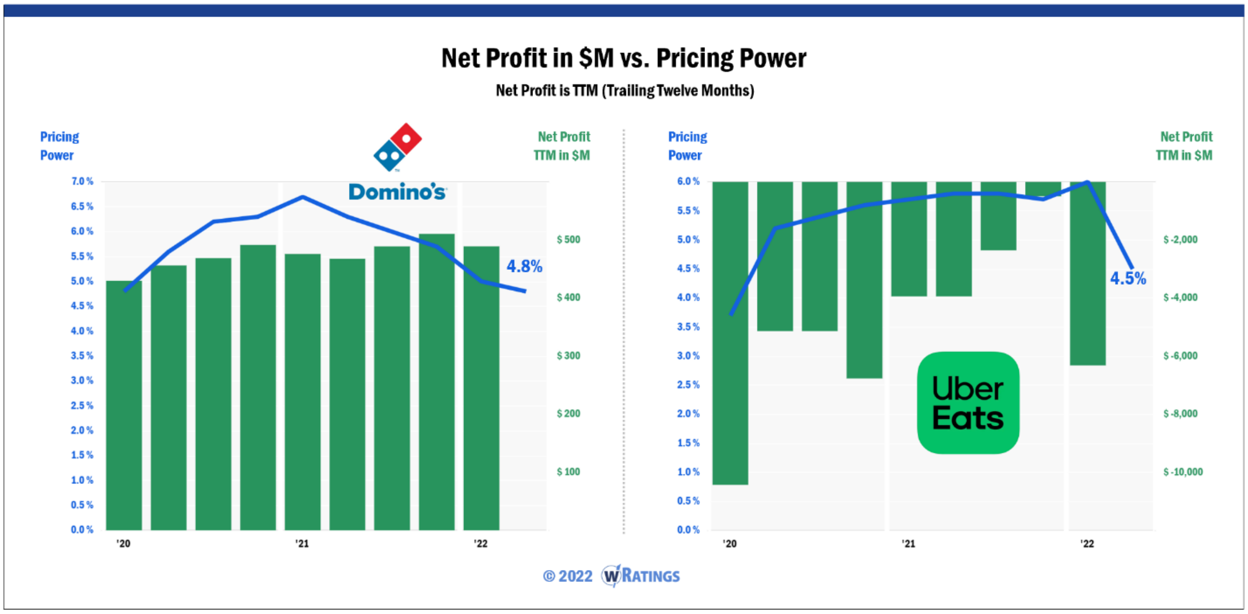
How times have changed. Just last week, we asked our teenage son where he wanted to order food from tonight. His answer: “Uber Eats.” A decade ago, the only possible answers (for the most part) were Domino’s, Papa Johns or Pizza Hut. And while Domino’s (NYSE: DPZ) and Uber (NYSE: UBER) are not technically direct competitors, customers clearly view them as rivals when it comes to ordering food for delivery.

Yet, what customers expect from Domino’s is quite different than what they expect from Uber Eats, and those expectations provide a substantial advantage for Domino’s and other food companies that opt to deliver their food direct. This report pits Domino’s versus Uber Eats in a head-to-head format, so we can clearly see what controls customer decisions and ultimately impact how to drive profits via food delivery. We will then look at how each company might exploit one untapped customer need to unlock compelling value.

Similar to the how Ford and Tesla must fight for electric vehicle (EV) market share today, the incumbent Domino’s must take on technology upstart Uber Eats a classic “Standard vs. Challenger” in the food delivery market. Winners find ways to shift new sources of compelling value in their direction, with those sources often coming from areas visible to customers that executive teams often don’t see or ignore.

Economic Winner: Domino’s

Back in early 2021, Domino’s CFO said the company has “never made a dollar delivering a pizza.” They do make money on the product though, and **comparing the net profit over the past several years confirms that Domino’s is the economic winner over Uber** (see Net Profit charts). Other delivery services such as DoorDash and GrubHub (now owned by Just Eat Takeaway) share the same financial results with net profit losses dating back years.



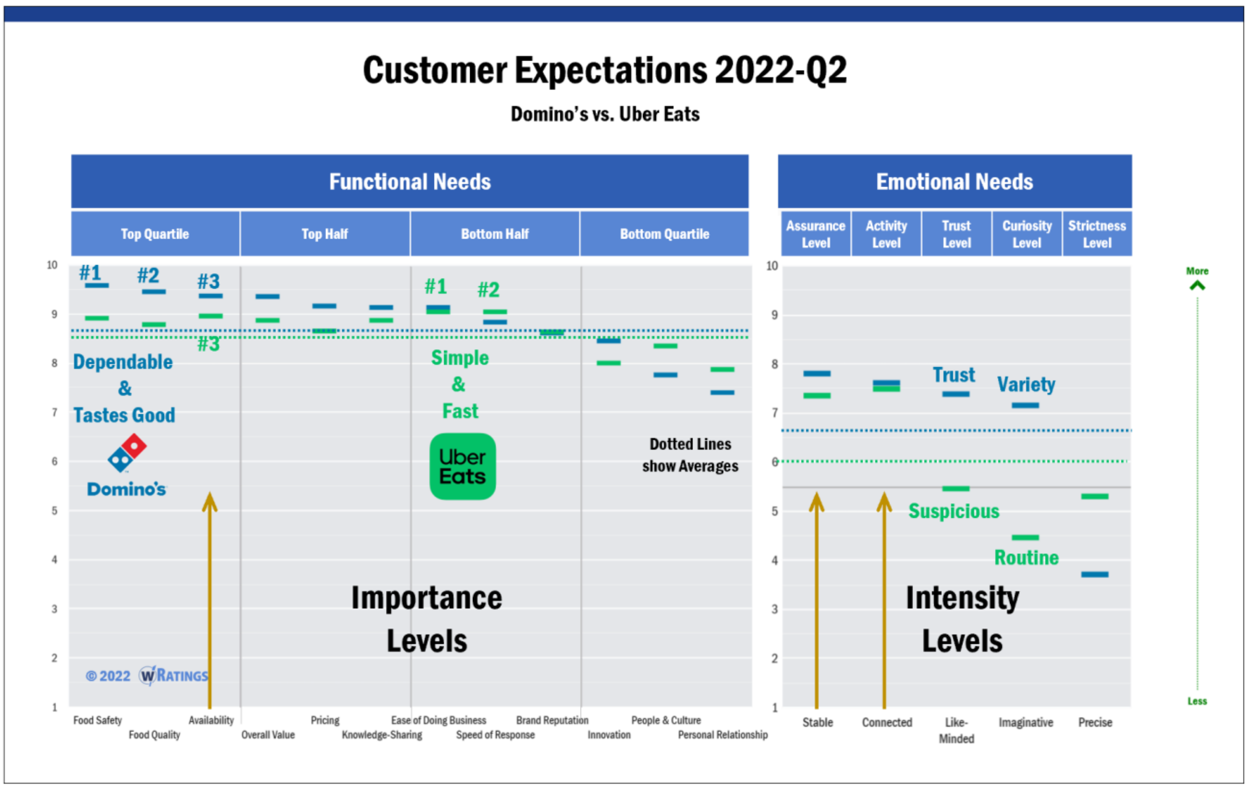
Assuming their CFO's statement is accurate, Domino's business framework must operate much differently than Uber Eats, which it most clearly does. This also implies that the frameworks for food delivery services are in trouble in their current designs. As we will see in their Moat Profiles, customer data not only supports both of these statements; The data shows the pathway out for each company.

Pricing power trends over the last two years with customers of each company remain quite similar in price range, and both have dropped recently to almost be identical at 4.5% to 4.8%. This reinforces just how competitive the food delivery market is today. We define pricing power as the amount more customers are willing to pay if expectations for their ideal company were met. In our competitive benchmark database for 2022-Q2, companies in B2C (business-to-consumer) markets average ~5% pricing power with customers which indicates Domino's and Uber Eats customers are becoming less value-oriented and more price-oriented, unless executives at the companies can reverse the trend (which is entirely possible).

The lack of any substantial breakout of pricing power along with the most recent declines indicates that customers are in search of more value from both companies. In other words, opportunity exists for those executives that see it.

Same Goal, Different Reasons to Use

The goal of food delivery is the same. Customers want to order their food (i.e. connection), receive their order (i.e. availability) within a reasonable time, and not worry about anything else (i.e. assurance). In the Customer Expectations chart, gold arrows show these three needs with common levels of importance and intensity for both Domino's and Uber Eats customers. And when expectations are taken as a whole, the average importance levels of customers are about the same for each company.



Yet, when it comes to choosing which companies to use over and over again, differences arise and some of them are quite substantial. Domino's customers seek out dependability and food that tastes good (#1 and #2 in importance), whereas Uber Eats' customers want a simple and fast transaction to get their food. These expectation differences align well with the Domino's CFO saying they make their money on the food product, whereas Uber Eats (doesn't) make their money on the food delivery. Of course, no customer is ordering from Uber Eats due to their high quality of food since they don't' sell a product, they provide a service. Food quality is where direct delivery restaurants possess a potential advantage over services: They can 100% control the door-to-door quality of the food.

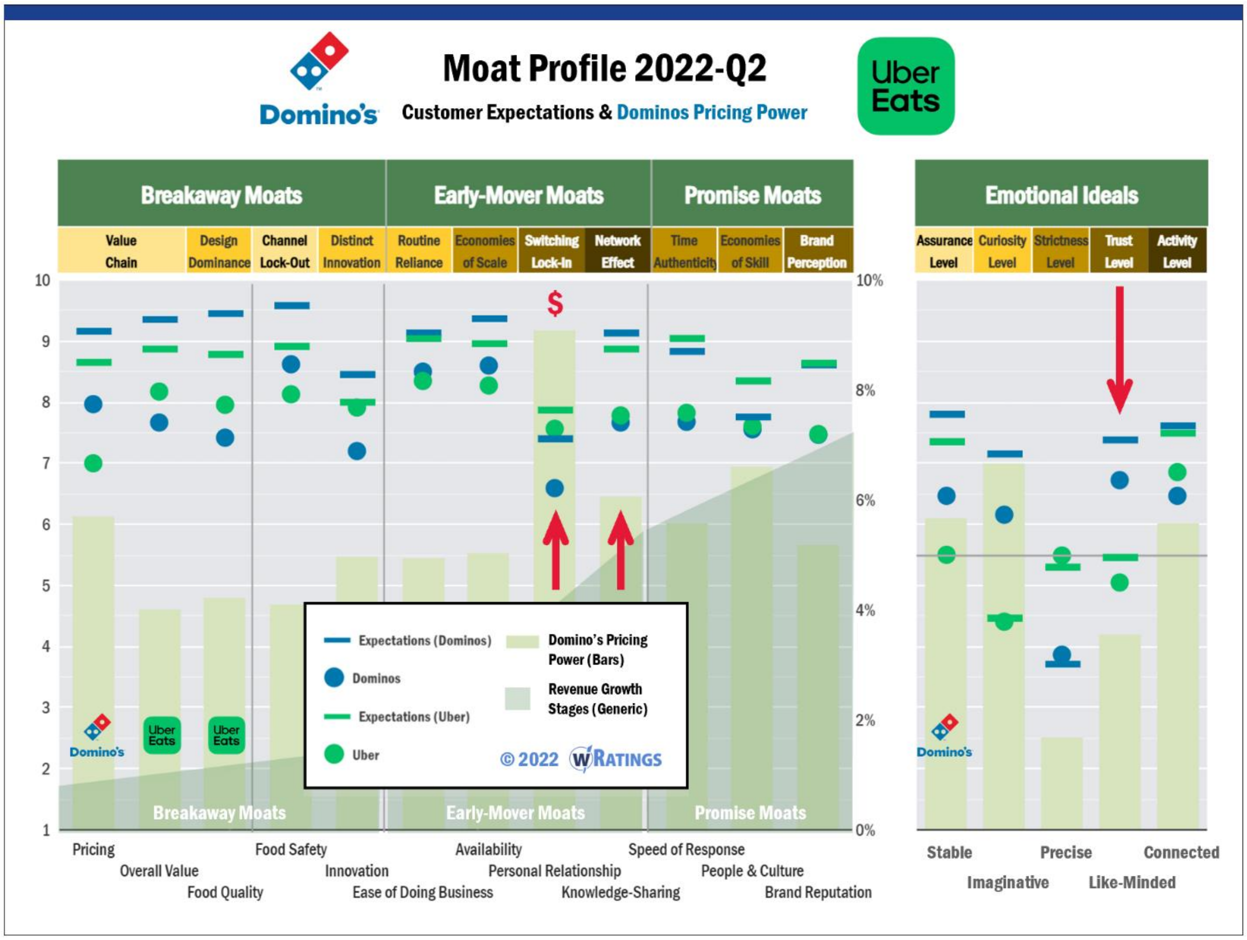
Substantial differences arise when it comes to the expectation levels for trust and curiosity. Emotional needs are how a customer wants to feel when experiencing the product/service.

Domino's customers trust the delivery, whereas Uber Eats' customers are suspicious. Domino's customers crave more variety whereas Uber Eats' customers seek out a more routine experience. In terms of emotional needs, customers want the opposite experience from each company. **This is critical for any restaurant owner/executive to understand when it comes to delivering their food direct and bypassing a delivery service. They have an inherent advantage to simultaneously be trusted and imaginative**.

On the other side is that customers are going to be suspicious of food delivery services like Uber, yet will continue to use them because of the regular cadence they provide.

The Domino's Challenge

Moat Profile charts show multiple ways to look at value and growth within one view. In addition to the previous chart showing only customer expectations, Moat Profiles add in customer perception of how well Domino's and Uber Eats perform. Based on our 5- and 10-year studies of historical data, our research shows how customers must clear certain thresholds to enable future purchases. That order follows the sequence of revenue growth for companies, where customer needs furthest to the left must be addressed before companies can breakaway into future competitive advantages. Using a golf analogy, executives must aim for their company to "shoot par" on those first two most for Value Chain and Design Dominance. No need to be Jack Nicklaus or Tiger Woods. Just deliver performance within an acceptable range. Once there, customers can then move their decision-making into other, "higher" areas of need to evaluate the company.



Because food delivery can be viewed somewhat commoditized (although it definitely is not), customers view Domino's as much better at pricing than Uber Eats. But in terms of overall value and quality, customers view Domino's as inferior to Uber Eats. Worse yet, customers have higher expectations for value and quality from Domino's.

Here's the catch though: Customers are not willing to pay much more for that improved performance as both needs are low in pricing power. Yet, companies must establish at least a "status quo" minimum of overall value and quality in order for customers to move beyond the Breakaway Moats. This indicates that Domino's should work on its food quality in order to continue growing revenues, as most customers won't buy more frequently or more menu options from them unless the food quality improves.

For the most part, this is probably achievable if executives choose to focus on this. Whether they do this by looking inwards or outwards is a critical decision. Partnerships with local, independent restaurants might be one option. This could deliver higher quality food immediately and streamline their own, in-house menu items (which customers perceive of lower quality). This may also diversify their menu choices, which could increase frequency of orders.

The dilemma for Uber Eats executives is far more difficult though. They have a pricing problem. We will tackle this challenge in the next section.

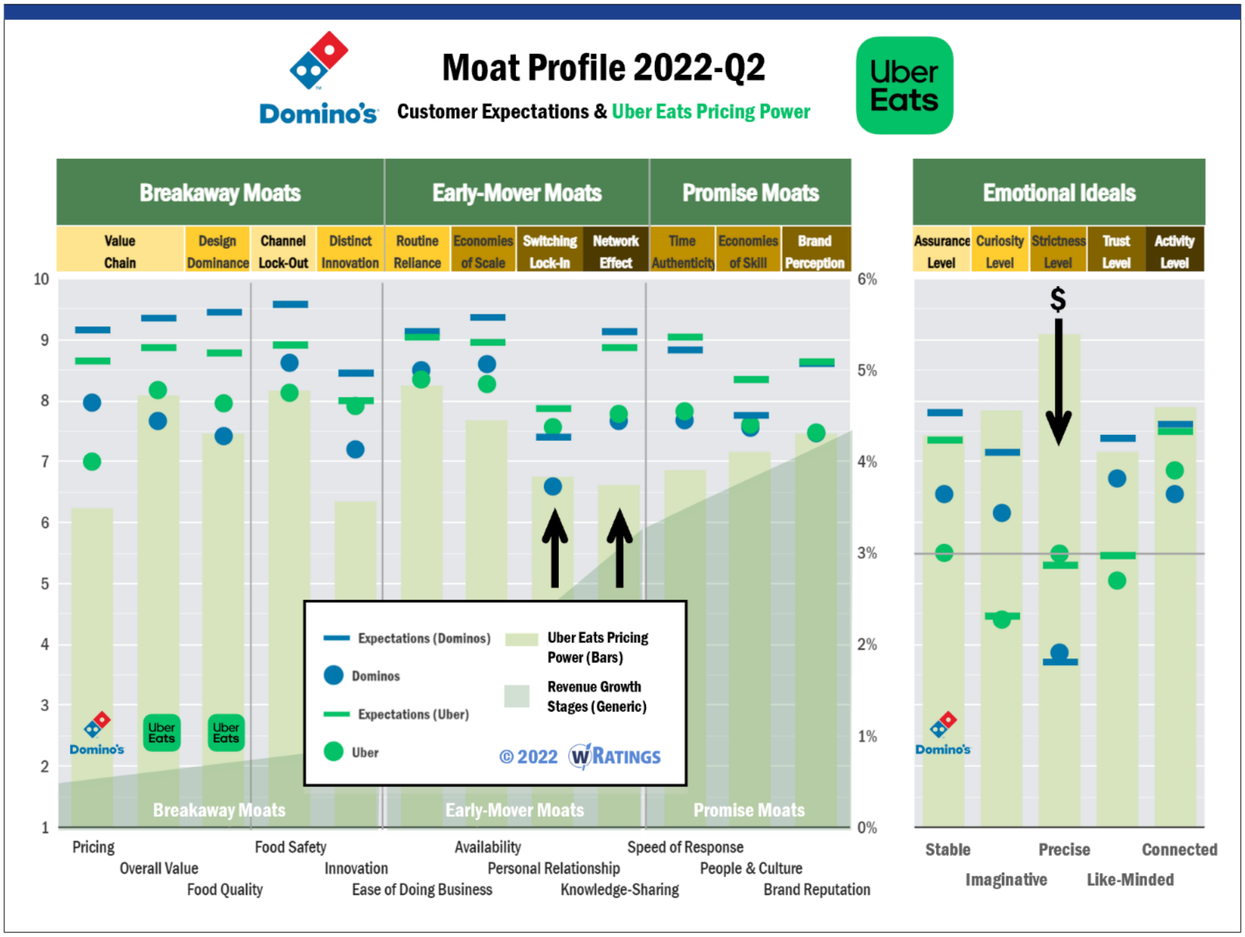
Assuming Domino's increases their food quality some (again, they do not have to be a leader), executives can continue building value in the next set of Early Mover Moats. **A Switching Lock-In moat, where consumers build a bond with a company through business or personal relationships, has the highest pricing power by far with Domino's customers**. Today, customers rate personal relationship as the lowest in importance of all functional needs. This provides an enormous advantage for the executive team that knows how to generate demand for new capabilities (e.g. Think Steve Jobs and the camera on the iPhone or Howard Schultz and the "bar-like" ordering of coffee).

Combining personal relationship development with knowledge-sharing (Network Effect moat), which is already high in importance with both Domino's and Uber Eats lacking performance, is one intriguing way to build compelling value in two moats simultaneously. Customers already trust Domino's, and direct food delivery provides unique advantages with their drivers over pure delivery services.

Uber Eats Needs to Get Hungry

This Moat Profile is identical the previous one, but replaces what Domino's customers are willing to pay more for (i.e. pricing power) with what Uber Eats customers are willing to pay. One of the most critical observations is how customers rate their Pricing levels. When we look at the previous Moat Profile of Domino's customers, they are more satisfied with ~5.7% pricing power across all the functional needs. This indicates customers see value from Domino's as possible (i.e. improvement could drive acceptable price increases).

Looking at the Uber Eats Moat Profile below, the Uber Eats customers are less satisfied with pricing today than Domino's customers (by ~1 point), and they are also less willing to pay anything more with ~3.5% (which is 2+% lower than Domino's). This indicates that Uber Eats is likely commoditized in its current business framework.



This does not mean that Uber Eats and other food delivery services cannot survive, and possibly even thrive with adjustments. It just means they are likely to hit tremendous resistance to any price increases or, at least any price increases that are also not being matched by their direct delivery peers. Customers will receive surcharges for fuel or supply chain issues equally, but the challenge for Uber Eats is they are already struggling to get to profitability.

Based on the highest pricing power (see $ in Moat Profile), Uber Eats customers view the company as equally precise & flexible. Our research indicates this is a difficult balance to achieve, and could very well be a unique source of value to the company. With over 5% pricing power in Precision and customers already believing the company hits their expectation levels for Strictness, Uber Eats executives may look at ways to increase their data usage. Being able to better predict and assist customers in their food delivery experience is highly desirable.

Think of automobile traffic app "Waze" connecting up with the food delivery process, but predicting the entire food delivery process from order-to-your-front-door across ANY restaurant to order whatever food you desire. Customers are already willing to pay more for their Uber Eats experience if the company helps them be easy to do business and speedy. Share this knowledge and build a personal relationship, and customers may be willing to see more value in Uber Eats over its other food delivery rivals.

The battle for customer food delivery has not been won. In our 2022-Q2 competitive rankings of the W-30 companies, which are forced percentiles based on how well each company meets their customers' expectations, Uber Eats is at 64% and Domino's is at 41%. Amazon, which recently partnered with GrubHub, ranks higher than both. Look for the Jeff Bezos way of delivering products to raise food delivery to a new level,

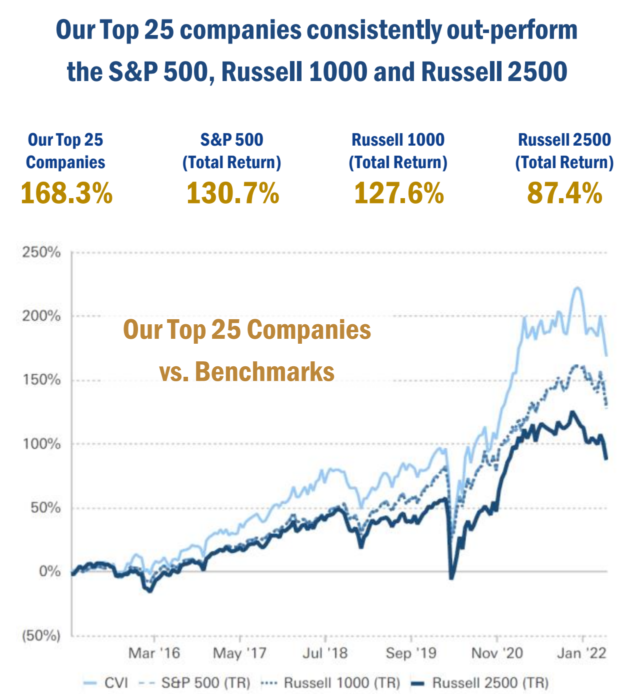
About The W Report™

The W Report™ provides a proven, innovative way to see what contributes to a company's revenue growth today, and predictive power of where to focus efforts that will drive future revenue. Created by **Harvard Business Review** author Gary A. Williams, the patented wRatings system provides fresh, forward-looking data and analytics that cannot be found anywhere else.

Our competitive strength research requires a number of fixed investments to help executives make decisions about how to drive organic revenue growth. Basic economic theory shows that in a highly competitive market, returns will be driven down to essentially no economic profit as rivals imitate any known advantage. To achieve a durable advantage, executives must find ways to defy this very powerful force of competition.

Since starting a fund on January 1st, 2015, the Top 25 Companies in our rankings have outperformed the S&P 500, the Russell 1000 and Russell 2500 by double-digits. Our research was featured as the May 2002 cover article in Harvard Business Review.

The wRatings Corporation provides CEOs, their executive teams and PE Firms & Hedge Funds with subscriptions to our independent competitive research analytics.



Source: Concentus Wealth Advisors, May 1st, 2022