The Food Delivery sector refers to digital, on-demand platforms for ordering and paying for prepared food and, increasingly, groceries and other retail items. Restaurants/retailers fill the orders and couriers deliver them to customers within a prescribed timeframe.

<table>
<thead>
<tr>
<th>Last Mile / Last Link: World’s Biggest e-Commerce Food-Delivery Companies</th>
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<tbody>
<tr>
<td><strong>Company (HQ)</strong></td>
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<tr>
<td>Meituan (China)</td>
</tr>
<tr>
<td>Uber Eats (subsidiary of Uber) / Postmates (USA)</td>
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<tr>
<td>Ele.me (China)</td>
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<td>DoorDash (USA)</td>
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</tbody>
</table>
Historically, ETC Group has considered consumer-facing Food Retail the industrial food chain’s last link. Now, for the first time, we highlight companies that cover the “last mile” — those that enlist couriers — who drive cars, ride motorcycles or bikes — to deliver food into consumers’ hands at their home or office door. The sector was revving up before the Covid-19 pandemic, but 2020 saw turbo-charged growth as food delivery became a frontline service in the midst of lockdowns. Nonetheless, the sector’s pre-pandemic features and trends still hold:

- **Rapid Consolidation:** Ownership is a moving target as companies jostle for regional hegemony and buy/sell/swap stakes in competitors.
• **Worker Exploitation:** The ambiguous legal status of couriers is integral to the on-demand business model. Along with related “sharing economy” sectors such as ride-hailing – also now firmly in the grasp of Big Tech – food delivery has invited worker exploitation. Around the world, governments and courts have only recently begun to address the issue.

• **Slow to Deliver Profits:** Venture capital and technology investment has fueled the sector, but companies have yet to deliver profits – even in the sector-friendly circumstances of the global pandemic when delivery became more necessity than convenience. Tweaking the business model to move toward profitability – most prominently by adding grocery delivery – is underway. (User-data is its own reward, however, and gives companies unprecedented access to customers’ preferences and, literally, their tastes.)

On-demand, platform-based food delivery is part of urban e-commerce: it doesn’t exist in the absence of smartphone apps, Internet connectivity and population density. The original business model, a 21st century invention, looks similar in cities around the world: start-up companies created apps for ordering prepared food and partnered with restaurants that pay a commission to have their menus represented on the apps; customers then download the apps, order and pay for food and delivery using a credit card or a mobile payment app (e.g., Alipay, Apple Pay); couriers – whose (multiple) deliveries and routes are chosen by algorithms and guided by GPS for maximum efficiency – bring the orders from the restaurant to the customers within an agreed-upon timeframe.

Delivery platforms claim to be helping local businesses connect to customers, who benefit from the “affordable convenience” of eating-in (without meal prep), all while offering “meaningful work” to “underemployed” people drawn to the flexibility of the gig economy. Low overheads is integral to the business model with restaurant workers supplying the food and the delivery labour force – the “dashers,” “riders” or “partners” – considered independent contractors instead of employees (and therefore not eligible for social security, injury compensation or other benefits).

From the beginning, the model has been, explicitly, less about food service and more about logistics, e-commerce (including customer-data collection) and attracting technology-focused venture capital investors. Competition in the new sector quickly heated up: some players were gobbled up, and those that remained raised even more investment cash – while buying and swapping stakes in competitors. The kings of e-retail, Amazon and Alibaba, both invested (see table).
Trends: chew on this

**Delivering Revenue but No Profit:** The business model’s most glaring flaw – though not its most egregious one – is that it isn’t financially profitable. So far, in most places in the world, the cost of doing business exceeds revenue (though the additional value of the trove of exploitable data on customer tastes and habits is great). A review of company annual reports makes the lack of profitability abundantly clear (see table above, “Last Link/Last Mile”, and accompanying endnotes, where seven of the 10 companies finished fiscal year 2020 clearly in the red by US$ hundred-millions or even billions). Analysts note that the sector’s losses weren’t necessarily problematic, at least at first, because profitability wasn’t the goal: the companies were “just trying to get traction for their start-ups, all of which needed to attract customers quickly to establish a dominant market position, elbow out competitors and justify their soaring valuations.” In practice, jostling for dominance meant offering deep discounts to customers – to get them on the apps and to keep them there – even when that necessitated a “cash burn.” Persistent losses have led platforms to emphasize metrics other than revenue to demonstrate success and keep investors excited, such as their increasing numbers of deliveries or app downloads or growing “gross transaction values” (which basically means more folk splurging on the large pizza, ending up with bigger tabs).

There may be “a limit to how far you can push the economics of a platform to make it work” – as some analysts posit with regard to food delivery – but companies haven’t reached it yet. In an attempt to move toward profitability, platforms have tweaked their algorithms – sometimes with disastrous results for couriers – to try to get more deliveries out faster; they’ve created “cloud” or “ghost” kitchens, which are closed to diners but where meals from several restaurant menus can be prepared in one space for more efficient pick-up and delivery; and, in some cases, they’ve begun to raise fees – commissions for restaurants and delivery prices for diners. Across the board, they’ve expanded their delivery offerings to include groceries and other items (see table).
The Gig is Up? Will Courier Conditions Improve? What may ultimately put the brakes on food delivery is the sector’s inhumane and (possibly) untenable labour practices, though the promise of advanced automation may mute the calls for change. With little or no protections or perks, couriers put themselves in danger (by speeding, breaking traffic laws, travelling through high-crime areas) rather than risk being fined or fired if they don’t deliver often enough and fast enough. While gig work is supposed to allow people to choose how much and when they work, the reality is that the platforms are in control. Zomato, for example, can disable the account of any courier who turns down three delivery jobs in one day. Couriers in China can be fined US$300 (about a week’s wages) if a dissatisfied customer sends an email complaint to the platform. Couriers have begun protesting – sometimes in acts of desperation – and self-organizing, in both the global North and South.

There are some indications that governments may be ready to enact labour reforms and put an end to the platforms’ free ride. In July 2021, China’s antitrust regulator issued a directive to delivery platforms to improve how they treat couriers, including by reducing the demand for fast deliveries. In September, the country’s delivery giants – Meituan and ele.me (Alibaba) – promised to stop forcing couriers to register as self-employed business owners. The European Commission is now considering ways to improve the working conditions of platform workers, generally, and food delivery workers specifically. Just months after Spain announced it will require platforms to recognize delivery workers as employees – the first EU country to do so – Deliveroo announced it was ceasing operations there. Deliveroo’s home country UK, on the other hand, seems to have settled the issue the other way: delivery workers are self-employed, UK courts have affirmed. In the USA, New York City became the first to pass legislation to regulate the food delivery sector, establishing minimum pay and other worker protections.

Will food delivery survive this “crisis of technology crashing into reality”? It’s hard to root for its survival, especially considering some of the other problems the sector has created, including dasher-dodging on overcrowded city sidewalks, significant increases in trash from takeaway packaging, and the deskilling of an overburdened labour force that is constantly controlled (directed and surveilled) by the platforms. But as more and more people move to cities (beyond the more than 55% of world population that is already urbanized), income inequality will likely result in both increased demand for the convenience of food/grocery delivery and a desperate workforce willing to deliver food in order to eat. As others have noted, reeling in corporate greed in the food/grocery delivery sector will require both collective action and changes to employment laws.
Notes
9. DoorDash, Inc., Form 10-K, 2020, p. 71: https://di8nm0p25nr6d.cloudfront.net/CIK-0001792789/e68c3275-56ed-4bc8-a246-2087ca40742ce.pdf. Note: “…we have incurred net losses in each year since our founding, we anticipate increasing expenses in the future, and we may not be able to maintain or increase profitability in the future. We incurred a net loss of $204 million, $667 million, and $461 million in the years ended December 31, 2018, 2019, and 2020, respectively, and, as of December 31, 2019, and 2020, we had an accumulated deficit of $1.2 billion and $1.6 billion, respectively. We expect our costs will increase over time and our losses to continue as we expect to invest significant additional funds towards growing our business and operating as a public company.”
12. Just Eat Takeaway.com annual report, 2020, p. 161. Reported loss for the period was €147 million before taxes.
15. iFood is a Brazilian subsidiary of Movile, whose majority shareholder is Prosus. Prosus is a private company and does not report iFood’s revenue separately. Just Eat Takeaway holds a 33% stake in the company. In its 2020 annual report (p. 213), Just Eat Takeaway reported on iFood’s financial performance for the calendar year 2020 and reported revenue of €433 million: https://s3.eu-central-1.amazonaws.com/takeaway-corporatewebsite-dev/just-eat-takeawaycom-annual-report-2020.pdf.
20. Some apps, such as Grubhub (now owned by Just Eat Takeaway.com), started out as menu aggregators and ordering platforms – with restaurants paying a fee to have their menu on the app – and later grew into full-fledged delivery companies.
23. An article on the website of Invisibly, an organization promoting the monetization of personal data by individuals.
provides a quantitative analysis showing how companies value personal data. See, Invisibly, “How Much is Your Data Worth? The Complete Breakdown for 2021,” 13 July 2021: https://www.invisibly.com/learn-blog?category-valueOf-Data
datafilter.

25 Of the three companies that may be turning a profit in food delivery, ifood is private and does not make public its profits/losses; Meituan, the world’s largest food delivery company, appears to have become profitable for the first time at the end of 2019, according to Ryan McMorrow, Meituan Dis-  

26 of the January 2021, both Meituan and Ele.me reported profits, although Alibaba did not. As of September 2021, Meituan does not report losses separately.


28 Sunee Tandon, “Amazon’s expansion in food delivery service to up competition,” Mint, 10 March 2021:  https://www.livemint.com/news/india/am-  

29 Zomato, for example, tweaked its algorithm without warn- ing its deliveryers, who were sent far afield from their usual delivery zones, resulting in lower wages and, in some cases, exposure to crime. See Nilesh Christopher, “A tiny tweak to Zomato’s algorithm led to lost delivery riders, stolen bikes and missed wages,” Rest of world, 07 October 2021:  https://  


31 Nilesh Christopher, “A tiny tweak to Zomato’s algorithm led to lost delivery riders, stolen bikes and missed wages,” Rest of world, 07 October 2021:  https://  


33 In January 2021, a courier working for both Meituan and ele- me in China set himself on fire to protest not being paid his rightful wages. See Yaun Yang and Ryan McMorrow, “Chi- nese courier sets fire to himself in protest over unpaid Ali- baba wages,” Financial Times, 12 January 2021:  https://www. ft.com/content/d6689e29-80a6-43dd-a412-b8dab9acaf2.

34 Satyavrat Krishnakumar and Amay Korjan, “Worker-Led Al-  

35 Jiayun Feng, “Food delivery giants Ele.me and Meituan promise to stop treating delivery workers like disposable  

36 Jiayun Feng, “Food delivery giants Ele.me and Meituan promise to stop treating delivery workers like disposable  


44 Satyavrat Krishnakumar and Amay Korjan, “Worker-Led Al-  


46 Satyavrat Krishnakumar and Amay Korjan, “Worker-Led Al-  

Research by ETC Group, September 2022 - Full report with citations is available here: https://www.etcgroup.org/content/food-barons-2022