Order & Delivery Report: 2021
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The Paytronix Order & Delivery Report examines industry trends across the digital ordering landscape, from multiunit brands to independent restaurants. The primary areas of focus are sales, guest experience, fulfillment method, and guest retention.

Some key insights from this year’s report include:

- Sales generated through digital ordering platforms more than tripled after the onset of the pandemic.

- A significant portion of the guests responsible for this increase in online ordering were entirely new to the brand, having never ordered online or in-store before. This group accounted for 65% of online orders in May 2020.

- Many of the brands that weathered the pandemic well benefitted from the closure of what the National Restaurant Association estimates was 110,000 eating and drinking establishments. These closures presented the surviving brands with the opportunity to acquire new guests.

- On average, guests who place orders for delivery spend at least 10% more than those who place orders for takeout. This calculation reflects check subtotals, before taxes and delivery fees.

- Subpar food is more forgivable than a perceived lack of value from the brand. Guests who gave their food a 1-star rating had a 27% likelihood of returning, whereas the figure was just 20% for those who awarded a single star for the restaurant’s value.
The last year witnessed a monumental change in the way consumers interact with restaurants. Heavily influenced by the COVID-19 pandemic, guest behavior quickly and significantly shifted to online ordering, establishing a new “normal” for the proportion of sales generated by off-premises channels. This unprecedented benchmark – a more than threefold increase – defined the restaurant industry in 2020.

Of all the trends identified in this report, perhaps most interesting is that COVID-19 generated an entirely new set of restaurant guests via the online ordering channel. A significant portion of the guests who ordered online from a brand for the first time in 2020 had never interacted with it – online or in-store – previously. This group accounted for more than 65% of all online orders by early May 2020.

When states placed restrictions on bars and restaurants in the spring, online ordering sales predictably spiked to a new level. Though this channel peaked in early May, sales remained more than triple what they had been prior to the pandemic throughout the rest of the year. It appears that the online ordering channel will permanently account for a larger proportion of restaurant sales moving forward, as industry experts have long predicted.

The Paytronix data also shows that guests who placed online orders for delivery spent significantly more than their takeout counterparts, averaging at least 10% higher check amounts. This difference was found based on subtotals, without delivery fees included. And brands that handle delivery with in-house employees saw a much larger proportion of orders placed for delivery than those who deliver via a third party – even if those orders are coming in through the proprietary brand website.

All data referenced in this report is sourced from the Paytronix database of in-store and online transactions that occurred between January 1, 2019, and December 31, 2020, unless otherwise noted. The macro trends discussed in Sections I and II were determined by data from multiunit brands, while the trends specific to takeout, delivery, and guest ratings were the product of data from both multiunit brands and independent restaurants. The graphs throughout this report end at Week 51 of 2020 because Week 52 was not a full seven days.
HOW COVID-19 CHANGED THE ONLINE ORDERING LANDSCAPE

The majority of COVID-19 lockdowns went into effect in the 12th week of 2020, between March 15th and 21st. During that week, in-store sales among the brands included in this report immediately plummeted 54% nationwide as restaurants were forced to close dining rooms. At the same time, online sales at these brands began a meteoric climb that peaked at a more-than-threefold increase over the pre-pandemic average during Week 19 of the year, May 10–16.
Online sales fell modestly after that point, but this was a result of the average order size shrinking to closer to the pre-pandemic norm. The total number of orders remained significantly elevated throughout the rest of 2020. On average, online orders accounted for 17% of all sales tied to a loyalty account in the second half of 2020, as opposed to just 4% in the first 10 weeks of the year.

On-premises sales began to slowly recover by about Week 16, in mid-April, but never reached pre-pandemic levels. There was a brief bump in on-premises sales during the weeks that preceded and followed the July 4th holiday, after which the weekly average for on-premises sales settled at about 81% of the pre-COVID norm.

This is clear evidence of a fundamental shift in consumer behavior toward digital and off-premises experiences – a trend that industry experts were predicting by the middle of last year. Even as on-premises sales began a recovery, it didn’t come at the expense of the online ordering channel. This trend is explained further in Section II.
The online ordering channel also saw significant growth in order size at the onset of the pandemic. The average check began to increase about two weeks before most restrictions were enacted in mid-March. The total was highest between Weeks 12 and 19, reaching an 18% lift over the average pre-pandemic check size.

This increase was likely due to several factors. In response to stay-at-home directives, guests were more often ordering for the whole family when parents sought a break from cooking. Meal kits and family-style meals were also introduced at a number of restaurants, and some guests likely placed larger orders for pickup to make venturing out of the house worth their while.
Online sales grew tremendously between Weeks 10 and 18, reaching an initial peak of about 363% of the pre-pandemic weekly average by Week 18. They then fell below that mark until Week 43, when a new peak was hit in mid-October. The average for weekly online sales between Weeks 19 and 52 was 313% of the average weekly sales between Weeks 1 and 9.

There was yet another peak at the end of the year, between Weeks 48 and 52. Over those four weeks, online sales were 452% of the pre-COVID average and 24% higher than the first peak during Week 18. This is likely attributable to at-home holiday celebrations, particularly for New Year’s Eve, in lieu of the typical visit to a full-service restaurant.
Predictably, there was a sharp increase in tips at the onset of the pandemic. Just under 40% of all orders – on-premises, pickup, and delivery – included a tip pre-COVID, but that figure jumped to 55% of orders in the span of about two weeks and reached roughly 60% of orders by mid-April. This remained consistent until early May, when the portion of orders with a tip began to decline, eventually leveling out at about 50% by mid-August.

The size of the tips also jumped during this time period. The average grew from about 16.5% to 18.5% among tipped checks, and from 6.5% to more than 11% across all checks.
HOW GUEST BEHAVIOR SHIFTED IN 2020

The uptick in online sales in 2020 largely came from guests who were new to the brands they visited. People who had previously ordered both online and in-store continued visiting the same brands at a fairly consistent rate, but former in-store-only guests and those who were completely new drove the increase in online orders.

Guests whose pre-pandemic behavior was to order only on-premises began ordering online far more often after March 2020. These guests accounted for about three times as many online orders from that point than they had in the first three months of the year.

This is consistent with a finding from the Boston Consulting Group, which reported that digital ordering now represents 28% of all orders, as compared to just 10% prior to the pandemic. The change is even more dramatic when looking at only quick-service, fast-casual, and casual-dining restaurants, where purchase frequency is 50% greater among digital guests than non-digital ones, according to BCG.

DIGITAL ORDERING now represents 28% OF ALL ORDERS
But more impactful was the group of guests who had never visited these brands, be it on-premises or online, prior to 2020. While net-new guests accounted for less than 20% of all online orders in the first three months of the year, this group exploded after Week 12, accounting for 60% of all online orders by Week 20.

That jump indicates that the pandemic spurred new customer acquisition across brands. It also explains why restaurants enjoyed a steady increase in on-premises sales throughout 2020 without seeing a corresponding dip in digital sales.
Several factors likely contributed to this shift. As the pandemic forced millions of professionals to work from home, the daily commute was all but eliminated, creating drastic changes in consumers’ travel patterns and physical locations at times like lunch. The pendulum could swing back to something closer to pre-pandemic norms as offices reopen in 2021, but with more companies allowing employees to work from home permanently or for part of the week, the redistribution of midday sales may endure.

Additionally, many brands scrambled to provide ordering-and-delivery service after the initial dining room shutdowns in March 2020. According to Forbes, one in four operators added online ordering functionality between March 2020 and January 2021. Though most brands were up and running in a matter of weeks, a large number of guests likely switched to brands that had an established online ordering platform before the pandemic. These would have been brands that were already known for their digital presence and had tried-and-true, efficient operations in place for this channel.

Given the survival-of-the-fittest nature of the restaurant industry, it’s also likely that some guests switched brands out of necessity. The National Restaurant Association reported that more than 110,000 eating and drinking establishments were closed temporarily or permanently as of December 1, 2020.
While most of these net-new guests continued to place digital orders throughout the year, the restaurant brands whose data was used in this report also continued to acquire net-new guests.

As Figure 7 illustrates, the highest rate of net-new guests – those who had never ordered on-premises or digitally – was seen between Weeks 12 and 16. But even as the number of digital orders placed by net-new guests began to fall, the weekly average of orders coming from this group remained three times as high as it had been pre-COVID. In other words, restaurants saw a significantly higher rate of first-time guests after the onset of the pandemic.

Additionally, the majority of the guests who ordered from a particular brand for the first time in 2020 made return visits online, boosting the overall customer base for many of these brands.
Online ordering platforms were commonly viewed as an essential guest-engagement tool for restaurants in 2020, but loyalty programs held a similar level of importance.

Loyalty programs enabled brands to communicate directly with their guests as statewide lockdowns went into effect, and Paytronix data shows that it was these guests who continued to visit restaurants during the height of the upheaval. According to the Boston Consulting Group, nearly 60% of loyalty program members use a brand’s mobile app and engage digitally with the brand, whereas the figure is only 5% for all other restaurant guests.

P.F. Chang’s provides a great example. Before the pandemic, the upscale Asian eatery’s on-premises orders accounted for 80% of its sales. In less than six months, the brand had launched a new front end for online ordering and made major upgrades to its mobile app. By the end of the year, its loyalty database had grown nearly 19%.

At the peak of the COVID-19 lockdowns last spring, P.F. Chang’s saw a drop in total checks, but the number of loyalty checks remained consistent. These findings reinforce the importance of implementing this key business strategy.

Similar trends have marked previous economic crises. In 2008, Paytronix found that one large fast-casual client was supported throughout the recession by the top 8% of its most loyal guests – those who came in twice per month before the crisis. These guests continued to visit at the same rate and accounted for a whopping 35% of the overall business done by the brand.

Many of the guests subsequently indicated that they felt “invested” in the brand and had dropped others in favor of remaining loyal. When Paytronix broadened its research and looked across all of its clients, a pattern emerged: The brands that had invested time and resources in developing relationships with their top guests were rewarded with loyalty.
HOW TAKEOUT AND DELIVERY GUESTS DIFFER

Paytronix data shows that about one-quarter of all online orders placed in 2020 were for delivery, but the fulfillment method used was a significant factor. Brands with their own in-house couriers saw about 44% of orders placed for delivery, while those exclusively using third parties saw only 12%.

Though they make up a smaller percentage of guests, people who order delivery spend more. On average, the subtotal – prior to tax, tip, and fees – for delivery orders was consistently at least 10% higher than for takeout orders.

At restaurant brands with in-house couriers, delivery customers spent about 21% more than takeout customers on average. Some exceptions were seen in the spring, however, when takeout checks saw a huge boost due to COVID-19.

\[ \text{AVERAGE CHECK SIZE, IN-HOUSE DELIVERY VS. TAKEOUT ORDERS} \]

\[ \text{Figure 8: Average subtotal on orders placed for delivery and takeout at brands offering in-house delivery services in 2020} \]
This difference between the two fulfillment methods becomes even more pronounced when examining orders delivered by third parties like DoorDash. Before the pandemic, guests who got delivery spent 32% more than those who did takeout. A possible explanation is the third-party delivery fees charged, which may have inspired guests to spend more to make the delivery worthwhile. Additionally, some brands are new to offering third-party delivery, and the customers they acquire may behave differently than their takeout guests.

After the onset of COVID-19, guests who ordered delivery from restaurants using third-party delivery drivers spent only about 10% more than takeout guests did. The pandemic impacted the average check size for takeout orders significantly more.

The average subtotal for takeout orders grew by about 26%, while the average subtotal for delivery orders saw a 12% boost.

**Figure 9:** Average subtotal on orders placed for delivery and takeout at brands offering third-party delivery services in 2020
Customers who get delivery are also the most loyal. The average delivery guest orders 2.5 times per month, while the average takeout guest orders just 2 times per month.

Guests who dine out more frequently crave convenience, and that extends to wanting their meals brought to them. Meanwhile, guests who are willing to pick their order up have more options, as they’re not limited to the restaurants that offer delivery.

### HOW EACH ORDER FULFILLMENT TYPE PERFORMED ACROSS KPIs IN 2020

<table>
<thead>
<tr>
<th>Order Type</th>
<th>Percent Logged In</th>
<th>Orders Per User</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takeout</td>
<td>23.89%</td>
<td>2.03</td>
</tr>
<tr>
<td>Delivery</td>
<td>39.91%</td>
<td>2.54</td>
</tr>
<tr>
<td>Curbside</td>
<td>15.74%</td>
<td>1.57</td>
</tr>
</tbody>
</table>

### PERCENTAGE OF OPERATORS THAT REPORTED ADDING A FULFILLMENT TYPE AFTER MARCH 2020

<table>
<thead>
<tr>
<th>Order Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curbside</td>
<td>67%</td>
</tr>
<tr>
<td>In-House Delivery</td>
<td>17%</td>
</tr>
<tr>
<td>Third-Party Delivery</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: National Restaurant Association
HOW GUEST RATINGS REFLECT BEHAVIOR

Guest feedback provides critical information for restaurants looking to improve the guest experience. It allows for a direct line of communication and gives the brand an opportunity to salvage guest relationships after any missteps.

The Paytronix FEEDback™ tool sends an automatic survey after every online transaction. Guests are asked five questions about the quality of their experience – from the food to the wait time – and may rate each category on a scale of 1–5 stars. The survey results are sent directly to the local store manager, enabling them to take immediate corrective action if necessary and increasing the rate of guest retention.

Likelihood to Return Based on Reviews

It stands to reason that a more positive review correlates with a greater likelihood to visit again. Paytronix data shows that guests who gave their restaurant experience 5 stars have a 41% likelihood of returning, while the figure was only 25% for those who left a 1-star rating.

But an interesting trend in the data is that guests who left an average review of 2.5 stars or higher are more likely to make a return visit than those who left no review at all. Just under one-third of guests who didn’t rate their experience will return.

Figure 10: Guests’ likelihood of making a return visit based on how they rated their experience with the brand in 2020
Surprisingly, guests leaving a 1-star review were more likely to make a return visit than those whose rating averaged 1.1 to 2.2 stars. This is probably because guests giving more nuanced reviews – those that result in overall scores between 1.1 and 2.2 stars – had a more negative experience that elicited stronger opinions. Conversely, those who give 1-star ratings across the board likely had a bad experience but didn’t feel the need to detail each aspect of it.

From 2.3 to 5 stars, the data shows a positive, linear correlation between a higher review score and the likelihood of making a return visit.

Figure 11: Guests’ likelihood of making a return visit based on their average review score in 2020.
Reviews by Fulfillment Method

Delivery customers are again more loyal, with half of those who give a 5-star review making a return visit, as opposed to 40% of takeout guests. Plus, 32% of delivery guests who give their experience a 1-star review still place another order with the restaurant, while only 23% of takeout guests do the same.

Quality vs. Value

The data shows that subpar food is more forgivable than a perceived lack of value from the brand. Guests who gave their food a 1-star rating had a 27% likelihood of returning, whereas the figure was just 20% for those who awarded a single star for the restaurant’s value.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Food</th>
<th>Recommend to a Friend</th>
<th>Would Visit Again</th>
<th>Service</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent Returning</td>
<td>Percent Returning</td>
<td>Percent Returning</td>
<td>Percent Returning</td>
<td>Percent Returning</td>
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<tr>
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<td>32.39%</td>
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<tr>
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<td>29.66%</td>
<td>24.09%</td>
<td>24.43%</td>
<td>32.33%</td>
<td>23.93%</td>
</tr>
<tr>
<td>⭐⭐⭐⭐</td>
<td>27.79%</td>
<td>18.30%</td>
<td>16.88%</td>
<td>29.63%</td>
<td>20.16%</td>
</tr>
</tbody>
</table>

*Figure 12: Guests’ likelihood of making a return visit based on how they answered survey questions about their experience with the brand in 2020*
Salvaging the Guest Relationship

The FEEDback™ tool also makes it easy for store managers to reply to guests' surveys with customizable coupons. These can be used as a thank-you for a positive review or to apologize for an experience that fell below expectations.

Guests who received a coupon after rating their experience at 4 stars or lower were about 10% more likely to revisit the brand than those who left a similar rating but didn’t receive a coupon. That gap begins to close at about 4.1 stars, and guests who rated their experience at 5 stars were likely to visit again whether they received a coupon or not.

Sending a coupon to guests who had a positive experience could potentially cannibalize sales. Restaurant brands should instead engage with these guests through a messaging campaign or a loyalty reward, such as a visit challenge.

Soliciting guest feedback, especially through automated surveys, provides incredible insight into what a brand is doing well, as well as the areas where it could improve. Feedback is also the strongest indicator of guest retention.
Permanence of Online Ordering

While the light is visible at the end of the pandemic tunnel, it’s clear that guest behavior has fundamentally and permanently shifted toward off-premises channels. Even as in-store sales began to recover in 2020, it was not at the expense of digital sales, which were nearly four times higher after the pandemic’s onset than they had been in the first nine weeks of the year.

According to a recent study from Paytronix and PYMNTS, 75% of dine-in restaurant customers and 73% of quick-service restaurant customers indicated that they order both online and on-premises. As the nation recovers from the pandemic, it’s likely that guests will continue to interact with restaurant brands in various ways, sometimes choosing to visit in-person and other times opting to order via a website or mobile app.

This shift in behavior started before 2020, but the pandemic certainly accelerated the change significantly. For many brands, it also opened a new customer-acquisition channel. The bulk of the increase that was seen in online orders came from guests who had never previously had on- or off-premises interactions with a particular brand.

The industry will likely see continued growth and innovation in the digital ordering channel moving forward, even after the pandemic has subsided.
Increase Profit Margins with AI to IA<sup>SM</sup>

Unlike with an on-premises meal, no manager or server is there to correct an inaccurate online order or notice a guest’s discontent. And the longer it takes to complete a transaction, the less likely a guest is to follow through with placing an order. In fact, a consumer study by Splitit found that 87% of online shoppers will abandon their purchase if the checkout process is too difficult. It’s therefore critical to make the online user experience a positive one.

Optimizing the user experience starts with choosing the right online ordering provider and building an appealing site. But the brands that go above and beyond are incorporating new technologies like artificial intelligence into their digital platforms.

Paytronix offers a solution called AI to IA<sup>SM</sup> – the practice of using artificial intelligence to drive individual action. It removes the guesswork for marketers and operators by providing the insight they need to produce the most effective and intuitive ordering experiences for guests.

Artificial intelligence can be used to bolster your brand’s online ordering platform in many ways, but two key functions are menu variant testing and intelligent cross-selling.
1. **Menu Variant Testing** effectively creates a series of tests on the digital menu to help your brand better understand what resonates most with guests. Users may set as many menu variants as they choose. One menu might promote popular dishes at the top of the page, while another displays the highest-margin items in the same position.

When guests visit the platform, various versions of the site will be presented to randomized guest segments. The AI then collects data on how they perform across several KPIs, and the best-performing menu presentation is recommended.

Menu variant testing enables brands to test the effectiveness of everything from menu organization to verbiage. There’s no question that high-quality food imagery correlates to larger basket size, and a Cornell study found that using descriptive words for menu items increased sales by 27%.

2. **Intelligent Cross-Sell** provides another means of boosting revenue with AI. This feature uses an algorithm to identify items that are frequently sold together in order to make up-sell suggestions to guests based on what they’re already planning to order. For example, a guest ordering a pizza might get a recommendation for a two-liter of soda, while a guest ordering a burger might receive a recommendation for fries.

Because it’s powered by AI, the intelligent cross-selling tool can take into account factors other than which items are often sold together. It can also consider a particular loyalty member’s information, like favorite menu items or dietary preferences, to make an accurate suggestion every time.

These recommendations, which appear in a simple pop-up window, make adding an item to the cart as easy as clicking a button. They represent a huge opportunity to increase profit margins on every order. They represent a huge opportunity to increase a guest’s basket size and drive top line sales.

Curious to see how AI to IA℠ can benefit your brand? Visit us at paytronix.com to learn more.
GLOSSARY

**On-Premises/In-Store** - Referring to something that is purchased, ordered, or consumed at the physical restaurant location.

**Off-Premises** - Referring to something that is purchased, ordered, or consumed somewhere other than the physical restaurant location.

**Online Ordering Platform** - Any digital, consumer-facing, first-party method of placing food orders at a restaurant, typically to be consumed off-premises.

**Marketplace** - Consumer-facing online platforms, such as DoorDash or Grubhub, that act as a centralized ordering-and-delivery interface for multiple restaurants.

**Takeout** - A food order that is typically picked up at the restaurant and consumed off-premises.

**Curbside** - A takeout method in which an employee of the restaurant brings food to a parked vehicle.

**In-house delivery** - A method of food-order fulfillment in which an employee of the restaurant delivers food to guests

**Third-party delivery** - A method of food-order fulfillment in which a private contractor or an employee of a third-party service, such as DoorDash or Grubhub, delivers food to guests.

**Subtotal** - The amount of an order check before discounts, taxes, tips, and fees.
Give your guests an exceptional online ordering experience with Paytronix.

Order & Delivery is an online ordering solution built to deliver exceptional guest experiences. A flexible, feature-rich platform enables rapid processing of digital orders.

DRIVE MORE ORDERS
Accepting orders directly through Google search, integrations with the industry’s top third-party marketplaces, and the ability to add a first-party ordering solution with third-party delivery options make Paytronix an in-demand tool set for today’s digital ordering needs.

INCREASE BASKET SIZE
Use Paytronix’s built-in tools to optimize menus, cross-sell with AI, create custom guest experiences through native loyalty and CRM features, and motivate larger, more frequent orders.

MAKE CHECKOUT EASY
Streamline guests’ payments with stored value balances, single-tap payment through Apple Pay and Google Pay, native reward balances and redemption features like subscriptions, and the ability to add multiple offers to a single order.

STREAMLINE OPERATIONS
With enterprise-level menu management, integrations with the most prolific POS systems and third-party marketplaces, data visualization, and detailed order reports, the Paytronix platform reduces errors and enables elevated guest experiences. Plus, real-time survey results delivered directly to the restaurant manager provide critical insight where it’s needed to improve operations on the spot.

For more information, visit www.paytronix.com or call 617-649-3300, ext. 5. Or visit www.paytronix.com/resources for more tips on how to boost your online sales.