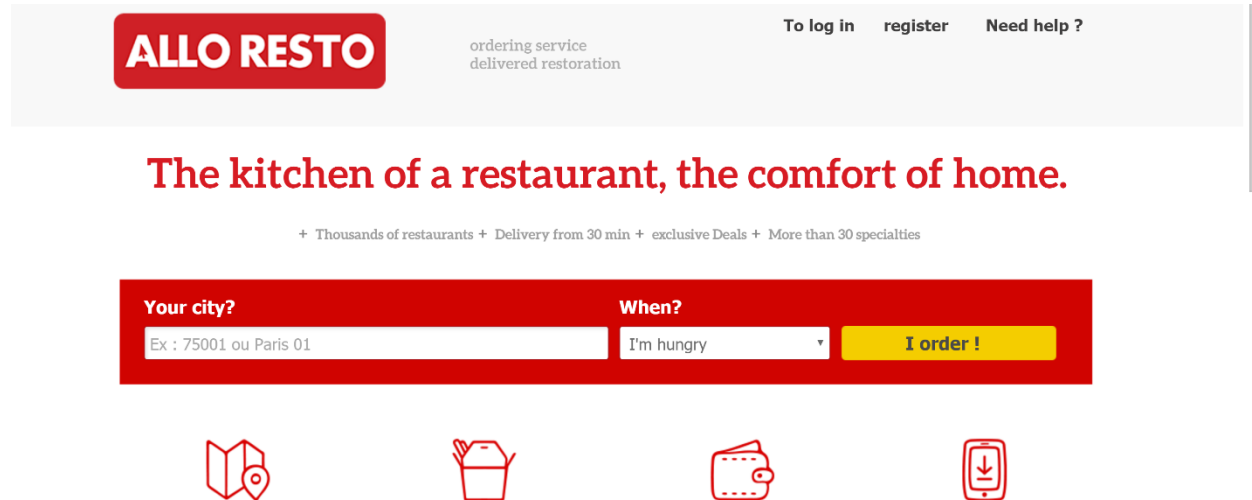
Customers interested in having their meal delivered can use Allo Resto's website to search for restaurants online, place their order, and have the option to pay online or on delivery. To help customers decide what to order, Allo Resto provides a wiki describing dishes from various countries (e.g., Thailand, India) and can suggest meals based on criteria selected by customers.

The size of an average order is 30 €. The price customers pay is the same as if they had ordered directly from the restaurant.

Customers rate the services provided on two dimensions: food quality and delivery quality. The feedback that customer leave is displayed on Allo Resto's website. To ensure that this feedback is representative of current conditions, Allo Resto limits the display of ratings to the most recent 90 days.

¹ <http://www.just-eat.com/where-we-are/> 3/18/16

Frequent customers can even serve as volunteer ambassadors who reply to customers inquiries. Customers can also participate in loyalty programs which encourage repeat orders. Details of the Loyalty Program are available in Appendix B.



Snapshot of Allo Resto platform (April 2016, translated from French)

Partners of Allo Resto

Allo Resto serves as the middle man between restaurants and customers. Restaurants provide the delivery service. Allo Resto lists the restaurant, displays their menu, gather and forward orders to restaurants for a monthly fee of about 35 € as well as a 12% commission with an annual contractual commitment. Not only does Allo Resto save restaurants time and reduce ordering errors, Allo Resto also suggests that online orders paid with credit cards are often larger and that volume will increase if restaurants work with them. To increase the visibility of their restaurant further, restaurants can also pay an additional fee to be displayed prominently on Allo Resto's web site. Being featured costs 60 € to 400 € for a two-week period depending on the town the restaurant is located in. Just Eat management has indicated that working with them has enabled restaurants to increase their revenue by 30% on average.

Auxiliary services are also available. For instance, restaurants can purchase supplies such as pizza boxes from Allo Resto and obtain design services for their menus.

Competitive Landscape

In France, one out of ten meals ordered is eaten at home; the others are eaten in restaurants. Phone orders represent Allo Resto's main competitor. Allo Resto's value proposition is that customers who use its application and save their information can place an order in less than 30 seconds compared to several minutes by phone and that the order will be more accurate. Allo Resto predicts that 50% of its customers will use a mobile application by 2016 (up from 40% in 2015).

The meal delivery space is estimated at 1 Billion Euros in France. The food delivery market has been growing exponentially in France and competition is becoming intense between providers such as Take Eat Easy and more recently Uber Eat. Many providers of online meal delivery services focus on Paris.

Take Eat Easy, Allo Resto's largest competitor, entered the market in 2013. It partners with more than 1,000 restaurants in Belgium, France, Spain, and England. Its logistics are managed from Brussels, Belgium. Although the experience of Take Eat Easy's customers is similar to that of Allo Resto's, its operational model is rather different as Take Eat Easy has made a conscious choice to employ its own delivery crew instead of relying on the restaurants'. The 240 couriers working in France for Take Eat Easy are independent contractors. While Take Eat Easy provides them with a uniform, phone, and backpack, they provide their own bicycle and insurance and do not receive any fringe benefits. They can be geo-localized and are assigned deliveries close to their location when they choose to work. Delivery personnel are paid 7.5 € per delivery. To ensure that meals are delivered in 30 minutes or less, the delivery radius is within two miles of each restaurant. Couriers can also earn incentives for inclement weather (1.5 € per delivery) and if they had to drive further than most of the couriers (1 € per delivery). To help defray the delivery costs, Take Eat Easy charges restaurants a 30% commission (lower if they sign an exclusive contract) and tacks on a delivery charge 2.5 € to orders.

Allo Resto's Challenges

Allo Resto is facing several key challenges. First, it cannot ignore the competition arising from a plethora of new entrants such as Deliveroo or Take Eat Easy. Second, Allo Resto has observed that relying on the restaurants' delivery personnel limits the number of restaurants it can reach. Out of about 150,000 restaurants located in France, fewer than 5% can deliver their own meals. Moreover, none of the higher end restaurants offer delivery services. Third, Allo Resto is especially concerned about on-time delivery and is evaluating the extent to which the quality of the restaurant delivery which is out of its control affects repeat customers and the resulting revenue.

As a result, the new management team has decided to investigate providing delivery services to the restaurants it partners with and is wondering which model will enable them to adapt to the fluctuations of the market and to optimize the profitability of Allo Resto. They would like you to help them with this decision. Specifically, they are struggling to assess the costs and benefits of hiring couriers versus relying on the restaurants' delivery personnel and how to best charge customers for the services they provide.

This will require you to document and evaluate the assumptions you use, and consider the risks and profitability of the various scenarios as well as cost-volume-profit projections such as break-even calculations.

Appendix A - 2015 Results

Excerpts of Full Press Release of 2015 Results²

“CEO’s Statement

In 2015, we sent our restaurant partners 96.2 million orders worth £1.7 billion, up 57% and 61% respectively on the previous year. Delivering this order growth to our restaurant partners is a key measure of JUST EAT’s success, reinforcing our position at the heart of the vibrant takeaway industry in the 13 markets in which we operate. JUST EAT’s revenues grew 58% to £247.6 million (2014: £157.0 million). Underlying EBITDA increased by 83% to £59.7 million (2014: £32.6 million), and we generated £74.2 million of net operating cash flow (up 95%). These are excellent results in a period in which we continued to make significant investment in our future growth. Results from our acquired businesses in the year, most notably the Australian Menulog Group which grew orders 81% year-on-year, have also been strong.

Strategic progress

Our success in 2015 was driven by our continued focus on our consumer offering and ensuring our restaurants see real benefit from the channel shift to mobile and online ordering. We do this by delivering a continuously improving consumer experience and by working with restaurants to provide more choice and variety, giving independent, local businesses the tools and information to ensure our industry continues to develop.

Improving the consumer experience

We have made significant strides over the last 12 months, particularly with our Apps and mobile sites, which now account for 66% of Group orders. We have achieved meaningful improvements in conversion by introducing ‘social’ login and repeat order functionality, improving the algorithms and presentation of our search result pages, including map views of search results, expanding payment choices including Apple Pay and PayPal, and simplifying the order flow significantly. We are excited about the year ahead, for example using our recently introduced Customer Relationship Marketing (“CRM”) platform to deliver targeted, personalised in-App experiences, for both consumer and restaurant communications. With over 13.5 million customer reviews (31 December 2014: over 7.7 million) and our core platforms now processing around 2,500 orders per minute at peak, we have a wealth of data on our industry, particularly consumer preferences and behaviour that we are now starting to use more fully. Orderpad is our tablet-based order management platform that enables restaurants to run more efficiently and improves the visibility of deliveries for the consumer. At the end of the year we had this technology live in 711 restaurants and will start the commercial roll-out of Orderpad to our restaurants in Q2 of 2016. Our target is to have one third of UK orders processed on an Orderpad within 12 months.

² <http://je-ict-live-corpsite-assets-eu-west-1.s3.amazonaws.com/wp-content/uploads/2016/03/160301-Full-Year-2015-results-FINAL-RNS.pdf>, April 2016

Bringing greater choice

In 2015, we increased the number of contracted restaurant partners on our network by a net 15,800 to 61,500 (31 December 2014: 45,700). An exercise to analyse restaurant and consumer activity identified a number of restaurants whose behaviour was detrimental to our consumers and as a result they are no longer on our platform. This, combined with external auditing of our UK price promise and the introduction of restaurant advisers to improve industry standards, helped increase new customer return rates and drive order frequency. We also believe this is helping to drive standards in the wider industry. Choice in the takeaway delivery sector continues to expand, with over 100 cuisine types available across the JUST EAT platforms.

Driving channel shift

The takeaway industry continues to grow and is seeing a rapid shift to online and mobile ordering, led by JUST EAT. In the majority of our countries this change is in its early stages, offering significant opportunity for future growth. The operational strategies that improve choice and consumer experience are key, as is our work to create a respected, destination brand in each of our markets. In the UK, our 2015 #minifistpump campaign successfully evolved into catchy musical/food adverts, whilst elsewhere we increased the local content of our marketing, including a hugely popular App-only TV advert in Italy which drove App downloads, further improving our already rapid Italian order growth. As well as attracting new consumers, we have increased our focus on improving consumer retention and frequency. Shifting existing consumers to our Apps and ensuring new consumers start their journey on App is key to this and we are delighted that in 2015 our orders per Established User⁵ in the UK increased to 12.6 (2014 11.9).

Clear priorities

These three strategic initiatives are highly complementary, working both individually and collectively to drive the business. We have a clear, proven plan for each stage of development and there are no easy shortcuts to building great long-term businesses. We continued to work to build our clear leadership positions, and in 2015 we supported strong organic growth with acquisitions in five existing markets, while entering Mexico and Australia & New Zealand by acquiring the local market leader. Following the year end, we acquired businesses in Spain, Italy, Brazil and Mexico which bolster our existing, market-leading businesses there. The operational control of the Brazilian business has passed to IF-JE as the sale of the business to IF-JE is finalised.

Our people

Our people are critical to our success and we remain focused on maintaining a high-performance entrepreneurial culture at JUST EAT. During 2015, we strengthened our leadership team with the appointment of Barnaby Dawe and Lisa Hillier as Chief Marketing Officer and our first Chief People Officer respectively. Globally, the number of full time equivalent employees grew to 1,868 by the end of the year (December 2014: 1,508). I would like to thank the entire JUST EAT team for their work in 2015;

they have worked tirelessly to, yet again, deliver fantastic organic growth, have continued to innovate and expand consumer choice whilst securing and integrating a number of important acquisitions.

Outlook

JUST EAT is in a very strong position both operationally and financially, and we are again able to increase our forecasts compared with market consensus. For 2016, which will be a year of further investment for growth, we expect to achieve £350 million of Group revenues, at current exchange rates, generating £98-100 million of Underlying EBITDA. We will continue to innovate, develop new products and bring greater value to more restaurant partners, whilst driving growth by further strengthening our brand; ultimately empowering more consumers to love their takeaway experience.

David Buttress

Chief Executive Officer

29 February 2016”

Appendix B - Allo Resto Loyalty Program

It is composed of Yums (also called Miams) and Crocs (also called Fangs) as detailed below.

the Yums

Your orders on ALLO RESTO let you Yums earn points that you can then convert into gifts!



› **The Yums are caught easily**

- 1) Every order, whatever its amount, you earn 5 Yums.
- 2) You receive 10 additional Yums for every 25 euros order.
- 3) If you add your review of your order, you win 10 additional Yums!

› **The Yums are engaging and follow you everywhere**

You can check your account yum is available from the client area, SECTION "statement Yums." You will also regularly receive your statement Yums by email to remind you the gift you deserve.

› **The Yums can reproduce under certain conditions.**

To multiply your Yums attention must be paid to the Newsletter ALLO RESTO and our different accounts on social networks, we serve Yums Bonus that allow to accumulate 2 times more Yums.

› **The Yums are small sentient beings that require attention**

If you do not place an order for 182 consecutive days (6 months) your Yums disappear.

The "Yums" are convertible into ALLO RESTO reduction at a rate of one euro discount for each full 30-yum. You can do the conversion request at any time regardless of the number yum you have, provided of course that you have accumulated over 30. Yums can also be redeemed to purchase gifts such as flowers on bebloom.com.

The crocs



Fang is a 5 € discount, it is metabolically very different Yums.

› **The Croc is wild, lonely and harder to catch**

The Croc reward those who spend three commands (of + 16.95 €) during the first month of the penultimate day of the month*.

* That is, before the front end of the month (the Fang likes complicated calculations)

› **The Croc is ephemeral, it has a short shelf life**

The reduction of 5 euros is valid on the fourth order of the same month which must always be placed before the last day of the month. We do not take into account that orders placed there more than 24 hours!

› **The Croc is eye catching**

Find your Croc month on your account under "[Account Croc's](#)". By email, you will be notified within 48 hours if you got a valuable Croc! Get all the details on the Croc and Yums in the regulation of the loyalty program

The settlement of the loyalty program

Get all the details on the Yums and Crocs in the [regulation of the loyalty program](#)

However, for Crocs as for Yums you can feed them after midnight, expose them to sunlight and wet (be careful however not to corrode your computer - smartphone - tablet)
